

Capital Assets Leasing Corporation Limited

Annual Report 1999

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COMPANY INFORMATION

Board of Directors

Mr. Salman Qureshi (Chairman)
Mr. Nisar A. Memon
Mr. Mohammad Kalim
Chaudhry Fazal-i-Husain
Mr. Aamir Qureshi
Mr. Anwar Shafi
Mr. Jehangir Shah

Chief Executive Officer

Mr. Jehangir Shah (Managing Director)

Company Secretary

Mr. Rizwan Akhtar

Auditors

M/s Ebrahim & Company
Chartered Accountants
2nd Floor, Block "C"
Lakson Square Building
Sarwar Shaheed Road, Karachi.

Registrars & Share Transfer Office

M/s Softlink (Pvt.) Limited
Wings Arcade, 1-K (Commercial)
Model Town, Lahore.
Tel. # 5839180-2 Fax # 5837061

Legal Advisor

Chaudhry Fazal-i-Husain
M/s Mohsin Tayebally & Co., Advocates
M/s Rizvi, Isa & Co., Advocates

Main Bankers

Allied Bank of Pakistan
Askari Commercial Bank Limited
First Women Bank Limited
Gulf Commercial Bank Limited
Muslim Commercial Bank Limited
National Bank of Pakistan
Platinum Commercial Bank Limited
Prime Commercial Bank Limited

Registered Office

10-1 I/B, 3rd Floor, LDA Flats
Lawrence Road, Lahore.
Telephone # 6311604-5
Fax # 6370017
Email # calcorp@nexlinx.net.pk

Branch Office

43/10/G, Block-VI
Dr. Mehmood Hussain Road,
PECHS, Karachi.
Telephone # 4544115-6
Fax # 4523822
Email # calcorp@cyber.net.pk

NOTICE OF 7TH ANNUAL GENERAL MEETING

Notice is hereby given that the seventh (7th) Annual General Meeting of the Shareholders of CAPITAL ASSETS LEASING CORPORATION LIMITED will be held at the Registered Office of the Company located at 10-1 I/B, 3rd Floor, LDA Flats, Lawrence Road, Lahore on Thursday, 30th December 1999 at 10:30 a.m. to transact the following business:

1. To confirm the minutes of second Extra Ordinary General Meeting held on June 21, 1999.
2. To receive, consider and adopt the Audited Accounts of Company for the year ended June 30, 1999 together with the Directors' and Auditors' Reports thereon.
3. To approve, as recommended by the Directors in their meeting held on Friday, Dec. 03, 1999 the payment of Cash Dividend ~ 5% i.e. 0.50 paise per share for the year ended June 30, 1999.
4. To appoint Auditors of the Company and to fix their remuneration. The present Auditors M/s Ebrahim & Co. Chartered Accountants, retire and being eligible offer themselves for reappointment.

Special Business

5. To approve the remuneration of Chief Executive.
6. To transact any other business with the permission of the Chair.

Lahore
December 08, 1999

Notes:

1. The Share Transfer Books of the Company will remain closed from 24th December, 1999 to 30th December, 1999 (both days inclusive).
2. A member eligible to attend and vote at this Meeting is entitled to appoint another member as his/her proxy to attend and vote instead of him/her. A proxy must be a

BY ORDER OF THE BOARD

(Rizwan Akhtar)
Company Secretary

member of the company. Proxies in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time of Meeting.

3. Any individual/beneficial owner of Central Depository Company (CDC), entitled to vote at this meeting must bring his/her National Identity. Card to prove his/her identity. In case of proxy must enclose an attested copy of his/her National Identity Card. Representatives of corporate members should bring the usual documents required for such purpose

4. A Statement under Section 160 of Companies Ordinance 1984 pertaining to the Special Business is being sent to shareholders alongwith this notice.

5. Members are requested to notify the changes of address, if any, to the Company's Share Registrars M/s. Softlink (Pvt.) Ltd. immediately.

DIRECTORS' REPORT

The Board of Directors is pleased to place before you the 7th Annual Report together with the Audited Accounts of the company for the year ended June 30, 1999.

Financial Results:	<i>Notes</i>	<i>(Rs. in 000)</i>
Gross revenues		31,511
Total expenses		22,112

Operating profit for the year		9,399
Provisions		
for potential losses (Lease)	(0,986)	
for potential losses (Morabaha/Short-term)	3,272	
for taxation (including Deferred Taxation)	3,695	
		5,981

Profit after taxation		3,418
Unappropriated profits brought forward		22,747

Profit available for appropriation		26,165
Appropriations		
Proposed cash dividend @ 05%	3,312	
Transfer to statutory reserves @ 20%	683	
		3,995

Unappropriated profit carried forward		22,170

Cash Dividend:

The directors are pleased to recommend a cash dividend @ 5% to the share holders for the year ended June 30, 1999.

Review of Operations:

During the year under review your company's balance sheet has grown to Rs.213.725 million. Quality leases continued to be disbursed. 136 fresh lease contracts were signed, and gross disbursements totaled Rs.75.594 million. The average net yield of the lease portfolio as on June 30th, 1999, was 25.83% per annum. The company also extended short term financing facilities

through ensuring that minimum 70% of its funds are deployed in leasing business, as per regulatory requirements. Income from leasing operations contributed the largest revenue, Rs. 25.652 million.

Net Income before provisions for the period under review is Rs. 9,399,406. Your Directors considered it prudent to create a provision of Rs.3.272 million for potential losses. Provisioning has been made in accordance with the Prudential regulations of the State Bank of Pakistan. However in the opinion of the Management & the Board, the Morabaha & Short term financing amounts outstanding are recoverable. Hence this provisioning should in no manner be construed to mean that the company's Portfolio is affected.

The year under review has been one of continued slowdown in economic & business activities in the country. Despite tills the company continued expanding its base with emphasis on quality.

Your Directors are pleased to advise that strict standards for evaluating proposals continue to be adhered to, and only those institutions or individuals are considered for facilities whose track record of repayments is proven good.

The pace of recoveries have been accelerated. We are pleased to inform you that the results of these efforts has had a tremendous effect on improving the overall recovery position. This obviously resulted in improving your company's cash flows as well as keeping the need for provisioning to a minimum.

Fresh lease disbursements were mainly for vehicle leasing, both commercial and private. Basically business activities having slowed down resulted in fewer requests for machinery & equipment leasing, thus shifting the maximum exposure to the transport sector. The assets mix is as follows.

Your company continued its support to the social sectors--education, health, food. The education sector is the largest beneficiary percentage wise, in our lease portfolio. Tourism and information technology sectors are areas where we have also made inroads successfully.

Y2K Compliance:

Your company is Y2K compliant, and this has been certified by our IT consultants.

Resource Mobilization:

Resources were raised through receipts of lease rentals, payments received towards reduction of short-term borrowings, and with the cooperation of our creditor financial institutions. New avenues continue to be tapped for obtaining funding to maintain the tempo of sustained growth.

Future Outlook:

We are encouraged by the fact that inspite of the economic scenario during the year under review your company saw continued activity & progress. Although business revival will take some time your Directors are hopeful of the future.

With the advantage of leasing becoming recognized & therefore becoming a preferred mode for acquisition & financing of assets, it is felt that demand for this form of financing will continue, obviously resulting in further growth of the sector, of which CALCORP is steadily becoming an active participant.

The Directors & the company's management are fully aware & conscious of their responsibilities, and are focused on balance sheet growth, increased profitability & share holders interest, and have every intention of continuing to seek quality business.

The issue of increase in paid-up capital to Rs. 200 million by leasing companies as required by the Securities & Exchange Commission of Pakistan is being pursued by your company. Under the present circumstances there is no option but to approach the SECP through the Leasing Association of Pakistan with a request to extend the period for complying with this requirement.

Board of Directors:

Elections of the Board of Directors were held in June 1999 & we are pleased to inform you that all the retiring Directors who had offered themselves for re-election were re-elected without contest. Mr. Salman Qureshi was unanimously elected as Chairman of the Board of Directors.

Auditors:

The company's Auditors, M/s Ebrahim & Company, Chartered accounts, retire & being eligible offer themselves for re-appointment.

Acknowledgments:

We take this opportunity to thank our valued clients, shareholders, creditor financial institutions, the Securities & Exchange Commission of Pakistan, State Bank of Pakistan, Leasing Association of Pakistan & all three Stock Exchanges of Pakistan, for their continued support and guidance.

The Board expresses its appreciation & thanks to the management & staff of the company for their commitment and dedicated hard work without which these results would not have been possible.

Pattern of Share holding:

Pattern of Share holding as on June 30th 1999 is annexed to this report.

on behalf of the Board

Jehangir Shah
Managing Director/CEO

Salman Qureshi
Chairman

Lahore
December 03, 1999

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of CAPITAL ASSETS LEASING CORPORATION LIMITED as at June 30, 1999 and the related profit and loss account and statement of changes in financial position together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information & 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 accounts 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 accounts 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 statement of changes in financial position together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1999 and of the profit and changes in financial position for the year then ended; and

d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Karachi
December 03, 1999

Ebrahim & Company
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1999

	<i>Notes</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
SHARE CAPITAL AND RESERVES			
Authorized Capital 10,000,000 ordinary shares of Rs. 10 each		100,000,000	100,000,000
Issued subscribed and paid-up capital 6,623,950 ordinary shares of Rs. 10 each fully paid in cash		66,239,500	66,239,500
Reserves	3	7,612,407	6,928,786
Unappropriated profit		22,169,693	22,747,182
		96,021,600	95,915,468
LIABILITIES AGAINST ASSETS			
SUBJECT TO FINANCE LEASE	4	659,831	282,725
DEFERRED LIABILITIES	5	3,197,170	224,004
LONG TERM DEPOSITS	6	25,252,421	24,988,455
CURRENT LIABILITIES			
Current portion of long term liabilities		19,219,928	12,923,429
Short term loans-and running finances	7	58,367,704	47,491,034
Creditors, accrued and other liabilities	8	5,721,938	7,394,484
Provision for taxation		1,430,351	992,176
Dividend	9	3,854,481	1,172,596
		88,594,402	69,973,719
CONTINGENCIES AND COMMITMENTS	10		

		213,725,424	191,384,371
		=====	=====
TANGIBLE FIXED ASSETS	11	4,090,303	3,499,870
INVESTMENT IN LEASE AND HIRE			
PURCHASE FINANCES	12	95,407,662	85,936,768
LONG TERM INVESTMENTS	13	250,000	250,000
LONG TERM DEPOSITS	14	514,590	271,180
DEFERRED COST	15	122,122	271,773
CURRENT ASSETS			
Current portion of long term investment in lease and hire purchase finances		71,156,037	58,789,517
Morabaha and short term finances	16	20401060	21,387,370
Advances, prepayments and other receivables	17	5,048,111	4,324,691
Cash bank balances	18	16,735,539	16,658,202
		-----	-----
		113,340,747	101,159,780
		-----	-----
		213,725,424	191,384,371
		=====	=====

NOTE: The annexed notes form an integral part of these accounts.

Jehangir Shah
Managing Director/CEO

Nisar A. Memon
Director

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

	<i>Notes</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Income from leasing operations	19	25,651,892	22,399,699
Other income	20	5,859,068	4,425,498
		-----	-----
		31,510,960	26,825,197
Administrative and operating expenses	21	13,108,210	9,931,545
Financial charges	22	9,003,344	4,617,532
		-----	-----
		22,111,554	14,549,077
		-----	-----
Operating profit before provisions		9,399,406	12,276,120
Provision/(reversal of provision) for losses:			
For lease transactions		(986,300)	247,500
For morabaha and short term finances		3,272,500	502,500
		-----	-----
		2,286,200	750,000
		-----	-----
Operating profit for the year		7,113,206	11,526,120

Provision for taxation:	23		
Current year		402,000	355,000
Prior year		234,099	--
Deferred		3,059,000	--
		-----	-----
		3,695,099	355,000
Net profit after taxation		3,418,107	11,171,120
Unappropriated profit brought forward		22,747,182	13,810,286
Profit available for appropriation		26,165,289	24,981,406
Appropriations:			
Proposed dividend @ 5% (1998: Nil)		3,311,975	--
Transfer to reserves		683,621	2,234,224
		-----	-----
		3,995,596	2,234,224
Unappropriated profit carried forward		22,169,693	22,747,182
Earnings per share	24	Rs. 0.52	Rs. 1.69

Note: The annexed notes form an integral part of these accounts.

Jehangir Shah
Managing Director/CEO

Nisar A. Memon
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>
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	7,113,206	11,526,120
Adjustments for non cash charges/(credit) & other items		
Gratuity	--	162,604
Depreciation	1,396,649	1,157,789
(Gain) on disposal of fixed assets	(378,034)	(64,288)
Amortization of deferred cost	149,651	584,587
Financial charges	9,003,344	4,617,532
Provision for losses	2,286,200	750,000
	-----	-----
	19,571,016	18,734,344
(Increase) in current assets		
Advances, prepayments and other receivables	(397,200)	(2,069,348)
(Decrease)/increase in current liabilities		

Creators, accrued and other liabilities	(3,721,249)	4,801,065
Cash generated from operations	15,452,567	21,466,061
Financial charges paid	(6,954,641)	(4,669,571)
Tax paid	(524,144)	(765,342)
Gratuity paid	(85,834)	--
Net investment in lease and hire purchase finances	(20,856,114)	(32,778,660)
Morabaha and short term finances	(2,286,190)	(4,164,870)
Lease security deposits	6,238,786	13,758,055
Net Cash from operating activities	(9,015,570)	(7,154,327)

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

	<i>1,999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
CASH FLOW FROM INVESTING ACTIVITIES		
Addition to fixed assets	(963,478)	(801,113)
Proceeds from sale of fixed assets	384,530	140,000
Long term investments	--	(50,000)
Long term deposits	(243,410)	(167,180)
Net cash from investing activities	(822,358)	(878,293)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of liabilities against assets subject to finance lease	(331,315)	(104,189)
Dividend and Zakat paid	(630,090)	(3,795,367)
Short term loans and running finances	10,876,670	27,386,917
Net cash from financing activities	9,915,265	23,487,361
Net increase in cash and cash equivalents	77,337	15,454,741
Cash and cash equivalents at the beginning of the year	16,658,202	1,203,461
Cash and cash equivalents at the end of the year	16,735,539	16,658,202

Jehangir Shah
Managing Director/CEO

Nisar A. Memon
Director

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

1. NATURE AND STATUS OF BUSINESS

The company was incorporated on April 01, 1992 in Pakistan as a public limited

company and its shares are quoted on all Stock Exchanges in Pakistan. The principal activity of the Company is to carry on leasing business.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention without any adjustments for the effect of inflation or current values.

2.2 Staff retirement benefits

The Company operates a funded contributory provident fund scheme covering all regular employees. Equal monthly contributions are made by the Company and employees to the fund.

Provision for gratuity represents the amounts due to staff upto the date of introduction of provident fund scheme.

2.3 Revenue recognition

Lease income is recognized using the "Finance Method". Under this method the unearned finance income represented by the excess of the aggregate of lease rentals and the estimated residual value over the cost of leased assets is allocated to income on a systematic basis over the period of the lease term.

Profit on morabaha and short term finances is recognized on a prorata basis taking into account the relevant buy-back date.

Front end fee, project examination fee and other commissions are recognized as income on receipt.

2.4 Taxation

Provision for current taxation is the higher of the amount computed on taxable income at the current tax rates after taking into account tax rebates and minimum tax computed at the prescribed rate on turnover.

The Company accounts for deferred taxation using the liability method on all significant timing differences excluding those that are not likely to reverse in foreseeable future as stated more fully in Note: 23.2

2.5 Tangible fixed assets.

These are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written off over its estimated useful life at the rates given in relevant note.

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

Minor repair and maintenance are charged to revenue. Major repairs, renewals and improvements are capitalized.

Gains and losses on disposal of fixed assets are charged to income.

2.6 Accounting for leases

The Company accounts for assets operated under financial lease by recording the

assets and related liability.

The amounts are determined on the basis of discounted value of total minimum lease payments and residual value of the assets at the end of the lease period to be paid by the Company.

Financial charges are allocated to accounting periods in a manner so as to provide constant periodic rate of charge on the outstanding liability.

Depreciation is charged at rates specified in the related note to write off the assets over its estimated useful life. In view of certainty of the ownership of the assets at the end of the lease.

2.7 Provision for potential losses

Provision for potential losses against lease, morabaha and short term financing represents provision which in the opinion of the management, is required to cover potential losses that can be reasonably anticipated. The allowance is increased by provisions charged to income and is decreased by charge-offs and net. of recoveries.

2.8 Investments

Long term investments are stated at cost. Provision is made for diminution in the value of investments if considered permanent.

2.9 Deferred costs

These costs are amortized over a period of five years commencing from the year in which they are incurred.

3. RESERVE

Opening balance
Transfer from profit and loss account

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
	6,928,786	4,694,562
	683,621	2,234,224
	----- 7,612,407 =====	----- 6,928,786 =====

This reserve represents the amounts set aside out of after tax profits in accordance with State Bank of Pakistan NBF1 Circular No.1 dated December 05, 1991. Under this Circular 20% of the after tax profits are to be credited to reserves till such time that such reserves equal the paid up capital.

4. LIABILITIES AGAINST ASSETS

SUBJECT TO FINANCE LEASE

Present value of minimum lease rental payments
Less: Current portion shown under
current liabilities

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
	1,094,448	395,663
	434,617	112,938
	----- 659,831	----- 282,725

=====

The above liabilities represent the unpaid balance of the total of minimum lease payments and the residual value payable at the end of lease discounted at 20.63 to 21.62 percent per annum.

Remaining aggregate rentals of Rs. 1.176 million inclusive of mark-up are payable in 35 equal monthly installments latest by May 2002.

Future lease payments are as follows:

Financial year	
1999- 2000	595,620
2000- 2001	514,055
2001 - 2002	65,883

	1,175,558
Less: Financial charges allocated to future period	81,110

	1,094,448
	=====

At the end of the lease period the ownership of assets shall be transferred to the Company on payment of residual value.

The cost of operating and maintaining the leased assets is borne by the Company.

The above liability is secured against demand promissory note.

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
5. DEFERRED LIABILITIES		
Provision for gratuity	138,170	224,004
Deferred taxation (Note: 23.2)	3,059,000	--
	-----	-----
	3,197,170	224,004
	=====	=====

6. LONG TERM DEPOSITS

Lease security deposits	44,037,732	37,798,946
Less: Current portion shown under current liabilities	18,785,311	12,810,491
	-----	-----
	25,252,421	24,988,455
	=====	=====

These represent interest free security deposits received from lessees under lease contracts and are adjustable at the expiry of the respective lease period on settlement of accounts and transfer of assets.

7. SHORT TERM LOANS AND RUNNING FINANCES

Short term loans

Secured		
Financial institution		
Morabaha financing (Note: 7.1)	3,000,000	--
Unsecured		
Financial institutions (Note: 7.2)	11,200,000	5,000,000
	-----	-----
	14,200,000	5,000,000

Short term running finances

Secured		
Banking companies		
Under mark-up agreements (Note: 7.3)	44,167,704	42,491,034
	-----	-----
	58,367,704	47,491,034
	=====	=====

7.1 This facility for short-term finance is secured by first pari passu charge on leased assets and receivables of the Company and carries markup at 21% per annum. The balance is repayable by June 10, 2000.

7.2 These facilities are short-term borrowings from financial institutions and carry mark-up at rates ranging from 17% to 20% per annum. These borrowing comprising of three different facilities are repayable on various dates by September 1999.

7.3 Under these agreements the Company can avail Rs. 43.954 million (1998: Rs. 42.50 million) from commercial banks. Under these arrangements goods owned by the Company are sold to the banks and are deemed to be immediately repurchased by the Company at a price paid by the bank plus mark-up computed at rates ranging from 50 paisas to 54 paisas per Rs. 1,000 per diem or part thereof on the price outstanding. The aggregate facility for short-term finances is secured by first pari passu charge on Company's leased assets, fixed assets and receivables. These facilities are renewable/repayable on various dates by May 2000.

1999	1998
Rupees	Rupees

8. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	11,870	186,806
Accrued expenses	488,149	443,699
Advance rental from lessees	1,227,208	4,662,098
Mark-up accrued on secured short term loans and running finances	3,628,949	1,768,869
Mark-up accrued on unsecured loan	206,192	30,120
Mark-up on assets subject to finance lease	12,551	--
Others	147,019	302,892
	-----	-----
	5,721,938	7,394,484
	=====	=====

9. DIVIDEND

Proposed dividend 05% (1998: Nil)	3,311,975	--
Unclaimed dividend	542,506	1,172,596

-----	-----
3,854,481	1,172,596
=====	=====

10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

The income tax assessments for the assessment years 1993-94 and 1996-97 have been completed determining tax liability amounting to Rs.4.136 million, which the Company is disputing in appeals before Income Tax Authorities. In the event of adverse decision in the appeals, the company would be faced with a liability amounting to Rs.3.961 million and a corresponding charge against profit amounting to Rs.3.886 million.

10.2 Commitments

There were no capital commitments as at the balance sheet date.

11. TANGIBLE FIXED ASSETS

PARTICULARS	COST			RATE		DEPRECIATION			Written down value	
	As at 01-07-98	Additions During the year	Disposal/ Adjustments	As at 30-06-99	%	As at 01-07-98	Disposal/ Adjustments	For the year	As at 30-06-99	as at 30-06-99
Owned										
Furniture and fixture	907,121	41,084	(5,300)	942,905	10	316,468	(2,915)	94,291	407,844	535,061
Air conditioner and refrigerators	399,231	27,800	(15,000)	412,031	15	190,325	(12,000)	61,805	240,130	171,901
Electric fitting and installation	35,790	1,800	(5,550)	32,040	15	21,815	(4,440)	4,806	22,181	9,859
Office machines and equipment	1,411,077	271,960	--	1,683,037	15	770,122	--	252,456	1,022,578	660,459
Vehicles	3,981,486	620,834	(776,750)	3,825,570	20	2,322,210	(776,749)	720,831	2,266,292	1,559,278
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	6,734,705	963,478	(802,600)	6,895,583	--	3,620,940	(796,104)	1,134,189	3,959,025	2,936,558
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Leased										
Office equipment	60,500	725,000	--	785,500	20	12,100	--	157,100	216,695	568,805
Vehicles	397,300	305,100	--	702,400	15	59,595	--	105,360	117,460	584,940
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	457,800	1,030,100	--	1,487,900	--	71,695	--	262,460	334,155	1,153,745
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total Rupees - 1999	7,192,505	1,993,578	(802,600)	8,383,483	--	3,692,635	(796,104)	1,396,649	4,293,180	4,090,303
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Total Rupees - 1998	6,198,448	1,698,663	(704,606)	7,192,505	--	2,723,990	(189,144)	1,157,789	3,692,635	3,499,870
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

11.1 The following assets were deleted the year

PARTICULARS	COST	ACCUMULATED DEPRECIATION	WRITTEN DOWN VALUE	SALES PROCEEDS	MODE OF DISPOSAL	PARTICULARS OF PURCHASERS
Vehicle	776,750	776,749	1	370,000	Negotiation	Mr. Abdul Hayee Khan, Lahore
Furniture and fixture	5,300	2,915	2,385	2,900	Negotiation	Mr. Abdul Waseh, Lahore.
Electric fitting and installation	5,550	4,440	1,110	1,210	Negotiation	Mr. Zareef Khan, Lahore

Air conditions and refrigerators	15,000	12,000	3,000	10,420	Insurance claim Commercial Union Inc., Lahore.
Total Rupees	802,600	796,104	6,496	384,530	

1999
Rupees

1998
Rupees

12. INVESTMENT IN LEASE AND HIRE PURCHASE FINANCES

Minimum lease and hire purchase rentals receivable	159,388,383	143,436,940
Add: Residual value	44,037,732	37,798,946
Gross investment in lease and hire purchase finances (Note: 12.1)	203,426,115	181,235,886
Less: Unearned finance income	34,276,216	32,942,101
Net investment in lease and hire purchase finances	169,149,899	148,293,785
Less: Current portion of net investment (Note: 12.2)	71,156,037	58,789,517
Provision for lease losses	2,586,200	3,572,500
	73,742,237	62,362,017
	95,407,662	85,931,768

12.1 This includes balance due from an Associated Company amounting to Rs.2.048 million (1998: Nil). Maximum amount due from Associated Company at the end of any month during the year was Rs. 2.048 million (1998: Nil).

12.2 This represents the principal portion of lease rentals amounting to Rs.83.034 million (1998: Rs.76.329 million) receivable within next twelve months.

1999
Rupees

1998
Rupees

13. LONG TERM INVESTMENTS - AT COST

Federal Investment Bonds (Note: 13.1)	200,000	200,000
Shares in listed company 5,000 ordinary shares of Commercial Union Life Assurance Company (Pakistan) Ltd. (Note: 13.2)	50,000	50,000
	250,000	250,000

13.1 Federal Investment Bonds have been issued by Government of Pakistan and carry profit at the rate of 15% per annum.

13.2 The market value of these shares as at the balance sheet date was Rs.38,750

(1998: Rs.42,500). No provision for decline in market value of these shares has been made, as in the opinion of the Directors, this decline is temporary.

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
14. LONG TERM DEPOSITS		
Security deposits	514,590	271,180
	=====	=====
	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
15. DEFERRED COSTS		
Preliminary expenses	--	24,373
Floation expenses	--	329,674
Pre-operating expenses	271,773	502,313
	-----	-----
	271,773	856,360
Less: Amortized during the year	149,651	584,587
	-----	-----
	122,122	271,773
	=====	=====
	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
16. MORABAHA AND SHORT TERM FINANCES		
Morabaha finances (Note: 16.1)	3,000,000	3,000,000
Short term finances (Note: 16.2)	23,351,060	21,064,870
	-----	-----
	26,351,060	24,064,870
Less: Provision for doubtful receivables	5,950,000	2,677,500
	-----	-----
	20,401,060	21,387,370
	=====	=====

16.1 These represent amounts receivable against morabaha transactions i.e. sale of goods on a deferred payment basis at specified profit margin. These are secured by equitable mortgage of property. The rate of profit applicable range from 26 to 28 percent per annum.

16.2 These finances are secured by equitable mortgage of property and charge on machinery and carry mark up at rates ranging from 22 to 30 percent per annum. These include balance due from an Associated Company amounting to Rs.0.939 million (1998:Nil). Maximum amount due from Associated Company at the end of any month during the year was Rs.0.939 million (1998 Nil).

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

17. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances (Unsecured - considered good)		
Against salary	118,020	50,000
Against expenses		
Staff	20,000	21,545
Rent	135,000	--
Others	98,846	90,708
	-----	-----
	253,846	112,253
Against purchase of leased assets	352,695	2,162,854
Income tax	1,509,466	1,183,246
	-----	-----
	2,234,027	3,508,353
Prepayments	195,484	121,744
Accrued return on bank deposits and short term finance	1,258,928	418,472
Other receivables (Considered good)		
Associated Company (Note: 17. 1)	58,957	--
Executive (Note: 17.2)	138,645	--
Others	1,162,070	276,122
	-----	-----
	1,359,672	276,122
	-----	-----
	5,048,111	4,324,691
	=====	=====

17.1 The maximum amount due from an Associated Company at the end of any month during the year was Rs.0.059 million (1998:Nil).

17.2 The maximum amount due from Executive at the end of any month during he year was Rs.0.139 million (1998:Nil)

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
18. CASH AND BANK BALANCES		
Cash in Hand	1,224,818	172,849
Cash in Banks		
- in current accounts	3,301,644	1,224,580
- in deposit accounts (Note: 18.1)	12,209,077	15,260,773
	-----	-----
	15,510,721	16,485,353
	-----	-----
	16,735,539	16,658,202
	=====	=====

18.1 These include Rs. 20,000 (1998: Rs. 20,000) with State Bank of Pakistan as required under the rules of business for Non Banking Financial Institutions.

19. INCOME FROM LEASING OPERATIONS

Income on lease contracts	23,871,835	18,925,317
Income from hire purchase contracts	817,879	2,296,946
Front-end fee	589,646	645,133
Documentation charges	245,590	313,913
Late payment and other charges	126,942	218,390
	-----	-----
	25,651,892	22,399,699
	=====	=====

20. OTHER INCOME

Profit on Morabaha and short term finances	2,475,282	3,956,868
Return on bank deposits	679,747	373,316
Gain on sale of fixed assets	378,034	64,288
Gain on purchases and sale of shares	2,137,045	--
Dividend income	145,000	--
Profit on FIB's investment	30,000	30,000
Miscellaneous	13,960	1,026
	-----	-----
	5,859,068	4,425,498
	=====	=====

21. ADMINISTRATIVE AND OPERATING EXPENSES

Salaries, allowances and benefits(Note: 21.1)	5,259,689	3,402,295
Traveling and conveyance charges	406,527	791,561
Training and seminars	9,023	11,100
Rent, rates and taxes	555,124	865,550
Electricity, gas and water	588,900	197,751
Repairs and maintenance	247,230	249,113
Printing and stationery	315,449	269,952
Telephone and postage expenses	1,653,005	568,430
Advertising expenses	110,093	31,320
Legal and professional charges	707,077	568,137
Vehicle running expenses	682,086	484,755
Insurance expenses	309,161	264,036
Entertainment expenses	154,736	93,545
Amortization of deferred costs	149,651	584,587
Donation (Note: 21.2)	2,020	--
Auditors' remuneration		
Audit fee	40,000	40,000
Out of pocket expenses	20,809	43,693
Special audit fee	20,000	20,000
Tax and advisory services	175,000	7,500
	-----	-----
	255,809	111,193
Sundry expenses	305,865	280,431
Depreciation	1,396,649	1,157,789
	-----	-----
	13,108,210	99,317,545
	=====	=====

21.1 This amount includes Rs.140,206 (1998: Rs.162.604) in respect of staff retirement

benefits.

21.2 No Director and his spouse has any interest in the donee.

22. FINANCIAL CHARGES

Mark-up/interest on:

Unsecured short term loans	497,116	540,309
Secured short term loans and running Finances	8,160,789	3,974,683
Liabilities for finance lease	197,729	34,056
Bank charges	147,710	67,343
Zakat	--	1,141
	-----	-----
	9,003,344	4,617,532
	=====	=====

23. PROVISION FOR TAXATION

23.1 Current Tax

The provision for current taxation represents the minimum tax under the income Tax Ordinance, 1979 after considering unabsorbed depreciation and tax losses.

23.2 Deferred Tax

Deferred tax arising due to timing differences computed under the liability method is estimated at Rs.11.570 million (1998:Rs.10.639 million). As per revised International Accounting Standard (IAS) 12 "Accounting for taxes on income" full liability against deferred tax should be provided in the year to which it relates. The Securities and Exchange Commission of Pakistan vide Circular No.16 dated September 9,1999 has directed that in order to achieve compliance with the revised IAS 12, all leasing companies, during each of the five financial years beginning July 01,1998 and ending June 30, 2003 shall provide deferred tax liability arising in that year together with a further amount equal to one-fifth of the un-provided deferred tax liability as at the beginning of the financial year ending June 30,1999. Consequently the Company has made full provision for deferred tax liability for the year amounting to Rs.0.931 million and one fifth of the un-provided liability as at July 01,1998 amounting to Rs.2.128 million.

1999	1998
Rupees	Rupees

24. EARNING PER SHARE

Net profit for the year

3,418,107	11,171,120
=====	=====

Number of shares

Average issued ordinary shares

6,623,950	6,623,950
-----	-----

Earning per share

Rs. 0.52	Rs. 1.69
=====	=====

1999

25. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts for remuneration, including certain benefits to the Chairman, Chief Executive, Directors and Executives of the Company were as follows:

	<i>CHIEF EXECUTIVE</i>		<i>DIRECTORS</i>		<i>EXECUTIVES</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Meeting fees	--	--	--	4,500	--	--
Managerial Remuneration	984,402	463,065	4,000	--	920,053	1,280,696
Bonus	100,000	--	--	--	--	--
Utilities	32,100	15,967	--	--	30,680	43,905
Leave encashment	50,000	--	--	--	58,334	152,479
Provident Fund Contribution	53,502	--	--	--	--	--
Reimbursable expenses	53,576	74,340	--	--	54,336	52,986
Contract for legal services	--	--	332,600	240,000	--	--
Contract with Advisor to the Board of Directors	--	--	--	--	1,423,375	--
Total	1,273,580	553,372	336,600	244,500	2,486,778	1,530,066
Number of persons	1	1	4	4	5	7

The Chairman, Chief Executive, Advisor to the Board and certain Executives are provided with free use of company maintained car and other benefits as per Company policy.

26. CHANGES IN EQUITY

	<i>SHARE CAPITAL</i>	<i>RESERVES</i>	<i>UNAPPROPRIATED PROFIT</i>	<i>TOTAL</i>
	<i>RUPEES</i>			
Balance as at June 30, 1997	66,239,500	4,694,562	13,810,286	84,744,348
Net profit for the year ended June 30, 1998	--	--	11,171,120	11,171,120
Transfer to reserves	--	2,234,224	(2,234,224)	--
Balance as at June 30, 1998	66,239,500	6,928,786	22,747,182	95,915,468
Net profit for the year ended June 30, 1999	--	--	3,418,107	3,418,107
Proposed dividend	--	--	(3,311,975)	(3,311,975)
Transfer to reserves	--	683,621	(683,621)	--
Balance as at June 30, 1999	66,239,500	7,612,407	22,169,693	96,021,600

27. TRANSACTIONS WITH ASSOCIATED COMPANY

The Company completed following transactions during the year with an associated Company in the normal course of business:

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

Leases finance provided	2,148,850	--
Lease rentals received	126,835	--
Interest on lease finance	38,605	--
Short term finance provided	939,000	--
Interest on Short term Finance	24,851	--
Recoverable expenses incurred	58,957	--

28. INTEREST RATE RISK

Interest rate risk and sensitivity of the Company's financial assets and financial liabilities as at June 30, 1999 can be evaluated from the following:

	<i>(RUPEES)</i>			
	<i>Within one year</i>	<i>More than one year</i>	<i>Non interest/ markup bearing</i>	<i>Total</i>
FINANCIAL ASSETS				
Net investment in lease and hire purchase finances	71,156,037	95,407,662	--	166,563,699
Long term investments	--	200,000	50,000	250,000
Long term deposits	--	--	514,590	514,590
Morabaha and short term finances	20,401,060	--	--	20,401,060
Advances, deposits and other receivables	--	--	3,343,161	3,343,161
Cash and bank balances	12,204,723	--	4,530,816	16,735,539
	-----	-----	-----	-----
	103,761,820	95,607,662	8,438,567	207,808,049
	=====	=====	=====	=====
FINANCIAL LIABILITIES				
Liability against leased assets	434,617	659,831	--	1,094,448
Long term deposits	--	--	44,037,732	44,037,732
Short term loans/running finances	58,367,704	--	--	58,367,704
Creditors, accrued & other liabilities	--	--	5,721,938	5,721,938
Dividend	--	--	3,854,481	3,854,481
	-----	-----	-----	-----
	58,802,321	659,831	53,614,151	113,076,303
	-----	-----	-----	-----
Net financial assets / (liabilities)	44,959,499	94,947,831	(45,175,584)	94,731,746
	=====	=====	=====	=====

29. CREDIT RISK

The Company's credit risk exposure is not significantly different from that reflected in the financial statements. The Management monitors and limits Company's exposure to credit risk through monitoring of clients, credit exposure, review and conservative estimates of provisions for potential lease losses and doubtful receivables and through the prudent use of collateral for large amounts of credit. The Management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in different avenues.

30. FAIR VALUE OF THE FINANCIAL INSTRUMENTS.

The carrying value of financial assets and financial liabilities approximates their fair values as reflected in the financial statements except those stated as listed securities as referred in Note: 13.

31. NUMBER OF EMPLOYEES

Total number of employees at the year-end was 20 (1998-23).

32. FINANCIAL RELIEF AND PROVISION AGAINST NON-PERFORMING ADVANCES.

As no relief was given or loan written off during the year under review, the information for statements. required to be filed under section 33A of the Banking Companies Ordinance, 1962 is "Nil"

33. GENERAL

- i) Figures have been rounded off to the nearest rupee.
- ii) Corresponding figures have been re-arranged wherever necessary for the purpose of comparison.

Jehangir Shah
Managing Director/CEO

Nisar A. Memon
Director

PATTERN OF HOLDING OF SHARES HELD BY THE SHAREHOLDERS AS AT 30TH JUNE 1999

<i>No. of share holders</i>	<i>Shareholding</i>		<i>Total shares held</i>
	<i>From</i>	<i>To</i>	
39	1	100	3700
512	101	500	241200
146	501	1000	134650
148	1001	5000	345600
21	5001	10000	162500
9	10001	15000	114800
2	15001	20000	34500
7	20001	25000	161250
2	25001	30000	57500
1	30001	35000	31500
1	35001	40000	40000
1	45001	50000	50000
1	50001	55000	54500
1	55001	60000	59000
2	95001	100000	200000
1	115001	120000	116600
1	145001	150000	150000
1	160001	165000	164600
1	165001	170000	168300
1	200001	205000	203800
1	250001	255000	254400
1	265001	270000	269300
1	270001	275000	271500
2	370001	375000	750000

	2	385001	390000	771700
	1	450001	455000	455000
	1	495001	500000	499500
	1	855001	860000	858550
	-----		-----	
	908		6623950	
	=====		=====	

Categories of Shareholders

	Number	Share Held	Percentage (%)
1. Individuals	891	3221950	48.641
2. Investment Companies	4	86400	1.304
3. Insurance Companies	3	205050	3.096
4. Joint Stock Companies	2	858650	12.963
5. Financial Institution	5	1280900	19.337
6. Modaraba Companies	--	--	--
7. Leasing Companies	--	--	--
8. Others	3	971000	14.659
	-----		-----
TOTAL	908	6623950	100.000
	=====		=====

OTHERS

Associations	--	--	--
Abandoned Property	--	--	--
Government Authority	--	--	--
Modarabas Management	--	--	--
Non-Residents	--	--	--
Foreign Companies	2	954500	14.410
Trust	1	16500	0.249
	-----		-----
TOTAL	3	971000	14.659
	=====		=====

