

Atlas Leasing Limited Annual Report 1999

Contents

Notice of Meeting
Corporate Data
Directors' Report
Chairman's Review
Pattern of Shareholding
Decade at a glance
Graphic Presentation
Auditors' Report
Balance Sheet
Profit and Loss Account
Cash Flow Statement
Notes to the Accounts
Atlas Group Companies

NOTICE OF MEETING

Notice is hereby given that the Twelfth Annual General Meeting of the members of ATLAS LEASE LIMITED will be held on Wednesday, December 22, 1999 at 10.30 a.m. at Registered Office of the Company at Federation House, Sharae Firdousi, Clifton, Karachi to transact the following business:

ORDINARY BUSINESS :

1. To confirm the Minutes of the Eleventh Annual General Meeting held on December 14, 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 appoint Auditors and fix their remuneration for the year ending June 30, 2000. The present Auditors Mr. Ford, Rhodes, Robson, Morrow, Chartered Accountants, retire and being eligible, offer themselves for reappointment.

SPECIAL BUSINESS:

4. To approve the issue of Bonus Shares @ 15% for the year ended June 30, 1999 as recommended by the Board of Directors and in this regard to pass with or without modifications the relative Ordinary Resolution.
5. To approve the issue of Right Shares @ 50% at par as recommended by the Board of Directors and in this regard to pass with or without modifications the relative Special Resolution.
6. To approve the remuneration of the Chief Executive of the Company as recommended by the Board of Directors.

OTHER BUSINESS:

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

A statement under section 160 (1) (b) of the Companies Ordinance, 1984 pertaining to the Special Business referred to above is annexed to this Notice of Meeting.

By Order of the Board
MUHAMMAD RAFIQUE UMER
Company Secretary

Karachi: November 12, 1999

NOTES :

- i) The Register of Members of the Company will remain closed from 11/12/1999 to 17/12/1999 (both days inclusive). Transfers received in order at the Registered Office of the Company at the close of business on December 10, 1999 will be treated in time for the purpose of entitlement of Bonus and Right shares.
- ii) A member entitled to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote on his / her behalf. The instrument appointing a Proxy and the power of attorney or other authority under which it is signed or a notationally certified copy of the power of attorney must be received at the Registered Office of the Company duly stamped, signed and witnessed not later than 48 hours before the meeting.
- iii) Shareholders whose shares are deposited with Central Depository System (CDS) are requested to bring their National Identity Card (NIC) alongwith their Account Number in CDS for verification.
- iv) Members are requested to notify any change in their addresses immediately.

CORPORATE DATA

BOARD OF DIRECTORS :

CHAIRMAN

Mr. Yusuf H. Shirazi

CHIEF EXECUTIVE

Mr. Khaleeq-ur-Rahman Khan

MEMBERS

Dr. Amjad Waheed
Mr. Masaroni Okuda
Mr. Muhammad Shafi
Mr. Sanoullah Qureshi
Mr. Saqib H. Shirazi
Mr. Talat Mahmood
Mr. Toshiki Miyazaki

COMPANY SECRETARY

Mr. Muhammad Rafique Umer

GROUP EXECUTIVE COMMITTEE:

CHAIRMAN

Mr. Yusuf H. Shirazi

MEMBERS

Mr. Jawaid Iqbal Ahmed
Mr. Farahin Ali Khan
Mr. Ifikhar H. Shirazi
Mr. Aamir H. Shirazi
Mr. Saqib H. Shirazi

SECRETARY

LEGAL ADVISORS :

Mohsin Tayebaly & Co.

BANKS & LENDING INSTITUTIONS:

BANKS:

ABN AMRO Bank
Allied Bank of Pakistan Limited
Askari Commercial Bank Limited
Faysal Bank Limited
Habib Bank AG Zurich
Habib Bank Limited
Muslim Commercial Bank Limited
The Bank of Tokyo-Mitsubishi, Limited
The Hongkong and Shanghai
Banking Corporation Limited

LENDING INSTITUTIONS :

Al-Faysal Investment Bank Limited
Asian Development Bank (ADB)
Commonwealth Development Corporation (CDC)
German Investment and Development Co.(DEG)
International Finance Corporation (IFC)
Netherlands Development Finance Co. (FMO)
Pakistan Kuwait Investment Co., (Pvt.) Limited

REGISTERED OFFICE & HEAD OFFICE :

Federation House, Sharae Firdousi,
Clifton, Karachi - 75600
Tel : (92-21) 5866817 - 20, 5866919 - 20
Fax : (92-21) 5870543

Mr. Amjad Hussain

E-mail: all@atlasgrouppk.com

GROUP PERSONNEL COMMITTEE:

CHAIRMAN

Mr. Yusuf H. Shirazi

GROUP AUDIT COMMITTEE :

CHAIRMAN

Mr. Samuallah Qureshi

AUDITORS:

Ford, Rhodes, Robson, Morrow
Chartered Accountants

BRANCH OFFICES :

LAHORE OFFICE :

1st Floor, Emirates Bank Building,
14- Egerton Road, Lahore
Tel: (92-42) 6366170 - 74,6364941,
6305439, 6305449
Fax: (92-42) 6365058

ISLAMABAD OFFICE:-

2nd Floor, Saudi Pak Tower,
Blue Area, Islamabad
Tel: (92-51) 824906, 824909
Fax: (92-51) 821377

DIRECTORS' REPORT

The Directors have pleasure in submitting Annual Report of the Company together with the Audited Accounts and the Auditors' Report thereon for the year ended June 30, 1999.

| Financial Results: | 1999 Rupees | 1998 Rupees |
|--|----------------|----------------|
| Net profit for the year after charging all expenses and doubtful debts | 25,311,230 | 19,712,909 |
| Previous profit brought forward | 205,691 | 4,213,954 |
| Profit available for appropriation | 25,516,921 | 23,926,863 |
| Appropriations: | | |
| Transfer to statutory reserve | 5,062,246 | 3,942,582 |
| Transfer from general reserve for deferred taxation | (14,740,000) | -- |
| Transfer to capital reserve for deferred taxation | 24,440,000 | -- |
| Transfer to reserve for issue of bonus shares | 9,956,914 | -- |
| Transfer to general reserve | -- | 4,000,000 |
| Cash dividend | -- | 15,778,590 |
| | 24,719,160 | 23,721,172 |
| Unappropriated profit carried forward | 797,761 | 205,691 |

Dividend:

The Directors are pleased to recommend a stock dividend / issuance of bonus shares in proportion of three (3) shares for every twenty (20) shares held, i.e. 15% out of current year's profit and premium on shares account.

Chairman's Review:

The accompanying Chairman's Review deals with the performance of the Company during the year and future outlook. The Directors of the Company endorse the contents of the review.

Pattern of Shareholding:

The pattern of shareholding of the Company is annexed.

Auditors:

The present Auditors Messrs Ford, Rhodes, Robson, Morrow, Chartered Accountants, retire and being eligible, offer themselves for reappointment.

for and on behalf of

BOARD OF DIRECTORS

SANAULLAH QURESHI

Director

KHALEEQ-UR-RAHMAN KHAN

Chief Executive

YUSUF H. SHIRAZI

Chairman

Karachi: November 12, 1999

CHAIRMAN'S REVIEW

I am pleased to present the Twelfth Annual Report of your Company for the year ended June 30, 1999.

THE ECONOMY

The adverse backlash of the nuclear explosions of last year was quite marked as the economy witnessed a continuous slump during the year under review. The first half was completely dominated by the effects of the sanctions imposed by the world financial and other institutions with respect to inflow of foreign loans and aid packages. The foreign currency reserves hit rock bottom as the country slipped into a worst ever economic crisis with almost no investment taking place in the country. The economy was also affected by the slow down of the global economic activity particularly in South East Asia.

During the second half of the year under review, things however began to look better with the easing of sanctions and the successful negotiation of the Government with the foreign donors and lending agencies which resulted in rescheduling of existing debts and the resumption of fresh funds inflow. The Government also embarked on the path of adjustment and reforms and a series of wide ranging measures were taken; these included rolling back of several measures taken after the economic sanctions. However, before the economy could actually get back on the track to recovery, the momentum was hampered by the worsening of the Indo-Pak relationship due to the Kargil conflict.

The GDP registered a meager growth of 3.1% during the year as against 4.3% of last year. Exports were 11.7% lower than last year. Value addition in the manufacturing sector was also below expectations at 4.7% during the year as

against an impressive 7.9% last year. The economic sanctions, discouragement of imports, uncertain economic environment and lower demand for exports due to global economic recession adversely affected the growth in this sector. The agricultural sector also suffered a set back due to unfavorable weather conditions. It registered a paltry growth of 0.35% as against 3.8% of the previous year. National savings declined to 11.1% of GNP as compared with 14.2% last year. Only the service sector showed improvement: it recorded a growth of 4.1% compared to a growth of 3.2% during the previous year. Net foreign private investment inflows stood at US\$ 300.7 m during July-March, 1998-99 as against US\$ 639.9 m in the comparable period last year, a sizeable decline indeed.

MONETARY DEVELOPMENTS

At the beginning of the year, the State Bank of Pakistan introduced a dual exchange rate in an attempt to stabilize the exchange rate.

The aim was to preserve foreign exchange reserves as well as to force the liquidation of frozen foreign currency accounts. During the second half of the year, the government, however, announced unification of rates for both foreign currency deposits and trade finance. This was handled through a newly introduced inter bank rate mechanism.

During the first half of the year, the State Bank of Pakistan also placed a moratorium on the repayment of foreign loans by the private sector. This caused a serious situation which was later alleviated when permission for remittances was re-allowed in December 1998 at the inter bank rate.

During most of the year, the stock market remained under pressure with the index starting at 863.17 points on July 1, 1998, and touching the lowest mark of 765 points later in the same month. The index reached a high of 1416 points in May 1999 and came back to 1054 points at the end of June 1999.

WORLD REGULATORY ORGANIZATIONS

The business activity is directly related to the national business environment. Leasing plays a critical role in the financial sector of the economy particularly. Being a signatory to the World Trade Organization (WTO), Pakistan, in this respect, is obliged to make certain changes in the laws relating to Trade Policy, custom valuation and other trade related matters which are affecting ' country's local trade, finance and industry. These changes basically aim at further liberalization of trade and are to be implemented from this year. These will have a great bearing on the leasing business too. The Ministry of Commerce, Government of Pakistan, is of the view that a major change is expected in the concessionary regime replacing it with the tariff incentives driven regime which may affect local trade and industry as it is and, as such, the leasing industry also as it is!

(It so happens when friends turn unfriendly!)
Yae Kahan Kee Dosti Hay Kaa Banay Hayan Dost Nasa

This agreement was signed by the Ministry of Commerce on behalf of the Government of Pakistan. Obviously, neither any debate was carried out, nor any consultation made which is the norm in such major decisions. In most countries of the world, private sector is associated with such decision making of great importance. No such due diligence was made at any quarters. The private sector did not even know that such an agreement was signed-in 1995 !. On the contrary, the private sector was, at the same time, being encouraged to invest and, in fact, coerced with compulsory localization programs involving huge investment having serious repercussions without a concessionary regime.

However, the Ministry of Industries, Government of Pakistan, duly supported by an expert view on WTO, believe on continuing with the existing policy. The Ministry has thus approached the WTO in this respect. The Ministry's approach, if implemented, will have a far-reaching effect on the trade and other related industries as a whole, and consequently would benefit the leasing industry. Some countries have recently obtained such extensions and exceptions. Whatever the case, there is a need to protect the huge investment made in this behalf in the industry, the local trade and services as well as other related initiatives, in the larger interest of the country.

It is generally felt by the industrial and various trade bodies also that Pakistan like other developing countries should take up such matters that hurt its industry, trade and services at the next round of WTO multilateral trade negotiations particularly as according to Andy Rowel, a well known economic writer "WTO represents 1% of 1 (0.01%) of the richest corporations and individuals in

the world and last decade saw increase of wealth 70 to 85% in the richest 20 countries as against 2% decline in the 20 poorest countries of the world". The World Bank Chief, James Wolfensohn, further reinforces to say "...the searing image of desperation, hopelessness and decline - of people who once had hope, but will have it no more..." if the present globalization of economy - though IMF and WTO imperatives persists in its present form!

Further, The Wall Street Journal of November 12-13, 1999 in its editorial wrote "... Michel Camdessus has given us all something serious to talk about ...-Not least is just what is the proper role of the International Monetary Fund in the past year, individuals calling for the abolition of the IMF have included George Shultz, William Simon and Walter Wriston their utter seriousness about maintaining a sound system of global finance and trade the truth is that the IMF, in its current exalted incarnation, deserves a sober reassessment from its primary funding members of its ability to perform that function The IMF also needs to get rid of its bias toward devaluation, which is supposed to "revive" exports even as the inevitable, resulting inflation quickly diminishes the resident population's incomes and assets. Impoverishing people in this way is morally indefensible and politically unsustainable"

All this needs a thoughtful consideration in the interest of world economy, itself.

THE LEASING INDUSTRY

The year under review remained difficult for the leasing industry. This was mainly due to economic slowdown and default culture. The overall lease disbursement in the industry dropped by approximately 2.5% to Rs. 9.9 billion from Rs. 10.15 billion in 1997-98. Your company, on the other hand, improved its market share by 0.87% to hold 6.22% as its share in the lease disbursement during 1998-99.

Regulatory issues also had a negative impact on the depressing state of affairs. The Central Excise Duty (CED) levied in June 1996 was withdrawn in June 1997, yet the demand was raised by the Excise Department. The concerned leasing companies contested it but ultimately had to pay. The matter of allowing depreciation of vehicles with the enhanced limit of Rs.1.0 m is still pending and has been taken up with the authorities at the forum of Leasing Association of Pakistan. For other matters like enhancement of paid up capital, a committee comprised of representatives of Securities and Exchange Commission of Pakistan (SECP) and leasing companies has been formed to look into the matter.

On the other hand, it is encouraging to note that the Government has resolved a few other issues favorably. The leasing companies were declared exempt by the Central Board of Revenue from levy of 10% income tax on reserves in excess of 50% of their paid up capital. In the matter of Deferred Taxation, the SECP has advised to start providing for deferred tax liability every year. This is a prudent step to strengthen the Balance Sheet of the leasing companies. The companies have been allowed to make up the deficiency in deferred tax provision within five years.

The leasing sector has taken a turn towards the betterment. Majority of the leasing companies have started to focus on BMR requirement of the industry as well as financing small ticket consumer leases. This has also developed higher competition among the leasing companies in the rates being offered to the consumers.

THE COMPANY'S RESULTS

During the year under review, lease disbursement of Rs. 616.36 m was made, up 13.22% from last year. Net investment in lease finance as on June 30, 1999 amounted to Rs. 1,910.08 m, by no means a small amount ! The lease portfolio comprised of 66.67% in machinery, 29.30% in vehicles and 4.03% in office equipment. The sectoral exposure as on June 30, 1999, was fairly diversified and comprised of 10.64% in Services followed by 10.18% in Textile Spinning, 9.25% in Steel, Engineering & Automobiles, 8.90% in Chemicals, Fertilizers & Pharmaceuticals, 8.83% in Cement, 6.66% in Food, Tobacco & Beverages, 6.51% in Consumer, 6.32% in Electrical & Electronic Goods, 5.25% in Textile Weaving / Knitting, etc. This is quite a diversified portfolio in the current situation.

Gross revenue during the year amounted to Rs. 341.09 m, compared to Rs. 339.35 m of the previous year, up 0.51%. Financial charges amounted to Rs. 255.53 m after taking effect of refund of Rs. 11.01 million received from the State Bank of Pakistan in respect of Rs. 17.56 m, paid during the year 1996-97, on account of late payment of exchange risk fee. These charges were slightly lower by 0.49% as compared

with Rs. 256.78 m of the previous year. Administrative expenses rose by 12.45% to Rs. 38.85 m from Rs. 34.55 m. Provision for doubtful debts amounted to Rs. 15.44 m compared to Rs. 5.18 m last year. Cumulative provision for doubtful debts amounted to Rs. 56.54 m which is 2.96% of net investment in lease finance. This provision may be sufficient if the present default culture countrywide does not persist. Your company has however been suspending income on non-performing leases.

The profit before tax for the year amounted to Rs. 23.74 m compared to Rs. 34.36 m last year. After reversing the liability of Rs. 5.5 m provided for deferred tax in the previous year and providing for current taxation liability of Rs. 3.92 m, the

profit after tax for the year amounted to Rs. 25.31 m as compared to Rs. 19.71 m of the previous year. On account of deferred tax liability an amount of Rs. 24.44 m was appropriated in the year under review which comprised of Rs. 14.74 m, being one-fifth of the deferred tax liability of Rs. 73.72 m of the previous years and Rs 9.7 m for current year as per the requirement of SECP. The remaining provision will be made in the next four years as required.

The Return on Equity (ROE) improved to 10.41% from 9.05 % in the previous year, which is quite comparable with the industry average. Likewise is the Earning per Share (EPS), which improved to Rs.2.41 from Rs. 1.87 last year.

A sum of Rs.15.35 m was paid to the exchequer during the period under review by way of tax deducted at source and turn over tax. On cumulative basis, a sum of Rs. 139.77m has been paid to the exchequer on these two accounts.

PAYOUT AND RIGHT ISSUE

Your Board has recommended issue of Bonus shares @ 15% and Right shares @ 50% at par. The issue of right shares will not only enhance the company's borrowing capacity but will also result in increasing the level of business with the existing customers having excellent track record.

The company was setup in 1989 with a paid up capital of Rs. 20.0 m which has grown to Rs. 105.19 m. The total equity stands at Rs. 243.02 m which includes reserves and un-appropriated profit of Rs.137.83 m. During this period your company made right issues at par of Rs. 30.0 m in 1990 and Rs. 33.27 m in 1995. It has paid cash dividend of Rs. 54.76 m and Bonus at Rs. 32.33 m (market value Rs. 90.52 m) against the shareholders investment of Rs. 94.46 m or 92.20 % of the amount invested.

CREDIT RATING

Pakistan Credit Rating Agency maintained rating of your company at "A2" and "A-" for short term and long term respectively which denote a low expectation credit risk and strong capacity of timely payment of financial commitments.

FUNDING

Despite tight liquidity in the money market that remained during major part of the year and scarcity of long-term funds, funding position of your company during the period under review remained satisfactory. The company managed to avail credit lines of Rs. 150 million from Habib Bank Limited, Rs. 50 million from Askari Commercial Bank Limited and Rs. 10 million from Allied Bank of Pakistan Limited.

Further, your company has initiated to raise funds through TFC to the tune of Rs. 200 million. The instrument has already been rated 'A' by PACRA, but the same was not floated during the year. Though institutional investors in TFC were allowed exemption from withholding tax, still issuing TFC at this point of time was not found to be viable due to high rates and ancillary costs. However, all formalities pertaining to the issue have been completed and we will go ahead with it, if needed. In the mean time, the company opted to take opportunity of borrowing at lower rates mostly during the last quarter of the financial year when local financial institutions were having excess liquidity.

We do not foresee any problem in raising the necessary funds.

HUMAN RESOURCE

The Group Personnel Committee headed by the Chairman is continuously working to make personnel policies, which will carry forward to the new millennium. The Group, of which your company is a constituent member, believes that it is through motivated employees that the company can sustain growth.

The Group further believes in that it is the intellectual capital, which leads to good governance. Human resource development thus has been the hallmark of the Group. Furthering that cause the Group further engaged Hay's management consultants for job evaluations to enable the Group to restructure, among others, compensation to employees according to their contribution in meeting the company's objectives. Performance bonus has been introduced as also Group medical scheme for self and families.

Your company started with a staff of 6 persons in 1989. The number has now increased to 54 persons by June 30, 1999. Our emphasis has always been on hiring well qualified and well paid fewer staff. At this point of time, they include a Chartered Accountant, 16 MBAs, 5 Postgraduates and 19 Graduates at three locations, at Karachi, Lahore and Islamabad.

Three employees earned Long Service Awards during 1999-2000.

CHANGE IN BOARD OF DIRECTORS

Mr. Razi-ur-Rahman Khan, on relinquishing charge as Chairman and Managing Director of NIT, resigned from the Board and was replaced by Dr. Aamjad Waheed, Head of Asset Management, NIT. May I place on record appreciation for the contribution made by outgoing Director and welcome incoming Director on the Board and look forward to his support in managing the affairs of your Company.

YEAR 2000 COMPLIANCE

Since your Company deals with its lenders and customers for medium to long term, it is well aware of year 2000 problems. It has made adequate arrangements in its software and hardware installations so that millennium bug does not affect its operations. We are also in the process of inquiring and evaluating the level of compliance by our customers, suppliers and lenders.

FUTURE OUTLOOK

Globalization of the economy, as it is, is being widely questioned. It thus needs harmonization in the interest of the world economy as a whole.

The next WTO meeting being held in Seattle, USA must address this issue and I hope developing countries generally and Pakistan particularly will be able to benefit from global initiatives duly dovetailed with national priorities. The Government has encouraged a team of representatives of the private sector to join these discussions with their official delegations for the deliberation at the WTO's next meeting in USA.

Internally, the future prospects of the entire leasing industry and your company depend on economic revival in the country. However, with the needed assistance from international lending agencies and sound and serious economic policies of the government, we can perceive a moderate growth in economy and increase in corporate activities. Our focus will remain on slow but stable growth as well as improving the quality of financing, speed-up recovery of stuck-up payments, ensuring comfortable liquidity and rationalizing the overall expense base. I believe that your Company is well positioned to face these challenges of the - new millennium and maintain the growth rate if not improve upon it!.

(In self-reliance lies the survival!)

ACKNOWLEDGMENT

I thank the Board of Directors, Group Executive Committee members, the Chief Executive Officer, Mr. Khaleeq-ur-Rahman Khan, and his team for their commitment, dedicated efforts and valuable contribution. I also thank our valued clients and financial institutions and place on record my gratitude to the State Bank of Pakistan, Securities and Exchange Commission of Pakistan and the Central Board of Revenue for their support and guidance.

I am also thankful to the shareholders for the confidence reposed in the company.

YUSUF H. SHIRAZI

PATTERN OF SHAREHOLDING AS AT JUNE 30, 1999

| Number of Shareholders | Shareholding | | To | Total Shares Held |
|------------------------|--------------|----|--------|-------------------|
| | From | To | | |
| 60 | 1 | -- | 100 | 3,968 |
| 42 | 101 | -- | 500 | 12,797 |
| 36 | 501 | -- | 1,000 | 31,704 |
| 59 | 1,001 | -- | 5,000 | 140,018 |
| 5 | 5,001 | -- | 10,000 | 43,872 |
| 3 | 10,001 | -- | 15,000 | 33,935 |
| 2 | 15,001 | -- | 20,000 | 36,800 |
| 1 | 20,001 | -- | 25,000 | 22,959 |
| 1 | 25,001 | -- | 30,000 | 26,406 |
| 1 | 50,001 | -- | 55,000 | 55,000 |

| | | | | |
|------------|--------------|----|-----------|-------------------|
| 1 | 90,001 | -- | 95,000 | 93,749 |
| 2 | 150,001 | -- | 155,000 | 305,878 |
| 1 | 175,001 | -- | 180,000 | 175,125 |
| 1 | 220,001 | -- | 225,000 | 225,000 |
| 1 | 265,001 | -- | 270,000 | 265,143 |
| 1 | 275,001 | -- | 280,000 | 280,000 |
| 1 | 295,001 | -- | 300,000 | 300,000 |
| 1 | 435,001 | -- | 440,000 | 435,461 |
| 1 | 440,001 | -- | 445,000 | 442,557 |
| 1 | 510,001 | -- | 515,000 | 512,825 |
| 1 | 535,001 | -- | 540,000 | 536,560 |
| 4 | 840,001 | -- | 845,000 | 3,364,083 |
| 1 | 885,001 | -- | 890,000 | 888,442 |
| 1 | 2,285,001 | -- | 2,290,000 | 2,286,778 |
| 228 | TOTAL | | | 10,519,060 |

The slabs representing NIL holding have been omitted.

| S. No. | Categories of Shareholders | Number of Shareholders | Number of Shares held | Percentage of Shares held |
|--------------|----------------------------|------------------------|-----------------------|---------------------------|
| 1. | Individuals | 207 | 5,332,878 | 50.70 |
| 2. | Investment Compa | 2 | 446,801 | 4.25 |
| 3. | Insurance Compani | 1 | 93,749 | 0.89 |
| 4. | Joint Stock Compa | 9 | 58,680 | 0.56 |
| 5. | Financial Instituo | 5 | 2,707,692 | 25.74 |
| 6. | Modaraba Compani | 1 | 11,701 | 0.11 |
| 7. | Foreign Companies | 3 | 1,867,559 | 17.75 |
| TOTAL | | 228 | 10,519,060 | 100.00 |

DECADE AT A GLANCE

| | 1999 | 1998 | 1997 | 1996 | 1995 | (Rupees in million) | | | | |
|---------------------------------|----------|----------|----------|----------|----------|---------------------|---------|---------|---------|---------|
| | | | | | | 1994 | 1993 | 1992 | 1991 | 1990 |
| FINANCIAL POSITION | | | | | | | | | | |
| Authorized Capital | 20,000 | 200,000 | 20,000 | 200,000 | 10,000 | 10,000 | 100,000 | 100,000 | 100,000 | 50,000 |
| Paid-up Capital | 105.19 | 105.19 | 105.19 | 105.19 | 10,519 | 66.55 | 60.50 | 55.00 | 50.00 | 20.00 |
| Number of Shares issued | 10,52 | 10,52 | 10,52 | 10,52 | 666 | 6.05 | 5.50 | 5.00 | 5.00 | 2.00 |
| Reserves & Surplus | 137.83 | 112.51 | 108.58 | 90.86 | 59.08 | 39.58 | 26.90 | 1,920 | 9.82 | 1.23 |
| Shareholders' Equity | 243.02 | 217.70 | 213.77 | 196.05 | 125.63 | 100.08 | 81.90 | 69.20 | 59.82 | 2,123 |
| Long Term Loans-Foreign | 923.79 | 1,107.14 | 1,226.45 | 746.46 | 815.64 | 601.40 | 461.17 | 131.32 | - | 1 |
| Long Term Loans-Local | 16,645 | 61.10 | 10.56 | 3.740 | 95.33 | 43.44 | 47.98 | 70.00 | 20.00 | - |
| Certificates of Investment | 319.50 | 275.00 | 275.00 | 33,632 | 8,081 | 10.92 | 98 | - | - | - |
| Operating Fixed Assets | 1,700 | 14.30 | 1,620 | 1,751 | 1,383 | 13.76 | 9.73 | 5.86 | 3.26 | 283 |
| Net Investment in Lease Finance | 1,910.08 | 1,874.10 | 1,849.13 | 1,659.58 | 1,269.81 | 973.03 | 740.02 | 55,189 | 305.01 | 106.73 |
| Total Assets | 2,203.23 | 211,457 | 2,206.17 | 180,466 | 1,402.64 | 1,018.56 | 81,008 | 569.06 | 31,065 | 114.44 |
| OPERATING POSITION | | | | | | | | | | |
| Lease Disbursements | 616.36 | 544.41 | 587.04 | 71,369 | 610.42 | 493.57 | 396.69 | 376.83 | 250.13 | 118.97 |
| Income from leasing operations | 311.92 | 317.76 | 317.42 | 273.81 | 20,414 | 159.52 | 130.93 | 82.03 | 36.81 | 985 |
| Total Revenue | 341.09 | 339.35 | 324.70 | 285.87 | 215.03 | 169.88 | 132.69 | 8,296 | 37.12 | 11.02 |
| Total Expenses | 317.35 | 304.99 | 300.07 | 24,269 | 181.65 | 143.54 | 111.91 | 68.57 | 28.54 | 9.17 |
| Profit Before Taxation | 23.74 | 34.36 | 24.63 | 4,318 | 3,338 | 26.34 | 1,439 | 1,439 | 8.58 | 185 |
| Profit After Taxation | 25.31 | 19.71 | 17.72 | 4,173 | 3,221 | 24.23 | 18.20 | 14.39 | 8.58 | 185 |
| Earning per share (Rs.) | 2.41 | 1.87 | 1.68 | 3.97 | 4.84 | 4.00 | 3.31 | 2.88 | 1.72 | 0.93 |
| Return on Equity (%) | 10.41 | 905 | 8.29 | 21.29 | 25.64 | 24.21 | 22.22 | 2,079 | 14.34 | 8.71 |
| Break-up value per share (Rs.) | 23.10 | 20.70 | 20.32 | 18.64 | 1,888 | 16.54 | 14.89 | 13.84 | 11.96 | 10.62 |
| DISTRIBUTION | | | | | | | | | | |
| Cash Dividend | -- | 15.00% | -- | 15.00% | 10.00% | 10.00% | 10.00% | 1000% | -- | -- |
| Stock Dividend | 15.00% | -- | -- | -- | -- | 10.00% | 10.00% | 1000% | -- | -- |
| Total | 15.00% | 15.00% | - | 15.00% | 10.00% | 20.00% | 20.00% | 20.00% | -- | -- |
| RIGHT ISSUE | 50.00% | -- | -- | -- | 50.00% | -- | -- | -- | -- | 150.00% |

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ATLAS LEASE LIMITED as at June 30, 1999 and the related profit and loss account and 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, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the 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 of the cash flows 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.

Karachi - **FORD, RHODES, ROBSON, MORROW**
November 12, 1999 Chartered Accountants

BALANCE SHEET AS ON JUNE 30, 1999

| Note | 1999 Rupees | 1998 Rupees |
|------|----------------|----------------|
|------|----------------|----------------|

ASSETS

NON-CURRENT ASSETS

| | | | |
|--|---|---------------|---------------|
| Tangible Fixed Assets | | | |
| Operating fixed assets | 3 | 17,008,727 | 14,297,585 |
| Net investment in lease finance | 4 | | |
| Minimum lease payments receivable | | 2,116,178,752 | 2,181,378,711 |
| Residual value of leased assets | | 302,585,622 | 269,108,263 |
| | | 2,418,764,374 | 2,450,486,974 |
| Unearned finance income | | (508,686,318) | (576,391,394) |
| Net investment in lease finance | | 1,910,078,056 | 1,874,095,580 |
| Current portion of net investment in lease finance | | (905,185,395) | (792,033,092) |
| Provision for doubtful debts | | (56,538,310) | (42,167,151) |
| | | 948,354,351 | 1,039,895,337 |
| Long term investments | 5 | 33,500,000 | 40,875,616 |
| Long term loans, deposits and deferred cost | 6 | 28,400,289 | 30,359,960 |
| CURRENT ASSETS | | | |
| Current portion of net investment in lease finance | | 905,185,395 | 792,033,092 |
| Short term investments | 7 | 10,000,000 | 10,000,000 |
| Advances, prepayments and other receivables | 8 | 61,215,026 | 53,230,583 |
| Cash and bank balances | 9 | 199,564,948 | 133,882,522 |
| | | 1,175,965,369 | 989,146,197 |
| | | 2,203,228,736 | 2,114,574,695 |

EQUITY AND LIABILITIES

SHARE CAPITAL AND RESERVES

Share capital

| | | | |
|---|----|-------------|-------------|
| Authorised | | | |
| 20,000,000 ordinary shares of Rs. 10 each | | 200,000,000 | 200,000,000 |
| Issued, subscribed and paid-up | 10 | 105,190,600 | 105,190,600 |
| Reserves | 11 | 137,825,735 | 112,514,505 |
| | | 243,016,335 | 217,705,105 |

NON-CURRENT LIABILITIES

| | | | |
|----------------------------|----|-------------|-------------|
| Long term loans | 12 | 768,959,616 | 881,485,093 |
| Long term deposits | 13 | 177,166,446 | 164,491,598 |
| Certificates of investment | 14 | 21,995,000 | 22,538,191 |
| Deferred taxation | | -- | 5,300,000 |

CURRENT LIABILITIES

| | | | |
|--|----|-------------|-------------|
| Current maturity of long term loans | | 321,284,672 | 286,750,724 |
| Current maturity of long term deposits | | 88,093,847 | 65,568,216 |
| Certificates of investment | 14 | 297,504,026 | 252,467,438 |
| Short term finances | 15 | 198,583,130 | 92,900,000 |
| Finance under mark-up arrangements | 16 | 348,705 | 11,961,167 |
| Accrued and other liabilities | 17 | 86,276,959 | 98,328,573 |
| Proposed dividend | | -- | 15,778,590 |
| | | 992,091,339 | 822,854,708 |

COMMITMENTS

| | | | |
|--|----|---------------|---------------|
| | 18 | 2,203,228,736 | 2,114,574,695 |
|--|----|---------------|---------------|

The annexed notes form an integral part of these accounts.

The auditors' report is annexed hereto.

SANAULLAH QURESHI

Director

KHALEEQ-UR-RAHMAN KHAN

Chief Executive

YUSUF H. SHIRAZI

Chairman

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 1999

| | Note | 1999 Rupees | 1998 Rupees |
|---|-------|----------------|----------------|
| REVENUE | | | |
| Income from leasing operations | 19 | 311,923,488 | 317,763,732 |
| Other income | 20 | 29,167,179 | 21,586,915 |
| | | 341,090,667 | 339,350,647 |
| EXPENDITURE | | | |
| Financial charges | 21 | 255,527,808 | 256,784,551 |
| Administrative and operating expenses | 22 | 38,855,132 | 34,548,857 |
| Provision for doubtful debts | | 15,437,530 | 5,184,610 |
| Amortization of deferred costs | | 7,534,531 | 8,471,859 |
| | | 317,355,001 | 304,989,877 |
| PROFIT FOR THE YEAR BEFORE TAXATION | | 23,735,666 | 34,360,770 |
| TAXATION | | | |
| Current | 23 | 3,924,436 | 3,745,021 |
| Prior | | -- | 5,402,840 |
| Deferred | 11.4 | (5,500,000) | 5,500,000 |
| | | (1,575,564) | 14,647,861 |
| PROFIT AFTER TAXATION | | 25,311,230 | 19,712,909 |
| Accumulated profit brought forward | | 205,691 | 4,213,954 |
| Profit available for appropriation | | 25,516,921 | 23,926,863 |
| APPROPRIATIONS: | | | |
| Transfer to statutory reserve | | 5,062,246 | 3,942,582 |
| Transfer from general reserve for deferred taxation | | (14,740,000) | -- |
| Transfer to capital reserve for deferred taxation | | 24,440,000 | -- |
| Transfer to reserve for issue of bonus shares | 11.20 | 9,956,914 | -- |
| Transfer to general reserve | | -- | 4,000,000 |
| Proposed dividend: Nil (1998:15%) | | -- | 15,778,590 |
| | | 24,719,160 | 23,721,172 |
| Unappropriated profit carried forward | | 797,761 | 205,691 |

| | | | |
|--------------------------|----|------|------|
| Basic earnings per share | 24 | 2.41 | 1.87 |
|--------------------------|----|------|------|

The annexed notes form an integral part of these accounts.

SANAULLAH QURESHI **KHALEEQ-UR-RAHMAN KHAN** **YUSUF H. SHIRAZI**
 Director Chief Executive Chairman

**CASH FLOW STATEMENT
 FOR THE YEAR ENDED JUNE 30, 1999**

| | 1999 Rupees | 1998 Rupees |
|---|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit for the year before taxation | 23,735,666 | 34,360,770 |
| Adjustments for: | | |
| Depreciation on fixed assets | 4,334,683 | 3,513,745 |
| Amortization of deferred costs | 7,534,531 | 8,471,859 |
| Provision for doubtful debts | 15,437,530 | 5,184,610 |
| Profit on sale of shares | (675,195) | -- |
| Profit on sale of fixed assets | (457,574) | (97,157) |
| Interest/mark-up expense (net of interest income on foreign currency deposits) | 239,072,069 | 220,984,064 |
| Investment income | (24,836,363) | (20,743,911) |
| | 240,409,681 | 217,313,210 |
| Operating profit before working capital changes | 264,145,347 | 251,673,980 |
| (Increase)/decrease in current assets | | |
| Short term finances | -- | 2,000,000 |
| Short term investments | -- | 15,000,000 |
| Advances, prepayments and other receivables | (12,940,61) | 32,207,749 |
| | (12,940,615) | 49,207,749 |
| Increase/(decrease) in current liabilities | | |
| Certificates of investment | 45,036,588 | 9,981,650 |
| Short term finances | 106,583,130 | (14,300,000) |
| Finance under mark-up arrangements | (11,612,462) | (16,435,995) |
| Accrued and other liabilities | (18,197,589) | (32,623,944) |
| | 121,809,667 | (53,377,889) |
| Cash generated from operations | 373,014,399 | 247,503,840 |
| Income taxes paid | (4,059,185) | (13,494,474) |
| Interest/mark-up paid (net of receipt from interest on foreign currency deposits) | (232,926,095) | (205,330,498) |
| Investment income received | 24,877,459 | 19,428,956 |
| Net cash generated from operating activities | 160,906,578 | 48,107,824 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Long term investments | 8,050,811 | (15,000,000) |
| Capital expenditure | (9,093,065) | (4,410,994) |
| Long term deposits | (10,000) | (224,700) |
| Net investment in lease finance (net of repayments) | (31,831,206) | (27,591,696) |
| Sale of fixed assets | 2,504,814 | 2,902,427 |
| Loans to executives | (4,934,778) | (1,766,366) |
| Recoveries of loans to executives | 654,665 | 235,118 |
| | (34,658,759) | (45,856,211) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Issue of Certificates of Investment | (543,191) | (9,973,463) |
| Long term loans | 150,000,000 | 73,105,579 |
| Repayment of long term loans | (227,91,529) | (141,876,171) |
| Deferred costs | (1,452,562) | (19,153,800) |
| Dividends paid | (15,778,590) | -- |
| Long term advances and deposits | 35,200,479 | 1,491,293 |
| | (60,565,393) | (96,406,562) |
| Net increase/(decrease) in cash activities | 65,682,426 | (94,154,949) |
| Cash and bank balances at the beginning of the year | 133,882,522 | 228,037,471 |
| Cash and bank balances at the end of the year | 199,564,948 | 133,882,522 |

SANAULLAH QURESHI **KHALEEQ-UR-RAHMAN KHAN** **YUSUF H. SHIRAZI**
 Director Chief Executive Chairman

**NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 1999**

1. THE COMPANY AND ITS OPERATIONS

The company is incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad stock exchanges. It essentially carries on the business of leasing.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Revenue recognition

The company follows the "Finance Method" in accounting for recognition of lease income. Under this method the unearned lease income i.e. the excess of aggregate lease rentals and the residual value over the cost of leased asset is deferred and then amortized to income over the term of the lease, applying the annuity method to produce a constant rate of return on the net investment in the lease.

Other lease related income is recognised as and when realised.

Return on government investments is recognized on an accrual basis on the assumption that such investments will be held upto the next terminal date.

Dividends from equity securities are recognised when the right to receive such dividends becomes vested.

2.3 Tangible fixed assets

These are stated at cost less accumulated depreciation. Depreciation is charged to income applying the reducing balance method at the rates specified in note 3 to the accounts. In respect of additions during the year, depreciation is charged for the full year, however, no depreciation is charged in the year of disposal.

Profit or loss on disposal of assets is included in income currently.

2.4 Deferred cost

Processing charges of long term loans and other deferred cost is being amortized over a period of three years from the year of incurrence.

2.5 Investments

Long term investments

These are stated at cost. Provision for diminution in value of investments is made, if considered permanent.

Short term investments

These are stated at lower of cost and market value.

2.6 Taxation

Current

The charge for the current taxation for the year, if required, is based on taxable income, which is computed as if all leases are operating leases.

Deferred

The tax effect for deferred taxation is calculated using the liability method on all major temporary differences and is being dealt with as stated in note 11.2 to the accounts.

2.7 Foreign currency translations

Assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing at the balance sheet date except for liabilities covered under an exchange risk coverage scheme which are translated at the rate prevailing on the date of disbursement. Exchange differences arising as a result of obtaining cover under these schemes are being amortized over the period of loan. Net exchange differences arising due to hedging mechanism are accounted for as deferred revenue/deferred cost as the case may be and are credited/amortized to the income over the term of the underlying transactions.

2.8 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also accordingly offset.

2.9 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.

2.10 Provision for doubtful debts

Keeping in view the nature of leasing business, the company, as a prudent policy, makes this provision at a reasonable level, which as per management's anticipation is adequate for potential losses on the lease portfolio.

3. OPERATING FIXED ASSETS

| Description | Cost | | | As at June 30, 1999 Rupees | Accumulated as at 1-Jul-98 Rupees | Depreciation | | Accumulated as at June 30, 1999 Rupees | Written down value as at June 30, 1999 Rupees | Depre- ciation Rate on WDV % |
|------------------------|--------------------------|---------------------|---------------------|-------------------------------|--------------------------------------|-------------------------------|------------------------|---|--|------------------------------|
| | As at 1-Jul-98 Rupees | Additions Rupees | Disposals Rupees | | | Charge for the year Rupees | On disposals Rupees | | | |
| Leasehold improvements | 1,637,935 | 135,000 | -- | 1,772,935 | 704,148 | 106,879 | -- | 811,027 | 961,908 | 10 |
| Furniture and fixtures | 1,489,287 | 9,500 | 81,666 | 1,417,121 | 596,492 | 86,822 | 47,590 | 635,724 | 781,397 | 10 |
| Office equipment | 1,441,439 | 17,500 | 111,485 | 1,347,454 | 482,828 | 89,885 | 34,223 | 538,490 | 808,964 | 10 |
| Computer equipment | 10,219,032 | 3,415,710 | -- | 13,634,742 | 5,157,073 | 2,119,417 | -- | 7,276,490 | 6,358,252 | 25 |
| Electrical equipment | 1,260,122 | 99,000 | 113,000 | 1,246,122 | 571,459 | 74,297 | 68,308 | 577,448 | 668,674 | 10 |
| Motor vehicles | 10,294,420 | 5,416,355 | 3,442,057 | 12,268,718 | 4,532,650 | 1,857,383 | 1,550,847 | 4,839,186 | 7,429,532 | 20 |
| | 26,342,235 | 9,093,065 | 3,748,208 | 31,687,092 | 12,044,650 | 4,334,683 | 1,700,968 | 14,678,365 | 17,008,727 | |
| 1 9 9 8 | 26,435,142 | 4,410,994 | 4,503,901 | 26,342,235 | 10,229,536 | 3,513,745 | 1,698,631 | 12,044,650 | 14,297,585 | |

3.1 DISPOSAL OF ASSETS

| Description | Cost Rupees | Accumulated depreciation Rupees | Written down value Rupees | Sale proceeds Rupees | Mode of disposal | Sold to |
|-----------------------|----------------|------------------------------------|------------------------------|-------------------------|------------------|---|
| Furniture and fixture | 3,500 | 2,144 | 1,356 | 1,406 | Tender | Mr. Saad Kamal B-109, Block H.N. Nazimabad Karachi |
| Furniture and fixture | 3,578 | 2,192 | 1,386 | 1,410 | Tender | Mr. Saad Kamal B-109, Block H.N. Nazimabad Karachi |
| Furniture and fixture | 3,300 | 2,021 | 1,279 | 1,365 | Tender | Mr. Muhammad Qasim R-437, Block 14, F.B. Area, Karachi. |
| Furniture and fixture | 4,000 | 2,450 | 1,550 | 1,605 | Tender | Mr. M.I. Hashmi R-298, Block 1, F.B Area, Karachi. |
| Furniture and fixture | 56,600 | 32,235 | 24,365 | 500 | Negotiation | Mr. Abdul Karim Baldia Town, Karachi. |
| Furniture and fixture | 1,838 | 1,126 | 712 | 50 | Negotiation | Mr. Abdul Karim Baldia Town, Karachi. |
| Furniture and fixture | 7,200 | 4,411 | 2,789 | 100 | Negotiation | Mr. Abdul Karim |

| | | | | | | |
|-----------------------|-----------|-----------|-----------|-----------|--------------------|---|
| Furniture and fixture | 1,650 | 1,011 | 639 | 50 | Negotiation | Baldia Town, Karachi. Mr. Abdul Karim |
| Office equipment | 7,250 | 2,969 | 4,281 | 1,500 | Trade-in | Baldia Town, Karachi. Image Service Shop 55B, Chamber Lane Road Lahore |
| Office equipment | 70,000 | 6,878 | 13,122 | 500 | Negotiation | Memon Electronics Saddar, Karachi |
| Office equipment | 3,100 | 1,066 | 2,034 | 300 | Negotiation | Mr. Abdul Rauf Arambag Road, Karachi. |
| Office equipment | 2,635 | 1,716 | 919 | 150 | Negotiation | Mr. Abdul Rauf Arambag Road, Karachi. |
| Office equipment | 18,000 | 6,190 | 11,810 | 600 | Negotiation | Memon Electronics Saddar, Karachi |
| Office equipment | 17,500 | 6,019 | 11,481 | 600 | Negotiation | Memon Electronics Saddar, Karachi |
| Office equipment | 15,000 | 4,065 | 10,935 | 500 | Negotiation | Memon Electronics Saddar, Karachi |
| Office equipment | 28,000 | 5,320 | 22,680 | 500 | Negotiation | Memon Electronics Saddar, Karachi |
| Electrical equipment | 104,000 | 63,708 | 40,292 | 14,000 | Negotiation | General Airconditioning Al-Burhan Centre, Saddar Karachi |
| Electrical equipment | 4,500 | 2,757 | 1,743 | 200 | Negotiation | Mr. Abdul Karim Baldia Town, Karachi. |
| Electrical equipment | 4,500 | 1,843 | 2,657 | 200 | Negotiation | Mr. Abdul Karim Baldia Town, Karachi. |
| Motor vehicle | 720,478 | 351,593 | 368,885 | 565,000 | Tender | Mr. Mohammad Saeed 101 Block 7/8, CPBS, Karachi |
| Motor vehicle | 223,944 | 44,789 | 179,155 | 179,155 | Company Policy | Mr. Shoaib Qureshi Employee |
| Motor vehicle | 280,000 | 56,000 | 224,000 | 280,000 | Insurance Claim | Muslim Insurance Co. 2nd Floor Ameerjee Chambers Campbell Steet, Karachi. |
| Motor vehicle | 668,635 | 326,294 | 342,341 | 342,341 | Company Policy | Mr. M. Salim Yusuf Ex-Employee |
| Motor vehicle | 364,000 | 268,579 | 95,421 | 266,000 | Tender | Mr. Mohammad Ali Mirza 5C, 27th Commercial Street Phase V, DHA, Karachi. |
| Motor vehicle | 300,000 | 146,400 | 153,600 | 201,942 | Tender | Mrs. Samina Lotia 808 Bridge View Apt., Frere Town, Clifton Karachi |
| Motor vehicle | 280,000 | 0 | 280,000 | 280,000 | Company Policy | Ms. Rabia Akbar Ex-Employee |
| Motor vehicle | 275,000 | 162,360 | 112,640 | 112,64 | Company Policy | Mr. Samih Hassan Khan Employee |
| Motor vehicle | 330,000 | 194,832 | 135,168 | 252,200 | Tender | Anjad Motors 16-Sharar Fatima Jinnah, Lahore |
| | 3,748,208 | 1,700,968 | 2,047,240 | 2,504,814 | | |

4. NET INVESTMENT IN LEASE FINANCE

Includes Rs. 26,277,161 (1998: Rs. 32,925,656) in respect of associated companies. Maximum amount due at the end of any month during the year was Rs. 31,903,068 (1998: Rs. 32,563,112).

5. LONG TERM INVESTMENTS

| Note | No. of ordinary shares 1999 | No. of ordinary shares 1998 | Break up value 1999 Rupees | Average cost per share Rupees | 1999 Cost Rupees | 1998 Cost Rupees |
|---|--------------------------------------|--------------------------------------|----------------------------------|--|------------------------|------------------------|
| Shares in companies: | | | | | | |
| Quoted: | | | | | | |
| Cost | | | | | -- | 9,766,016 |
| Less: Provision for diminution in value of quoted investments | | | | | -- | 2,390,400 |
| | | | | | -- | 7,375,616 |
| Unquoted: | | | | | | |
| Arabian Sea Country Club (Chief Operating Officer: Mr. Aslam Mohsin Ali) | 5.1 | 100,000 | 100,000 | 619,000 | 10.00 | 1,000,000 |
| | | | | | 1,000,000 | 8,375,616 |
| Government Securities: | | | | | | |
| Federal Investment Bonds | 5.2 | | | | 32,500,000 | 32,500,000 |
| | | | | | 33,500,000 | 40,875,616 |

5.1 The break-up value of these shares is as per June 30, 1998 audited financial statements.

5.2 These investments have been made in compliance with the State Bank of Pakistan's regulations for Non-Banking Financial Institutions to maintain the liquidity requirement against certain liabilities. These investments carry a rate of return of 15% per annum and have terms of 10 years maturing upto November 22, 2004.

5.3 The aggregate market/break-up value of investments in shares as at June 30, 1998 was Rs. 5,936,102.

| Note | 1999 Rupees | 1998 Rupees |
|---|----------------|----------------|
| 6. LONG TERM LOANS, DEPOSITS AND DEFERRED COST | | |
| Loans to executives - secured, considered good | 6.1 | 7,556,497 |
| Less: Current portion | | 261,805 |
| | | 3,276,383 |
| | | 93,989 |
| | | 3,182,394 |
| Deposits | 6.1.1 | 7,294,692 |
| | | 734,486 |
| Deferred cost | 6.20 | 20,371,111 |
| | | 26,453,080 |
| | | 28,400,289 |
| | | 30,359,960 |

6.1 This represents house loans to the Chief Executive Officer and 4 executives which are repayable in 144 (in case of Chief Executive) and 180 (in case of executives) monthly instalments respectively and carry mark-up at the rate of 10% per annum. The loans are secured by registered mortgage of the property and assignment of life insurance

policies.

Maximum amount outstanding at the end of any month during the year against loan to Chief Executive Officer was Rs. 1,692,077 (1998: Rs. 1,745,135) and Executives was Rs. 5,864,420 (1998: Rs. 1,531,247)

| | Note | 1999 Rupees | 1998 Rupees |
|---|-------|----------------|----------------|
| 6.1.1 Recoverable after three years | | 6,000,941 | 3,113,082 |
| Others | | 1,293,751 | 69,312 |
| | | 7,294,692 | 3,182,394 |
| 6.2 Deferred cost | | | |
| Front-end fee on long term loans | | -- | 1,357,948 |
| Net exchange difference arising due to hedging mechanism | 6.2.1 | 20,371,111 | 25,095,132 |
| | | 20,371,111 | 26,453,080 |
| 6.2.1 Net exchange difference arising due to hedging mechanism | | | |
| Opening balance | | 33,659,182 | 14,505,382 |
| Debit during the year | | 1,452,562 | 19,153,800 |
| | | 35,111,744 | 33,659,182 |
| Amortized-to-date | | (14,740,633) | (8,564,080) |
| | | 20,371,111 | 25,095,132 |
| The above is being carried forward as it confers benefit to future years. | | | |
| 7. SHORT TERM INVESTMENTS | | | |
| Federal investment bond | | 10,000,000 | 10,000,000 |

This investment has been made in compliance with the State Bank of Pakistan's regulations for Non-Banking Financial Institutions to maintain the liquidity requirement against certain liabilities. The investment carries a rate of return of 12% per annum and shall mature on August 07, 1999.

| | Note | 1999 Rupees | 1998 Rupees |
|---|------|----------------|----------------|
| 8. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES | | | |
| Advances - considered good | | | |
| -- against assets to be leased out | 8.1 | 7,441,079 | 8,758,777 |
| -- for capital expenditure | | -- | 1,300,000 |
| -- for expenses | | 78,669 | 300,000 |
| -- to employees | | 387,141 | 489,798 |
| -- to customers against COIs | | 860,000 | -- |
| | | 8,766,889 | 10,848,575 |
| Current portion of loan to executives | | 261,805 | 93,989 |
| Prepayments | | 979,983 | 2,561,262 |
| Accrued lease income | 8.2 | 23,595,967 | 27,747,237 |
| Accrued profit on long term investments | | 2,073,287 | 2,291,917 |
| Accrued profit on short term investments | | 177,534 | -- |
| Advance Income Tax | | 2,649,631 | 2,514,882 |
| Other charges recoverable from lessees | 8.3 | 17,872,816 | 6,531,947 |
| Repossessed asset held for sale | | 5,247,446 | -- |
| Other receivables | | 1,589,668 | 640,774 |
| | | 61,215,026 | 53,230,583 |

8.1 Included in the above are advances against assets to be leased out amounting to Rs. 4,577,721 (1998: Rs. 4,577,721) to an associated undertaking. The lease has been executed subsequently. The maximum amount outstanding at the end of any month during the year was Rs. 4,577,721 (1998: Rs. 7,577,721).

8.2 Included in the above is Rs. 2,975,163 (1998: Rs. 1,917,797) mark-up charged on an advance against lease to an associated undertaking. This has been received subsequently. The maximum amount due at the end of any month during the year was Rs. 2,975,163 (1998: Rs. 1,917,797).

8.3 Other charges recoverable from lessee

| | | | |
|--|--|------------|-----------|
| Considered good | | 17,872,816 | 6,531,947 |
| Considered doubtful | | 1,066,371 | -- |
| | | 18,939,187 | 6,531,947 |
| Less: Provision for doubtful receivables | | 1,066,371 | -- |
| | | 17,872,816 | 6,531,947 |

9. CASH AND BANK BALANCES

| | | | |
|-----------------------------------|-------|-------------|-------------|
| Cash in hand | | 39,238 | 22,563 |
| Stamps in hand | | 31,860 | 48,251 |
| Cheques in hand | | 8,404,137 | 6,245,180 |
| With banks on | | | |
| current accounts | | 12,380,243 | 1,758,624 |
| local currency deposit account | | 7,956,526 | 5,449 |
| foreign currency deposit account | | 122,059 | 109,310 |
| foreign currency deposit accounts | 9.1 | 169,130,885 | 124,193,145 |
| special account with SBP | 9.2 | 1,500,000 | 1,500,000 |
| | | 199,564,948 | 133,882,522 |
| 9.1 Foreign currency deposits | 9.1.1 | 656,367,447 | 712,785,825 |
| Less: Credit facilities availed | | 487,236,562 | 588,592,680 |
| | | 169,130,885 | 124,193,145 |

9.1.1 The foreign currency deposits are under lien with respect to credit facilities availed on a matching facility basis and have been offset in accordance with note 2.8.
The rate of interest on the deposits ranges from 6.81% to 7.91% per annum.
The rate of mark-up on the credit facility availed ranges from 14% to 15.30% per annum. The maturity of credit facilities and foreign currency deposits are upto September 15, 2003.

9.2 This represents the amount kept with State Bank of Pakistan to comply with the regulations of State Bank of Pakistan for Non-Banking Financial Institutions to maintain the liquidity requirement against certain liabilities.

10. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| | | | |
|---|------|-------------|-------------|
| 8,864,000 ordinary shares of Rs.10 each issued as fully paid | 10.1 | 88,640,600 | 88,640,600 |
| 1,655,000 ordinary shares of Rs.10 each issued as fully paid bonus shares | | 16,550,000 | 16,550,000 |
| | | 105,190,600 | 105,190,600 |
| | | ===== | ===== |

10.1 Includes 536,560 ordinary shares of Rs.10 each issued to International Finance Corporation at premium of Rs.10.85 per share upon exercise of their option to convert a portion of its loan into equity based on financial statements as at June 30, 1995 as per the loan agreement (refer to note 12.8).

11. RESERVES

| | | | |
|---|------|-------------|-------------|
| Capital reserves | | | |
| Premium on shares | 11.1 | -- | 5,821,676 |
| Reserve for issue of bonus shares | 11.2 | 15,778,590 | -- |
| Statutory reserve | 11.3 | 38,700,289 | 33,638,043 |
| Reserve for deferred taxation | 11.4 | 24,440,000 | -- |
| | | 78,918,879 | 39,459,719 |
| Revenue reserves | | | |
| General reserve | 11.5 | 58,109,095 | 72,849,095 |
| Unappropriated profit | | 797,761 | 205,691 |
| | | 58,906,856 | 73,054,786 |
| | | 137,825,735 | 112,514,505 |
| | | ===== | ===== |
| 11.1 Premium on shares | | | |
| Balance at the beginning of the year | 10.1 | 5,821,676 | 5,821,676 |
| Transfer to reserve for issue of bonus shares | | (5,821,676) | -- |
| | | -- | 5,821,676 |
| | | ===== | ===== |

11.2 Reserve for issue of bonus shares

| | | | |
|---|--|------------|-------|
| Transfer from profit and loss appropriation account | | 9,956,914 | -- |
| Transfer from premium on shares account | | 5,821,676 | -- |
| | | 15,778,590 | -- |
| | | ===== | ===== |

Proposed issue of bonus shares is in the ratio of 3:20 (1998: Nil)

11.3 This represents 20% of after tax profit as required under the relevant provision of the State Bank of Pakistan regulations for Non Banking Financial Institutions.

11.4 Deferred taxation arising due to timing differences computed under the liability method is estimated at Rs. 83.42 million of which Rs. 9.7 million is in respect of the current year (1998: Rs. 73.72 million, for the year Rs. 15.18 million). The company has appropriated Rs. 24.44 million in the current financial year (being one-fifth of the opening balance of deferred tax liability plus a further sum of Rs. 9.7 million for current year) to achieve compliance with Circular 16 of 1999 issued by Securities and Exchange Commission of Pakistan. Deferred tax liability due to timing differences amounting to Rs. 58.98 million, therefore remain to be appropriated over the next four years. As a result, deferred tax provision previously made of Rs. 5.5 million has been written back.

11.5 General reserve

| | | | |
|---|--|--------------|------------|
| Balance as at beginning of the year | | 72,849,095 | 68,849,095 |
| Transfer to profit and loss appropriation account for deferred taxation | | (14,740,000) | -- |
| Transfer from profit and loss appropriation account | | -- | 4,000,000 |
| | | 58,109,095 | 72,849,095 |
| | | ===== | ===== |

12. LONG TERM LOANS- Secured

| | | | |
|---|------|---------------|---------------|
| Foreign currency loans | | | |
| Commonwealth Development Corp. II | 12.2 | 11,110,604 | 33,515,685 |
| Asian Development Bank I | | -- | 21,040,369 |
| Asian Development Bank II | 12.3 | 467,100,000 | 464,200,000 |
| Netherlands Development Finance Co. I | 12.4 | 37,042,965 | 61,565,164 |
| Netherlands Development Finance Co. II | 12.5 | 195,943,260 | 229,305,516 |
| German Investment and Development Co. I 12.6 | | 16,818,114 | 27,981,079 |
| German Investment and Development Co. II 12.7 | | 29,590,549 | 41,401,504 |
| International Finance Corporation (Loan A) | 12.8 | 167,697,076 | 204,961,253 |
| International Finance Corporation (Loan B) | | -- | 25,531,000 |
| | | 925,302,568 | 1,109,501,570 |
| | | 1,510,746 | 2,364,071 |
| | | 923,791,822 | 1,107,137,499 |
| | | ===== | ===== |
| Local currency loans from | | | |
| Investment bank - loan 1 | 12.9 | 7,500,000 | 22,500,000 |
| banking company -loan 2 | 12.1 | 50,000,000 | 26,250,000 |
| banking company - loan 3 | 12.1 | 8,952,466 | 12,348,318 |
| banking company - loan 4 | 12.1 | 100,000,000 | -- |
| | | 166,452,466 | 61,098,318 |
| | | 1,090,244,288 | 1,168,235,817 |
| | | 321,284,672 | 286,750,724 |
| | | 768,959,616 | 881,485,093 |
| | | ===== | ===== |

12.1 All the loans stated in note 12.2 to 12.12 above are secured by pari-passu floating

charge on the present and future leased assets, hypothecation of movable assets and receivables of the company and demand promissory notes. The foreign currency loans are registered with the State Bank of Pakistan.

12.2 This represents balance of a second loan facility of Pound Sterling 2,500,000 obtained from Commonwealth Development Corporation (CDC) for financing lease operations. The loan is repayable in 10 equal semi-annual instalments which commenced from January 25, 1995.

The liability of this loan has been fixed in Pakistani Rupees under the exchange risk cover scheme of State Bank of Pakistan and the rate of interest and exchange risk cover fee is 10.5% and 6.93% per annum respectively, payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 1% per annum over and above the interest rate.

12.3 This represents balance of a second loan facility of US \$ 10,000,000 obtained from Asian Development Bank (ADB) for financing lease operations. The loan is repayable in 10 equal semi-annual instalments which commenced from March 15, 1999.

The interest rate is LBOR plus 2.25% per annum payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 1% per annum over and above the interest rate.

12.4 This represents balance of a loan facility of Netherland Guilders (NLG) 10,000,000 comprising of two equal tranches of NLG 5,000,000 each and was obtained from Netherlands Development Finance Company (FMO) for financing lease operations. The loan is repayable in 14 equal semi-annual instalments which commenced from November 1, 1994 for the first tranche and November 1, 1995 for the second tranche.

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 10.7% and 5% per annum respectively, payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 2% per annum over and above the interest rate.

12.5 This represents the balance of a second loan facility of US \$ 5,821,618 equivalent to Netherland Guilders (NLG) 10,000,000 obtained from Netherlands Development Finance Company (FMO) for financing lease operations. The loan has been drawn in two tranches and is repayable in 10 equal semi-annual instalments which commenced from November 1, 1997 and May 1, 1998 respectively.

The interest rate for the first tranche is 10.50% per annum and for the second tranche is 10.25% per annum payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 2% per annum over and above the interest rate.

12.6 This represents the balance of a loan facility of Deutsche Marks 5,000,000 obtained from German Investment and Development Company (DEG) for financing lease operations. The loan is repayable in 15 equal semi-annual instalments which commenced from October 30, 1993.

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 10.5% and 5% per annum respectively, payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 2% per annum over and above the interest rate.

12.7 This represents the balance of a loan facility of Deutsche Marks 5,000,000 obtained from German Investment and Development Company (DEG) for financing lease operations. The loan is repayable in 15 equal semi-annual instalments which commenced from October 30, 1994.

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 10.6% and 5.77% per annum respectively, payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 2% per annum over and above the interest rate.

12.8 This represents the balance of a loan facility (A) of US \$ 10,000,000 obtained from International Finance Corporation (IFC) for financing lease operations. The loan is repayable in 16 equal semi-annual instalments which commenced from June 15, 1996.

In accordance with the loan agreement IFC has exercised its conversion option of loan into equity (refer to note10.1).

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 8.5% and 6.66% per annum respectively, payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 2% per annum over and above the interest rate.

12.9 This represents the balance of a loan facility of Rs. 30,000,000 obtained from an investment bank for financing the leasing operations of the company. The loan is repayable in 24 equal monthly instalments which commenced from January 27- 1998 and carries mark-up at the rate of 54.79 paisas per thousand Rupees per day.

12.10 This represents the balance of a loan facility of Rs. 50,000,000 obtained from a banking company for financing the leasing operations of the company. The loan is repayable in 12 equal quarterly instalments which will commence from September 30, 1999 and carries mark-up at the rate of 46.58 paisas per thousand Rupees per day.

12.11 This represents the balance of a loan facility of Rs. 13,105,579 obtained from a banking company for financing the leasing operations of the company. The loan is secured by second charge on leased assets of the company. The loan is repayable in 12 quarterly instalments which commenced from April 01, 1998 and carries mark-up at the rate of 50.68 paisas per thousand Rupees per day.

12.12 This represents the balance of a loan facility of Rs. 100,000,000 obtained from a banking company for financing the leasing operations of the company. The loan is repayable in 6 equal semi annual instalments which will commence from September 20,1999 and carries mark-up at the rate of 48.63 paisas per thousand Rupees per day.

| Note | 1999 Rupees | 1998 Rupees |
|--------------------------------------|----------------|----------------|
| | | |
| 13. LONG TERM DEPOSITS | | |
| From lessees | | |
| Security deposits on lease contracts | 13.1 | 264,325,200 |
| From employees | 13.2 | 935,093 |
| | | 889,654 |
| | 265,260,293 | 230,059,814 |

| | | |
|--|-------------|-------------|
| Less: Current maturity of security deposits on lease contracts | 88,093,847 | 65,568,216 |
| | ----- | ----- |
| | 177,166,446 | 164,491,598 |
| | ===== | ===== |

13.1 These represent security deposits received against lease contracts and are repayable/ adjustable at the expiry of respective lease periods.

13.2 These represent deposits from employees under the company's car scheme.

14. CERTIFICATES OF INVESTMENT

The company has a scheme of registered Certificates of Investment (COI) for resource mobilization as per the permission from the Corporate Law Authority (now SECP) Government of Pakistan. The terms of these Certificates of Investment range from three months to five years and the return is paid on agreed profit and loss sharing basis.

15. SHORT TERM FINANCES

| | | |
|---|-------------|------------|
| From financial institutions - unsecured | 190,000,000 | 57,000,000 |
| From others - unsecured | 8,583,130 | 35,000,000 |
| | ----- | ----- |
| | 198,583,130 | 92,000,000 |
| | ===== | ===== |

The mark-up rate on the above ranges from 37.67 to 49.73 paisas per thousand Rupees per day.

16. FINANCE UNDER MARK-UP ARRANGEMENTS

| | | |
|---|---------|------------|
| Running finances from banks utilized under mark-up arrangements - secured | 348,705 | 11,961,167 |
| | ===== | ===== |

The facilities from commercial banks amount to Rs. 71.5 million (1998: Rs. 68.50 million) and the mark-up rates range from 43.84 to 47.95 paisas per thousand Rupees per day and are payable currently. The arrangements are secured by pari-passu floating charge on present and future leased assets and hypothecation of rentals receivable.

| | 1999 Rupees | 1998 Rupees |
|---|----------------|----------------|
| 17. ACCRUED AND OTHER LIABILITIES | | |
| Accrued expenses | 894,229 | 2,047,809 |
| Mark-up on secured | | |
| - long term loans | 25,644,934 | 21,069,307 |
| - credit facilities availed [net of accrued interest on foreign currency deposits Rs.27,881,487 - (1998: Rs. 29,804,226) - refer to note 9.1] | 12,425,879 | 17,176,159 |
| - running finances | 298,399 | 504,718 |
| - short term finances | -- | 648,767 |
| Mark-up on unsecured short term finances | 3,934,014 | 915,938 |
| Exchange risk cover fee and charges payable to SBP [net of exchange difference refundable Rs.83,762,380 (1998: Rs. 49,190,061)] | 286,385 | 19,917,999 |
| Guarantee commission and other charges on long term loans | 1,186,997 | 1,732,239 |
| Profit payable on Certificates of Investment | 20,532,182 | 16,374,544 |
| Other liabilities | | |
| Advance from customers pending lease execution | 1,180,875 | 1,083,660 |
| Advance lease rentals from lessees | 5,458,635 | 5,872,536 |
| Payments from lessees received on account | 13,242,348 | 9,672,635 |
| Unclaimed dividends | 11,113 | 18,248 |
| Others | 1,180,969 | 1,294,014 |
| | ----- | ----- |
| | 21,073,940 | 17,941,093 |
| | ----- | ----- |
| | 86,276,959 | 98,328,573 |
| | ===== | ===== |

18. COMMITMENTS

| | | |
|--|-----------|-----------|
| Letters of comfort against letters of credit | 5,000,000 | 3,881,722 |
| Lease commitments | 4,915,950 | 2,801,461 |
| Capital expenditure for computer software (associated undertaking) | -- | 700,000 |
| | ----- | ----- |
| | 9,915,950 | 7,383,183 |
| | ===== | ===== |

19. INCOME FROM LEASING OPERATIONS

The above includes all income arising on account of leasing operations.

20. OTHER INCOME

| | | |
|---|------------|------------|
| Return on long term investments: | | |
| Government securities | 4,875,000 | 4,978,626 |
| Dividends [including Rs. 321,163 (1998: Rs.100,023) from associated undertakings] | 355,663 | 136,773 |
| | ----- | ----- |
| | 5,230,663 | 5,115,399 |
| Return on deposit account | 7,163,009 | -- |
| Return on short term investments | 1,358,904 | 1,400,000 |
| Income from shod term placements | 11,439,450 | 14,365,285 |
| Mark-up on short term finances | 83,333 | 62,500 |
| Exchange gain | 1,879,138 | 3,039 |
| Mark-up on loans to executives | 616,545 | 181,366 |
| Profit on sale of fixed assets | 457,574 | 97,157 |
| Profit on sale of shares | 675,195 | -- |
| Guarantee commission | 123,126 | 291,056 |
| Miscellaneous | 140,242 | 71,113 |
| | ----- | ----- |
| | 29,167,179 | 21,586,915 |

21. FINANCIAL CHARGES

| | | |
|--|-------------|-------------|
| Mark-up on secured | | |
| - long term loans | 111,714,733 | 116,067,769 |
| - credit facilities availed [net of interest on foreign currency deposits Rs. 52,754,616 (1998: Rs. 58,849,901) - refer to note 9.1] | 27,770,955 | 33,047,469 |
| - running finances | 722,579 | 1,444,064 |
| - short term finances | 3,134,177 | 6,720,385 |
| Mark-up on shod term finance - unsecured | 39,189,247 | 10,959,833 |
| Profit on Certificates of Investment | 56,540,378 | 52,744,544 |
| Exchange risk cover fee | 23,110,082 | 27,667,177 |

| | | |
|--|-------------|-------------|
| (Refund) / accrual in respect of late payment of exchange risk cover fee - net | (8,475,905) | 4,846,429 |
| Guarantee commission and other charges on long term loans | 1,225,124 | 1,707,956 |
| Bank charges | 596,438 | 1,508,925 |
| Others | -- | 70,000 |
| | ===== | ===== |
| | 255,527,808 | 256,784,551 |
| | ===== | ===== |

| | | |
|--|---------------|---------------|
| | 1999 | 1998 |
| | Rupees | Rupees |

22. ADMINISTRATIVE AND OPERATING EXPENSES

| | | |
|------------------------------------|------------|------------|
| Salaries, allowances and benefits | 18,096,615 | 16,442,037 |
| Rent, rates and taxes | 2,988,433 | 2,688,652 |
| Gas, electricity and utilities | 538,469 | 652,197 |
| Printing and stationery | 1,111,913 | 1,036,943 |
| Insurance | 1,363,118 | 1,153,944 |
| Repairs and maintenance | 1,492,098 | 1,294,385 |
| Travelling and conveyance | 1,081,746 | 741,276 |
| Staff training expenses | 216,900 | 160,114 |
| Membership and subscription | 348,649 | 323,854 |
| Canteen and entertainment expenses | 445,370 | 694,199 |
| Postage expenses | 154,198 | 150,154 |
| Telephone expenses | 1,980,814 | 2,503,865 |
| Legal and professional charges | 1,914,605 | 779,033 |
| Vehicle running expenses | 1,826,687 | 1,416,725 |
| Advertisement | 129,313 | 385,480 |
| Depreciation | 4,334,683 | 3,513,745 |
| Stamps and fees | 306,244 | 196,734 |
| Freight and packing | -- | 86,349 |
| | ===== | ===== |
| Auditors' remuneration | | |
| Audit fee | 90,000 | 90,000 |
| Taxation services | 106,934 | 32,896 |
| Special audit fee | 90,000 | -- |
| Other certifications | 3,000 | 20,000 |
| Out-of-pocket expenses | 19,731 | 12,193 |
| | ===== | ===== |
| | 309,665 | 155,089 |
| | ===== | ===== |
| Donations | -- | 6,000 |
| Professional tax | 218,612 | 163,155 |
| Miscellaneous | -- | 4,927 |
| | ===== | ===== |
| | 38,855,132 | 34,548,857 |
| | ===== | ===== |

23. TAXATION

Assessments have been finalised upto assessment year 1998-99. Provision for current taxation has been made on the basis of minimum tax under section 80D of the Income Tax Ordinance, 1979.

24. BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

| | | |
|---|------------|------------|
| Profit after tax for the year | 25,311,230 | 19,712,909 |
| | ===== | ===== |
| Weighted average number of shares outstanding during the year | 10,519,060 | 10,519,060 |
| | ===== | ===== |
| Basic earnings per share | 2.41 | 1.87 |
| | ===== | ===== |

24.1 No figure for diluted earnings per share has been presented as the company has not issued any instruments which would have an impact on earnings per share when exercised.

| | | |
|--|---------------|---------------|
| | 1999 | 1998 |
| | Rupees | Rupees |

25. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

| | | |
|---|-------------|------------|
| Insurance premium expense | 1,052,194 | 1,004,717 |
| Paid towards software development | 1,105,000 | 300,000 |
| Services provided by | 1,476,086 | 1,476,098 |
| Services provided to | -- | 2,513 |
| Expenses charged by | 25,184 | -- |
| Expenses charged to | -- | 3,772,776 |
| Lease rentals and advances received | 17,079,116 | 14,555,242 |
| Cost of assets leased | 4,215,000 | 23,036,728 |
| Issue of Certificates of Investment | 22,000,000 | 21,000,000 |
| Purchase of vehicles | 1,655,555 | 1,661,887 |
| Sale of fixed assets | -- | 1,558,383 |
| Short term finance obtained | 250,000,000 | 70,000,000 |
| Short term finance repaid | 250,000,000 | 90,065,753 |
| Mark-up on short term finance obtained | 9,591,997 | 3,950,388 |
| Profit on Certificates of Investment paid | 1,275,001 | 320,124 |
| Guarantee commission | 123,126 | 291,056 |
| Mark-up accrued on advance | 1,057,366 | 1,917,797 |

Transactions with associated undertakings are entered into in the normal course of business at contracted rates and terms determined in accordance with market rates.

26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

Remuneration in respect of the above charged in these accounts is as follows:

| | | | | | | | | |
|-------------------------|-------------------------------|------------------------|--------------------------|---------------------|-------------------------------|------------------------|--------------------------|---------------------|
| | 1999 | | | | 1998 | | | |
| | Chief Executive Rupees | Director Rupees | Executives Rupees | Total Rupees | Chief Executive Rupees | Director Rupees | Executives Rupees | Total Rupees |
| Managerial remuneration | 1,697,902 | -- | 6,668,252 | 8,366,154 | 1,021,000 | 1,018,500 | 4,368,908 | 6,408,408 |
| Housing and utilities | 737,431 | -- | 2,917,783 | 3,655,214 | 514,800 | 502,425 | 2,107,948 | 3,125,173 |
| Medical, allowances | | | | | | | | |

| | | | | | | | | |
|--------------------|-----------|----|------------|------------|-----------|-----------|-----------|------------|
| and other expenses | 11,337 | -- | 308,591 | 319,928 | 66,243 | 493,788 | 484,474 | 1,044,505 |
| Provident fund | 134,078 | -- | 515,568 | 649,646 | 93,600 | 91,250 | 385,053 | 570,003 |
| | ----- | | ----- | ----- | ----- | ----- | ----- | ----- |
| | 2,580,748 | | 10,410,194 | 12,990,942 | 1,695,643 | 2,106,063 | 7,346,383 | 11,148,089 |
| | ===== | | ===== | ===== | ===== | ===== | ===== | ===== |
| Number of persons | 1 | -- | 22 | | 1 | 1 | 21 | |
| | ===== | | ===== | ===== | ===== | ===== | ===== | |

26.1 The Chief Executive is provided with free use of company maintained car.

26.2 Fees totaling Rs. 8,000 (1998: Rs. 7,500) were paid to five directors (1998: five directors) for attending Board Meetings during the year.

27. CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK

Credit risk is the risk, which arises with the possibility that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in a similar manner.

The company follows a two pronged policy. Firstly, it has developed its own prudent operating policies duly approved by the Board of Directors. Secondly, it follows the regulations issued by the State Bank of Pakistan. The internal policy prescribes the maximum limits of fund and non-fund based exposures with respect to a particular sector or a business group. Extra care is taken to ensure that per party and per sector exposures remain within limits prescribed by the internal policy and the State Bank of Pakistan regulations.

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

| Industry Sector | June 30, 1999 Rupees | % |
|-----------------------------------|-------------------------|--------|
| Services | 203,232,305 | 10.64 |
| Textile Spinning | 194,445,946 | 10.18 |
| Steel, Engineering and Automobile | 176,682,220 | 9.25 |
| Chemicals, Fertilizers and Pharma | 169,907,025 | 8.90 |
| Cement | 168,659,892 | 8.83 |
| Food, Tobacco and Beverages | 127,211,199 | 6.66 |
| Consumer | 124,346,081 | 6.51 |
| Electrical and Electronic Goods | 120,716,933 | 6.32 |
| Textile Weaving and Knitting | 102,279,097 | 5.35 |
| Transport and Communication | 84,043,435 | 4.40 |
| Printing and Packaging | 70,099,865 | 3.67 |
| Financial Institutions | 59,021,412 | 3.09 |
| Educational Institutions | 48,133,967 | 2.52 |
| Energy, Oil and Gas | 45,459,858 | 2.38 |
| Health Care | 45,388,850 | 2.37 |
| Paper and Board | 42,785,748 | 2.24 |
| Glass and Ceramics | 40,493,655 | 2.12 |
| Dairy and Poultry | 13,752,562 | 0.72 |
| Sugar and Allied | 12,033,492 | 0.63 |
| Construction | 11,078,453 | 0.58 |
| Banaspoti and Allied Industries | 4,011,164 | 0.21 |
| Leather Footwear and Tanneries | 3,438,141 | 0.18 |
| Hotels | 1,719,070 | 0.09 |
| Miscellaneous | 41,257,686 | 2.16 |
| | ----- | ----- |
| | 1,910,078,056 | 100.00 |
| | ===== | ===== |

28. NET FOREIGN CURRENCY EXPOSURE

For foreign currency loans not covered through the State Bank of Pakistan exchange risk cover scheme, the company has adopted an alternative method to hedge foreign exchange risk associated with its foreign currency borrowing which has also been recognized by the State Bank of Pakistan. This involves purchasing foreign currency from the secondary market, placing the foreign currency on deposits and obtaining credit facilities against these deposits in local currency on a matching basis.

The details of hedge transactions are as follows:

Long term foreign currency borrowings hedged by long term deposits are as follows:

| | Rupees | US \$ |
|------------------------------|-------------|------------|
| FMO II (Pak Kuwait Inv. Co.) | 195,943,260 | 3,775,400 |
| ADB II (Pak Kuwait Inv. Co.) | 467,100,000 | 9,000,000 |
| | ----- | ----- |
| | 663,043,260 | 12,775,400 |

Long term deposits to hedge long term borrowings are as follows:

| | Rupees | US \$ |
|------------------------------|-------------|------------|
| FMO II (Pak Kuwait Inv. Co.) | 194,082,447 | 3,778,496 |
| ADB II (Pak Kuwait Inv. Co.) | 462,285,000 | 9,000,000 |
| | ----- | ----- |
| | 656,367,447 | 12,778,496 |
| | ----- | ----- |
| | 6,675,813 | (3,096) |
| | ===== | ===== |

For foreign currency borrowings other than referred to above, appropriate forward exchange cover has been obtained directly from State Bank of Pakistan to hedge against foreign exchange fluctuation risks.

29. MARK-UP RATE RISK

Mark-up rate risk (MRR) arises from the possibility that changes in MRR will affect the value of financial instruments. A company is exposed to MRR as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or reprice in a given period. The risk is managed by matching the repricing of assets and liabilities.

The company's MRR sensitively position, based on the earlier of contractual repricing or maturity date, is as follows.

| | More than one year and less than | More than | Not exposed |
|--|--|-----------|-------------|
| | Less than | | |

| | one year Rupees | five years Rupees | five years Rupees | to MRR Rupees | Total Rupees |
|---|--------------------|----------------------|----------------------|--------------------|----------------------|
| Assets | | | | | |
| Fixed assets | -- | -- | -- | 17,008,727 | 17,008,727 |
| Net investment in lease finance (net of provision for doubtful debts) | 768,647,954 | 782,306,170 | -- | 302,585,622 | 1,853,539,746 |
| Long term investments | -- | 30,000,000 | 2,500,000 | 1,000,000 | 33,500,000 |
| Long term loans, deposits and deferred cost | 261,805 | 1,966,997 | 5,327,695 | 21,105,597 | 28,662,094 |
| Shod term investment | 10,000,000 | -- | -- | -- | 10,000,000 |
| Income accrued or due | -- | -- | -- | 25,846,788 | 25,846,788 |
| Advances, deposit, prepayments and other receivable (net of provision for doubtful debts) | 8,301,079 | -- | -- | 26,805,354 | 35,106,433 |
| Cash and bank balances (net) | 49,983,047 | 127,226,423 | -- | 22,355,478 | 199,564,948 |
| A | 837,193,885 | 941,499,590 | 7,827,695 | 416,707,566 | 2,203,228,736 |
| Liabilities | | | | | |
| Capital and reserves | -- | -- | -- | 243,016,335 | 243,016,335 |
| Long term finances | 321,284,672 | 768,959,616 | -- | -- | 1,090,244,288 |
| Certificates of investment | 297,504,026 | 21,995,000 | -- | -- | 319,499,026 |
| Long term deposits | -- | -- | -- | 265,260,293 | 265,260,293 |
| Short term finances | 198,931,835 | -- | -- | -- | 198,931,835 |
| Accrued and other liabilities | -- | -- | -- | 86,276,959 | 86,276,959 |
| B | 817,720,533 | 790,954,616 | -- | 594,553,587 | 2,203,228,736 |
| MRR sensitivity gap (A+B) | 19,473,352 | 150,544,974 | 7,827,695 | (177,846,021) | -- |
| Cumulative MRR sensitivity gap | 19,473,352 | 170,018,326 | 177,846,021 | -- | -- |

a) The total MRR sensitivity gap represents the net amounts of on-balance sheet items.

b) The effective MRR for each of the monetary financial instrument is as follows:

| | 1999 Effective MRR % | |
|--|----------------------------|--|
| Assets | | |
| Net investment in lease finance | 22.36 | |
| Investments- fixed interest instrument | 14.70 | |
| Cash and bank balances | | |
| Local currency deposit account | 12.00 | |
| Foreign currency deposit accounts | 7.43 | |
| Liabilities | | |
| Long term finances - Local Currency | 18.50 | |
| - Foreign Currency | 17.51 | |
| Certificates of investment | 18.62 | |
| Shod term finances | 16.89 | |
| Running finances | 18.37 | |

30. FAIR VALUE OF FINANCIAL INSTRUMENT

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. As also mentioned in note 2.1, the company prepares its financial statements under the historical cost convention. Consequently, differences can arise between book value and the fair value estimates.

The estimated fair values of all financial instruments are not significantly different from their book values.

31. GENERAL

31.1 Figures have been rounded off to the nearest Rupee.

31.2 Previous year's figures have been rearranged wherever necessary for the purpose of comparison.

| | | |
|--------------------------------------|--|-------------------------------------|
| SANAULLAH QURESHI Director | KHALEEQ-UR-RAHMAN KHAN Chief Executive | YUSUF H. SHIRAZI Chairman |
|--------------------------------------|--|-------------------------------------|

ATLAS GROUP COMPANIES

| | Year of Establishment Acquisition * |
|--|--|
| Shirazi Investments (Pvt) Ltd. | 1962 |
| Atlas Honda Ltd. | 1963 |
| Atlas Battery Ltd. | 1966 |
| Shirazi Trading Co.(Pvt) Ltd. | 1973 |
| Atlas Warehousing (Pvt) Ltd. | 1979 |
| Atlas Office Equipment (Pvt) Ltd. | 1979* |
| Muslim Insurance Co. Ltd. | 1980* |
| Allwin Engineering Industries Ltd. | 1981 * |
| Atlas Lease Ltd. | 1989 |
| Atlas Investment Bank Ltd. | 1990 |
| Honda Atlas Cars (Pakistan) Ltd. | 1993 |
| Honda Atlas Services (Pvt) Ltd. | 1994 |
| Atlas Information Technology (Pvt) Ltd. | 1996 |
| Total Atlas Lubricants Pakistan (Pvt) Ltd. | 1997 |
| Honda Atlas Power Products (Pvt)Ltd. | 1997 |