

Crescent Leasing Corporation Limited

Annual Report 1998

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Company Information

Board Of Directors

Mr. Aftab Ahmed Khan
Chairman

Mr. Javed A. Callea
Chief Executive

Mr. Altaf M. Saleem
Mr. Manzur-ul-Haq
Mr. Rashid Ahmed
Mr. Nessar Ahmed
Mr. Shabbir Hashmi

Company Secretary

Mr. Zaheer A. Shaikh
Mr. Rashid Sadiq

Auditors

Khalid Majid Husain Rahman & Co.
Chartered Accountants

Legal Advisors

Cornelius Lane & Mufti
Advocates & Solicitors

Lenders & Bankers

Commonwealth Development Corporation
Allied Bank of Pakistan
Saudi-Pak Industrial & Agricultural Investment Co. (Pvt) Ltd.
National Discounting Services Ltd.
Orix Investment Bank Ltd.
Pak-Kuwait Investment Co. (Pvt) Ltd.
Bank of America(NT&SA)
The Hongkong & Shanghai Banking Corp.

Registered and Share Transfer Office

83-Babar Block, New Garden Town, Lahore

Phone: 042- 588-1974 & 75 Fax: 042- 588-1976

Email: rashid.sadiq@cressoft.com.pk

Head Office

B-801 & 802, 8th Floor, Lakson Square, Bldg. # 3, Sarwar Shaheed Road, Karachi.

Phone: 021 - 566-1938, 48 & 58 Fax: 021 - 566-1988

Email: crescent@super.net.pk

*For a copy of this report write to our Head Office/Registered Office

Notice Of Annual General Meeting

NOTICE is hereby given that the 11th Annual General Meeting of the shareholders of Crescent Leasing Corporation Limited will be held on Monday, October 26, 1998, at 11:00 a.m. at Registered Office, 83-Babar Block, New Garden Town, Lahore to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 1998 together with Directors' and Auditors' Reports thereon.
2. To approve, as recommended by the Directors, the issue of bonus shares @ 15% for the year ended June 30, 1998.
3. To appoint Auditors (for the year ending June 30, 1999) and fix their remuneration. The present Auditors M/S Khalid Majid Husain Rahman, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

BOOK CLOSURE

The share transfer books of the company will remain closed from October 17, 1998 to October 26, 1998 (both days inclusive). Transfer received in order at the registered

office by the close of business hours on October 16, 1998 will be treated in time for the issue. of bonus shares.

BY ORDER OF THE BOARD

ZAHEER. A. SHAIKH
Corporate Secretary

REGISTERED OFFICE:

83-Babar Block, New Garden Town

LAHORE.

Telephone No. (042) 5881974-75, 5839631

Fax No. (042) 5881976

Dated: October 2nd, 1998.

NOTE:

1. A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her.
2. 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 attorney must

be deposited at the registered office of the company at least 48 hours before the meeting. A form of proxy is enclosed.

3. Shareholders are requested to immediately notify the change in address, if any.

Directors' Report

Your Directors have pleasure in presenting the Audited Accounts for the period from July, 1997 to June, 1998.

The financial results of the Company for the period under review are summarized as follows:

	1998 Rs. ('000)	1997 Rs. ('000)
Revenue	116,982	97,363
Expenditure	75,522	59,923
Profit before taxation	41,460	37,440
Provision for taxation	1,267	1,032
Profit after taxation	----- 40,193	----- 36,408
Unappropriated profit brought forward	19,925	15,945
Profit available for appropriation	----- 60,118	----- 52,353
Appropriations		
Transfer to reserve under NBFBI regulations	8,039	7,282
Transfer to general reserve	51,961	2,647
Proposed Cash Dividend @ 15%	--	22,500
	----- 60,000	----- 32,429
Unappropriated profit carried forward	----- 118	----- 19,924

OPERATING RESULTS

Al Hamdolillah, the company continued to follow the path of overall progress. New leases executed during the period amounted to Rs. 276 million (1997, Rs. 244 million). The Net Investment in leases thus rose from Rs. 512 million in 1997, to Rs. 634 million in 1998. Correspondingly, lease income also improved from Rs. 89 million in 1997 to Rs. 106 million in 1998, increasing the profit after tax figure from Rs.36 million to Rs.40 million and earning per share from Rs.2.42 to Rs.2.68. The company also adopted a more prudent income recognition and provision for doubtful debts policy.

Profit After Tax

The company continued to pursue its policy of focussing on small and medium ticket leases and thus kept the average lease size at Rs. 2.0 million approx. The company has also successfully ventured into consumer leasing where its main thrust is on creditable corporate clients. The emphasis on sectoral diversification enabled to restrict maximum exposure in any one sector to 13.61% down from 18% last year.

Lease Portfolio By Type of Customer

Plant & Machinery retained. its position as the major leased asset at 69% of the portfolio followed by automobiles at 27% and office equipment at 4%, The tight monitoring efforts contributed towards achieving a recovery rate of over 95%,

The foreign currency credit line of US \$ 5 million sanctioned in the last quarter of FY 1998 went into limbo in the post nuclear option scenario. The company however, arranged both short and long term financing from local avenues to comfortably tide over the year.

The Entity rating of CresLease for long-term obligations was upgraded from BBB-(minus) to BBB during the year reflecting the sound position of the company.

FUTURE OUTLOOK

The economic outlook for FY 1999 does not appear to be showing signs of much improvement over existing levels. The key fundamentals for economic revival i.e., complete lifting of sanctions, restoration of local and overseas investors confidence and improved economic management are uncertain especially for the latter two. Capital Investments would remain to be low, both, in public and private sector on account of resource constraints and economic contraction, respectively. Sectors with high-income elasticity would remain under pressure and experience more losses. Devaluation of rupee alongwith increased domestic liquidity would fuel inflation to cross double-digit levels. A resolution on sanctions by late this year / early next year would prevent economic fall out and induce liquidity into real estate and stock market. However, the domestic engines of growth would be difficult to start without consistent and transparent economic policies. FY 1999, in general would remain to be an unpredictable and difficult year.

Your company intends to continue with consolidation and extend business in sectors with low risk profile. It would endeavor towards diversification of resource mobilization particularly from domestic resources.

Given the uncertainty in economic environment on the one hand and with the objective of balancing the uncertainty in the economic environment with the interest of shareholders the directors have recommended an issue of bonus shares out of capital reserve created for premium on issue of right shares @ 15% for the year ended June 30, 1998.

The Board wishes to record their appreciation of the valuable contribution of Mr. Shams-ul-Islam and Mr. Shahid Ghaffar, during their term. The Board welcomes Mr. Shabbir Hashmi on the Board.

ACKNOWLEDGMENT

The Board acknowledges the support of the regulatory authorities, banks and lending institutions. The Board wishes to place on record its appreciation of the hard work and dedication shown by the company personnel.

AUDITORS

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

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 1998, is annexed to this report.

On behalf of the Board.

September 18th, 1998

Karachi.

Javed A. Callea

Chief Executive

Five Years At A Glance**BALANCE SHEET AS AT**

30th June, 98 30th June, 97 30th June, 96 30th June, 95 31st Dec, 94
(For 18 Months) (For 6 Months)

SHARE CAPITAL AND RESERVES**(RS. IN '000)**

Authorized Capital	300,000	300,000	300,000	200,000	100,000
Paid-up capital	150,000	150,000	150,000	150,000	75,000
Reserves	145,397	105,204	91,296	81,496	13,877
Net Worth	295,397	255,204	241,296	231,496	88,877

ALLOWANCE FOR POTENTIAL LEASE LOSSES

	8,422	844	371	89	46
--	-------	-----	-----	----	----

LONG-TERM FINANCES

	246,304	254,448	152,466	1,045	2,984
--	---------	---------	---------	-------	-------

LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	813	89	599	521	--
--	-----	----	-----	-----	----

LONG-TERM DEPOSITS

	54,430	47,676	33,175	20,209	13,924
--	--------	--------	--------	--------	--------

CURRENT LIABILITIES

Current maturity of long-term liabilities	88,692	61,039	19,491	7,903	12,154
Certificates at investment	50,000	10,000	--	--	--
Short-term finances	63,538	22,929	3,700	10,000	35,000
Creditors, accrued and other liabilities	27,896	36,679	13,419	1,586	1,892
Proposed dividend	--	22,500	22,500	--	--

	230,126	153,147	59,110	19,489	49,046
--	---------	---------	--------	--------	--------

	835,492	711,408	486,977	272,849	154,877
--	---------	---------	---------	---------	---------

TANGIBLE FIXED ASSETS

	14,665	16,488	17,655	12,313	2,568
--	--------	--------	--------	--------	-------

NET INVESTMENT IN LEASES

	410,502	346,069	272,409	127,857	97,557
--	---------	---------	---------	---------	--------

LONG TERM INVESTMENTS

	4,125	4,125	--	--	--
--	-------	-------	----	----	----

LONG-TERM DEPOSITS AND DEFERRED COSTS

	18,712	23,418	17,062	1,347	1,054
--	--------	--------	--------	-------	-------

LONG-TERM LOAN

	--	1,700	500	--	164
--	----	-------	-----	----	-----

CURRENT ASSETS

Current maturity of net investment in leases	223,425	165,759	110,738	52,853	40,179
Short-term investments	29,315	55,435	40,935	56,917	8,925
Advances, deposits, prepayments and other receivables	23,121	25,095	14,877	19,669	2,986
Cash and bank balances	111,627	73,319	12,801	1,893	1,445

	387,488	319,608	179,351	131,332	53,534
--	---------	---------	---------	---------	--------

	835,492	711,408	486,977	272,849	154,877
--	---------	---------	---------	---------	---------

PROFIT AND LOSS ACCOUNT

Income from lease operations	106,041	89,381	61,237	13,838	21,854
Other income	10,940	7,982	15,670	4,771	2,232
Total revenue	116,982	97,363	76,907	18,610	24,086
Administrative and operating expenses	13,392	10,974	13,656	3,902	6,501
Financial charges	53,969	47,985	17,876	2,935	7,233
Allowance for potential lease loss	7,577	473	353	241	--
Other charges	584	491	728	--	393
Total Expenses	75,522	59,923	32,613	7,078	14,127
Operating profit	41,460	37,440	44,295	11,531	9,959
Taxation	1,267	1,032	626	162	406
Profit after taxation	40,193	36,408	43,669	11,369	9,553
Unappropriated profit brought forward	19,925	15,945	8,345	8,345	3,457
	60,118	52,353	52,014	19,714	13,010
Appropriations:					
Transfer to					
- reserve under NBFIs regulations	8,039	7,282	8,734	--	1,911
- reserve for doubtful debts	--	2,647	--	--	--
- general reserve	51,961	--	4,835	--	2,755
Proposed Cash Dividend @ 15%	--	22,500	22,500	--	--
	60,000	32,428	36,069	---	4,665
Unappropriated profit carried forward	118	19,925	15,945	19,714	8,345
Key Ratios					
1. Earning Per Share	2.68	2.43	2.91	0.76	1.27
2. Breakup Value	19.69	17.01	16.09	15.43	11.85
3. Return on Equity	14.60%	14.66%	18.47%	4.98%	11.21%
4. Gearing	1.73	1.56	0.87	0.17	0.72
5. Time Interest Earned Ratio	1.74	1.76	3.44	4.87	2.32
Pay Out					
Cash	--	--	--	--	--
Bonus	15%	15%	15%	15%	15%

Pattern of Shareholding As At 30th June 1998

No. of Shareholders	From	To	Total Shares Held
9	1	100	670
38	101	500	15350
54	501	1000	47370
107	1001	5000	241740
29	5001	10000	238360
13	10001	15000	159080
3	15001	20000	49600
10	20001	25000	239500
6	25001	30000	168140
3	30001	35000	91860

3	35001	40000	116500
1	40001	45000	41500
1	45001	50000	49000
1	50001	55000	52000
4	55001	60000	233900
1	60001	65000	63950
1	75001	80000	75300
1	80001	85000	85000
1	90001	95000	90500
1	95001	100000	96000
1	385001	390000	386900
1	400001	405000	403800
1	535001	540000	537000
1	640001	645000	644800
1	875001	880000	877000
1	1245001	1250000	1249100
1	1695001	1700000	1696880
1	1755001	1760000	1758200
1	2290001	2295000	2291000
1	2995001	3000000	3000000

297 15000000

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	261	1367620	9.12
Investment Companies	2	112640	0.75
Insurance Companies	2	71200	0.47
Joint Stock Companies	12	3483800	23.23
Financial Institutions	7	3911500	26.08
Modaraba Companies	1	644800	4.30
Others	12	5408440	36.05
<hr/>			
Total	297	15000000	100.00
<hr/>			
Others			
Modarabas	10	2394840	1,596
Central Depository Co. of Pak	1	13600	0.09
Non Residents	1	3000000	20.00
<hr/>			
Total	12	5408440	36.05

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Crescent Leasing Corporation Limited as at June 30, 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 except for the changes as stated in notes 2.2, 2.9 and 2.10 with which we concur;

(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 June 30, 1998 and of the profit and the changes in financial position for the year then ended; and

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

**Deloitte Touche
Tohmatsu
International**

Khalid Majid Husain Rahman
Chartered Accountants
Karachi 25 SEP 1998

Balance Sheet As At June 30th 1998

	Note	1998 Rupees	1997 Rupees
SHARE CAPITAL AND RESERVES			
Authorised Capital 30,000,000 ordinary shares of Rs. 10/- each		300,000,000	300,000,000
Issued, subscribed and paid-up capital 15,000,000 ordinary Shares of Rs. 10/- each fully paid in cash		150,000,000	150,000,000
Reserves	3	145,396,852	105,204,041
		295,396,852	255,204,041
ALLOWANCE FOR POTENTIAL LEASE LOSSES	2.10	8,421,509	844,236
LONG-TERM FINANCES	4	246,303,680	254,447,627
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES	5	813,213	88,850

LONG-TERM DEPOSITS	6	54,430,049	47,676,392
CURRENT LIABILITIES			
Current maturity of long-term liabilities	7	88,691,504	61,038,525
Certificates of investment	8	50,000,000	10,000,000
Short-term finances	9	63,537,633	22,929,237
Creditors, accrued and other liabilities	10	27,897,260	36,679,210
Proposed dividend		--	22,500,000
		-----	-----
		230,126,397	153,146,972
COMMITMENTS	11	-----	-----
		835,491,700	711,408,118
		=====	=====
TANGIBLE FIXED ASSETS	12	14,664,836	16,487,600
NET INVESTMENT IN LEASES	14	410,501,510	346,069,343
LONG-TERM INVESTMENTS	15	4,125,000	4,125,000
LONG-TERM DEPOSITS AND DEFERRED CO	16	18,711,558	23,418,217
LONG-TERM LOAN	17	--	1,699,990
CURRENT ASSETS			
Current maturity/of net investment in leases	14	223,425,370	165,758,773
Short-term investments	18	29,315,413	55,435,000
Advances, deposits, prepayments and other receivables	19	23,121,491	25,094,955
Cash and bank balances	20	111,626,522	73,319,240
		-----	-----
		387,488,796	319,607,968
		-----	-----
		835,491,700	711,408,118
		=====	=====

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

Profit And Loss Account For The Year Ended June 30, 1998

	Note	1998 Rupees	1997 Rupees
Income from lease operations		106,041,312	89,380,983
Other income	21	10,940,384	7,981,890
		-----	-----
		116,981,696	97,362,873
		-----	-----
Administrative and operating expenses	22	13,391,752	10,973,688
Financial charges	23	53,969,150	47,984,514
Allowance for potential lease losses		7,577,273	473,187
Other charges	24	583,641	491,105
		-----	-----
		75,521,816	59,922,494
		-----	-----

Operating profit		41,459,880	37,440,379
Taxation	26	1,267,069	1,032,323
Profit after taxation		40,192,811	36,408,056
Unappropriated profit brought forward		19,924,727	15,945,174
		60,117,538	52,353,230
Appropriations:			
Transfer to:			
- reserve under NBFIs regulations		8,038,562	7,281,611
- reserve for doubtful debts		--	2,646,892
- general reserve		51,961,438	--
Transfer to proposed dividend @ 15%		--	--
		60,000,000	32,428,503
Unappropriated profit carried forward		117,538	19,924,727

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

**Statement Of Changes In Financial Position (Cash Flow Statement)
For The Year Ended June 30, 1998**

	1998 Rupees	1997 Rupees
Cash flows from operating activities		
Operating profit before taxation	41,459,880	37,440,379
Adjustments for:		
Deferred costs amortized	488,750	491,305
Depreciation	2,617,883	2,077,111
Provision for doubtful debts	7,577,273	473,187
Loss/(gain) on disposal of fixed assets	48,322	(200)
Operating profit before working capital changes	52,192,108	40,481,785
(Decrease)/increase in creditors, accrued and other liabilities	(8,786,668)	23,190,059
Decrease/(increase) in advances, deposits, prepayments and other receivables	2,605,996	(11,100,213)
Cash flows from operations	46,011,436	52,571,631
Income taxes (paid)/recovered	(2,699,605)	449,806
Net cash flows from operating activities	43,311,831	53,021,437
Cash flows from investing activities		
Increase in net investment in leases	(122,098,764)	(128,681,023)
Purchase of fixed assets	(1,818,167)	(1,262,760)
Proceeds from sale of fixed assets	974,726	353,168
Long-term investments	--	(4,125,000)

Long-term loan -net	2,499,994	(1,799,996)
Decrease/(increase) in long term deposits and deferred cost	4,217,909	(6,847,086)
	-----	-----
Net cash used in investing activities	(116,224,302)	(142,362,697)
Cash flows from financing activities		
	-----	-----
Increase in long-term finances	4,946,208	145,417,494
Increase in long-term deposits from customers	21,336,806	12,682,157
Proceeds from certificates of Investment	40,000,000	10,000,000
Increase in shod-term finances	40,608,396	19,229,143
Increase/(decrease) in lease obligations	704,038	(539,662)
Payment of dividend	(22,495,282)	(22,429,638)
	-----	-----
Net cash flows from financing activities	85,100,166	164,359,494
Net increase in cash and cash equivalents	12,187,695	75,018,234
Cash and cash equivalents at beginning of the year	128,754,240	53,736,006
	-----	-----
Cash and cash equivalents at the end of the year (Note A)	140,941,935	128,754,240
	=====	=====
Note A. Cash and cash equivalents at the end of the year		
Cash and bank balances	111,626,522	73,319,240
Short-term Investments	29,315,413	55,435,000
	-----	-----
	140,941,935	128,754
	=====	=====

Notes To The Financial Statements For The Year Ended June 30, 1998

1. LEGAL STATUS AND NATURE OF BUSINESS

The company was incorporated in Pakistan as a public limited company on April 7, 1987.

The company commenced commercial operations in August 1989, and is listed on all Stock Exchanges in Pakistan. Its prime business is leasing, and it is classified as a Non-Banking Financial Institution (NBFI) by the State Bank of Pakistan and is regulated by the Corporate Law Authority.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

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

2.2 Fixed assets and depreciation

(a) Owned assets

Fixed assets are stated at cost less depreciation to date. Depreciation is charged to income by applying reducing balance method. Full year's depreciation is charged on acquisitions during the year while no depreciation is charged on fixed assets disposed off during the year.

However, effective from current year, the assets given to employees as per the company policy are to be charged to income applying the straight line

method whereby the cost of an asset is written off over four years. Depreciation on such additions is charged from the month in which the asset is put to use and on disposals in the month in which disposal is made.

As a result of this change in accounting estimate, depreciation for the year has been increased by Rs. 528,673 and the profit for the year has been decreased by the same amount.

Normal repairs and maintenance are charged to income as and when incurred. Major renewals and betterments are capitalized.

Gains and losses on disposal of fixed assets, if any, are included in income currently.

(b) Assets subject to finance leases

These are stated at the lower of present value of minimum lease payments and fair value of assets acquired on lease. Assets so acquired are depreciated over the shorter of the lease term or its useful life. Financial charges is allocated to accounting periods in a manner so as to produce a constant periodic rate of charge on the outstanding liability.

2.3 Deferred costs and amortization

Deferred costs are written off during a period not exceeding five years commencing from the year such costs are incurred.

2.4 Investments

Long-term investments

Long-term investments are stated at cost and carrying amount is reduced to recognize the decline other than temporary in the value of investments.

Short-term investments

Investments are valued at the lower of cost and market value determined on an aggregate portfolio basis.

2.5 Taxation

(a) Current

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

(b) Deferred

The company accounts for deferred taxation on all major timing differences likely to reverse in the foreseeable future, using the liability method.

2.6 Foreign exchange transactions

Transactions in foreign currencies are accounted for in Rupees at the rate of exchange ruling on the date of transaction. Assets and liabilities in foreign currencies are converted into Rupees at the rate of exchange at the balance sheet date. Net exchange differences arising due to hedging mechanism are accounted for as deferred revenue/costs as the case may be and are credited/amortized to income over the term of the underlying transactions.

2.7 Off-setting

A financial asset and a financial liability is off-set and the net amount reported in the balance sheet if the Company has a legal enforceable right

to set-off the transactions and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Corresponding income on the asset and charge on the liability is also netted off.

2.8 Employees' retirement benefits

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

2.9 Revenue recognition

The company follows the financing method in accounting for recognition of lease income. At the time of the execution of a lease, a portion of unearned lease income which approximates the initial direct costs incurred in writing the leases, is taken to "Income from lease operations". The remainder of the unearned lease income is then allocated over the lease term on a pattern reflecting a constant periodic return on the company's net investment outstanding in respect of the lease. Until last year, the total unearned lease income was being taken to income over the lease term. This change was made to match cost and revenue more accurately. Due to change in pattern of allocation, the profit for the year is increased by Rs. 7.443 million.

Front end, commitment and other fees, if any, are taken to income when realized.

2.10 Allowance for potential lease losses

The allowance for potential lease losses is maintained at a level which, in the judgment of the management, is sufficient to provide for any potential lease losses. The recognition of annual charge and income of such amount would be taken through the income statement. The allowance would be increased by the provision charged to income and would be decreased by charge off, net of recoveries. Until last year, allowance for potential lease losses was provided as per NBFI's regulations. Had there been no change in the company's policy for allowance for potential lease losses, the profit for the year would have been increased by Rs. 6.275 million.

3. RESERVES

Capital reserves

	Premium on issuance of right shares Rupees	For issue of proposed bonus shares Rupees	1998 Total Rupees	1997 Total Rupees
Balance at the beginning of the year	56,250,000	--	56,250,000	56,250,000
Premium on issue of right shares utilized for issue of 15% proposed bonus shares	(22,500,000)	22,500,000	--	--
	33,750,000	22,500,000	56,250,000	56,250,000
Revenue reserves				

	General Rupees	Under NBFI regulations Rupees	For doubtful debts Rupees		
Balance at the beginning for the year	--	18,792,752	10,236,562	29,029,314	19,100,811

Transfer from profit and loss account	51,961,438	8,038,562	--	60,000,000	9,928,503
	51,961,438	26,831,314	10,236,562	89,029,314	29,029,314
Unappropriated profit			117,538	19,924,727	
			89,146,852	48,954,041	
			Total	145,396,852	105,204,041

As a prudent business practice, in addition to allowance for potential lease losses, an amount has been set aside out of profits to meet future business losses, if any.

4. LONG-TERM FINANCES-Secured

	1998 Rupees	1997 Rupees
Foreign currency		
From Commonwealth Development Corporation U.K (Note 4.1)	290,937,750	310,991,542
Local currency		
From an investment company (Note 4.2)	25,000,000	--
	315,937,750	310,991,542
Less: Current maturity of long-term finances (Note 7)	69,634,070	56,543,915
	246,303,680	254,447,627

4.1 This represents Pounds Sterling 5 million loan obtained from Commonwealth Development Corporation, UK. The loan is repayable in twelve equal semi-annual installments commenced from May 1997. The rate of interest is 11.5% per annum and is secured by floating pari-passu charge, through hypothecation, over certain present assets and first floating charge over certain present and all future assets of the company.

4.2 This represents Rs. 25 million loan under mark-up arrangement. The loan is repayable in 12 equal quarterly installments commencing from October 199& The loan carries mark-up at the rate of Re. 0.53 per Rs. 1,000 per day and is secured by joint pari-passu charge over all present and future assets of the company

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

	1998 Rupees	1997 Rupees
Minimum lease payments (Note 5.1)	1,411,822	448,819
Less: Finance charges not yet due	294,371	35,406
	1,117,451	413,413
Less: Current maturity of liabilities against assets subject to finance leases (Note 7)	304,238	324,563

813,213	88,850
<u>813,213</u>	<u>88,850</u>

5.1 The company has entered into lease agreements with leasing companies for financing to acquire motor vehicles and office equipment. Payments under these agreements include finance charges ranging from 19.17% to 20.75% per annum, which are used as discounting factors. The future payments due are as follows:

Year ending	1998 Rupees	1997 Rupees
June 30, 1998	--	358,969
June 30, 1999	532,402	89,850
June 30, 2000	447,408	--
June 30, 2001	360,858	--
June 30, 2002	71,154	--
	<u>1,411,822</u>	<u>448,819</u>

6. LONG-TERM DEPOSITS

Security deposits on leases (Note 6.1)	73,183,245	51,846,439
Less: Current maturity of long-term deposits (Note 7)	18,753,196	4,170,047
	<u>54,430,049</u>	<u>47,676,392</u>

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

7. CURRENT MATURITY OF LONG-TERM LIABILITIES

	1998 Rupees	1997 Rupees
Long-term finances (Note 4)	69,634,070	56,543,915
Liabilities against assets subject to finance leases (Note 5)	304,238	324,563
Security deposits on leases (Note 6)	18,753,196	4,170,047
	<u>88,691,504</u>	<u>61,038,525</u>

8. CERTIFICATES OF INVESTMENT

The company has a scheme of registered Certificates of Investment (COIs) for resource mobilization as per permission from Corporate Law Authority, Government of Pakistan. The term of these (COIs) ranges from three months to six months and expected return is paid on a profit and loss sharing basis.

9. SHORT-TERM FINANCE

	1998 Rupees	1997 Rupees
Secured		
Running finance from commercial banks (Note 9.1)	28,537,633	2,929,237

Pro-note discounting facility from a financial institution (Note 9.2)	25,000,000	--
	-----	-----
	53,537,633	2,929,237
Unsecured	-----	-----
From an investment bank	--	20,000,000
Others	10,000,000	--
	-----	-----
	10,000,000	20,000,000
	-----	-----
	63,537,633	22,929,237
	=====	=====

9.1 This represents finance facility sanctioned aggregating upto Rs. 50 million (1997: Rs. 10 million) on yearly renewal basis at a mark-up rate ranges between Re. 0.37 to Re. 0.49 (1997: Re. 0.46) per Rs. 1,000 per day. Out of these loans, sanctioned amount of Rs. 20 million secured by way of deposit of Federal Investment Bonds of Rs. 10 million included in note 18 and hypothecation of lease rental receivables, whereas the remaining sanctioned amount is secured by way of joint pari-passu charge on all present and future assets of the company.

9.2 This represents a finance facility carrying mark-up at the rate of Re. 0.50 per Rs. 1,000 per day and is secured by second charge over all present and future assets of the company.

10. CREDITORS, ACCRUED AND OTHER LIABILITIES

	1998	1997
	Rupees	Rupees
Advance lease rentals	3,939,080	1,044,721
Accrued liabilities	1,663,866	1,465,210
Mark-up payable on secured finances	19,273,793	32,116,934
Mark-up payable on un-secured finances	200,344	963,232
Excise duty	265,828	203,947
Unclaimed dividend	75,080	70,362
Other liabilities	2,479,269	814,804
	-----	-----
	27,897,260	36,679,210
	=====	=====

11. COMMITMENTS

Lease proposals approved Rs. 30.021 million (1997: Rs. 31 million).

12. Tangible Fixed Assets - At cost less accumulated depreciation

Cost		Depreciation			Written down value	Depreciation rate %
As on July 1, 1997	Inter transfer owned/leased assets	Additions/ (deletions) 1998	As at June 30, 1998	For the year	As at June 30, 1998	as at June 30, 1998

Rupees						

Owned								
Office premises	12,096,011	--	67,435	12,163,446	540,826	1,887,752	10,275,694	5
Furniture and fixture	1,225,528	--	273,100 (259,000)	1,239,628	268,702	516,766	722,862	15 & 25
Motor vehicles	3,628,900	411,800	3,985 (1,277,100)	2,767,585	686,593	2,064,741	702,844	20 & 25
Office equipment	2,966,014	550,000	54,600 (37,495)	3,533,119	309,876	1,777,152	1,755,967	15
Computer software	336,750	--	236,750	573,500	74,451	151,613	421,887	15
	20,253,203	961,800	635,870 (1,573,595)	20,277,278	1,880,448	6,398,024	13,879,254	
Leased								
Motor vehicles	411,800	-- (411,800)	544,000	544,000	305,789	159,084	384,916	25 & 33.33
Office equipment	550,000	-- (550,000)	601,000	601,000	431,646	200,334	400,666	33.33
	961,800	-- (961,800)	1,145,000	1,145,000	737,435	359,418	785,582	
1998	21,215,003	--	1,780,870 (1,573,595)	21,422,278	2,617,883	6,757,442	14,664,836	
1997	20,547,743	--	1,262,760 (595,500)	21,215,003	2,077,114	4,727,403	16,487,600	

13. DISPOSAL OF OPERATING ASSETS

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Mode of disposal	Buyer
Rupees						
Furniture and fixture						
Furniture	250,000	69,375	180,625	84,006	Company policy	Mr. Abdul Jabbar Kasim Former Chief Executive, Karachi
Furniture	9,000	1,350	7,650	9,000	Negotiation	Mr. Muhammed Nisar, Karachi
Motor vehicles						
Honda Civic	748,000	269,280	478,720	478,720	Company policy	Mr. Abdul Jabbar Kasim Former Chief Executive, Karachi
Toyota Corolla	529,100	189,516	339,584	400,000	Negotiation	Leased out to CBM Plastic, Karachi

Office equipment

Mobile telephone	25,000	8,531	16,469	3,000	Negotiation	Mr. Zia-ul-Hasan, Karachi
------------------	--------	-------	--------	-------	-------------	---------------------------

14. NET INVESTMENT IN LEASES

	1998	1997
	Rupees	Rupees
Minimum lease rentals receivable	745,995,449	603,824,422
Add: Residual value	52,427,150	53,006,290
	-----	-----
	798,422,599	656,830,712
Less: Unearned finance income	164,495,719	145,002,596
	-----	-----
Net investment in leases	633,926.88	511,828,116
Less: Current maturity of net investment in leases	223,425,370	165,758,773
	-----	-----
	<u>410,501,510</u>	<u>346,069,343</u>

15. LONG-TERM INVESTMENTS

These represent investments in 312,500 and 100,000 ordinary shares of Rs. 10 each of International Housing Finance Ltd. and Trust Investment Bank Ltd. both are associated undertakings.

16. LONG-TERM DEPOSITS AND DEFERRED COSTS

	1998	1997
	Rupees	Rupees
Long-term deposits	486,035	106,130
Deferred costs (Note 16.1)	18,225,523	23,312,087
	-----	-----
	<u>18,711,558</u>	<u>23,418,217</u>

16.1 Deferred Costs

	Opening balance	Additions	Closing balance	Amortization during 1998	Accumulated amortization	Unamortized balance
	Rupees					
Fund utilization	26,989,065	--	26,989,065	5,397,813	10,019,097	16,969,968
Others	3,741,879	800,000	4,541,879	488,750	3,286,324	1,255,555
	-----	-----	-----	-----	-----	-----
1998	30,730,944	800,000	31,530,944	5,886,563	13,305,421	18,225,523
	-----	-----	-----	-----	-----	-----
1997	20,276,206	10,454,739	30,730,945	4,064,758	7,418,858	23,312,087
	-----	-----	-----	-----	-----	-----

16.2 Fund utilization represents expenses incidental to foreign currency finance.

	1998	1997
	Rupees	Rupees

17. LONG-TERM LOAN (un-secured)

Considered good

Loan to Chief Executive	--	2,499,994
Less: Current maturity of long-term loan (Note 19)	--	800,004

	--	1,699,990
		=====
Outstanding for periods exceeding three years	--	--
Others	--	2,499,994

Maximum aggregate amount due from Chief Executive at the end of any month during the period was Rs. 2.499 million (1997: Rs. 2.533 million).

18. SHORT TERM INVESTMENTS

	1998 Rupees	1997 Rupees
Certificates of Investment	--	31,000,000
Federal Investment Bonds (Note 18.1)	20,925,000	24,435,000
Term Finance Certificates (Note 18.2)	8,390,413	--
	-----	-----
	29,315,413	55,435,000
	=====	=====

18.1 This includes investments as per NBFIs regulations, issued by the State Bank of Pakistan.

18.2 Term Finance Certificates (TFCs)

	1998 Rupees	1997 Rupees
Packages Limited		
10 Certificates of face value Rs. 5,000 each and		
12 Certificates of face value Rs. 100,000 each	861,097	--
Nishat-Tek Limited		
75 Certificates of face value Rs. 100,000 each	7,529,316	--
	-----	-----
	8,390,413	--
	=====	=====

The amount of TFCs represents redeemed value till year end and carry expected profit ranging from Re. 0.49 to Re. 0.50 per Rs. 1,000 per day and is redeemable in semi annual installments.

19. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	1998 Rupees	1997 Rupees
Current maturity of long-term loan (Note 17)	--	800,004
Advances - Considered good		
- to staff (Note 19.1) '	126,756	181,345
- against expenses	2,500	17,947
- against leases	1,971,578	552,998

- others	9,250	9,250
Taxation	1,533,250	100,714
Prepayments	569,682	555,446
Mark-up due on certificates/securities	18,089,132	21,896,877
Other receivables	819,343	980,374
	-----	-----
	23,121,491	25,094,955
	=====	=====

19.1 Aggregate amount due by the executives Rs. 0.071 million (1997: Rs. 0.144 million).

Maximum amount due from executives at the end of any month during the year aggregated to Rs. 0.229 million (1997: Rs. 0.205 million).

20. CASH AND BANK BALANCES

	1998 Rupees	1997 Rupees
Cash in hand	10,286	4,014
Cash with banks on		
- current accounts (Note 20.1)	484,414	265,426
- deposit accounts (Note 20.2)	110,905,696	72,993,962
- collection accounts	538	538
- foreign currency deposits	225,588	55,300
	-----	-----
	111,626,522	73,319,240
	=====	=====

20.1 This includes Rs. 0.040 million (1997: Rs. 0.040 million) in current account maintained with State Bank of Pakistan under NBF1 regulations.

	1998 Rupees	1997 Rupees
20.2 Deposit accounts:		
-- Foreign currency deposits	349,850,841	319,445,457
	-----	-----
-- Less: Credit facility availed (Note 20.3)	240,845,145	246,453,900
Credit facility availed (Note 20.4)	33,037,500	--
	-----	-----
	273,882,645	246,453,900
	-----	-----
	75,968,196	72,991,557
-- Add: Local currency deposits	34,937,500	2,405
	-----	-----
	110,905,696	72,993,962
	=====	=====

20.3 The total sanctioned amount from a commercial bank and an investment company under mark-up arrangements amounted to Rs. 337 million (1997: Rs. 308 million).

These loans carry mark-up ranging from Re. 0.35 to Re. 0.39 (1997: Re. 0.33 to Re. 0.38) per Rs. 1,000 per day. The commercial bank borrowing is repayable in twelve semi-annual equal installments upto November 2002, whereas investment company borrowing is repayable in twelve equal semi-annual installments upto November 2002. The commercial bank and investment company borrowing is secured against foreign currency deposits mentioned above.

20.4 This represents finance facility from a commercial bank sanctioned upto Rs. 33.038 million on a yearly renewal basis. The loan carries mark-up at the rate of Re. 0.38 per Rs. 1,000 per day and is secured against foreign currency deposits and joint pari-passu charge over all present and future assets of the company.

21. OTHER INCOME

	1998	1997
	Rupees	Rupees
Profit/return earned	10,829,371	7,811,302
Miscellaneous	111,013	170,588
	-----	-----
	<u>10,940,384</u>	<u>7,981,890</u>

22. ADMINISTRATIVE AND OPERATING EXPENSES

	1998	1997
	Rupees	Rupees
Salaries and allowances including Directors remuneration (Note 25)	6,452,765	5,433,270
Staff training expenses	14,800	62,411
Rent, rates and taxes	105,412	104,230
Travelling and conveyance	505,079	495,598
Vehicle running expenses	474,549	409,065
Utilities	290,860	181,052
Telephone and Fax	304,196	229,798
Insurance	480,793	619,119
Fees, subscriptions and periodicals	241,612	279,945
Printing and stationery	469,047	202,701
Postage, stamps and telegrams	99,879	99,968
Legal and professional charges (Note 22.1)	700,337	105,403
Auditors' remuneration (Note 22.2)	126,100	117,861
Repairs and maintenance	453,937	372,502
Depreciation	2,617,883	2,077,114
Advertisement	52,441	126,305
Miscellaneous	2,062	57,346
	-----	-----
	<u>13,391,752</u>	<u>10,973,688</u>

	1998	1997
	Rupees	Rupees
22.1 Legal and professional charges		
Corporate services	380,335	35,000
Legal service	281,157	53,317
Others	38,845	17,086
	-----	-----
	<u>700,337</u>	<u>105,403</u>

22.2 Auditors' remuneration

Statutory audit fee	55,000	50,000
Special audit fee	--	15,000
Taxation charges	62,500	45,361
Out-of-pocket expenses	8,600	7,500

	126,100	117,861
23. FINANCIAL CHARGES		
Mark-up on long-term finances	47,408,428	44,530,722
Mark-up on short-term finances	6,023,815	3,029,606
Bank charges	536,907	424,186
	53,969,150	47,984,514
24. OTHER CHARGES		
Amortization of deferred costs	488,750	491,305
Loss/(gain) on sale of fixed assets	48,322	(200)
Loss on sale of investment	46,569	--
	583,641	491,105

25. REMUNERATION OF CHIEF EXECUTIVE AND OTHER EXECUTIVES

	1998			1997		
	Chief Executive	Executive	Total	Chief Executive	Executive	Total
	Rupees			Rupees		
Managerial remuneration	990,000	1,165,752	2,155,752	780,000	921,504	1,701,504
Housing and utility	495,000	582,876	1,077,876	390,000	460,752	850,752
Company's contribution to provident fund	99,000	116,575	215,575	78,000	92,150	170,150
Leave fare assistance	178,875	263,875	442,750	--	60,480	60,480
Total	1,762,875	2,129,078	3,891,953	1,248,000	1,534,886	2,782,886
Number of Persons	1	6	7	1	5	6

The Chief Executive, Chairman and Executives have been provided with free use of company cars. Directors were paid Rupees 9,000 (1997: Rupees 9,000) for attending board meetings during the year.

26. TAXATION

	1998 Rupees	1997 Rupees
Current		
For the year (Note 26.1)	1,267,069	988,440
For prior years	--	43,883
	1,267,069	1,032,323

Deferred

There is no liability on account of deferred taxation as at June 30, 1998.

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

27. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	1998	1997
	Rupees	Rupees
Short-term finance obtained	15,000,000	10,000,000
Lease financing	10,541,075	--
Interest paid	4,932	92,016

28. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-grouped wherever necessary for the purpose of comparison.

JAVED A. CALLEA

Chief Executive

AFTAB AHMED KHAN

Chairman