

Universal Leasing Corporation Limited

Annual Report 1999

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COMPANY INFORMATION

BOARD OF DIRECTORS

S. M. Shabbir Shah	Chief Executive
Iftikhar Rizvi	Director
Sarfraz A. Shaikh	Director (Nominee Allied Bank of Pakistan Ltd.)
Amir Saeed	Director
Kamran Khawaja	Director
Majid Ali Khan	Director
Nusrat Ali	Director

CREDIT COMMITTEE

S. M. Shabbir Shah	Chief Executive
Moeen Asif Khawaja	Vice President
Amir Saeed	Director

COMPANY SECRETARY

S. M. Shabbir Shah

AUDITORS

Khalid Majid Husain Rahman
Chartered Accountants

Rahim Iqbal Rafiq & Co.
Chartered Accountants

LEGAL ADVISORS

M/s. Panni & Rizvi
Advocates & Corporate Counselors

REGISTERED OFFICE

2nd Floor, Hajvari Center,
Defence Main Boulevard,
Lahore, Cantt.
Lahore Tel #: 6673097

KARACHI OFFICE

6th Floor, Lakson Square, Building No. 3,
Sarwar Shaheed Road,
Karachi.
Telephone No. 5687860, 5687016, 5687026, 5657056

SHARE TRANSFER OFFICE

M/s. Uni Associates (Pvt) Ltd.
6th Floor, Lakson Square Building No. 3,
Sarwar Shaheed Road,
Karachi.

NOTICE OF MEETING

Notice is hereby given that the Seventh Annual General Meeting of the Universal Leasing Corporation Limited will be held on Monday February 14, 2000 at 11.00 a.m. at 6th Floor, Lakson Square Building # 3, Sarwar Shaheed Road, Karachi to transact the following business.

Ordinary Business:

1. To confirm the minutes of the Last Annual General meeting of the Company held on December 18, 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 appoint auditors and fix their remuneration.

Special Business

4. To consider, ratify and approve the remuneration of full time working Director and Chief Executive.

A statement under Section 160 of the Companies Ordinance, 1984 pertaining to the special business is annexed to this notice.

To transact any other business as may be placed before the Meeting with the permission of the Chair.

By Order of the Board
S. M. Shabbir Shah
Chief Executive

January 24, 2000

NOTES:

1. The Share transfer Books of the Company shall remain Closed from February 14, 2000 to February 21, 2000 (both days inclusive).
2. A member entitled to attend, speak and vote at these meeting may appoint a proxy to attend, speak and vote on his/her behalf. A proxy need not to be member.
3. 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 6th Floor, Lakson Square Building # 3, Sarwar Shaheed Road, Karachi,

not less than 48 hours before the time of the respective meeting.

4. Member are requested to notify change in their address, if any.

STATEMENT UNDER SECTION 160(1) OF THE COMPANIES ORDINANCE, 1984 AGENDA # 4

Approval of remuneration of the Chief Executive and whole time working Director of the Company.

The Member's approval is sought for the payment of remuneration and provision of certain facilities to the Chief Executive and one whole time working Director as per recommendations of the Chief Executive and one whole time working Director as per recommendations of the Board of Directors of the Company.

For this purpose it is proposed that the following resolution be passed as an Ordinary Resolution:

"Resolved that the Chief Executive and whole time working Director shall be paid w.e.f. January 2000 the gross remuneration per month as follows alongwith other benefits as per their service contracts"

1. Mr. S. M. Shabbir Shah	Chief Executive	Rs. 85,000/-
2. Mr. Amir Saeed	Director	Rs. 25,000/-

DIRECTOR'S REPORT

The Board of Directors is pleased to present the audited accounts along with the annual report for the year ended June 30, 1999.

CONSTITUTION OF THE BOARD

Constitution of the Board has changed during the year, Mr. Ammanullah Khan, Mr. Iqbal Kasbati, Mr. Hameed Khan had resigned and Mr. Amir Saeed, Mr. Iftikhar Hussain Rizvi and Mr. Khawaja Mohammad Kamran respectively are appointed in their places. Further, MS Allied Bank of Pakistan have also changed their nominee Director i.e. Mr. Safaraz A. Sheikh in place of Mr. Rasheed M. Choudhry. The Board places on record the appreciation for services rendered by the out going directors and welcomes the appointment of the new directors.

REVIEW OF OPERATIONS

This has been another difficult year due to depressing political and economic conditions of the country. Small and medium sized leasing companies find it increasingly difficult to operate due to double impact of potential lease losses and increased borrowing rates prevailing in the market.

Financial Results:

(Loss)/profit after taxation	(9,047,150)
Unappropriated profit brought forward	4,106,392

	(4,940,758)

Appropriations:

Transfer from/(to)	
General reserve - reserve for contingencies	8,000,000
Statutory reserve	
Capital reserve - reserve for deferred taxation	(2,280,000)

	5,720,000

Unappropriated profit carried forward	----- 779,242 =====
Earnings per share:	
Basic	(0.82)

Investment in lease remained low due to the fact that quality customers are limited which is again due to slump in the economy which is not very conducive for the promotion of industrialization. However drastic measures are being taken by the present government to revive economy. Measurements such as cut in the borrowing rates; promoting competent and honest people removal of corruption; formulation and implementation of correct policies will have positive bearing in the economy and in restoring the shattered investor confidence.

The Company has followed a prudent policy and has provided for the potential lease The loss occurred during the year is due to income reversal of Rs. 8 million and provision for potential lease losses amounting to Rs. 1.4 million thus aggregating to total provision of Rs. 9.4 million. The major part of income reversal and provision made during the year is due to the lease facility extended to MS Pakland Cement limited, MS Delta Rice (Pvt) Limited and Mehran Paper Mills (Pvt) Limited.

The auditors of the company have qualified the opinion with respect to recoverability of certain Musharika transactions. These Musharikas were granted to place the surplus funds of the company which were lying idle. In the absence of bonafide customers the management of the company suggested these funds be placed into the ventures that have lucrative returns as well as the security of the money financed. As part of normal credit risk there is some element of doubtfulness in the recovery of certain Musharika transactions. However, management is making rigorous efforts to ensure the recovery from these doubtful Musharikas. The management is aware that the company's principle line of business is leasing, considering the fact it is decided that the Musharika facilities shall be withdrawn and funds be placed in leasing operations. The above decision will certainly help the management to focus itself on the principle line of business.

FUTURE OUTLOOK

Your company now wears a totally new look the new logo will Insha-Allah be the echelon of success in near future. With this renewed commitment we intend to follow aggressive drive to augment its lease portfolio thus switching form the conservative strategy followed in last couple of years. Major target area will be small ticket leasing which will include consumer leasing and leasing of motor vehicles. However, the management before the grant of the facility will carry out tough evaluation of the client in order to avoid potential lease losses. For this purpose the Company has already become active in the money market and is in the process of negotiating loans on short and long term basis.

AUDITORS

The present auditors M/S Khalid Majid Husain Rahman Chartered Accountants and M/S Rahim Iqbal Rafiq and Company Chartered Accountants retire and offer themselves for reappointment.

YEAR 2000 COMPLIANCE

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

ACKNOWLEDGEMENTS

The Board on behalf of the company wish to express gratitude to the banks, State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their guidance and support. The Board of Directors wish to place on record its appreciation for the hard work and team effort of the staff of the company.

PATTERN OF SHARE HOLDING

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

On Behalf of the Board

S. M. SHABBIR SHAH
Chief Executive

January 22, 2000

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Universal Leasing Corporation Limited, as at June 30, 1999 and the related profit and loss account and the 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:

(1) Shortfall, if any, that may arise in the recovery of some unsecured short term musharika investments (refer note no. 13) as a result of these being doubtful has not been provided for in the accounts as the final outcome thereof cannot presently be determined.

(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 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 expenditure incurred during the year were in accordance with the objects of the Company;

(c) Except for the effect of the matter stated in para (1) above, 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 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 at June 30, 1999 and of the loss 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.

Khalid Majid Husain Rahman
Chartered Accountants

Rahim Iqbal Rafiq and Company
Chartered Accountants

Karachi: January 22, 2000

BALANCE SHEET AS AT JUNE 30, 1999

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
SHARE CAPITAL AND RESERVES			
Authorised capital 20,000,000 ordinary shares of Rs.10 each		200,000,000	200,000,000
Issued, subscribed and paid-up capital 11,000,000 ordinary shares of Rs.10 each fully paid in cash		110,000,000	110,000,000
Reserves	3	8,056,600	13,776,600
Unappropriated profit		779,242	4,106,392
		118,835,842	127,882,992
OBLIGATIONS UNDER FINANCE LEASES	4	--	222,884
DEFERRED LIABILITY		559,536	649,774
LONG TERM DEPOSITS	5	2,758,673	10,348,087
CURRENT LIABILITIES			
Current portion of obligations under finance leases		28,953	444,873
Current maturity of long term deposits		8,267,429	4,726,735
Short term running finance	6	17,252,749	18,543,806
Accrued and other liabilities	7	912,884	1,421,783
Provision for taxation		51,339	631,487
Unclaimed dividend		2,600	2,600
		26,515,954	25,771,284
COMMITMENTS	8		
		148,670,005	164,875,021
TANGIBLE FIXED ASSETS	9	12,798,875	15,038,466
NET INVESTMENTS IN LEASES			
Minimum lease rentals receivable		71,540,130	92,807,192
Add: Residual value		12,632,195	16,660,567
Gross investment in leases		84,172,325	109,467,759
Less: Unearned finance income		(8,420,613)	(13,940,375)
Net investment in lease finance		75,751,712	95,527,384
Less: Allowance for potential lease losses		(12,339,719)	(2,907,765)
		63,411,993	92,619,619
Less: Current portion of net investment in leases		(55,714,441)	(27,206,839)
		7,697,552	65,412,780
LONG TERM INVESTMENTS	10	1,392,400	1,401,900

**LONG TERM DEPOSITS, PREPAYMENTS
AND DEFERRED COSTS**

	11	270,000	1,052,595
CURRENT ASSETS			
Current portion of net investment in leases		55,714,441	27,206,839
Short term investments	12	857,722	756,740
Short term musharika investments	13	43,256,358	13,347,449
Advances, deposits, prepayments and other receivables	14	26,535,916	38,206,238
Cash and bank balances	15	146,741	2,422,011
		-----	-----
		126,511,178	81,939,277
		-----	-----
		148,670,005	164,875,021
		=====	=====

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

M. Shabbir Shah
Chief Executive

Amir Saeed
Director

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

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Income from lease operations	16	5,472,668	16,855,573
Other income	17	9,850,183	6,962,229
		-----	-----
		15,322,851	23,817,802
		-----	-----
Administrative and operating expenses	18	10,827,240	11,802,881
Financial charges	19	3,734,878	3,635,450
Provision for potential lease losses		9,431,954	2,654,866
		-----	-----
		23,994,072	18,093,197
		-----	-----
(Loss)/Profit before taxation		(8,671,221)	5,724,605
Provision for taxation		375,929	1,210,894
		-----	-----
(Loss)/Profit after taxation		(9,047,150)	4,513,711
Unappropriated profit brought forward		4,106,392	495,423
		-----	-----
		(4,940,758)	5,009,134
Appropriations:			
Transfer from/(to):			
General reserve-reserve for contingencies		8,000,000	--
Statutory reserve		--	902,742
Capital reserve - reserve for deferred taxation		(2,280,000)	--
		-----	-----
		5,720,000	902,742
		-----	-----
Unappropriated profit carried forward		779,242	4,106,392

Earning per share:	22		
- Basic		(0.82)	0.41
- Diluted		N/A	N/A

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

S. M. Shabbir Shah
Chief Executive

Amir Saeed
Director

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

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
GASH FLOWS FROM OPERATING ACTIVITIES		
Operating (loss)/profit before taxation	(8,671,221)	5,724,605
Adjustments for non cash items:		
Amortization of deferred cost	891,227	891,227
Depreciation	1,742,611	1,901,696
Gain on sale of investments	(15,000)	(285,550)
Financial charges	8,734,878	36,357,450
Reversal/Provision for diminution in value of investments	(91,482)	768,190
Provision for gratuity	380,507	300,387
Provision for potential lease losses	9,431,954	2,654,866
Gain on sale of fixed asset	(3,800)	--
Dividend income	(88,442)	(35,599)
	-----	-----
Operating profit before working capital changes	7,811,282	15,555,272
Decrease in not investment in leases	19,775,672	12,200,896
(Increase)/decrease in short term musharika investment	(29,908,909)	34,567,839
(Decrease)/Increase in long term deposits	(4,048,720)	56,868
(Decrease)/Increase in accrued liabilities excluding accrued financial charges	(469,118)	316,932
Decrease/(Increase) in advances, deposits, prepayments and other receivable	11,670,322	(17,307,285)
	-----	-----
	(2,980,753)	(1,275,750)
	-----	-----
Cash generated from operations	4,330,479	14,279,022
Decrease/(increase) in long term deposits and prepayments	(78,629)	5,490
Income tax paid	(956,077)	(193,067)
Gratuity paid	(470,745)	--
	-----	-----
Net cash generated from operating activities	2,825,028	14,091,945
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	88,442	56,104
Purchase of fixed assets	(117,200)	(1,821,130)

Sale proceed from fixed assets	800,920	--
Short term investments	15,000	(55,351)
	-----	-----
Net cash generated / (used) in investing activities	287,162	(1,320,877)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lease obligations	817,060	882,000
Dividend paid	--	(10,997,400)
Repayment of finance lease liabilities	(688,804)	(481,866)
Financial charges paid	(3,774,659)	(3,156,107)
	-----	-----
Net cash used in financing activities	(4,096,403)	(14,253,373)
	-----	-----
Net decrease in cash and cash equivalents	(984,213)	(1,481,805)
Add: Cash and cash equivalents as at July 1, 1998	(16,121,795)	(14,689,990)
	-----	-----
Cash and cash equivalents as at June 30, 1999 (Note 23)	(17,106,008)	(16,121,795)
	=====	=====

S. M. Shabbir Shah
Chief Executive

Amir Saeed
Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

The Universal Leasing Corporation Limited was incorporated in Pakistan on July 29, 1993 as a public limited company under the Companies Ordinance, 1984. The principal activity of the Company is leasing of assets. The Company's shares were floated for public subscription on February 6, 1995, while it commenced its business from April 24, 1995. It is listed on the Karachi Stock Exchange and is classified as a Non-Banking Financial Institution (NBFI) by the State Bank of Pakistan.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

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

2.2 Fixed assets and depreciation

Owned:

Fixed assets are stated at cost less depreciation to date. Depreciation is charged to income by applying straight-line method over the useful life of the assets. Full year's depreciation is charged on acquisitions during the year.

Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

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

Leased:

Assets acquired under finance leases are stated at the fair value or, if lower, at present value of minimum lease payments. Leased assets are depreciated over their useful

life by applying straight-line method.

The outstanding obligations under finance leases less finance charges allocated to future periods is shown as liability. The finance charges are calculated at the rate implicit in the lease and are charged to profit and loss account.

2.3 Deferred costs and amortization

Deferred costs are amortized systematically over the period of five years commencing from the year of incurrence.

2.4 Investments

Long term investments are carried at cost. Provision is made for diminution other than temporary in their values, if any.

Short term investments are carried at the lower of cost and market value, determined on an aggregate portfolio basis. The Charges or credits, if any, arising from adjustments in carrying amounts are taken to the profit and loss account.

Gains and losses on disposal of investments, if any, are recognized in income currently.

2.5 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 tax effects on those timing differences which are not likely to reverse in the foreseeable future.

2.6 Revenue recognition

Income from lease operations:

The Company follows the "financing method" for recognition of lease income. Accordingly, at the commencement of lease, the total unearned lease finance income consists of the excess of aggregate lease rental receivables plus any residual value over the cost of the leased assets. This finance income is allocated over the lease term on a pattern reflecting a constant periodic return on the Company's net investment outstanding in respect of the lease.

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

Profit on Musharika investments:

Expected profit on Musharika investments is recognized on pro-rata accrual basis.

Dividend income:

Dividend income is recognized when the right to receive the dividend is established.

2.7 Staff retirement benefits

The Company operates an un-funded gratuity scheme for all of its permanent employees. Provision for gratuity is made on one month gross salary for those employees who have completed three years of service.

2.8 Allowance for potential lease losses

The allowance for potential lease losses is maintained at a level, which, in the judgment of the management, is adequate to provide for potential losses on lease portfolio that can be reasonably anticipated.

2.9 Earnings per share

Basic earnings per share is calculated by dividing profit after tax by the weighted average number of outstanding shares during the year.

3. CHANGES IN EQUITY

	<i>Share Capital</i>	<i>Statutory</i>	<i>Reserves</i>		<i>Total</i>	<i>Unappropriated profit</i>	<i>Total</i>
			<i>Contingency</i>	<i>Capital deferred taxation</i>			
As at July 1, 1997	110,000,000	4,873,858	8,000,000	--	12,873,858	495,423	123,369,281
Profit during the year	--	--	--	--	--	4,513,711	4,513,711
Inter transfer	--	902,742	--	--	902,742	(902,742)	--
As at July 1, 1998	110,000,000	5,776,600	8,000,000	--	13,776,600	4,106,392	127,882,992
Loss during the year	--	--	--	--	--	(9,047,150)	(9,047,150)
Inter transfer	--	--	(8,000,000)	2,280,000	(5,720,000)	5,720,000	--
As at June 30, 1999	110,000,000	5,776,600	--	2,280,000	8,056,600	779,242	118,835,842

3.1 Statutory reserve represents the reserve created under the provisions of the State Bank of Pakistan's Rules for Non Banking Financial Institutions.

	<i>1999 Rupees</i>	<i>1998 Rupees</i>
4. OBLIGATION UNDER FINANCE LEASES		
Balance of obligations under finance leases	667,757	767,623
Add: Acquisition net of repayments / adjustment	(638,804)	(99,866)
	28,953	667,757
Less: Current portion shown under current liabilities	(28,953)	(444,873)
	--	222,884

The obligation under finance lease is reported at minimum lease payment, discounted by using rate of 20.35%. The future payments due are follows:

	<i>1999 Rupees</i>	<i>1998 Rupees</i>
June 30, 1999	--	540,529
June 30, 2000	29,795	188,495

June 30, 2001	--	64,650
	29,795	793,674
Less: Finance charges allocated to future period	(842)	(125,917)
	28,953	667,757
	=====	=====
5. LONG TERM DEPOSITS		
Security deposits	11,026,102	15,074,822
Less: Current maturity shown under current liabilities	(8,267,429)	(4,726,735)
	2,758,673	10,348,087
	=====	=====

These represent interest free lease key money received against lease contracts and are repayable/adjustable at the expiry/termination of the respective leases.

6. SHORT TERM RUNNING FINANCE - Secured

Short term running finance facilities available at the balance sheet date from commercial banks under mark-up arrangements were Rupees 17.818 million (1998: Rupees 20 million). The rates of mark-up applicable to these facilities range from Rupees 0.50 to Rupees 0.55 (1998 Rupees 0.55 to Rupees 0.60) per Rupees 1,000 per day payable quarterly. These facilities are secured by charge on the leased assets and related rentals receivable.

7. ACCRUED AND OTHER LIABILITIES

	1999	1998
	Rupees	Rupees
Mark-up on short term running finance	439,562	479,343
Auditors' remuneration	245,750	525,750
Advance against lease	7,900	87,900
Tax deducted from payments to suppliers and others	2,604	27,431
Others	137,068	301,359
	-----	-----
	912,884	1,421,783
	=====	=====

8. COMMITMENTS

For acquiring 4.59% share in First Women Bank Limited	25,704,000	25,704,000
For lease disbursements	--	5,900,000

9. FIXED ASSETS

<i>COST</i>					<i>DEPRECIATION</i>					
<i>As at July 1, 1998</i>	<i>Additions during the year</i>	<i>Transfers</i>	<i>Disposals during the year</i>	<i>As at June 30, 1999</i>	<i>As at July 1, 1998</i>	<i>For the year/ (disposals)</i>	<i>Transfers</i>	<i>As at June 30, 1999</i>	<i>Written down value</i>	<i>Depreciation rate % per annum</i>

RUPEES

Owned:											
Office premises	9,844,000	--	--	--	9,844,000	1,476,600	492,200	--	1,968,800	7,875,200	5
Furniture & fixtures	7,101,647	--	--	--	7,101,647	2,327,405	710,165	--	3,037,570	4,064,077	10
Office Equipment	565,835	117,200	--	--	683,035	358,403	136,607	--	495,010	188,025	20
Motor Vehicles	1,453,555	--	712,800	(516,300)	1,650,055	549,113	330,011	343,080	1,003,024	647,031	20
							(219,180)				
	18,965,037	117,200	712,800	(516,300)	19,278,737	4,711,521	1,668,983	343,080	6,504,404	12,774,333	
							(219,180)				
Leased:											
Motor Vehicles	1,109,125	--	(712,800)	(396,325)	--	422,345	(79,265)	(343,080)	--	--	20
Office Equipment	245,425	--	--	--	245,425	147,255	73,628	--	220,883	24,542	30
	1,354,550	--	(712,800)	(396,325)	245,425	569,600	73,628	(343,080)	220,883	24,542	
							(79,265)				
1999	20,319,587	117,200	--	(912,625)	19,524,162	5,281,121	1,742,611	--	6,725,287	12,798,875	
							(298,445)				
1998	18,998,457	1,321,130	--	--	20,319,587	3,379,425	1,901,696	--	5,281,121	15,038,466	

9.1 Disposal of fixed assets

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Written down value</i>	<i>Sales proceeds</i>	<i>Gain/ (loss)</i>	<i>Mode</i>	<i>Particulars of purchaser</i>
<i>Rupees</i>							
Motor Vehicles - Owned	226,500	45,300	181,200	185,000	3,800	Negotiation	Nauman
Motor Vehicles - Owned	289,800	173,880	115,920	115,920	--	Negotiation	Saif Khan (J. S. Knitting (Pvt) Ltd)
Motor Vehicles - Leased	398,325	79,285	317,080	317,080	--	Insurance claim	Receivable from Security Leasing Corporation Limited
	912,625	298,45	614,180	817,980	3,800		

10. LONG TERM INVESTMENTS - Listed securities

<i>No. of certificates/ shares</i>		<i>1999 Rupees</i>	<i>1998 Rupees</i>
<i>1999</i>	<i>1998</i>		
Mutual Funds			
49,630	49,630	496,300	496,300
10,000	10,000	81,300	81,300

10,000	10,000 25th ICP Mutual Fund	102,800	102,800
	Leasing Companies		
	National Development Leasing Corporation Limited		
24,675	24,675 (Ordinary shares Of Rupees 5 each)	396,175	396,175
	Synthetic & Rayon		
20,000	20,000 Pakistan Synthetic Limited	468,425	468,425
		-----	-----
		1,545,000	1,545,000
	Less: Provision for diminution in the value of investments	(152,600)	(143,100)
		-----	-----
		1,392,400	1,401,900
		=====	=====

10.1 Unless stated otherwise, investments represent certificates/ordinary shares of Rupees 10 each fully paid in cash.

10.2 The aggregate market value of the investments as on June 30, 1999 amounted to Rupees 837,712 (1998: Rupees 425,812).

11. LONG TERM DEPOSITS AND DEFERRED COSTS

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Deposits:		
Lahore office	30,000	50,000
Lease key money	--	121,371
Central Depository Commission	200,000	--
Others	40,000	20,000
	-----	-----
	270,000	191,371
Deferred costs (Note 11.1)	--	891,227
	-----	-----
	270,000	1,082,598
	=====	=====
11.1 Deferred costs		
Preliminary expenses	1,396,646	1,396,646
Shares floatation expenses including Commission and brokerage	791,591	791,591
Unallocated revenue expenditure	2,057,030	2,057,030
Others	210,868	210,868
	-----	-----
	4,456,135	4,456,135
Less: Amortization to date	(4,456,135)	(3,564,908)
	-----	-----
	--	891,227
	=====	=====

12. SHORT TERM INVESTMENTS - Listed securities

<i>No. of certificates/ shares</i>		<i>1999 Rupees</i>	<i>1998 Rupees</i>
<i>1998</i>	<i>1999</i>		
Mutual Fund Companies			
1,000	1,000 21st ICP Mutual Fund	8,230	8,230
Leasing Companies			
3,000	3,000 Paramount Leasing Corporation Ltd	28,890	28,890
Textile Spinning			
2,000	2,000 Ahmed Hassan Textile Mills Limited	18,260	18,260
5,000	5,000 Idrees Textile Mills Limited	33,150	33,150
Sugar & Allied Industries			
5,000	5,000 Haseeb Waqas Sugar Mills Limited	89,650	39,650
Chemical and Pharmaceutical			
25,000	25,000 FFC Jordan Fertilizer Limited	486,650	486,650
Fuel and Energy			
23,000	23,000 Sui Southern Gas Limited	564,000	564,000
Auto & Allied Engineering			
	Agri Autos Industries Limited		
10,500	10,500 (Ordinary shares of Rupees 5 each)	51,240	51,240
4,862	4,862 General Rubber & Tyre Corporation Ltd	198,910	198,910
8,000	8,000 Indus Motors Corporation Limited	161,600	161,600
		1,590,580	1,590,580
	Less: Provision for diminution in the value of investments	(732,858)	(833,840)
		--	--
		857,722	756,740

12.1 Unless stated otherwise, investments represent certificates/ordinary shares of Rupees 10 each fully paid in cash.

12.2 The aggregate market value of the investments as on dune 30, 1999 amounted to Rupees 857,722 (1998: Rupees 756,740).

13. SHORT TERM MUSHARIKA INVESTMENTS - Unsecured

These represent investments made on musharika basis, whereby the Company is to participate in the profit and loss in agreed proportions. The expected profit on such investments is 22% per annum.

14. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	1999	1998
	Rupees	Rupees
Advances:		
For purchase of software	144,000	144,000
To staff ' - considered good (Note 14.1)	399,273	161,750
Against legal charges	100,000	--
Against lease to be underwritten	--	18,100,000
Deposit with the Privatization Commission (Note 14.2)	10,000,000	10,000,000
Lease key money	12,271	--
Prepayments	125,058	257,892
Musharika profit receivable - considered good	7,784,099	2,208,677
Receivable from Binham group	5,232,704	3,360,472
Mark-up against leased assets	781,074	2,928,895
Other receivables	1,957,437	1,044,552
	-----	-----
	26,535,916	38,206,238
	=====	=====

14.1 Maximum amount due from the executives at the end of any month during the year amounted to Rupees 354,023 (1998: Rupees 140,000).

14.2 This represents amount deposited with the Privatization Commission, Government of Pakistan, on behalf of a consortium for acquisition of 51% shares of First Women Bank Limited. The Company has 9% share in the consortium.

	1999	1998
	Rupees	Rupees
15. CASH AND BANK BALANCES		
Cash in hand	23,055	84,838
Cash at banks:		
On current accounts with:		
- State Bank of Pakistan	65,000	65,000
- Commercial banks	58,574	2,272,061
On PLS savings account:		
- On deposit account	112	11.20
	-----	-----
	146,741	2,422,011
	=====	=====

16. INCOME FROM LEASE OPERATIONS

Income on lease contracts	5,470,368	16,787,484
Front end and documentation fee	2,300	68,089
	-----	-----
	5,472,668	16,855,573
	=====	=====

17. OTHER INCOME

Profit on musharika investments	6,875,422	2,252,780
Mark-up income	2,631,294	3,991,764
Profit/return on deposits with banks	16,516	156,763
Gain on sale of investments	15,000	286,050

Gain on lease termination	65,776	228,464
Dividend income	88,422	35,599
Late payment charges	58,000	--
Reversal of diminution in value of investments	91,482	--
Gain on disposal of fixed assets	3,800	--
Others	4,471	10,809
	-----	-----
	9,850,183	6,962,229
	=====	=====

18. ADMINISTRATIVE AND OPERATING EXPENSES

Salaries, allowances and staff benefits	2,130,081	1,420,320
Remuneration of chief executive, directors and other executives (Note 21)	2,133,404	2,521,211
Rent expenses	354,000	608,133
Traveling and conveyance	509,940	267,306
Vehicle running expenses	382,385	391,118
Electricity and gas charges	281,300	324,093
Telephone and telex	287,179	185,497
Insurance	288,462	267,235
Fees, subscriptions and periodicals	111,131	141,255
Printing and stationery	74,589	80,000
Legal and professional charges	268,063	360,217
Auditors' remuneration (Note 18.1)	220,000	465,000
Repairs and maintenance	194,480	150,588
Entertainment expenses	120,911	134,385
Depreciation	1,742,611	1,901,696
Share registrar services	240,080	240,000
Amortization of deferred costs	891,227	891,227
Advertisement	15,360	55,130
Property tax	40,012	36,655
Donations (Note 18.2)	12,000	12,000
Provision for diminution in value of investments	--	768,190
Zakat	1,968	--
Gratuity	380,507	300,387
Miscellaneous	147,550	281,238
	-----	-----
	10,827,240	11,802,881
	=====	=====

18.1 Auditors' remuneration

	<i>Khalid Majid Hussain Rahman</i>	<i>Rahim Iqbal Rafiq & Co.</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Audit fee	42,500	42,500	85,000	85,000
Fee for taxation services	--	--	--	360,000
Accountancy services	40,000	--	40,000	--
Fee for special audit - 98	30,000	--	30,000	--
Fee for special audit - 99	35,000	--	35,000	--
Out-of-pocket expenses:				
- Statutory	10,000	10,000	20,000	--

- Special	12,000	--	12,000	20,000
	-----	-----	-----	-----
	169,500	52,500	222,000	465,000
	=====	=====	=====	=====

18.2 Donations

Donations do not include any amount paid to any person or organization in which the chief executive, directors or their spouses have any interest.

19. FINANCIAL CHARGES

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
Finance charges under lease obligations	80,957	169,898
Mark-up on short-term running finance	3,641,199	3,434,364
Bank charges	12,722	24,032
Lease processing fee	--	5,820
Central excise duty	--	1,836
	-----	-----
	3,734,878	3,635,450
	=====	=====

20. PROVISION FOR TAXATION**Current**

- For the year	87,964	1,175,932
- For prior year	287,965	34,962
	-----	-----
	375,929	1,210,894
	=====	=====

21. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND OTHER EXECUTIVES

	<i>1999</i>			<i>1998</i>		
	<i>Chief Executive</i>	<i>Director</i>	<i>Executives</i>	<i>Chief Executive</i>	<i>Director</i>	<i>Executives</i>
	<i>Rupees</i>			<i>Rupees</i>		
Managerial remuneration	522,000	192,000	608,000	660,000	312,000	492,000
Housing and utility	294,720	108,000	342,000	432,536	206,610	338,218
Expenses reimbursed	15,917	5,246	45,521	23,078	11,777	44,992
	-----	-----	-----	-----	-----	-----
	832,637	305,246	995,521	1,115,614	530,387	875,210
	=====	=====	=====	=====	=====	=====
	1	1	4	1	1	3

21.1 The chief executive, director and other executives are provided with free use of company maintained cars. In addition, the chief executive is also entitled to reimbursement of salaries of house keeping staff and use of mobile telephone.

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

22. EARNINGS PER SHARE

- Basic

Numerator:		
(Loss)/profit after tax (Rupees)	(9,047,150)	4,513,711
Denominator:		
Weighted average number of shares		
Outstanding during the year	11,000,000	11,000,000
Basic earnings per share (Rupees per share)	(0.82)	0.41

- Diluted

Diluted earnings per share is not applicable as the corporation has not issued any instrument that would have an impact on earning per share when exercised.

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

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following items:

Cash and bank balances	146,741	2,422,011
Short-term running finance	(17,252,749)	(18,543,806)
	-----	-----
	(17,106,008)	(16,121,795)
	=====	=====

24. DEFERRED TAXATION:

Deferred taxation arising due to timing differences between accounting and income tax revenue computed under liability method is estimated at Rs. 9.71 million (1998: Rs. 11.88 million).

The liability for deferred taxation is not likely to reverse in the foreseeable future. However, in accordance with the circular no. 16 dated September 09, 1999 issued by the Securities and Exchange Commission of Pakistan, an amount of Rs. 2.28 million has been transferred to Capital Reserve under "Reserve for deferred taxation"

Unprovided liability for deferred taxation is Rs. 7.43 million.

25. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk that one party one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The corporation attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter parties and continuously assessing the credit worthiness of counter parties.

Corporation 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 rules and regulations issued by State Bank of Pakistan and Securities and Exchange Commission of Pakistan.

Concentration of credit risk arise when number of counter parties are engaged in similar business activities, or have similar economic feature that would cause their ability to meet contractual obligation to be similarly affected by changes in economic, political conditions.

Maximum credit risk in respect of Net Investment in Finance Lease is to the extent of the amount provided as allowance for potential lease losses.

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

<i>Sector</i>	<i>Exposure</i>	<i>Percentage</i>
Cement	36,067,186	46.77
Food and allied	10,716,938	13.90
Paper boards	6,595,081	8.55
Energy fuel	5,569,396	7.22
Service sector	4,968,964	6.44
Textiles	4,169,860	5.40
Individuals	3,277,856	4.25
Sugar	2,192,248	2.84
Consumer Goods	1,569,770	2.04
Others	1,993,776	2.59
	77,121,075	100.00

In addition the company has invested certain fund in listed securities and musharika as mentioned in notes 10, 12 and 13.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS:

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms length transaction. The Corporation prepares its financial statements under the historical cost convention, however, the estimated fair value of financial instruments are not significantly different from their book values except for long term investments.

27. INTEREST / MARKUP RATE RISK MANAGEMENT:

(a) The Corporation manages this risk by matching the repricing of assets and liabilities. The Corporation's interest / markup rate sensitivity position, based on the earlier of contractual repricing or maturity dates, is as follows:

	<i>INTEREST/MARK-UP RATE SENSITIVITY EXPOSED</i>				<i>TOTAL</i>
	<i>LESS THAN ONE MONTH</i>	<i>ONE MONTH TO ONE YEAR</i>	<i>OVER ONE YEAR</i>	<i>TO INTEREST/ MARK-UP RATE RISK</i>	
FINANCIAL ASSETS:					
Net investment in finance leases	32,792,121	12,121,003	19,498,869	--	63,411,993
Long term investments	--	--	--	1,392,400	1,392,400
Long term deposits	--	--	--	270,000	270,000

Short term investments	--	--	--	857,722	857,722
Short term musharika investments	--	43,256,358	--	--	43,256,358
Advances deposits & other receivables	--	4,434,215	--	22,115,788	26,449,058
Cash and bank balances	--	--	--	146,741	146,741
	-----	-----	-----	-----	-----
	32,792,121	59,811,576	18,498,869	24,782,651	135,784,272
	=====	=====	=====	=====	=====
FINANCIAL LIABILITIES:					
Obligations under finance leases	--	28,953	--	--	28,953
Deferred liability	--	--	--	559,536	559,536
Long term deposits	--	--	--	11,028,102	11,026,102
Short term running finance	17,252,749	--	--	--	17,252,749
Accrued and other liabilities	--	--	--	872,884	872,884
Unclaimed dividend	--	--	--	2,600	2,600
	-----	-----	-----	-----	-----
	17,252,749	28,953	--	12,461,122	29,742,824
	-----	-----	-----	-----	-----
On - balance sheet gap (a)	15,539,372	59,782,623	18,498,869	12,321,529	106,041,448
	=====	=====	=====	=====	=====
Cummulative Interest rate sensitivity gap					
1999 Rupees	29,253,454	59,782,623	18,498,869		
	=====	=====	=====		

(b) The effective interest/mark-up rate for financial assets and liabilities are as follows:

Percentage

FINANCIAL ASSETS

Net investment in finance leases	21.99
Short term musharika investments	22.00
Advances, deposits and other receivables	
receivable	23.00

FINANCIAL LIABILITIES

Obligation under finance lease	20.35
Short term running finance	19.16

28. NUMBER OF EMPLOYEES

Number of employees at the year end is 42 (1998: 80).

29. CORRESPONDING FIGURES

The corresponding figures have been re-arranged wherever necessary for the purpose of comparison.

S. M. Shabbir Shah
Chief Executive

Amir Saeed
Director

PATTERN OF SHAREHOLDING AS AT JUNE 30, 1998

<i>S.No.</i>	<i>NO. OF SHARE HOLDER</i>	<i>SHAREHOLDING</i>		<i>TOTAL SHARES HELD</i>
		<i>FROM</i>	<i>TO</i>	
1.	37	101	500	18,400
2.	3	501	1,000	3,000
3.	10	1,001	5,000	40,500
4.	24	5,001	10,000	208,500
5.	26	10,001	15,000	373,000
6.	27	15,001	20,000	532,500
7.	31	20,001	25,000	773,000
8.	16	25,001	30,000	477,000
9.	7	30,001	35,000	245,000
10.	10	45,001	50,000	500,000
11.	1	95,001	100,000	100,000
12.	1	115,001	120,000	120,000
13.	1	245,001	250,000	250,000
14.	1	295,001	300,000	300,000
15.	1	495,001	500,000	500,000
16.	1	510,001	515,000	512,400
17.	1	520,001	525,000	520,100
18.	1	690,001	695,000	692,800
19.	1	710,001	715,000	712,800
20.	1	910,001	915,000	912,800
21.	1	1,285,001	1,290,000	1,288,300
22.	1	1,915,001	1,920,000	1,919,900
	----- 203 =====			----- 11,000,000 =====

NOTE: The slabs not applicable have not been shown.

CATEGORIES OF SHAREHOLDERS

<i>Categories of Shareholders</i>	<i>Number</i>	<i>Shares Held</i>	<i>Percentage</i>
INDIVIDUAL	194	3,690,900	33.554
JOINT STOCK COMPANIES	2	2,432,300	22.112
MODARABA COMPANIES	3	1,925,700	17.506
INVESTMENT COMPANIES	4	2,951,100	26.828
	----- 203 =====	----- 11,000,000 =====	----- 100.000 =====