

**UNIVERSAL LEASING CORPORATION LIMITED**  
**ANNUAL REPORT 1998**

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**COMPANY INFORMATION**

**BOARD OF DIRECTORS**

Mr. Amanullah Khan	Chief Executive
Mr. Hameed Khan	Director
Mr. Rasheed M. Choudhry	Director
Mr. M. Iqbal Kasbati	Director
Mr. S. M. Shabbir Shah	Director
Mr. Majid Khan	Director
Mr. Nusrat Ali	Director

**CREDIT COMMITTEE**

Mr. Amanullah Khan	Chief Executive
Mr. S.M. Shabbir Shah	Director
Mr. Riaz Arif Qureshi	Vice President

**COMPANY SECRETARY**

Mr. S. M. Shabbir Shah

**AUDITORS**

Khalid Majid Husain Rahman  
Chartered Accountants

Rahim Iqbal Rafiq & Co.  
Chartered Accountants

**LEGAL ADVISORS**

M/s. Panni & Rizvi  
Advocates & Corporate Counselors

**REGISTERED OFFICE**

House No. 192, Street No. 5,  
C.M.A. Colony, Abid Majeed Road,  
Lahore Cantt.  
Lahore.  
Telephone No. 6652391-392-393  
Fax No. 6652390

**KARACHI OFFICE**

6th Floor, Lakson Square, Building No. 3,  
Sarwar Shaheed Road,  
Karachi.  
Telephone No. 5687860, 5687016, 5687026, 5687056

**SHARE TRANSFER OFFICE**

M/s. Uni Associates (Pvt) Ltd.  
6th Floor, Lakson Square Building No. 3,  
Sarwar Shaheed Road,  
Karachi.

**NOTICE OF MEETING**

Notice is hereby given that FIFTH Annual General Meeting of the Members of Universal Leasing Corporation Limited will be held on Friday, December 18, 1998, at 12.00 Noon at Registered Office of the company, House # 192, Street # 5, C.M.A. Colony, Abid Majeed Road, Lahore Cantt. to transact the following business.

1. To confirm the minutes of the Annual General meeting held on December 27, 1997.
2. To receive, consider and adopt the audited accounts for the year ended June 30, 1998 and reports of the directors and auditors thereon.
3. To appoint auditors and fix their remuneration. The present auditors Messrs. Khalid Majid Husain Rahman, Chartered Accountants and Messrs. Rahim Iqbal Rafiq & Co. Chartered Accountants retire and being eligible, offer themselves for re-appointment
4. To transact any other business with the permission of the chair.

By Order of the Board  
**S. M. Shabbir Shah**  
 Director/Company Secretary

November 25, 1998

**NOTES:**

1. The Share Transfer Books of the Company shall remain closed from December 11, 1998 to December 18, 1998 (both days inclusive).
2. A member entitled to attend, speak and vote at these meeting may appoint a proxy to attend, speak and vote on his/her behalf. A proxy need not be a member.
3. An instrument of proxy and the Power of Attorney or other authority (if any) under which it is signed or a notarially certified copy of such Power of Attorney or other authority, in order to be valid must be deposited at the Registered Office of the Company, not less than 48 hours before the time of the respective meeting.
4. Members are requested to notify change in their address, if any.

**DIRECTOR'S REPORT**

On behalf of board of directors, I am pleased to put forward the 4th Annual Report, together with audited financial statements for the year ended June 30, 1998.

**REVIEW OF OPERATIONS**

The year under review has been very difficult period due to volatile & unstable political & economic conditions prevailing in the country. The company has followed a consolidation approach in writing leases to minimize the risk factor. Financial results of the company for the period under review are summarized as follows:

~~i'

	Rs. (000)
Profit after taxation	4,513,711
Unappropriated profit brought forward	495,423
	-----
	5,009,134
 Transfer to:	
Statutory reserve	902,742
General reserve - reserve for contingencies	-
Proposed dividend 1998: Nil (1997: 10%)	-
	-----
	902,742
	-----
Unappropriated profit carried forward	4,106,392
	=====

Over dues & defaults are inherent in financing transactions. Accordingly the company following a prudent policy, has provided for potential lease losses to cover itself against future risks. This policy besides strengthening the financial status, provides comfort to the shareholders, creditors & other lending institutions.

It is worth while to mention that lease financing is low, the basic reason for that is non availability of long term funds, large sized companies with strong financial base remained comfortable compared with small and medium sized companies.

#### **FUTURE OUT LOOK**

Leasing Industry carries a great potential of growth while playing a pivotal role in reviving the economy of the country. However, the economic out look for financial year 1999 does not appear to be showing signs of much improvement over existing levels. In view of uncertain economic conditions it is prudent to follow approach of consolidation & extend business in sector with low risk profile.

Your Company has entered into Consortium agreement with the Bin Ham Group of Abu Dhabi, one of the leading Business Group of U.A.E. such a consortium was formed for the acquisition of First Women Bank Limited which was privatised by Government of Pakistan last year. The Bin Ham group led Consortium successfully acquired 51% stake in the bank, in which your company's share amounted to 4.59% of the share holding acquired. Since dis-investment, the Bank is subject to litigation and it took almost a year when the learned judge of Lahore High Court awarded the judgement in favor of the Privatization Commission and the Consortium accepting the privatisation of the Bank. The Consortium and Commission now referred the case to the double bench of Lahore High Court for further refinement of the order. The outcome of which shall be known in few weeks. The Board is of the view that acquisition will have a significant impact on the financial status of Universal Leasing, and it will further strengthen and enable the company to diversify its portfolio of leases.

Utmost attention is being devoted to keep the company abreast with the modern technology, as such the General Ledger System is being updated to meet the challenges of the millennium. Your company will continue its efforts to grow by efficient utilization of resources, spreading risk over diversified sectors and following a conservative and prudent approach will continue to remain policy of your company.

#### **AUDITORS**

The present auditors M/s Khalid Majid Husain Rahman Chartered Accountants and M/s Rahim Iqbal Rafiq & Company Chartered Accountants retire and offer themselves for reappointment.

#### **ACKNOWLEDGMENTS**

The Board on behalf of the company wish to express gratitude to the banks, State Bank of Pakistan and Corporate Law Authority for their guidance and support. The Board also wish to place on record its appreciation for the hard work, commitment and team effort of staff of company to achieve satisfactory if not desired results in difficult times.

#### **PATTERN OF SHARE HOLDINGS**

The pattern of share holdings as at June 30, 1998 is annexed to this report on behalf of Board of Directors.

On Behalf of the Board

**AMANULLAH KHAN**  
Chief Executive

December 8, 1998

#### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Universal 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 stated in note 2.7 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.

**Khalid Majid Hussain Rehman**  
Chartered Accountants

**Rahim Iqbal Rafiq and Company**  
Chartered Accountants

Karachi: December 8, 1998

#### **BALANCE SHEET AS AT JUNE 30,1998**

	Note	1998 Rupees	1997 Rupees
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital 20,000,000 ordinary shares of Rs.10 each		200,000,000 =====	200,000,000 =====
Issued, subscribed and paid-up capital 11,000,000 ordinary shares of Rs.10 each fully paid in cash		110,000,000	110,000,000
Reserves	3	13,776,600	12,873,858
Unappropriated profit		4,106,392 -----	495,423 -----
		127,882,992	123,369,281
<b>OBLIGATIONS UNDER FINANCE LEASES</b>	4	222,884	375,148
<b>DEFERRED LIABILITY</b>		649,774	349,387
<b>LONG TERM DEPOSITS</b>	5	10,348,087	15,009,329
<b>CURRENT LIABILITIES</b>			
Current portion of obligations under finance leases		444,873	392,475
Current maturity of long term deposits		4,726,735	8,625
Short term running finance	6	18,543,806	18,959,822
Accrued and other liabilities	7	1,421,783	625,508
Provision for taxation		631,487	-
Proposed dividend		-	11,000,000
Unclaimed dividend		2,600 -----	- -----
		25,771,284	30,986,430
<b>COMMITMENTS</b>	8	-----	-----

		164,875,021	170,089,575
		=====	=====
<b>TANGIBLE FIXED ASSETS</b>		15,038,466	15,619,032
<b>NET INVESTMENTS IN LEASES</b>			
Minimum lease rentals receivable		92,807,192	120,371,312
Add: Residual value		16,660,567	16,617,509
		-----	-----
Gross investment in leases		109,467,759	136,988,821
Less: Unearned finance income		(13,940,375)	(29,260,541)
		-----	-----
Net investment in lease finance		95,527,384	107,728,280
Less: Allowance for potential lease losses		(2,907,765)	(252,900)
		-----	-----
		92,619,619	107,475,380
Less: Current portion of net investment in leases		(27,206,839)	(29,407,022)
		-----	-----
		65,412,780	78,068,358
<b>LONG TERM INVESTMENTS</b>	10	1,401,900	1,545,000
<b>LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COSTS</b>	11	1,082,598	1,979,315
<b>CURRENT ASSETS</b>			
Current portion of net investment in leases		27,206,839	29,407,022
Short term investments	12	756,740	1,040,930
Short term musharika investments	13	13,347,449	16,804,288
Advances, deposits, prepayments and other receivables	14	38,206,238	20,919,458
Taxation		-	386,340
Cash and bank balances	15	2,422,011	4,319,832
		-----	-----
		81,939,277	72,877,870
		-----	-----
		164,875,021	170,089,575
		=====	=====

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

**Amanullah Khan**  
Chief Executive

**Hameed Khan**  
Director

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

	Note	1998 Rupees	1997 Rupees
Income from lease operations	16	16,855,573	18,860,281
Other income	17	6,962,229	4,868,522
		-----	-----
		23,817,802	23,728,803
		-----	-----
Administrative and operating expenses	18	11,802,881	8,927,335
Financial charges	19	3,635,450	3,083,874
Provision for potential lease losses		2,654,866	252,900
		-----	-----
		18,093,197	12,264,109
		-----	-----
Profit before taxation		5,724,605	11,464,694
Provision for taxation	20	1,210,894	118,750
		-----	-----
Profit after taxation		4,513,711	11,345,944
Unappropriated profit brought forward		495,423	10,418,669

	-----	-----
	5,009,134	21,764,613
Appropriations:		
Transfer to:		
Statutory reserve	902,742	2,269,190
General reserve-reserve for contingencies	-	8,000,000
Proposed dividend 1998: Nil (1997: 10%)	-	11,000,000
	-----	-----
	902,742	21,269,190
	-----	-----
Unappropriated profit carried forward	4,106,392	495,423
	=====	=====

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

**Amanullah Khan**  
Chief Executive

**Hameed Khan**  
Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
(CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30,1998**

	1998 Rupees	1997 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating profit before taxation	5,724,605	11,464,694
Adjustments for non cash items:		
Amortization of deferred cost	891,227	699,538
Depreciation	1,901,696	1,652,469
Net Loss/(gain) on sale of investments	(285,550)	321,040
Financial charges	3,635,450	3,083,874
Provision for diminution in value of investments	768,190	208,750
Provision for gratuity	300,387	349,387
Provision for potential lease losses	2,654,866	252,900
Dividend income	(35,599)	(58,250)
	-----	-----
Operating profit before working capital changes	15,555,272	17,974,402
	-----	-----
Decrease/(increase) in net investment in leases	12,200,896	(23,029,220)
Increase in long term deposits	56,868	2,957,148
Increase/(decrease) in accrued liabilities excluding accrued financial charges	316,932	(267,785)
Increase in prepayments and other receivables excluding dividend	(17,307,285)	(5,099,372)
	-----	-----
	(4,732,589)	(25,439,229)
	-----	-----
<b>Cash generated from/(used in) operations</b>	10,822,683	(7,464,827)
Decrease/(increase) in long term deposits and prepayments	5,490	(38,271)
Income tax paid	(193,067)	(53,752)
	-----	-----
<b>Net cash generated from/(used in) operating activities</b>	10,635,106	(7,556,850)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend received	56,104	35,250
Purchase of fixed assets	(1,321,130)	(1,192,025)
Net purchases of long term investments	-	(442,075)
Net purchases of short term investments	(55,351)	(717,250)
Decrease/(increase) in short term musharika investments	3,456,839	(16,804,288)
	-----	-----
	2,136,462	(19,120,388)
	-----	-----
<b>Net cash used in investing activities</b>	12,771,568	(26,677,238)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		

Proceeds from lease obligations	382,000	668,425
Dividend paid	(10,997,400)	-
Repayment of finance lease liabilities	(481,866)	(618,327)
Financial charges paid	(3,156,107)	(3,083,874)
	-----	-----
<b>Net cash used in financing activities</b>	<b>(14,253,373)</b>	<b>(3,033,776)</b>
	-----	-----
<b>Net decrease in cash and cash equivalents</b>	<b>(1,481,805)</b>	<b>(29,711,014)</b>
<b>Add: Cash and cash equivalents as at July 1, 1997</b>	<b>(14,639,990)</b>	<b>15,071,024)</b>
	-----	-----
<b>Cash and cash equivalents as at June 30, 1998 (Note 22)</b>	<b>(16,121,795)</b>	<b>(14,639,990)</b>
	=====	=====

**Amanullah Khan**  
Chief Executive

**Hameed Khan**  
Director

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 1998**

### **1. LEGAL STATUS AND NATURE OF BUSINESS**

The Universal Leasing Corporation Limited was incorporated in Pakistan on July 29, 1993 as a public limited company under the Companies Ordinance, 1984. The principal activity-of the Company is leasing of assets. The Company's shares were floated for public subscription on February 6,1995, while it commenced its business from April 24, 1995. It is listed on the Karachi Stock Exchange and is classified as a Non Banking Financial Institution (NBFI) by the State Bank of Pakistan.

### **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**

##### **Owned:**

Fixed assets are stated at cost less depreciation to date. Depreciation is charged to income by applying straight line method over the useful life of the assets. Full year's depreciation is charged on acquisitions during the year.

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

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

##### **Leased:**

Assets acquired under finance leases are stated at the fair value or, if lower, at present value of minimum lease payments. Leased assets are depreciated over their useful life by applying straight line method.

The outstanding obligations under finance leases less finance charges allocated to future periods is shown as liability. The finance charges are calculated at the rate implicit in the lease and are charged to profit and loss account.

#### **2.3 Deferred costs and amortization**

Deferred costs are amortized systematically over the period of five years commencing from the year of incurrence.

#### **2.4 Investments**

Long term investments are carried at cost. Provision is made for diminution other than temporary in their values, if any.

Short term investments are carried at the lower of cost and market value, determined on an aggregate portfolio basis. The charges or credits, if any, arising from adjustments in carrying amounts are taken to the profit and loss account.

Gains and losses on disposal of investments, if any, are recognized in income currently.

## 2.5 Taxation

### Current:

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

Deferred taxation is accounted for using the liability method on all major timing differences excluding tax effects on those timing differences which are not likely to reverse in the foreseeable future.

## 2.6 Revenue recognition

### Income from lease operations:

The Company follows the "financing method" for recognition of lease income. Accordingly, at the commencement of lease, the total unearned lease finance income consists of the excess of aggregate lease rentals receivables plus any residual value over the cost of the leased assets. This finance income is 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.

Front end fee, commitment fee and other commissions are taken to income when realized.

### Profit on Musharika investments:

Expected profit on Musharika investments is recognized on pro-rata accrual basis.

### Dividend income:

Dividend income is recognized when the right to receive the dividend is established.

## 2.7 Staff retirement benefits

The Company operates an un-funded gratuity scheme for all of its permanent employees. Until last year provision was made in the financial statements based on one month Basic salary for each completed year of service or proportion thereof. From the current year, the company has decided to make provision for gratuity on one month gross salary for those employees who have completed three years of services. Provision is made in the financial statements with retrospective effect.

Had there been no change in the policy, the profit would have been higher by Rs. 189,404.

## 2.8 Allowance for potential lease losses

The allowance for potential lease losses is maintained at a level which, in the judgment of the management, is adequate to provide for potential losses on lease portfolio that can be reasonably anticipated.

## 3. RESERVES

	1998 Rupees	1997 Rupees
Statutory reserve (Note 3.1)		
Balance as at July 1, 1997	4,873,858	2,604,668
Add: Transfer during the year	902,742	2,269,190
	-----	-----
Balance as at June 30, 1998	5,776,600	4,873,858
General reserve - reserve for contingencies	8,000,000	8,000,000
	-----	-----
	13,776,600	12,873,858
	=====	=====

3.1 This represents the reserve created under the provisions of the State Bank of Pakistan's Rules for Non Banking Financial Institutions.

## 4. OBLIGATIONS UNDER FINANCE LEASES

Balance of obligations under finance leases	767,623	717,525
Add: Acquisition net of repayments	(99,866)	50,098
	-----	-----
	667,757	767,623
Less: Current portion shown under		



current liabilities	(444,873)	(392,475)
	-----	-----
	222,884	375,148
	=====	=====

The obligations under finance leases are reported at aggregate of minimum lease payments, discounted by using rate of 18.53% to 20.65%. The future payments due are as follows:

Year ended	1998 Rupees	1997 Rupees
June 30, 1998	-	491,324
June 30, 1999	540,529	320,584
June 30, 2000	188,495	17,524
June 30, 2001	64,650	-
	-----	-----
	793,674	829,432
Less: Finance charges allocated to future periods	(125,917)	(61,809)
	-----	-----
	667,757	767,623
	=====	=====

The Company has option to renew the lease agreements for one more year after the expiry of the three year lease term.

#### 5. LONG TERM DEPOSITS

	1997 Rupees	1998 Rupees
Lease key money from lessees	15,074,822	15,017,954
Less: Current maturity of security deposits from lessees	(4,726,735)	(8,625)
	-----	-----
	10,348,087	15,009,329
	=====	=====

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

#### 6. SHORT TERM RUNNING FINANCE - Secured

Short term running finance facilities available at the balance sheet date from commercial banks under mark-up arrangements were Rupees 20 million (1997: Rupees 20 million). The rates of mark-up applicable to these facilities range from Rupees 0.55 to Rupees 0.60 (1997: Rupees 0.55 to Rupees 0.60) per Rupees 1,000 per day. These facilities are secured by charge on leased out assets and related rentals receivable.

#### 7. ACCRUED AND OTHER LIABILITIES

	1998 Rupees	1997 Rupees
Mark-up on short term finance	479,343	-
Accrued rent	-	66,000
Auditors' remuneration	525,750	175,000
Tax deducted from payments to suppliers and others	27,431	36,038
Others	389,259	348,470
	-----	-----
	1,421,783	625,508
	=====	=====

#### 8. COMMITMENTS

For acquiring 4.59% share in First Women Bank Limited	25,704,000	-
For lease disbursements	5,900,000	11,000,000

For commitments against assets acquired on finance leases, please refer note 4.

## 9. FIXED ASSETS

	COST			DEPRECIATION				
	As at July 1, 1997	Additions/ *transfers during the year	As at June 30, 1998	As at July 1, 1997	For the year *on transfers	As at June 30, 1998	Written down value	Depreciation rate % per annum
<b>Rupees</b>								
<b>Owned:</b>								
Office premises	9,844,000	-	9,844,000	984,400	492,200	1,476,600	8,367,400	5
Furniture & fixtures	6,951,647	150,000	7,101,647	1,617,240	710,165	2,327,405	4,774,242	10
Motor vehicles	450,000	722.89 *280,670	1,453,555	258,402	290,711 *168,402	717,515	736,040	20
Office equipment	513,915	51,920	565,835	245,236	113,167	358,403	207,432	20
	17,759,562	1,205,475	18,965,037	3,105,278	1,606,243	4,879,923	14,085,114	
<b>Leased:</b>								
Motor vehicles	993,470	396,325 *(280,670)	1,109,125	200,520	221,825 *(168,402)	253,943	855,182	20
Office equipment	245,425	-	245,425	73,627	73,628	147,255	98,170	30
	1,238,895	115,655	1,354,550	274,147	295,453	401,198	953,352	
1998	18,998,457	1,321,130	20,319,587	3,379,425	1,901,696	5,281,121	15,038,466	
1997	17,806,432	1,192,025	18,998,457	1,726,956	1,652,469	3,379,425	15,619,032	

## 10. LONG TERM INVESTMENTS - Listed securities

Unless stated otherwise, investment's represent certificates/ordinary shares of Rupees 10 each fully paid in cash.

No. of certificates/ shares		1998 Rupees	1997 Rupees
1997	1998		
<b>Mutual Funds</b>			
49,630	49,630	496,300	496,300
10,000	10,000	81,300	81,300
10,000	10,000	102,800	102,800
<b>Leasing Companies</b>			
23,500	24,675	396,175	396,175
National Development Leasing Corp. Ltd. (Ordinary shares of Rupees 5 each)			
<b>Synthetic &amp; Rayon</b>			
20,000	20,000	468,425	468,425
Pakistan Synthetic Ltd.			
		1,545,000	1,545,000
Less: Provision for diminution in the value of investments		(143,100)	-
		1,401,900	1,545,000

=====

The aggregate market value of the investments as on June 30, 1998 amounted to Rupees 425,812 (1997: Rupees 866,318).

#### 11. LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COSTS

	1998 Rupees	1997 Rupees
Deposits:		
Rest house-Lahore	50,000	66,000
Lease key money	121,371	110,861
Others	20,000	20,000
	-----	-----
	191,371	196,861
Deferred costs (Note 11.1)	891,227	1,782,454
	-----	-----
	1,082,598	1,979,315
	=====	=====

	1998 Rupees	1997 Rupees
<b>11.1 Deferred Costs</b>		
Preliminary expenses	1,396,646	1,396,646
Shares floatation expenses including commission and-brokerage	791,591	791,591
Unallocated revenue expenditure	2,057,030	2,057,030
Others	210,868	210,868
	-----	-----
	4,456,135	4,456,135
Less: Amortized to date	(3,564,908)	(2,673,681)
	-----	-----
	891,227	1,782,454
	=====	=====

#### 12. SHORT TERM INVESTMENTS - Listed securities

Unless stated otherwise, investments represent certificates/ordinary shares of Rupees 10 each fully paid in cash.

No. of certificates/ shares		1998 Rupees	1997 Rupees
1997	1998		
<b>Mutual Fund Companies</b>			
1,000	1,000 21st ICP Mutual Fund	8,230	8,230
<b>Leasing Companies</b>			
3,000	3,000 Paramount Leasing Corp. Ltd.	28,890	28,890
<b>Textile Spinning</b>			
2,000	2,000 Ahmed Hassan Textile Mills Ltd.	18,260	18,260
5,000	5,000 Idrees Textile Mills Ltd.	33,150	33,150
<b>Sugar &amp; Allied Industries</b>			
5,000	5,000 Haseeb Waqas Sugar Mills Ltd.	39,650	39,650
<b>Auto &amp; Allied Engineering</b>			
10,500	10,500 Agri Autos Industries Ltd. (Ordinary shares of Rupees 5 each)	51,240	51,240
4,862	4,862 General Rubber & Tyre Co. Ltd.	198,910	198,910
8,000	8,000 Indus Motor Co. Ltd.	161,600	161,600
<b>Chemical and Pharmaceutical</b>			
-	25,000 FFC Jordan Fertilizer Ltd.	486,650	-

<b>Fuel and Energy</b>		
- 23,000 Sui Southern Gas Ltd.	564,000	-
<b>Transport and Communication</b>		
24,000 - Pakistan Telecommunication Corp. Ltd.	-	709,750
	-----	-----
	1,590,580	1,249,680
Less: Provision for diminution in the value of investments	(833,840)	(208,750)
	-----	-----
	756,740	1,040,930
	=====	=====

The aggregate market value of the investments as on June 30, 1998 amounted to Rupees 756,740 (1997: Rupees 1,040,930).

### 13. SHORT TERM MUSHARIKA INVESTMENTS - Unsecured

These represent investments made on musharika basis, whereby the Company is to participate in the profit and loss in agreed proportions. The expected profit on such investments is 22% per annum.

### 14. ADVANCES, DEPOSITS, PREPAYMENTS AND AND OTHER RECEIVABLES

	1998 Rupees	1997 Rupees
Advances		
For capital expenditure	-	950,000
For purchase of software	144,000	144,000
To staff (Note 14.1) - considered good	161,750	171,000
Against lease to be underwritten	18,100,000	13,900,000
Deposit with the Privatization Commission (Note 14.2)	10,000,000	-
Prepayments	257,892	75,285
Musharika profit receivable-considered good	2,208,677	4,431,375
Dividend receivable	2,495	23,000
Receivable from Binham group	3,360,472	-
Mark-up against leased assets	2,928,895	262,131
Others receivables	1,042,057	962,667
	-----	-----
	38,206,238	20,919,458
	=====	=====

14.1 Maximum amount due from the executives at the end of any month during the year amounted to Rupees 140,000 (1997: Rupees 171,000).

14.2 This represents amount deposited with the Privatization Commission, Government of Pakistan, on behalf of Consortium for acquisition of 51% shares of First Women Bank Limited. The Company has 9% share in consortium.

### 15. CASH AND BANK BALANCES

	1998 Rupees	1997 Rupees
Cash in hand	84,838	38,163
Cash at banks:		
On current accounts with:		
- State Bank of Pakistan	65,000	65,000
- Other commercial banks	2,272,061	4,216,557
On PLS savings account:		
- On deposit account	112	112
	-----	-----
	2,422,011	4,319,832
	=====	=====

	1998 Rupees	1997 Rupees
<b>16. INCOME FROM LEASE OPERATIONS</b>		
Income on lease contracts	16,787,484	18,607,206
Front end and documentation fee	68,089	253,075
	-----	-----
	16,855,573	18,860,281
	=====	=====
<b>17. OTHER INCOME</b>		
Profit on musharika investments	2,252,780	4,547,265
Mark-up income	3,991,764	-
Profit/return on deposits with banks	156,763	168,275
Gain on sale of investments	286,050	-
Gain on lease terminations	228,464	64,922
Dividend income	35,599	58,250
Others	10,809	29,810
	-----	-----
	6,962,229	4,868,522
	=====	=====
<b>18. ADMINISTRATIVE AND OPERATING EXPENSES</b>		
Salaries, allowances and staff benefits	1,420,320	1,066,160
Remuneration of chief executive, directors and other executives (Note 21)	2,521,211	1,899,207
Rent expenses	608,133	396,000
Traveling and conveyance	267,306	231,034
Vehicle running expenses	391,118	330,548
Electricity and gas charges	324,093	70,306
Telephone and telex	185,497	172,043
Insurance	267,235	205,994
Fees, subscriptions and periodicals	141,255	317,554
Printing and stationery	80,000	79,884
Legal and professional charges	360,217	100,317
Auditors' remuneration (Note 18.1)	465,000	137,500
Repairs and maintenance	150,588	86,716
Entertainment expenses	134,385	72,183
Depreciation	1,901,696	1,652,469
Share registrar services	240,000	240,000
Amortization of deferred costs	891,227	699,538
Advertisement	55,130	40,670
Property tax	36,655	37,808
Donations (Note 18.2)	12,000	12,000
Provision for diminution in value of investments	768,190	208,750
Gratuity	300,387	349,387
Loss on sale of investments	500	321,040
Penalties levied by State Bank of Pakistan	-	12,075
Miscellaneous	280,738	188,152
	-----	-----
	11,802,881	8,927,335
	=====	=====

**18.1 Auditors' remuneration**

	Khalid Majid Husain Rahman	Rahim Iqbal Rafiq & Co.	1998 Rupees	1997 Rupees
Audit fee	42,500	42,500	85,000	85,000

Fee for taxation services	360,000	-	360,000	32,500
Fee for special audit	-	-	-	10,000
Out-of-pocket expenses	10,000	10,000	20,000	10,000
	-----	-----	-----	-----
	412,500	52,500	465,000	137,500
	=====	=====	=====	=====

**18.2 Donations**

Donations do not include any amount paid to any person or organization in which the chief executive, directors or their spouses have any interest.

<b>1998</b>	<b>1997</b>
<b>Rupees</b>	<b>Rupees</b>

**19. FINANCIAL CHARGES**

Finance charges under lease obligations	169,398	172,688
Mark-up on short-term running finance	3,434,364	2,801,237
Bank charges	24,032	48,604
Lease processing fee	5,820	9,684
Central excise duty	1,836	51,661
	-----	-----
	3,635,450	3,083,874
	=====	=====

**20. PROVISION FOR TAXATION**

Current		
- For the year	1,175,932	118,750
- For prior year	34,962	-
	-----	-----
	1,210,894	118,750
	=====	=====

**21. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND OTHER EXECUTIVES**

	<b>1998</b>			<b>1997</b>		
	<b>Chief Executive</b>	<b>Director</b>	<b>Executives</b>	<b>Chief Executive</b>	<b>Director</b>	<b>Executive</b>
	<b>Rupees</b>			<b>Rupees</b>		
Managerial remuneration	660,000	312,000	492,000	640,800	319,050	252,000
Housing and utility	432,536	206,610	338,218	356,520	180,950	132,000
Expenses reimbursed	23,078	11,777	44,992	1,171	7,900	2,816
	-----	-----	-----	-----	-----	-----
	1,115,614	530,387	815,210	1,004,491	507,900	386,816
	=====	=====	=====	=====	=====	=====
No of persons	1	1	3	1	1	1
	=====	=====	=====	=====	=====	=====

21.1 The Chief Executive, Director and other Executives are provided with free use of company maintained cars. In addition, the Chief Executive is also entitled to reimbursement of salaries of house keeping staff and use of mobile telephone.

**22. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise of the following items as included in the balance sheet.

<b>1998</b>	<b>1997</b>
<b>Rupees</b>	<b>Rupees</b>

Cash and bank balances	2,422,011	4,319,832
Short-term running finance	(18,543,806)	(18,959,822)

-----  
 (16,121,795) (14,639,990)  
 =====

### 23. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchase of shares	-	2,585,300
Sale of shares	-	1,450,500
Share registrar services	-	240,000

### 24. CORRESPONDING FIGURES

The corresponding figures have been re-arranged wherever necessary for the purpose of comparison.

**Amanullah Khan**  
Chief Executive

**Hameed Khan**  
Director

### PATTERN OF SHAREHOLDING AS AT JUNE 30, 1998

S.No.	NO. OF SHARE HOLDER	SHAREHOLDING		TOTAL SHARES HELD
		FROM	TO	
1.	58	101	500	28,900
2.	5	501	1,000	5,000
3.	6	1,001	5,000	27,500
4.	17	5,001	10,000	155,500
5.	34	10,001	15,000	483,000
6.	33	15,001	20,000	651,000
7.	36	20,001	25,000	898,000
8.	14	25,001	30,000	419,000
9.	7	30,001	35,000	245,000
10.	11	45,001	50,000	550,000
11.	1	55,001	60,000	58,000
12.	1	95,001	100,000	100,000
13.	1	115,001	120,000	120,000
14.	1	245,001	250,000	250,000
15.	1	295,001	300,000	300,000
16.	1	495,001	500,000	500,000
17.	1	630,001	635,000	632,400
18.	1	745,001	750,000	750,000
19.	1	780,001	785,000	782,800
20.	1	895,001	900,000	900,000
21.	2	910,001	915,000	1,825,600
22.	1	1,315,001	1,320,000	1,318,300
	-----			-----
	234			11,000,000
	=====			=====

NOTE: The slabs not applicable have not been shown'.

### CATEGORIES OF SHAREHOLDERS

Categories of Shareholders	Number	Shares Held	Percentage
INDIVIDUAL	225	4,040,900	36.735
JOINT STOCK COMPANIES	1	632,400	5.749
FINANCIAL INSTITUTING	1	900,000	8.182
MODARABA COMPANIES	3	2,445,600	22.233
INVESTMENT COMPANIES	4	2,981,100	27.101
	-----	-----	-----
	234	11,000,000	100.000
	=====	=====	=====