

InterAsia Leasing Company Limited

Annual Report 1999

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CORPORATE INFORMATION

Board of Directors	Mr. Muhammad Younas Khan	Chairman
	Mr. Jameel ur Rehman	Chief Executive
	Mr. Talha Qureshi	Director
	Mr. Muhammad Azam Khan	Director
	Ms. Parveen A. Malik	(Nominee of Saudi Pak Industrial & Agricultural Investment Co. (Pvt) Ltd.)
	Mr. Abdul Qudus Siddiqi	Director
	Mr. Hashim Ishaq	Director

Company Secretary Salman Rashid, (ACMA)

Bankers Gulf Commercial Bank Ltd.
Crescent Investment Bank Ltd,
Bank of Khyber
First Women Bank Ltd,
Trust Investment Bank Ltd.

Legal Advisors Ahmer Bilal Soofi, Advocates & Solicitors

Auditors Khalid Majid Husain Rahman, Chartered Accountants,

Registrar and Share Transfer Office Universal Management Services (Ptv) Ltd.
Room No. 205, 2nd Floor, Central Hotel Building,
Civil Lines, Karachi, Pakistan
Phone: 5654037

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DIRECTORS' REPORT AND REVIEW BY THE CHAIRMAN

The Board of Directors of InterAsia Leasing Company Limited presents the Seventh Annual Report along with the Annual Audited Accounts of the Company for the year ended June 30, 1999.

STATE OF ECONOMY

The year under review was once again a very difficult year for the financial sector in general and leasing sector in particular. The real GDP recorded a decline from 4.3% to 3.1%. This resulted from poor performance of agriculture sector coupled with weaker performance of manufacturing and services sectors. The agricultural sector grew by a mere 0.35% whereas manufacturing and services sector registered a growth of 4.7% and 4.1%, respectively. The commodity-producing sector has registered a growth of 2.1% as compared to 5.3% of last year. The government continued to resort to deficit financing. The debt burden also increased. The much needed structural reform of the economy was not implemented. The foreign exchange reserves remained under pressure. Also the uncertainty that prevailed due to nuclear detonation dampened the economic growth resulting in slowing the demand for credit. Consequently, the leasing activity also remained subdued as a result of uncertain economic environments.

PERFORMANCE REVIEW

Your company continued to adopt a conservative approach towards lending and maximum effort was put in towards the recovery. As a result of that new investment in leases for the year was Rs. 95.7 million being 11.4% less than last year. On the other hand recovery from investment in leases was to the tune of Rs. 138 million, which was 57% more than that of last year. The management was able to keep a check on administrative and operating expenses which were reduced by 7.26% as compared to last year, However, financial expenses were 2.75% higher as compared to prior year, owing mainly to higher markup rates for the year.

The lease portfolio continued to remain well diversified with the major concentration of risk of 19.03% in sugar and allied industries. The average lease size also remained on the lower side.

Financial Results

Net Investment in Leases	Rs. 230,924,864
Revenue	Rs. 53,671,702
Expenditure	Rs. 45,919,031
Provisions for potential lease losses	Rs. 37,714,190
Provision for diminution in the value of investments (marked to market)	Rs. 17,158,201
Provision for taxation- deferred and current	Rs. 9,378,582
Loss after tax	Rs. 56,498,302

The new management ushered in the fall of 1999 was immediately entrusted with the responsibility of taking out annual audited accounts for the financial year 1998 99. After a careful analysis the management decided to consolidate the position of your company by making prudent provisioning on investments made in leases and listed securities, As a result the equity of the company was adversely affected. Due to the requirements of International Accounting Standard (IAS) No. 12, the Securities and Exchange Commission of Pakistan adopted the IAS on September 10, 1999 under its circular No. 16. Therefore it became mandatory for each leasing company to make a provision for deferred taxation. You will observe that this new requirement has further worsened the position of the profit of the company.

As a result of provisions made on lease investments the lease portfolio of your company has become clean and performing to a large extent, Another major provision of Rs. 17.15 million was made on investment in shares of listed securities. The investment comprises securities of Bankers Equity Limited at a cost of Rs, 15 million (approx). Although the investment is classified as long-term, yet the management felt that it is prudent to make provision on that investment owing to the diminution in the market value of this stock,

CHANGE IN DIRECTORSHIP

Rauf B. Kadri, Ashfaq Tola, Inam-ul Haq, Haroon Sharif, Naveed A, Khan, M, Aslam tendered their resignation as directors of the company. The new board includes Muhammad Younas Khan, Jameel ur Rehman, Hashim Ishaq, Abdul Quddus Siddiqi, Talha Qureshi, Muhammad Azam Khan and Ms, Parveen Malik, Nominee of Saudi Pak. The new board brings with it decades of in-depth experience in banking, financial sector and management, This augurs well for the future of the company.

ORGANIZATIONAL CHANGES

Mr. Jameel ur Rehman, CEO a fellow of the Institute of Chartered Accountants in England & Wales and the Institute of Chartered Accountants of Pakistan is well experienced in financial matters and modern management. He brings with him well diversified experience. Mr. Muhammad Younas Khan, chairman, is fellow of the Institute of Chartered Accountants in England & Wales and fellow of the Institute of Bankers, Pakistan. Your Chairman has a rich experience in international banking in multinational environment, He also brings with him deep understanding of Pakistan's economy, financial sector and business environment. He is well connected in Government, Private and Public sector. The management philosophy is target oriented and well focussed. All areas of business have been evaluated and proper procedures, checks and balances are being introduced where ever necessary. The COI rates and lending rates have been rationalized meeting the current rate scenario of the country.

Y2K COMPLIANCE

You will be pleased to know that the company has upgraded its I.T both in terms of hardware and software and became fully compliant to Y2K.

FUTURE OUTLOOK

The consolidation of the operations, implementation of prudent credit and business policies coupled with modern management techniques will take the company to sound health. The board of directors and management will do their best to produce good results in the future years. However, much will also depend on the economic environment of the country. The shareholders will have to be a little patient. We are hopeful that the steps taken now for the good of the company will enhance shareholders value in future.

AUDITORS

The auditors, M/s Khalid Majid Hussain Rehman, Chartered Accountants, retire and being eligible offer

themselves for reappointment.

ACKNOWLEDGMENT

The board takes the opportunity of thanking the management and staff for their dedication and hard work in trying circumstances. Thanks to the shareholders for their patience and understanding, and to the Securities and Exchange Commission of Pakistan for their guidance and support.

**For and on behalf of
the Board of Directors**

**-sd-
Muhammad Younas Khan
Chairman**

Islamabad
January 20, 2000

NOTICE OF THE MEETING

Notice is hereby given that Seventh Annual General Meeting of INTERASIA LEASING COMPANY LIMITED will be held at Meeting Room No. 57, Hotel Holiday Inn, 0/6, Civic Centre, Islamabad, on Tuesday, February 22, 2000 at 11 A.M. to transact the following business.

ORDINARY BUSINESS

1. To confirm the Minutes of the Sixth Annual General Meeting held on December 31, 1998,
2. To receive, consider and adopt the audited accounts of the Company for the period ended June 30, 1999 together with the Directors' and auditors' report thereon.
3. To appoint Auditors for the year 1999-2000 and fix their remuneration. The present auditors, M/s Khalid Majid Husain Rehman, Chartered Accountants retire and being eligible, offer themselves for reappointment.
4. To transact any other business with the permission of the Chair,

By order of the Board

**SALMAN RASHID
Company Secretary**

Islamabad; January 29, 2000

NOTES:

1. The Register of Members of the Company will remain closed from February 15, 2000 to February 21, 2000 (both days inclusive)
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her. A proxy need not to be a member of the Company,
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, 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 meeting.
4. Members are advised to lodge shares for transfer at the office of our Registrar, Universal Management Services (Pvt) Ltd, Room No. 205-Central Hotel, Civil Lines, Karachi
Tel. No. 5654037.
5. Members are requested to notify any change in addresses immediately.

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of InterAsia Leasing Company Limited as at June 30, 1999 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 accounts 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 purposes 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, the 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, 1999 and of the loss and the cash flow statement 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 central Zakat fund established under section 7 of that ordinance.

Without qualifying our opinion we draw attention to the note 12 of the financial statements.

Islamabad, January 26, 2000

KHALID MAJID HUSAIN RAHMAN
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>June 30, 1999 (RUPEES)</i>	<i>June 30, 1998 (RUPEES)</i>
SHARE CAPITAL AND RESERVES			
Authorised Capital			
20,000,000 ordinary shares of Rs. 10/- each		200,000,000 =====	200,000,000 =====
Issued, subscribed and paid up capital			
10,000,000 ordinary shares of Rs. 10/- each fully paid in cash		100,000,000	100,000,000
Revenue reserves			
Statutory		13,759,493	13,759,493
General		10,000,000	10,000,000
Contingencies	3	3,339,892	3,339,892
Un-appropriated profit		(49,800,222)	6,698,080
	25	77,299,163	133,797,465
DEFERRED LIABILITY	4	9,081,878	--
LONG TERM DEPOSITS	5	35,961,381	42,655,868
LONG TERM CERTIFICATES OF INVESTMENTS	6	3,562,375	62,510,000
LONG TERM FINANCES	7	8,146,401	17,728,401
CURRENT LIABILITIES			
Current portion of Long Term Deposits		18,534,100	15,937,645
Current portion of Certificates of Investment		77,763,410	14,266,800
Current maturity of Long Term Finances		10,082,000	14,546,000
Finance Under Markup arrangements	8	78,965,305	85,481,336
Accrued & Other Liabilities	9	39,190,799	41,984,042
Dividend Payable		550,006	11,010,229
		225,085,620	183,226,052
CONTINGENCIES AND COMMITMENTS	10	--	--

		359,136,818	439,917,786
OPERATING FIXED ASSETS			
-TANGIBLE	11	2,602,878	3,645,171
NET INVESTMENT IN LEASES	12		
Minimum lease payment receivable		375,659,630	417,147,817
Add: Residual value of leased Assets		54,324,985	58,593,513
		429,984,615	475,741,330
Less: Unearned Lease Income		(138,125,915)	(141,752,108)
		291,858,700	333,989,222
Less: Current portion of net investment in leases		(60,933,836)	(85,204,774)
		230,924,864	248,784,448
LONG TERM INVESTMENTS	13	22,014,411	40,353,608
LONG TERM DEPOSITS		393,070	188,070
DEFERRED COSTS	14	1,157,491	2,078,198
CURRENT ASSETS			
Current portion of net investment in lease	15	60,933,836	85,204,774
Advances, Prepayments & Other			
Receivables	16	34,252,474	54,729,992
Cash and bank balances	17	6,857,794	4,933,525
		102,044,104	144,868,291
		359,136,818	439,917,786

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

-Sd-
Chief Executive

-Sd-
Director

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED JUNE 30, 1999

	<i>Note</i>	<i>June 30, 1999 (RUPEES)</i>	<i>June 30, 1998 (RUPEES)</i>
REVENUES			
Income from leasing operations	18	59,356,023	62,078,422
Income/(Loss) from Investments	19	--	(1,998,770)
Other income	20	(5,684,321)	692,382
		53,671,702	60,772,034
EXPENSES			
Administrative & operating expenses	21	10,332,366	11,141,898
Financial Charges	22	35,586,665	34,633,299
		45,919,031	45,775,197
Profit/(Loss) before provisions		7,752,671	14,996,837
Provision for diminution in value of Investments		17,158,201	--
Provision for Potential lease losses	16.3	37,714,190	463,881
		(47,119,720)	14,532,956
Profit/(Loss) before Taxation		(47,119,720)	14,532,956
Provision for taxation			
Current	26.1	296,704	313,448
Deferred	26.2	9,081,878	--
		(56,498,302)	14,219,508
Profit/(Loss) after taxation		(56,498,302)	14,219,508
Un-appropriated profit brought forward		6,698,080	5,524,716

	49,800,222	19,744,224
Appropriation:		
Transfer to statutory reserve	--	2,843,902
Transfer to contingencies reserve	--	202,242
Proposed dividend	--	10,000,000
	-----	-----
	--	13,046,144
	-----	-----
Un-appropriated profit/(Loss) carried to balance sheet	(49,800,222)	6,698,080
	=====	=====
-Sd- Chief Executive	-Sd- Director	

CASH FLOW STATEMENT FOR THE PERIOD FROM JULY 01, 1998 TO JUNE 30, 1999

	<i>June 30, 1999</i>	<i>June 30, 1998</i>
	<i>(RUPEES)</i>	<i>(RUPEES)</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/(Loss) after taxation	(56,498,302)	14,219,508
Adjustments for:		
Depreciation	990,464	1,024,163
Deferred costs amortized	920,707	1,675,846
(Income)loss from investments	--	1,998,770
(Gain)/loss on sale of fixed assets	1,609	32,439
Provision for deferred tax	9,081,878	--
Provision for diminution in value of investments	17,158,201	--
	-----	-----
Operating profit/(loss) before working capital changes	(28,345,443)	18,950,726
Decrease in advances, prepayments and other receivables	20,477,518	(20,094,708)
Decrease in investment in leases	(95,728,734)	(108,051,028)
Recoveries from investment in leases	137,859,256	87,826,851
Increase in long term deposits received	450,953	4,727,490
Increase/(decrease) in accrued and other liabilities	(2,793,243)	4,682,047
Increase in long term deposits	(205,000)	--
	-----	-----
Cash generated from operations	60,060,750	(30,909,348)
	-----	-----
Net cash generated/(used)in operating activities	31,715,307	(11,958,622)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in deferred cost	--	(135,000)
Purchase of fixed assets	(410,850)	(2,440,631)
Proceeds from sale of fixed assets	461,070	966,157
(Increase)/Decrease in long term investments	1,180,996	2,149,920
Income/(loss) from investments	--	(1,998,770)
Dividend Paid	(10,460,223)	(11,648,737)
	-----	-----
Net cash generated/(used) in investing activities	(9,229,007)	(13,107,061)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Finances under mark-up arrangements	(20,562,031)	24,893,958
	-----	-----
Net cash generated/(used)in financing activities	(20,562,031)	24,893,958
	-----	-----
NET(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	1,924,269	(171,725)
CASH AND CASH EQUIVALENTS AT JULY 01,	4,933,525	5,105,250
CASH AND CASH EQUIVALENTS AT JUNE 30, 1999 AND JUNE 30, 1998 RESPECTIVELY	-----	-----
	6,857,794	4,933,525
	=====	=====
-Sd- Chief Executive	-Sd- Director	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 1999

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on November 30, 1992, as a public limited company and is listed on the Karachi and Islamabad Stock Exchanges. The licence to carry on leasing business was granted on April 26, 1993 and the certificate of commencement of business was obtained on May 2, 1993. The main business activity of the Company is leasing.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Overall valuation policy

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

2.2 Revenue recognition

2.2.1 Lease

The Company follows "financial method" in accounting for recognition of lease income, Accordingly unearned lease income is taken over the term of the lease, starting from the period in which the lease is executed, so as to produce a constant return on the net investment in the lease.

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

2.2.2 Investments

Dividend income is recognised when the right to receive payment is established. Gain/profit on trading of investments are taken to income when it is realised.

2.2.3 Other

Other income is recognised when earned.

2.3 Operating fixed assets-tangible and depreciation

Operating assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method. In respect of additions and deletions of assets during the year, depreciation is charged proportionately from/to the month of acquisition and deletion respectively.

Major extensions, renewals and improvements are capitalised.

Maintenance and minor improvements are charged to income as and when incurred, Gains and losses on disposal of fixed assets are included in current income.

2.4 Investments

2.4.1 Long term investments are carried at cost. Provision is made for permanent diminution in value of investments, if any.

2.4.2 Short term investments are valued at the lower of average cost and market value determined on an aggregate portfolio basis in total, using Karachi Stock Exchange quotations.

2.5 Taxation

2.5.1 Current

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

2.5.2 Deferred

The Company accounts for deferred taxation using the liability method on timing differences likely to reverse in the foreseeable future.

2.6 Deferred costs

Deferred costs are amortised during the period not exceeding five years from the year of incurrence thereof.

2.7 Employees' retirement benefits

The Company operates a contributory provident fund under a separate trust for all its permanent employees and contributions are recorded monthly in accordance with the fund rules.

3. CONTINGENCIES RESERVE

This is a reserve created at 1% of Minimum Lease Payment Receivable as of balance sheet date to meet any contingencies that may arise on lease rentals receivable.

4. DEFERRED LIABILITY

This represents deferred tax liability as explained in note 26.2.

<i>June 30, 1999</i>	<i>June 30, 1998</i>
<i>Rupees</i>	<i>Rupees</i>

5. LONG TERM DEPOSITS

Security deposits (note 5.1)	54,495,481	58,593,513
Less: Current portion	(18,534,100)	(15,937,645)
	-----	-----
	35,961,381	42,655,868
	=====	=====

5.1 These represent interest free security deposits received from lessees under lease contracts and are repayable/adjustable at the expiry of the respective lease period.

<i>June 30, 1999</i>	<i>June 30, 1998</i>
<i>Rupees</i>	<i>Rupees</i>

6. LONG TERM CERTIFICATES OF INVESTMENTS

Certificates of investments (note 6.1)	81,325,785	76,776,800
Less: Current portion	(77,763,410)	(14,266,800)
	-----	-----
	3,562,375	62,510,000
	=====	=====

6.1 These are registered PLS certificates of investments, issued for the periods from three months to three years with the facility of pro-mature encashment after minimum three months. The mark-up rate range, from 17.25% to 23.5% per annum depending upon the period of maturity.

7. LONG TERM FINANCES. SECURED CASH FINANCE

Crescent Investment Bank (note 7.1)	3,000,000	10,000,000
Bankers Equity Ltd. (note 7.2)	9,398,401	13,108,401
Gulf Commercial Bank Ltd. (note 7.3)	5,830,000	9,166,000
	-----	-----
	18,228,401	32,274,401
Less: Current maturity of long term finances	(10,082,000)	(14,546,000)
	-----	-----
	8,146,401	17,728,401
	=====	=====

7.1 This facility carries mark-up at the rate of 21% per annum. The repayment is on monthly installments and is secured by way of hypothecation of specific moveable leased assets and related specific book debt, promissory note and discounting agreement of Rs. 11,843,972 respectively. This facility will mature in September 1999.

7.2 This represents two lines of credit amounting to Rs. 7,986,154 and Rs. 1,412,247 from an investment bank and carries mark-up at the rate of 21.5% and 23.5% respectively. This facility is secured against endorsement of promissory notes and first charge on leased assets in favour of the bank. These facilities will mature on October 06, 2001 and January 11, 2002 respectively.

7.3 This facility represents a term finance facility for a period of three years and carries mark-up at the rate of 20.5% per annum payable quarterly. The facility is secured by way of registered hypothecation charge of specific leased assets amounting to Rs. 14 million. This facility will mature on December 30, 2000.

<i>June 30, 1999</i>	<i>June 30, 1998</i>
<i>Rupees</i>	<i>Rupees</i>

8. FINANCE UNDER MARK-UP ARRANGEMENT - SECURED

Running finance (Note 8.1)	12,283,792	19,200,945
Cash finances. (Note 8.2)		
Bank of Khyber (8.2.1)	5,000,000	5,000,000
Saudi Pak Industrial & Agricultural Investment Co. (Pvt) Ltd. (8.2.2)	2,000,000	5,000,000

Fidelity Investment Bank Ltd,	--	10,000,000	
Pak Libya Holding Company Ltd.	--	9,000,000	
English Leasing Company Ltd.	(8.2.3)	10,000,000	10,000,000
Trust Investment Bank Limited	(8.2.4)	25,000,000	--
Musharika Financing	(Note 8.3)		
First Ibrahim Morabaha	--	5,000,000	
Trust Investment Bank Ltd.	(8.3.1)	24,681,513	20,280,391
Other	--	2,000,000	
		-----	-----
		78,965,305	85,481,336
		=====	=====

8.1 The Company has obtained a running finance facility from Gulf Commercial Bank Ltd. (Formerly Schon Bank Ltd.) of Rs. 15.00 million under mark-up arrangement and is secured by first hypothecation charge of Rs. 26.7 million over specific lease assets of the company and related receivables. This facility carries mark-up at the rate of 20.50% per annum payable quarterly. The total finance and mark-up is repayable by October 31, 1999.

8.2 Cash finance

8.2.1 This represent demand finance facility and carries mark-up at the rate of 20% per annum with markup payable quarterly, and is secured by way of hypothecation of leased assets valuing Rs. 6.7 million. This facility will mature on May 2000.

8.2.2 This represents discounting facility and carries mark-up at the rate of 20% per annum. The principal and markup is payable monthly. This facility is secured by way of pari passu charge to the extent of Rs. 10 million on specific assets of the company and assignment of lease rentals. This facility is repayable in monthly equal installments and will be maturing in October 1999.

8.2.3 This represents a short-term facilities of Rs 5 million each for a period of 45 days and carries mark-up at the rate of 19.50% per annum & 19.60% per annum respectively payable on maturity. These facilities will mature in July 1999.

8.2.4 This represents short-term facility of Rs. 5 million and Rs. 20 million each for a period of three months and six months carrying mark-up at the rate of 20.65% per annum and 20.40% per annum respectively payable on maturity. These facilities will be maturing on August and September 1999 respectively.

Musharika financing

8.3.1 This represents Musharika Investment Agreement carrying profit at the rate of 21% per annum payable half yearly. The facility will mature in July 1999.

<i>June 30,</i>	<i>June 30,</i>
<i>1999</i>	<i>1998</i>
<i>Rupees</i>	<i>Rupees</i>

9. ACCRUED AND OTHER LIABILITIES

Accrued liabilities	124,000	112,948
Accrued financial charges-secured finances	9,957,025	9,461,291
Advance front - end fee and commission	167,911	939,299
Provision for taxation	982,358	985,654
Tax Payable - deducted at source	629,752	477,793
Payable to lossee's	4,602,850	3,217,271
Other Payables	2,584,509	2,928,780
Payable to associated undertakings	20,142,394	23,861,006
	-----	-----
	39,190,799	41,984,042
	=====	=====

10. CONTINGENCIES AND COMMITMENTS

There were no contingencies and capital commitments as at the end of the year.

11. OPERATING FIXED ASSETS-TANGIBLE

DESCRIPTION	COST				RATE	(Amount in Rupees)			
	AS AT July 01, 1998	ADDITIONS	DELETIONS	AS AT June 30, 1999		AS AT July 01, 1998	TOTAL FOR THE YEAR	AS AT June 30, 1999	WDV AS AT June 30, 1999
LEASE HOLD IMPROVEMENTS	566,564	48,250--		614,814	10.00%	178,949	56,656	235,605	379,209
ELECTRIC FITTINGS	78,116	2,100--		80,216	10.00%	33,356	7,830	41,186	39,030

EQUIPMENT	2,036,731	12,580	33,000	2,016,311	20.00%	987,907	405,326	1,370,642	645,669
FURNITURE AND FIXTURES	675,907	10,920	--	686,827	10.00%	231,372	68,340	299,712	387,115
VEHICLES	2,551,997	337,000	521,850	2,367,147	20.00%	832,560	452,312	1,215,292	1,151,855
1999	5,909,315	410,850	554,850	5,765,315		2,264,144	990,464	3,162,437	2,602,878
1998	4,892,409	2,440,631	1,423,725	5,909,315		1,665,110	1,024,163	2,264,144	3,645,171

11.1 Deletions

The following assets were sold during the year:

(Amount in Rupees)

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/ (Loss)	Sold to	Mode
Vehicles							
Suzuki Margalla	521,850	69,580	452,270	452,270	--	Banker's Equity Ltd.	Negotiation
Office Equipment							
Mobile Phone	11,500	5,750	5,750	5,000	(750)	G. Ali	Negotiation
Printer	21,500	16,841	4,659	3,800	(859)	Dynamic Communication Plus	Exchanged
Electric Fittings							
1999	554,850	92,171	462,679	461,070	(1,609)		
1998	1,422,725	425,129	998,596	968,157	(32,439)		

12. Net Investment in Leases

The Company has provided facilities to the below mentioned parties in excess of twenty percent or more of its paid capital and reserve which is in accordance with requirements of Statutory Regulatory Order 345(1)/96 of Leasing Companies (Established and regulation Rules, 1996).

- Kashmir Sugar Mills Limited
- Nimir Industries Limited
- Syed Bhais Lighting Limited

13. LONG TERM INVESTMENTS

Number of Shares/Certificates	June 30, 1999 Rupees	June 30, 1999 Rupees
Listed modarabas:		
-Associated undertaking		
First Interfund Modaraba (Managed by Universal Management Services (Pvt) Ltd.) Certificates of Rupees 10/- each	--	1,830,751
445,237 Long Term Venture Capital Modaraba (Managed by National Technology Development Corporation Ltd.) Certificates of Rupees 5/- each	5,068,395	5,068,395
29,992 Long Term Venture Capital Modaraba (Redeemable Capital Certificates)	1,949,480	2,399,360
(NOTE 13.1)	7,017,875	9,298,506
Listed Companies:		
- Associate undertaking		
810,810 Bankers Equity Limited Shares of Rupees 10/- each (at cost)	15,152,602	15,152,602
-OTHER		
117,562 Medi Glass Company Limited Shares of Rupees 10/- each (at cost)	752,397	752,397
(NOTE 13.2)	15,904,999	15,904,999
Unlisted:		
- Associated undertaking		

1,250,000 LTV Housing Finance Ltd. Ordinary shares of Rupees. 10/-each (NOTE 13.3)	12,500,000	12,500,000
-OTHER		
59,536 Federal Investment Bonds Return @ 14% per annum Payable on half yearly basis	4,103,600	4,103,600
	-----	-----
	39,526,474	41,807,105
Less:		
Provision for Diminution in value of Investments: (Note 13.4)	(17,512,063)	(1,453,497)
	-----	-----
	22,014,411	40,353,608
	=====	=====

13.1 The aggregate market value of listed modaraba certificates at the end of the financial year amounted to Rupees. 2,550,550 (1998: Rs. 3,228,018)

13.2 The aggregate market rate of listed shares at the end of June 30, 1999 is Rs. 3,447,761 (1998: Rs.2,903,707)

13.3 The aggregate break-up value of the investments at the end of June 30, 1999 is Rs. 11,912,500 (1998: Rs. 11,088,506) based on the un-audited accounts.

Provision has been made in the annual accounts against diminution in value of long term investment in shares. The provision has been made against the shares of Long Term Venture Capital Modaraba, Bankers Equity Limited, Medi Glass Company Limited and LTV Housing Finance Limited.

	<i>June 30 1999 Rupees</i>	<i>June 30 1998 Rupees</i>
14. DEFERRED COSTS		
Preliminary expenses	--	136,921
Expenses on issue of shares (including brokerage, bankers' and underwriters' commission)	--	286,150
Others	2,078,198	3,330,973
	-----	-----
	2,078,198	3,754,044
Less: Amortized during the period	920,707	1,675,846
	-----	-----
	1,157,491	2,078,198
	=====	=====

15. CURRENT PORTION OF NET INVESTMENT IN LEASES

Total Lease rental receivable during the year amounts to Rs. 107,936,193 out of which Rs. 60,933,836 represents current maturity of principal portion. The balance amount represents the financial income receivable by the company against its lease investments during 1999-2000.

16. ADVANCES, PREPAYMENTS & OTHER RECEIVABLES

Advances- considered good		
to Chief Executive	(note 16.1)	840,934
to staff		735,276
Taxation (deduced at source)		1,367,022
Prepayments		1,652,953
Receivables against sale of investments	(16.2)	2,525,526
Accrued return on investments		1,759,159
Others		702,260
Rental receivables	(16.3)	14,988
		6,396,115
		4,175,633
		2,336,460
		3,809,873
		2,221,332
		20,831,226
		39,613,709

		34,252,474
		54,729,992
		=====

16.1 Maximum amount due from Chief Executive at the end of any month during the period was Rupees 0.857 million. This relates to house rent advance to the CEO during the period.. (1998: 0.735 million).

June 30,

June 30,

	1999	1998
	Rupees	Rupees
16.2 RECEIVABLES AGAINST SALE OF INVESTMENTS		
Receivable against sale of investment	6,396,115	6,396,115
Less: Written off	(6,396,115)	--
	-----	-----
	--	6,396,115
	=====	=====
16.3 RENTAL RECEIVABLES		
Rental receivables against leases	58,545,416	40,077,590
Less: Provision for potential lease losses	(37,714,190)	(463,881)
	-----	-----
	20,831,226	39,613,709
	=====	=====
17. CASH AND BANK BALANCES		
Cash in hand	10,988	1,911
Cash with banks- Current accounts	6,711,161	4,775,544
- PLS accounts	125,645	156,070
	-----	-----
	6,857,794	4,933,525
	=====	=====
18. INCOME FROM LEASING OPERATIONS		
Income on lease contracts	58,855,984	60,971,544
Front-end fee and documentation charges	500,039	1,106,878
	-----	-----
	59,356,023	62,078,422
	=====	=====
19. (LOSS)/INCOME FROM INVESTMENTS		
Net gain/(loss) on sale of listed securities	--	(1,998,770)
	-----	-----
	--	(1,998,770)
	=====	=====
20. OTHER INCOME		
Return on Government Securities	574,000	613,356
Gain/(Loss) on disposal of fixed assets	(1,609)	(32,439)
Profit on bank accounts	376	9,405
Other Income	339,027	102,060
Receivable written off	(6,596,115)	--
	-----	-----
	(5,684,321)	692,382
	=====	=====
	June 30,	June 30,
	1999	1998
	Rupees	Rupees
21. ADMINISTRATIVE AND OPERATING EXPENSES		
Salaries, allowances and benefits	5,536,452	5,589,611
Conveyance and travelling	371,908	230,704
Rent, rates and taxes	--	458,400
Electricity, gas and water	156,739	131,114
Advertisements	30,500	53,800
Printing, stationery and supplies	105,539	203,313
Postage and courier	70,674	90,641
Fax and Telephone	157,192	186,334
Newspapers, books and magazines	11,067	17,676
Fees and Subscription	907,922	832,292
Entertainment	2,729	38,308
Insurance	657,453	135,654
Repairs and up-keeps	246,414	335,979
Legal	3,457	13.35
Auditors' remuneration:		
Audit fee- statutory	40,000	40,000
- others	62,820	--
Out of pocket reimbursements	9,000	15,748
	-----	-----

	111,820	55,748
Deferred costs amortized	920,707	1,675,846
Depreciation	990,464	1,024,163
Misc. Expenses	51,329	68,965
	-----	-----
	10,332,366	11,141,898
	=====	=====

22. FINANCIAL CHARGES

Financial expenses	35,405,748	34,405,104
Bank charges	180,917	228,195
	-----	-----
	35,586,665	34,633,299
	=====	=====

23. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Expenses sharing charged to	981,378	228,769
	-----	-----
Expenses sharing charged by	--	549,802
	-----	-----
Profit paid on COI	3,933,418	--
	-----	-----
Fixed assets transferred to	--	569,266
	-----	-----
Leases transferred from	24,352,185	275,613
	-----	-----
Leases transferred to	22,285,190	--
	-----	-----
Others	19,246,210	19,251,225
	-----	-----

24. FINANCIAL INSTRUMENT AND RELATED DISCLOSURES**24.1 Credit Risk**

Credit risk arises from the possibility of asset impairment that occurs because counter parties cannot meet their obligations in transactions involving financial instruments. The company controls its credit risk by the following methods:

- Monitoring credit exposures.
- Evaluating transactions with specific counterparts.
- Assessing credit worthiness of counterparts.

The procedures followed by the company include both internal guidelines and NFBI's regulations.

The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in organisation of sound financial standing covering various industrial sectors and segments. Further an allowance for potential lease losses is maintained at a level which in the judgement of management, is adequate to provide for potential lease losses on lease portfolio that can be reasonably anticipated.

A sector wise break up of lease portfolio is as follows:

	June 30,	
	1999	
	Rupees	% age
Chemical	49,516,154	16.97
Textile	25,034,667	8.58
Sugar and allied	55,531,614	19.03
Cement	15,060,887	5.16
Electrical goods manufacturing	31,095,393	10.65
Steel and allied	7,823,389	2.68
Light engineering	2,082,977	0.71
Heavy engineering	2,284,614	0.78
Computer and allied manufacturing	484,824	0.17
Auto and allied manufacturing	473,883	0.16
Transportation and communication	8,390,959	2.88
DFI's	481,407	0.16
Pharmaceuticals	2,148,736	0.74
Paper and board	726,092	0.25
Vanaspati and allied	5,449,181	1.87
Construction company	10,753,210	3.68
Hotel and restaurants	2,128,619	0.73
Food and allied	14,395,911	4.93
Brokerage houses	442,852	0.15

Utility companies	940,693	0.32
Fuel and energy distribution	457,664	0.16
Trading company	1,581,050	0.54
Distribution company	3,327,244	1.14
Dairy and poultry	3,600,846	1.23
Health care	5,269,229	1.81
Individuals	21,350,007	7.32
Importer and exporter	497,202	0.17
Consultants	974,041	0.33
Engineers/contractors	2,113,911	0.72
Education	476,038	0.16
Manufacturing	162,370	0.06
Plastic	174,607	0.06
Tobacco	1,801,527	0.62
Others	14,026,102	5.08
	291,850,700	100 %

24.2 Fair Value of Financial Instruments

The estimated fair value of financial instruments are not significantly different from their book values as shown in these financial statements.

24.3 Exposure to Mark up Rate Risk

The company's exposure to risk associated with mark up rates on its financial assets and liabilities are as follows:

	<i>Mark up Bearing</i>		<i>Non-Mark up Bearing</i>		<i>Total Rupees</i>
	<i>Within one year Rupees</i>	<i>One year to five years Rupees</i>	<i>Within one year Rupees</i>	<i>One year to five years Rupees</i>	
Financial Assets					
Long term investments	--	6,053,080	--	15,961,331	22,014,441
Net investment in lease finance	60,933,836	230,924,864	--	--	291,858,700
Cash and bank balance	135,645	--	6,722,149	--	6,857,794
	61,069,481	236,977,944	6,722,149	15,961,331	320,730,905

	<i>Mark up Bearing</i>		<i>Non-Mark up Bearing</i>		<i>Total Rupees</i>
	<i>Within one year Rupees</i>	<i>One year to five years Rupees</i>	<i>Within one year Rupees</i>	<i>One year to five years Rupees</i>	
Financial Liabilities					
Long term loans	--	--	18,534,100	35,961,381	54,495,481
Long term COI	77,763,410	3,562,375	--	--	81,325,785
Long term finance	10,082,000	8,146,401	--	--	18,228,401
Finances under markup arrangement	78,965,305	--	--	--	78,965,305
	166,810,715	11,708,776	18,534,100	35,961,381	233,014,972
Net financial asset/liability	(105,741,234)	225,269,168	(11,811,951)	(20,000,050)	87,715,933

24.4 EFFECTIVE MARK UP RATE

The effective mark up rates for the Company's financial assets and liabilities are as follows:

Financial Assets (%)

Investment in lease finance	15.00 - 46.59
Long term investments	14.00

Financial liabilities (%)

Long term COI	17.25-23.50
Long term finance	20.50-23.50

Finances under mark up arrangements 19.50-21.00

25. STATEMENT OF CHANGES IN EQUITY

	<i>Share Capital</i>	<i>Statutory Reserve</i>	<i>General Reserve</i>	<i>Contingencies Reserve</i>	<i>Unappropriated Profit</i>	<i>Total</i>
Balance as at June 30, 1998	100,000,000	13,759,493	10,000,000	3,339,892	6,698,080	133,797,465
Loss for the year	--	--	--	--	(56,498,302)	(56,498,302)
Balance as at June 30, 1999	100,000,000	13,759,493	10,000,000	3,339,892	49,800,222	77,299,163

26. TAXATION

26.1 Provision for minimum tax at 0.5% of the turnover under section 80D or the Income Tax Ordinance, 1979 has been made in these financial statements, while no provision for current tax has been made due to assessed tax carry forward losses upto assessment year 1995-96 and appeals filed against assessment orders for the year 1996-97, 1997-98 and 1998-99.

26.2 International Accounting Standard 12, Income Taxes (Revised) requires that full liability against deferred taxation is to be provided in the year in which it relates. On September 10, 1999 the Securities and Exchange Commission (SECP) has issued Circular No. 16 in accordance with which all the leasing Companies are required to provide deferred tax liability to the current year together with a further amount equal to one-fifth of the unprovided deferred tax liability as at the beginning of the financial year ending June 30, 1998.

In accordance with the provisions of the above mentioned Circular, the Company has provided deferred tax for the current year amounting to Rs. 4,545,679 and Rs. 4,536,199 being one-fifth of the total unprovided deferred tax liability as at July 01, 1998.

As at June 30, 1999 the total deferred tax liability not provided is Rs. 18,144,796 (1998: Rs. 22,680,995).

27. REMUNERATION OF CHIEF EXECUTIVE DIRECTOR AND EXECUTIVES

	<i>For the period from July 01, 1998 to June 30, 1999</i>				<i>For the period from July 01, 1997 to June 30, 1998</i>			
	<i>Chief Executive</i>	<i>Director</i>	<i>Executives</i>	<i>Total</i>	<i>Chief Executive</i>	<i>Director</i>	<i>Executives</i>	<i>Total</i>
Managerial remuneration	408,000	--	445,200	853,200	372,540	--	670,513	1,043,053
Leave passage	185,904	400,000	52,500	638,404	229,900	--	113,400	343,300
Perquisites and benefits	422,400	--	564,960	987,360	592,297	--	804,360	1,396,657
Provident fund	40,800	--	44,526	85,326	37,248	--	66,252	103,500
Rupees	1,057,104	400,000	1,107,186	2,564,290	1,231,985	--	1,654,525	2,886,510
Number	1	1	3	4	1	--	4	5

27.1 The chief executive and executives are also provided with free use of Company maintained cars.

28. NUMBER OF EMPLOYEES

The total number of the Company Employees are as follows:

Managerial Staff	6	6
Other staff	17	17
	23	23

29. GENERAL

29.1 All figures have been rounded off to the nearest rupee.

29.2 Figures have been rearranged wherever necessary to facilitate comparison.

29.3 The company is fully Y2K compliant.

Chief Executive

Director

PATTERN OF SHAREHOLDING AS JUNE 30, 1999

<i>Number of Share-holders</i>	<i>Share Holdings</i>			<i>Total Shares Held</i>
	<i>From</i>	<i>To</i>	<i>To</i>	
185	1	To	500	77,000
108	501	To	1,000	100,800
54	1,001	To	2,000	99,500
14	2,001	To	3,000	35,600
20	3,001	To	4,000	67,900
21	4,001	To	5,000	95,000
31	5,001	To	10,000	252,800
16	10,001	To	20,000	272,000
2	20,001	To	30,000	60,000
1	30,001	To	40,000	40,000
8	40,001	To	50,000	240,500
8	50,001	To	100,000	377,500
3	100,001	To	150,000	218,600
2	150,001	To	200,000	390,600
1	200,001	To	250,000	250,000
1	250,001	To	300,000	292,500
2	450,001	To	500,000	980,000
5	550,001	To	Above	6,149,700
-----				-----
482		Total		10,000,000
=====				=====

<i>Category of Share - holders</i>	<i>Number of Share-holders</i>	<i>Shares held</i>	<i>percentage</i>
1. Individuals	410	1,788,700	17.89
2. Banks	1	50,000	0.50
3. Financial Institutions	11	4,145,800	41.46
4. Insurance Companies	3	58,500	0.59
5. Modaraba Companies	8	2,827,800	28.28
6. Private Ltd. Companies	4	85,500	0.86
7. Investment Companies	3	106,800	1.07
8. Joint Stock Companies	3	346,800	3.47
9. Central Depository Co.	39	590,100	5.90
	-----	-----	-----
	482	10,000,000	100.00
	=====	=====	=====



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