

Dawood Leasing Company Limited

Annual Report 1999

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CORPORATE INFORMATION

Board of Directors

Mr. Rafique Dawood
Mr. Mehboob G. Rawjee
Mr. Ayaz Dawood
Dr. Najeeb Samie
Mr. Asadullah Khawaja
Mr. Nasim Beg
Mr. Bashir A. Sheikh

Chairman & Chief Executive

(Nominee of SLIC)

(Nominee of ICP)

(Nominee of NIT)

(Nominee of Al-Faysal Inv. Bank)

Company secretary

Syed Jamal Macdi

Auditors

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Legal Advisors

Mohsin Tayebaly & Co.

Bankers

Askari Commercial Bank Ltd.
Bank A1-Habib Ltd.
Bank of Khyber
Bank of Punjab
Faysal Bank Ltd.

	Gulf Commercial Bank Ltd. Habib Bank Ltd. Muslim Commercial Bank Ltd. Oman International Bank S.A.O.G Societe Generale, The French & International Bank United Bank Ltd.
Registered Office and Head Office	5-B, Lakson Square Building # 1, Sarwar Shaheed Road, Karachi-74200 Tel: (021) 568 7778 Fax: (021) 568 5830 E-mail: dlc @ khi.compul.com
Branch Offices	Office No. 20 & 21, Beverly Centre, 1 st Floor, 56-G, Jinnah Avenue, Islamabad-44000 Tel: 051-276367 & : E-mail: moeen @ comsats.net.pk 327/2, C-II, Township, Lahore Tel' (042) 5118141
Shares Registrar	Ferguson Associates (Pvt.) Ltd. State Life Building No. 1-A, I.I. Chundrigar Road, Karachi. Tel: (021) 2426682-2426711-5 Fax: (021) 2415007, 2427938

NOTICE OF FIFTH ANNUAL GENERAL MEETING

Notice is hereby given that the Fifth Annual General Meeting of the Company will be held at Raffia Choudri Memorial Centre, Sidco Avenue Centre, 1 st Floor, R.A. Lines, Karachi on Friday December 17, 1999 at 10:45 a.m. to transact the following business:

1. 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.
2. To approve payment of Cash Dividend @ Rs. 1.00 per share to the shareholders as recommended by the Board of Directors for the year ended June 30, 1999.
3. To appoint Auditors for the year 1999-2000 and to fix their remuneration. The retiring Auditors, being eligible, offer themselves for re-appointment.
4. Any other business with the permission of the chair.

By the Order of the Board

November 23, 1999
Karachi

Syed Jamal Macdi
Secretary

Notes:

1. The share transfer books of the Company will remain closed from December 11, 1999 to December 17, 1999 (both days inclusive).
2. A member entitled to attend and vote at a General Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. No person other than a member shall act as a Proxy.
3. An instrument appointing a Proxy and the Power of Attorney or other Authority (if any) under which it is signed or a notarially certified copy of the Power or Authority, in order to be valid, must be deposited at the Registered Office of the Company, at the latest by 10:45 a.m. on December 15, 1999 and must be duly

stamped, signed and witnessed.

4. The shareholders are requested to notify any changes in their address and send Zakat Declaration immediately.

5. Account holders and sub-account holders' holding book entry securities of the Company in Central Depository System of Central Depository Company of Pakistan Limited who wish to attend the Annual General Meeting are requested to please bring original I.D. Card with copy thereof duly attested by their Bankers for identification purpose.

FINANCIAL HIGHLIGHTS

	1999	1998	1997	1996	1995*
	Rupees in Million				
Authorized Capital	500.00	500.00	300.00	300.00	300.00
Paid-up Capital	250.00	250.00	250.00	250.00	250.00
Shareholders' Equity	300.62	305.59	295.52	281.60	267.92
Total Assets	1,520.99	926.58	680.10	539.45	340.45
Net Investment in Leases	1,036.38	791.63	620.50	510.57	253.37
Provision for Lease Losses	34.00	26.50	16.50	5.00	--
Revenue	163.21	141.34	121.96	89.12	28.00
Income from Leasing Operations	154.05	133.36	121.29	84.66	21.19
Profit before Taxation	35.29	28.06	46.41	46.21	18.09
Taxation	15.35	17.89	1.24	1.27	0.17
Profit after Taxation	19.94	10.17	45.16	44.94	17.92
Current Ratios	1:1.32	1:1.26	1:1.53	1:0.91	1:6.74
Book Value Per Share	12.02	12.22	11.82	11.26	10.71
Earning Per Share - After Tax	0.80	0.40	1.81	1.79	0.71
Return on Equity	6.58%	3.38%	15.65%	16.35%	13.36%
Dividend Per Share (Rs.)	1.00	--	1.25	1.25	--

* 6 months of operations.

DIRECTORS' REPORT

We are pleased to present your Company's Fifth Annual Report for the year ended June 30, 1999.

Operating Results

	1999	1998
	Rupees	Rupees
Lease Income	154,046,674	133,357,772
Other Income	9,160,518	7,986,021
	-----	-----
	163,207,192	141,343,763
Profit before Taxation	35,291,304	28,058,669
Provision for Taxation	15,352,971	17,890,000
	-----	-----
	19,938,333	10,168,669
Un-appropriated Profit Brought Forward	9,549,157	1,414,222
Profit Available for Appropriation	29,487,490	11,582,891
Appropriations		
Transfer to Statutory Reserve	3,987,667	2,033,734
Proposed Cash Dividend	25,000,000	--

Un-appropriated Profit Carried Forward

499,823

9,549,157

Review of Operations

The fiscal year 1998-99 in contrast with last year, which had witnessed the economic turmoil of Asian tigers and its ripple effect on other economies of the world, started with internal enigma as the economy was on the verge of breakdown. As stated in the last year's report, the supply-side economic policies could not help our economy to rebound on account of our internal uncertainties and economic meltdown all over the globe, these conditions, collectively have eroded the confidence of the investors. The aftermath of nuclear tests, freezing of Foreign Currency Accounts, and subsequent events have brought the economic activity to a standstill, which is still persisting.

The failure of the political system and stagnation of the economy has not only hurt the common man, but every segment of our society. Leasing companies, who have to grow 15% to 20% per annum to remain in the tax shield and make healthy profits for the shareholders, are facing difficulties in achieving these objectives. Some of the threats to the leasing industry are as under:

- constant decline in spreads due to competition,
- scarcity of good quality borrowers,
- continuous erosion of tax shield due to dearth of investment activity,
- intrusion of other players in to the leasing business,
- non execution of decrees issued by the courts and
- delays and defaults in rental recoveries

Your Company while trying to address as far as possible the critical issues being faced by the leasing sector has adopted a more cautious and prudent approach to access new lease proposals, select viable sectors and continue to maintain a well-diversified portfolio of leases.

We are pleased to report that this year Textile Composite sector is at the top of our portfolio list with an exposure of 16%. During the fiscal 1998-99 your company has entered into 131 new lease contracts valued at Rs. 486.45 million. The net investment in lease finance has increased from Rs. 791.63 million to Rs. 1,036.38 million showing an increase of 30.92%. The revenue increased from 141.34 million to Rs. 163.21 million an increase of 15.5% and profit after tax has also jumped from Rs. 10.17 million to Rs. 19.94 million, an increase of 96%.

In continuation of our prudent accounting approach, this year we have provided an additional Rs. 13.11 million on account of deferred tax liability thus raising the total to Rs. 29.00 million. We do not expect that this liability will materialize in the foreseeable future. Additionally, we have also made provision of Rs. 7.50 million to provide for potential lease losses. It may be noted that provision for lease losses is now Rs. 34.00 million which is around 3.4% of net investment in lease finance. As of June 30, 1999 all the reserves, allowances and provisions, put together add up to over 49% (43% 1998) of the paid-up capital of your Company.

Resource Mobilization

You will be pleased to note that we have utilized US\$ 3.10 million from Asian Development Bank's Financial Sector Intermediation Loan, and anticipate utilizing a further US\$ 3.56 million already approved by ADB by December, 1999. Our local bankers have also extended and enhanced our credit limits, as such, your Company does not foresee any uncertainty in meeting its future funding requirements. Additionally, your Company's solid credit standing has contributed in raising funds through issue of Certificates of Investments (COIs) to individuals and corporate customers.

Future Prospects

The country is in the grip of recession and a steadily declining economic situation. Therefore, it is difficult to assess the future outlook at the moment. The new set up governing the country has a formidable task at hand, we pray that, with wisdom, honesty and hard work, the new Chief Executive will be able to inspire trust and confidence in the investors and thereby inflow of new investments in the country would gather momentum

Given the prevailing conditions, the management of your Company at the moment sees very few prospects of fixed investments in plant and machinery. The country is into "financial deflation", and too much money is chasing too few creditworthy clients. Accordingly, we continue to emphasize on vendor-financing arrangements

and leasing to small and medium size entrepreneurs.

Acquisitions

We are pleased to report that we had successfully closed our deals for acquisition of the management companies of Guardian Leasing Modaraba on March 3rd, 1999, and First General Leasing Modaraba on August 4th, 1999 having a paid-up capital of Rs. 100 million and Rs. 56.25 million respectively.

Your Company has also completed the process of purchasing 30% in Pakistan Venture Capital Limited, a listed company sponsored by Asian Development Bank, which occupies the unique distinction of being the only listed venture financing company in the country.

With these acquisitions Dawood Leasing will be able to offer to clients a wide range of financial services ranging from leasing, equity investments, underwriting, morabaha and musharika financing.

Millennium Compliance

You will be pleased to note the Y2K compliance within Dawood Leasing has been completed, as a result of our investment in latest software in the current fiscal year.

Board of Directors

Mr. Asadullah Khawaja, Managing Director, Investment Corporation of Pakistan who has succeeded Mr. Junaid Z. Dada on the Board on account of the latter's resignation, Mr. Nasim Beg, Deputy Managing Director, National Investment Trust has succeeded Mr. Rasheed Y. Chinoy on the Board due to latter's resignation. The Directors while welcoming Mr. Asadullah Khawaja and Mr. Nasim Beg, would like to place on record their appreciation of the services of Mr. Junaid Z. Dada and Mr. Rasheed Y. Chinoy.

Auditors

The present auditors, M. Yousuf Adil Saleem & Co. retire and, being eligible, offer themselves for re-appointment.

Pattern of Shareholding

The pattern of Shareholding as on June 30, 1999 is annexed to these financial statements.

Acknowledgement

We would like to endorse our appreciation for the confidence and support of our valuable customers and stakeholders in making this year a success in spite of the economic turmoil that our country faced. The support and guidance provided by the Ministry of Finance, the Security & Exchange Commission of Pakistan and the State Bank of Pakistan is highly appreciated. We are also grateful to our various lease syndicate partners, lending institutions, in particular, Asian Development Bank, for their support and confidence and above all, the dedication and hard work of our team members that has made it all possible.

We reiterate our mission to work with dedication and dynamism for the benefit of all the stakeholders.

Rafique Dawood

On behalf of the Board

Chairman & CEO

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Dawood Leasing Company Limited as at June 30, 1999 and the related profit and loss account and the statement of changes in financial position (cash flow statement) together with the notes forming part thereof, for the year ended on that date 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 forming part thereof 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 statement of changes in financial position (cash flow statement), together with the notes thereon, 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 profit and the changes in financial position for the year then ended; and

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

November 17, 1999 M Yousuf Adil Saleem & Co.,
Karachi. Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1999

	Note	1999 Rupees	1998 Rupees
SHARE CAPITAL AND RESERVES			
Authorized			
50,000,000 (1998-- 50,000,000)			
Ordinary Shares of Rs. 10/- each		500,000,000	500,000,000
		=====	=====
Issued, Subscribed and Paid-up			
25,000,000 Ordinary Shares of			
Rs. 10/- each. Fully Paid in Cash		250,000,000	250,000,000
Statutory Reserve .	3	27,624,957	23,637,290
General Reserve	3	22,500,000	22,500,000
Unappropriated Profit	3	499,823	9,549,157
		-----	-----
		300,624,780	305,686,447
LONG TERM LIABILITIES			
Redeemable Capital	4	14,274,989	44,180,241
Long Term Loans	5	405,057,869	58,230,366
Liabilities Against Assets			
Subject to Finance Lease	6	--	114,814
Lease Deposits	7	99,152,824	85,255,506
Certificates of Investment	8	11,400,000	37,298,949
		-----	-----
		529,885,682	225,079,876

DEFERRED LIABILITIES

Taxation		29,000,000	15,890,000
Staff Gratuity		858,033	634,341
		-----	-----
		29,858,033	16,524,341
CURRENT LIABILITIES			
Short Term Borrowings	9	433,548,078	193,870,522
Certificates of Investment	8	50,500,000	61,189,863
Current Portion of Long Term Liabilities	10	108,339,332	71,861,925
Accrued and Other Liabilities	11	39,135,584	29,732,532
Taxation		4,100,000	3,632,748
Proposed Dividend		25,000,000	--
		-----	-----
		660,622,994	360,287,590
COMMITMENTS	12		
		-----	-----
		1,520,991,489	907,578,254
		=====	=====
TANGIBLE FIXED ASSETS	13	23,798,900	17,638,655
NET INVESTMENT IN LEASE FINANCE			
Minimum Lease Payment Receivables	14	1,204,287,306	915,386,692
Residual Value of Leased Assets		148,456,873	111,707,423
		-----	-----
		1,352,744,179	1,027,094,115
Unearned Income		(316,364,297)	(235,460,248)
Net Investment in Lease Finance		1,036,379,882	791,633,867
Provision for Lease Losses		(34,000,000)	(26,500,000)
		1,002,379,882	765,133,867
Current Portion of Net Investment in Lease Finance		(426,289,808)	(330,479,044)
		-----	-----
		576,090,074	434,654,823
INVESTMENT IN SUBSIDIARY/ASSOCIATE	15	45,793,350	--
LONG TERM DEPOSIT		300,000	--
LONG TERM LOANS	16	1,719,112	1,934,382
CURRENT ASSETS			
Current Portion of Net Investment in Lease Finance		426,289,808	330,479,044
Short Term Investments	17	189,799,680	75,511,206
Short Term Morabaha Finances	18	103,051,816	--
Advance Against Lease Commitments'		9,700,000	36,317,586
Advances, Deposits and Prepayments	19	6,162,379	6,657,577
Other Receivables	20	27,249,820	1,999,878
Cash and Bank Balances	21	111,036,550	2,385,103
		-----	-----
		873,290,053	453,350,394
		-----	-----
		1,520,991,489	907,578,254
		=====	=====

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

Rafique Dawood
Chairman & Chief Executive

Dr. Najeeb Samie
Director

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1999

1999

1998

	Note	Rupees	Rupees
Income			
Lease Income		154,046,674	133,357,772
Return on Deposits and investments	22	8,746,096	7,550,256
Gain on Sale of Securities		136,734	386,584
Other Income		277,688	49,181
		-----	-----
		163,207,192	141,343,793
Expenditure			
Administration and Operating Expenses	23	23,565,327	22,363,663
Financial Charges	24	99,883,895	68,849,641
Provision for Lease Losses		7,500,000	10,000,000
(Reversal) / Provision for Diminution in Value of Investments		(3,033,334)	12,071,820
		-----	-----
		127,915,888	113,285,124
		-----	-----
Profit Before Taxation		35,291,304	28,058,669
Provision for Taxation			
Current		2,100,000	2,000,000
Prior		142,971	--
Deferred		13,110,000	15,890,000
		-----	-----
		15,352,971	17,890,000
		-----	-----
Profit After Taxation		19,938,333	10,168,669
Unappropriated Profit Brought Forward		9,549,157	1,414,222
		-----	-----
Profit Available for Appropriation		29,487,490	11,582,891
Appropriations			
Transferred to Statutory Reserve		3,987,667	2,033,734
Proposed Cash Dividend Rs. 1 Per Share (1998 - Nil)		25,000,000	--
		-----	-----
		28,987,667	2,033,734
		-----	-----
Unappropriated Profit Carried Forward		499,823	9,549,157
		=====	=====
Earning Per Share - Basic and Diluted	27		
Pre-Tax		1.41	1.12
Post-Tax		0.80	0.41

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

Rafique Dawood
Chairman & Chief Executive

Dr. Najeeb Samie
Director

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED JUNE 30, 1999

A. CASH FLOW FROM OPERATING ACTIVITIES

1999	1998
Rupees	Rupees

Profit After Taxation	19,938,333	10,168,669
Adjustment to determine Net Cash Flows:		
Depreciation	5,505,186	2,929,938
(Gain) on Sale of Investment	(! 36,734)	(386,584)
Financial Charges	99,883~895	68,849,641
(Gain)/Loss on Sale of Assets	(16,374)	40,773
Provision for Gratuity	376,447	742,600
Provision for Lease Losses	7,500,000	10,000,000
(Reversal)/Provision for Diminution in Value of Investments	(3,033,334)	12,071,820
Provision for Deferred Taxation	13,110,000	15,890,000
Provision for Taxation	2,242,971	2,000,000
	-----	-----
	125,432,057	112,138,188
	-----	-----
Operating Profit Before Working Capital Changes	145,370,390	122,306,857
Working Capital Changes		
Advances, Deposits and Prepayments	(7,050)	(1,182,653)
Other Receivables	(25,249,942)	(1,478,288)
Accrued and Other Liabilities	(651,595)	(1,409,770)
	-----	-----
	(25,908,587)	8,748,829
	-----	-----
	119,461,803	131,055,686
Financial Charges Paid	(89,829,248)	(64,757,411)
Gratuity Paid	(152,755)	(108,259)
Taxation Paid	(1,263,161)	(2,327,930)
	-----	-----
Net Cash From Operating Activities	28,216,639	63,862,086
B. CASH FLOW FROM FINANCING ACTIVITIES		
Redeemable Capital Obtained	25,000,000	--
Long Term Loans Obtained	383,286,406	30,000,000
Redemption of Redeemable Capital	(69,089,644)	(52,301,738)
Repayment of Lease Liability	(151,735)	(209,377)
Lease Deposits	28,137,135	27,172,619
Short Term Borrowings	239,677,554	127,885,751
Certificates of Investment	(36,588,812)	98,488,812
Dividend Paid	--	(31,050,927)
	-----	-----
Net Cash from Financing Activities	570,270,904	199,985,140
C. CASH FLOW USED IN INVESTING ACTIVITIES		
Long Term Deposit	(300,000)	--
Net Investment in Lease Finance	(244,746,015)	(171,130,225)
Capital Expenditure	(12~899.754)	(9,472,425)
Proceeds from Sale of Fixed Assets	1,250,699	360,278
Long Term Investments - net	(45,793,350)	--
Long Term Loans - Staff	204,960	(318,718)
Short Term Investments	(153,145,146)	(65,143,614)
Sale Proceeds of Marketable Securities	42,026,740	7,403.87
Short Term Morabaha Finances	(103,051,8 1 6)	--
Advance Against Lease Commitments	26,617,586	(36,317,586)
	-----	-----
Net Cash Used in Investing Activities	(489,836,096)	(274,618,419)
Net Increase / (Decrease) in Cash and Cash Equivalent	108,651,447	(10,771,193)
Cash and Cash Equivalent at the Beginning of the Year	2,385,103	13,156,296
	-----	-----
Cash and Cash Equivalent at the End of the Year	111,036,550	2,385,103
	=====	=====

Rafique Dawood
Chairman & Chief Executive

Dr. Najeeb Samie
Director

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

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated on June 22, 1994 as a Public Limited Company and is listed on the Karachi and Islamabad Stock Exchanges. The main business activity of the Company is leasing of assets.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

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

2.2 Revenue Recognition

The Company follows the Finance Method in recognizing income on lease contracts. Under this method the unearned income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortized over the terms of the lease applying the annuity method, so as to produce a constant rate of return on net investment in the lease.

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

The transactions of purchase and resale obligation of Government Securities at contracted rates for specified period of time are recorded at the contracted purchase price and the differential of the contracted purchase and resale prices is taken to income.

Profit on Morabaha finance and other financing are accrued based on time proportion basis.

Return on securities is recognized on accrual basis.

Dividend income is recognized at the time of closure of the shares transfer book of the company declaring the dividend.

Lease income and profit on Morabaha financing which are classified under Prudential Regulations for Non-Banking Financial Institutions are not taken into income.

2.3 Staff Retirement Benefits

The Company operates a funded contributory Provident Fund Scheme for its employees. Employees are also entitled to gratuity after completion of three years continuous service in accordance with the service rules of the Company.

2.4 Provision for Lease Losses

Besides making provisions as per the requirement of Prudential Regulations for Non-Banking Financial Institutions. The Company, exercising prudence, also makes a general provision at a reasonable level, which in the judgement of management is adequate to provide for potential losses on lease portfolio that can be reasonably anticipated. Both the allowances are shown as deduction from the lease investments as per the directives of Institute of Chartered Accountants o-' Pakistan. Last year provision for potential lease losses was shown separately under liabilities.

2.5 Taxation

The charge for current taxation is based on taxable income at the current rates of taxation. On lease income, it is computed as if all leases are operating leases, after taking into account allowances available for depreciation in respect of fixed assets under lease.

The tax effect for deferred taxation is calculated using the liability method on all major timing differences which are expected to reverse in foreseeable future. As a matter of prudence, deferred tax debits are not accounted for.

2.6 Tangible Fixed Assets and Depreciation

These are stated at cost less accumulated depreciation. Depreciation is charged to income, applying the straight line method whereby cost of an asset is written off over its estimated useful life. A full year's depreciation is charged on all assets acquired during the year while no depreciation is charged on assets disposed off during the year.

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

2.7 Investments**2.7.1 Subsidiary/Associate**

The Company follows "Cost Method" of accounting in recognizing the investments in subsidiary/associate.

2.7.2 Long Term

These are stated at cost and are reduced to recognize a decline other than temporary in values, if any.

2.7.3 Short Term

These are stated at lower of moving average cost and market/break-up value on aggregate portfolio basis.

2.8 Foreign Currency Transaction

These are accounted for in Rupees at the exchange rate on the date of transaction. Assets and liabilities in foreign currencies are converted into Rupees at the rate of exchange on the balance sheet date. In cases where exchange risk cover has been obtained from State Bank of Pakistan the foreign currency amounts are translated into rupees at the exchange rate prevailing on the date of disbursement or renewal.

Exchange risk fee and differences arising due to hedging mechanism are accounted for as deferred revenue or cost as the case may be, and are credited to income or amortized respectively over the term of the transaction.

2.9 Offsetting

A financial asset and financial liability is offset and the net amount reported in the balance sheet if the Company has a legal enforceable right to setoff the transactions and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Corresponding income 'on the asset and charge on the liability is also offsetted.

3. STATEMENT OF CHANGES IN EQUITY

	Paid-up Capital	Statutory Reserve*	General Reserve	Unappropriated Profit	Total
Balance as at June 30, 1997	250,000,000	21,603,556	22,500,000	1,414,222	295,517,778
Profit for the year	--	--	--	10,168,669	10,168,669
Appropriation Transfer	--	2,033,734	--	(2,033,734)	--
Balance as at June 30, 1998	250,000,000	23,637,290	22,500,000	9,549,157	305,686,447
Profit for the year	--	--	--	19,938,333	19,938,333
Appropriations Transfer	--	31,987,667	--	(3,987,667)	--
Dividend	--	--	--	(25,000,000)	(25,000,000)
Balance as at June 30, 1999	250,000,000	27,624,957	22,500,000	499,823	300,624,780

* The reserve is created by transferring 20% of the after tax profit for the year which is required under Rule-3 of the Prudential Regulations for Non-Banking Financial Institutions.

4. REDEEMABLE CAPITAL SECURED (NON-PARTICIPATORY)

	I & II	Term Finance Certificates III	IV	Finance Under Morabaha Finance	Mark-up Arrangement	1999 Rupees	1998 Rupees
Opening Balance	20,345,822	18,195,614	--	30,000,000	11,488,262	80,029,698	132,331.44
Obtained During the Year	--	--	25,000,000	--	--	25,000,000	--
	-----	-----	-----	-----	-----	-----	-----
Paid During the Year	20,345,822 (20,345,822)	18,195,614 (8,233,309)	25,000,000 (3,240,185)	30,000,000 (30,000,000)	11,488,262 (7,270,328)	105,029,698 (69,089,644)	132,331,436 (52,301,738)
	-----	-----	-----	-----	-----	-----	-----
Payable Within One Year Shown Under Current Liabilities	--	9,962,305 (9,962,305)	21,759,815 (7,484,826)	--	4,217,934 (4,217,934)	35,940.05 (21,665,065)	80,029.698 (35,849,457)
	-----	-----	-----	-----	-----	-----	-----
	--	--	14,274,989	--	--	14,274,989	44,180,241
	=====	=====	=====	=====	=====	=====	=====
Repayment Period	--	Sept. 27, 1997	'Sep. 01, 1998	--	Mar. 14, 1997		
	--	Mar. 27, 2000	'Sep. 01, 2001	--	Dec. 14, 1999		
Sale Price	--	25,000,000	25,000,000	--	20,000,000		
Purchase Price	--	35,712,210	35,712,210	--	27,769,024		
Prompt Payment Bonus	--	1,271,106	1,271,106	--	--		

These are secured by way of a pari-passu charge on all assets and book debts of the Company through hypothecation. Similar arrangements unless specified have been made to secure the long term loans (refer note 5) and short term borrowings (refer note 9).

5. LONG TERM LOANS- SECURED

	1999 Rupees	1998 Rupees
Foreign Currency		
Asian Development Bank (5.1)	124,3563)36	--
Local Currency		
From Commercial Banks (5.2)	215,000,004	20,000,000
From Investment Banks (5.3)	128,931,366	65,000,000
	-----	-----
	468,286,406	85,000,000
Payable Within One Year Shown under Current Liabilities	(63,228,537)	(26,769,634)
	-----	-----
	405,057,869	58,230,366
	=====	=====

5.1 This represents a fifteen year term facility, with a grace period of three years, obtained in tranches under Financial Sector Intermediation Loan # 137 I-PAK. This carries interest @ 0.25% over variable Ordinary Capital Resource (OCR) rate of ADB. The loan repayments are semi-annual and secured by guarantee of a development financial institution. The guarantee is secured against hypothecation of assets including book debts of the Company ranking pari-passu with charges created to secure redeemable capital (Refer Note 4) and short term borrowings (Refer Note 9). The Company has obtained exchange risk cover from State Bank of Pakistan.

The total approved facility amounts to US\$ 6.662 million out of which US\$ 2.459 million have been received upto the balance sheet date. The balance amount of US\$ 4.203 is expected during the fiscal year 1999-2000 out of which US\$ 0.642 has already been received subsequent to the balance sheet date.

5.2 These are secured against hypothecation of assets including book debts of the Company ranking pari-passu with charges created in favour of other lenders to secure redeemable capital (Refer Note 4) and short term borrowings (Refer Note 9), except the loan of Rs. 100 million which is secured by second charge on all assets including book debts of the Company. The loan of Rs. 35 million has been obtained under sale and purchase agreement on semi-annually rollover basis.

These loans are subject to mark-up rate ranging from Rs. 0.3425 to 0.5479 per Rs. 1,000/- per day.

5.3 These include Rs. 100.70 million which is secured by pledge of US\$ bonds. The balance amount is secured against hypothecation of assets including book debts of the Company ranking pari-passu with charges created in favour of other lenders to secure redeemable capital (Refer Note 4) and short term borrowings (Refer Note 9).

These loans are subject to mark-up rate ranging from Rs. 0.3940 to Rs. 0.5479 per Rs. 1,000/- per day.

	1999	1998
	Rupees	Rupees
6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Opening Balance	357,580	566,957
Paid During the Year	(151,735)	(209,377)
	-----	-----
Security Deposit	205,845	357,580
	(73,600)	(73,600)
	-----	-----
	132,245	283,980
Payable Within One Year Shown under Current Liabilities	(132,245)	(169,166)
	-----	-----
	--	114,814
	=====	=====

This represents a vehicle acquired under finance lease agreement from a leasing company.

The cost plus financial charges are payable in 36 monthly installments of Rs. 13,082/-. Implicit rate of return is 18% per annum.

The future minimum lease payments to which the company is committed at June 30, 1999 are as under:

	Rupees
Year Ended June 30, 2000	143,902
Financial Charges Allocated to Future Period	(11,657)

	132,245
	=====

7. LEASE DEPOSITS

These represent the security deposits (lease key money) received from lessees under lease contracts and are repayable at the expiry of their respective lease period.

8. CERTIFICATES OF INVESTMENT

These represent the mobilization of funds under the scheme of certificates of investment issued with the permission of Security & Exchange Commission of Pakistan. The scheme is based on profit and loss sharing basis. These certificates are for the terms ranging from three months to five years.

9. SHORT TERM BORROWINGS

	1999	1998
	Rupees	Rupees
Secured (9.1)		
From Commercial Banks		
Morabaha Finance	--	25,000,000

Running Finance	34,548,078	30,470,522
From Non-Banking Financial Institutions	35,000,000	15,000,000
Unsecured		
Commercial Banks	45,000,000	--
Non-Banking Financial Institutions	319,000,000	88,400,000
Others	--	35,000,000
	-----	-----
	433,548,078	193,870,522
	=====	=====

9.1 These facilities are secured against hypothecation of assets including book debts of the Company ranking pari-passu with the charges created to secure redeemable capital (Refer Note 4) and long term loans (Refer Note 5).

The sanctioned running finance facilities of Rs. 110 million from commercial banks are renewable yearly. The letter of credit acceptance facilities of Rs. 45 million from commercial banks are not utilised.

The rate of mark up ranges from Rs. 0.4178 to Rs. 0.4931 per Rs. 1,000/- per day.

10. CURRENT PORTION OF LONG TERM LIABILITIES

Redeemable Capital	21,665,065	35,849,457
Long Term Loans	63,228,537	26,769,634
Lease Liabilities	132,245	169,166
Lease Deposits	23,313,485	9,073,668
	-----	-----
	108,339,332	71,861,925
	=====	=====

11. ACCRUED AND OTHER LIABILITIES

Mark-up/Return on Secured		
Redeemable Capital	2,061,188	2,474,251
Long Term Loans	4,161,391	2,187,395
Short Term Borrowings	4,611,024	2,473,322
On Unsecured		
Short Term Borrowings	9,747,247	1,901,052
Certificates of Investment	2,483,615	3,973,798
Advance from Clients	14,177,893	12,120,226
Withholding Tax	69,360	2,258,517
Accrued Expenses	1,155,497	819,141
Unclaimed Dividend	494,967	500,303
Others	173,402	1,024,527
	-----	-----
	39,135,584	29,732,532
	=====	=====

12. COMMITMENTS

Lease financing contracts committed but not executed at the balance sheet date amounted to Rs. 42 million (1998 - Rs. 89 million).

13. TANGIBLE FIXED ASSETS

Operating Assets (13. 1)	23,798,900	9,860,748
Capital Work in Progress	--	7,777,907
	-----	-----
	23,798,900	17,638,655
	=====	=====

13.1 OPERATING ASSETS - TANGIBLE

Particulars	Cost at July 01, 1998	Additions/ Transfer/ Deletions)	Cost at June 30, 1999	Accumulated Depreciation at July 01,	Depreciation for the Year	Accumulated Depreciation at June 30,	Book Value June 30, 1999	Rate %
-------------	-----------------------------	---------------------------------------	-----------------------------	--	---------------------------------	--	--------------------------------	-----------

	1998				1999			
Company Owned								
Office Premises	3,804,092	7,777,907	11,581,999	1,521,637	1,158,200	2,679,837	8,902,162	10
Lease-hold Improvements	1,945,303	5,939,883	7,885,186	680,448	788,518	1,468,966	6,416,220	10
Furniture and Fixtures	3,027,677	499,500	3,527,177	1,178,823	349,953	1,528,776	1,998,401	10
Equipment and Appliances	3,489,892	2,118,000	5,337,892	1,462,844	1,413,420	2,805,463	2,532,429	20
Vehicle	6,035,264	4,691,371	8,554,082	3,969,528	1,717,695	4,759,194	3,794,888	20
		(270,000)						
	18,302,228	21,026,661	36,886,336	8,813,280	5,427,786	13,242,236	23,644,100	
		(2,442,553)						
Under Lease								
Vehicle	736,000	(349,000)	387,000	364,200	77,400	232,200	154,800	20
Rupees	19,038,228	21,026,661	37,273,336	9,177,480	5,505,186	13,474,436	23,798,900	
		(2,791,553)						
1998 Rupees	18,091,355	1,694,518	19,038,228	6,594,139	2,929,938	9,177,480	9,860,748	
		(747,645)						

13.2 DISPOSAL OF ASSETS

Particulars	Mode of Disposal	Sold to	Cost	Accumulated Depreciation	Book Value	Sale Proceeds
Equipment & Appliance	Negotiation	Shirazi Trading C (Pvt.) Ltd. ' 3rd Floor, Ibrahim Estate, Shahra-e-Faisal, Karachi.	150,000	30,000	120,000	45,000
--do--	Negotiation	Mr. Hamid Maku Ex-employee B/66, Block-W, Allama Iqbal Town, North Nazimabad, Karachi.	60,000	24,000	36,000	60,000
--do--	Leased Out	Mr. Suleman Qasi Ex-employee House # 59, Street # 62, Sector F- 10/3, Islamabad.	36,000	7,200	28,800	36,000
--do--	Negotiation	Mr. Aslam Iqbal Ex-employee C- 1/35, Block-2, Ayaz Town Gulshan-e-Iqbal, Karachi.	24,000	9,600	14,400	24,000
Vehicle	Negotiation	Mr. Hamid Maku Ex-employee B/66, Block-W, Allama Iqbal Town, North Nazimabad, Karachi.	424,440	339.55	84,888	90,000
-- do --	Negotiation	Mr. Jamalullah M Employee	457,957	366,366	91,591	91,591

As per company policy
House # A-98, Sector 1 1-A,
North Karachi Township,
Karachi.

-- do --	Negotiation	Mr. Shah Faisal . Employee	392,540	314,032	78,508	78,508
-- do --	Insurance Claim	Orient Insurance Dean Arcade, Block-8, Kahkashan Clifton, Karachi.	293,695	117,478	176,217	235,000
-- do --	Insurance Claim	-- do --	288,321	--	288,321	275,000
-- do --	Insurance Claim	-- do --	315,600	--	315,600	315,600
		Rupees	2,442,553	1,208,228	1,234,325	1,250,699
		Rupees (1998)	747,645	346,594	401,051	190,000

	1999	1998
	Rupees	Rupees

14. MINIMUM LEASE PAYMENT RECEIVABLES

Due Within One Year	501,114,893	320,932,693
Due After One Year but not more than 5 years	703,172,413	594,453,999
	1,204,287,306	915,386,692

15. INVESTMENT IN SUBSIDIARY/ASSOCIATE

Subsidiary

Guardian Modaraba Management (Pvt.) Ltd.
Percentage of holding 99.80%, 1998: Nil
2,495,000 ordinary shares of Rs. 10/- each. 1998: Nil.
Net assets value as at June 30, 1999:
Rs. 20.21 million, 1998: Nil

15,793,350	--
------------	----

Associate

Pakistan Venture Capital Limited
Percentage of holding 30%, 1998: Nil
3,000,000 ordinary shares of Rs. 10/- each. 1998: Nil
Net assets value as at June 30, 1999:
Rs. 34.77 million, 1998: Nil
Market Value Rs. 12 million

30,000,000	--
45,793,350	--

15.1 The above investments are carried at cost. Had these investments been accounted for using the "Equity Method", the value of investments on the basis of latest available audited accounts for the year ended June 30, 1999 of the investees and their effects on the profit and loss account would have been as follows:

Value of	
investments	
Effect on	Effect on

	Profit Rupees	Profit Rupees
Guardian Modaraba Services (Pvt.) Limited	14,611,558	(1,181,792)
Pakistan Venture Capital Limited	33,338,280	.3,338,280
	-----	-----
	47,949,838	2,156,488
	=====	=====

	1999 Rupees	1998 Rupees
16. LONG TERM LOANS CONSIDERED GOOD		
Staff loan	1,930,910	2,135,870
Recoverable Within One Year	(211,798)	(201,488)
	-----	-----
	1,719,112	1,934,382
	=====	=====

The loans under the scheme have been provided to executives of the Company to facilitate construction or purchase of house, which are repayable over a period of 10 years with a service charge @5% per annum.

Maximum amount due from executives at the end of any month during the year was Rs. 2,135,870/- (1998: Rs. 2,178,964/-) and the amount outstanding for the period exceeding three years is Rs. 1,284, 681 (1998: Rs. 1,499,951/-).

17. SHORT TERM INVESTMENTS

Marketable Securities	17.1	29,854,034	19,011,206
Federal Investments Bonds (10 years)		4,000,000	19,000,000
US Dollar Bonds	17.2	1 15.91 1,357	--
Placements and Deposits	17.3	40,034,289	37,500,000
		-----	-----
		189,799,680	75,511,206
		=====	=====

17.1 Marketable Securities

Quoted	No. of Shares/ Certificates	Market/ Breakup Value	Cost	Cost
Shares				
Adamjee Insurance Company Ltd.	36,252	1,359,450	2,578,500	2,578,500
B.R.R. International Modaraba (former B.R.R. 2nd Modaraba)	2,000	11,000	10,260	10,260
Bank Al-Habib Limited	9,108	167,587	204,923	204,923
Dawood Hercules Ltd.	1,200	122,400	92,500	92,500
Engro Chemicals Ltd.	5,520	400,200	524,000	524,000
Glaxo Wellcome-Pakistan Ltd.	2,000	70,000	80,500	--
Hub Power Company Ltd.	5,000	70,500	67,984	266,250
ICI Pakistan Ltd..	6,250	55,313	119,766	119,766
First Imrooz Modaraba	500	13,875	10,600	10,600
KASB Premier Fund Ltd.	50,000	115,000	500,000	500,000
Pakistan State Oil Company Ltd.	4,269	394,883	1,123,182	1,123,182
Pakistan Telecommunication Co. Ltd.	5,000	99,250	155,750	155,750
Pakland Cement Ltd.	--	--	--	12,072,740
Saadi Cement Ltd.	2,500,000	6,250,000	12,500,000	12,500,000
Sui Southern Gas Company Ltd.	5,285	45,451	133,230	133,230
25th I.C.P. Mutual Fund	7,500	79,125	191,325	191,325
		-----	-----	-----
Balance c/f		9,254,034	18,292,520	30,483,026

Balance b/f	99,254,034	18,292,520	30,483,026
Term Finance Certificates (TFCs')			
Dewan Salman Fibres Limited	10,000,000	10,000,000	--
Saudi Pak Leasing Company Limited	10,000,000	10,000,000	--
	-----	-----	-----
	29,254,034	38,292,520	30,483,026
 Provision for Diminution in Value of Investments			
Opening Balance	(12,071,820)		--
Reversal/(Provisioning) during the year	3,033,334	(12,071,820)	
	-----	-----	-----
	(9,038,486)	(12,071,820)	
	-----	-----	-----
	29,254,034	18,411,206	
Unquoted			
Image Graphics Solution (Pvt) Ltd.	60,000	600,000	600,000
Chief Executive- Mr. Tariq Mian		-----	-----
		29,854,034	19,011,206
	=====	=====	=====

Market value of quoted shares is Rs. 29,254,034/- (1998 Rs. 18,411,206/-) and break up value of unquoted shares is Rs. 10/- (1998 Rs. 10/- each).

The amount of TFCs represents redeemed value till year end. These TFCs are redeemed semi-annually, and earn expected profit ranging from Rs. 0.50 to Rs. 0.521 per Rs. 1,000/- per day.

17.2 Investment in Special US Dollar Bonds of US\$ 2,190,300 has a maturity period of 3 and 7 years. The interest rates are 2% and 4% over Libor respectively.

17.3 Short term placement and deposits of funds to financial institutions are made in the normal course of business at profit rates ranging from Rs. 0.4958 to 0.6849 per Rs. 1,000/- per day.

18. SHORT TERM MORABAHA FINANCES - SECURED

These represent funds provided for periods ranging from 3 months to one year under morabaha arrangement on mark-up/profit basis. These are secured by hypothecation of all present and future goods, merchandise, work-in-progress, finished and unfinished goods. The mark-up/profit rate ranges from Rs. 0.36 to Rs. 0.575 per Rs. 1,000/- per day.

19. ADVANCES, DEPOSITS AND PREPAYMENTS

	1999	1998
	Rupees	Rupees
Current Portion of Long Term Loan-Staff	211,798	201,488
Advance Income Tax	3,945,414	4,457,972
Advance for Purchase of Shares	573,750	500,000
Deposits	41,000	41,000
Prepayments	827,480	1,129,117
Others	562,937	328,000
	-----	-----
	6,162,379	6,657,577
	=====	=====

20. OTHER RECEIVABLES

Considered Good

Receivable Against Sale of Securities	19,180,330	--
Accrued Profit/Return	5,609,068	1,954,692
Dividend	49,436	--
Income Tax Refundable	899,333	--

Others	1,511,653	45,186
	-----	-----
	27,249,820	1,999,878
	=====	=====

21. CASH AND BANK BALANCES

Cash in Hand		
Local Currency	32,934	20,038
Foreign Currency	134,649	--
Cash in Transit (21.1)	107,027,788	--
Cash with Banks		
In Deposit Accounts (21.2)	3,841,179	2,365,065
	-----	-----
	111,036,550	2,385,103
	=====	=====

21.1 It represents second tranche of ADB loan amounting to US\$ 2,083,671.52 (US Dollar Two Million Eighty Three Thousand Six Hundred Seventy One Cents Fifty Two Only) credited to our banker for onward surrender to SBP.

21.2 It includes Rs. 250,000/- (1998 - Rs. 150,000) deposited with State Bank of Pakistan as required under Prudential Regulations for Non-Banking Financial Institutions.

22. RETURN ON DEPOSITS AND INVESTMENTS

Profit on PLS Account / Bank Deposit (Net of Zakat)	62,969	116,299
Return on Short Term Investments	8,405,723	7,283,809
Dividend	277,404	150,148
	-----	-----
	8,746,096	7,550,256
	=====	=====

23. ADMINISTRATION AND OPERATING EXPENSES

	1999	1998
	Rupees	Rupees
Salaries and Benefits	8,702,448	9,207,972
Directors' Meeting Fees	7,000	7,500
Rent, Rates and Taxes	512,202	250,934
Insurance	915,335	434,614
Legal, Professional and Consultancy	1,745,612	928,223
Travelling and Conveyance	1,008,116	1,437,245
Postage and Telephone	967,426	1,571,282
Utilities	278,301	271,540
Printing and Stationery	422,668	508,373
Vehicles Running and Maintenance	836,597	720,353
Computerization	130,460	206,874
Entertainment	472,266	636,322
Advertisement	141,604	116,850
Repairs and Maintenance	332,790	598,179
Auditors' Remuneration (23.1)	174,900	95,000
Share Department	342,180	505,788
Credit Rating	100,000	334,679
Depreciation	5,505,186	2,929,938
Fees and Subscription	446,180	1,409,773
Commission and Brokerage	383,537	--
Donation (23.2)	95,500	59,500
Others	45,019	132,724
	-----	-----
	23,565,327	22,363,663
	=====	=====

23.1 Auditors' Remuneration

Statutory Audit Fee	85,000	65,000
Special Audit Fee	20,000	--
Tax and Other Consultancy	55,000	30,000
Out of Pocket	14,900	--
	174,900	95,000
	174,900	95,000

23.2 None of the directors or their spouse had any interest in the donees fund.

	1998	1999
	Rupees	Rupees
24. FINANCIAL CHARGES		
Mark-up/Return on Redeemable Capital	12,123,723	19,923,566
Long Term Loans	13,352,747	6,080,612
Long Term Certificates of Investment	931,523	7,054,392
Short Term Borrowings	56,664,222	28,350,559
Short Term Certificates of Investment	15,588,319	5,782,940
Financial Charges on Lease Liability	62,754	84,812
Forward Cover Fee	886,231	--
Exchange Gain	18,883	--
Documentation, Project Examination, Commission, Brokerage and Bank Charges	255,493	1,572,760
	99,883,895	68,849,641
	99,883,895	68,849,641

25. TAXATION

The company has provided for deferred taxation in compliance with circular No. 16 of Securities and Exchange Commission of Pakistan to ensure that the liability arising on June 30, 2003 has been fully provided for upto that year.

The deferred taxation, arising out of timing difference between accounting and income tax revenue or charges computed under the liability method, is estimated at Rs. 43.69 million (1998 Rs. 39.48 million). Part provision of Rs. 29 million has been provided for as of these accounts. The liability for deferred tax is not likely to reverse in the foreseeable future.

Assessment for all income years upto June 30, 1998 (Assessment year 1998-99) has been finalized.

26. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	1999			1998		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
Managerial Remuneration	806,452	403,226	2,634,876	838,710	419,355	2,727,138
Housing and Utilities	443,548	246,774	1,449,182	461,290	230,645	1,499,920
Gratuity	42,422	21,211	125,080	258,064	112,896	357,012
	1,292,422	671,211	4,209,138	1,558,064	762,896	4,584,070
	1,292,422	671,211	4,209,138	1,558,064	762,896	4,584,070
Number of persons	1	1	10	1	1	6

26.1 The Chief Executive, Directors and Executives are also provided with free use of company owned cars, medical insurance cover, provident fund contribution and travelling allowance. The monetary value of these perquisites are Rs. 1,652,942/- (1998 Rs. 1,042,619/-) approximately.

26.2 Fees of Rs. 7,000/- were paid to three non-executive directors for attending Board Meetings.

27. EARNING PER SHARE

1999 **1998**

	Rupees	Rupees
Profit Before Taxation	35,291,304	28,058,669
Profit After Taxation	19,938,333	10,168,669
Average Number of Ordinary Shares	25,000,000	25,000,000
Earning per Share - Basic and Diluted		
Pre-Tax	1.41	1.12
Post-Tax	0.80	0.41

28. CREDIT RISK AND CONCENTRATION OF SIGNIFICANT CREDIT RISK

Credit Risk is the risk faced when one party to a financial instrument fails to discharge its obligation and causes the other party to incur a financial loss.

The Company follows two sets of guidelines: an operating policy duly approved by the Board of Directors and the Prudential Regulations for NBFIs. The operating policy defines the extent of exposure with reference to a particular sector or group of lessees. The leases are classified on the basis of Prudential Regulations guidelines.

The Company believes in maintaining a balance between profitability and portfolio riskiness. Diversification of lease portfolio is the focal point of DLC's exposure policy. Extra care is taken to ensure that per party and per sector exposures remain within limits prescribed by the operating policy and Prudential Regulations.

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

Segment by class of business	Rupees	%
Textile Composite	167,736,225	16.18
Auto and Engineering	135,419,591	13.07
Oil and Gas	127,960,617	12.35
Cement	116,170,968	11.21
Textile Finishing	88,677,448	8.56
Chemicals and Pharmaceuticals	84,908,678	8.19
Food and Beverages	55,724,081	5.38
Power Generation	52,632,647	5.08
Electrical Goods	25,970,189	2.51
Sugar & Allied	19,493,941	1.88
Health Care	18,105,403	1.75
Financial	8,285,412	0.80
Miscellaneous	135,294,682	13.04
	----- 1,036,379,882	----- 100
	=====	=====

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all the financial instruments reflected in the financial statements approximates to their fair values.

30. INTEREST RATE RISK MANAGEMENT

Interest Rate Risk arises from the possibility when changes in interest rates affect the value of financial instruments. The Company is exposed to Interest Rate Risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or reprice in a given period. The Company manages this risk by matching the repricing of assets and liabilities.

The Company's exposure to Interest Rate Risk on its financial assets and liabilities are summarized as follows:

Less than	One Month	Over	Not exposed to interest
-----------	-----------	------	----------------------------

	one month	to one year	One Year	rate risk	Total	
ASSETS						
Tangible Fixed Assets	--	--	--	23,798,900	23,798,900	
Net Investment in Lease Finance	--	402,976,323	510,937,250	122,466,309	1,036,379,882	
Long Term Loans	--	--	--	1,719,112	1,719,112	
Long Term Deposit	--	--	--	300,000	300,000	
Long Term Investments	--	--	45,793,350	--	45,793,350	
Short Term Investments	20,000,000	169,799,680	--	--	189,799,680	
Short Term Morabaha Finances	--	103,051,816	--	--	103,051,816	
Advance against Lease Commitments	--	--	9,700,000	--	9,700,000	
Advances, Deposits and Prepayments	--	--	--	6,162,379	6,162,379	
Other Receivables	--	--	--	27,249,820	27,249.82	
Cash and Bank Balances	110,753,616	--	--	282,934	111,036,550	
Rupees	130,753,616	675,827,819	566,430,600	181,979,454	1,554,991,489	
CAPITAL AND LIABILITIES						
Capital and Reserves	--	--	--	300,624,780	300,624,780	
Provision for Lease Losses	--	--	--	34,000,000	34,000,000	
Deferred Liabilities	--	--	--	29,858,033	29,858,033	
Redeemable Capital	--	21,665,065	14,274,989	--	35,940,054	
Long Term Loans	12,742,450	50,486,087	405,057,869	--	468,286,406	
Liabilities Against Assets Subject to Fi	11,139	121,106	--	--	132,245	
Certificates of Investment	30,000,000	20,500,000	11,400,000	--	61,900,000	
Lease Deposits	--	--	--	122,466,309	122,466,309	
Short Term Borrowings	82,000,000	351,548,078	--	--	433,548,078	
Accrued Expenses and Other Liabilities	229,160	38,906,424	--	--	39,135,584	
Taxation	--	4,100,000	--	--	4,100,000	
Proposed Dividend	--	25,000,000	--	--	25,000.00	
Rupees	124,982,749	512,326,760	430,732,858	486,949,122	1,554,991,489	
On Balance Sheet Gap	Rupees	5,770,867	163,501,059	135,697,742	(304,969,668)	--
Total Interest Rate Sensitivity Gap	Rs	--	--	--	--	--

31. NUMBER OF EMPLOYEES

Total number of employees as at year end are 22 (1998:19)

32. GENERAL

32.1 Figures have been rounded off to the nearest Rupee.

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

Rafique Dawood
Chairman & Chief Executive

Dr. Najeeb Samie
Director

STATEMENT & REPORT

Under Section 237 of the Companies Ordinance, 1984

1999
Guardian
Modaraba
Management (Pvt)
Limited

STATEMENT UNDER SUB-SECTION (1) (e)

(a) Extent of the interest of Dawood Leasing Company Limited (the Holding Company) in the equity o~ its subsidiaries at the end of the last financial year of subsidiaries

99.80%

--

	Amount in Rupees	
(b) The net aggregate amount of profit less losses of the subsidiary companies so far as these concern members of the Holding Company and have not been dealt with in the accounts of the Holding Company for the year ended June 30, 1999 are:		
(i) for the financial year of the subsidiaries	(128,181)	--
(ii) for the previous financial year of the subsidiary since it became the Holding Company's subsidiary	(4,657,853)	--
(c) The net aggregate amount of profit less losses of the subsidiary companies so far as these concern members of the Holding Company and have been dealt with in the accounts of the Holding Company for the year ended June 30, 1999 are:		
(i) for the financial year of the subsidiaries	N/A	--
(ii) for the previous financial year of the subsidiary since it became the Holding Company's subsidiary	N/A	--
STATEMENT UNDER SUB-SECTION (I) (f)	N/A	N/A
STATEMENT UNDER SUB-SECTION (I) (g)	N/A	N/A

Rafique Dawood
Chairman & Chief Executive

Dr. Najeeb Samie
Director

PATTERN OF SHARE HOLDING AS AT JUNE 30, 1999

No. of Shareholders	From	Share Holding	To	Shares Held
22	1	--	100	2,200
2,096	101	--	500	1,041,700
169	501	--	1000	155,600
164	1001	--	5000	476,100
44	5001	--	10000	372,000
13	10001	--	15000	161,100
13	15001	--	20000	249,600
8	20001	--	25000	196,200
10	25001	--	30000	296,800
3	30001	--	35000	100,100
3	35001	--	40000	120,000
1	40001	--	45000	42,500
9	45001	--	50000	445,100
1	50001	--	55000	55,000
1	55001	--	60000	58,000
3	60001	--	65000	190,500
1	80001	--	85000	80,500
2	90001	--	95000	183,100
10	95001	--	100000	997,700
1	120001	--	125000	125,000
1	125001	--	130000	130,000
1	140001	--	145000	145,000

1	190001	--	195000	194,000
3	245001	--	250000	750,000
1	275001	--	280000	276,800
1	300001	--	305000	300,900
1	385001	--	390000	390,000
1	390001	--	395000	392,700
1	415001	--	420000	418,000
1	470001	--	475000	472,000
3	495001	--	500000	1,500,000
1	540001	--	545000	542,800
1	950001	--	955000	950,100
2	995001	--	1000000	2,000,000
1	1095001	--	1100000	1,099,900
1	1170001	--	1175000	1,170,400
1	1345001	--	1350000	1,346,100
1	1505001	--	1510000	1,506,000
1	1850001	--	1855000	1,854,000
1	4210001	--	4215000	4,212,500
-----			-----	
2,599			25,000,000	

The slabs representing NIL holding have been omitted.

Categories of Shareholders

Particulars	Number of Shareholders	Shares Held	Percentage
Financial Institutions	11	3,873,400	15.49
Foreign Investors	1	1,346,100	5.38
Individuals	2,536	7,579,000	30.32
Insurance Companies	4	4,393,500	17.57
Investment Companies	14	5,436,900	21.76
Joint-Stock Companies	27	1827900	7.31
Modaraba Companies	6	543200	2.17
-----			-----
Total	2,599	25,000,000	100.00

GUARDIAN MODARABA MANAGEMENT (PVT) LIMITED SUBSIDIARY COMPANY

CORPORATE INFORMATION

Board of Directors	Mr. Rafique Dawood	Chairman	(Nominee of DLC)
	Mr. Ayaz Dawood	Chief Executive	(Nominee of DLC)
	Mr. Mehboob G. Rawjee		(Nominee of DLC)
	Mr. Salman Rasheed		(Nominee of DLC)
	Mr. Umair Khan		(Nominee of SLIC)

Company Secretary Syed Jamal Macdi

Auditors M.A. Alam & Co.
Chartered Accountants
1/7-B, Mohammad Ali Housing Society,
Karachi-75350

Bankers Bank Al-Habib Ltd.
Gulf Commercial Bank Ltd.

**Registered Office
and Head Office**

5-B, Lakson Square Building # 1,
Sarwar Shaheed Road, Karachi-74200
Tel: (021) 568 7778
Fax: (021) 568 5830
E-Mail: dlc @khi.compol.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Guardian Modaraba Management (Private) Limited as at June 30, 1999 and the related Profit & Loss Account 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 purpose 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 & 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 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 & Loss Account, 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 Income for the year then ended; and

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

Dated: November 16, 1999 M.A. Alam & Co.
Karachi. Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1999

Note	1999 Rupees	1998 Rupees
SHARE CAPITAL		
Authorized 2,500,000 Ordinary Shares of Rs. 10 each	25,000,000	25,000,000
Issued, Subscribed & Paid-up 2,500,000 Ordinary Shares of Rs. 10 each Fully Paid in Cash	25,000,000	25,000,000
Accumulated Loss	(4,786,034)	(6,914,943)
	20,213,966	18,085,057

DEFERRED LIABILITY

Provision for Gratuity	--	153,750
------------------------	----	---------

CURRENT LIABILITIES

Loan from Director	3	--	7,18,8,515
Accrued & Other Liabilities	4	188,843	634000
		-----	-----
		188,843	7,822,515
		-----	-----
		20,402,809	26,061,322
		=====	=====

TANGIBLE FIXED ASSETS - At Cost

Less Accumulated Depreciation	5	--	1,734,911
-------------------------------	---	----	-----------

INVESTMENTS - At Cost

		20,000,000	20,000,000
--	--	------------	------------

DEFERRED COST

	7	--	7,683
--	---	----	-------

CURRENT ASSETS

Short Term Investments in .Securities	8	97,244	1,246,440
Advances, Deposits & Other Receivables	9	135,563	2,872,643
Cash & Bank Balances	10	170,002	199,645
		-----	-----
		402,809	4,318,728
		-----	-----
		20,402,809	26,061,322
		=====	=====

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

Rafique Dawood
Chairman

Ayaz Dawood
Chief Executive

**PROFIT & Loss ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1999**

	Note	1999 Rupees	1998 Rupees
Income			
Dividend Income		21,996	25,946
Capital (Loss)/Gain on Marketable Securities		(1,021,146)	26,271
Profit on PLS Deposit Account		6,277	--
Gain on Disposal of Fixed Assets		3,915,049	--
Other Income .		618	561
		-----	-----
		2,922,794	57,828
Expenditure			
Administration & Operating Expenses	11	705,065	698,301
Provision for Diminution in Value of Listed Securities	8	88,820	134,037
		-----	-----
		793,885	832,338
		-----	-----
Net Income/(Loss) for the Year		2,128,909	(774,510)
Accumulated Loss Brought Forward		(6,914,943)	(6,140,433)
		-----	-----
Accumulated Loss Carried Forward		(4,786,034)	(6,914,943)

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

Rafique Dawood **Ayaz Dawood**
Chairman **Chief Executive**

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED JUNE 30, 1999

A. CASH FLOW FROM OPERATING ACTIVITIES	1999	1998
	Rupees	Rupees
Profit After Taxation	2,128,909	(774,510)
Adjustment to Determine Net Cash Flows:		
Depreciation	--	119,779
Deferred Cost	7,683	15,364
Loss/(Gain) on Sale of Investments	1,021,146	(26,271)
Gain/(Loss) on Sale of Fixed Assets	(3,915,049)	--
Provision for Gratuity	--	73,750
Provision for Diminution in Value of Marketable Securities	88,820	134,037
	(2,797,400)	316,659
Operating Profit Before Working Capital Changes	(668,491)	(457,851)
Working Capital Changes		
Advances, Deposits and Prepayments	2,737,080	52,349
Accrued and Other Liabilities	(7,633,672)	554,212
	(4,896,592)	606,561
	(5,565,083)	148,710
Gratuity Paid	(153,750)	--
Net Cash From Operating Activities	(5,718,833)	148,710
b. CASH FLOW USED IN INVESTING ACTIVITIES		
Proceeds from Sale of Fixed Assets	5,649,960	--
Sale Proceeds of Marketable Securities	39,230	26,271
	5,689,190	26,271
Net Increase / (Decrease) in Cash and Cash Equivalent	(29,643)	174,981
Cash and Cash Equivalent at the Beginning of the Year	199,645	24,664
Cash and Cash Equivalent at the End of the Year	170,002	199,645

Rafique Dawood **Ayaz Dawood**
Chairman **Chief Executive**

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

1. LEGAL STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan as a Private Limited Company on September 2~, 1991. The principal activity of the company is to promote, float and manage modarabas. On March 03, 1999 the

management control of the company was acquired by Dawood Leasing Co. Ltd.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under the "historical cost convention".

2.2 Fixed Operating Assets and Depreciation

These are stated at cost less accumulated depreciation.

Until last year depreciation on fixed assets was charged to income applying the reducing balance method, but from this year the management has decided to write off the cost of fixed assets applying the straight line method, over their estimated useful life. As all the fixed assets of the company have been disposed of during the year, therefore, there is no effect on the income for this change in depreciation method.

Full year's depreciation is charged on assets acquired during the year, while no depreciation is charged on assets disposed of during the year.

Normal repairs & maintenance are charged to income as and when incurred.

Gain & losses on disposal of fixed assets are included in the income currently.

2.3 Investment

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

2.4 Revenue Recognition

Dividend Income is recognized at the time of closure of the shares transfer book of the company declaring the dividend. All other income are recorded on accrual basis.

3. LOAN FROM DIRECTOR- Unsecured

	1999 Rupees	1998 Rupees
Mr. Mahmood Nawaz (Ex-Chairman & CEO)	--	7,188,515
	=====	=====

4. ACCRUED & OTHER LIABILITIES

Auditors' Remuneration	10,000	10,000
Auditors' out of Pocket Expenses	1,000	1,000
Other Liabilities	126,293	123,000
Legal & Professional Charges	51,550	--
Others	--	500,000
	-----	-----
	188,843	634,000
	=====	=====

5. TANGIBLE FIXED ASSETS

Particulars	As at July 01, 1998	COST (Deletion) During the Year	As at June 30, 1999	Rate %	ACCUMULATED DEPRECIATION		As at June 30, 1999	W.D.V. As at June 30, 1999
					As at July 01, 1998	Adjustment For the Year		
Office Premises	2,003,000	(2,003,000)	--	5	412,330	(412,330)	--	--
Vehicle	387,000	(387,000)	--	20	242,759	(242,759)	--	--
	-----	-----	-----	-----	-----	-----	-----	-----
Rupees	2,390,000	(2,390,000)	--	--	655,089	(655,089)	--	--
	=====	=====	=====	=====	=====	=====	=====	=====
1998 Rupees	2,390,000	--	2,390,000	--	535,310	119,779	655,089	1,734,911
	=====	=====	=====	=====	=====	=====	=====	=====

5.1 DISPOSAL OF FIXED ASSETS

Particulars	Mode of disposal	Sold to	Cost	Accumulated depreciation	Book Value	Sale Proceeds
Office Premises	Negotiation	Mr. Mahmood Na Ex-Chairman & Chief Executive of the Management Company	2,003,000	412,330	1,590,670	5,505,719
Vehicle	Negotiation	Mr. Ehteshamudd Ex-Employee of the Modaraba	387,000	242,759	144,241	144,241
		Rupees	2,390,000	655,089	1,734,911	5,649,960
			1999	1998		
			Rupees	Rupees		

6. INVESTMENTS-At Cost

Investment in Guardian Leasing Modaraba
 Percentage of holding 20%, (1998: 20%)
 2,000,000 Certificates of Rs. 10/= each, (1998: Rs. 2 (m))
 Net Assets Value as at June 30, 1999:
 Rs. 14.07 million, (1998: Rs. 13.99 million)
 Market Value Rs. 2.5 million (1998: Rs. 2(m))

20,000,000	20,000,000
------------	------------

7. DEFERRED COST

Preliminary Expenses	7,683	23,047
Amortized During the Year	(7,683)	(15,364)
	--	7,683

8. INVESTMENTS IN LISTED SECURITIES

No. of shares/certificates		Cost	
		1999	1998
6,700	-- Apollo Textile Mills Limited	--	1,039
100	100 Din Textile Mills Limited	976	976
5,000	5,000 Crescent Board Limited	35,829	35,829
500	500 Fauji Fertilizer Company Limited	39,700	39,700
6,547	47 First Habib Bank Modaraba	264	36,757
1,000	1,000 First Leasing Corporation Limited	33,660	33,660
25,000	-- Modaraba Al-Mali	--	387,500
161,500	-- Pak Chrome Mines Limited	--	1,695,750
4,200	4,200 Salfi Textile Mills Limited	651	651
5,000	-- Tri Star Shipping Lines Limited	--	99,490
3,000	3,000 Wah Noble Chemicals Limited	74,984	74,984
		186,064	2,406,336
	Less: Provision for Diminution in the Value of Securities	88,820	1,159,896
		97,244	1,246,440

8.1 The aggregate market value of these securities as at June 30, 1999 was Rs. 97,244 (1998: Rs. 1,246,440).

8.2 All shares/certificates represent fully paid shares/certificates of Rs. 10 each, unless otherwise stated.

	1999	1998
	Rupees	Rupees
9. ADVANCES, DEPOSITS & OTHER RECEIVABLES		
9.1 Advances		
Withholding Income Tax	84,982	84,436
Advance to Staff	2,374	117,081
Mr. Hamid Hussain Khawar (Ex-Chief Executive)	--	2,653,446
	-----	-----
	87,356	2,854,963
9.2 Deposits		
Deposit with Petrol Pump	--	9,000
Telephone Deposit	--	2,250
	-----	-----
	--	11,250
9.3 Other Receivables		
Due from		
-- Auvitronics Limited	--	4,416
-- Guardian Leasing Modaraba	6,156	14
-- Fauji Fertilizer Company Ltd.	2,000	2,000
-- I Puri Securities (Pvt.) Ltd.	39,230	--
Profit Receivable from PLS Account	821	--
	-----	-----
	48,207	6,430
	-----	-----
	135,563	2,872,643
	=====	=====
10. CASH & BANK BALANCES		
Cash in Hand	122	310
With Banks in Current Account		
Gulf Commercial Bank Limited	4,650	4,650
Muslim Commercial Bank Limited (Sidco Centre Branch)	--	444
Muslim Commercial Bank Limited (Premier Branch)	--	194,241
	-----	-----
	4,650	199,335
With Bank in PLS Account		
Bank Al-Habib Limited	165,230	--
	-----	-----
	170,002	199,645
	=====	=====
11. ADMINISTRATION & OPERATING EXPENSES		
	1999	1998
	Rupees	Rupees
Salaries, Allowances & Benefits	516,900	491,630
Legal & Professional Charges	66,839	27,410
Audit Fee	10,000	10,000
Amortization of Preliminary Expenses	7,683	15,364
Advances & Deposits written off	99,933	--
Bank Charges	335	175
Zakat	1,215	1,219
Fees & Subscription	1,160	--

Rates & Taxes	--	28,806
Repairs & Maintenance - Motor Vehicles	--	2,168
Depreciation	--	119,779
Miscellaneous	1,000	1,750
	-----	-----
	705,065	698,301
	=====	=====

12. GENERAL

12.1 Prior period figures have been rearranged & reclassified for the purpose of comparison.

12.2 Figures have been rounded off to the nearest Rupee.

Rafique Dawood **Ayaz Dawood**
Chairman **Chief Executive**

**CONSOLIDATED ACCOUNTS
OF
DAWOOD LEASING COMPANY LIMITED
&
ITS
SUBSIDIARY**

AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising Consolidated Balance Sheet of Dawood Leasing Company Limited and its subsidiary company as at June 30, 1999 and the related consolidated Profit and Loss Account and Consolidated Cash Flow Statement together with the notes forming part thereof, for the year ended June 30, 1999. We have also expressed separate opinions on the financial statements of Dawood Leasing Company Limited. Audit of its subsidiary company Guardian Modaraba Management (Private) Limited was done by other firm of Chartered Accountants, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our examination.

Our examination was made in accordance with International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the consolidated financial statements examined by us present fairly the financial position of Dawood Leasing Company Limited and its subsidiary company as at June 30, 1999 and the results of their operations for the year then ended.

Dated: November 17, 1999 M. Yousuf Adil Saleem & Co.
Karachi. Chartered Accountants

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 1999

	1999	1998
	Rupees	Rupees

SHARE CAPITAL AND RESERVES

Authorized
50,000,000 (1998 - 50,000,000)

Ordinary shares of Rs. 10/- each	500,000,000	500,000,000
	=====	=====
Issued, Subscribed and Paid-up 25,000,000 Ordinary Shares of Rs. 10/- each. Fully Paid in Cash	250,000,000	250,000,000
Statutory Reserve	27,624,957	23,637,290
General Reserve	22,500,000	22,500,000
Unappropriated Profit	381,215	9,549,157
Reserve on Consolidation	4,498,797	--
Minority Interest	40,428	--
	-----	-----
	305,045,397	305,686,447
LONG TERM LIABILITIES		
Redeemable Capital	14,274,989	44,180,241
Long Term Loans	405,057,869	58,230,366
Liabilities Against Assets Subject to Finance Lease	--	114,814
Lease Deposits	99,152,824	85,255,506
Certificates of Investment	11,400,000	37,298,949
	-----	-----
	529,885,682	225,079,876
DEFERRED LIABILITIES		
Taxation	29,000,000	15,890,000
Staff Gratuity	858,033	634,341
	-----	-----
	29,858,033	16,524,341
CURRENT LIABILITIES		
Short Term Borrowings	433,548,076	193,870,522
Certificates of Investment	50,500,000	61,189,863
Current Portion of Long Term Liabilities	108,339,334	71,861,925
Accrued and Other Liabilities	39,324,426	29,732,532
Taxation	4,100,000	3,632,748
Proposed Dividend	25,000,000	--
	-----	-----
	660,811,836	360,287,590
COMMITMENTS		
	-----	-----
	1,525,600,948	907,578,254
	=====	=====
TANGIBLE FIXED ASSETS	23,795,900	17,638,655
NET INVESTMENT IN LEASE FINANCE		
Minimum Lease Payment Receivables	1,204,287,306	915,386,692
Residual Value of Leased Assets	148,456,873	111,707,423
	-----	-----
	1,352,744,179	1,027,094,115
Unearned Income	(316,364,297)	(235,460,248)
	-----	-----
Net Investment in Lease Finance	1,036,379,882	791,633,867
Provision for Lease Losses	(34,000,000)	(26,500,000)
	-----	-----
	1,002,379,882	765,133,867
Current Portion of Net Investment in Lease Finance	(426,289,808)	(330,479,044)
	-----	-----
	576,090,074	434,654,823
INVESTMENT IN SUBSIDIARY/ASSOCIATES	50,000,000	--
LONG TERM LOANS	1,719,112	1,934,382

LONG TERM DEPOSIT	300,000	--
CURRENT ASSETS		
Current Portion of Net Investment in Lease Finance	426,289,808	330,479,044
Short Term Investments	189,896,924	75,511,206
Short Term Morabaha Finances	103,051,816	--
Advance Against Lease Commitments'	9,700,000	36,317,586
Advances, Deposits and Prepayments	6,249,735	6,657,577
Other Receivables	27,298,027	1,999,878
Cash and Bank Balances	111,206,552	2,385,103
	-----	-----
	873,692,862	453,350,394
	-----	-----
	1,525,600,948	907,578,254
	=====	=====

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

Rafique Dawood
Chairman & Chief Executive

Asadullah Khawaja
Director

CONSOLIDATED PROFIT & Loss ACCOUNT FOR THE YEAR ENDED JUNE 30, 1999

	1999 Rupees	1998 Rupees
Income		
Lease Income	154,046,674	133,357,772
Return on Deposits and Investments	8,774,369	7,550,256
Gain / (Loss) on Sale of Securities	(884,412)	386,584
Other Income	4,193,355	49,181
	-----	-----
	166,129,986	141,343,793
Expenditure		
Administration and Operating Expenses	24,270,055	22,363,663
Financial Charges	99,884,230	68,849,641
Provision for Lease Losses	7,500,000	10,000,000
(Reversal) / Provision for Diminution in Value of Investments	(2,944,514)	12,071,820
	-----	-----
	128,709,771	113,285,124
Profit Before Taxation	37,420,215	28,058,669
Provision for Taxation		
Current	2,100,000	2,000,000
Prior	142,971	--
Deferred	13,110,000	15,890,000
	-----	-----
	15,352,971	17,890,000
Profit After Taxation	22,067,244	10,168,669
Minority Interest	4,258	--
	-----	-----
	22,062,986	10,168,669
Unappropriated Profit Brought Forward	7,305,867	1,414,222
	-----	-----
Profit Available for Appropriations	29,368,853	11,582,891
Appropriations		
Transferred to Statutory Reserve	3,987,667	2,033,734

Proposed Cash Dividend Rs. 1/- per share (1998 - Nil,)	25,000,000	--
	-----	-----
	28,987,667	2,033,734
	-----	-----
Unappropriated Profit Carried Forward	381,186	9,549,157
	=====	=====
Earning Per Share - Basic and Diluted	3	
Pre-Tax	1.50	1.12
Post-Tax	0.88	0.41

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

Rafique Dawood
Chairman & Chief Executive

Asadullah Khawaja
Director

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1999**

	1999 Rupees	1998 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit After Taxation	22,067.24	10,168,669
Adjustment to determine Net Cash Flows:		
Depreciation	5,505,187	2,929.94
Deferred Cost	7,683	--
Loss/(Gain) on Sale of Investment	884,412	(386,584)
Financial Charges	99,883,895	6,884,964
(Loss)/Gain on Sale of Assets	(3,931,423)	40,773
Provision for Gratuity	376,447	742,600
Provision for Lease Losses	7,500,000	10,000,000
(Reversal)/Provision for Diminution in Value of Marketable Securities	(2,944,514)	12,071,820
Provision for Deferred Taxation	13,110,000	15,890,000
Provision for Taxation	2,242,971	2,000.00
	-----	-----
	122,634,658	112,138,188
	-----	-----
Operating Profit Before Working Capital Changes	144,701,902	122,306.86
Working Capital Changes		
Advances, Deposits and Prepayments	2,730,030	(1,182,653)
Other Receivables	(25,249,942)	(1,478,288)
Accrued and Other Liabilities	(8,285,268)	11,409,770
	-----	-----
	(30,805,180)	8,748,829
	-----	-----
	113,896,722	131,055,686
Financial Charges Paid	(89,829,248)	(64,757,411)
Gratuity Paid	(306,505)	(108,259)
Taxation Paid	(1,263,162)	(2,327,930)
	-----	-----
Net Cash From Operating Activities	22,497,807	63,862,086
B. CASH FLOW FROM FINANCING ACTIVITIES		
Redeemable Capital Obtained	25,000,000	--
Long Term Loans Obtained	383,286,406	30,000,000
Redemption of Redeemable Capital	(69,089,644)	(52,301,738)
Repayment of Lease Liability	(151,735)	(209,377)
Lease Deposits	28,137,135	27,172,619
Short Term Borrowings	239,677,554	127,885.75

Certificates of Investment	(36,588,812)	98,488,812
Dividend Paid	--	(31,050,927)
	-----	-----
Net Cash from Financing Activities	570,270,904	199,985,140
C. CASH FLOW USED IN INVESTING ACTIVITIES		
Net Investment in Lease Finance	(244,746,015)	(171,130,225)
Capital Expenditure	(12,899,754)	(9,472,425)
Proceeds from Sale of Fixed Assets	6,900,959	360,278
Long Term Investments - Net	(45,793,350)	--
Long Term Deposit	(300,000)	--
Long Term Loans - Staff	204,959	(318,718)
Short Term Investments	(153,145,146)	(65,143,614)
Sale Proceeds of Marketable Securities	42,065,970)	7,403,871
Short Term Morahaba Finance	(103,051,816)	--
Advance Against Lease Commitments	26,617,586	(36,317,586)
	-----	-----
Net Cash Used in Investing Activities	(484,146,607)	(274,618,419)
	-----	-----
Net Increase / (Decrease) in Cash and Cash Equivalent	108,621,804	(10,771,193)
Cash and Cash Equivalent at the Beginning of the Year	2,584,748	13,156,296
	-----	-----
Cash and Cash Equivalent at the End of the Year	111,206,552	2,385,103
	=====	=====

Rafique Dawood **Asadullah Khawaja**
Chairman & Chief Executive **Director**

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

1. INTRODUCTION

The Company was incorporated on June 22, 199d as a Public Limited Company under the Companies Ordinance, 1984 and is listed on the Karachi and Islamabad Stock Exchanges. The main business activity of the Company is leasing of assets. The Subsidiary Company was incorporated in Pakistan as a Private Limited Company on September 28, 1991. The principal activity of the Subsidiary is to promote, float and manage modarabas.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

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

2.2 Basis of Consolidation

2.2.1 These are the consolidated financial statements of Dawood Leasing Company Limited and its Subsidiary.

2.2.2 Guardian Modaraba Management (Pvt) Limited, 100% owned subsidiary of the Company was acquired on March 03, 1999. These consolidated financial statement include the results of operations of subsidiary during the year July 1, 1998 to June 30, 1999.

2.2.3 The significant accounting policies and disclosures required by Companies Ordinance, 1984 are not reproduced in the consolidated financial statements. These are however, stated in the financial statements of Dawood Leasing Company Limited and Guardian Modaraba Management (Pvt) Limited.

3. EARNING PER SHARE

	1999	1998
	Rupees	Rupees
Profit Before Taxation	37,420,215	28,058,669

Profit After Taxation	22,067,244	10,168,669
Average Number of Ordinary Shares	25,000,000	25,000,000
Earning Per Share - Basic and Diluted		
Pre-Tax	1.50	1.12
Post-Tax	0.88	0.41

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all the financial instruments reflected in the financial statements approximates to their fair values.

5. INTEREST RATE RISK MANAGEMENT

Interest Rate Risk arises from the possibility when changes in interest rates affect the value of financial instruments. Interest Rate Risk arises due to mismatches or gaps in the amounts of assets and liabilities that mature or reprice in a given period. This risk is managed by matching the repricing of assets and liabilities.

The exposure to Interest Rate Risk on its financial assets and liabilities are summarized as follows:

	Less than one month	One Month to one year	Over One Year	Not exposed to interest rate risk	Total	
ASSETS						
Tangible Fixed Assets	--	--	--	23,798,900	23,798,900	
Net Investment in Lease Finance	--	402,976,323	510,937,250	122,466,309	1,036,379,882	
Long Term Loans	--	--	--	1,719,112	1,719,112	
Long Term Deposit	--	--	--	300,000	300,000	
Long Term Investments	--	--	50,000,000	--	50,000,000	
Short Term Investments	20,000,000	169,896,924	--	--	189,896,924	
Short Term Morahaba Finance	--	103,051,816	--	--	103,051,816	
Advance against Lease Commitments	--	--	9,700,000	--	9,700,000	
Advances, Deposits and Prepayment	--	--	--	6,249,735	6,249,735	
Other Receivables	--	--	--	27,298,027	27,298,027	
Cash and Bank Balances	110,923,496	--	--	283,056	111,206,552	
	=====	=====	=====	=====	=====	
Rupees	130,923,496	675,925,063	570,637,250	182,115,139	1,559,600,948	
	=====	=====	=====	=====	=====	
CAPITAL AND LIABILITIES						
Capital and Reserves	--	--	--	305,045,397	305,045,397	
Provision for Lease Losses	--	--	--	34,000,000	34,000,000	
Deferred Liabilities	--	--	--	29,858,033	29,858,033	
Redeemable Capital	--	21,665,067	14,274,989	--	35,940,056	
Long Term Loans	12,742,450	50,486,087	405,057,869	--	468,286,406	
Liabilities against Assets Subject to Fin	11,139	121,106	--	--	132,245	
Certificates of Investment	30,000,000	20,500,000	114,000,000	--	61,900,000	
Lease Deposits	--	--	--	122,466,309	122,466,309	
Short Term Borrowings	82,000,000	351,548,076	--	--	433,548,076	
Accrued Expenses and Other Liabilities	229,160	39,095,266	--	--	39,324,426	
Taxation	--	4,100,000	--	--	4,100,000	
Proposed Dividend	--	25,000,000	--	--	25,000,000	
	=====	=====	=====	=====	=====	
Rupees	124,982,749	512,515,602	430,732,858	491,369,739	1,559,600,948	
	=====	=====	=====	=====	=====	
On Balance Sheet Gap	Rupees	5,940,747	163,409,461	139,904,392	(309,254,600)	--
	=====	=====	=====	=====	=====	=====
Total Interest Rate Sensitivity Gap	Rs	--	--	--	--	--
	=====	=====	=====	=====	=====	=====

6. GENERAL

6.1 Figures have been rounded off to the nearest Rupee.

Rafique Dawood

Asadullah Khawaja

Chairman & Chief Executive

Director