

Pak-Gulf Leasing Company Limited

Annual Report 1999

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Company Information

Board of Directors

Mr. Inam Ellahi Shaikh
Chairman

Mr. Fawad S. Malik
Vice Chairman

Mr. Farouq H. Rahimtoola
Director

Mr. M. Ikhtiar Baig
Director

Mr. Muhammad Rafiq
Director

Mr. Sheikh Muhammad Jawed
Director

Mr. Sohail Inam Ellahi
Director

Mr. Yousuf Jan Muhammad
Director

Mr. Akbar M. Bilgrami
Managing Director &
Chief Executive

Senior Management

Akbar M. Bilgrami
Managing Director & Chief Executive

Humayun Zafar
Sr. Manager Credit & Marketing/
Company Secretary

S. Azfar All Baqvi
Chief Accounting Officer &
Manager Administration

Mirza Owais Omar
Manager Credit & Marketing

Auditors

Taseer Hadi Khalid & Co.,

Chartered Accountants,
Sheikh Sultan Trust Building No. 2,
Beaumont Road,
Karachi.
Tel # : 5685847-9
Fax # : 5685095

Legal Advisors

M/s. Mohsin Tayebally & Company
2nd Floor, Dime Centre,
BC-4, Block # 9, Kehkashan,
Clifton,
Karachi.
Tel # : 5838077, 5866354, 5872690
Fax # : 5870240

Bankers

ABN AMRO Bank N.V.
Askari Commercial Bank Limited.
Gulf Commercial Bank Ltd.
Muslim Commercial Bank Limited.
National Bank of Pakistan.
Oman International Bank S.A.O.G.
Prime Commercial Bank Limited.
Standard Chartered Bank.
Societe Generale - The French & Int'l Bank.
Union Bank Limited.

Registered/Share Transfer Office

Unibro House 114,
9th East Street, Phase-I,
P.O. Box # 12215,
Defence Housing Authority,
Karachi-75500.
Tel # : 5887571-3, 5899770
Fax # : 5887574
E-mail : pgl@cyber.net.pk

Notice of Annual General Meeting

Notice is hereby given that the 6th Annual General Meeting of Pak-Gulf Leasing Company Limited, will be held at the company's registered office at 114, Unibro House, 9th East Street, Phase-i, Defence Housing Authority, Karachi on Wednesday, November 10, 1999, at 10.30 a.m. to transact the following business:

ORDINARY BUSINESS

- 1) To read and approve the minutes of the 5th Annual General Meeting of the company held on October 19, 1998.
- 2) To receive, consider and adopt the audited accounts of the company for the year ended June 30, 1999 together with the Directors' and Auditors' Report thereon.
- 3) To approve, as recommended by the Directors in their meeting held on Thursday the September 16, 1999 the payment of cash dividend @ 9.5% i.e. 0.95 paisa per share for the year ended June 30, 1999.
- 4) To appoint Auditors of the company for the year July 01, 1999 to June 30, 2000 and fix their remuneration. The present Auditors M/s. Taseer Hadi Khalid & Company, Chartered Accountants retire and being eligible offer themselves for reappointment.
- 5) To transact any other business with the permission of the Chair.

By Order of the Board

Karachi.
October 20, 1999

Humayun Zafar
Company Secretary

NOTES:

1. A member entitled to attend, speak and vote at the General Meeting and is entitled to appoint a proxy to attend, speak and vote for him/her. A proxy must be a member of the company. Proxy form can be obtained from the registered office of the company.
2. An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or notarially certified copy of the 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.
3. The Members are requested to notify the change in their address, if any, to the Share Transfer Office of the company at 114, Unibro House, 9th East Street, Phase-I, Defence Housing Authority, Karachi-75500.

Directors' Report

The Directors are pleased to present the second full year of operational review together with the audited accounts for the year ended June 30, 1999.

The financial results of the company for the year ended June 30, 1999 are summarized as follows:

	June 30, 1999	June 30, 1998
	Rs. (in Millions)	Rs. (In Millions)
Revenue	20,802	19,180
Expenditure	8,199	8,474
	-----	-----
Profit before Tax	12,603	10,706
Provision for Taxation	2,248	2,500
	-----	-----
Profit after Tax	10,355	8,206
Unappropriated Profit brought forward	1,312	4,747
	-----	-----
Profit available for appropriation	11,667	12,953
Appropriations		
Transfer to Statutory Reserve	2,071	1,641
Proposed Dividend	9,500	10,000
	-----	-----
	11,571	11,641
	-----	-----
Unappropriated Profit Carried Forward	0.096	1,312
	=====	=====

Operational Results for the year ended June 30, 1999

During the year, the company transacted business worth Rs. 63 million. The Leasing transactions were finalized at slim margins so as to be highly competitive within the industry. in line with the company policy the portfolio remained diversified which included clients from local corporates and other good blue chip companies. The leases were handled with utmost care, proper documentation and risk appraisal.

The Net Investment in Leases during the year ended June 30, 1999 was Rs. 113,868 million as compared to Rs. 90.618 million as on June 30, 1998. The income generated from business stood at Rs. 20.802 million as on June 30, 1999 as compared to Rs. 19.180 million in 1998.

Cash Dividend:

Keeping in line with last year's declaration of a cash dividend @ 10%, this year also your Board is pleased to recommended a cash dividend of 9.5% for the year ended June 30, 1999.

Earning per share of the company was Rs. 0.82 on June 30, 1998, which has gone up to Rs. 1.04 as on June 30, 1999.

The Net Profit has shown an increase of 26.2% as on June 30, 1999 compared with the profit of

the corresponding period of 1998. The company has maintained a consistent progress inspite of narrower margins and shrinking lease business.

The Economy

The year under review witnessed many twists and turns as far as our economy is concerned in the captioned issue there is nothing significant to add but the signs of recovery are far from near and even the financial pundits are not in a position to make forecasts. The need of financial governance is being felt more than ever before specially in the lending sector of the Economy. The uncertainty in the market for quite some now has weakened the investors confidence which not only restricted demand for credit but also caused deceleration in the economic activities.

The future outlook is desperately bleak with no positive signs of recovery, yet the Board is hopeful that despite all odds the company has maintained its growth due to careful and prudent approach while selecting lease portfolio.

The highlighted issue is the requirement of Securities & Exchange Commission of Pakistan, under which the leasing companies are required to raise their paid-up capital to Rs. 200 million by November 1999.

In present circumstances the company does not have an option but to approach Securities & Exchange Commission of Pakistan, Islamabad with a request to extend the period for increasing paid-up capital by atleast three years.

Board of Directors:

The Board wishes to record its appreciation of the valuable contribution made by the Late Mr. Mohammad Saleem Malik, one of the founding Director and Vice Chairman, whose services shall long be remembered. The untimely death of Mr. Saleem Malik former Chairman had created an unprecedented vacuum which cannot be filled easily.

During the year, Mr. Parvez Rais Siddiqui, another Director resigned from the Board due to his preoccupation. The Board wishes to acknowledge his valuable services and contribution while he was associated with the company.

Future Strategy:

The slower pace of business within the leasing industry has continued, with many powerful companies, competing head to head across with each other. Against this PGL has always contrived hard and shall keep on doing so in sourcing out good clients and reputable names with a proven track record on repayment abilities.

PGL shall continue its strategy of extending lease financing to a multitude of diversified clientele in order to minimize risks of potential defaults.

As a part of the future strategy the company has always stressed upon strict and disciplined financial governance and post disbursement monitoring of events and would like to adhere to such policies.

Recoveries:

Leasing Companies can best be judged by their recovery rates, your company in this respect has always pursued recoveries of rentals with a missionary zeal and utmost devotion. In future too the same strategy shall be applied so as to arrive at a zero based recovery stage.

Your company has been extremely careful and prudent in selecting clientele, which can be evidenced from the fact that our lease portfolio consists of quality customers.

Resource Mobilization:

Last but not the least, we at PGL has sensed that resource mobilization at competitive rates is the only option available to stay afloat in leasing business, in order to sustain profitability. The company is utilising all its efforts to avail credit lines from lending institutions.

Acknowledgment:

In the end, we take this opportunity to thank the valued Shareholders, Auditors, Financial Institutions, Securities & Exchange Commission of Pakistan, Islamabad, Joint Registrar of Companies, State Bank of Pakistan, all the three Stock Exchanges and Leasing Association of Pakistan for their continued support and guidance in resolving issues affecting the leasing sector in general and the company in particular.

We would like to express our deep appreciation to the staff, for their contribution to our common endeavour during the year, inspite of difficult economic conditions.

Y2K Compliance:

The company has successfully complied with the year 2000 issue, in respect of the millennium bug.

Auditors:

The auditors, Taseer Hadi Khalid & Company, Chartered Accountants retire and being eligible, offer themselves for re-appointment.

Pattern of Shareholding:

Pattern of Shareholding as on June 30, 1999 is annexed to this report.

On behalf of the Board.

Akbar M. Bilgrami
Managing Director
& Chief Executive

Inam Ellahi Shaikh
Chairman

Karachi September 16, 1999.

Auditors' Report to the Members

We have audited the annexed balance sheet of **Pak Gulf Leasing Company Limited** as at 30 June 1999 and the related profit and loss account and the cash flow statement, together with the notes forming part thereof, for the year, then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

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

b) in our opinion:

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 1999 and of the profit and the cash flow statement for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Karachi: 16 Sept. 1999

Taseer Hadi Khalid & Co.
Chartered Accountants

Balance Sheet As at June 30, 1999

<i>Note</i>	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>

EQUITY AND LIABILITIES**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 (1998: 10,000,000) ordinary shares

of Rs. 10 each fully paid in cash

100,000,000

100,000,000

STATUTORY RESERVE

4,899,068

2,828,063

UNAPPROPRIATED PROFIT

96,269

1,312,248

3 104,995,337 104,140,311

DEFERRED TAXATION

3,206,000

2,295,000

LIABILITY AGAINST ASSET SUBJECT TO**FINANCE LEASE**

4 572,951 --

LONG TERM DEPOSITS

5 14,840,088 9,608,427

CURRENT LIABILITIES

Current portion of liability against

asset subject to finance lease

268,558

--

Accrued expenses and other liabilities

6 950,309 595,085

Dividend payable

9,501,976 10,000,000

10,720,843 10,595,085

134,335,219 126,638,823

TANGIBLE FIXED ASSETS

7 3,407,140 3,073,060

LONG TERM INVESTMENTS

8 1,108,680 1,195,910

NET INVESTMENTS IN LEASES

Minimum lease rentals receivable

9 130,634,915 105,714,390

Add: Residual value

18,520,511 12,284,128

149,155,426 117,998,518

Less: Unearned income

35,287,690 27,380,322

Net investment in leases

113,867,736 90,618,196

Less: Current portion of net investment in leases

40,079,135 30,492,622

73,788,601 60,125,574

DEFERRED COSTS

10 2,752,452 4,022,812

LONG TERM LOANS AND DEPOSITS

11 619,643 90,669

CURRENT ASSETS

Current portion of net investment in leases

40,079,135 30,492,622

Short term investments

12 -- 19,689,863

Advances, prepayments and other receivables

13 11,546,028 6,085,620

Cash and bank balances

14 1,033,540 1,862,693

52,658,703 58,130,798

134,335,219 126,638,823

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

Akbar M. Bilgrami
Managing Director &
Chief Executive

Inam Ellahi Shaikh
Chairman

Fawad S. Malik
Director

Profit and Loss Account**For the year ended June 30, 1999***Note**1999**1998*

		<i>Rupees</i>	<i>Rupees</i>
Income from leasing operations	15	18,172,897	15,655,387
Other income	16	2,629,178	3,524,860
		-----	-----
		20,802,075	19,180,247
Administrative and operating expenses	17	8,111,319	8,474,199
		-----	-----
Profit before provisions		12,690,756	10,706,048
Provision for diminution in the value of investment		87,230	--
		-----	-----
Profit before taxation		12,603,526	10,706,048
Provision for taxation	18		
- current		1,337,500	205,000
- deferred		911,000	2,295,000
		-----	-----
		2,248,500	2,500,000
Net profit after taxation		10,355,026	8,206,048
Unappropriated profit brought forward		1,312,248	4,747,410
		-----	-----
		11,667,274	12,953,458
Appropriations:			
Proposed dividend 1999, 9.5% (1998: 10%)		9,500,000	10,000,000
Transfer to statutory reserve		2,071,005	1,641,210
		-----	-----
		11,571,005	11,641,210
Unappropriated profit carried forward		96,269	1,312,248
		=====	=====

Akbar M. Bilgrami
Managing Director &
Chief Executive

Inam Ellahi Shaikh
Chairman

Fawad S. Malik
Director

Cash Flow Statement

For the year ended June 30, 1999

	Note	1999 Rupees	1998 Rupees
Cash flow from operating activities			
Profit before taxation		12,603,526	10,706,048
Adjustments for items not involving movement of funds:			
Depreciation		733,169	692,599
Amortization of deferred costs		1,270,360	1,270,360
Provision for diminution in the value of investments		87,230	--
Financial charges on finance lease		75,354	--
Profit on disposal of fixed assets		(177,359)	(19,724)
		-----	-----
Operating profit before working capital changes		14,592,280	12,649,283
(Increase) in advances, prepayments and other receivables excluding advance income tax		(4,741,730)	(1,720,509)
Increase in accrued expenses and other liabilities		355,224	505,181
Net investment in leases		(23,249,540)	(22,845,304)
Deposits from lessees		5,231,661	4,634,254
Payment of tax		(2,056,179)	(2,207,516)
(Increase) in Long term loans and deposits		(528,974)	(61,169)
		-----	-----
		(24,989,538)	(21,695,063)
		-----	-----
Net cash flow from operating activities		(10,397,258)	(9,045,780)

Cash flow from investing activities

Capital expenditure incurred		(900,890)	(514,750)
Proceeds from disposal of fixed assets		1,003,002	280,000
		-----	-----
Net cash flow from investing activities		102,112	(234,750)
Cash flow from financing activities			
Dividend paid		(9,998,024)	--
Payment of liability against assets subject to lease finance		(225,846)	--
		-----	-----
Cash flow from finance activities		(10,223,870)	--
Net (decrease) in cash and cash equivalents		(20,519,016)	(9,280,530)
Cash and cash equivalents at beginning of the year		21,552,556	30,833,086
		-----	-----
Cash and cash equivalents at the end of the year	19	1,033,540	21,552,556
		=====	=====

Akbar M. Bilgrami
Managing Director &
Chief Executive

Inam Ellahi Shaikh
Chairman

Fawad S. Malik
Director

Notes to the Accounts**For the year ended June 30, 1999****1. THE COMPANY AND ITS OPERATIONS**

The Company was incorporated in Pakistan on December 27, 1994 and commenced its operations on September 16, 1996. The Company is principally engaged in the business of leasing and is listed on all three Stock Exchanges of Pakistan.

2. SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of preparation**

These accounts have been prepared in accordance with International Accounting Standards as applicable in Pakistan.

2.2 Accounting convention

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

2.3 Revenue recognition

The Company follows the finance method in accounting for recognition of lease income. Under this method the unearned lease income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of leased assets is deferred and taken to income over the term of the lease, so as to produce a systematic return on net investment in leases.

Unrealised income is suspended where necessary in accordance with the requirements of Non-Bank Financial Institution Regulations.

Front-end fee is taken to income on receipt basis.

Dividend income and profit on other investments are accounted for on accrual basis.

2.4 Deferred costs and amortization

Deferred costs are being written off over a period of five years from the date of commencement of commercial operations.

2.5 Investments

Long-term investments are stated at cost net off provision made for decline, other than temporary, in value of investment, if any.

Short-term investments are valued at the lower of cost and market value on an aggregate portfolio basis.

The charges or credits, if any, arising from adjustments in carrying amounts are taken to profit and loss account currently.

Notes to the Accounts

For the year ended June 30, 1999

2.6 Tangible fixed assets and depreciation

Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged applying the straight line method at the rates specified in note 7 in respect of additions during the year, depreciation is charged from the month of acquisition while no depreciation is charged in the month of disposal.

Normal repairs and maintenance are charged to income as an when incurred. Gains and losses on disposal of assets, if any are taken to profit and loss account.

2.7 Asset subject to finance lease

Asset subject to finance lease is accounted for by recording the asset at the lower of present value of minimum lease payments under the lease agreement and the fair value of asset acquired. The related obligation under the lease is accounted for as liability. Financial charges are allocated to accounting period in a manner as to provide a constant periodic rate of charge on the outstanding liability.

2.8 Net investment in lease finance

Net investment in lease finance is stated at cost less specific and general provisions. Specific provisions are made in accordance with the requirements of Non-Banking Financial Institutions Regulations. The company maintains a general provision for potential lease losses at a level that can be reasonably anticipated, keeping in view the nature of its overall business activities and considers this to be adequate to meet potential losses.

2.9 Employees' retirement benefits

The Company operates a defined contributory provident fund for all its regular permanent employees and contributions are made monthly to the fund equally by the Company and the employees in accordance with the fund's rules to cover the obligations.

2.10 Taxation

Current

The charge for current taxation is based on higher of taxable income at the current rate of taxation after taking into account tax credits and tax rebates available, if any and minimum tax liability @ 0.5% of turnover.

Deferred

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

3. STATEMENT OF CHANGES IN EQUITY

	<i>Share Capital</i>	<i>Statutory Reserve</i>	<i>Unappropriated Profit</i>	<i>Total</i>
	<i>Rupees</i>			
Balance as at June 30, 1997	100,000,000	1,186,853	4,747,410	105,934,263
Profit for the year	--	--	8,206,048	8,206,048
Transferred during the year	--	1,641,210	(1,641,210)	--
Proposed dividend	--	--	(10,000,000)	(10,000,000)
	-----	-----	-----	-----
Balance as at June 30, 1998	100,000,000	2,828,063	1,312,248	104,140,311
Profit for the year	--	--	10,355,026	10,355,026

Transferred during the year	--	2,071,005	(2,071,005)	--
Proposer dividend	--	--	(9,500,000)	(9,500,000)
	-----	-----	-----	-----
Balance as at June 30, 1999	100,000,000	4,899,068	96,269	104,995,337
	=====	=====	=====	=====

Statutory reserve represents transfer of after tax profits as required under the relevant rule of the "Rules of business for Non-Banking Financial Institutions".

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
4. LIABILITY AGAINST ASSET SUBJECT TO FINANCE LEASE		
Balance at beginning of the year	--	--
Asset acquired during the year	992,000	--
	-----	-----
Less: Payments made during the year	992,000	--
	150,491	--
	-----	-----
	841,509	--
	-----	-----
Less: Current portion of liability against asset subject to finance lease	268,558	--
	-----	-----
	572,951	--
	=====	=====

This represents vehicle acquired under lease agreement from a leasing company. Rentals are payable in equal monthly installments. Repair and insurance costs are to be borne by lessee. Financing rate of 22.5% has been used as a discounting factor.

Future minimum lease payments are as follows:

Year to June 30, 2000	399,840	--
Year to June 30, 2001	399,840	--
Year to June 30, 2002	265,809	--
	-----	-----
	1,065,489	--
Less: Finance charges allocated to future periods	223,980	--
	-----	-----
	841,509	--
	=====	=====

Notes to the Accounts

For the year ended June 30, 1999

5. LONG TERM DEPOSITS

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

6. ACCRUED EXPENSES AND OTHER LIABILITIES

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
Accrued expenses	52,616	78,436
Advance rentals	51,071	93,111
Other liabilities	846,622	423,538
	-----	-----
	950,309	595,085
	=====	=====

7. TANGIBLE FIXED ASSETS

C O S T
Additions/

DEPRECIATION

Written
down

<i>Description</i>	<i>As at July 1, 1998</i>	<i>Deletions during the year</i>	<i>As at June 30, 1999</i>	<i>As at July 1, 1998</i>	<i>Charge for the year (adjustments)</i>	<i>As at June 30, 1999</i>	<i>value as at June 30, 1999</i>	<i>Depreciation Rate %</i>
OWNED								
Lease hold improvement	256,410	--	256,410	156,682	85,464	242,146	14,264	33.33
Furniture and fixtures	891,391	--	891,391	219,646	80,220	299,866	591,525	10
Equipment	1,455,402	295,560	1,750,962	495,207	223,059	718,266	1,032,696	20
Vehicles	2,110,023	605,330	1,424,833	768,631	257,626	561,378	863,455	20
		(1,290,520)			(464,879)			
LEASED ASSETS								
Vehicle	--	992,000	992,000	--	86,800	86,800	905,200	20
1999	4,713,226	1,892,890	5,315,596	1,640,166	733,169	1,908,456	3,407,140	
		(1,290,520)			(464,879)			
1998	4,509,253	514,750	4,713,226	998,068	692,599	1,640,166	3,073,060	
		(310,777)			(50,501)			

Notes to the Accounts

For the year ended June 30, 1999

7.1 Details of fixed assets disposed off during the year

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Book Value</i>	<i>Sale proceeds</i>	<i>Mode of Disposal</i>	<i>Particulars of purchasers</i>
	<i>Rupees</i>					
Vehicle	707,610	424,565	283,045	440,000	Sold	Mr. Zaigam Latif
Vehicle	582,910	40,314	542,596	563,000	Insurance claim	Eastern Federal Union Insurance Clifton Branch, Karachi.
1999	1,290,520	464,879	825,641	1,003,000		
1998	310,777	50,501	260,276	280,000		

8. LONG TERM INVESTMENTS

Federal Investment Bonds- 10 years	1,000,000	1,000,000
National Investment Trust Units	200,200	200,200
Less: Provision for diminution in value of investment	91,520	4,290
	108,680	195,910
	1,108,680	1,195,910

9. MINIMUM LEASE RENTALS RECEIVABLE

Due within one year	58,871,089	46,452,980
Due after one year	71,763,826	59,261,410
	130,634,915	105,714,390

10. DEFERRED COSTS

Preliminary expenses	358,877	358,877
Underwriting commission	1,400,000	1,400,000
Pre-operating expenses-net	459,292.40	4,592,924
	6,351,801	6,351,801
Less: Amortization to-date	(3,599,349)	(2,328,989)

2,752,452	4,022,812
-----------	-----------

Notes to the Accounts
For the year ended June 30, 1999

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
11. LONG TERM LOANS & DEPOSITS		
Deposits	335,900	32,300
Loans to employees	283,743	58,369
	-----	-----
	619,643	90,669
	=====	=====
12. SHORT TERM INVESTMENT		
Short term investment	--	19,689,863
	=====	=====
13. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
Advance income tax (net of provision)	3,955,694	3,237,016
Prepayments	419,008	216,513
Accrued return on investments	1,571,944	752,652
Net receivable against terminated leases	4,724,645	23,261
Other receivables	874,737	1,856,178
	-----	-----
	11,546,028	6,085,620
	=====	=====
14. CASH AND BANK BALANCES		
Cash in hand	6,249	5,000
Balances with banks on:		
- Current accounts	1,024,565	1,775,327
- Deposit accounts	2,726	82,366
	-----	-----
	1,027,291	1,857,693
	-----	-----
	1,033,540	1,862,693
	=====	=====
15. INCOME FROM LEASING OPERATIONS		
Income on lease contracts	17,592,904	15,133,234
Front end fee	414,754	284,216
Documentation income	108,600	112,450
Gain on lease termination	56,573	122,732
Other income	66	2,755
	-----	-----
	18,172,897	15,655,387
	=====	=====

Notes to the Accounts
For the year ended June 30, 1999

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
16. OTHER INCOME		
Profit on bank accounts	1,548,091	2,043,682
Return on certificates of investment	708,040	1,287,624
Return on other investments	161,209	164,300
Profit on disposal of fixed assets	177,359	19,724

	55,000	55,628
	=====	=====

17.3 Financial charges

Mark-up on term finance facility	--	44,869
Mark-up on lease financing	75,354	--
	-----	-----
Bank charges	11,957	21,939
	-----	-----
	87,311	66,808
	=====	=====

18. TAXATION**Current**

In view of taxable income for the year, provision for tax has been made at normal rate in these accounts.

The income tax assessments of the company have been finalised upto and including the assessment year 1998-99. Further, various appeals have been filed by the company and the tax department in respect of certain disallowances for assessment year 1995-96 to 1998-99 which are pending before the appellate authorities.

In case of adverse decision in appeals described above, further tax liability amounting to Rs. 2.408 million may arise, for which no provision has been made in these accounts as management expects favourable outcome of such appeals.

Deferred

Deferred tax arising due to timing differences computed under the liability method is estimated at Rs. 5.250 million (1998: Rs. 4.850 million). The unprovided liability as on June 30, 1999 amounts to Rs. 2.044 million (1998: Rs. 2.555 million).

As per International Accounting Standard (IAS) 12" Accounting for taxes on income (revised)", full liability against deferred tax should be provided in the year to which it relates. The Securities and Exchange Commission of Pakistan vide circular No. 16 dated September 09, 1999 has directed that in order to achieve compliance with the revised IAS 12, all leasing companies, during each of the five financial years beginning July 01, 1998 and ending June 30, 2003 shall provide deferred tax liability arising in that 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, 1999. Compliance with the above directive shall also be deemed where the company may appropriate equivalent amount as a capital reserve out of profits available for appropriation. Consequently the company has made full provision for deferred tax liability for the year and one fifth of the unprovided liability as on July 01, 1998.

1999	1998
Rupees	Rupees

19. CASH AND CASH EQUIVALENTS

Cash and bank balances	1,033,540	1,862,693
Short term investment	--	19,689,863
	-----	-----
	1,033,540	21,552,556
	=====	=====

20. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continuously assessing the credit worthiness of counterparties.

Pak-Gulf Leasing Company Limited (PGL) follows two sets of guidelines. Internally, it has its own operating policy duly approved by the Board of Directors whereas externally it adheres to the regulations issued by the State Bank of Pakistan and Securities and Exchange Commission of Pakistan. The operating policy defines the extent of fund and non-fund based exposures with reference to a particular sector or group of leases. The Management

also classifies a particular lease on the basis of Rules of business for Non-Banking Financial Institutions.

Details of the industry sector analysis of lease portfolio is given below:-

	1999	%	1998	%
	Rupees		Rupees	
Sugar & Allied	10,000,000	8.78	--	--
Cement	3,887,133	3.41	4,618,241	5.10
Steel, Engineering and Auto	1,797,148	1.58	8,979,160	1.11
Electrical goods	934,227	0.82	1,521,957	1.68
Transport & Communication	8,100,855	7.11	1,009,556	9.91
Chemical Fertilizer & Pharmaceuticals	10,360,084	9.09	11,518,093	12.71
Textile	27,928,577	24.53	10,993,099	12.13
Leather & Footwear	751,499	0.66	1,096,000	1.21
Food, Tobacco & Beverages	1,614,426	1.42	2,336,757	2.58
Health Care	2,799,438	2.46	3,621,260	4.00
Dairy & Poultry	539,395	0.47	--	--
Banks & Financial Institutions	17,873,959	15.69	28,339,236	31.27
Others	27,280,995	23.98	16,584,837	18.30
	-----	-----	-----	-----
	113,867,736	100.00	90,618,196	100.00
	=====	=====	=====	=====

In addition the company has invested certain funds in Government Securities. For details refer note 8.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of financial instruments are not significantly different from their book values.

22. INTEREST RATE RISK MANAGEMENT

The company manages this risk by matching the repricing of assets and liabilities. The company's interest rate sensitivity position, based on the earlier of contractual repricing or maturity dates, is as follows:-

	1999				
	<i>Less than one month</i>	<i>One month to one year</i>	<i>Over one year</i>	<i>Not exposed to interest/mark-up rate risk</i>	<i>Total</i>
	Rupees				
FINANCIAL ASSETS					
Long term investments	--	--	1,108,680	--	1,108,680
Net investment in lease finance	3,019,244	37,218,663	58,789,741	14,840,088	113,867,736
Long term loans and deposits	--	283,743	--	335,900	619,643
Cash and bank balances	943,540	--	--	90,000	1,033,540
	-----	-----	-----	-----	-----
	3,962,784	37,502,406	59,898,421	15,265,988	116,629,599
	=====	=====	=====	=====	=====
FINANCIAL LIABILITIES					
Long term deposits	--	--	--	14,840,088	14,840,088
Liability against and subject to finance lease	20,576	247,982	572,951	--	841,509
Other liabilities	--	--	--	974,759	974,759
	-----	-----	-----	-----	-----
	20,576	247,982	572,951	15,814,847	16,656,356
	=====	=====	=====	=====	=====
Net financial assets (liabilities)	3,942,208	37,254,424	59,325,470	(548,859)	99,973,243
	=====	=====	=====	=====	=====

1998

FINANCIAL ASSETS

Long term investments	--	--	1,000,000	195,910	1,195,910
-----------------------	----	----	-----------	---------	-----------

Net investment in lease finance	3,041,052	27,951,570	50,017,147	9,608,427	90,618,196
Long term loans and deposits	--	58,369	--	32,300	90,669
Short term investments	--	19,689,863	--	--	19,689,863
Cash and bank balances	1,782,693	--	--	80,000	1,862,693
	4,823,745	47,699,802	51,017,147	9,916,637	113,457,331
Financial liabilities					
Long term deposits	--	--	--	9,608,427	9,608,427
Other liabilities	--	--	--	423,538	423,538
	--	--	--	10,031,965	10,031,965
Net financial assets (liabilities)	4,823,745	47,699,802	51,017,147	(115,328)	103,425,366

The effective interest rate for each of the monetary financial instrument is as follows:

	1999	1998
	Effective interest / mark-up rate %	
Assets		
Net investment in lease finance	22.35	22.36
Long term investments	15.00	15.00
Short term investment	--	19.25
Cash and bank balance	12.00	11.71
Liability		
Liability against asset subject to finance lease	22.50	--

23. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	1999 Rupees	1998 Rupees
These comprise of the following:		
Lease Transactions		
Pak Denim Limited		
Net investment outstanding June 30	951,448	1,491,344
Lease income received during the year	273,955	294,875
Cox & Kings (Agents) Limited		
Net investment outstanding June 30	159,732	241,944
Lease income received during the year	44,859	40,042
Unibro House		
Office rent for the year	540,000	515,000
24. EARNING PER SHARE	1.04	0.82

25. General

25.1 Amounts are rounded off to the nearest rupee.

25.2 Previous year's figures have been rearranged, wherever necessary, to facilitate comparison.

Akbar M. Bilgrami
Managing Director &
Chief Executive

Inam Ellahi Shaikh
Chairman

Fawad S. Malik
Director

Pattern of Shareholding As at June 30, 1999

No. of Share Holders	Having shares From	To	Shares Held	Percentage %
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1	1	100	100	.0010
43	101	500	21500	.2150
3	501	1000	3000	.0300
7	5001	10000	70000	.7000
8	15001	20000	145925	1.4592
2	20001	25000	43575	.4357
2	25001	30000	60000	.6000
22	35001	40000	876000	8.7600
1	40001	45000	43000	.4300
4	45001	50000	196500	1.9650
3	50001	55000	163000	1.6300
1	65001	70000	67200	.6720
1	90001	95000	95000	.9500
3	95001	100000	295575	2.9557
1	110001	115000	115000	1.1500
1	165001	170000	168850	1.6885
3	195001	200000	600000	6.0000
1	245001	250000	247500	2.4750
1	250001	255000	255000	2.5500
1	330001	335000	331175	3.3117
1	360001	365000	361000	3.6100
1	470001	475000	470350	4.7035
5	495001	500000	2500000	25.0000
1	515001	520000	519000	5.1900
1	2350001	2355000	2351750	23.5175
-----		-----		-----
118		10,000,000		100.0000
=====		=====		=====

CATEGORIES OF SHAREHOLDERS

As at June 30, 1999

<i>Particulars</i>	<i>Shareholders</i>	<i>Shareholding</i>	<i>Percentage (%)</i>
Individuals	110	5,999,300	59.9930
Joint-Stock Companies	6	1,393,950	13.9395
Foreign Companies	2	2,606,750	26.0675

Company Total	118	10,000,000	100.0000
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