

Leasing Companies: NATOVER LEASE & REFINANCE LIMITED - Year Ended 30th June 2006

OVERVIEW (December 01 2006): The company directors view that the performance of the company has been satisfactory for the year ended June 30, 2006.

Investments in finance lease/hire purchase and morabaha financing shot up to Rs 359.28 million during the year under review as against Rs 204.61 million registering impressive growth of 75.6% over the preceding year's. Operating lease portfolio rose by 93% and combined lease/loan portfolio rose by 81%.

According to the company's Annual Report 2006, the business of leasing is unique so it cites the clarification of terms used by the IAS 17 (2004). According to this Standard a lease is an agreement whereby the lesser conveys to the lessee in return for a payment or series of payments, the right to use an asset for an agreed period of time.

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. This may or may not eventually be transferred.

An operating lease is a lease other than finance lease. During FY 2005-06 pretax profit sharply declined to Rs 32.52 million from Rs 40.87 million in the preceding year. The profit after tax for the year was moderately better as can be observed from the "Performance Statistics" appended with this column.

If the profit of Rs 18.92 million on sale of property is not counted from the last year's profit then after tax profit of the FY 2005-06 is encouraging.

Natover Lease & Refinance Limited (NLRL) was incorporated in Pakistan on December 20, 1984 as a private limited company and converted into a public limited company in the third quarter of 1998.

NLRL has the longest history of leasing operations in the country. It took over the leasing business from its then holding company, Natover International (Pvt) Limited, which has the distinction of signing the first IAS 17 compliant operating (vehicle) lease ever in Pakistan, in January 1983.

The principal business of the company is leasing, and as a full range lessor, its product portfolio includes finance lease, hire purchase, Morabaha and cancelable operating lease of all permissible assets. Its ancillary business includes trading in fixed income securities and other financial services.

NLRL 8-member Board of Directors set comprises highly qualified and experienced luminaries of financial sector of Pakistan some of them possess high foreign degrees, ie PHD, MBA, foreign chartered accountant. Some of them were ex CEO of bank, retired brigadier, top executive of renowned oil group, etc.

At the apex of organisation as a chief executive officer, is Nadeem Shaikh. He had over 20 years of experience in Mutual Funds, in Hire Purchase, Leasing and Bond Trading in UK and European Markets before moving back to Pakistan in 1980. Here, he became one of the pioneering entrepreneurs of lease business. This is acknowledged by most of the corporate lessors.

The registered office of the company is in DHA-1 Karachi but company's operations are controlled by its Head Office in Islamabad and supported by a widely spread 14-branch network across three provinces of the country. Its highest concentration of branches is in the most populous province Punjab.

During the financial year 2005-06 (FY2005-06) the paid up capital of Natover Lease and Refinance Limited increased to Rs 487.75 million from Rs 207.75 million in the preceding year 2004-05.

But it has modest ordinary shares paid up capital as it is nearly 18% of the total paid up capital and remaining capital is on account of preference shares. The company's preference shares are perpetual, cumulative non participatory, and carriage a predefined dividend of Rs 1.10 per share payable annually.

The Annual Report 2006 of NLRL, stresses on the point that Natover is the first company to have reintroduced preference share in its capital after an absence of 30 years of this class of share in Pakistan.

Both its ordinary and preference shares are quoted at Karachi, Lahore and Islamabad. On November 22,

2006 the closing market value of its ordinary share was quoted at Rs 14 per share carrying 40% premium over the par value. During the last 52 weeks, according to the share statistics published by the Daily *Business Recorder*, the market value of its share remained above par value as it ranged between Rs 10 and Rs 16.50 per share.

It may be emphasized here that in the 21 member leasing companies sector of Pakistan only nine leasing companies shares are priced above par value and four leasing companies share value have been quoted more than the share value of NLRL.

As regards its profit distribution track record, the company has paid cash dividend @Re 1 per share only once in 2005 since 2001, to its ordinary shareholders.

However it has been regularly paying cash dividend to its preference shareholders since 2002 @Rs 1.50 per share upto 2005.

For the year 2006 it announced cash dividend at Rs 1.10 per share with their consent.

JCR-VIS has assigned to NLRL, the rating of BBB and A-3 for long term and short term respectively.

Performance Statistics	(Million Rupees)	
30th June	2006	2005
Share Capital-Paid-up:	487.75	207.75
Reserves:	38.07	27.50
Shareholders Equity:	525.82	235.25
Advances Against Shares/ Subscription-cum-Financing:	-	78.02
Advance against Right Ordinary Shares:	-	19.16
Security Deposits:	62.03	34.88
Deferred Liability- Staff Retirement Benefits:	2.53	1.64
Certificates of Investments (CoIs):	51.02	16.88
Current Liabilities:	322.71	227.72
Operating Assets-Tangible:	200.42	111.19
L.T. Deposits:	0.91	0.50
L.T. Investments:	206.09	133.32
Deferred Taxation:	7.87	5.30
Investments in Leases Hire Purchase & Morahaba Financing:	182.45	94.43
Current Assets:	366.36	268.81
Total Assets:	964.10	613.55
Revenue, Profit & Pay Out		
Income from Lease Assets:	33.69	38.15
Hire Purchase & Morabaha Income:	41.62	24.82
Ancillary Financial		

Services Income:	59.91	27.72
Other Income:	0.16	4.20
Gross Revenue:	135.37	94.89
Total (Expenditure & Provisions):	(102.85)	(54.02)
Profit Before Taxation:	32.52	40.87
Profit After Taxation:	33.63	32.47
Earnings Per Share (Rs):	1.31	1.52
Preference Share Dividend Rs/Share:	1.10	1.50
Ordinary Share Dividend Rs/Share:	-	1.00
Market Price of Share (Rs) on 22/11/2006:	14.00	-

Financial Ratios

Price/Earning Ratio:	10.69	-
Book Value Per Share (Rs):	10.78	11.32
Price Book Value Ratio:	13	-
L.T. Debt/Equity Ratio:	0:100	0:100
Current Ratio:	1.14	1.18
Lease Income/Total Income (%):	24.89	40.20
Net Profit/Total Income (%):	24.84	34.21
R.O.E. (%):	6.40	13.80
R.O.A. (%):	3.49	5.29
R.O.C.E. (%):	5.24	8.41

COMPANY INFORMATION: Chairman: Syed Zahid Hasan; Chief Executive Officer: Nadeem H. Shaikh;
Company Secretary: Ayub Qureshi MBA (WMMU USA); Chief Financial Officer: Sabir Khan ACMA;
Registered Office: World Business Centre, Main Korangi Road Phase-I, Defence Housing Authority Karachi;
Website: Not Reported; Head Office: 2nd Floor, 75-West, Eagle Plaza Fazal-e-Haq Road, Blue Area,
Islamabad.