

Sigma Leasing Corporation Limited

Annual Report 1999

OUR VISION

We shall carve a place for ourselves at the highest level of the leasing industry by providing quality service and ensuring customer satisfaction. We will go an extra mile to ensure greater profitability and value for our shareholders.

OUR DYNAMICS

Professional management will be the hallmark of our organisation. We will operate with state of the art technology to achieve optimum results and develop an efficient and motivated work force with corporate pride in their company.

OUR RESOLVE

We will provide our customers modern and technology based leasing services while we ensure our shareholders security and a high rate of return on their investments.

OUR COMMITMENT

We will maintain financial discipline and adhere to professional and moral codes. In the operation of the company we will comply with all rules and regulations set down by the supervisory authorities.

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Asif Ali Rashid	Chairman
Mr. Ariff Ali Rashid	Vice Chairman
Mr. Muhammad Nasim Khan	Chief Executive & Managing Director
Mr. Ebrahim Qassim	Director
Mr. Arfan Ali Rashid	Director
Mr. Mohammed Saleem Adam	Director
Mr. Iskander Sultan Khwaja	Director
Mr. Ruhail Mohammed	Director
Mr. Shahzad Ali Rashid	Director
Mr. Haider Ali	Director

COMPANY SECRETARY

Mr. Arfan Ali Rashid

AUDITORS

Taseer Hadi Khalid & Co. (Member firm of KPMG International)
Chartered Accountants

LEGAL ADVISOR

Mohsin Tayebaly & Co.

BANKERS

Askari Commercial Bank Limited
ORIX Investment Bank Pakistan Ltd.
National Bank of Pakistan
Hongkong & Shanghai Banking Corporation Limited
Emirates Bank International
Allied Bank of Pakistan Limited

REGISTERED OFFICE & HEAD OFFICE

Sigma House

8-C, Block-6, PECHS,
Off. Shahrah-e-Faisal, Karachi-75400.Pakistan

Tel: (021) 4557233-.4, 4544850-1

Fax: (021) 4544439

Email: sigma@khi.comsats.net.pk

Website: www.sigma-leasing.com

SHARE DEPARTMENT

Sigma House

8-C, Block-6, PECHS,
Off. Shahrah-e-Faisal, Karachi.

DIRECTORS REPORT

On behalf of the Board of Directors, I take pleasure in presenting the 3rd Annual Report together with the audited financial statements for the year ending 30 June, 1999.

During the year under review, lease disbursements of Rs.119.20 million were made and net investment in leases as on 30 June 1999 amounted to Rs.203.81 million. The company expects the disbursement and net investment in leases to be higher next year due to the positive signs of the economic revival. We continue to maintain strict standards for evaluating lease proposals. The management has ensured that the lessors are profitable companies with sufficient cash flow generation and have good track record of timely repayments with financial institutions. Our recovery rate as on 30 June, 1999 was 100% with no over dues, defaults or rescheduling.

The lease portfolio of the company remained well diversified with investments in almost all the major sectors of the economy including Textile (spinning weaving, apparel) Cement, Synthetics, Health Care., Pharmaceuticals, Sugar, Financial Institutions, Food & Allied, Information Technology and the Services sector (details are given in note 25 to the accounts).

The leasing sector also having been affected by the slowdown in the economy, the demand for financing of new capital equipment has fallen. However since leasing is now the only source of medium to long term financing, it has become the preferred mode of asset financing by the industry and trade. We feel confident that as the economy revives, demand for leasing will increase as well.

During the year under review, the company generated revenues of Rs.46.82 million and after accounting for operating and financial expenses of Rs.26.01 million earned a pre-tax profit of Rs.20.81 million. The key to these results are (a) borrowing at highly competitive rates (b) efficient utilization of available cash in good quality earning assets (c) strong rental recovery and (d) operating expenses under strict control. A high degree of operating efficiency has allowed a rise of only 5.5% in administrative and operating expenditure. Our operational success, efficiency and controls have been acknowledged by DCR-VIS Credit Rating Co. Ltd. AI-Hamdolillah, Sigma's entity rating which was already higher than that of its comparable peers, has been further up-graded to BBB (Triple B).

On the front of resource mobilization apart from the credit lines which are already availed, negotiations with Other institutions for credit lines are in progress. Issue of TFCs (Term Finance Certificates) is receiving our serious attention. Your company now fullfills the criteria set for the permission of the issue of COIs (Certificate of Investment). The application to obtain necessary permission will be pursued.

Your company will continue its efforts to grow and establish itself in the leasing industry. Efficient utilization of resources, spreading risk over a broad spectrum of clients and sectors and following a conservative and prudent approach in evaluating lease proposals shall continue to remain the policy of your company.

Your company is now fully Y2K compliant duly tested by us and certified by the software and hard ware vendors.

The present auditors M/s Taseer Hadi Khalid & Co., Chartered Accountants retire and being eligible of-
for themselves for re-appointment.

The directors are pleased to put on record their appreciation and acknowledgment of guidance received
and the best possible environment provided for the leasing sector by the regulatory authorities, SECP,
SBP and Ministry of Finance. The hard work and Financial sincere efforts put in by the staff at all levels and Expenses
support and cooperation of our clients is also recognised and appreciated.

Karachi: 29 July 1999

**Asif All Rashid - FCA
Chairman**

NOTICE OF 3RD ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the shareholders of Sigma Leasing
Corporation Limited will be held on Tuesday 21 September, 1999 at 10:00 a.m. at its regis-
tered office at Sigma House, 8-C, Block-6, PECHS, Off. Shahrah-e-Faisal, Karachi, to trans-
act the following business:

Ordinary Business:

1. To confirm the minutes of the 2nd Annual General Meeting of the company held on 29
October 1998.
2. To receive, consider and adopt the Audited Accounts together with the Directors, and
Auditors' Report for the year ended 30 June, 1999.
3. To approve as recommended by the Directors, the payment of Cash Dividend @ 20% i.e.
Rs.2/- per share for the year ended 30 June, 1999.
4. To appoint Auditors and fix their remuneration. The present auditors M/s Taseer Hadi
Khalid & Co., Chartered Accountants retire and being eligible offer themselves for reap-
pointment.

By order of the Board

**Arfan Ali Rashid
Company Secretary**

Karachi: 31 August, 1999

Notes:

1. A member entitled to attend, speak and vote at the meeting is entitled to appoint another
member as proxy to attend, speak and vote for him/her.
2. An instrument of proxy and the power of attorney or other authority (if any) under which
it signed or a notaraly certified copy of such power of authority, in order to be valid, must
be deposited at the registered office of the company not less than 48 hours before the
time of the meeting.
3. Members are requested to notify any change in their address immediately.

Taseer Hadi Khalid & Co.
Chartered Accountants

First Floor,
Sheikh Sultan Trust Building No. 2,
Beaumont Road
Karachi 75530 Pakistan

Telephone +92 (21) 568 5847
Fax +92 (21) 568 5095

Auditors' Report To The Members

We have audited the annexed balance sheet of Sigma Leasing Corporation Limited as
at 30 June 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 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 30 June 1999 and of the profit and cash flows for the year then ended; and

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

Karachi: 29 July, 1999

Taseer Hadi Khalid & Co.
Chartered Accountants

BALANCE SHEET AS AT 30 JUNE 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
CAPITAL AND RESERVES			
Authorised Capital			
30,000,000 ordinary shares of Rs. 10 each		300,000,000	300,000,000
Issued, subscribed and paid up capital	3	100,000,000	100,000,000
Statutory reserve		7,433,524	3,470,014
Unappropriated profit		9,734,095	13,880,055
	4	117,167,619	117,350,069
LONG TERM LOANS - Secured	5	19,800,818	23,514,830
LIABILITIES AGAINST ASSETS			
SUBJECT TO FINANCE LEASE	6	475,882	1,773,218
LONG TERM DEPOSITS	7	32,076,148	18,101,378
CURRENT LIABILITIES			
Current portion of long term loans		22,047,341	35,899,460
Current portion of liabilities against assets subject to finance lease		1,297,336	1,081,459
Short term loan	8	25,000,000	25,000,000
Short term running finance under markup arrangement - secured		--	13,496,499
Accrued expenses and other liabilities	9	3,118,532	6,351,938
Provision for taxation		493,840	600,578
Proposed dividend		20,000,000	--
		71,957,049	82,429,934
	Rupees	241,477,516	243,169,429

These accounts should be read in conjunction with the annexed notes.

=====

Asif Ali Rashid
Chairman

	<i>Note</i>	<i>1999</i>	<i>1998</i>
TANGIBLE FIXED ASSETS	10	17,070,296	18,401,491
NET INVESTMENT IN LEASE FINANCE	11		
Installments contract receivables		224,979,234	164,546,323
Add: Residual value		33,913,523	18,961,354
		-----	-----
Lease contract receivables		258,892,757	183,507,677
Less: Unearned lease income		55,081,369	45,666,564
		-----	-----
Net investment in lease finance		203,811,388	137,841,113
Less: Current portion of net investment in lease finance		70,142,771	38,914,526
		-----	-----
		133,668,617	98,926,587
LONG TERM INVESTMENTS	12	4,226,250	16,503,006
LONG TERM DEPOSITS	13	1,045,538	842,538
DEFERRED COST	14	--	838,649
CURRENT ASSETS			
Current portion of net investment in lease finance		70,142,771	38,914,526
Advances, prepayments and other receivables	15	2,810,655	8,293,522
Placements with other NBFIs	16	10,000,000	59,500,000
Cash and bank balances	17	2,513,389	949,110
		-----	-----
		85,466,815	107,657,158
		-----	-----
Rupees		241,477,516	243,169,429
		=====	=====

Muhammad Nasim Khan
Chief Executive

PROFIT AND LOSS ACCOUNT
For the year ended 30 June 1999

	<i>Note</i>	<i>1999</i>	<i>1998</i>
INCOME			
Lease income	18	37,173,093	16,061,066
Mark-up on deposits/placements/ musharika arrangements etc.	19	319,215	3,363,518
Gain on sale of investments		7,884,416	89,950
Others	20	1,440,146	4,099,483
		-----	-----
		46,816,870	23,614,017
EXPENSES			
Administrative	21	8,096,206	7,670,287
Financial Charges	22	13,624,196	1,712,486
(Reversal) of provision for diminution in value of short term investments		--	(131,675)
Provision for decline other than temporary in value of long term investments		4,287,435	--

		26,007,837	9,251,098
PROFIT BEFORE TAXATION		20,809,033	14,362,919
Provision for taxation			
- Current	23	493,840	600,578
- Prior		497,643	(5,254)
		991,483	595,324
PROFIT AFTER TAXATION		19,817,550	13,767,595
Unappropriated profit brought forward		13,880,055	2,865,979
		33,697,605	16,633,574
APPROPRIATION			
Transfer to statutory reserve		3,963,510	2,753,519
Proposed dividend @ 20%		20,000,000	--
		23,963,510	2,753,519
UNAPPROPRIATED PROFIT CARRIED FORWARD	Rupees	9,734,095	13,880,055

These accounts should be read in conjunction with the annexed notes.

Asif Ali Rashid
Chairman

Muhammad Nasim Khan
Chief Executive

CASH FLOW STATEMENT

For the year 30 June 1999

	1999	1998
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	20,809,033	14,362,919
Adjustments for:		
Depreciation	1,429,263	1,621,118
Reversal of provision for diminution in the value of short term investments	--	(131,675)
Provision for decline other than temporary in value of long term investments	4,287,435	--
Financial Charges	13,624,196	1,712,486
Amortization of deferred cost	838,649	838,648
Gain on sale of investments	(7,884,416)	(89,950)
	33,104,160	18,3t 3,546
Changes in operating assets/liabilities		
(Increase)/decrease in operating assets		
Net investment in lease finance	(65,970,275)	(110,735,589)
Advances, prepayments and other receivables	4,553,067	(4,484,253)
Placements with other NBFIs	49,500,000	8,500,000
	(11,917,208)	(106,719,842)
(Increase) / decrease in operating liabilities		
Short term loan	--	25,000,000
Accrued expenses and other liabilities	(2,607,781)	3,659,500
	(2,607,781)	28,659,500
Cash used in operations	18,579,171	(59,746,796)
Financial charges paid	(14,249,821)	(919,926)
Taxes paid	(168,421)	(1,454,680)

	(14,418,242)	(2,374,606)
Net cash flows from operating activities	4,160,929	(62,121,402)

	<i>Note</i>	<i>1999</i>	<i>1998</i>
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to fixed assets		(98,068)	(9,083,567)
Purchase of marketable securities including Federal Investment Bonds		(468,587,380)	(194,662,032)
Sale proceeds of investments		484,461,117	187,693,536
Capital work in progress		(203,000)	2,062,886
Investment made under musharika arrangement		--	10,000,000
Long term deposits		--	(440,832)
Lease key money deposits		13,855,469	12,987,096
Other long term deposits		119,301	120,000
Net cash flows from investing activities		29,547,439	8,677,087
		-----	-----
		33,708,368	(53,444,315)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term loans		(17,566,131)	39,354,290
Payments of liabilities against assets subject to finance lease		(1,081,459)	(684,641)
		-----	-----
Net cash flows from financing activities		(18,647,590)	38,669,649
(Decrease) / Increase in cash and cash equivalents		15,060,778	(14,774,666)
Cash and cash equivalents at beginning of the year		(12,547,389)	2,227,277
		-----	-----
Cash and cash equivalents at end of the year	24 Rupees	2,513,389	(12,547,389)
		=====	=====

NOTES TO THE ACCOUNTS

For the year ended 30 June 1999

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on 11 April 1996 as a public limited company and received Certificate of Commencement of Business on 27 January 1997. The company is principally engaged in the business of leasing and was listed on the Karachi Stock Exchange on 07 January 1997.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis for Preparation

These accounts have been prepared in accordance with International Accounting Standards as applicable in Pakistan.

2.2 Accounting Convention

These accounts have been prepared under the historical cost convention.

2.3 Tangible Fixed Assets

Fixed assets are stated at cost less accumulated depreciation.

Depreciation on fixed assets is charged on written down values at the rates given in note 10 to the accounts.

A full year's depreciation is charged on at fixed assets capitalized during the year while no depreciation is charged in the year fixed assets are disposed off or scrapped.

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

Gains and losses on disposal of assets, if any, are taken to profit and loss account.

2.4 Assets subject to finance lease

Assets subject to finance lease are accounted for by recording the asset at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired. The related obligations under the lease are accounted for as liabilities. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged on written down values at the rates given in note 10 to the accounts.

2.5 Investments

Long term

These are stated at cost net off provision made for decline other than temporary in value of investments, if any.

Short term

These are stated at lower of average cost and market value on an aggregate portfolio basis.

2.6 Deferred Cost

Deferred cost represents preliminary expenses and expenses related to public offering of the company. Deferred cost is being amortized over a period of three years.

2.7 Revenue Recognition

Lease income

The financing method is used in accounting for income on direct financing leases. Under this method the unearned lease income i.e. the excess of aggregate lease rentals and the estimated residual value over the net investment (cost of leased assets) is amortized to income over the term of the lease, so as to produce a constant periodic rate of return on net investment outstanding in the leases.

Fee and commissions are recognised as income when realised.

Investment income

Return on investment is recognized at the rates specified in the respective investment schemes on time proportionate basis. The income is recognised on the assumption that such investments will be held till maturity.

Dividend income

Dividend income is recorded at the time of closure of share transfer books of the company declaring the dividend.

Gain on sale of marketable securities

Gain and loss on sale of marketable securities is taken to income in the period in which it arises.

2.8 Foreign Currencies

Transactions in foreign currencies are converted at the rates of exchange prevailing at the date of transaction. At the balance sheet date, foreign currency monetary assets and liabilities are translated at the rates of exchange ruling at that date. Resulting exchange differences are recognized in income currently.

2.9 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account available tax credits and rebates. Income for the pur-

poses of computing current taxation is determined under the provisions of the tax laws whereby lease rentals received or receivable are deemed to be income.

Deferred

The company accounts for deferred taxation using the liability method on all significant timing differences. Deferred tax is not provided if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future. However, deferred tax debits are not accounted for.

1999 **1998**

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

10,000,000 ordinary shares of Rs. 10/- each
fully paid in cash Rupees

100,000,000 100,000,000
=====

4. STATEMENT OF CHANGES IN EQUITY

	Share Capital	Statutory Reserve	Unappropriated Profit	Total
Balance as at 30 June 1997	100,000,000	716,495	2,865,979	103,582,474
Profit for the year	--	--	13,767,595.00	13,767,595
Transferred during the year	--	2,753,519	(2,753,519)	--
Balance as at 30 June 1998	100,000,000	3,470,014	13,880,055	117,350,069
Profit for the year	--	--	19,817,550	19,817,550
Transferred during the year	--	3,963,510	(3,963,510)	--
Proposed Dividend	--	--	(20,000,000)	(20,000,000)
Balance as at 30 June 1999	Rupees 100,000,000	7,433,524	9,734,095	1117,167,619

In accordance with the State Bank of Pakistan regulations for Non Banking Financial Institutions, the company is required to transfer 20% of its after tax profits to statutory reserve until the reserve equals its paid up capital. Thereafter 5% of after tax profits are required to be transferred to reserve.

1999 **1998**

5. LONG TERM LOANS- Secured

From commercial /investment banks

Finance A		--	20,060,000
Finance B	5.1	14,348,159	20,187,623
Finance C	5.2	27,500,000	19,166,667
		41,848,159	59,414,290

Less: Maturing within one year

22,047,341 35,899,460

Rupees

19,800,818 23,514,830
=====

5.1 This represents profit bearing investment placed by a commercial bank for a period of three years carrying profit @ 19.25% per annum. The principal amount and mark-up for three years period is payable in eleven equal quarterly installments of Rs. 2,330,137/- each and balance of Rs. 3,404,234/- as last installment commencing from 30 June 1998. The bank has the right to set-off any outstanding liabilities which it may owe to the company.

5.2 This represents loan facility obtained from a commercial bank and carries mark-up @0.493 paisas per Rs.1,000/- per day. The loan is payable in 24 equal monthly installments of Rs.1,250,000/- each commencing from May 1999. The facility is secured by pari passu hypothecation charge over leased assets and rentals receivable.

1999 **1998**

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Balance at beginning of the year

2,854,677 2,000,688

Assets acquired during the year	--	1,538,630
	2,854,677	3,539,318
Less: Payments made during the year	1,081,459	684,641
	1,773,218	2,854,677
Less: Current maturity	1,297,336	1,081,459
	475,882	1,773,218
Rupees	=====	=====

6.1 This represents vehicles, computers and accessories acquired under five different finance lease arrangements from leasing companies. Rentals are payable in equal monthly installments. Repairs and insurance costs are to be borne by lessee. Financing rates ranging from 20.5% to 21.65% have been used as discounting factor. Purchase option can be exercised by the lessee by adjusting security deposit at the expiry of lease period.

Future minimum lease payments including residual value are as detailed below:

	1999	1998
Year ending 30 June 1999	--	1,479,348
Year ending 30 June 2000	1,462,054	1,462,054
Year ending 30 June 2001	507,164	507,164
	-----	-----
	1,969,218	3,448,566
Less: Finance charges allocated to future periods	196,000	593,889
	-----	-----
Rupees	1,773,218	2,854,677
	=====	=====

7. LONG TERM DEPOSITS

	1999	1998
From customers - Lease key money deposits	7.1	31,776,847
From employees		17,921,378
		299,301
		180,000
	-----	-----
Rupees	32,076,148	18,101,378
	=====	=====

7.1 This represent sums received from lessees under lease contracts and are repayable/adjustable at the expiry of lease period.

8. SHORT TERM LOAN-UNSECURED

Short term loan	Rupees	25,000,000	25,000,000
		=====	=====

8.1 As at 30 June 1999 short term loan represents borrowing from an investment bank carrying markup @ 18% per annum.

9. ACCRUED EXPENSES AND OTHER LIABILITIES

Accounts payable		1,500,000	2,573,130
Accrued markup on finance lease		7,622	23,051
Accrued markup on term and running finance facilities		1,205,753	1,815,949
Accrued expenses		69,451	141,598
Advances from customers		335,706	177,392
Payable to contractors		--	1,620,818
	Rupees	-----	-----
		3,118,532	6,351,938
		=====	=====

10. TANGIBLE FIXED ASSETS - At cost less accumulated depreciation

	<i>COST</i>				<i>DEPRECIATION</i>			
	<i>As at 01 July 1998</i>	<i>Additions during the year</i>	<i>As at 30 June 1999</i>	<i>Rate Percent %</i>	<i>As at 01 July 1998</i>	<i>For the year</i>	<i>As at 30 June 1999</i>	<i>Written Down Value as at 30 June 1999</i>
Leasehold Land	1,800,000	--	1,800,000	--	--	--	--	1,800,000
Building on								
Leasehold Land	10,841,380	--	10,841,380	5	736,171	505,260	1,241,431	9,599,949
Vehicles	2,045,500	--	2,045,500	20	723,980	264,304	988,284	1,057,216
Equipments	312,417	10,999	323,416	10	50,225	27,319	77,544	245,872
Furniture & Fixtures	2,253,058	87,069	2,340,127	10	234,622	210,551	445,173	1,894,954
	-----	-----	-----		-----	-----	-----	-----
	17,252,355	98,068	17,350,423		1,744,998	1,007,434	2,752,432	14,597,991
	=====	=====	=====		=====	=====	=====	=====

LEASED ASSETS

Vehicles	2,007,244	--	2,007,244	20	683,088	264,831	947,919	1,059,325
Office Equipments	1,794,730	--	1,794,730	10	224,752	156,998	381,750	1,412,980
	-----	-----	-----		-----	-----	-----	-----
	3,801,974	--	3,801,974		907,840	421,829	1,329,669	2,472,305
	-----	-----	-----		-----	-----	-----	-----
1999 Rupees	21,054,329	98,068	21,152,397		2,652,838	1,429,263	4,082,101	17,070,296
	-----	-----	-----		-----	-----	-----	-----
1998 Rupees	10,432,132	10,622,197	21,054,329		1,031,720	1,621,118	2,652,838	18,401,491
	=====	=====	=====		=====	=====	=====	=====

11. NET INVESTMENT IN LEASE FINANCE

The company has entered into various lease agreements with the mark-up rates ranging from 19% to 28% per annum. The agreements usually are for a three years period.

In certain leases, the company has security, in addition to leased assets, in the form of corporate/personal guarantee of associated companies / directors.

As of 30 June 1999 there were no overdue installments and none of the leases were rescheduled.

12. LONG TERM INVESTMENTS*Shares of listed companies*

<i>Name of company / modaraba</i>	<i>No. of Shares/ Certificates</i>	<i>1999</i>	<i>1998</i>
BRR Capital Modaraba	5,000	--	24,500
Lucky Cement Limited	75,000	741,000	741,000
Ibrahim Fibre Limited	150,000	--	1,051,731
First Allied Bank Modaraba	44,000	298,470	298,470
Habib Arkady Limited (face value Rs.5 per share)	52,500	337,500	337,500
Nishat (Chunian) Mills Limited	56,500	1,126,965	1,128,965
Sunflo Citruss Limited	48,000	--	432,590
Gadoon Textile Mills Limited	35,000	1,164,275	1,164,275
Adamjee Insurance Company Limited	12,500	--	603,000
Hub Power Company Limited	35,000	1,742,200	1,742,200
Faysal Bank Limited	25,000	695,500	695,500
Japan Power Generation Co. Limited	50,000	--	505,200
Investment Corporation of Pakistan - State			
Enterprise Mutual Fund	50,000	1,317,275	1,317,275
Pakistan Telecommunication Corp. Ltd.	10,000	--	229,600
FFC-Jordan Fertilizer Company Limited	10,000	--	142,700
		-----	-----
		7,425,185	10,414,506
Term Finance Certificates (TFC) - Gatron			
Industries Limited		--	5,000,000
Federal Investment Bonds	12.3	1,088,500	1,088,500
		-----	-----

Provision for decline other than temporary in the market value of investments	8,513,685 (4,287,435)	16,503,006 --
	-----	-----
Rupees	4,226,250	16,503,006
	=====	=====

12.1 Unless otherwise stated holdings are in ordinary shares/certificates of Rs. 10 each.

12.2 Aggregate market value as at June 30 1999 of the above investments amounted to Rs. 4,237,750.

12.3 It represents investments made in Federal Investment Bonds required under the relevant provision of the SBP's rules for the NBFIs to maintain liquidity against certain liabilities. These bonds are redeemable within a period of five years from the date of purchase and carry markup @ 15% per annum receivable half yearly from the date of issue. The face value of these bonds is Rs. 1,100,000.

	1999	1998
13. LONG TERM DEPOSITS		
Lease deposits	536,638	536,638
Other - security deposits	508,900	305,900
	-----	-----
Rupees	1,045,538	842,538
	=====	=====

14. DEFERRED COST

Preliminary and flotation costs deferred	2,515,945	2,515,945
Less: Amortized to date	2,515,945	1,677,296
	-----	-----
Rupees	--	838,649
	=====	=====

15. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advance Tax	516,749	1,446,549
Advances to suppliers	--	4,500
Prepayments	218,860	203,305
Other receivables		
Insurance receivable	354,423	266,331
Accrued return on deposits/placements	42,974	1,127,766
Lease rental receivable	--	13,190
Accrued income on leases	1,660,389	795,881
Dividend receivable	--	795,000
Accounts receivable	--	3,521,000
Others	17,260	120,000
	-----	-----
	2,075,046	6,639,168
	-----	-----
Rupees	2,810,655	8,293,522
	=====	=====

16. PLACEMENTS WITH OTHER NBFIS

At 30 June 1999, the company has placed Rs.10,000,000 (1998 - Rs.59,500,000) with NBFIS. This placement was for a period of 30 days and carry mark-up @15.25% per annum. This placement is unsecured.

	1999	1998
17. CASH AND BANK BALANCES		
Cash in hand	--	16
Cash with banks and other financial institutions		
- on current account (non interest bearing)	178,322	178,683
- on current account (interest bearing)	2,335,067	770,411

	2,513,389	949,094
Rupees	2,513,389	949,110

18. LEASE INCOME

Income on lease contracts	36,846,389	15,346,628
Return on advance against leases	317,880	616,434
Cancellation charges of lease contracts	8,824	98,004
Rupees	37,173,093	16,061,066

19. MARK-UP ON DEPOSITS/PLACEMENTS/MUSHARIKA ARRANGEMENTS ETC.

Income on local currency deposits/placements/ musharika arrangements etc.	319,215	2,443,809
Income on foreign currency deposits	--	523,183
Net Income on money market operations	--	396,526
Rupees	319,215	3,363,518

20. OTHER INCOME

Mark-up on Term Finance Certificates	413,014	46,849
Dividend income	326,675	2,265,000
Mark-up on Federal Investment Bonds	165,000	124,835
Fees, commission and other charges	--	108,409
Exchange gain	535,457	1,554,390
Rupees	1,440,146	4,099,483

1999 **1998**

21. ADMINISTRATIVE AND OPERATING EXPENSES

Salaries and other benefits	21.1	3,173,247	2,640,440
Directors fees		6,000	8,000
Rent, rates and taxes		41,186	217,013
Security vault rent and services		108,000	37,920
Utilities		196,556	136,787
Postage and periodicals		68,126	25,048
Fees and documentation charges		73,700	94,900
Printing and stationary		258,521	162,275
Vehicle running and maintenance		226,162	159,927
Insurance		367,264	321,917
Travelling and conveyance		95,015	27,088
Auditors' remuneration	21.2	60,700	58,850
Legal and professional charges		475,275	777,102
Depreciation		1,429,263	1,621,118
Entertainment		52,019	14,931
Advertisement and business promotion expenses		37,403	99,381
Telex, fax and telephone expenses		121,844	122,686
Repairs and maintenance		155,076	246,870
Zakat		3,125	24,845
Amortization of deferred cost		838,649	838,648
Others		309,075	34,541
Rupees		8,096,206	7,670,287

21.1 Remuneration of Chief Executive and Executives**CHIEF EXECUTIVE****EXECUTIVES**

	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Managerial Remuneration	876,000	850,500	421,301	402,000
Housing and Utilities	432,000	372,000	205,887	198,000
Bonus	108,000	94,500	128,000	50,250
	-----	-----	-----	-----
Rupees	1,416,000	1,317,000	755,188	650,250
	=====	=====	=====	=====
Number of Persons	1	1	2	1

The Chief Executive and Executives are also entitled to free use of company maintained vehicles.

21.2 Auditors' Remuneration

	<i>Taseer Hadi Khalid & Co.</i>		<i>Mansha Mohsin Dossani Khan & Co.</i>		<i>Total</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Audit fee	55,000	50,000	--	5,000	55,000	55,000
Other services	5,700	3,850	--	--	5,700	3,850
	-----	-----	-----	-----	-----	-----
Rupees	60,700	53,850	--	5,000	60,700	58,850
	=====	=====	=====	=====	=====	=====

21.3 At 30 June 1999 eleven employees were employed by the company.

1999 *1998*

22. FINANCIAL CHARGES

Financial charges on lease financing	382,460	387,648
Mark-up on term finance facility	13,218,230	1,315,006
Bank charges	23,506	9,832
	-----	-----
Rupees	13,624,196	1,712,486
	=====	=====

23. TAXATION

The income tax assessments of the company have been finalized upto and including assessment year 1998-99. In view of tax loss available in respect of leasing business, provision for taxation has been made on other income at normal tax rates after excluding income exempted under Income-tax Ordinance, 1979.

Deferred tax computed under the liability method is estimated at Rs.13 million. No provision has been made for this liability as it is not likely to reverse in the foreseeable future.

1999 *1998*

24. CASH AND CASH EQUIVALENTS

Cash and Bank Balance	2,513,389	949,110
Running finance under markup arrangement	--	(13,496,499)
	-----	-----
Rupees	2,513,389	(12,547,389)
	=====	=====

25. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk 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, limiting transactions with specific counterparties, and continually assessing the credit worthiness of counterparties.

A sector wise breakdown of lease portfolio is as follows:

1999 %

Apparels	32,148,005	15.77
Pharmaceuticals	6,344,183	3.11
Sugar	14,959,965	7.34
Cement	7,904,536	3.88
Textile spinning	18,315,263	8.99
Synthetic	4,530,786	2.22
Insurance	4,549,589	2.23
Banking and Financial Institutions	20,126,068	9.87
Textile-Weaving	29,056,301	14.26
Construction	876,045	0.43
Airlines and Shipping	17,681,846	8.68
Transportation	5,965,274	2.93
Trading Services	30,798,601	15.11
Food	2,170,241	1.06
Information Technology and Communications	7,650,014	3.75
Education	734,671	0.36
	-----	-----
Rupees	203,811,388	100.00
	=====	=====

In addition the company has placed certain funds with other NBFIs and has invested certain funds in Federal Investment Bonds. For details refer Note 12 and 16.

26. FAIR VALUE OF FINANCIAL ASSETS

The fair value of all financial assets and financial liabilities is estimated to approximate their carrying value as at 30 June 1999.

27. INTEREST RATE RISK EXPOSURE

The information about company's exposures to interest rate risk based on contractual refinancing or maturity dates whichever is earlier is as follows:

	<i>1999</i>				
	<i>Less than one month</i>	<i>One month to one year</i>	<i>Over one year</i>	<i>Non-Interest bearing</i>	<i>Total</i>
Financial Assets					
Net investment in lease finance	5,037,882	65,104,889	133,668,617	--	203,811,388
Long term deposits	--	--	--	1,045,538	1,045,538
Long term investments	--	--	1,088,500	3,137,750	4,226,250
Advances and other receivables	--	--	--	2,293,906	2,293,906
Placements with other NBFIs	10,000,000	--	--	--	10,000,000
Cash and bank balances	2,335,067	--	--	178,322	2,513,389
	-----	-----	-----	-----	-----
	17,372,949	65,104,889	134,757,117	6,655,516	223,890,471
	-----	-----	-----	-----	-----
Financial Liabilities					
Long term loans	1,250,000	20,797,341	19,800,818	--	41,848,159
Lease key money	--	--	--	32,076,148	32,076,148
Liabilities against assets subject to finance lease	100,780	1,196,556	475,882	--	1,773,218
Short term loans	--	25,000,000	--	--	25,000,000
Accrued expenses and other liabilities	--	--	--	31,128,532	3,118,532
	-----	-----	-----	-----	-----
	1,350,780	46,993,897	20,276,700	35,194,680	103,816,057
	-----	-----	-----	-----	-----
On-balance sheet gap (a)	16,022,169	18,110,992	114,480,417	(28,539,164)	120,074,414
Total interest rate sensitivity gap	-----	-----	-----	-----	-----
	16,022,169	18,110,992	114,480,417	--	--
	=====	=====	=====	=====	=====

1998

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

Financial Assets

Net investment in lease finance	2,283,271	36,631,255.00	98,926,587	--	137,841,113
Long term deposits	--	--	--	842,538	842,538
Long term investments	--	--	6,088,500	10,414,506	16,503,006
Advances and other receivables	--	--	--	6,846,973	6,846,973
Placements with other NBFIs	27,500,000	32,000,000.00	--	--	59,500,000
Cash and bank balances	770,411	--	--	178,699	949,110
	-----	-----	-----	-----	-----
	30,553,682	68,631,255	105,015,087	18,282,716	222,482,740
	-----	-----	-----	-----	-----

Financial Liabilities

Long term loans	833,333	35,066,127	23,514,830	--	59,414,290
Long term deposits	--	--	--	18,101,378	18,101,378
Liabilities against assets subject to finance lease	81,713	999,746	1,296,580	476,638	2,854,677
Short term loans	--	25,000,000	--	--	25,000,000
Running finance under mark-up arrangements	--	13,496,499	--	--	13,496,499
Accrued expenses & other liabilities	--	--	--	6,351,938	6,351,938
	-----	-----	-----	-----	-----
	915,046	74,562,372	24,811,410	24,929,954	125,218,782
	-----	-----	-----	-----	-----
On-balance sheet gap (a)	29,638,636	(5,931,117)	80,203,677	(6,647,238)	97,263,958
	-----	-----	-----	-----	-----
Total interest rate sensitivity gap	Rupees	29,638,636	(5,931,117)	80,203,677	--
		=====	=====	=====	=====

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

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

	<i>1999</i>	<i>1998</i>
	<i>Effective interest rate %</i>	
Assets		
Net Investment in Lease Finance including advance against lease	22.76	23.07
Term Finance Certificates	--	18.00
Federal Investment Bonds	15.00	15.00
Placements with other NBFIs	15.25	19.00
Cash and bank balances	9.50	9.50
Liabilities		
Long term loans	18.63	17.55
Short term loans	18.00	19.00
Running Finance under markup arrangement	--	15.00

28. EARNINGS PER SHARE

Rupees	1.98	1.38
--------	------	------

29. GENERAL

29.1 Figures have been rounded off to the nearest rupee.

29.2 Figures of the previous year have been re-arranged, wherever necessary, to facilitate comparison.

**PATTERN OF SHAREHOLDING
AS AT 30 JUNE 1999**

<i>SHARE HOLDING</i>	<i>NUMBER OF SHARE HOLDERS</i>	<i>TOTAL SHARES HELD</i>	<i>PERCENTAGE</i>
----------------------	------------------------------------	------------------------------	-------------------

<i>From</i>		<i>To</i>			
1	--	100	0	0	0
101	--	500	698	349,000	3.490
501	--	1,000	0	0	0
1,001	--	5,000	4	19,500	0.195
5,001	--	10,000	1	10,000	0.100
15,001	--	20,000	1	20,000	0.200
95,001	--	100,000	6	579,000	5.790
145,001	--	150,000	2	298,000	2.980
495,001	--	500,000	2	997,000	9.970
545,001	--	550,000	2	1,093,000	10.930
790,001	--	795,000	2	1,590,000	15.900
795,001	--	800,000	3	2,400,000	24.000
845,001	--	850,000	2	1,700,000	17.000
940,001	--	945,000	1	944,500	9.445
-----			724	10,000,000	100.000
=====	=====	=====	=====	=====	=====

CATEGORIES OF SHAREHOLDERS

<i>PARTICULARS</i>	<i>SHARE HOLDERS</i>	<i>SHARE HOLDING</i>	<i>PERCENTAGE</i>
Individuals	717	4,465,500	44.655
Joint Stock Companies	7	5,534,500	55.345
	-----	-----	-----
	724	10,000,000	100.000
	=====	=====	=====