

Security Leasing Corporation Limited

Annual Report 1999

CONTENTS

COMPANY INFORMATION
NOTICE OF MEETING
REPORT OF THE DIRECTORS
PATTERN OF SHAREHOLDING
AUDITORS' REPORT TO THE MEMBERS
BALANCE SHEET
PROFIT AND LOSS ACCOUNT
STATEMENT OF CHANGES IN FINANCIAL POSITION
NOTES TO THE FINANCIAL STATEMENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

M. R. Khan	Chairman & Chief Executive
Mohammed Khalid Ali	Managing Director & Chief Operating Officer
Arshad Hassan	Nominee of Commonwealth Development Corporation, United Kingdom
S. M. Nadim Shafiqullah	
Parvez Hussain Sufi	
Ariff Ali Rashid	
Ebrahim Qassim	
Iskandar Sultan Khwaja	
Javed Shakoor	
Zahid Rashid Khwaja	

EXECUTIVE COMMITTEE

M. R. Khan	Chairman & Chief Executive
Mohammed Khalid Ali	Managing Director & Chief Operating Officer
S. M. Nadim Shafiqullah	Director
Ebrahim Qassim	Director
Zahid Rashid Khwaja	Director

CREDIT COMMITTEE

M. R. Khan	Chairman & Chief Executive
Mohammad Khalid Ali	Managing Director & Chief Operating Officer
Mohammed Rahmatullah	General Manager - Finance
Ghulam Qadir Khan	Head of Marketing

COMPANY SECRETARY

Mohammed Rahmatullah

AUDITORS

Khalid Majid Husain Rahman
Chartered Accountants

LEGAL ADVISORS

A. K. Brohi & Co.

REGISTERED OFFICE & SHARE TRANSFER OFFICE

B 901002, 9th Floor, Lakson Square Building No. 3
Sarwar Shaheed Road, Karachi-74200, Pakistan.
Tel: 5672748, 5672779, 5683902 & 5686372 Fax: 5689854

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Sixth Annual General Meeting of the Members of Security Leasing Corporation Limited will be held on Tuesday, December 14, 1999 at 11:00 a.m. at the registered office of the Company situated at B 901/902 Lakson Square No.3, Sarwar Shaheed Road, Karachi-74200, to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Fifth Annual General Meeting of the Company held on Thursday, October 29, 1998.
2. To receive, consider and adopt the audited accounts for the year ended June 30, 1999 and the reports of the Directors and the auditors thereon.
3. To consider and approve the dividend @ 10% as recommended by the directors.
4. To appoint auditors and fix their remuneration. The present auditors Messrs. Khalid Majid Husain Rahman, Chartered Accountants retire and being eligible, offer themselves for re-appointment.
5. To transact any other business with the permission of the Chair.

Karachi: October 21, 1999

By Order of the Board
Mohammed Rahmatullah
Company Secretary

Notes:

1. A member entitled to attend, speak and vote at these meetings may appoint a proxy to attend, speak, and vote on his/her behalf. A proxy need not be a member.
2. An instrument of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or other authority, in order to be valid must be deposited at the registered office of the Company, not less than 48 hours before the time of the meeting.
3. The beneficial owners of shares recorded at Central Depository Company of Pakistan Limited (CDCP) are required to bring their National Identity Cards and in case of institutions being the beneficial owner, notarially certified copy of the power of attorney or other authority, together with the proof of identity of such nominee, is required for admittance to the meeting of the members.
4. Members are requested to notify any change in their address.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED JUNE 30, 1999

The Board of Directors has pleasure in presenting the Annual Report together with the audited financial statements for the year ended June 30, 1999.

Review

The year under review has been a very difficult period due to economic and political uncertainties prevailing in the country. As a result, the business continued to face adverse cash flows and lower profitability. The measures adopted by State Bank of Pakistan and the Government to protect the economy, following the nuclear detonations, unfortunately aggravated the difficulties already being faced by various sectors of the economy particularly the leasing sector, due to a sharp drop in investment in the industrial sector. The Company was unable to draw upon the foreign credit line of LSdg. Three million due to high cost of forex cover and changes in the foreign exchange rules. Despite these difficulties, your directors are pleased to report that your Company has managed to achieve continuous steady growth. During the year, the lease disbursements amounted to Rupees 172.4 million while the net investment in leases amounted to Rupees 465.6 million at the year-end. The after tax profit for the year was Rs. 5.4 million, lower than previous year's profit of Rs. 14.6 million due to disturbed political environment, general economic recession, increase in the financial costs particularly due to liquidity crunch faced by the leasing companies in the first half of the year and increase in the operating expenses due to inflation and government levies. However, as a result of the various measures taken by the Company during the year, the profit during the second half, of Rs. 4.3 million was substantially higher compared to Rs. 1.1 million earned during the first half of the year.

As indicated above, during the year, the profitability of the leasing companies was severely affected due to adverse investment climate, substantial increase in the borrowing costs and increase in the operating costs. The general 'wait and see' policy adopted by the businesses combined with substantial devaluation of the Rupee and impact of economic sanctions are factors which are likely to put further pressure on the operations of the leasing companies. It is, however, anticipated that during the current year, the Company will be able to restore the profitability to the higher levels previously achieved.

Your Company also continued to maintain a very diversified exposure as would be seen from the note 19 to the accounts. The diversity of the lease portfolio has substantially reduced the risk of potential losses. However, in view of the current economic climate and as a measure of prudence, the Company will continue to follow its policy of creating adequate provision for potential lease losses.

The Company has arranged further credit lines of Rs. 80 million from local financial institutions and additional credit lines are being negotiated with local as well as foreign lending institutions.

Future Business Prospects

The leasing business in the country continues to offer substantial growth potential. However, the present unstable economic climate coupled with the increase in the forex cover cost and increase in the operating expenses due to devaluation of the Rupee and new government levies will continue to present formidable challenge to the leasing companies for maintaining growth and profitability.

The leasing companies are required to enhance their paid up capital to Rs. 200 million by November 1, 1999. In the present capital market environment, it is unlikely that additional equity could be raised through right issue. While the Company will continue to look for ways and means to enhance its equity base, it will also be approaching the regulatory authorities to suitably extend the date in this regard.

As in the past, your Company will continue its efforts to consolidate its position and to tap opportunities for sustained growth. Further, to ensure efficient and profitable utilization of the available resources, the Company will continue to spread its exposure over a broad spectrum of clients and industries taking exposure on such borrowers only who have a proved track record of timely repayments, good profitability and strong cash flows from their existing operations. Its emphasis being on quality, your Company will continue to strive to write quality leases for quality clients.

The Computer Based Systems

The Company is pleased to report that its computer based systems are Y2K compliant.

Financial Results

During the year, the lease disbursements amounted to Rupees 172.4 million while the income from the leasing business was Rupees 77.3 million. Net profit after tax was Rupees 5.4 million. The profit and appropriations for the year ended June 30, 1999 were as follows:

	<i>Rs. in million</i>
Net profit after tax	5.369
Unappropriated profit brought forward	17.688

Profit available for appropriation	23.057
Appropriations:	
Transfers to:	1.074
Statutory reserve	0.300
Reserve for deferred tax	10.000

Proposed dividend	11.374

Unappropriated profit carried forward	11.983
	=====

Dividend

Your directors are pleased to recommend payment of cash dividend at the rate of 10% for the year ended June 30, 1999.

Human Resources

The directors express their deep appreciation of the efforts put in and dedication shown by all personnel of the Company, which enabled it to conduct its operations efficiently and achieve steady growth during year.

Auditors

The auditors Messrs. Khalid Majid Husain Rahman, Chartered Accountants retire and being eligible, offer themselves for re-appointment.

Pattern of Shareholding

The pattern of shareholding as at June 30, 1999 is annexed to this report.

For and on behalf of the Board of Directors

Karachi: September 25, 1999

M. R. Khan
Chairman & Chief Executive

PATTERN OF SHAREHOLDING AS AT JUNE 30, 1999

<i>Shareholding</i>		<i>Number of</i>	<i>Total</i>	<i>Percentage</i>
<i>From</i>	<i>To</i>	<i>Shareholders</i>	<i>Shares Held</i>	
1	100	3	300	0.00
101	500	75	37,200	0.37
501	1000	11	11,000	0.11
1001	5000	20	62,200	0.62
5001	10000	9	87,000	0.87
15001	20000	1	18,900	0.19
20001	25000	4	99,000	0.99
45001	50000	1	50,000	0.50
50001	55000	1	53,100	0.53
55001	60000	1	60,000	0.60
65001	70000	2	137,900	1.38
105001	110000	1	109,200	1.09
125001	130000	1	125,500	1.26
145001	150000	1	150,000	1.50
175001	180000	1	177,400	1.77
245001	250000	1	250,000	2.50
295001	300000	4	1,200,000	12.00
345001	350000	2	693,300	6.93
445001	450000	1	449,000	4.49
475001	480000	1	479,000	4.79
1495001	1500000	1	1,500,000	15.00
4245001	4250000	1	4,250,000	42.50
		-----	-----	-----
		143	10,000,000	100.00
		=====	=====	=====

CATEGORIES OF SHAREHOLDERS

<i>Categories of Shareholders</i>	<i>Number</i>	<i>Shares Held</i>	<i>Percentage</i>
Individuals	132	2,250,100	22.50
Investment Companies	4	793,500	7.93
Investment Banks	2	626,400	6.26
Modarabas	2	454,500	4.55
Insurance Company	1	125,500	1.26
Foreign Investors	2	5,750,000	57.50
		-----	-----
Total:	143	10,000,000	100.00
		=====	=====

AUDITORS' REPORT TO THE MEMBERS

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

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

b) in our opinion:

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

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

iii) the business conducted, investment 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 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, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Karachi: September 25, 1999

Khalid Majid Husain Rahman
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 25,000,000 ordinary shares of Rs. 10 each		250,000,000	250,000,000
Issued, subscribed and paid up capital 10,000,000 (1998: 10,000,000) ordinary shares of Rs. 10 each fully paid in cash		100,000,000	100,000,000
Reserves	3	19,979,818	24,610,558
		119,979,818	124,610,558
LONG TERM LOANS	4	148,783,332	112,394,441
LONG TERM DEPOSITS	5	56,806,941	38,444,060
CURRENT LIABILITIES	6	225,764,955	201,230,719
CONTINGENCIES AND COMMITMENTS	7	--	--
		-----	-----
		551,335,046	476,679,778
		=====	=====
ASSETS			
TANGIBLE FIXED ASSETS	8	8,115,025	9,387,813
LONG TERM INVESTMENTS	9	9,081,262	9,804,662
NET INVESTMENT IN LEASES			
Minimum lease rentals receivable	10	498,314,610	446,597,747
Residual value		76,766,471	52,903,628
		-----	-----
Lease contracts receivable		575,081,081	499,501,375
Less: Unearned income		109,457,498	102,851,824
		-----	-----
Net investment in leases		465,623,583	396,649,551
		-----	-----
Less: Current portion of net investment in leases		159,295,356	134,559,559
Provision for potential lease losses		14,500,000	11,000,000
		-----	-----
		173,795,356	145,559,559
		-----	-----
		291,828,227	251,089,992
DEFERRED COSTS	11	--	622,820
LONG TERM DEPOSITS	12	1,141,975	807,375
CURRENT ASSETS	13	241,168,557	204,967,116
		-----	-----
		551,335,046	476,679,778
		=====	=====

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

M. R. Khan
Chairman & Chief Executive

Mohammed Khalid Ali
Managing Director &
Chief Operating Officer

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1999**

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Income from leasing operations	14	77,269,020	68,370,788
Other income	15	4,150,295	4,295,034
		-----	-----
		81,419,315	72,665,822
Financial charges	16	49,865,319	35,915,302
Administrative and operating expenses	18	20,205,587	16,035,577
Amortization of deferred costs		622,820	622,800
Provision for potential lease losses		3,500,000	4,749,030
		-----	-----
		74,193,726	57,322,709
Operating profit for the year		7,225,589	15,343,113
Provision for taxation			
-current year	24	820,000	696,782
-prior year		1,036,329	--
		-----	-----
		1,856,329	696,782
Profit after taxation		5,369,260	14,646,331
Unappropriated profit brought forward		17,688,447	5,971,382
		-----	-----
		23,057,707	20,617,713
Appropriations:			
Transfer to Statutory Reserve		1,077,889	2,929,266
Transfer to Reserve for Deferred Taxation		300,000	--
Proposed cash dividend @ 10% (1998 - Nil)		10,000,000	--
		-----	-----
		11,377,889	2,929,266
		-----	-----
		11,679,818	17,688,447
		=====	=====
Earnings per share (Basic)	22	0.53	1.46
		=====	=====

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

M. R. Khan
Chairman & Chief Executive

Mohammed Khalid Ali
Managing Director &
Chief Operating Officer

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1999**

	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Cash flows from operating activities		
Net profit before taxation	7,225,589	15,343,113
Adjustments for items not involving movement of funds:		
Depreciation	1,807,257	1,750,146
Amortization of deferred costs	622,820	622,800
Gain on disposal of listed securities	(1,012,265)	(2,564,235)
Gain on exchange fluctuations	(1,374,350)	--

Provision for potential lease losses	3,500,000	4,749,030
Operating profit before working capital changes	10,769,051	19,900,854
Advances, prepayments and other receivables	(1,068,424)	1,685,584
Deposits from lessees	22,507,714	19,356,243
Short term/running finances	(43,186,527)	132,847,225
Accrued and other current liabilities	5,937,189	3,907,297
Payment of tax	(3,134,075)	(401,906)
Dividend paid	(37,834)	(9,954,334)
Net cash flow (used in) from operating activities	(8,212,906)	167,340,963
Cash flows from investing activities		
Net investment in leases	(68,974,032)	(142,624,260)
Capital expenditure	(567,844)	(235,183)
Long term investments	(1,716,150)	(8,084,871)
Short term investments	(36,534,540)	(18,101,000)
Proceeds from disposal of listed securities	40,448,915	18,342,950
Proceeds from disposal of fixed asset	33,375	--
Placement under Musharika arrangement	(20,000,000)	--
Long term deposits	(245,450)	(174,520)
Net cash used in investing activities	(87,555,726)	(150,876,884)
Cash flows from financing activities		
Proceeds from long term loans	186,000,000	80,450,000
Repayment of long term loans	(101,166,668)	(40,666,668)
Net cash flow from financing activities	84,833,332	39,783,332
Net (decrease) increase in cash and cash equivalents	(10,935,300)	56,247,411
Cash and cash equivalents at beginning of the period	62,704,671	6,457,260
Cash and cash equivalents at end of the year (Note A)	51,769,371	62,704,671

Note A: Cash and cash equivalents at end of the year

Cash and bank balances	48,769,371	51,106,191
Short term investments		
- Term Finance Certificates	--	1,898,480
- Federal Investment Bonds	3,000,000	9,700,000
	3,000,000	11,598,480
	51,769,371	62,704,671

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

M. R. Khan
Chairman & Chief Executive

Mohammed Khalid Ali
Managing Director &
Chief Operating Officer

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

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated on December 6, 1993 and commenced its operations on May 21, 1995. It is principally engaged in the business of leasing and is listed on the Karachi Stock Exchange.

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 financing method in accounting for recognition of lease income.

At the commencement of lease, a portion of the unearned lease income (i.e., the aggregate of lease contract receivables over cost of the leased asset) which approximates the provision for potential lease losses and the direct initial cost of writing the lease, is taken into income. The remainder of the unearned lease income is taken to income over the term of the lease contract so as to produce a systematic return on the net investment in leases.

Front-end fee and profit on bank deposits and Federal Investment Bonds are accrued when due.

Dividend income and profit on term finance certificates are taken into account on accrual basis.

2.3 Provision for potential lease losses

The provision for potential lease losses is maintained at a level, which, in the judgement of the Company, is sufficient to provide for any potential losses. Any change in the provision is set off against the income of the current period.

2.4 Deferred costs and amortization

Deferred costs are written off during the period not exceeding five years commencing from the year of incurrence.

2.5 Investments

Long term investments are stated at cost. Provision is made for other than temporary diminution in value of investments.

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

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

2.6 Tangible fixed assets and depreciation

These are stated at cost less accumulated depreciation. Depreciation is charged applying the straight line method at the rates specified in note 8. In respect of additions during the year, depreciation is charged from the month of acquisition. No depreciation is charged in the month of disposal.

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

2.7 Employees' retirement benefits

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

2.8 Foreign currency financial assets

Foreign currency financial assets, acquired from the open market, are stated at cost or open market value, whichever is lower.

Foreign Currency Bonds acquired in lieu of foreign currency deposits are stated at the applicable conversion rates as at the date of financial statements.

2.9 Off-setting

A financial asset and a financial liability is off set and the net amount reported in the balance sheet if the Company has a legal enforceable right to set-off 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 assets and charge on the liabilities is also netted off.

2.8 Taxation

Current

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

Deferred

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

Note

*1999
Rupees*

*1998
Rupees*

3. RESERVES

Statutory reserve	3.1		
Balance at beginning of the year		6,922,111	3,992,845
Transfer from profit and loss account		1,077,889	2,929,266
		8,000,000	6,922,111
Reserve for Deferred Taxation			
Transfer from profit and loss account		300,000	--
Unappropriated profit		11,679,818	17,688,447
		19,979,818	24,610,558
		19,979,818	24,610,558

3.1 This represents transfer of after tax profits as required under the relevant provision of the State Bank of Pakistan's Prudential Regulations for Non-Banking Financial Institutions.

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
4. LONG TERM LOANS			
Secured -			
From commercial banks	4.1	69,444,441	48,611,109
From other financial institutions	4.2	71,000,000	80,000,000
		140,444,441	128,611,109
Unsecured -			
From financial institutions	4.3	63,000,000	--
From others	4.4	10,450,000	450,000
		213,894,441	129,061,109
Less: Current maturity		65,111,109	16,666,668
		148,783,332	112,394,441
		148,783,332	112,394,441

4.1 This represents loans obtained for lease financing and carry mark-up at the average rate of 18.2% per annum and are secured by a first charge on certain specific assets leased out and related lease rentals receivable. These loans are repayable between November 5, 1999 and January 1, 2001.

4.2 This represents finances obtained under markup and pro-note discounting facilities and are repayable between August 1, 2000 and July 31, 2001. These arrangements carry mark-up at the average rate of 18.72% per annum. Out of these finances, Rupees 60 million are secured by pari passu charge over present and future movable assets and lease rentals receivable and Rupees 11 million are secured by a first charge on certain specific assets leased out and related rentals receivable.

4.3 This represents finances obtained for lease financing and carry mark-up at the average rate of 19.27% per annum. Out of these loans, Rupees 50 million are presently unsecured but subsequently will be secured either by a specific or a pari passu charge over movable assets and lease rentals receivable, as agreed with the lender. These loans are repayable between July 1, 2000 and July 1, 2003.

4.4 This represents financing arrangements and carry average mark-up rate of 17.04% per annum. The maturity of these facilities range between July 28, 2000 and October 23, 2001.

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
5. LONG TERM DEPOSITS			
Security deposits on leases	5.1	68,062,375	45,554,661
Less: Current maturity of long term deposits		11,255,434	7,110,601
		56,806,941	38,444,060
		56,806,941	38,444,060

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

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
6. CURRENT LIABILITIES			
Current maturity of long term loans	4	65,111,109	16,666,668
Current maturity of long term deposits	5	11,255,434	7,110,601
Short term finances - unsecured			
- from financial institutions			
- associated		--	10,000,000
- others		125,000,000	121,500,000
		-----	-----
	6.1	125,000,000	131,500,000
- from others		--	15,000,000
Running finance under mark-up arrangement - secured	6.2	--	21,686,527
Accrued and other liabilities	6.3	14,398,412	9,266,923
Proposed dividend		10,000,000	--
		-----	-----
		225,764,955	201,230,719
		=====	=====

6.1 This represents finances obtained under mark-up arrangements from financial institutions and carry mark-up at the average rate of 18.44% per annum. These finances are repayable between July 2, 1999 and November 17, 1999.

6.2 This represents running finance unutilized against aggregate facility of Rupees 40 million from a bank. It carries mark-up at a rate of Rupee 0.52 per Rupees 1,000 per day and is secured by a pari passu charge on movable assets and lease rentals receivable.

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
6.3 Accrued and other liabilities		
Accrued liabilities	73,904	59,703
Accrued mark-up on secured loans	4,489,501	3,580,480
Accrued markup on unsecured loans	5,565,001	3,113,748
Advance against leases	3,790,678	1,596,597
Unclaimed dividend	7,832	45,666
Taxation	--	767,866
Other liabilities	471,496	102,863
	-----	-----
	14,398,412	9,266,923
	=====	=====

7. CONTINGENCIES & COMMITMENTS

7.1 Future lease rentals payable under various lease agreements for motor vehicles are as detailed below:

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Payable in the year ending June 30		
-1999	--	2,289,135
-2000	2,794,656	2,174,400
-2001	1,319,416	--
-2002	276,080	--
	-----	-----
	4,390,152	4,463,535
	=====	=====
7.2 Commitments for lease finance	13,840,000	10,000,000
	=====	=====
7.3 Guarantees issued	2,000,000	600,000
	=====	=====

8. TANGIBLE FIXED ASSETS

COST

DEPRECIATION

*Written
down value*

<i>Description</i>	<i>As at July 1, 1998</i>	<i>Additions/ (deletions) during the year</i>	<i>As at June 30, 1999</i>	<i>As at July 1, 1998</i>	<i>Charge for the year/ (Adjustments)</i>	<i>As at June 30, 1999</i>	<i>As at June 30, 1999</i>	<i>Depreciation rate %</i>
OWNED								
<i>Rupees</i>								
Office premises - Leasehold	7,306,560	--	7,306,560	1,126,428	365,328	1,491,756	5,814,804	5
Leasehold improvements	1,966,879	--	1,966,879	852,072	295,032	1,147,104	819,775	15
Furniture and fixtures	2,271,038	19,194 (75,000)	2,215,232	1,307,484	447,710 (41,625)	1,713,569	501,663	20
Office equipment	788,811	42,050	830,861	473,580	162,864	636,444	194,417	20
Computer equipment	1,022,140	506,600	1,528,740	687,136	290,134	977,270	551,470	25
Generator & airconditioners	1,173,279	--	1,173,279	722,034	234,660	956,694	216,585	20
Vehicles	57,630	--	57,630	29,790	11,529	41,319	16,311	20
June 30, 1999	14,586,337	567,844 (75,000)	15,079,181	5,198,524	1,807,257 (41,625)	6,964,156	8,115,025	
June 30, 1998	14,351,154	235,183	14,586,337	3,448,378	1,750,146	5,198,524	9,387,813	

8.1 Disposal of Assets

<i>Description</i>	<i>Book Value</i>	<i>Sale Proceeds</i>	<i>Gain on Disposal</i>	<i>Mode of Disposal</i>	<i>Buyer</i>
<i>Rupees</i>					
Furniture & fixture	33,375	33,375	--	Terms of employment	Mr. Ghulam Qadir Khan (Employee)

9. LONG TERM INVESTMENTS

	<u>Number of ordinary shares/ certificates of Rs. 10 each</u>	<u>1999 Rupees</u>	<u>Number of ordinary shares/ certificates of Rs. 10 each</u>	<u>1998 Rupees</u>
<i>Listed Securities</i>				
Al-Ghazi Tractors Limited (of Rs. 5 each)	1,275	30,730	1,020	30,730
Fauji Cement Company Limited	50.00	406,100	50,000	406,100
First Equity Modaraba	34,500	224,316	34,500	224,32
First Ibrahim Modaraba	32,700	280,406	32,700	280,406
First UDL Modaraba	33,000	225,340	33,000	225,340
FFC Jordan Fertilizer Company Limited	80,000	1,461,300	60,000	1,234,600
Genertech Pakistan Limited	20,000	339,500	20,000	339,500
Ibrahim Energy Limited	12,500	345,500	12,500	345,500
ICP (SEMF)	50,000	1,245,525	50,000	1,245,525
Japan Power Generation Limited	70,000	637,700	70,000	637,700
KASB Mutual Fund Limited	50,000	335,500	50,000	335,50
Kohinoor Energy Limited	10,000	145,550	10,000	145,55
Kohinoor Power Company Limited	15,000	132,300	15,000	132,300
Nishat Mills Limited	66,891	1,119,895	66,891	1,119,895
Pakistan International Airlines Corporation Limited	--	--	10,000	48,000
Sitara Energy Limited	10,000	230,225	40,000	1,004,525
Sui Northern Gas Pipelines Limited	70.55	1,380,350	46,345	1,208,150
Southern Electric Power Company Limited	35,000	541,025	35,000	541,025
			9,081,262	9,504,662
Federal Investment Bonds			--	300,000
			9,081,262	9,804,662
Aggregate market value			4,511,612	4,504,530

10. MINIMUM LEASE RENTALS RECEIVABLE

Due within. one year	203,016,854	188,357,714
Due after one year	295,297,756	258,240,033
	-----	-----
	498,314,610	446,597,747
	=====	=====

	<i>Note</i>	1999 <i>Rupees</i>	1998 <i>Rupees</i>
11. DEFERRED COSTS			
Registration fees		382,500	382,500
Formation expenses		505,500	505,500
Underwriting commission		250,000	250,000
Brokerage		252,170	252,170
Listing fee		155,774	155,774
Share issue expenses		870,394	870,394
Pre-operating expenses		124,804	124,804
		-----	-----
		2,541,142	2,541,142
Less: Amortization to-date		2,541,142	1,918,322
		-----	-----
		--	622,820
		=====	=====

12. LONG TERM DEPOSITS

Deposits - against leases	851,352	785,902
Less: Current maturity	68,877	158,027
	-----	-----
	782,475	627,875
Deposits - others	359,500	179,500
	-----	-----
	1,141,975	807,375
	=====	=====

13. CURRENT ASSETS

Current portion of net investment in leases		159,295,356	134,559,559
Current portion of long term deposits	12	68,877	158,027
Short term investments	13.1	9,917,790	17,604,480
Placement under Musharika arrangement		20,000,000	--
Advances, prepayments and other receivables	13.2	3,117,163	1,538,859
Cash and bank balances	13.3	48,769,371	51,106,191
		-----	-----
		241,168,557	204,967,116
		=====	=====

	<i>Note</i>	1999 <i>Rupees</i>	1998 <i>Rupees</i>
13.1 Short term investments			
Term Finance Certificates		--	1,898,480
Federal Investment Bonds	13.1.1	3,000,000	9,700,000
Investment in listed security	13.1.2	4,050,000	6,006,000
US Dollar Bonds	13.1.3	15,409,500	--
Less: Term finance	13.1.4	12,541,710	--
		-----	-----
		2,867,790	--
		-----	-----
		9,917,790	17,604,480
		=====	=====

13.1.1 This represents investment made as required under the relevant provision of the State Bank of Pakistan's Prudential Regulations for Non-Banking Financial Institutions under REPO arrangement with an investment bank and carry expected average return of 13% per annum.

13.1.2 This represents investment in the following listed security

	<i>Number of ordinary shares of Rs. 10 each</i>		<i>1999 Rupees</i>	<i>1998 Rupees</i>
	<i>1999</i>	<i>1998</i>		
Baluchistan Wheels Limited	225,000	330,000	4,050,000	6,006,000
Aggregate market value			5,175,000	7,260,000

13.1.3 This represents US Dollar Bonds acquired in lieu of foreign currency deposits and are valued at Rupees 51.365 per US Dollar as at June 30, 1999.

13.1.4 This represents loan from a commercial bank at 14.5% per annum against lien over US Dollar Bonds and second charge over the assets leased out and related rentals receivable. The repayment is due on February 18, 2000.

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
13.2 Advances, prepayments and other receivables			
Advances - considered good			
Executives	13.2.1	26,195	11,800
Other employees		84,132	84,542
		110,327	96,342
Prepayments		266,052	931,476
Accrued return on investments		1,211,775	280,415
Advance tax		627,148	117,268
Other receivables		901,861	113,358
		3,117,163	1,538,859

13.2.1 Maximum aggregate amount due from the executives at the end of any month during the year was Rupees 88,666 (1998: Rupees 25,000)

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
13.3 Cash and bank balances			
Balances with banks on -			
- Current accounts	13.3.1	48,769,371	7,612,751
- Deposit accounts			
Foreign Currency Account		--	14,035,150
Less: Term finance		--	(12,541,710)
		--	1,493,440
Local Currency Account		--	42,000,000
		--	43,493,440
		48,769,371	51,106,191

13.3.1 Includes deposit of Rupees 270,000/- with the State Bank of Pakistan to meet liquidity requirements under the State Bank of Pakistan's Prudential Regulations for Non-Banking Financial Institutions.

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
14. INCOME FROM LEASING OPERATIONS			
Income on lease contracts		75,600,601	66,280,362
Additional lease-rentals		1,613,409	2,025,773
Lease termination charges		55,010	64,653

77,269,020 68,370,788

=====

*Note***1999**
Rupees**1998**
Rupees**15. OTHER INCOME**

Profit from banks under cash management scheme	35,783	86,557
Mark-up on Term Finance Certificates	186,277	341,767
Profit on Musharika finance	--	4,853
Profit on placements	33,562	--
Profit on modaraba certificates	65,700	74,930
Return on other investments	1,074,454	555,535
Fees, commissions and other charges	367,904	667,157
Gain on disposal of listed securities	1,012,265	2,564,235
Gain on exchange fluctuations	1,374,350	--
	-----	-----
	4,150,295	4,295,034
	=====	=====

16. FINANCIAL CHARGES

Mark-up on long term finance	22,522,165	13,368,872
Mark-up on short term finance	26,101,792	21,496,335
Mark-up on running finance	1,096,886	940,601
Brokerage fee	127,430	59,625
Documentation charges	1,600	38,650
Excise duty and bank charges	15,446	11,219
	-----	-----
	49,865,319	35,915,302
	=====	=====

17. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Mark-up short term finance paid	285,102	1,639,521
	=====	=====

*Note***1999**
Rupees**1998**
Rupees**18. ADMINISTRATIVE & OPERATING EXPENSES**

Directors' fee	1,000	8,500
Salaries, allowances and benefits	11,309,073	7,514,540
Staff training and development	41,800	117,917
Telephone and fax	349,044	345,411
Postage and courier	28,857	29,833
Electricity	342,108	298,346
Office maintenance	489,167	486,545
Insurance	69,197	39,510
Business promotion expenses	1,010,050	1,109,000
Canteen expenses	50,300	60,793
Vehicle running expenses	1,114,437	904,063
Travelling and conveyance	3,064	30,774
Advertisement expenses	91,800	67,500
Printing and stationery	138,606	180,330
Subscriptions and listing fees	186,002	144,766
Legal and professional charges	397,142	242,780
Statutory filing fees	15,530	15,490
Depreciation	1,807,257	1,750,146
Lease rentals	2,712,208	2,617,158
Zakat	1,201	--
Miscellaneous	47,744	72,172
	-----	-----
	20,205,587	16,035,577
	=====	=====

18.1 Legal and professional charges

These include auditors' remuneration, as follows:

Annual audit	42,500	35,000
Consultancy	60,941	--

Out-of-pocket expenses	7,700	--
	-----	-----
	111,141	35,000
	=====	=====

18.2 Remuneration of Chief Executive and Executives

	1999		1998	
	Chief Executive	Executives	Chief Executive	Executives
	<i>Rupees</i>			
Managerial remuneration	420,000	4,073,880	420,000	3,334,400
Housing and utilities	370,922	1,971,234	31,935.50	1,635,150
Medical and other perquisites	75,506	2,850,054	69,103	425,979
Provident fund contribution	--	354,078	--	293,800
	-----	-----	-----	-----
	866,428	9,249,246	808,458	5,689,409
	=====	=====	=====	=====
No. of persons	1	7	1	7
	=====	=====	=====	=====

In addition, the chief executive and certain executives were also provided with free use of company cars and certain household items in accordance with their terms of employment. All executives were also provided with medical insurance cover.

19. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Net investment in leases amounts to Rupees 465.6 million. The sector-wise break up is given below:

<i>Sector</i>	<i>% of total exposure</i>
Textile	16
Cement	10
Engineering	9
Synthetic and rayon	9
Food & Beverages	8
Sugar	7
Energy	6
Publications	6
Auto & allied	5
Health care	4
Chemicals & Fertilizer	3
Others	17

Total	100
	=====

The Company has also invested in Federal Investment Bonds and Special US Dollar Bonds in addition to a placement of funds with an NBFIs under Musharika arrangement, the details of which are given in Note 13.1.1 and 13.1.3.

20. FAIR VALUE OF FINANCIAL ASSETS

The estimated fair value of long term and short-term investments as at June 30, 1999 is given in Note 9 and Note 13.1.2 respectively. No provision for decline in market value has been made, as, in the opinion of directors, the decline is temporary.

The fair value of all other financial assets and financial liabilities is estimated to approximate their carrying value.

21. INTEREST RATE RISK EXPOSURE

<i>1999</i>				
<i>Less than one month Rupees</i>	<i>One month to one year Rupees</i>	<i>Over one year Rupees</i>	<i>Non-interest bearing Rupees</i>	<i>Total Rupees</i>

Financial Assets

Long term investments	--	--	--	9,081,262	9,081,262
Net investment in lease finance	9,900,058	149,395,298	229,561,756	76,766,471	465,623,583
Long term deposits	--	--	--	1,141,975	1,141,975
Short term investments	--	18,409,500	--	4,050,000	22,459,500
Placement under Musharika Arrangement	20,000,000	--	--	--	20,000,000
Advances and other receivables	--	--	--	2,223,963	2,223,963
Cash and bank balances	46,406,052	--	--	2,363,319	48,769,371
	=====	=====	=====	=====	=====
	76,306,110	167,804,798	229,561,756	95,626,990	569,299,654
	=====	=====	=====	=====	=====
Long term loans	3,222,222	61,888,887	148,783,332	--	213,894,441
Long term deposits	--	--	--	68,062,375	68,062,375
Short term finances	75,000,000	62,541,710	--	--	137,541,710
Proposed dividend	--	--	--	10,000,000	10,000,000
Accrued and other liabilities	--	--	--	14,398,412	14,398,412
	=====	=====	=====	=====	=====
	78,222,222	124,430,597	148,783,332	92,460,787	443,896,938
	=====	=====	=====	=====	=====
On-balance sheet gap (a)	(1,916,112)	43,374,201	80,778,424	3,166,203	125,402,716
	=====	=====	=====	=====	=====
Total interest rate sensitivity gap	(1,916,112)	43,374,201	80,778,424	--	--
	=====	=====	=====	=====	=====

(a) The on-balance sheet gap represents the net amounts of on-balance sheet items.

(b) The effective interest rates for financial assets and liabilities are as follows:

	1999 Effective interest rate %
Assets	
Net investment in lease finance	22.90
Federal Investment Bonds	13.00
Special US Dollar Bonds	7.10
Placement under Musharika arrangement	18.60
Cash and bank balances	11.00
Liabilities	
Long term loans	18.50
Short term finances	18.40
Running finance	19.00

22. EARNINGS PER SHARE

	1999	1998
- Basic		
Profit attributable to ordinary shares (Rupees)	5,369,260	14,646,331
	=====	=====
Number of ordinary shares issued	10,000,000	10,000,000
	=====	=====
Earnings Per Share (Rupees)	0.53	1.46
	=====	=====
- Diluted	N/A	N/A
	=====	=====

Basic earnings per share has been calculated by dividing net profit for the year attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

23. MANPOWER

As at year end	18	17
	=====	=====

24. TAXATION

- Current

This represents the provision for minimum tax under section 80D of the Income Tax Ordinance, 1979.

- Deferred

Deferred tax liability is estimated to be Rupees 0.297 million as at June 30, 1999 (1998: Nil). No provision has been made, as, in the opinion of the Company, this liability is not likely to crystallize in the foreseeable future.

25. STATEMENT OF CHANGES IN EQUITY

A separate statement of changes in equity has not been prepared as relevant information is given in Balance Sheet and Note 3.

26. GENERAL

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

M. R. Khan
Chairman & Chief Executive

Mohammed Khalid Ali
Managing Director &
Chief Operating