

English Leasing Limited

Annual Report 1999

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COMPANY INFORMATION

BOARD OF DIRECTORS

Sheikh Javaid Mahmood	Chairman & Managing Director
Sheikh Manzoor Elahi	Chief Executive
Sheikh Irshad Ahmad	Director Marketing
Mr. Muhammad Rashid Zahir	Nominee of SAPICO
Mrs. Farzana Munaff	Nominee of NIT
Mr. Shahid Mahmood	Nominee of ICP
Mrs. Taskeen Javaid	Director

COMPANY SECRETARY

Mr. Azhar Hussain

BANKERS

Allied Bank of Pakistan Limited
Muslim Commercial Bank Limited
The Bank of Punjab
Prudential Commercial Bank Limited
Indus Bank Limited

AUDITORS

Rahim Iqbal Rafiq & Co.
Chartered Accountants

LEGAL ADVISOR

Mr. Haq Nawaz Chatta
International Legal Services

REGISTRARS & SHARE TRANSFER OFFICE

C & K Management Associates (Pvt.) Limited
404, Trade Tower, Abdullah Haroon Road,
Near Metropole Hotel, Karachi.

REGISTERED OFFICE

801, 8th Floor, Fortune Centre
45-A, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi.
Tel: 92 21 4529061-64 (4 Lines)
Fax: 92 21 4529065

PRINCIPAL OFFICE

M. K. Arcade
32-Davis Road, Lahore.

Tel: 6303855-58
Fax: 92 42 6304251
Email: ell@pol.com.pk

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Eighth Annual General Meeting of the shareholders of English Leasing Limited will be held at its Registered Office 801, 8th Floor, Fortune Centre Shahrah-e-Faisal Karachi on Tuesday, December 21, 1999 at 10:30 a.m. to transact the following business:

1. To confirm the Minutes of Seventh Annual General Meeting held on December 31, 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 Cash Dividend of Rs. 1.25 per share (12.50%) for the year ended June 30, 1999 as recommended by the Board of Directors.
4. To appoint Auditors for the year 1999-2000 and fix their remuneration. The present Auditors M/s Rahim Iqbal Rafiq & Co. Chartered Accountants, retire and being eligible, offer themselves for reappointment.
5. To transact any other business which may be placed before the Meeting with the permission of the Chair.

Karachi: November 26, 1999

By Order of the Board
(Azhar Hussain)
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from December 14, 1999 to December 21, 1999, (both days inclusive).
2. A member entitled to attend and vote at this Meeting is entitled to appoint another member as his/her proxy, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time for holding the meeting
3. Filing of Declaration for Exemption of Zakat. members are requested to file their declaration under the Zakat and Ushr Ordinance, 1980 on Non judicial Stamp Paper of Rs. 20/- for exemption of Zakat to the Registrar, C & K Management Associates (Pvt) Limited, 4th Floor, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi.
4. Members are required to notify the change of address, if any, immediately.
5. As per rules, no gift will be given to the shareholders.

DIRECTORS' REPORT

The Directors of your Company are pleased to present the 8th Annual Report together with the Audited Accounts of the Company for the year ended June 30, 1999.

Financial Results:

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

	(Rupees)
Profit Before Taxation	16,068,749
Taxation	
Current Year	(578,667)
Previous Year	(901,340)
Net Profit after Taxation	14,588,742
Unappropriated Profit brought forward	905,147

Profit available for appropriation	15,493,889
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Appropriation:

Transferred to Statutory Reserve	(2,917,748)
Transferred to Contingencies Reserve	(894,358)
Transferred from General Reserve for deferred taxation	14,000,000
Transferred to Capital Reserve for deferred taxation	(14,000,000)
Proposed Cash Dividend (12.5%)	(10,000,000)
Unappropriated Profit carried forward	1,681,783
Earning per share	1.82

Operational Review:

The year 1998-99 has been yet another difficult and challenging year for the leasing sector. While overall economic performance of the country remained mixed in face of difficulties and deepening of global economic recession and slowing down of the country's real GDP growth rate. Measures taken by the Government after economic sanctions like reduction in import duties, rationalizing of duty drawback, enlarging the scope of items for export refinance, lowering of interest rates and electricity tariff for large industries, could not boost up the economy. With the fall in industrial growth, good clientage and business remained very hard to find while default ratio mounted high. The management took strategic decision and restricted itself to the lessees enjoying high creditability with low risk profile and inspire of all constraints your Company, by the grace of Almighty Allah has been able to maintain its normal growth. During the FY 1998-99, the company made gross disbursements of Rs. 102.832 million raising total gross disbursements to Rs. 678.597 million, thus reflecting an increase of 18% over the previous year figure of Rs. 575.765 million. The net investment in leases registered an increase of 13% from Rs. 241.855 million in 1998 to Rs. 272.703 million in 1999. Total revenue generated by the company was Rs. 51.173 million reflecting a minor fall of 1.16% from the previous year figure of Rs. 51.714 million. The company earned pretax profit of Rs. 16.443 million as against Rs. 22.330 million of the previous year. Due to bleak economic conditions, uncertainty in the stock market persisted. However, market value of long term investment of the company, which was Rs. 3.301 million in 1998 improved to Rs. 5.604 million. Similarly values of short term investment improved from Rs. 0.386 M to Rs. 0.600 M, thus instead of further depletion in the values of both Short Term and Long Term Investments, there had been significant improvement of Rs. 2.515 million.

The investment made by your company in leases are well balanced and diversified. Only reputed and financially sound clients have been entertained. Asset-wise lease portfolio comprise of Machinery 86%, Vehicle 10%, Equipment 4%. Sector-wise exposure in Textile Processing, Weaving & Spinning 15%, Knitting 14%, Dyeing & Printing 8%, Engineering 18%, Sugar 12%, Electronics 6%, Services 7%, Pharmaceutical 3%, Synthetic & Fibre 5% and Miscellaneous 12%.

Deferred Taxation:

As at June 30, 1999 to fulfil the Securities & Exchange Commission requirements and meet the requirement of IAS-12 for the creation of capital revenue against deferred tax liability arising due to timing difference between book and income tax revenue or charges was estimated at Rs. 34.20 million. The Company has transferred Rs. 14.16 million (Rs. 9.15 million for the current year and Rs. 5.01 million being 1/5th of the total deferred tax liability of Rs. 25.05 for the previous years) leaving Rs. 20.05 million as unprovided deferred tax liability to be appropriated to capital revenue in equal instalments by June 20, 2003.

Recoveries:

The management has always attached highest priority to the recoveries of its lease rentals, overdues and its stuck up portfolio and taken various steps like exercising more vigilance in selection of clients, securing of collateral and effective monitoring through

close follow up of each and every case to ensure maximum recoveries and minimize infected portfolio, but inspite of all measures the recovery rate dropped due to unfavourable economic conditions and slowing down of industrial activity. In view of the recent drive for the recoveries coupled with stem action contemplated against defaulters and promulgation of fresh recovery ordinance, it is hoped that the situation will improve.

Funding:

It has always been our endeavour to secure maximum long term credit facilities from the Banks and DFIs, but Banks generally avoid long term accommodation. However, your company has been able to secure Rs. 10.00 million from Pak-Libya for three years while Rs. 20.00 million from them is under documentation. First Allied Bank Modaraba also has agreed to extend long term credit line of Rs. 40.00 million for three years. Funding of Rs. 20.00 million is being negotiated with A1-Faysal Investment Bank Limited. Besides, the company has availed short term facilities aggregating Rs. 154.00 million during the year from Investment Banks and Financial Institutions.

Credit Rating:

The Company was assigned long term credit rating as BB+ (Double B plus) and short term rating as B (single B) for the pervious year, which is being reviewed by DCR-VIS Credit Rating Company Limited and latest Credit Rating is expected to be finalized very shortly.

Future Outlook:

Contrary to expectations due to unsatisfactory economic conditions, the leasing sector continued to face the challenges like non-availability of long term funding, shrinkage of spreads, paucity of good clients, mounting competition etc., the Company could not achieve the desired level. However, in the light of expected bumper crops of Cotton and Rice this year, overall economy and industrial activity is expected to improve bringing some much needed relief for the Leasing Sector. While entering into new millennium, we have resolved to intensify our efforts still further for the progress and prosperity of our Company.

Year 2000 Compliance:

We are pleased to mention that necessary modification and additions in the Hardware and our Systems have been made which is now fully year 2000 compliant.

Shareholding Pattern:

The pattern of shareholding has been incorporated in the Annual Report at the end.,

Auditors:

The present Auditors, M/s Rahim Iqbal Rafiq & Co., Chartered Accountants retire and being eligible offer themselves for reappointment.

Acknowledgment:

We convey our thanks to the State Bank of Pakistan, Securities & Exchange Commission of Pakistan, Banks, Financial Institutions for extending their continued support and guidance. We are also grateful to our valued clients and shareholders for their cooperation and the trust reposed in our Company. We also place our appreciation on record for the commitment and hardwork put in by the members of the staff.

For and on Behalf of the Board

Karachi:
Dated: 26th November, 1999

(SHEIKH JAVAID MAHMOOD)
Chairman & Managing Director

AUDITORS REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of English Leasing Limited as at June 30, 1999 and the related Profit and Loss Account and Statement of Changes in Financial Position together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with the 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 and Profit and Loss Account and the Statement of Changes in Financial Position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1999; and of the profit and the changes in Financial Position for the year then ended; and

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

(e) Without qualifying our opinion, we draw attention to Note 15.2 whereby long term investment are carried at cost and no provision has been made for the decline by Rs. 13. 707 million market value of these investments.

Lahore: **Rahim Iqbal Rafiq & Co.**
Dated: 26th November, 1999 Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1999

	Note	1999 Rupees	1998 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised Share Capital			
50,000,000 Ordinary shares of Rs. 10 each		500,000,000	500,000,000
Issued, Subscribed and Paid-up Share Capital			
8,000,000 Ordinary shares of Rs. 10 each fully paid in cash		80,000,000	80,000,000
Reserves			
Capital reserves	3	34,947,025	18,029,277
Revenue reserves	4	13,874,618	26,980,260
Unappropriated profit		1,681,783	905,147
		50,503,426	45,914,684
		130,503,426	125,914,684
NON-CURRENT LIABILITIES			
Long Term Loans	5	58,856,013	41,927,005
Obligations under Finance Lease	6	2,171,243	2,890,903
Long Term Deposits	7	34,087,151	24,913,582
Long Term Certificates of Investment	8	10,055,447	12,282,344
DEFERRED LIABILITIES			
Gratuity		435,784	259,991
		105,605,638	82,273,825
CURRENT LIABILITIES			
Current portion of obligations under finance lease		719,660	600,655
Current maturity of long term loans		32,926,496	42,068,607

Short term finances	9	42,499,707	5,000,000
Short term certificates of investment	8	5,100,000	4,475,000
Accrued and other liabilities	10	6,485,393	6,770,458
Taxation		--	108,255
Dividend payable	11	10,504,088	16,255,513
		-----	-----
		98,235,344	75,278,488
CONTINGENCIES AND COMMITMENTS	12	--	--
		-----	-----
		334,344,408	283,466,997
		=====	=====
ASSETS			
NON-CURRENT ASSETS			
Tangible Fixed Assets	13	8,398,526	8,669,673
Net Investment in finance leases	14	133,566,358	152,346,487
Long Term Investments	15	19,310,875	18,310,875
Long Term Deposits	16	822,155	577,155
		-----	-----
		162,097,914	179,904,190
CURRENT ASSETS			
Current portion of net investment in leases		135,164,555	85,536,073
Investment in quoted shares against sale purchase contract		--	4,107,022
Short term investments	17	386,285	386,285
Short term finances	18	31,000,000	--
Advances, prepayments and other receivables	19	2,898,506	884,239
Cash and bank balances	20	2,797,148	12,649,188
		-----	-----
		172,246,494	103,562,807
		-----	-----
		334,344,408	283,466,997
		=====	=====

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

CHAIRMAN

**PROFIT AND LOSS ACCOUNT
for the year ended June 30, 1999**

	Note	1999 Rupees	1998 Rupees
REVENUE			
Income from lease operations	21	47,167,456	48,609,552
Gain on sale of securities		567,106	1,094,018
Other income	22	3,438,657	2,070,200
		-----	-----
		51,173,219	51,773,770
EXPENDITURE			
Financial and bank charges	23	23,328,566	18,486,053
Administrative and operating expenses	24	11,775,904	10,459,951
Provision for diminution in investment		--	497,965
		-----	-----
		35,104,470	29,443,969
		-----	-----
PROFIT BEFORE TAXATION		16,968,749	22,329,801

TAXATION			
Current year	25	578,667	8,490,611
Prior year		901,340	686,939
		-----	-----
		1,480,007	1,536,000
		-----	-----
PROFIT AFTER TAXATION		14,588,742	20,793,801
UNAPPROPRIATED PROFIT BROUGHT FORWARD		905,147	366,629
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATION		15,493,889	21,160,430
APPROPRIATIONS			
Transferred from general reserve		14,000,000	--
Transferred to statutory reserve		(2,917,748)	(4,158,760)
Transferred to contingencies reserve		(894,358)	(96,523)
Transferred to capital reserve-deferred tax		(14,000,000)	-
Proposed dividend @ 12.5% (1998: @ 20%)		(10,000,000)	(16,000,000)
		-----	-----
		(13,812,106)	(20,255,283)
		-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWARD		1,681,783	905,147
		=====	=====
Earning per share		1.82	2.60

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

CHAIRMAN

**STATEMENT OF CHANGES IN EQUITY AND RESERVES
for the year ended June 30, 1999**

	Issued, subscribed & paid up capital	Statutory Reserves	General Reserves	Contingency Reserves	Capital Reserve for deferred tax	Un- appropriated profit	Total 1999	Total 1998
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at July 01	80,000,000	18,029,277	22,500,000	4,480,260	--	905,147	125,914,684	121,120,883
Movement during the year								
Net Profit for the year						14,588,742	14,588,742	20,793,801
Add: Transferred from P & L a/c to								
Statutory reserves		2,917,748					2,917,748	4,158,760
General reserve								
Contingency reserve				894,358			894,358	96,523
							-----	-----
							18,400,848	25,049,084
Transferred from general reserve to P & L a/c			(14,000,000)			14,000,000		
Statutory reserves						(2,917,748)	(2,917,748)	(4,158,760)
General reserve								
Contingency reserve						(894,358)	(894,358)	(96,523)
Capital Reserve for deferred tax					14,000,000	(14,000,000)	--	--
Proposed Dividends						(10,000,000)	(10,000,000)	(16,000,000)
							-----	-----
							(13,812,106)	(20,255,283)
							-----	-----

Balance as at June 30	80,000,000	20,947,025	8,500,000	5,374,618	14,000,000	1,681,783	130,503,426	125,914,684
							=====	=====

CHIEF EXECUTIVE CHAIRMAN

STATEMENT OF CHANGES IN FINANCIAL POSITION for the year ended June 30, 1999

	Note	1999 Rupees	1998 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		16,068,749	22,329,801
Add: Adjustment to reconcile profit to net cash provided by operating activities			
Depreciation		1,380,436	1,407,225
Provision for diminution of investment		--	497,965
Provision for gratuity		175,793	150,191
		-----	-----
Operating profit before working capital changes		17,624,978	24,385,182
Decrease/(Increase) in current assets		(28,907,245)	10,910,656
(Decrease)/Increase in current liabilities		37,839,642	(7,312,700)
		-----	-----
Net cash from operating activities before income tax		26,557,375	27,983,138
Income tax paid		(1,588,262)	(2,070,052)
		-----	-----
Net cash inflow/(outflow) from operating activities		24,969,113	25,913,086
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in leases - net		(30,848,353)	(32,606,685)
Long term investment		(1,000,000)	--
Capital Expenditure		(1,109,289)	(2,587,957)
		-----	-----
Set cash from investing activities		(35,194,642)	(35,194,642)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term loans		7,473,891	29,129,114
Proceeds from lease obligations		(600,655)	2,355,356
Certificates of Investment		(2,226,897)	(6,944,358)
Deposits from lessees		9,486,575	(3,930,269)
Long term deposits and deferred cost		(245,000)	(328,245)
Payment of dividend		(15,751,425)	(7,826)
		-----	-----
Net cash (used)/generated from financing activities		(1,863,511)	20,273,772
Net increase, (decrease) in cash		(9,852,040)	10,992,216
Cash and bank balances at beginning of the year		12,649,188	1,656,972
		-----	-----
Cash and bank balances at the end of the year		2,797,148	12,649,188
		=====	=====

NOTES TO THE ACCOUNTS for the year ended June 30, 1999

1. THE COMPANY AND ITS ACTIVITIES

English Leasing Limited is a Public Limited Company incorporated in Pakistan and its shares are quoted on the Stock Exchanges of Pakistan. The Company is mainly engaged in the business of Leasing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Employees' provident fund & gratuity

The Company is in the process of establishing a provident fund scheme covering all its permanent employees and working directors. Equal monthly contributions are made both by the company and employees @ 10% of the basic salaries to the fund.

The company operates an unfunded gratuity covering all its employees.

Provision is made annually to cover the liability under the scheme.

2.3 Tangible operating fixed assets and depreciation

Owned

Tangible operating fixed assets are stated at cost less accumulated depreciation. Cost of these assets consists of historical cost and directly attributable cost of bringing the assets to working conditions.

Depreciation is charged to income applying the reducing balance method to write off the cost over their expected remaining useful life.

Full year's depreciation is charged on additions, while no depreciation is charged on deletion during the year.

Repairs and maintenance costs are expensed out as and when incurred, however, major betterment's are capitalized.

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

Leased

These are stated at lower of present value of minimum lease payments under the lease agreements and fair value

of assets acquired on lease. The related obligations under the lease agreements are accounted for as liabilities.

Depreciation is charged on the basis and rates similar to those applied for owned assets.

2.4 Investments

Long term investments are stated at cost, provision for diminution in value of investment is made, if considered permanent.

Short term investment are stated at lower of cost and market value.

2.5 Taxation

The charge for the current taxation is based on taxable income at the current tax rates after taking into account the tax credits and rebates available, if any. Deferred tax is accounted for by using the liability method on all major timing differences excluding tax effect on those timing differences which are not likely to reverse in the foreseeable future.

As a matter of prudence, deferred tax debits are not accounted for.

2.6 Revenue Recognition

The company follows the "Finance Method" to recognize the Income on lease i.e. the excess of aggregate lease rentals and the residual value over the cost of leased assets is deferred and then amortized to income over the lease term by applying the annuity method to produce a constant rate of return on the net investment in the lease.

Income on bank accounts, loans and advances is recognized on a time proportion basis taking into account the principal/net investment outstanding and applicable rate of mark-up/profit thereon.

Income from fees, commission, commitment charges, term deposits and investment etc.; is recognized as and when received.

2.7 Provision for Doubtful Debts

Provision for doubtful debts is made/adjusted at the year end after review of outstanding lease and advances

portfolio on the basis of State Bank of Pakistan prudential regulations as applies to leasing companies.

2.8 Foreign currency transactions

Transactions in foreign currencies are accounted for in Rupees at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rate of exchange ruling at the balance sheet date except where exchange risk cover has been obtained.

Foreign currency loans registered under the exchange risk coverage scheme of The State Bank of Pakistan are translated into Rupees at the rates prevailing on the dates of disbursements. Exchange risk fee, exchange gains and losses are charged to the current year's income.

	Note	1999 Rupees	1998 Rupees
3. CAPITAL RESERVES			
Statutory reserve			
Opening balance		18,029,277	13,870,517
Add: Appropriated from profit		2,917,748	4,158,760
		-----	-----
		20,947,025	18,029,277
Capital reserve for deferred tax	25	14,000,000	--
		-----	-----
		34,947,025	18,029,277
		=====	=====

3.1 Statutory reserve has been created in pursuance of NBFIs regulations, whereby every NBFI is required to create reserve fund with an amount not less than 20% of its after tax profit till such time the reserve equals the amount of paid up capital, thereafter, 5% of Profit after Tax will be credited to this reserve. This reserve is not considered as free reserve for distribution of dividend.

4. REVENUE RESERVES

General Reserve	4.1	8,500,000	22,500,000
Contingency Reserve	4.2	5,374,618	4,480,260
		-----	-----
		13,874,618	26,980,260
		=====	=====

4.1 General Reserve

Balance at the beginning of the year		22,500,000	22,500,000
Transferred to profit and loss account		(14,000,000)	--
		-----	-----
		8,500,000	22,500,000
		=====	=====

4.2 Contingencies Reserve

Balance at the beginning of the year		4,480,260	4,383,737
Transferred from profit during the year		894,358	96,523
		-----	-----
		5,374,618	4,480,260
		=====	=====

4.3 Contingency reserve has been created to meet any potential lease losses on lease portfolio that can be reasonably anticipated.

5. LONG TERM LOANS

In foreign currency

Asian Development Bank	5.2	40,169,730	--
In local currency			
Muslim Commercial Bank Ltd.	5.3	5,722,320	9,288,554
Saudi Pak Industrial & Agricultural Investment Company (Pvt) Ltd.		--	1,536,259
First Allied Bank Modaraba	5.4	15,000,000	40,000,000
Allied Bank of Pakistan Limited	5.5	12,727,272	20,000,000
Prudential Commercial Bank Limited		--	2,500.00
Pak Libya Holding Co. (Pvt) Ltd.	5.6	11,212,672	4,033,290
		-----	-----
		44,662,264	77,358,103
		-----	-----
		84,831,994	77,358,103
Less: Current maturity		(25,975,981)	(35,431,098)
		-----	-----
		58,856,013	41,927,005
		=====	=====

5.1 All the local currency loans have been obtained for financing lease operations of the company and are secured by pari passu floating charge on the present and future leased assets, hypothecation of movable assets, demand promissory notes and personal guarantees of the directors. Muslim Commercial Bank Limited loan is further secured by assignment of lease agreements/rentals.

5.2 This represents loan facility of US \$873,255 obtained from Asian Development Bank (ADB) for financing lease operations. This loan is secured by way of floating and hypothecation charges on all companies assets (present and future) including assets leased by the company. The loan is repayable in 15 years with three grace period on annual installments basis which will commence from Oct 1, 2000. The liability of this loan has been fixed in Pakistani rupees under the exchange risk cover scheme of State Bank of Pakistan. The rate of interest and exchange risk cover fee is 6.38% and 7% per annum respectively. Mark up is repayable in semi annual installments commencing from March 15, 1999.

5.3 Muslim Commercial Bank Ltd. loan carries mark-up rate of 17.52% p.a. on reducing balances and is repayable in 08 equal half yearly installments commencing from September 01, 1997 while mark-up is payable quarterly.

5.4 Loan from First Allied Bank Modaraba carries mark-up rate of 22% and 23% p.a. on reducing balances and is repayable in 12 equal half yearly installments commencing from March 15, 1995 and November 18, 1996, whereas mark-up is payable on quarterly basis.

5.5 Loan from Allied Bank of Pakistan Ltd., carries mark-up rate 17% p.a. on reducing balances, the principal and mark-up is repayable in 11 installments commencing from September 30, 1998 on quarterly basis.

5.6 These represent loan from Pak Libya Holding Co. (Pvt) Limited. Carrying mark-up rate of 21% and 22% per annum on reducing balance repayable in 12 equal quarterly instalments commenced from October 25, 1997 and 36 equal monthly installment from January 08, 1999 respectively.

	1999	1998
	Rupees	Rupees
6. OBLIGATIONS UNDER FINANCE LEASE		
Balance of obligation under finance lease	2,890,903	3,491,558
Less: Current portion shown under current liabilities	(719,660)	(600,655)
	-----	-----
	2,171,243	2,890,903
	=====	=====

The obligations under finance lease are reported at aggregate of minimum lease payments, implicitly discounted by using the rate of 22%.

The future payments due are as follows:

Year ended June 30,

1998	--	600655.00
1999	719,660	719,660
2000	612,872	612,872
2001	727,911	727,911
2002	830,460	830,460
	-----	-----
	2,890,903	3,491,558
	=====	=====

7. LONG TERM DEPOSITS

Security, deposit on leases	41,037,666	31,551,091
Less: Current portion	(6,950,515)	(6,637,509)
	-----	-----
	34,087,151	24,913,582
	=====	=====

These represent interest free security deposits (Lease key money) received on lease contracts and are repayable/adjustable at the expiry of respective lease periods.

8. CERTIFICATES OF INVESTMENT

Rapid Growth	3,442,489	3,998,742
Preference Investment	4,102,958	5,773,602
Shashmahi Amdan	10,000	10,000
Mahana Amdan	2,500,000	2,500,000
	-----	-----
	10,055,447	12,282,344
	=====	=====

These represent Registered Certificates of Investment (COI's) issued according to the permission granted by the Government of Pakistan for raising funds directly from the local resources. These COI's have been issued for maturity period ranging from three months to five years. The return on COI's is payable on uniform basis ranging from 15% to 19.5% per annum.

		1999	1998
		Rupees	Rupees
9. SHORT TERM FINANCES			
Secured	9.1	7,499,707	5,000,000
Un-secured	9.2	35,000,000	--
		-----	-----
		42,499,707	5,000,000
		=====	=====

9.1 It is secured against pari passu charge with other creditors on all assets of the company for Rs.42 Million and personal guarantees of three working directors. The rate of mark up is 17% per annum and is repayable periodically. The facility is obtained against a sanctioned limit of Rs. 7.5 Million.

9.2 These short term placements have been obtained from banking companies and financial institutions. Rate of mark up ranges from 18% to 20.75%.

10. ACCRUED AND OTHER LIABILITIES

Accrued mark-up on long term loans	1,046,660	1,312,409
Profit payable on COI's	3,084,737	3,245,512
Advance lease rentals	36,760	61,567
Accrued expenses	1,250,784	683,515
Provident fund	74,485	635,219
Other liabilities	991,967	832,236

6,485,393	6,770,458
-----------	-----------

11. DIVIDEND PAYABLE

Unclaimed dividend	504,088	255,513
Proposed dividend	10,000,000	16,000,000
	10,504,088	16,255,513

12. CONTINGENCIES AND COMMITMENTS

Contingencies		--	--
Commitments	12.1	10,303,320	--
		10,303,320	--

12.1 Commitments for leases approved but not disbursed to clients.

13. TANGIBLE OPERATING FIXED ASSETS

PARTICULARS	Cost			Depreciation			Depreciable Value	Rate %	Depreciation for the year	Book value as at June 30, 1999
	As on July 01, 1998	Additions/ (Deletions)	As on June 30, 1999	As on July 01, 1998	Addition/ (Deletion) Adjustment	As on June 30, 1999				
Owned										
Building	2,794,681	--	2,794,681	272,481	--	272,481	2,522,200	5	126,110	2,396,090
Furniture & Fixture	1,050,831	--	1,050,831	490,614	--	490,614	560,217	10	56,022	504,195
Vehicles	3,256,061	1,311,715 (827,736)	3,740,040	2,014,639	--	1,470,404	2,269,636	20	453,927	1,815,709
Office Equipment	1,188,630	47,925	1,236,555	432,907	--	432,907	803,648	10	80,365	723,283
Air Conditioners	685,160	--	685,160	298,942	--	298,942	386,218	10	38,622	347,596
Electric Installations	193,574	23,450	217,024	89,886	--	89,886	127,138	10	12,714	114,424
Lease hold Improvements	603,184	--	603,184	460,874	--	460,874	142,310	20	28,462	113,848
Electrical Equipment	112,250	24,200 (14,500)	121,950	28,899	--	28,899	93,051	10	9,305	83,746
	9,884,371	565,054	10,449,425	4,089,242	(544,235)	3,545,007	6,904,418		805,527	6,098,891
Leased										
Vehicles	3,839,725	--	3,839,725	965,181	--	965,181	2,874,544	20	574,909	2,299,635
Rupees - 1999	3,724,096	565,054	14,289,150	5,054,423	(544,235)	4,510,188	9,778,962		1,380,436	8,398,526
Rupees - 1998	11,852,696	1,871,400	13,724,096	4,363,755	(716,557)	3,647,198	10,076,898		1,407,225	8,669,673

13.1 Disposal of Fixed Assets

Description	Cost Rs.	Accumulated Depreciation	Book Value Rs.	Sale Proceeds	Profit/(Loss) on Disposal	Mode of Disposal	Sold To
Suzuki Swift	163,036	124,570	38,466	185,000	146,534	Negotiation	Nadeem Waqar-ud-Din Karachi
Honda Civic	664,700	419,665	245,035	245,035	--	Company policy under service rules	Sh. Javaid Mahmood Director
Mobil Phone	14,500	--	14,500	14,500	--	Insurance claim	EFU Gen. Insurance Karachi
Total - 1999	842,236	544,235	298,001	444,535	146,534		

Total- 1998	1,038,150	716,557	321,593	321,593	--
-------------	-----------	---------	---------	---------	----

	1999 Rupees	1998 Rupees
14. NET INVESTMENT IN LEASES		
Minimum lease payments receivables	298,137,440	282,256,051
Add: Residual value of leased assets	45,529,824	36,584,412
Lease: contract receivables	343,667,264	318,840,463
Less: Unearned finance income	70,964,306	76,985,858
Net investment in leases	272,703,958	241,854,605
Less: -Current portion	135,164,555	85,536,073
- Provision for doubtful debts	3,972,045	3,972,045
	139,136,600	89,508,118
	133,566,358	152,346,487
15. LONG TERM INVESTMENTS		
Dewan Salman Fibers Ltd. (90,703 Ordinary shares of Rs. 10/-each)	8,845,000	8,845,000
Pakistan Synthetics Ltd. (125,000 Ordinary shares of Rs.10/- each)	7,865,875	7,865,875
Federal Investment Bonds	16,710,875	16,710,875
	2,600,000	1,600,000
	19,310,875	18,310,875
Aggregate Market value	5,603,970	3,301,616

15.1 The company's holding does not exceed 10 percent of equity of any investee company.

15.2 No provision has been made for diminution in value as it is considered temporary in the context of the company's intentions to hold these investments on long term basis.

	1999 Rupees	1998 Rupees
16. LONG TERM DEPOSITS		
Security deposits for		
Leased assets	383,972	383,972
Rented premises	172,500	172,500
Others	265,683	20,683
Security deposits	822,155	577,155

17. SHORT TERM INVESTMENTS

Quoted:		
Fidelity Investment Bank Ltd. (57,500 Ordinary shares of Rs. 10/-each)	2,871,500	2,871,500
The Bank of Punjab (36,179) Ordinary shares of Rs. 10/- each)	1,688,250	1,688,250

	4,559,750	4,559,750
Less: Diminution in value of investments		
- Opening balance	4,173,465	3,675,500
- Provided during the year	--	497,965
	4,173,465	4,173,465
	386,285	386,285
Aggregate Market Value of investments	600,122	386,285

The company's holding does not exceeds 10 percent of equity of any investee company.

18. SHORT TERM FINANCE

Secured- considered good	1,000,000	--
Un secured-considered good	30,000,000	--
	31,000,000	--

18.1 These represent short term finance facilities provided on markup bases in the normal course of business.

19. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances:		
Employees	113,400	298,710
Income tax	284,960	--
Telephone	4,734	10,329
Exchange risk fee	1,166,259	--
Prepayments	640,999	491,249
Profit on bank deposits	63,171	64,360
Mark up on short the advances	453,549	--
Other receivables	171,434	19,591
	2,898,506	884,239

20. CASH AND BANK BALANCES

Cash in hand	294,011	574,289
Stamps in hand	17,850	4,876
Cash with banks		
- Current account	1,785,387	11,370,023
- Deposit account	699,900	700,000
	2,797,148	12,649,188

20.1 Thus includes an interest free deposit with State Bank of Pakistan as required under presidential regulations for Non-Banking Financial Institutions (NBFIs).

21. INCOME FROM LEASE OPERATIONS

Lease income	44,934,849	47,117,749
Front end Fees	1,479,816	1,045,042
Documentation & other fees	752,791	446,761
	47,167,456	48,609,552

22. OTHER INCOME

Income from bank deposits	773,753	399,056
Profit/Mark-up on short term advances	2,518,370	1,583,677
Dividend income	--	51,461
Miscellaneous income	146,534	36,006
	3,438,657	2,070,200

23. FINANCIAL AND BANK CHARGES

Mark-up on long/short term finance	19,772,676	13,921,742
Bank charges.	51,463	41,928
Loan processing fee	46,027	327,070
Excise Duty on loans	--	45,833
Financial charges on lease liability	571,000	312,187
Mark-up on COIs	2,853,595	3,758,139
Mark-up on employees provident fund	33,805	79,154
	23,328,566	18,486,053

24. ADMINISTRATIVE & OPERATING EXPENSES

	Note	1999 Rupees	1998 Rupees	
Directors' remuneration		2,583,232	2,433,034	
Staff salaries and other benefits	24.1	2,829,358	2,508,133	
Gratuity		175,793	150,191	
Legal and professional		769,634	502,563	
Registrar's services		189,812	180,000	
Rent		698,000	585,880	
Traveling and conveyance		267,264	238,281	
Postage, telephone and telex		455,711	383,545	
Electricity, Water & Gas		176,461	202,159	
Stationery and other supplies		283,939	195,646	
Vehicles running		669,684	602,764	
Auditors' remuneration	24.2	105,000	90,000	
News papers & periodicals		8,107	10,570	
Insurance		548,540	502,886	
Entertainment		58,101	74,118	
Repairs & maintenance		299,991	200,424	
Fees & subscriptions		215,408	103,295	
Depreciation		1,380,436	1,407,225	
Advertisement		61,433	83,237	
Donation		--	6,000	200.42
		11,775,904	10,459,951	103,295

24.1 Number of employees at the end of year -----21 (1998:21)

24.2 Auditors' Remuneration

Audit fee	50,000	40,000	40.00
Tax consultancy	55,000	50,000	50,000
	105,000	90,000	

25. TAXATION

25.1 Current year	578,667	671,001
	=====	=====

This represents the minimum tax due under section 80 (d) of the Income Tax Ordinance, 1979.

25.2 Deferred

Deferred taxation arising due to timing differences between book and income tax revenue or charges is estimated at Rs. 34.2 million (1998: Rs. 25.05 million), as at June 30, 1999, to meet the requirement of International Accounting Standard IAS-12 and comply with SECP's requirement vide circular No. 16 of 1999 dated 9th September, 1999. The company has transferred Rs. 14.16 million (Rs. 9.15 million for the current year and Rs. 5.01 million being one fifth of the total deferred tax liability for previous years) and un-provided deferred tax amounting to Rs. 20.05 million shall be apportioned to Capital Reserve in equal annual instalments by June 30, 2003.

26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	1999	1998	1999	1998	1999	1998
Managerial remuneration	445,050	387,000	848,700	696,600	490,372	332,178
Bonus	79,350	60,000	158,700	108,000	70,898	37,500
House rent & utilities	280,286	342,220	505,767	632,452	212,718	196,638
Reimbursement of medical ex	2,852	6,562	133,143	100,948	15,864	12,821
Provident fund	44,508	38,700	84,876	60,552	39,042	33,218
	852,046	834,482	1,731,186	1,598,552	828,894	612,355
No. of person	1	1	2	2	3	3

In addition, the Chief Executive, two Directors and three Executives are provided with free use of company maintained cars, while Chief Executive and Directors are also provided with reimbursement of residential telephone bills. Directors fee totaling Rs 2,000 (1998: Rs. 1,000/- to one director for attending Two Board meetings) was paid to two Directors for attending two Board meetings.

27. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**27.1 Credit Risk & 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. English Leasing Limited (ELL) 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.

27.2 Fair Value of Financial Instruments

The estimated fair value of financial instruments are not significantly different from their book values as shown in these financial statements except for long term investment (Note 15).

CHIEF EXECUTIVE

CHAIRMAN

27.3 Exposure to Mark up Rate Risk

The Company's interest rate sensitivity position for interest bearing financial assets and liabilities for the year are summarised as follows:-

Financial	Less than	Over on	Effective Interest
-----------	-----------	---------	--------------------

Instruments	one year	year	Mark-up rate %	
Financial Assets				
Net investment in lease finan	272,702,958	135,164,555	137,538,403	22.00 - 28.00
Short term finances	31,000,000	31,000,000	--	18.00 - 19.50
	-----	-----	-----	
	303,702,958	166,164,555	137,538,403	
Financial Liabilities				
Long term loans				
Local Currency	44,662,264	25,975,981	18,686,283	17.05 - 22.00
Foreign Currency	40,169,730	--	40,169,730	6.38-00.00
Long term certificates of inve				
Obligations under finance lea	10,055,447	--	10,055,447	15.00 - 19.50
Short term finance	2,890,903	719,660	2,171,243	20.00 - 22.00
Short term certificates of inve	42,499,707	42,499,707	--	18.00 - 20.00
	5,100,000	5,100,000	--	15.00 - 18.00
	-----	-----	-----	
	145,378,051	74,295,348	71,082,703	
	=====	=====	=====	

28. GENERAL

Statement of changes in equity and reserves is annexed hereto.

Figures have been rearranged wherever necessary for comparison purposes.

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

CHAIRMAN

PATTERN OF SHAREHOLDING

as at June 30, 1999

NUMBER OF SHARE HOLDERS	FROM	SHAREHOLDING	TO	TOTAL SHARES HELD
66	1	-	100	6,600
657	101	-	500	310,800
160	501	-	1,000	157,500
150	1,001	-	5,000	387,700
34	5,001	-	10,000	301,800
6	10,001	-	15,000	75,700
7	15,001	-	20,000	136,000
10	25,001	-	30,000	289,500
2	30,001	-	35,000	64,600
3	35,001	-	40,000	109,500
5	45,001	-	50,000	249,600
2	50,001	-	55,000	105,900
1	60,001	-	65,000	63,700
2	70,001	-	75,000	143,400
2	95,001	-	100,000	200,000
2	145,001	-	150,000	300,000
1	245,001	-	250,000	250,000
1	345,001	-	350,000	350,000
1	445,001	-	450,000	450,000
1	480,001	-	485,000	480,500
1	500,001	-	505,000	500,100
1	595,001	-	600,000	600,000
1	1,050,001	-	1,055,000	1,051,900

1	1,415,001	-	1,420,000	1,415,200
-----	-----	-----	-----	-----
1117				8,000,000

S. No.	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	TOTAL SHARES HELD	PERCENTAGE
1	Individual	1096	4,297,000	53.71
2	Investment Companies	10	562,600	7.03
3	Insurance Companies	1	480,500	6.01
4	Joint Stock Companies	2	9,000	0.11
5	Financial Institutions	5	1,230,700	15.38
6	Modaraba Companies	1	1,000	0.01
7	Others	1	4,000	0.05
8	Central Depository Co.	1	1,415,200	17.70
		-----	-----	-----
		1117	8,000,000	100.00