

Union Leasing Limited

Annual Report 1999

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Company Information

Board of Directors

Mr. Muneer Kamal	(Chairman)
Mr. Shahzad Enver Murad	(Chief Executive)
Mr. Shamsul Hasan	
Mr. Sultanali Allana	
Mr. Goharulayn Afzal	
Mr. Khalil A. Malik	
Mr. M. Rafiq Amin	

Company Secretary

Mr. Abdul Maajid Alvi, ACA

Bankers of The Company

Union Bank Limited

Auditors

Hameed Chaudhri & Co.
Chartered Accountants
H.M House, 7-Bank Square
Lahore.

Legal Advisor

Mr. Tariq Shamim
Dil Kusha Building
4-Farid Kot Road, Lahore.

Registered & Head Office

Union Bank House,
39-Empress Road,
Lahore - 54000
Tel: (042) 6372787, 6372767, 6375112

Registrar and Share Transfer Office

06-Egerton Road, Lahore.
Tel: (042) 6306131-5
Fax: (042)6368699

Directors' Report & Chief Executives' Review

To our Shareholders

The Board of Directors is pleased to present the Sixth Annual Report together with the audited accounts of your Company for the year ended June 30, 1999.

Economic Indicators during the year under review have been depressed. Fiscal 98-99 witnessed an increase in GDP by 3.1% as opposed to 4.3% in 97-98. This slower growth in GDP was caused by a reduction in Agricultural growth from 3.8% in 97-98 to only 0.35% in the current fiscal year. Additionally, growth in the value added large scale Manufacturing Sector also shrank from 7.6% in 97-98 to 2.7% in 98-99. National Savings also declined from 14.2% of GNP in 97-98 to 11.1% in 98-99. Thus fiscal 98-99 absorbed most of the effects of the sanctions imposed on the Country after last years Nuclear Tests. However, various measures taken by the Government and the negotiations being conducted with the IMF and other International Lending Agencies should produce results. The need for good financial governance, restoration of Investor confidence and prudent Fiscal Policies, should lead to a revival of economic activity.

Review of Operations

Due to the depressed economic conditions during the year under review, your Company adopted a strategy of consolidating its position within the leasing sector.

The Company disbursed additional leases amounting to Rs. 131.017 million, an increase of 24% over the preceding year. Financial expenses decreased to Rs. 30.305 million for the year ended June 30, 1999 as compared to Rs. 34.6 million for the previous year. Timely recovery of lease rentals was under control.

Net income after taxes for the year under review has declined to Rs. 0.042 million as compared to Rs. 35.001 million during the previous year. This reduction in profits is as a result of the following:

1. The Company has a Deferred Tax Liability of Rs. 43 million, out of which Rs. 20 million, has been accounted for during the current year. The balance Rs. 23 million will be written off in two equal installments over the next two years.
2. Recognising the need to adequately provide for the Company's Bad & Doubtful Debt Portfolio, a Provision of Rs. 40.9 million has been made in these accounts.

Due to the above, the Company has been constrained to pass over a Dividend for the current year. However, this action of recognising and providing for these liabilities would only serve to strengthen the Balance Sheet, and would enable your Company to look at the years ahead with a renewed confidence.

Financial Results

The financial results of the Company for the year ended June 30, 1999 are summarised as under:

	<i>01 July, 1998 to 30 June, 1999</i>	<i>01 July, 1997 to 30 June, 1998</i>
	<i>Rupees</i>	<i>Rupees</i>
Income	87,738,137	85,745,788
Expenditure	67,472,937	49,146,328
Profit before taxation	20,265,200	36,599,460
Provision for taxation		
- Current	20,222,932	1,442,508
- Prior years	--	155,349
	20,222,932	1,597,857
Profit after taxation	42,268	35,001,603
Profit brought forward	12,597	6,698
Profit available for appropriation	54,865	35,008,301

Appropriations:

Transfer to Capital Reserve	8,454	7,000,321
Transfer (from)/to General Reserve	--	(3,300,000)
Transfer (from)/to Contingency Reserve	(348,211)	4,295,383
Transfer for Issue of Bonus Shares	--	27,000,000
Nil (1998: @15%)	-----	-----
	(339,757)	34,995,704
	-----	-----
Un-appropriated profit carried forward	394,622	12,597
	=====	=====
Earning per share	Rs. 0.002	Rs. 1.690

Y2K

All the systems and procedures as also the software and hardware packages have been adjusted/reprogrammed and are fully Y2K compliant.

Credit Rating

Despite an adverse and increasingly competitive operating environment, the Pakistan Credit Rating Agency (Pvt) Limited (PACRA) has assigned ULL's rating at BB+ (Double B Plus) for long term and B for short term.

Future Outlook

The Government's efforts are today focused on the revival of the economy and the Country's Economic Managers are formulating Policies/Strategies to this end. Areas being addressed include the restoration of local, overseas and foreign investor's confidence, generation of adequate resources, financial sector development, good governance, revival of sick units and longer term fiscal policies.

Consequent upon the recent change of management at Union Leasing, your Company would strive to book quality assets by targeting both small as well as big ticket leases. We would endeavour to diversify our Customer base, with an emphasis towards prudence and planned growth. To date, the Karachi market has not been adequately covered and we plan on expanding our operations in this City. We would also be looking to target quality Consumer business, as well as Vehicle leasing.

Board of Directors

The Board welcomes Mr. Muneer Kamal, Mr. Shahzad Enver Murad, Mr. Shamsul Hasan, Mr. Sultanali Allana and Mr. Goharulayn Afzal, nominees of Union Bank Limited, as directors of the Company.

The Board wishes to record its appreciation of the valuable contributions made by Mr. Mohammad Saleem Jan, one of the founding Directors and Chairman, Mr. Talat M. Ghumman, Mr. Mohtasham Sarfraz, Mr. Sirajuddin Aziz, and Mr. Khalid Iftikhar.

Mr. Shahzad Enver Murad has assumed office of the Chief Executive in place of Mr. Khalil A. Malik. The Board wishes to acknowledge Mr. Malik's contributions while he was associated with the Company as Chief Executive.

Auditors

The present auditors Messrs Hameed Chaudhri & Co., Chartered Accountants, retire and being eligible offer themselves for re-appointment.

Acknowledgment

In the end, we would take this opportunity to thank our valued Shareholders, Auditors, Financial Institutions, Securities & Exchange Commission of Pakistan, and other Regulatory Authorities for their continued support and guidance.

The Board also wishes to place on record its appreciation of the hard work and dedication shown by the Company personnel.

Pattern of Shareholding

The pattern of shareholding of the Company is annexed.

For and on behalf of the Board

Karachi: November 16, 1999

Shahzad Enver Murad
Chief Executive

Notice of Annual General Meeting

Notice is hereby given that the sixth Annual General Meeting of Shareholders of Union Leasing Limited will be held on Monday 27 December 1999 at 11:00 A.M. At Shalimar Hall, Pearl Continental Hotel, Lahore, to transact the following business:

1. To Confirm the minutes of the fifth Annual General Meeting held on 30 November, 1998.
2. To receive and adopt the Annual Audited Accounts for the year ended 30 June 1999 alongwith Directors' and Auditors' Reports' thereon.
3. To appoint Auditors to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration.
4. Any other business with the permission of the Chair.

By Order of the Board

(Abdul Maajid Alvi)
Company Secretary

Karachi: November 16, 1999

Notes:

1. The Share Transfer Books of the Company will remain closed from 18 December 1999 to 25 December 1999 (both days inclusive).
2. A member entitled to attend and vote at this Meeting may appoint another member as proxy. Proxies in order to be effective, must be received at the Registered Office of the Company not later than forty-eight hours before the time of the meeting and must be duly stamped, signed and witnessed.
3. Members are requested to notify the Company change in their addresses, if any.
4. Members of all recognized figas may file with the Company their declaration (if any) for Non Deduction of Zakat.

Auditors' Report To The Members

We have audited the annexed Balance Sheet of UNION LEASING LIMITED as at 30 June, 1999 and the related Profit and Loss Account and the 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 30 June, 1999 and of the profit and 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.

Lahore: 16 November, 1999

HAMEED CHAUDHRI & CO.,
Chartered Accountants

Balance Sheet As At 30 June 1999

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised			
21,000,000 (1998: 20,000,000)			
ordinary shares of Rs. 10 each		210,000,000	200,000,000
		=====	=====
Issued, subscribed and paid-up	3	207,000,000	180,000,000
Reserves			
Capital reserve	4.1	25,015,628	25,007,174
General reserve		34,600,000	34,600,000
Contingency reserve	4.2	8,067,886	8,416,097
Reserve for issue of bonus shares		--	27,000,000
Unappropriated profit		394,622	12,597
		-----	-----
		68,078,136	95,035,868
Shareholders' equity		275,078,136	275,035,868
LONG TERM DEPOSITS	5	36,586,749	43,472,111
LONG TERM CERTIFICATES OF INVESTMENT	6	11,900,000	4,600,000
DEFERRED LIABILITY FOR GRATUITY		430,604	--
CURRENT LIABILITIES			
Current portion of long term liabilities	7	29,718,055	23,349,496
Short term finances	8	35,500,000	74,500,000
Short term certificates of investment	9	26,000,000	92,755,000
Accrued and other liabilities	10	35,868,366	18,364,028
Provision for taxation	11	7,554,353	409,750
		-----	-----
		134,640,774	209,378,274
CONTINGENCIES AND COMMITMENTS	12	-----	-----
		458,636,263	532,486,253
		=====	=====
TANGIBLE FIXED ASSETS	13	1,765,554	2,112,946

NET INVESTMENT IN LEASE FINANCES	14	228,940,357	253,253,190
LONG TERM INVESTMENTS	15	1,412,405	1,479,300
LONG TERM LOANS AND RECEIVABLES	16	38,460,971	--
LONG TERM DEPOSITS AND DEFERRED COSTS	17	301,800	768,736
CURRENT ASSETS			
Current portion of long term assets	18	164,831,844	166,121,667
Morabaha finances and funds placements	19	42,105	40,042,105
Advances, prepayments and other receivables	20	2,027,372	7,356,997
Short term investments	21	7,000,000	3,100,000
Cash and bank balances	22	13,853,855	58,251,312
		-----	-----
		187,755,176	274,872,081
		-----	-----
		458,636,263	532,486,253
		=====	=====

The annexed notes form an integral part of these accounts.

Shahzad Enver Murad
Chief Executive

Muneer Kamal
Chairman / Director

**Profit and Loss Account
for the year ended 30 June, 1999**

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
INCOME			
Income from lease operations	23	76,168,162	72,710,485
Profit on deposits		5,997,393	9,573,129
Other income	24	5,572,582	3,462,174
		-----	-----
		87,738,137	85,745,788
EXPENDITURE			
Financial and bank charges	25	30,304,971	34,600,344
Administrative and operating expenses	26	36,634,135	8,510,597
Provision for diminution in value of long term investments		66,895	5,385,450
Miscellaneous expenses	27	466,936	649,937
		-----	-----
		67,472,937	49,146,328
PROFIT BEFORE TAXATION		20,265,200	36,599,460
PROVISION FOR TAXATION	11		
- Current		20,222,932	1,442,508
- Prior years		--	155,349
		-----	-----
		20,222,932	1,597,857
PROFIT AFTER TAXATION		42,268	35,001,603

UNAPPROPRIATED PROFIT - Brought forward	12,597	6,698
TRANSFER FROM GENERAL RESERVE	--	3,300,000
	12,597	3,306,698
PROFIT AVAILABLE FOR APPROPRIATION	54,865	38,308,301
APPROPRIATIONS:		
Transfer to Capital Reserve	8,454	7,000,321
Transfer (from)/to Contingency Reserve	(348,211)	4,295,383
Transfer to Reserve for issue of Bonus Shares Nil (1998: @ 15%)	--	27,000,000
	(339,757)	38,295,704
UNAPPROPRIATED PROFIT - Carried to Balance Sheet	394,622	12,597
Earning per share	28	0.002
		1.690

The annexed notes form an integral part of these accounts.

Shahzad Enver Murad
Chief Executive

Muneer Kamal
Chairman / Director

Cash Flow Statement
for the year ended 30 June, 1999

	1999	1998
	Rupees	Rupees
NET CASH INFLOW FROM OPERATING ACTIVITIES (Note A)	11,298,751	34,313,492
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed assets additions	(17,929)	(479,320)
Investment in lease finances - Net	17,343,658	(14,118,946)
Long term deposits	--	(295,000)
Sale proceeds of fixed assets	106,721	695,000
Profit received on deposits	11,666,414	8,457,176
Dividend received	54,178	--
Long term loans and receivables - Net	(59,879,088)	871,203
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES	(30,726,046)	(4,869,887)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loan repaid	(8,034,633)	(6,578,728)
Financial charges paid	(31,753,359)	(34,229,999)
Long term deposits (Lease Key Money)	7,527,096	9,368,989
Finance lease obligations paid	(9,266)	(99,797)
Long term certificates of investment	7,300,000	1,100,000
NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES	(24,970,162)	(30,439,535)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(44,397,457)	(995,930)

CASH AND CASH EQUIVALENTS		
- At the beginning of the year	58,251,312	59,247,242
CASH AND CASH EQUIVALENTS	-----	-----
- At the end of the year	13,853,855	58,251,312
	=====	=====

The annexed note "A" forms an integral part of this Statement.

Shahzad Enver Murad
Chief Executive

Muneer Kamal
Chairman / Director

Note A

	1999	1998
	Rupees	Rupees
Profit for the year - Before taxation	20,265,200	36,599,460
Add/(less) adjustments for:		
Depreciation	262,411	331,863
Provision for gratuity	430,604	--
Gain on disposal of vehicle	(3,811)	(36,440)
Provision for diminution in value of long term investments	66,895	5,385,450
Amortisation of deferred costs	466,936	649,937
Profit on deposits	(5,997,393)	(9,573,129)
Financial charges	30,304,971	34,600,344
Provision for doubtful lease finances	29,677,115	1,431,178
Dividend income	(54,178)	--
	-----	-----
CASH FLOW FROM OPERATING ACTIVITIES		
- Before working capital changes	75,418,750	69,388,663
(Increase)/Decrease in current assets		
Morabaha Finance, short term finances and funds placements	40,000,000	(7,869,384)
Short term investments	(3,900,000)	6,000,000
Advances, prepayments and other receivables	(339,396)	6,187,780
Increase/(Decrease) in current liabilities		
Short term certificates of investment	(66,755,000)	40,324,384
Short term finances	(39,000,000)	(86,500,000)
Accrued and other liabilities	18,952,726	7,985,632
	-----	-----
	(51,041,670)	(33,871,588)
CASH INFLOW FROM OPERATING ACTIVITIES		
- Before taxation	24,377,080	35,517,075
- Taxes paid	(13,078,329)	(1,203,583)
	-----	-----
NET CASH INFLOW FROM OPERATING ACTIVITIES		
- After taxation	11,298,751	34,313,492
	=====	=====

Shahzad Enver Murad
Chief Executive

Muneer Kamal
Chairman / Director

Notes to the Accounts for the year ended 30 June, 1999

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan as a Public Company and its shares are quoted on Stock Exchanges in Pakistan. It is classified as a 'Non-Banking Financial Institution' (NBFI) by the State Bank of Pakistan under the Banking Companies Ordinance, 1962. It primarily carries on the business of leasing. The Company is a Subsidiary of Union Bank Limited.

1.1 Compliance with International Accounting Standards (IASs)

These accounts comply with IASs, where applicable, in all material respects.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefits

The Company operates an un-funded Gratuity Scheme for its eligible employees. Provision is made annually to cover obligation under the Scheme.

In addition, the Company operates a Provident Fund Scheme for its eligible employees and contribution based on salaries of the employees is made to the Fund monthly.

2.3 Taxation

Current:

The charge for current taxation is based on taxable income for the year at the current rates of tax after taking into account all available allowances and tax credits.

Deferred:

Deferred taxation is accounted for using the Liability Method on all major timing differences as directed by Securities and Exchange Commission of Pakistan vide Circular No. 16 dated 09 September, 1999 as detailed in note 11.2.

2.4 Tangible fixed assets and depreciation

Owned:

These are stated at cost less accumulated depreciation. Depreciation is charged to income applying reducing balance method at the rates stated in note 13.

Full year's depreciation is charged on all fixed assets capitalised during the year whereas no depreciation is charged on fixed assets disposed-off during the year.

Gains / losses on disposal, if any, are taken to Profit and Loss Account. Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalised.

Leased:

Assets acquired under 'Finance Lease' are stated at cost less accumulated depreciation at the rates and basis applicable to the Company's owned assets. The outstanding obligation under 'Finance Lease' less finance charges allocated to future periods is shown as liability. The finance charges are calculated at the interest rates implicit in the lease and are taken to Profit and Loss Account.

2.5 Long term investments

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

2.6 Deferred costs

Expenses, the benefit of which is expected to spread over several years, are deferred and amortised over a period of not more than five years

2.7 Provision for doubtful receivables

Provision for doubtful receivables is made after review of outstanding Lease Finance Portfolio at the year-end on the basis of State Bank of Pakistan's Prudential Regulations as applicable to the Leasing Companies.

2.8 Revenue recognition**Lease income**

The Company follows 'Finance Method' in recognising income on lease contracts. Under this method, the un-earned income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased assets is taken to income over the lease term so as to produce a constant periodic rate of return on net investment in the lease.

Processing, commitment fee, penal charges and commission

These are recognised on 'Receipt Basis'.

Dividend income

Dividend income is recognised at the time of closure of Share Transfer Books of the Company declaring dividend.

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
15,000,000 ordinary shares of Rs. 10 each fully paid in cash	150,000,000	150,000,000
5,700,000 (1998: 3,000,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares	57,000,000	30,000,000
	-----	-----
	207,000,000	180,000,000
	=====	=====

4. RESERVES**4.1 Capital reserve**

This represents statutory reserve created under the relevant provisions of the State Bank of Pakistan's Rules for Non-Banking Financial Institutions.

4.2 Contingency reserve

This represents reserve created @ 2% (1998: @2%) of the outstanding Net Investment in Lease Finances and the Market Value of Long Term Investments in quoted shares as at 30 June, 1999 to meet any potential unforeseeable future losses.

5. LONG TERM DEPOSITS

These represent interest free security deposits (Lease Key Money) received from lessees under the lease contracts and are adjustable on expiry of the respective lease terms.

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>Rupees</i>	<i>Rupees</i>
Balance as at 30 June,		66,304,804	58,777,708
Less: Current portion of deposits payable/adjustable within following twelve months		29,718,055	15,305,597
		-----	-----
		36,586,749	43,472,111
		=====	=====

6. LONG TERM CERTIFICATES OF INVESTMENT

a) The Company has been granted permission by the Corporate Law Authority vide its letter No. 2(19)COL/LES/96 dated 11 November, 1996 to issue Registered Certificates of Investment in terms of S.R.O. Notification No. 345(1)/96 dated 04 June, 1996. The Company's application for renewal of permission is under process.

These Certificates have been issued for terms ranging from 3 years to 5 years and carry return ranging from 17.75% to 19.75% per annum.

7. CURRENT PORTION OF LONG TERM LIABILITIES

Long term deposits	5	29,718,055	15,305,597
Long term loan	7.1	--	8,034,633
Liabilities against assets subject to finance lease	7.2	--	9,266
		-----	-----
		29,718,055	23,349,496
		=====	=====

7.1 This loan was obtained from Pak-Libya Holding Company (Pvt.) Limited and carried mark-up @ 20 50% per annum. It was repayable in twelve equal quarterly installments. The outstanding balance of this loan was fully repaid during the year.

7.2 The outstanding balance of these liabilities was fully repaid during the year.

8. SHORT TERM FINANCES

Facilities for funds placements under mark-up arrangements available from a Financial Institution a Leasing Company and other Investors aggregate Rs. 35.5 million (1998: Facilities for funds placements under mark-up arrangements available from an Investment Bank, a Modaraba, a Leasing Company and other Investors aggregated Rs. 72.5 million). These facilities are unsecured and carry mark-up at the rates ranging from 18% to 21% per annum.

9. SHORT TERM CERTIFICATES OF INVESTMENT

a) Refer to contents of note 6 (a).

b) These Certificates have been issued for terms ranging from three months to one year. Returns are paid at predetermined rates. Rates of return on these Certificates range from 15.60% to 21.00% per annum.

10. ACCRUED AND OTHER LIABILITIES

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
Due to:			
Ex-Associated Undertaking Holding Company		63,000	308,000
Amount due to lessees		610,000	610,000
		10,887,314	3,130,790
Mark-up on:			
Long term loan		--	148,916
Short term finances		1,258,065	1,051,752
Mark-up reserve account		20,220,804	8,995,595
Return on:			
Long term certificates of investment		404,612	90,238
Short term certificates of investment		845,506	2,665,665
Deposits against Morabaha Finances		42,105	42,105
Accrued expenses		66,517	204,719
Income tax deducted at source		398,783	--
Due to Provident Fund		--	248,432

Others	10.1	1,071,660	867,816
		-----	-----
		35,868,366	18,364,028
		=====	=====

10.1 These include Rs. 27,878 (1998: Rs.27,878) received as penalty on amounts not paid by the clients in time as required by the Provisions of Morabaha Agreements. This amount shall be utilised for charitable and religious purposes recognised by the Sharia.

	1999	1998
	Rupees	Rupees
11. PROVISION FOR TAXATION		
Opening balance	409,750	100,568
Add: Provisions made during the year		
- Current	20,222,932	1,442,508
- Prior years	--	155,349
	-----	-----
	20,222,932	1,597,857
	-----	-----
	20,632,682	1,698,425
Less: Payments made during the year	13,078,329	1,288,675
	-----	-----
	7,554,353	409,750
	=====	=====

11.1 Income tax assessments of the Company have been completed upto the Assessment Year 1996-97 (Income Year ended 30 June, 1996).

In finalising the Company's assessments for the Assessment Years 1995-96 and 1996-97, the Deputy Commissioner of Income Tax (DCIT) raised tax demands of Rs. 4.245 million and Rs. 3.163 million respectively. Provision aggregating Rs. 5.426 million exists in the accounts against these demands. Provision for the balance demands aggregating Rs. 1.982 million has not been made in these accounts as the Company has filed appeals with the Commissioner of Income Tax (Appeals) against the assessments framed by the DCIT. These appeals are pending for decision.

11.2 Securities and Exchange Commission of Pakistan (SECP), vide Circular No. 16 dated 09 September, 1999, directed that in order to achieve compliance with International Accounting Standard - 12 Income Taxes (revised - 1996), all leasing Companies during each of the five financial years beginning 01 July, 1998 and ending on 30 June, 2003 shall provide deferred tax liability arising in that year together with a further amount equal to one fifth of the unprovided deferred tax liability as at the beginning of the financial year ended 30 June, 1999. Consequently, the management has decided to comply with these directions of SECP. Provision for deferred taxation as at 30 June, 1999, however, was not required due to net deferred tax debit as detailed below.

	Rupees in
	million
Deferred tax for the current year - Debit	8.972
One-fifth of unprovided deferred tax liability at the beginning of the financial year ended 30 June, 1999	5.540

Net deferred tax debit	3.432
	=====

Unprovided deferred tax liability as at 30 June, 1999 amounted Rs. 22.158 million, which represents balance unprovided deferred tax liability at the beginning of the financial year ended 30 June, 1999. This unprovided liability will be provided for in equal annual installments by 30 June, 2001.

12. CONTINGENCIES AND COMMITMENTS**12.1 Refer contents of note 11.1**

1999 **1998**
(Rupees in million)

12.2 Commitments for:

Repurchase of WAPDA Bearer Bonds	--	2,065
Lease disbursements	3,512	32,032
	-----	-----
	3,512	34,097
	=====	=====

13. TANGIBLE FIXED ASSETS

	COST				Rate %	DEPRECIATION					Net Book value as at 30 June, 1999	
	As at 30 June, 1998	Additions during the year	Leased asset transfer	Disposals during the year		As at 30 June, 1999	As at 30 June, 1998	For the year	On leased asset transfer	On Disposals		To 30 June, 1999
OWNED												
Office equipment and appliances	1,615,023	17,929	--	--	1,632,952	10	384,630	124,832	--	--	509,462	1,123,490
Furniture and fixtures	223,260	--	--	--	223,260	10	39,766	18,349	--	--	58,115	165,145
Vehicles	977,840	--	291,005	279,160	989,685	20	427,775	119,230	142,011	176,250	512,766	476,919
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	2,816,123	17,929	291,005	279,160	2,845,897		852,171	262,411	141,011	176,250	1,080,343	1,765,554
LEASED												
Vehicles	291,005	--	(291,005)	--	--	20	142,011	--	(142,011)	--	--	--
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Rupees	3,107,128	17,929	--	279,160	2,845,897		994,182	262,411	--	176,250	1,080,343	1,765,554
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
1998 Rupees	3,451,008	479,320	--	823,200	3,107,128		826,959	331,863	--	164,640	994,182	2,112,946
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

13.1 Disposal of vehicle

PARTICULARS	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain on Disposal	Mode of Disposal	Particulars of Purchaser
Suzuki Khyber- Rupees	279,160	176,250	102,910	106,721	3,811	Negotiation	Syed Tariq Hassan (Ex-employee)
	-----	-----	-----	-----	-----		
	279,160	176,250	102,910	106,721	3,811		
	=====	=====	=====	=====	=====		

1999 **1998**
Rupees **Rupees**

14. NET INVESTMENT IN LEASE FINANCES

Minimum lease payments receivable	428,223,746	471,573,891
Add: Residual value of leased assets	69,326,575	62,488,374
	-----	-----
Gross investment in leases	497,550,321	534,062,265
Less: Unearned finance income	95,085,171	114,253,457
	-----	-----
Net investment in lease finances	402,465,150	419,808,808
Less: Current portion including overdue rentals of net investment in lease finances	173,524,793	166,555,618
	-----	-----
	228,940,357	253,253,190

14.1 The Company, during the year, advanced lease finance facility aggregating Rs. 2,494,000 to its Holding Company (1998: Rs. 2,055,274).

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
15. LONG TERM INVESTMENTS			
Quoted Companies			
A1-Faysal Investment Bank Ltd. 63,437 ordinary shares of Rs. 10 each including 17,937 bonus shares		3,313,250	3,313,250
Crescent Investment Bank Ltd. 37,180 ordinary shares of Rs. 10 each including 3,380 bonus shares		2,487,500	2,487,500
Khadim Ali Shah Bukhari & Co. Ltd. 9,900 (1998' 6,600) ordinary shares of Rs. 10 each including 4,900 (1998: 1,600) bonus shares.		580,750	580,750
		-----	-----
		6,381,500	6,381,500
Less: Provision for diminution in value		5,452,345	5,385,450
		-----	-----
	15.1	929,155	996,050
	15.3	483,250	483,250
		-----	-----
		1,412,405	1,479,300
		=====	=====

15.1 Aggregate market value of investments in quoted companies as at 30 June, 1999 worked-out Rs. 929,155 (1998: Rs.996,050).

15.2 The Company's holdings do not exceed 10% of the equity of any Investee Company.

15.3 This investment has been made to comply with NBFIs Regulations of the State Bank of Pakistan. Mark-up is receivable @ 15% per annum (1998: @ 15% per annum).

16. LONG TERM LOANS AND RECEIVABLE - Secured

Loans:			
Kohat Cement Company Limited	16.1	31,000,000	--
Nimir Industrial Chemicals Limited	16.2	20,819,112	--
Taj Textile Mills Limited	16.3	5,366,294	--
Kings Tyre Industries Limited	16.4	3,513,899	--
Receivable	16.5	--	820,217
		-----	-----
		60,699,305	820,217
Less: Current portion grouped under current assets		22,238,334	820,217
		-----	-----
		38,460,971	--
		=====	=====

16.1 This loan has been advanced under mark-up arrangements. As per terms of the agreement with Kohat Cement Company Limited (KCCL), KCCL sold to the Company moveable property (the goods) for a sum of Rs.31 million. KCCL simultaneously purchased the said goods from the Company at a price of Rs. 36.670 million (the purchase price). The purchase price is receivable from KCCL on or before March 2001 in 21 installments commencing July, 1999. The loan is secured against hypothecation / pledge of the goods

and second registered charge equivalent to Rs. 41 million on all the present and future assets of KCCL.

16.2 This loan has been created by conversion of lease finance facilities advanced to Nimir Industrial Chemicals Limited (NICL). The loan has been advanced under mark-up arrangements. As per terms of the agreement with NICL, NICL sold to the Company goods for a sum of Rs.20.819 million. NICL simultaneously purchased the said goods from the Company at a price of Rs.41.740 million (the purchase price). The purchase price is receivable from NICL on or before June, 2004 in 60 installments commencing July, 1999. The loan is secured against hypothecation / pledge of the goods and first registered pari passu charge on land, building and other fixed assets of NICL.

16.3 This loan has been created by conversion of lease finance facility advanced to Taj Textile Mills Limited (TTML). As per terms of the agreement with TTML, TTML sold to the Company moveable property (the goods) for a sum of Rs.5.517 million. TTML simultaneously purchased the said goods from the Company at a price of Rs.6.636 million (the purchase price). The purchase price is receivable from TTML on or before August; 2000 in 17 installments commencing April, 1999. The loan is secured against hypothecation /pledge of the goods and second registered charge equivalent to Rs. 13.049 million on moveable assets and receivables of TTML.

16.4 This loan has been created by conversion of lease finance facilities advanced to Kings Tyre Industries Limited (KTIL). As per terms of the agreement with KTIL, KTIL sold to the Company moveable property (the goods) for a sum of Rs.6.235 million. KTIL simultaneously purchased the said goods from the Company at a price of Rs.7.060 million (the purchase price). The purchase price is receivable from KTIL on or before December, 1999 in 28 installments commencing October, 1998. The loan is secured against hypothecation/pledge of the goods and equitable mortgage of residential property as security/collateral.

16.5 This was created in accordance with the terms of the settlement agreement executed between the Company and the Guarantors of Rachna Oils (Pvt.) Ltd. (ROL) on 20 March, 1997 due to default by ROL in repayment of its outstanding lease finance obligation. It was secured against an equitable mortgage of property owned by a Guarantor's Family member. It carried mark-up @ 27% per annum. The outstanding balance was fully received during the year.

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
17. LONG TERM DEPOSITS AND DEFERRED COSTS			
Security deposits		301,800	301,800
Deferred costs	17.1	--	466,936
		-----	-----
		301,800	768,736
		=====	=====
17.1 Deferred costs			
Preliminary expenses		39,887	119,659
Shares floatation expenses		427,049	997,214
		-----	-----
		466,936	1,116,873
Less: Amortised during the year		466,936	649,937
		-----	-----
		--	466,936
		=====	=====

	<i>Note</i>	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
18. CURRENT PORTION OF LONG TERM ASSETS			
Current portion of net investment in lease finances	14	173,524,793	166,555,618
Less: Provision for doubtful lease finances		30,931,283	1,254,168
		-----	-----

		142,593,510	165,301,450
Current portion of long term loans and receivables	16	22,238,334	820,217
		-----	-----
		164,831,844	166,121,667
		=====	=====

19. MORABAHA FINANCES AND FUNDS PLACEMENTS

Morabaha finances	19.1	742,105	742,105
Less: Provision for doubtful morabaha finances		700,000	700,000
		-----	-----
- Considered good		42,105	42,105
Funds placements - Unsecured	19.2	--	40,000,000
		-----	-----
		42,105	40,042,105
		=====	=====

19.1 This represents sum receivable against morabaha transaction i.e. sale of goods on deferred payment basis at specified profit margin. This is secured by pledge of goods and personal guarantees of Partners of the Firm. The applicable rate of profit is 24% per annum.

19.2 These represented funds placed with an Investment Bank for a period of one month at mark-up rate of 20% per annum.

20. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances to Executives-Considered good	20.1	288,724	259,692
Advance against assets to be leased-out		222,553	22,553
Prepayments		144,167	119,034
Profit accrued on deposits and Morabaha finances		494,314	6,163,335
Due from an ex-associated undertaking		--	176,781
Other receivables-Considered good		877,614	615,602
		-----	-----
		2,027,372	7,356,997
		=====	=====

20.1 Maximum aggregate amount due from Executives at any month-end during the year was Rs. 532,982 (1998: Rs. 267,294).

21. SHORT TERM INVESTMENTS

WAPDA Bearer Bonds	21.1	7,000,000	2,000,000
Federal Investment Bonds		--	1,100,000
		-----	-----
		7,000,000	3,100,000
		=====	=====

21.1 These investments have been made to comply with relevant provisions of NBFIs Regulations of the State Bank of Pakistan. These have been purchased under resale obligation from First Credit and Discount Corporation (Private) Limited.

	<i>Note</i>	<i>1999</i>	<i>1998</i>
		<i>Rupee</i>	<i>Rupees</i>

22. CASH AND BANK BALANCES

Cash in hand		20,790	8,559
Cash with banks on:			
Current accounts	22.1	738,859	2,175,983
Deposit accounts		13,094,206	56,066,770
		-----	-----
		13,833,065	58,242,753
		=====	=====

13,853,855	58,251,312
=====	=====

22.1 These include a deposit amounting Rs. 595,000 (1998: Rs. 595,000) with State Bank of Pakistan in order to comply with relevant provisions of SBP's Rules for NBFIs to maintain liquidity against certain liabilities.

23. INCOME FROM LEASING OPERATIONS

Finance income	66,040,746	66,021,579
Processing fee	1,092,687	957,242
Documentation fee	222,300	184,400
Lease commitment fee	515,181	988,787
Miscellaneous income	23.1 8,297,248	4,558,477
	-----	-----
	76,168,162	72,710,485
	=====	=====

23.1 This includes penal charges aggregating Rs. 7,797,248 (1998: Rs.4,094,947) recovered from various Clients due to delays in repayment of lease rentals.

24. OTHER INCOME

Interest on Federal Investment Bonds	73,710	218,346
Profit on morabaha finances, short term finances and funds placements	4,002,383	2,850,982
Mark-up on long term loans and receivables	1,414,164	340,899
Dividend	54,178	--
Gain on disposal of vehicle	3,811	36,440
Miscellaneous	24,336	15,507
	-----	-----
	5,572,582	3,462,174
	=====	=====

25. FINANCIAL AND BANK CHARGES

Mark-up on:		
Long term loan	906,226	2,389,116
Short term finances	14,806,801	20,045,466
Finance charges on lease finances	77	12,394
Return on:		
Long term certificates of investment	1,726,402	702,215
Short term certificates of investment	12,717,026	11,265,639
Bank charges and others	148,439	185,514
	-----	-----
	30,304,971	34,600,344
	=====	=====

26. ADMINISTRATIVE AND OPERATING EXPENSES

Staff salaries and benefits	3,153,986	3,111,881
Printing and stationary	292,113	294,073
Communication	394,875	528,859
Office rent and maintenance charges	1,080,000	1,080,000
Travelling and conveyance	16,421	42,970
Vehicles' running and maintenance	161,617	139,248
Insurance	93,519	70,975
Repair and maintenance	224,411	185,536
Fees and subscription	444,309	232,857
Advertisement	60,636	63,500
Entertainment	63,115	94,149
Newspapers and periodicals	7,269	16,469
Depreciation	262,411	331,863
Legal and professional charges (other than Auditors)	461,811	548,910
Other office expenses	136,922	221,921
Capital enhancement fee	25,000	--

Provisions for doubtful lease finances	29,677,115	1,431,178
Auditors' remuneration:		
- Audit fee	25,000	25,000
- Special audit fee	30,000	--
- Certification fee	15,000	15,000
	-----	-----
	70,000	40,000
Miscellaneous	8,605	76,208
	-----	-----
	36,634,135	8,510,597
	=====	=====

27. MISCELLANEOUS EXPENSES

Deferred costs amortised	17.1	466,936	649,937
		=====	=====

28. EARNINGS PER SHARE (EPS)

Profit after taxation attributable to ordinary share holders		42,268	35,001,603
		=====	=====
Number of ordinary shares issued and subscribed at the end of the year for calculation of EPS		20,700,000	20,700,000
		=====	=====
EPS		0.002	1.690
		=====	=====

29. REMUNERATION OF EXECUTIVES

Managerial remuneration		973,585	1,071,270
Housing and utilities		815,139	842,583
Retirement benefits		337,421	--
Medical and other reimbursements		137,825	333,000
		-----	-----
		2,263,970	2,246,853
		=====	=====
No. of Executives		5	5

29.1 Three of the Executives were also provided with free use of the Company's cars.

29.2 The Chief Executive and Directors were not paid any remuneration during the year (1998: Nil).

30. TRANSACTIONS WITH HOLDING COMPANY

30.1 There was no debit balance, other than lease facilities disbursed, of the Holding Company at any month-end during the year (1998: Nil).

30.2 Aggregate transactions, other than lease facilities disbursed, with Holding Company during the year were as follows:

	1999	1998
	Rupee	Rupees
Utilities charges	288,000	288,000
Profit on bank deposits	1,548,548	1,638,881
Office rent	912,000	912,000

31. FINANCIAL ASSETS AND LIABILITIES

31.1 The financial assets of the Company aggregated Rs. 474.727 million of which Rs. 465.992 million are subject to credit risk. The Company's major credit risk is concentrated in the Textile, Energy and Engineering

Sectors.

31.2 The financial liabilities of the Company aggregated Rs. 175.573 million. The financial liabilities are based on mark-up / interest except for liabilities aggregating Rs. 72.455 million.

31.3 The carrying amount of the financial assets and financial liabilities approximate their fair values.

The effective mark-up rates for the Company's financial assets range from 20 % to 29 % per annum and for financial liabilities range from 18 % to 21% per annum.

32. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE, 1999

	<i>Share Capital</i>	<i>Capital Reserve</i>	<i>General Reserve</i>	<i>Contingency Reserve</i>	<i>Reserve for Issue of Bonus Shares</i>	<i>Unappropriated Profit</i>	<i>Total</i>
<i>(Rupees)</i>							
Balance as at June 30, 1997	150,000,000	18,006,853	37,900,000	4,120,714	30,000,000	6,698	240,034,265
Net profit for the year	--	--	--	--	--	35,001,603	35,001,603
Transfer to Unappropriated Profit	--	--	(3,300,000)	--	--	3,300,000	--
Transfer from Unappropriated Profit	--	7,000,321	--	4,295,383	27,000,000	(38,295,704)	--
Issue of Bonus Shares	30,000,000	--	--	--	(30,000,000)	--	--
Balance as at June 30, 1998	180,000,000	25,007,174	34,600,000	8,416,097	27,000,000	12,597	275,035,868
Net profit for the year	--	--	--	(348,211)	--	42,268	42,268
Transfer to Unappropriated Profit	--	--	--	--	--	348,211	--
Transfer from Unappropriated Profit	--	8,454	--	--	--	(8,454)	--
Issue of Bonus Shares	27,000,000	--	--	--	(27,000,000)	--	--
Balance as at June 30, 1999	207,000,000	25,015,628	34,600,000	8,067,886	--	394,622	275,078,136

33. GENERAL

33.1 Figures in the accounts are rounded-off to the nearest rupee.

33.2 Corresponding figures have been re-arranged wherever necessary for the purpose of comparison.

Shahzad Enver Murad
Chief Executive

Muneer Kamal
Chairman / Director

Pattern of Holding of shares held by the Shareholders as at June 30, 1999

<i>No. of Shareholders</i>	<i>From</i>	<i>Shareholding</i>	<i>To</i>	<i>Total Shares Held</i>
160	1	--	100	Shares 9,136
766	101	--	500	Shares 212,880
1186	501	--	1000	Shares 821,408
1770	1001	--	5000	Shares 2,785,651
136	5001	--	10000	Shares 905,420
71	10001	--	15000	Shares 838,991
20	15001	--	20000	Shares 354,626
24	20001	--	25000	Shares 515,298
8	25001	--	30000	Shares 222,112
5	30001	--	35000	Shares 156,785

5	35001	--	40000	Shares	192,878
2	40001	--	45000	Shares	82,850
3	45001	--	50000	Shares	146,585
1	50001	--	55000	Shares	51,700
1	60001	--	65000	Shares	62,100
1	75001	--	80000	Shares	77,832
1	80001	--	85000	Shares	83,300
1	90001	--	95000	Shares	92,645
2	95001	--	100000	Shares	195,000
1	100001	--	105000	Shares	103,590
1	105001	--	110000	Shares	109,779
1	110001	--	115000	Shares	110,745
1	115001	--	120000	Shares	119,586
1	120001	--	125000	Shares	121,500
1	160001	--	165000	Shares	164,910
1	170001	--	175000	Shares	171,603
1	180001	--	185000	Shares	184,228
1	555001	--	560000	Shares	560,000
1	825001	--	830000	Shares	828,000
1	10415001	--	10420000	Shares	10,418,862

4174					
=====					
20,700,000					
=====					

Note: The slabs not applicable, have not been shown.

<i>Categories of Shareholders</i>	<i>Number</i>	<i>Shares Held</i>	<i>Percentage</i>
Individuals	4124	7,338,745	35.45
Investment Companies	13	431,943	2.09
Insurance Companies	1	171,603	0.83
Joint Stock Companies	18	969,069	4.68
Financial Institutions	7	11,500,405	55.56
Modaraba/Leasing Companies	11	288,235	1.39

4174			
=====			
20,700,000			
=====			
100.00			
=====			