

## **ATLAS LEASE LIMITED**

### **ANNUAL REPORT 1997**

*Constantly endeavour  
to contribute towards  
economic development  
of the Country. Lead  
the industry by  
providing quality  
service to customers  
and ensure continuous  
growth in the  
shareholders' value  
through a youthful goal  
oriented team.*

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### **CORPORATE DATA**

#### **BOARD OF DIRECTORS:**

##### **CHAIRMAN**

Mr. Yusuf H. Shirazi

##### **CHIEF EXECUTIVE**

Mr. Khaleeq-ur-Rahman Khan

##### **MEMBERS**

Mr. A.K.M. Sayeed  
Mr. Iftikhar H. Shirazi  
Mr. Kenichi Nakagawa  
Mr. Razi-ur-Rahman Khan  
Mr. Sanaullah Qureshi  
Mr. Toshiki Miyazaki

##### **COMPANY SECRETARY**

Mr. Muhammad Rafique Umer

#### **GROUP EXECUTIVE COMMITTEE:**

##### **CHAIRMAN**

Mr. Yusuf H. Shirazi

**MEMBERS**

Mr. Jawaid Iqbal Ahmed  
Mr. Frahim Ali Khan  
Mr. Iftikhar H. Shirazi  
Mr. Aamir H. Shirazi  
Mr. Saquib H. Shirazi

**SECRETARY**

Mr. Amjad Hussain

**GROUP PERSONNEL COMMITTEE:**

**CHAIRMAN**

Mr. Yusuf H. Shirazi

**GROUP AUDIT COMMITTEE:**

**CHAIRMAN**

Mr. Sanaullah Qureshi

**AUDITORS:**

Ford, Rhodes, Robson, Morrow  
Chartered Accountants

**LEGAL ADVISORS:**

Mohsin Tayebaly & Co.

**BANKERS & LENDING INSTITUTIONS:**

**BANKERS:**

ABN AMRO Bank  
Allied Bank of Pakistan Limited  
ANZ Grindlays Bank plc  
Askari Commercial Bank Limited  
Faysal Bank Limited  
Habib Bank AG Zurich  
Habib Bank Limited  
Standard Chartered Bank  
The Bank of Tokyo-Mitsubishi, Limited  
The Hongkong and Shanghai Banking Corporation  
United Bank Limited

**LENDING INSTITUTIONS:**

AI-Faysal Investment Bank Ltd.  
Asian Development Bank (ADB)  
Commonwealth Development Corporation (CDC)  
First International Investment Bank Ltd.  
German Investment and Development Company (DEG)  
International Finance Corporation (IFC)  
National Discounting Services Ltd.  
Netherlands Development Finance Company (FMO)  
Pakistan Kuwait Inv. Co. (Pvt.) Ltd.  
Saudi Pak Industrial & Agricultural Inv. Co. (Pvt.) Ltd.

**REGISTERED OFFICE & HEAD OFFICE :**

Federation House, Sharae Firdousi,  
Clifton, Karachi - 75600  
Tel: (92-21) 5866817 - 20, 5866919 - 20 Fax: 5870543  
E-mail: all @atlasgroup.pk.com

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atlasl @ paknet3.ptc.pk

**BRANCH OFFICES:**

**LAHORE OFFICE:**

1st Floor, Emirates Bank Building,  
14 - Egerton Road, Lahore  
Tel: (92-42) 6366170 - 74,6364941 Fax: 6365058

**ISLAMABAD OFFICE:**

2nd Floor, Saudi Pak Tower,  
Blue Area, Islamabad  
Tel: (92-51) 824906, 824909 Fax: 821377

**NOTICE OF MEETING**

Notice is hereby given that the Tenth Annual General Meeting of the members of ATLAS LEASE LIMITED will be held on Thursday the November 20, 1997 at 11.00 a.m. at Registered Office of the Company at Federation House, Sharae Firdousi, Clifton, Karachi to transact the following business:

**ORDINARY BUSINESS:**

1. To confirm the Minutes of the last Extra-ordinary General Meeting held on April 29, 1997.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 1997 together with the Directors' and Auditors' Report thereon.
3. To appoint Auditors and fix their remuneration for the year 1997-98. The retiring Auditors M/s. Ford, Rhodes, Robson, Morrow, Chartered Accountants, being eligible, offer themselves for reappointment.

**SPECIAL BUSINESS:**

4. To approve the remuneration of the Chief Executive and the working Director.

**OTHER BUSINESS:**

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

A statement under section 160 of the Companies Ordinance, 1984 pertaining to the Special Business referred to above is annexed to this Notice of Meeting.

**NOTES:**

- i) The Register of Members of the Company will remain closed from 14/11/1997 to 20/11/1997 (both days inclusive).
- ii) A member entitled to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote on his / her behalf. The instrument appointing a Proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of authority must be received at the Registered Office of the company duly stamped, signed and witnessed not later than 48 hours before the meeting. A form of Proxy is enclosed.
- iii) Members are requested to notify any change in their addresses immediately.

**STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984**

This statement sets out the material facts concerning the Special Business to be transacted at the Tenth Annual General Meeting of Atlas Lease Limited to be held on November 20, 1997.

Approval of the shareholders will be sought for the remuneration payable to the Chief Executive and working Director in accordance with their terms and conditions of service. For this purpose, it

is intended to pass following resolution as an Ordinary Resolution, namely .

**RESOLVED**

"that the Company hereby authorises the holding of offices of profit and payment as remuneration to Mr. Khaleeq-ur-Rahman Khan, Chief Executive and Mr. Iftikhar H. Shirazi, working Director, not exceeding in the aggregate Rs.4.0 million per annum for the year ending June 30, 1998 together with other benefits as per Company policy."

The Chief Executive and the working Director are interested in the remuneration payable to them.

**DIRECTORS' REPORT**

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

<b>Financial Results:</b>	<b>1997</b>	<b>1 996</b>
	<b>Rupees</b>	<b>Rupees</b>
	-----	-----
Net profit for the year after charging all expenses and doubtful debts	17,722,779	41,733,087
Previous profit brought forward	35,731	81,234
Profit available for appropriation	17,758,510	41,81 4,321
Appropriations:	-----	-----
Transfer to Statutory Reserve	3,544,556	-
Transfer to General Reserve	10,000,000	26,000,000
Cash dividend	-	15,778,590
	-----	-----
	13,544,556	41,778,590
	-----	-----
Unappropriated profit carried forward	4,213,954	35,731
	=====	=====

**Chairman's Review:**

The accompanying Chairman's Review deals with the performance of the Company during the year and future outlook. The Directors of the Company endorse the contents of the review.

**Pattern of Shareholding:**

The pattern of shareholding of the Company is annexed.

**Auditors**

The present Auditors Messrs. Ford, Rhodes, Robson, Morrow, Chartered Accountants retire and being eligible offer themselves for reappointment.

**CHAIRMAN'S REVIEW**

I have the pleasure to present the 10th Annual Report of your Company for the year ended June 30, 1997.

January and February 1997. The Karachi Stock Exchange-100 index which was 1703 at the start of the year dropped to 1565 during the

During the year under review, your company made net profit after tax of Rs.17.72 million as compared to Rs.41.73 million last year. The fall in profit was mainly due to a disputed extra ordinary charge of Rs.19.92 million by the State Bank of Pakistan relating to Foreign Exchange Cover Fee payment.

**THE GROUP PERFORMANCE**

The Atlas Group, of which your company is a constituent member, relies on intellectual capital. Harmonizing human capital, owners capital and market capital i.e. the Group image at the government, business and international levels - remaining within the bounds of law, is our entrepreneurial brand equity.

**THE ECONOMY**

The country's economy did not fare well. The GDP growth rate declined to 3.1% from 4.6% of the last year. In Agriculture sector, it was down to 0.7% compared to 5.3% of the previous year. The growth rate in manufacturing sector fell down to 1.8% against 4.4% of the last year. The large scale manufacturing registered a decline of 1.4%. Heavier taxation, higher costs of raw materials, loans and utilities were the main reasons, which impeded the growth of the industrial sector.

Despite imposition of additional taxes of Rs.40.8 billion in the budget 1996-97 and further Rs.13.0 billion through another package announced in October 1996, the fiscal deficit widened to 6.2% of GDP as against budgeted target of 4.0%. The high deficit financing at 6.3% had corresponding inflationary impact of 11.6%. As a result the Balance of Payment came under pressure during the year. The exports decreased by 5.4%, imports decreased at 1.47% and the trade deficit increased to \$3.37 billion. High rates of interest-upto 23%, kept the economy depressed.

The slowdown of the economy was also reflected in the quantum index numbers for import of machinery and transport equipment. In the first three quarters of 1995-96, the index numbers were 344.5, 206.6 and 247.3 for the respective quarters. These figures were drastically down for 1996-97 and stood at 191.1, 186.4 and 146.5 respectively. The general wholesale price index and the general consumer price index kept rising and stood at 207.76 and 196.96 respectively (base: 1990-91=100). The equity market remained depressed with short lived spurts during

Your company was set up in 1989 with a paid up capital of Rs. 20.00 million which has grown to Rs. 105.19 million. The total equity is at Rs. 213.77 million which includes reserves and unappropriated profit of Rs. 108.58 million. During this period, your company made right issues at par of Rs. 30.00 million in 1990 and Rs. 33.27 million in 1995. It has paid dividend of Rs. 38.98 million and bonus Rs. 16.55 million (market value Rs. 43.03 million) against the shareholders' investment of Rs. 94.46 million.

#### **THE LEASING INDUSTRY**

Presently 32 Leasing Companies having a total paid-up capital of Rs.4.3 billion (equity Rs. 6.9 billion), are operating in the country. Besides, there are over 34 Modarabas having a total paid-up capital of Rs. 5.97 billion (equity

The Atlas Group is a diversified group dealing in engineering, financial services, trading, office equipment and information technology. It consists of seven public limited companies quoted on the stock exchanges in Pakistan and six private limited companies. Atlas shareholders equity has grown to Rs. 2 billion over the years; assets have increased to over Rs. 8 billion; personnel strength is over 2500 and sales have crossed the Rs. 8 billion mark.

The group paid taxes of Rs. 2.4 billion being 30% of the total turnover and your company's share of Rs.5.11 million being 2% of its total revenue.

The total Paid-up capital of 7 listed companies stood at Rs. 855 million and free reserves and surplus at Rs. 903 million: the total equity in listed companies was at Rs. 1,758 million. The Break-up Value per Rs.10/- worked out to Rs. 20.56. Out of these 7 companies, two companies have been rated 'A+' and three 'A' by the credit rating and other evaluating agencies. Your company is among the 'A' rated companies. Your company is also among the top 6 leasing companies and ranked 1.6 among 205 financial companies (out of total 782 companies) listed on the Karachi Stock Exchange.

The seven companies, set up at different times - the earliest in 1963 with a paid up capital of Rs. 2.0 million and the latest in 1993 with a paid up capital of Rs. 400.0 million - have paid cash dividend of Rs. 244.28 million and bonus at Rs. 166.55 million (market value Rs. 404.43 million) against the paid-up capital of Rs.855.15 million upto the year under review.

the market penetration at a low level. The credit risk is a necessary element in the leasing business. It can not be avoided. But a lot of haste, time and money, can be saved which is spent on follow up of recovery, re-structuring and re-scheduling leases, and finally ending up in unnecessary time spent and loss of money in the courts. If our court procedures are improved and recovery is made speedy through the courts of law, it will help the industry a lot. If, for example, it is made mandatory for lessors and lessees that the lessors will receive cheques from the lessees in advance for the entire lease rentals and the bouncing of cheques will be treated as a criminal offence and the punishment awarded within a fortnight on the evidence of the bounced cheque, the defaults will tremendously go down.

Rs. 6.59 billion), 15 investment banks having a total paid-up capital of Rs. 3.15 billion (equity Rs. 4.55 billion) and 14 Commercial Banks having a total paid-up capital of Rs. 8.25 billion (equity Rs. 14.81 billion), which are also engaged in leasing business directly or indirectly. The total outstanding lease portfolio amounts to Rs.20 billion. The market penetration is still only 7% which is low. The two main limiting factors, i.e. non-availability of funds and rising risk of defaults, are keeping 1996 to Rs.1,849.13 million in June 1997, up 11.42%. The lease portfolio comprised of 62.70% in machinery, 34.37% in vehicles and 2.93% in office equipment. The sectoral exposure at the end of the year stood fairly diversified, comprising of 15.10% investment in textile, 12.84% in chemical, fertilizer & pharmaceuticals, 9.78% in cement, 8.58% in steel, engineering & automobiles, 7.41% in food, tobacco & beverages and 6.94% in electrical & electronic goods.

The revenue for the year under review at Rs.324.71 million, was 13.6% higher than Rs.285.87 million in the previous year. The financial charges at Rs.242.42 million were 20.6% higher than Rs.200.95 million in the previous year. The administrative expenses rose by 5.7% from Rs.28.57 million to Rs.30.22 million. The profit before tax and extra ordinary charge by State Bank of Pakistan stood at Rs.44.56 million compared with Rs.43.18 million of the previous year. During the year the State Bank of Pakistan charged Rs.19.92 million for late payment of Exchange Risk Cover Fee in connection with the loans registered-under the Exchange Risk Coverage Scheme. Although the company was paying excess amount at the time of loan installment remittance which was accumulating with the State Bank of Pakistan, and infact the State Bank of Pakistan had made a refund after deducting the Exchange Cover Fee and the additional charge of Rs.19.92 million, yet the payment was considered late. The matter is being followed up at appropriate level to seek redressal. Thus, after providing for tax and the extra ordinary charge by the State Bank of Pakistan, the net profit stood at Rs.17.72 million as compared with Rs.41.73 million last year. The profit situation would have been better but for the extra ordinary charge as explained above.

#### **FUNDING**

Your company had two approved foreign currency credit lines in hand. Out of the approved loan of NLG 10.0 million (equivalent to US\$ 5.8 million) from Netherlands

The industry is also facing the problem of double taxation on sale and leaseback transactions and with-holding tax. This needs an early redressal.

#### **THE COMPANY'S RESULTS**

During-the year under review, your company disbursed new leases of Rs.587.04 million. Net investment in lease finance thus increased from Rs.1,659.58 million in June 1996 to Rs.1,849.13 million in June 1997. Similarly the loan of US\$ 10.0 million sanctioned by ADB was also fully drawn in the second half. Additional financial arrangements of Rs.115.0 million in the form of Demand/Term Finances, Morabaha, Promissory Discount Notes and enhancement of Running Finance facilities have been negotiated with different financial institutions locally. These funds would be available in the current year. Other areas of resource mobilization are also being considered.

#### **HUMAN RESOURCE**

Investment in people and human resource development in the Atlas Group is a continuous process. We send people for higher education and training to such institutions as Harvard Business School, Stanford, The Wharton School of Finance and Economics, INSEAD, Claremont, IMD, Notre Dame, Eton College, IBA, LUMS, PIM, etc. All the members of our senior management team have had exposure to such institutions. The others have had exposure to various other institutions of related field of interest and technology in and outside the country.

The group manpower includes 152 employees with service of over 25 years, 232 with over 20 years, 575 with over 15 years, and 753 with over 10 years service. Among them, 153 are post graduates, 493 graduates and the rest diploma holders, intermediates, matriculates and skilled workers. Group employees turnover is around 5%.

Your company started with a staff of 6 persons in 1989. The number has now increased to 49 persons by June 30, 1997. As a policy the number of staff is maintained at a low level with emphasis on employing well-qualified and skilled persons. Presently, the staff include 1 Chartered Accountant, 8 MBAs, 8 Post-graduates and 21 Graduates.

#### **CHANGE IN THE BOARD OF DIRECTORS**

Mr. H. Sasaki, on relinquishing charge as the Deputy General Manager of The Bank of Tokyo-Mitsubishi Ltd, Karachi was replaced by Mr. T.

Development Finance Company (FMO), the first tranche of US\$ 3.0 million was drawn in the first half of the year under review, whereas the second tranche of US\$ 2.8 million was drawn in the beginning of the second half.

**FUTURE OUTLOOK**

The economy of the country is showing signs of improvement due to steps being taken by the Government to reinvigorate the business sector and improve the investment climate in the country. The steps to bring interest rate down and increase liquidity in the money market will also help. The Government has announced packages for different sectors of business to provide tax relief as well as an environment which is friendly to business growth. In view of these measures, the economy should pick up soon.

On the other hand, our efforts to improve productivity, credit evaluation, close monitoring of the portfolio, strengthening research & development base, exploring cheaper sources of funds, controlling operating expenses, and developing staff's level of competence are the

Miyazaki on December 21, 1996. May I place on record appreciation for the contribution made by Mr. Sasaki and welcome Mr. Miyazaki on the Board and look forward to his support in managing the affairs of your Company.

strategies in place and your company is fully geared to take advantage of improved situation.

*There is none of the despairs:  
there are hopes - hopes, full of bright future.*

**ACKNOWLEDGMENTS**

I would like to thank the Bank of Tokyo-Mitsubishi and the NIT for their advice and guidance provided to the management of your Company. Thanks are also due to the financial institutions for their help and support and all the clients for reposing confidence in your company. I also thank the Group Executive Committee and the Chief Executive and his team and all the staff members for their devotion and hard work.

**PATTERN OF SHAREHOLDING  
AS AT JUNE 30, 1997**

Number of Shareholders	Shareholding		To	Total Shares Held
	From			
28	1	-	100	1,520
34	101	-	500	8,817
27	501	-	1,000	22,824
64	1,001	-	5,000	156,048
4	5,001	-	10,000	37,915
4	10,001	-	15,000	45,270
2	15,001	-	20,000	36,800
1	20,001	-	25,000	22,959
1	25,001	-	30,000	28,749
2	50,001	-	55,000	107,406
1	95,001	-	100,000	99,825
2	150,001	-	155,000	305,878
1	175,001	-	180,000	175,125
1	215,001	-	220,000	220,000
1	265,001	-	270,000	267,043
1	275,001	-	280,000	280,000
1	295,001	-	300,000	300,000
1	380,001	-	385,000	382,000
1	440,001	-	445,000	442,557
1	500,001	-	505,000	502,461
1	535,001	-	540,000	536,560
4	840,001	-	845,000	3,364,083
1	885,001	-	890,000	888,442
1	2,285,001	-	2,290,000	2,286,778

185	TOTAL	10,519,060
The slabs representing NIL holding have been omitted.		
Categories of Shareholders	Number of Shareholders	Number of Shares held
1. Individuals	164	5,189,975
2. Investment Companies	4	766,504
3. Insurance Companies	1	28,749
4. Joint Stock Companies	9	99,489
5. Financial Institutions	3	2,555,083
6. Modaraba Companies	1	11,701
7. Foreign Investors	3	1,867,559
<b>TOTAL</b>	<b>185</b>	<b>10,519,060</b>

**FINANCIAL HIGHLIGHTS (1990 - 1997)**

	(Rupees in million)							
	1990	1991	1992	1993	1994	1995	1996	1997
<b>FINANCIAL POSITION</b>								
Authorised Capital	50.00	10,000	100.00	100.00	10,000	100.00	200.00	200.00
Paid-up Capital	20.00	50.00	50.00	55.00	60.50	66.55	105.19	105.19
Reserves & Surplus	1.23	9.82	19.20	26.90	39.58	59.08	90.86	108.58
Shareholders' Equity	21.23	59.82	69.20	81.90	100.08	125.63	196.05	213.77
Long Term Loans-Foreign	-	-	131.32	461.17	601.40	815.64	746.46	1,226.45
Long Term Loans- Local	-	20.00	70.00	47.98	43.44	95.33	37.40	10.56
Certificates of Investment	-	-	-	0.98	10.92	80.81	336.32	275.00
Operating Fixed Assets	2.83	3.26	5.86	9.73	13.76	13.83	17.51	16.20
Net Investment in Lease	106.73	305.01	551.89	740.02	973.03	1,269.81	1,659.58	1,849.13
Total Assets	114.44	310.65	569.06	810.08	1,018.56	1,402.64	1,804.66	2,206.17
<b>OPERATING POSITION</b>								
Lease Disbursements	118.97	250.13	376.83	396.69	493.57	610.42	713.69	587.04
Income from leasing Operations	9.85	36.81	82.03	130.93	159.52	204.14	273.81	312.95
Total Expenses	9.17	28.54	68.57	111.91	143.54	181.65	242.69	280.15
Profit Before Taxation	1.85	8.59	14.39	20.78	26.34	33.38	43.18	24.63
Profit After Taxation	1.85	8.59	14.39	18.20	24.23	32.21	41.73	1,772
Earning per share (in Rupees)	0.93	1.72	2.88	3.31	4.00	4.84	3.97	1.68
Return on Equity (in percentage)	8.73	14.35	20.79	22.22	24.21	25.64	21.29	8.29
Book value per share (in Rupees)	10.61	11.96	13.84	14.89	16.54	18.88	18.64	20.32
<b>DISTRIBUTION</b>								
Cash Dividend	-	-	10%	10%	10%	10%	15%	-
Stock Dividend	-	-	10%	10%	10%	-	-	-
Total	-	-	20%	20%	20%	10%	15%	-
RIGHT ISSUE	150%	-	-	-	-	50%	-	-

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of ATLAS LEASE LIMITED as at June 30, 1997 and

the related profit and loss account and cash flow statement, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that .

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

(b) in our opinion:

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

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

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

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

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(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: October 06, 1997

**Ford, Rhodes, Robson, Morrow**  
Chartered Accountants

**BALANCE SHEET AS AT JUNE 30, 1997**

	Note	1997 Rupees	1996 Rupees	
<b>SHARE CAPITAL AND RESERVES</b>				~!i
Share Capital				~
Authorised				: ~
20,000,000 ordinary shares of Rs. 10 each		200,000,000	200,000,000	
		=====	=====	
Issued, subscribed and paid-up	3	105,190,600	105,190,600	
Reserves	4	108,580,186	90,857,407	
		-----	-----	
		213,770,786	196,048,007	
<b>LONG TERM LOANS</b>	5	1,018,565,188	582,631,280	
<b>LONG TERM DEPOSITS</b>	6	163,794,601	150,212,991	
<b>CERTIFICATES OF INVESTMENT</b>	7	32,511,654	11,897,628	
<b>CURRENT LIABILITIES</b>		-----	-----	
Current maturity of long term loans		218,441,221	201,231,308	
Current maturity of long term deposits		64,773,920	43,041,347	
Certificates of investment	7	242,485,788	324,423,355	

Short term finances	8	106,300,000	86,650,000
Finance under mark-up arrangements	9	28,396,762	59,509,913
Accrued and other liabilities	10	115,298,951	133,197,010
Taxation		1,831,731	33,772
Proposed dividend		-	15,778,590
		-----	-----
		777,528,373	863,865,295
<b>CONTINGENCIES AND COMMITMENTS</b>	11	-----	-----
		2,206,170,602	1,804,655,201
		=====	=====
<b>TANGIBLE FIXED ASSETS</b>			
Operating fixed assets	12	16,205,606	17,514,163
<b>NET INVESTMENT IN LEASE FINANCE</b>	13		
		-----	-----
Minimum lease payments receivable		2,148,361,505	1,973,062,665
Residual value of leased assets		264,505,577	222,565,907
		-----	-----
Unearned finance income		2,412,867,082	2,195,628,572
		(563,740,040)	(536,047,646)
		-----	-----
Net investment in lease finance		1,849,127,042	1,659,580,926
Current portion of net investment in lease finance		(713,194,717)	(546,800,474)
Provision for doubtful debts		(36,982,541)	(33,191,618)
		-----	-----
		1,098,949,784	1,079,588,834
<b>LONG TERM INVESTMENTS</b>	14	25,875,616	24,875,616
<b>LONG TERM LOANS, DEPOSITS AND DEFERRED COSTS</b>	15	-----	-----
		17,790,922	7,794,947
<b>CURRENT ASSETS</b>			
Current portion of net investment in lease finance		713,194,717	546,800,474
Short term investments	16	25,000,000	-
Short term finance	17	2,000,000	-
Advances, prepayments and other receivables	18	79,116,486	112,786,451
Cash and bank balances	19	228,037,471	15,294,716
		-----	-----
		1,047,348,674	674,881,641
		-----	-----
		2,206,170,602	1,804,655,201
		=====	=====

The annexed notes form an integral part of these accounts.  
The auditors' report is annexed hereto.

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 1997**

	<b>Note</b>	<b>1997 Rupees</b>	<b>1996 Rupees</b>
		-----	-----
<b>REVENUE</b>			
Income from leasing operations	20	312,948,160	273,808,831
Other Income	21	11,758,849	12,058,135

		324,707,009	285,866,966
<b>EXPENDITURE</b>		-----	-----
Financial charges	22	242,419,819	200,952,450
Administrative and operating expenses	23	30,223,816	28,576,591
Provision for doubtful debts		3,790,923	7,795,412
Provision for diminution in value of investments		-	896,400
Amortization of deferred costs		3,713,415	4,470,108
		-----	-----
Charged by State Bank of Pakistan as penalty on late payment of exchange risk cover fees		19,924,134	-
		-----	-----
		300,072,107	242,690,961
		-----	-----
Profit for the year before taxation		24,634,902	43,176,005
Taxation			
Current	24	3,361,122	1,442,918
Prior		3,551,001	-
		-----	-----
		6,912,123	1,442,918
		-----	-----
Profit after taxation		17,722,779	41,733,087
Accumulated profit brought forward		35,731	81,234
		-----	-----
Profit available for appropriation		17,758,510	41,814,321
<b>APPROPRIATIONS:</b>			
Transfer to statutory reserve		3,544,556	-
Transfer to general reserve		10,000,000	26,000,000
Proposed dividend Nil (1996:15%)		-	15,778,590
		-----	-----
		13,544,556	41,778,590
		-----	-----
Unappropriated profit carried forward		4,213,954	35,731
		=====	=====

The annexed notes form an integral part of these accounts.

#### CASH FLOW STATEMENT

#### FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996
	Rupees	Rupees
	-----	-----
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year before taxation	24,634,902	43,176,005
<b>Adjustments for:</b>		
Depreciation on fixed assets	3,953,350	2,915,437
Amortization of deferred costs	3,713,415	4,470,108
Provision for doubtful debts	3,790,923	7,795,412
Provision for diminution in value of investments	-	896,400
(Profit)/Loss on sale of fixed assets	(295,045)	445,520
Exchange Loss/(gain)	2,193,425	(298,907)
Interest/mark-up expense (net of interest income on foreign currency deposits)	131,221,145	117,673,887
Investment income	(8,518,909)	(8,824,535)
	-----	-----
	136,058,304	125,073,322

<b>Operating profit before working capital changes</b>	160,693,206	168,249,327
<b>(Increase)/Decrease in current assets</b>	-----	-----
Shod term finances	2,000,000)	-
Shod term investments	25,000,000)	39,484,340
Advances, prepayments and other receivables	35,026,761	(23,315,630)
	-----	-----
	8,026,761	16,168,710
<b>Increase/(Decrease) in current liabilities</b>	-----	-----
Certificates of investment	(81,937,566)	249,190,128
Short term finances	19,650,000	86,650,000
Finance under mark-up arrangement	(31,113,151)	16,390,165
Accrued and other liabilities	(35,443,924)	55,460,594
	-----	-----
	128,844,641	407,690,887
<b>Cash generated from operations</b>	39,875,326	592,108,924
Income taxes paid	(5,114,164)	(1,816,628)
Interest/mark-up paid (net of receipt from interest on foreign currency deposits)	(110,958,746)	(128,041,730)
Investment income received	7,999,207	10,027,978
	-----	-----
<b>Net cash (used in)/generated from operating activities</b>	(68,198,377)	472,278,544
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Long term investments	(1,000,000)	(19,278,016)
Capital expenditure	(3,232,060)	(9,794,707)
Long term deposits and deferred costs	47,962	(6,294,603)
	(176,000)	(176,988)
Net investment in lease finance (net of repayments)	(193,070,800)	394,453,858)
Sale of fixed assets	882,312	5,019,383
Loan to executive	(176,000)	(176,988)
Recovery of loan to executive	196,193	170,604
	-----	-----
<b>Net cash (used in) investing activities</b>	(196,352,393)	(424,808,185)
	<b>1997</b>	<b>1996</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of right shares	-	33,275,000
Issue of shares to IFC	-	11,187,276
Issue of Certificates of Investment	20,614,026	6,322,628
Long term loans	635,487,267	77,683,320
Repayment of long term loans	(182,343,446)	(204,794,406)
Deferred (cost)/revenue	(15,999,915)	1,793,440
Dividends paid	(15,778,590)	(6,655,000)
Long term advances and deposits	35,314,183	43,599,918
	-----	-----
<b>Net cash generated from/(used in) financing activities</b>	477,293,525	(37,587,824)
	-----	-----
<b>Net increase in cash activities</b>	212,742,755	9,882,535
Cash and bank balances at the beginning of the year	15,294,716	5,412,181
	-----	-----

Cash and bank balances at the end of the year	228,037,471	15,294,716
	=====	=====

**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 1997**

**1. THE COMPANY AND ITS OPERATIONS**

The company is incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad stock exchanges. It essentially carries on the business of leasing.

**2. SIGNIFICANT ACCOUNTING POLICIES**

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Revenue recognition

The company follows the "Finance Method" in accounting for recognition of lease income. Under this method the unearned lease income i.e. the excess of aggregate lease rentals and the residual value over the cost of leased asset is deferred and then amortized to income over the term of the lease, applying the annuity method to produce a constant rate of return on the net cash investment in the lease.

Other lease related income is recognised as and when realised.

Return on government investments is recognized on an accrual basis on the assumption that such investments will be held upto the next terminal date.

2.3 Tangible fixed assets

These are stated at cost less accumulated depreciation. Depreciation is charged to income applying the reducing balance method at the rates specified in note 12 to the accounts. In respect of additions during the year, depreciation is charged for the full year, however, no depreciation is charged in the year of disposal. The company has revised the rate of depreciation from 10% to 25% on computer equipment and accordingly the depreciation for the year on computer equipment has been charged on revised rates. Had the rate not been revised, the profit for the year would have been higher by Rs. 1,095,872.

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

2.4 Deferred costs

Processing charges of long term loans and other deferred costs are being amortized over a period of three years from the year of incurrence.

2.5 Investments

Long Term Investments

These are stated at cost. Provision for diminution in value of investments is made, if considered permanent.

Short Term Investments

These are stated at lower of cost or market value.

2.6 Taxation

Current:

The charge for the current taxation for the year, if required, is based on taxable income, which is computed as if all leases are operating leases.

Deferred:

The company accounts for deferred taxation using the liability method on all significant timing differences, excluding those timing differences which are not likely to reverse in the foreseeable future.

2.7 Foreign currency translations

Assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing at the balance sheet date except for liabilities covered under an exchange risk coverage scheme which are translated at the rate prevailing on the date of disbursement. Exchange differences arising as a result of obtaining cover under these schemes are being amortized over the period of loan. Net exchange differences arising due to hedging mechanism are accounted for as deferred revenue/deferred costs as the case may be and are credited/amortised to the income over the term of the underlying transactions.

#### 2.8 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the company has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### 2.9 Employees' retirement benefits

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

#### 2.10 Provision for doubtful debts

Keeping in view the nature of leasing business, the company, as a prudent policy, makes this provision at a reasonable level, which as per management's anticipation is adequate for potential losses on the lease portfolio.

	Note	1997 Rupees	1996 Rupees
		-----	-----
<b>3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
8,864,060 ordinary shares of Rs.10 each fully paid in cash	3.1	88,640,600	88,640,600
1,655,000 ordinary shares of Rs.10 each issued as fully paid bonus shares		16,550,000	16,550,000
		-----	-----
		105,190,600	105,190,600
		=====	=====

3.1 Includes 536,560 ordinary shares of Rs.10 each issued to International Finance Corporation at premium of Rs.10.85 per share upon exercise of their option to convert a portion of its loan into equity based on financial statements as at June 30, 1995 as per the loan agreement (Refer to note 5.9).

	Note	1997 Rupees	1996 Rupees
		-----	-----
<b>4. RESERVES</b>			
Capital Reserves		-----	-----
Premium on Shares	3.1	5,821,676	5,821,676
Statutory Reserve	4.1	29,695,461	-
		-----	-----
		35,517,137	5,821,676
Revenue Reserves		-----	-----
General Reserve	4.2	68,849,095	85,000,000
Unappropriated Profit		4,213,954	35,731
		-----	-----
		73,063,049	85,035,731
		-----	-----
4.1 Statutory Reserve		108,580,186	90,857,407
		=====	=====
Transfer from General Reserve		26,150,905	-

Transfer from profit and loss account	3,544,556	-
	-----	-----
	29,695,461	-
	=====	=====

This represents 20% of after tax profit as required under the relevant provision of the State Bank of Pakistan rules for Non Banking Financial Institutions.

#### 4.2 General Reserve

Balance as at July 1	85,000,000	59,000,000
Transfer from General Reserve to Statutory Reserve	(26,150,905)	-
Transfer from profit and loss account	10,000,000	26,000,000
	-----	-----
	68,849,095	85,000,000
	=====	=====

#### 5. LONG TERM LOANS - Secured

##### Foreign currency loans

Commonwealth Development Corp. I		-	26,475,137
Commonwealth Development Corp. II	5.2	55,920,766	79,605,966
Asian Development Bank I	5.3	42,086,162	63,131,955
Asian Development Bank II	5.40	407,028,000	-
Netherlands Development Finance Co. I	5.5	85,941,252	110,317,339
Netherlands Development Finance Co. II	5.6	236,956,153	-
German Investment and Development Co. I	5.7	39,144,043	50,307,007
German Investment and Development Co. II	5.8	53,212,459	65,023,414
International Finance Corporation (Loan A)	5.9	242,225,430	279,489,607
International Finance Corporation (Loan B)	5.10	67,159,620	77,683,320
		-----	-----
		1,229,673,885	752,033,745
Less: Exchange differences not yet due		3,223,019	5,573,423
		-----	-----
		1,226,450,866	746,460,322
Local currency loans		-----	-----
From a development financial institution - loan 1		-	3,513,385
From a banking company - loan 2	5.11	8,333,335	25,000,001
From a banking company - loan 3	5.12	2,222,208	8,888,880
		-----	-----
		10,555,543	37,402,266
		-----	-----
		1,237,006,409	783,862,588
Less: Current maturity		218,441,221	201,231,308
		-----	-----
		1,018,565,188	582,631,280
		=====	=====

5.1 All the loans stated in note 5 above are secured by pari-passu floating charge on the present and future leased assets, hypothecation of movable assets and receivables of the company and demand promissory notes. The foreign currency loans are registered with the State Bank of Pakistan.

5.2 This represents balance of a loan facility of Pound Sterling 2,500,000 obtained from Commonwealth Development Corporation (CDC) for financing lease operations. The loan is repayable in 10 equal semi-annual instalments which commenced from January 25, 1995.

The liability of this loan has been fixed in Pakistani Rupees under the exchange risk cover scheme of State Bank of Pakistan and the rate of interest and exchange risk

cover fee is 10.5% and 6.93% per annum respectively, payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 1% per annum over and above the interest rate.

5.3 This represents balance of a loan facility of US\$ 5,000,000 obtained from Asian Development Bank (ADB) for financing lease operations. The loan is repayable in 12 equal semi-annual instalments which commenced from December 15, 1993.

The liability of this loan has been fixed in Pakistani Rupees under the exchange risk cover scheme of State Bank of Pakistan. The rate of interest and exchange risk cover fee is 9.4% and 7.08% per annum respectively, payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 1% per annum over and above the interest rate.

5.4 This represents balance of a second loan facility of US \$ 10,000,000 obtained from Asian Development Bank (ADB) for financing lease operations. The loan is repayable in 10 equal semi-annual instalments commencing from March 15, 1999.

The interest rate is LIBOR plus 2.25% per annum payable half yearly. In case the company fails to pay any amount on the due date, It shall be liable to pay liquidated damages at the rate of 1% per annum over and above the interest rate.

5.5 This represents balance of a loan facility of Netherland Guilders (NLG) 10,000,000 comprising of two equal tranches of NLG 5,000,000 each and was obtained from Netherlands Development Finance Company (FMO) for financing lease operations. The loan is repayable in 14 equal semi-annual instalments which commenced from November 1, 1994 for the first tranche and November 1, 1995 for the second tranche.

The liability of this loan has been fixed in Pakistani Rupees under the exchange risk cover scheme. The rate of interest and exchange risk cover fee is 10.7% and 5% per annum respectively, payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 2% per annum over and above the interest rate.

5.6 This represent the balance of a second loan facility of US \$ 5,821,618 equivalent to Netherland Guilders (NLG) 10,000,000 obtained from Netherlands Development Finance Company (FMO) for financing lease operations. The loan has been drawn in two tranches and is repayable in 10 equal semi-annual instalments commencing from November 1, 1997 and May 1, 1998 respectively.

The interest rate for the first tranche is 10.50% per annum and for the second tranche is 10.25% per annum payable half yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 2% per annum over and above the interest rate.

5.7 This represents the balance of a loan facility of Deutsche Marks 5,000,000 obtained from German Investment and Development Company (DEG) for financing lease operations. The loan is repayable in 15 equal semi-annual instalments which commenced from October 30, 1993.

The liability of this loan has been fixed in Pakistani Rupees under the exchange risk cover scheme of State Bank of Pakistan. The rate of interest and exchange risk cover fee is 10.5% and 5% per annum respectively, payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 2% per annum over and above the interest rate.

5.8 This represents the balance of a loan facility of Deutsche Marks 5,000,000 obtained from German Investment and Development Company (DEG) for financing lease operations. The loan is repayable in 15 equal semi-annual instalments which commenced from October 30, 1994.

The liability of this loan has been fixed in Pakistani Rupees under the exchange risk cover scheme of State Bank of Pakistan. The rate of interest and exchange risk cover fee is 10.6% and 5.77% per annum respectively, payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 2% per annum over and above the interest rate.

5.9 This represents the balance of a loan facility (A) of US \$ 10,000,000 obtained from International Finance Corporation (IFC) for financing lease operations. The loan is repayable in 16 equal semi-annual instalments which commenced from June 15, 1996.

In accordance with the loan agreement IFC has exercised its conversion option of loan into equity (refer to note 3.1)

The liability of this loan has been fixed in Pakistani Rupees under the exchange risk cover scheme of State Bank of Pakistan. The rate of interest and exchange risk cover fee is 8.5% and 6.66% per annum respectively, payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 2% per annum over and above the interest rate.

5.10 This represents the balance of a loan facility (B) of US \$ 2,200,000 obtained from International Finance Corporation (IFC) for financing lease operations. The loan is repayable in 4 equal semi annual instalments which commenced from June 15, 1997.

The interest rate is LIBOR plus 2.75% per annum payable half yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 2% per annum over and above the interest rate.

5.11 This represents the balance of a loan facility of Rs. 50,000,000 obtained from a banking company for financing the leasing operations of the company. The loan is repayable in 6 equal semi-annual instalments which commenced from February 16, 1995 and carries mark-up at the rate of 49.31 paisas per thousand Rupees per day.

5.12 This represents the balance of a loan facility of Rs. 20,000,000 obtained from a banking company for financing the leasing operations of the company. The loan is repayable in 36 equal monthly instalments which commenced from November 1994 and carries mark-up at the rate of 52.05 paisas per thousand Rupees per day.

	Note	1997 Rupees	1996 Rupees
<b>6. LONG TERM DEPOSITS</b>			
From lessees			
Security deposits on lease contracts	6.1	227,860,032	192,794,369
From employees	6.2	708,489	459,969
		228,568,521	193,254,338
Less: Current maturity of security deposits on lease contracts		64,773,920	43,041,347
		163,794,601	150,212,991
		=====	=====

6.1 These represent security deposits received against lease contracts and are repayable/adjustable at the expiry of respective lease periods.

6.2 This represents deposits from employees under the Company's Car scheme.

**7. CERTIFICATES OF INVESTMENT**

The company has a scheme of registered Certificates of Investment (COI) for resource

mobilization as per permission from the Corporate Law Authority, Government of Pakistan. It is based on the profit and loss sharing principle. Returns are presently being paid at rates negotiated with customers. Terms range from three months to five years.

#### 8. SHORT TERM FINANCES

From a bank - secured	8.1	20,000,000	-
From a financial institution - secured	8.2	5,800,000	-
From financial institutions - unsecured	8.3	80,500,000	86,650,000
		-----	-----
		106,300,000	86,650,000
		=====	=====

8.1 This represents morabaha facility obtained from a bank and is secured by pari passu floating charge on the present and future leased assets, hypothecation of movable assets and receivables of the company and demand promissory notes. The mark-up rate is 50.68 paisas per thousand Rupees per day. The facility amounts to Rs. 20 million.

8.2 This represents shod term finance obtained from a financial institution and is secured by lien on foreign currency deposits of the company. The, mark-up rate is 54.79 paisas per thousand Rupees per day. The facility amounts to Rs. 5.8 million.

8.3 These represent shod term finance obtained from various financial institutions. The mark-up rate ranges from 52 to 57 paisas per thousand Rupees per day. The amounts have been subsequently repaid.

#### 9. FINANCE UNDER MARK-UP ARRANGEMENTS

Running finances from banks utilized under mark-up arrangements - secured	28,396,762	59,509,913
	=====	=====

The facilities from commercial banks amount to Rs.108.50 million (1996:Rs.88.50 million) and the mark-up rates range from 51 to 55 paisas per thousand rupees per day and are payable currently. The arrangements are secured by pari-passu charge on leased assets and hypothecation of rentals receivable.

	Note	Rupees	Rupees
<b>10. ACCRUED AND OTHER LIABILITIES</b>			
Accrued expenses		1,041,983	628,374
Mark-up on secured			
- long term loans		19,008,615	12,096,240
- credit facility availed (net of accrued interest on foreign currency deposits Rs. 16,814,826 - refer to note 19.1 )		9,520,878	-
- running finances		980,978	1,189,651
- short term finances		602,904	-
Mark-up on unsecured short term finances		1,214,863	496,482
Exchange risk cover fee payable		49,057,908	90,000,079
Guarantee commission, commitment and other charges on long term loans		2,276,235	3,494,579
Profit payable on Certificates of Investment		9,707,629	9,034,381
Payable to State Bank of Pakistan as penalty on late payment of exchange risk cover fee		2,363,810	-
Other liabilities			
Advance from customers pending lease execution		2,051,607	2,812,717
Advance lease rentals from lessees		7,752,439	8,517,590
Payments from lessees received on account		9,117,359	4,024,117
Unclaimed dividends		19,482	12,252
Other		582,261	890,548

19,523,148	16,257,224
115,298,951	133,197,010
=====	=====

**11. CONTINGENCIES AND COMMITMENTS**

**11.1 Contingencies**

Counter-guarantee issued to an associated undertaking in respect of financing transactions	11,875,147	-
	=====	=====

**11.2 Commitments**

Letters of comfourt against letters of credit	8,000,000	37,039,952
Lease commitments	19,187,273	36,894,000
Capital expenditure for computer software (associated undertaking)	1,000,000	-
	-----	-----
	28,187,273	73,933,952
	=====	=====

**12. OPERATING FIXED ASSETS**

	Cost			Accumulated Depreciation			Written down value as at June 30, 1997	Depre- ciation Rate on WDV %	
	As at July 1, 1996	Additions	Disposals	As at June 30, 1997	As at July 1, 1996	Charge for the year			On disposals
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Leasehold improvements	1,637,935	-	-	1,637,935	485,111	115,283	-	600,394	10
Furniture and fixtures	1,111,861	364,326	24,600	1,451,587	404,186	105,772	10,323	499,635	10
Office equipment	1,371,654	283,600	44,136	1,611,118	367,090	125,973	15,704	477,359	10
Computer equipment	8,489,245	654,087	105,000	9,038,332	1,757,700	1,826,454	25,183	3,558,971	25
Electrical equipment	1,535,737	29,300	-	1,565,037	597,996	96,704	-	694,700	10
Motor vehicles	10,475,360	1,900,747	1,244,974	11,131,133	3,495,546	1,683,164	780,233	4,398,477	20
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	24,621,792	3,323,060	1,418,710	26,435,142	7,107,629	3,953,350	831,443	10,229,536	16,205,606
	=====	=====	=====	=====	=====	=====	=====	=====	=====
1996	21,565,249	12,064,406	9,007,863	24,621,792	7,735,152	2,915,437	3,542,960	7,107,629	17,514,163
	=====	=====	=====	=====	=====	=====	=====	=====	=====

**12.1 DISPOSAL OF ASSETS**

Description	Cost Rupees	Accumulated depreciation Rupees	Book value Rupees	Sale Proceeds Rupees	Mode of disposal	Sold to
Furniture & Fixture	6,000	3,130	2,870	1,655	Negotiation	Mr. Raza Hasan 56-D, Block 2, P.E.C.H.S., Karachi.
Furniture & Fixture	14,300	4,951	9,349	7,049	Negotiation	Mr. Altaf Abbas 20 Lucky Apartment Block 17, Gulshan-e-lqbal Karachi.
Furniture & Fixture	2,150	1,121	1,029	405	Negotiation	Mr. Imran Arif 2nd Floor, Room No. 216 Sane Centre, Aslam Road, Karachi.
Furniture & Fixture	2,150	1,121	1,029	355	Negotiation	Mr. Abdul Wahid R-767, Sector 15-A-3, Buffer Zone, Karachi.
Office Equipment	4,000	1,638	2,362	-	Damaged	-
Office Equipment	36,136	12,428	23,708	-	Damaged	-

Office Equipment	4,000	1,638	2,362	2,362	Negotiation	Mr. Khizar Pasha Ex-employee
Computer Equipment	14,000	6,560	7,440	5,500	Negotiation	M/s. Dadi Associates (Pvt) Ltd. 1st Floor, Ocean Centre, 40, Talpur Road, Karachi.
Computer Equipment	19,000	8,903	10,097	7,750	Negotiation	Pakistan Supply Agency Karachi.
Computer Equipment	28,000	5,320	22,680	14,300	Negotiation	M/s. Gohar & Co. 5/10, Tara Mukhi Lane, Bombay Bazar, Karachi.
Computer Equipment	27,000	2,700	24,300	17,300	Negotiation	Ocean Trading Agency, 179, Zoological Garden Mkt., Nishter Road, Karachi.
Computer Equipment	8,500	850	7,650	3,000	Negotiation	Mr. Salman Aziz, 6-B, Zainab Plaza, Fatima Jinnah Colony, Karachi.
Computer Equipment	8,500	850	7,650	3,000	Negotiation	Mr. M. Amin 7 Sunny Side Villa, Off. Bleak House Road, Civil Line, Karachi.
Motor Vehicle	199,487	97,349	102,138	221,500	Tender	M/s. A. P. Motors, Karachi.
Motor Vehicle	595,000	495,175	99,825	220,000	Tender	Mr. Muhamad Hasan Khan House No. 351, D Khudadad Colony, Shahrah Quaideen, Kar.
Motor Vehicle	251,000	90,360	160,640	222,136	Tender	M/s. Car Sale, Lahore.
Motor Vehicle	199,487	97,349	102,138	156,000	Tender	Mr. Muhammad Aqil 106 Defence Housing Authority, Main Korangi Road, Karachi.
	----- 1,418,710 =====	----- 831,443 =====	----- 587,267 =====	----- 882,312 =====		

**13. NET INVESTMENT IN LEASE FINANCE**

Includes Rs. 17,028,548 (1996: Rs. 952,020) in respect of associated companies. Maximum amount due at the end of any month during the year was Rs. 17,028,548 (1996: Rs. 1,023,780).

**14. LONG TERM INVESTMENTS**

Shares in listed companies

	No. of ordinary shares 1997	No. of ordinary shares 1996	Market value/ Break up value 1997 Rupees	Average cost per share Rupees	1997 Cost Rupees	1996 Cost Rupees
Quoted:						
J.D.W. Sugar Mills Ltd.	298,800	298,800	642,420	10.00	2,988,000	2,988,000
Engro Chemicals Pak. Ltd.	6,000	6,000	858,000	131.67	790,000	790,000
Muslim Insurance Co. Ltd. (associated undertaking)	27,438	24,944	521,322	19.64	538,790	538,790
Atlas Battery Ltd. (associated undertaking)	80,018	80,018	3,480,783	68.10	5,449,226	5,449,226
			----- 5,502,525		----- 9,766,016	----- 9,766,016
Less: Provision for diminution in value of quoted investments					(2,390,400)	(2,390,400)

				-----	-----
				7,375,616	7,375,616
Unquoted:					
Arabian Sea Country Club (note 14.1 ) (Chief Executive					
Mr. Zaeem Lutfi)	100,000	--	100,000	10.00	1,000,000
				-----	-----
				6,502,525	8,375,616
				-----	-----
Government Securities:				-----	-----
Federal Investment Bonds (note 14.2)				17,500,000	17,500,000
				-----	-----
				25,875,616	24,875,616
				-----	-----
				=====	=====

14.1 The break-up value of these shares is as per June 30, 1996 audited financial statements.

14.2 These investments have been made in compliance with the State Bank of Pakistan's Rules for Non-Banking Financial Institutions to maintain the liquidity requirement against certain liabilities. The rate of return ranges from 14% to 15% per annum and mature on May 5, 1999, January 25, 2002 and November 22, 2004 respectively.

14.3 The aggregate market value of quoted investments as at June 30, 1996 was Rs. 7,408,907.

	Note	1997 Rupees	1996 Rupees	.. .
<b>15. LONG TERM LOANS, DEPOSITS AND DEFERRED COSTS</b>				
Loan to executive - secured, considered good	15.1	1,745,135	1,765,329	~.~.~.~.~.
Less: Current portion		225,138	196,194	
		1,519,997	1,569,135	
Deposits		499,786	475,536	
Deferred costs	15.2	15,771,139	5,750,276	
		-----	-----	
		17,790,922	7,794,947	
		=====	=====	

15.1 This represents house loan to the Chief Executive Officer which is repayable in 144 monthly instalments and carries mark-up @ 10% per annum. The loan is secured by registered mortgage of property and assignment of life insurance policy.

Maximum amount outstanding at the end of any month during the year against loan to Chief Executive was Rs. 1,765,115 (1996: Rs. 1,768,467).

	Note	1997 Rupees	1996 Rupees
15.2 Deferred costs			
Front-end fee	15.2.1	7,244,809	3,459,182
Net exchange difference arising due to hedging mec	15.2.2	(1,494,533)	12,311,957
		15,771,139	5,750,276
15.2.1 Front-end fee on long term loans			
Opening Balance		19,183,544	12,879,841
(Refunds)/additions during the year		(72,212)	6,303,703
		19,111,332	19,183,544

Amortized to-date	(15,652,150)	(11,938,735)
	-----	-----
	3,459,182	7,244,809
	=====	=====

The above expenditure is carried forward as it confers the benefit of the same to future years.

#### 15.2.2 Net exchange difference arising due to hedging mechanism

Opening balance	(1,793,440)	-
Debit/(credit) during the year	16,298,822	(1,793,440)
	-----	-----
	14,505,382	(1,793,440)
Amortized to-date [expense/(income)]	2,193,425	(298,907)
	-----	-----
	12,311,957	(1,494,533)
	=====	=====

#### 16. SHORT TERM INVESTMENTS

Short term federal bonds	25,000,000	-
	=====	=====

This investment has been made in compliance with the State Bank of Pakistan's Rules for Non-Banking Financial Institutions to maintain the liquidity requirement against certain liabilities. The investment carries a rate of return of 16.45% per annum. These investments are expected to be held till their maturity.

#### 17. SHORT TERM FINANCE ON MARK-UP BASIS

- SECURED - CONSIDERED GOOD	2,000,000	-
	=====	=====

This represents balance outstanding of a facility to a customer secured against first charge on property and carries a rate of mark-up of 23.50% per annum. The finance has been subsequently recovered.

	Note	Rupees	Rupees
<b>18. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances - considered good against assets to be leased out for capital expenditure	18.1	17,438,020	15,200,000
for expenses	18.2	1,000,000	-
to employees		8,153	22,590
others		480,493	163,326
		-	50,000
		-----	-----
		18,926,666	15,435,916
Current portion of loan to an executive		225,138	196,194
Prepayments		1,877,261	2,068,015
Due from associated undertakings	18.3	3,002,384	2,729,052
Accrued lease income		23,708,679	20,183,996
Accrued profit on long term investments		936,712	457,260
Accrued profit on short term investments		40,250	-
Accrued interest on long term deposits		-	2,716,534
Exchange difference refundable from SBP		24,484,568	64,134,348
Repossessed asset held for sale	18.4	1,005,376	2,094,629
Other charges recoverable from lessees		3,203,709	2,420,342
Other receivables		1,705,743	350,165
		-----	-----

79,116,486      112,786,451  
 =====

18.1 Included in the above are advances against assets to be leased out amounting to Rs. 7,577,721 to an associated undertaking. The maximum outstanding at the end of any month during the year was Rs. 7,577,721 (1996: Rs. Nil).

18.2 The above represents advance for capital expenditure to an associated undertaking. The maximum outstanding at the end of any month during the year was Rs. 1,000,000 (1996: Rs. Nil)

18.3 The above represents dues from an associated undertaking. The maximum due at the end of any month during the year was Rs. 3,002,384 (1996: Rs. 4,399,314).

18.4 The company has subsequently sold the asset for a higher value.

#### 19. CASH AND BANK BALANCES

Cash in hand		12,019	26,157
Stamps in hand		31,475	11,060
Cheques in hand		6,430,803	2,380,490
With banks			
on current accounts		766,852	3,485,009
on foreign currency deposit account		166,254,400	-
on foreign currency deposit account	19.1	53,041,922	8,292,000
on special account with SBP		1,500,000	1,100,000
		-----	-----
		228,037,471	15,294,716
		=====	=====
19.1 Foreign currency deposits	'19.1.1	556,297,328	83,292,000
Less : Credit facility availed		503,255,406	75,000,000
		-----	-----
		53,041,922	8,292,000
		=====	=====

19.1.1 The foreign currency deposits are under lien with respect to credit facilities availed and short term finance under mark-up arrangement (refer to note 8.2). The credit facilities availed on a matching facility basis have been offset in accordance with note 2.8. The rate of interest on the deposits ranges from 6.0% to 7.75% per annum. The rate of mark-up on the credit facility availed ranges from 12.54% to 15.07% per annum. The maturity of credit facilities and foreign currency deposits are upto September 15, 2003.

Note	1997 Rupees	1996 Rupees
<b>20. INCOME FROM LEASING OPERATIONS</b>	312,948,160	273,808,831
	=====	=====

The above includes all income arising on account of leasing operations.

#### 21. OTHER INCOME

Return on long term investments:		
Government securities	2,643,904	1,910,561
Dividends [including Rs. 273,006 from associated undertakings (1996: Rs. Nil)]	321,005	20,000
	2,964,909	1,930,561
Return on short term investments	5,875,005	6,913,974
Exchange gains	-	298,907

Mark-up on short term finance	317,500	1,469,917
Mark-up on loan to executive	176,000	176,988
Gain on cancellation of lease contracts	1,045,012	878,067
Profit/(loss) on sale of fixed assets	295,045	(445,520)
Guarantee commission	46,690	-
Arrangement fee	111,129	210,130
Miscellaneous	927,559	625,111
	-----	-----
	11,758,849	12,058,135
	=====	=====

**22. FINANCIAL CHARGES**

Mark-up on secured		
- long term loans	90,249,612	86,864,923
- credit facilities availed [net of interest on foreign currency deposits Rs. 20,844,565 (1996: Rs. 2,716,534) - refer to note 19.1 ]	15,358,892	2,168,484
- running finances	5,257,622	3,857,273
Mark-up on short term finance	20,355,019	24,783,207
Profit on Certificates of Investment	66,597,760	29,002,590
Exchange risk cover fee	37,572,975	47,419,496
Exchange loss	2,492,332	-
Commitment charges, guarantee commission and other charges on long term loans	3,260,824	4,663,647
Bank charges	1,215,611	2,135,870
Other	59,172	56,960
	-----	-----
	242,419,819	200,952,450
	=====	=====

	<b>1997</b>	<b>1996</b>
<b>Note</b>	<b>Rupees</b>	<b>Rupees</b>

**23. ADMINISTRATIVE AND OPERATING EXPENSES**

Salaries, allowances and benefits	11,617,884	10,509,003
Rent, rates and taxes	2,341,121	2,348,078
Gas, electricity and utilities	558,271	530,459
Printing and stationery	1,146,240	1,220,004
Insurance	913,637	803,994
Repairs and maintenance	1,270,683	1,475,536
Travelling and conveyance	851,017	1,417,331
Staff training expenses	81,128	79,723
Membership and subscription	554,646	475,156
Canteen and entertainment expenses	1,671,132	1,286,361
Postage expenses	147,858	103,060
Telephone expenses	2,295,115	1,829,963
Legal and professional charges	360,930	287,732
Vehicle running expenses	1,623,050	1,320,431
Advertisement	214,597	574,763
Depreciation	3,953,350	2,915,437
Stamps and fees	252,055	232,261
Freight and packing	400	657,848
Security service charges	31,283	68,211
Penalties levied by State Bank of Pakistan		14,200
Auditors' remuneration		
Audit Fee	65,000	65,000
Taxation services	44,092	12,500
Special audit fee	65,000	45,000

Other certifications		27,625	19,470
Out-of-pocket expenses		15,077	8,295
		216,794	150,265
Donations	23.1	5,000	5,000
Professional tax		85,000	150,000
Miscellaneous		32,625	121,775
		-----	-----
		30,223,816	28,576,591
		=====	=====

23.1 Recipients of donation do not include any donee in whom any director or his spouse had an interest.

#### 24. TAXATION

Assessments have been finalised upto assessment year 1996-97. Provision for current taxation has been made on the basis of minimum tax under section 80D of the Income Tax Ordinance, 1979. The company has appealed against addition made by the Commissioner of Income-tax in respect of assessment year 1991-92 to 1996-97 resulting in demand of Rs. 3,551,001. The company has made full provision for the above additions. Deferred taxation arising due to timing differences computed under the liability method is estimated at Rs. 106.245 million of which Rs. 18.878 million credit is in respect of the current year (1996: Rs. 87.3 million, credit for the year Rs. 13.076 million). The liability for deferred taxation is not likely to reserve in the foreseeable future and therefore no provision has been made in these accounts.

#### 25. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Insurance premium expense	91 3,637	803,994
Advance for software development	1,000,000	-
Services provided by	1,221,055	987,977
Services provided to	6,327	66,1 14
Expenses charged by	21,714	22,405
Expenses charged to	3,002,384	2,443,442
Lease rentals received	3,333,620	90,200
Cost of assets leased	19,816,111	810,500
Issue of Certificates of investment	46,000,000	15,000,000
Acquisition of fixed assets	370,334	6,585,018
Proceeds from sale of fixed assets	-	203,294
Advance against assets to be leased out	7,577,721	-
Short term finance obtained	40,000,000	-
Mark-up on short term finance obtained	1,753,972	-
Profit on Certificates of Investment paid	2,123,068	31,644

Transactions with associated undertakings are entered into in the normal course of business at contracted rates and terms determined in accordance with market rates.

#### 26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

Remuneration in respect of the above charged in these accounts is as follows .

	1997				1996			
	Chief Executive Rupees	Director Rupees	Executives Rupees	Total Rupees	Chief Executive Rupees	Director Rupees	Executives Rupees	Total Rupees
Managerial remuneration	590,000	730,000	3,145,537	4,465,537	716,793	690,000	2,536,228	3,943,021
Housing and								

utilities	280,500	346,500	1,451,437	2,078,437	265,128	330,000	1,213,288	1,808,416
Medical and other expenses	58,873	187,193	327,182	573,248	67,842	97,984	298,159	463,985
Provident fund	51,000	63,000	276,060	390,060	51,197	60,000	214,770	325,967
	-----	-----	-----	-----	-----	-----	-----	-----
	980,373	1,326,693	5,200,216	7,507,282	1,100,960	1,177,984	4,262,445	6,541,389
	=====	=====	=====	=====	=====	=====	=====	=====
Number of persons	1	1	16		1	1	15	
	=====	=====	=====	=====	=====	=====	=====	=====

26.1 The Chief Executive and Director are also provided with free user of telephones and company maintained cars.

26.2 Fees totalling Rs.7,000 (1996: Rs.7,500) were paid to three directors (1996: four directors) for attending Board Meetings during the year.

26.3 The remuneration of Chief Executive in 1996 is in respect of two persons for two separate portions of the year.

## 27. GENERAL

27.1 Figures have been rounded off to the nearest rupee.

27.2 Previous year's figures have been rearranged wherever necessary for the purpose of comparison.

## ATLAS GROUP COMPANIES

### Year of Establishment Acquisition\*

Shirazi Investment (Pvt) Ltd.	1962
Atlas Honda Ltd	1963
Atlas Battery Ltd	1966
Shirazi Trading Co. (Pvt) Ltd	1973
Atlas Warehousing (Pvt) Ltd.	1979
Atlas Office Equipment (Pvt) Ltd	1979*
Muslim Insurance Co. Ltd	1980*
Allwin Engineering Industries Ltd.	1981*
Atlas Lease Ltd.	1989
Atlas Investment Bank Ltd.	1990
Honda Atlas Cars (Pakistan) Ltd.	1993
Honda Atlas Services (Pvt) Ltd	1994
Atlas Information Technology (Pvt) Ltd.	1996