

Ghandhara Leasing Company Limited

Annual Report 1999

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Raza Kuli Khan Khattak	Chairman	Nominee of GNL*
Lt. Gen (Retd) Ali Kuli Khan Khattak		Nominee of GNL
Mr. Ahmed Kuli Khan Khattak		Nominee of GNL
Mr. Jamil Ahmed Shah		Nominee of GNL
Mr. Mushtaq Ahmed Khan		Nominee of Bibojee
Mr. K.U. Rahman		Nominee of Bibojee
Mr. Nasim Beg		Nominee of NIT
Ms. Aaliya Khadijeh Dossa		Nominee of NIT
Mr. Michio Kuwahara		Nominee of Marubeni
(Alternate Mr. Toshio Higaki)		
Mr. Haroon A. Zuberi	Chief Executive	

* GNL Ghandhara Nisan Limited

Acting Company Secretary

Mr. Naeem-ul-Hasan

Registered Office

2nd Floor, State Life Building
34, The Mall, Peshawar Cantt.

Karachi Office

F-35/I I, Block-4
Clifton, Karachi-75600
Ph: 5838303-4
Fax: 5837304

Bankers to the Company

American Express Bank Ltd.
Allied Bank of Pakistan Ltd.
National Bank of Pakistan Ltd.
Standard Chartered Bank
The Bank-of Tokyo
The Bank of Khyber
The Bank of Punjab

Auditors

Taseer Hadi Khalid & Co.
Chartered Accountants,
1st Floor, Shaikh Sultan Trust,
Building No. 2, Beaumont Road,
Karachi-75530
Ph: 5681912, 5682290, 5680934, 5671761-63

Legal Advisors

Shaukat Law Associates,
217, Central Hotel Annexe,
Abdullah Haroon Road,
Karachi.
Phone: 5681495, 5686223

Share Registrars

THK Associates (Pvt.) Ltd.
Ground Floor,
Shaikh Sultan Trust,
Building No. 2,
Beaumont Road,
Karachi-75530
Ph: 5686658, 5685687

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 8th Annual General Meeting of the Company will be held on 29th December, 1999 at 2nd Floor, State Life Building, 34, The Mall, Peshawar Cantt. Peshawar at 12.30 noon to transact the following business:

ORDINARY BUSINESS

To receive, consider and adopt the Audited Accounts of the company for the year ended

June 30th 1999, together with the Chairman's review, Directors' Report and Auditors' Report thereon.

To appoint Auditors and fix their remuneration. The present Auditors Messrs. Taseer Hadi Khalid & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

OTHER BUSINESS

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

By Order of the Board

Haroon A. Zuberi
Chief Executive

Karachi: 6th December, 1999

NOTES:

1. The share transfer book of the company will remain closed from 22nd December, 1999 to 28th December 1999 (both days inclusive).

2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/hen No person shall act as a proxy who is not a member of the company. Proxies in order to be effective must be received by the company not less than 48 hours before the meeting.

3. Shareholders are requested to immediately notify the company of any change in their addresses.

FINANCIAL HIGHLIGHTS

	31 Dec 1992	31-Dec 1993	31-Dec 1994	30-Jun 1996	30-Jun 1997	30 June 1998	30 June 1999
	(18 Months)						
Balance sheet (Rupees in Million)							
Net Investment in Leases	55.52	191.29	339.58	496.88	519.82	538.56	352.01
Total Equity	55.16	66.55	72.89	160.77	172.53	147.94	109.38
Total Assets	126.18	259.03	438.00	581.05	631.29	612.67	401.98
Break-up value (amount in rupees)	11.03	13.31	14.57	19.46	20.89	17.91	13.24
Income Statement (Rupees in Million)							
Gross Income	8.97	30.09	66.416	137.603	99.826	92.169	65.22
Financial charges	0.36	11.71	37.51	87.67	67.34	72.71	58.236
Other expenses/Provisions	3.440	6.850	12.087	26.31	16.13	41.30	44.176
Net Profit/(Loss)	5.16	1 1.390	16.32	22.93	11.759	(24.588)	(38.56 1)
Lease portfolio (Percentage)							
Plant & Machinery	74.00	78.60	77.00	66.33	73.10	56.96	69.38
Equipments	10.80	9.20	11.50	9.23	10.31	9.20	5.65
Private vehicles	8.10	9.40	11.00	9.67	7.05	8.79	6.12
Commercial vehicles	7.10	2.80	0.50	14.77	9.54	25.05	18.85

PATTERN OF SHAREHOLDING

No. of Shareholders	Shareholding From	to	Total Shares held
58	1	100	5,800
340	101	500	151,700
145	501	1000	142,400
53	1001	5000	121,600
21	5001	10000	168,600
5	10001	15000	60,700
3	15001	20000	59,000
1	25001	30000	28,000
1	30001	35000	33,500
2	50001	55000	105,800
1	295001	300000	300,000
1	335001	340000	337,700
1	495001	500000	500,000
1	785001	790000	786,400
1	1245001	1250000	1,250,000
1	1305001	1310000	1,308,500
1	2895001	2900000	2,900,000

----- 636 =====	----- ----- =====	----- 8,259,700 =====
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Categories of Shareholders As at 30 June 1999

Categories	No. of Share holders	Shares held	Percentage
Individuals	620	734,300	8.8902
Insurance Companies	1	337,700	4.0885
Joint Stock Companies	6	4,257,800	51.5491
Financial Institutions	6	1,642,500	19.8857
Modaraba Companies	1	1,000	0.0121
Foreign Companies	1	500,000	6.0535
Central Depository Co. of Pak	1	786,400	9.5209
	----- 636 =====	----- 8,259,700 =====	----- 100.000 =====

CHAIRMAN'S REVIEW

I am pleased to present before you the 8th Annual Report of the company together with the Audited Accounts for the year ended 30th June, 1999.

AN OVERVIEW

Although the economy of Pakistan is passing through a stagnation phase for the last few years, but the financial year 1989-99 was the most difficult one in the economic history of Pakistan. It witnessed the full impact of sanctions imposed by international community due to nuclear detonation. The overall economic situation was further depressed due to continuation of global economic recession. Therefore, the economic indicators, that started showing some signs of improvement in 1997-98 again got depressed during the year under review. The investors' confidence was further distressed due to political situation and bleak economic position of the country.

Bears also dominated the stock market in the first half of 1998-99, but they started to fade away with the arrival of the bulls and the index crossed the 1300 level in the last quarter of 1998-99, which had stood at 766 point at the end of July 1998. However, the stock market and overall economic activities which after the set back of sanctions was on the road of recovery again suffered a blow due to conflicts at Kargil Sector and internal political position of the country.

Our economy has become weak after a number of consecutive years of poor performance and may not be able to sustain any sanctions and blows in the future. Although the new government soon after assuming the office has taken steps for the revival of economy. However, the path of recovery may be long and painful.

REVIEW OF OPERATIONS

Like the economy of Pakistan, the year under review was most difficult one for your company. Lenders became very cautious while providing fresh facilities to all sectors of the economy. As a result, they were reluctant to extend financing facilities to the company due to losses. Some of them even demanded immediate repayment of existing facilities. Therefore, your company suffered a setback and was unable to make any substantial disbursement during the year. Further, the old leases started to mature over the year and no new leases were there as replacement, resulting in shrinkage of lease portfolio and a decrease in lease income.

The outstanding exposure of the company stood at Rs. 352.01 million. The maximum outstanding exposure is in the cement sector, which is Rs. 51.16 million or 14.53%, followed by Transport & Communication, which amounts to Rs.47.217 million or 13.41% and Energy, Oil & Gas, which is Rs. 38.383 million or 10.90%.

In assets portfolio, maximum outstanding exposure is in Machinery, followed by Commercial Vehicles, Equipment and Private Vehicles, amounting to Rs. 244.238 million, Rs. 66.345 million, Rs. 19.879 million and Rs. 21.549 million or 69.38%, 18.85%, 5.65% and 6.12% respectively.

Again recovery remained one of the most crucial issue for the entire financial sector as well as your company. Your company concentrated all its efforts towards the recovery during the year under review and achieved a good recovery rate. During the year under review, total receivables amounted to Rs. 249.69 million out of which Rs.211.58 million was recovered. Total receivables also includes Rs. 31.99 million from chronic defaulters of cement and textile sectors, and if we ignore the receivables from these chronic clients, then the recovery ratio stood at 97.1% for the year. However, due to overall slump in the economy, some of the clients delayed their rental payments and your company filed cases against such clients in order to expedite the recovery.

During the year ended 30th June, 1999 your company incurred a loss of Rs. 38.56 million against a loss of Rs. 24.58 million during the previous year. The loss is primarily caused by heavy provisions

made on account of doubtful debts, which amounted to Rs. 30.53 million income suspense on doubtful debts of Rs. 5.85 million and mark-up incurred on doubtful debt. Further, as mentioned above that no substantial lease disbursements were made during the year, therefore, the lease income was reduced with the maturity of old lease during the year.

The major heads of expenses incurred during the year remained the same as that of last year, i.e. financial charges, and administrative & operating expenses. Financial charges amounted to Rs. 58.24 million for the year as against Rs. 72.71 million of the previous year. Your company's management made intentional efforts to reduce the Administrative & Operating expenses, which stood at Rs. 16.82 million during the year as against Rs. 20.98 million last year. However, the legal expenses increased to Rs. 2.21 million from Rs. 1.20 million due to cases filed against lessees for recovery.

FUTURE PROSPECTS

Future looks difficult for your company, as now it will have to regain its lost image. Further, the overall economic position of the country also requires concrete steps by the government for its revival. The survival of entire leasing sector is dependent upon the economic upliftment of the country as there is scarcity of good clients at the moment and most of the companies have deferred their expansion plans.

YEAR 2000 COMPLIANCE

Your company has taken all the necessary measures to ensure compliance of Y2K issue.

STAFF

I would like to bring on record the sincere efforts of the staff that they have put in for the survival and operations of the company despite such difficult and uncertain time.

ACKNOWLEDGMENT

I would also like to thank and extend my sincere gratitude towards financial institutions, banks, investment banks, DFIs etc., for their support and accommodating us in such difficult times, and Regulatory Authorities for its guidance.

On behalf of the Board

Chief Executive Director

DIRECTORS' REPORT

The Directors have pleasure in presenting the 8th Annual Report together with Audited Accounts, the Auditors' Report thereon for year ended 30 June, 1999 and the Chairman's Review.

FINANCIAL RESULTS

	Rupees	Rupees
	30 June	30 June
	1999	1998
Total Income	65,217,859	92,169,383
Expenses	102,412,236	114,006,075
	-----	-----
Loss before taxation	(37, 194,377)	(21,836,692)
Taxation	1,366,377	2,751,715
	-----	-----
Loss after taxation	(38,560,754)	(24,588,407)
Accumulated (Loss)/unappropriated profit brought forward	(7,552,954)	17,013,682
	-----	-----
Appropriations		
Statutory reserve	-	-
Contingency reserve	4,471,365	21,771
Dividend - Nil	-	-
	-----	-----
	4,471,365	21,771
	-----	-----
Accumulated loss carried forward	(41,642,343)	(7,552,954)
	=====	=====

The loss per share of the company is Rs. 4.67 (I 998:Rs.2.98) due to losses for the year ended 30th June, 1999.

AUDITORS

The present Auditors Messrs. Taseer Hadi Khalid & Co., Chartered Accountants retire and being eligible offer themselves for re-appointment.

PATTERN OF SHARE HOLDING

The pattern of shareholding is annexed.

STAFF

The Director would like to place on record their appreciation of the hard work and dedication of staff members that they have extended towards the company despite such difficult times.

Chairman's Review forms an integral part of Directors' Report.

For and on behalf of the Board

Chief Executive Director

AUDITORS' REPORT TO THE MEMBERS

We have audited the annex balance sheet of Ghandhara Leasing Company 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 loss and the cash flow for the year then ended; and

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

Taseer Hadi Khalid & Co.

Karachi: December 07, 1999 Chartered Accountants

BALANCE SHEET AS AT 30 JUNE 1999

	Note	1999	1998
ASSETS			
OPERATING FIXED ASSETS -At cost less accumulated depreciation	3	5,889,840	7,122,415
LONG TERM DEPOSITS		307,322	230,922
LONG TERM INVESTMENTS	4	3,951,187	4,176,036
NET INVESTMENT IN LEASE FINANCE - Secured	5	124,117,091	231,342,815
ADVANCE AGAINST LEASE COMMITMENTS-Unsecured		-	7,529,750
DEFERRED COST	6	474,227	948,461
CURRENT ASSETS			
Current maturity of net investment in lease finance and overdue lease rentals	7	227,894,346	307,216,378
Federal Investment Bond	8	50,000	50,000
Short term advances - Secured	9	30,056,780	41,162,413
Advances, deposits, prepayments and other receivables	10	8,772,519	12,469,915
Cash and bank balances	11	468,352	422,628
		-----	-----
		267,241,997	361,321,334
		-----	-----
	Rupees	401,981,664	612,671,733
		=====	=====
EQUITY AND LIABILITIES			
SHARE CAPITAL	12	82,597,000	82,597,000
SHARE PREMIUM		48,895,500	48,895,500
RESERVES	14	19,531,577	24,002,942

ACCUMULATED LOSS		(41,642,343)	(7,552,954)
		-----	-----
LONG TERM FINANCES- Secured	15	109,381,734	147,942,488
CERTIFICATES OF INVESTMENT	16	9,744,859	22,126,865
LONG TERM DEPOSITS	17	12,196,991	24,815,250
		43,780,052	52,747,235

CURRENT LIABILITIES

Current maturity and installments due of long term finances	18	29,442,415	39,719,723
Current maturity of long term deposits		17,941,253	25,257,752
Certificates of Investment	16 & 19	47,875,029	141,531,740
Short term finances - Secured	20	113,811,212	111,925,098
Short term finances - Unsecured	21	--	23,000,000
Accrued expenses and other liabilities	22	12,859,773	19,683,038
Provision for taxation		4,476,046	3,459,669
Unclaimed dividend		472,300	462,875
		-----	-----
		226,878,028	365,039,895

COMMITMENTS

	23	-----	-----
		401,981,664	612,671,733
		=====	=====

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

Chief Executive Director

PROFIT AND LOSS ACCOUNT

For the year ended 30 June 1999

	Note	1999	1998
REVENUE			
Lease revenue	24	64,587,893	85,931,823
Markup on short term advances		798,851	5,609,147
Other (charges)/income	25	(168,885)	628,413
		-----	-----
		65,217,859	92,169,383
EXPENDITURE			
Administrative expenses	26	16,816,706	20,977,324
Financial charges	27	58,235,786	72,709,293
Amortisation of deferred cost		474,234	474,240
Loss on sale of/provision against repossessed asset		195,825	1,566,616
Provision for diminution in value of investments		224,849	7,759,723
Provision for potential lease losses		30,533,736	5,819,979
(Reversal of)/provision for separation benefits		(4,068,900)	4,698,900
		-----	-----
		102,412,236	114,006,075
LOSS BEFORE TAXATION		(37,194,377)	(21,836,692)
TAXATION			
Current		1,161,876	1,440,007
Prior		204,501	1,311,708
		-----	-----
		1,366,377	2,751,715
LOSS AFTER TAXATION		(38,560,754)	(24,588,407)
(ACCUMULATED Loss)/UNAPPROPRIATED PROFIT BROUGHT FORWARD		(7,552,954)	17,013,682
		-----	-----
		(46,113,708)	(7,574,725)
APPROPRIATIONS			
Statutory reserve		-	-
Contingency reserve		4,471,365	21,771
		-----	-----
		4,471,365	21,771
ACCUMULATED LOSS CARRIED FORWARD	Rupees	(41,642,343)	(7,552,954)
LOSS PER SHARE - BASIC AND DILUTED	30	(4.67)	(2.98)
		=====	=====

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

Chief Executive Director

CASH FLOW STATEMENT**For the year ended 30 June 1999**

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(37, 194,377)	(21,836,692)
Adjustment for:		
Depreciation	1,045,655	1,723,782
Amortisation of deferred cost	474,234	474,240
Accrued mark-up	58,095,991	71,621,896
Provision for potential lease losses	30,533,736	5,819,979
Provision for diminution in the value of investments	224,849	7,759,723
.Provision for gratuity	633,179	1,056,171
(Reversal of)/provision for separation benefit	(4,068,900)	4,698,900
Income on investments	(209,264)	(411,037)
Loss/(gain) on sale of fixed assets	609,919	(76,700)
	-----	-----
Changes in operating assets and liabilities	50, 145,022	70,830,262
(Increase)/Decrease in long term deposits	(76,400)	17,000
Decrease/(Increase) in investment in lease finance	223,568,249	(6,911,441)
(Increase) in overdue lease rentals	(67,554,229)	(10,547,827)
Decrease/(Increase) in advance against lease commitments	7,529,750	(510,280)
Decrease/(Increase) in short term advances	11,105,633	(41,162,413)
Decrease in advances, deposits, prepayments and other receivables	5,893,813	5,464,166
(Decrease)/Increase in long term deposits	(16,283,682)	5,546,012
(Decrease) in accrued expenses and other liabilities	(1,530,842)	(1,532,262)
	-----	-----
	162,652,292	(49,637,045)
	-----	-----
	212,797,3 14	21,193,217
Separation benefits paid	(630,000)	--
Mark-up paid	(59,322,693)	(69,473,283)
Taxes paid	(2,546,417)	(2,196,304)
	-----	-----
Net cash generated/(used) in operating activities	150,298,204	(50,476,370)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to fixed assets	(455,000)	(3,775,817)
Mark-up on Federal Investment Bonds	142,500	142,500
Income from deposits accounts	9,880	35,334
Dividend income - net	56,884	233,203
Proceeds from sale of fixed assets	32,001	1,679,392
	-----	-----
Net cash used in investing activities	(213,735)	(1 ,685,388)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finances	((22,659,314)	(149,589,657)
Certificates of investment	106,274,970)	100,761,990
Short term finances	(21,113,886)	40,168,910
Dividend paid	9,425	(45,165)
	-----	-----
Net Cash used in financing activities	(150,038,745)	(8,703,922)
	-----	-----
Net Increase/(decrease) in cash and bank balances	45,724	(60,865,680)
Cash and bank balances at beginning of the year	422,628	61,288,308
	-----	-----
Cash and bank balances at end of the year	Rupees 468,352	422,628
	=====	=====
Chief Executive		Director

NOTES TO THE ACCOUNTS

for the year ended 30 June, 1999

1. STATUS AND NATURE OF BUSINESS

The Ghandhara Leasing Company Limited was incorporated on 12 May 1991 as a public limited company under the Companies Ordinance, 1984 and was listed on all the Stock Exchanges in Pakistan. During the year ended 30th June 1997, the name of the company was changed from Ghemni Leasing Company Limited to Ghandhara Leasing Company Limited.

Its principal activity is leasing of machineries, equipments and vehicles. Other activities are short term advancing and investment in securities.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis for Preparation

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

2.2 Accounting convention

These accounts have been prepared under the historical cost convention.

2.3 Operating fixed assets and depreciation

The cost of operating fixed assets is depreciated over the useful life of related assets under the declining balance method. A full year's depreciation is charged on assets acquired during the year, whereas no depreciation is charged in the year of disposal. Gains and losses on disposal of assets are included in income currently. Normal repairs and maintenance are charged to income as and when incurred.

2.4 Investments

Long term investments are stated at cost less provision for diminution in value to recognise a decline other than temporary. Short term investments are valued at lower of cost and market value determined on an aggregate portfolio basis. Cost is determined on moving average basis and the market values are taken from closing rates of the Karachi Stock Exchange (Guarantee) Limited on the last working day of the income year.

2.5 Deferred cost

This is amortised over a period of five years.

2.6 Net investments in lease finance

This is stated at cost less specific provision. Specific provision is made in accordance with the requirements of Non Bank Financial Institution, Regulations issued by the State Bank of Pakistan.

2. Revenue recognition

Lease revenue

The company follows the finance method in accounting for lease income. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of lease so as to produce a constant periodic rate of return on the outstanding net cash investment in lease.

Unrealised lease income is suspended, where necessary, in accordance with the requirements of Non Bank Financial Institutions, Regulations issued by the State bank of Pakistan.

Commitment charges, gains on termination of lease contracts, documentation charges, late payment surcharge and other lease income are recognised as income when they are realised.

Markup income

This is recognised on a time proportion basis.

Dividend income

This is recognised at the time of closure of share transfer book of the company declaring the dividend.

Capital gains and losses

These are recorded on the date of sale of investment.

2.8 Foreign currencies

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of the transaction. Assets and liabilities in foreign currencies at the year end are translated into Pak Rupees at the rates of change prevailing at the balance sheet date. Exchange gains and losses are included in the profit and loss account 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 tax credits and tax rebates, if any. Income for the purposes 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 major timing differences. However, deferred tax debits are not accounted for.

2. 10 Staff retirement benefits

Defined contribution plan

The company operates an approved provident fund scheme for all its eligible employees. Equal monthly contributions are made, both by the company and its employees, to the fund at the rate of 7.5 percent of basic salary.

Defined benefit plan

The company operates an approved gratuity fund scheme for all its eligible employees. No separate fund account has been maintained, however, provision is made for all eligible employees to meet company's obligation under the plan as approved by the Board of Directors.

3. OPERATING FIXED ASSETS -At cost less accumulated depreciation

	As at 01 July 1998	Additions	COST		Rate	DEPRECIATION			As at 30 June 1999	Written down value as at 30 June 1999
			(Disposals)	As at 30 June 1999		As at 01 July 1998	For the year	(Disposals)		
Furniture and fixtures	1,227,468	--	--	1,227,468	10 %	551,411	67,606	--	619,017	608,451
Office equipments	4,066,588	108,500	--	4,175,088	10 %	1,436,700	273,839	--	1,710,539	2,464,549
Vehicles	5,971,881	346,500	(813,500)	5,504,881	20%	2,155,411	704,210	(171,580)	2,688,041	2,816,840
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
1999 Rupees	11,265,937	455,000	(813,500)	10,907,437		4,143,522	1,045,655	(171,580)	5,017,597	5,889,840
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
1998 Rupees	10,474,609	3,775,817	(2,984,489)	11,265,937		3,801,537	1,723,782	(1,381,797)	4,143,522	7,122,415
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

3.1 Disposal of fixed assets

Mode of disposal	Cost	Accumulated depreciation	Book value	Sales proceeds	Particulars of buyers	Particular of assets sold
In consideration for service render	758,000	(151,600)	606,400		1 Mr. Salahuddin (Ex. Chairman)	Nissan Sunny
Negotiation	55,500	(19,980)	35,520	32,000	Mr. Asif Rashe (Accounts Officer)	Suzuki Samuri
	-----	-----	-----	-----		
1999 Rupees	813,500	(171,580)	641,920	32,001		
	=====	=====	=====	=====		

4. LONG TERM INVESTMENTS

	1999	1998
Federal Investment Bonds	4.1	950,000
Listed securities	4.2	3,001,187
	-----	-----
	Rupees	3,951,187
	=====	=====

4.1 This investment has been made to meet the liquidity requirement under the Non Bank Financial Institutions Regulations issued by the State Bank of Pakistan. The bonds are maturing from December 2001 to April 2005 and carries markup rate of 15 per cent per annum payable on half yearly basis. The face value of these bonds is Rs. 950,000.

**4.2 Number of
shares/certificate**

	Name of investee		Cost	
	1999	1998	1999	1998
		Mutual funds		
14, 100	14,100	19th ICP Mutual Fund	238,290	238,290
		Modarabas		
32,500	32,500	I st Elite Capital Modaraba	152,750	152,750
51,020	51,020	I st Punjab Modaraba	471,935	471,935
36,500	36,500	I st Mehran Modaraba	178,850	178,850
1,070	1,070	I st HBL Modaraba	7,223	7,223
		Leasing companies		
29,200	29,200	Natover Motor Lease Limited	292,000	292,000
5,500	5,500	Saudi Pak Leasing Company Limite	103,251	103,251
		Investment companies/Banks		
3,681	3,681	Al-Faysal Investment Bank Limited	113,383	113,383
30,500	30,500	AI-Towfeek Investment Bank Limit	800,625	800,625
25,047	18,975	Bank Al-Habib Limited	588,750	588,750
2,509	2,145	Crescent Investment Bank Limited	83,655	83,655
36,500	36,500	Pakistan Industrial Credit and Investment Corporation Limited	958,125	958,125
15,208	15,208	Prime Commercial Bank Limited	324,875	324,875
		Textile spinning		
5,000	5,000	Faisal Spinning Mills Limited	76,250	76,250
4,536	4,536	Saif Textile Mills Limited	10,305	10,305
		Textile composite		

69	69 Kohinoor Textile Mills Limited	966	966
	Sugar and allied		
1,710	1,710 Sanghar Sugar Mills Limited	36,604	36,604
2,156	2,156 Shahmurad Sugar Mills Limited	27,000	27,000
	Cement		
52,625	52,625 Cherat Cement Company Limited	3,104,875	3,104,875
17,460	17,460 D.G. Khan Cement Company Limite	744,072	744,072
17,787	17,787 Essa Cement Industries Limited	433,400	433,400
	Chemical and pharmaceutical		
15,000	15,000 Baifo Industries Limited	157,500	157,500
5,000	5,000 Wah Noble Chemicals Limited	230,000	230,000
	Paper and board		
29,040	26,400 Century Paper and Board Mills Lim	907,500	907,500
	Energy		
45,017	39,146 Sui Northern Gas Pipelines Limited	943,575	943,575
		-----	-----
		10,985,759	10,985,759
	Provision for diminution in value	(7,984,572)	(7,759,723)
		-----	-----
	Rupees	3,001,187	3,226,036
		=====	=====

4.3 All the holdings are in modaraba certificate and ordinary shares of Rs. 10 each.

4.4 The aggregate market value of investments in listed securities as at 30 June 1999 amounted to Rs. 3,337,207 (1998: Rs. 3,226,036).

5. NET INVESTMENT IN LEASE FINANCE

	1999	1998
Lease rentals receivable	282, 188, 139	521,547,361
Estimated Residual value of lease Assets	67,640,594	78,004,987
	-----	-----
Minimum lease payments	349,828,733	599,552,348
Unearned income	(48, 827, 844)	(111,456,141)
	-----	-----
Present value of minimum lease payments	301,000,889	488,096,207
Current maturity	(134,694,929)	(245,098,259)
Provision for potential lease losses	(42, 188,869)	(11,655, 133)
	-----	-----
Rupees	124, 111,091	231,342,815
	=====	=====

5. I In terms of the requirements of Rule 7(I)(ii) of the Leasing Companies (Establishment and Regulations) Rules, 1996, the company's aggregate exposure under lease financing exceeding 20 per cent of the paid up capital and free reserves in respect of a public limited company and private limited Co. amounted to Rs. 43,894, 182 (1998: two public limited companies Rs. 76,405,814).

6. DEFERRED COST

Right Share issue expenses	2,371,170	2,371,170
Amortised to date	(1 ,896,943)	(1,422,709)
	-----	-----
Rupees	474,227	948,461
	=====	=====

7. CURRENT MATURITY OF NET INVESTMENT IN LEASE FINANCE AND OVERDUE LEASE RENTALS

Current maturity of net investment in lease finance	134,694,929	245,098,259
Over due Lease rentals	93, 199,417	62, 118, 119
	-----	-----
Rupees	227,894,346	307,216,378
	=====	=====

8. FEDERAL INVESTMENT BONDS

This bond has matured on 14th July 1995

SHORT TERM ADVANCES - Secured

These include financing given to Faisal Consultants (private) limited amounting to Rs.30,000,000.

During the year, the liability for this advance was assumed by National Motors limited (an associated company) at a markup rate of 22% per annum payable at maturity in March 2000. The advance is secured by equitable mortgage on a plot of land owned by National Motors limited.

These also include financing amounting to Rs. 28,274 given to a private limited company and to an individual amounting to Rs. 28,506 for three months and carry markup at rates ranging from 21% to 25% per annum payable at maturity. These advances are secured by equitable mortgage on constructed office and lien on certificates of investment issued by the company itself.

ADVANCES, DEPOSITS, PREPAYMENTS AND

OTHER RECEIVABLES	1999	1998
Advances		
Staff	116,703	128,500
Taxation	6,779,358	4,582,941
Others	111,400	120,710
Deposits	129,600	328,000
Prepayments	458,051	1,373,803
Accrued mark-up on advance against lease commitments	-	127,850
Accrued mark-up on short term advances	6,257	2,109,660
Repossessed asset held for sale	-	3,500,000
Receivable against sale of reposed asset	954,175	-
Others	216,975	198,451
	-----	-----
Rupees	8,772,519	12,469,915
	=====	=====

11. CASH AND BANK BALANCES

Cash with State Bank of Pakistan	11.1	220,000	100,000
Cash with commercial banks in current accounts		208,172	284,199
Cash with commercial bank in saving account		276	
Cash with commercial banks in deposit accounts		39,904	34,518
Cash in hand		-	3,911
		-----	-----
Rupees		468,351	422,628
		=====	=====

11.1 This has been kept to meet the liquidity requirements under the Non Bank Financial Institutions Regulations issued by the State Bank of Pakistan.

12. SHARE CAPITAL

Authorised			
20,000,000 ordinary shares of Rs. 10 each		200,000,000	200,000,000
		=====	=====
Issued, subscribed and paid up			
8,259,700 ordinary shares of Rs. 10 each fully paid in cash		82,597,000	82,597,000
		=====	=====

13. STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Statutory Reserve	Contingency Reserve	Unappropriated profit/ (Accumulated Losses)	Total
Balance as at 30 June 1997	82,597,000	48,895,500	13,511,559	10,513,154	17,013,682	172,530,895
(Loss) for the year 1997-98	--	--	--	--	(24,588,407)	(24,588,407)
Transferred	--	--	--	(21,771)	21,771	--
	-----	-----	-----	-----	-----	-----
Balance as at 30 June 1998	82,597,000	48,895,500	13,511,559	10,491,383	(7,552,954)	147,942,488
(Loss) for the year 1998-99	--	--	--	--	(38,560,754)	(38,560,754)
Transferred	--	--	--	(4,471,365)	4,471,365	--
	-----	-----	-----	-----	-----	-----
Balance as at 30 June 1999	82,597,000	48,895,500	13,511,559	6,020,018	(41,642,343)	109,381,734
	=====	=====	=====	=====	=====	=====

14. RESERVES

	1999	1998
Statutory reserve	14.1	13,511,559
Contingency reserve	14.2	10,491,383
	Rupees	19,531,577
		24,002,942

14.1 In accordance with the Non Bank Financial Institutions Regulations issued by the State Bank of Pakistan, company is required to transfer 20 per cent of its after tax profit to statutory reserve until the reserve equals its paid up share capital. Thereafter, 5 per cent of profit after tax is required to be transferred to reserve.

14.2 Contingency reserve

As at 01 July		10,491,383	10,513,154
Transferred (to) profit and loss account		(4,471,365)	(21,771)
		-----	-----
As at 30 June	Rupees	6,020,018	10,491,383
		=====	=====

This is being maintained at the rate of 2 per cent of the present value of minimum lease payments as an appropriation from profit available for appropriation for potential lease losses which can reasonably be anticipated.

15. LONG TERM FINANCES - SECURED

Finance A		-	6,543,693
Finance B	15.1	12,299,537	18,302,895
Finance C		-	10,000,000
Finance D		-	7,500,000
Finance E	15.2	4,750,000	9,500,000
Finance F	15.3	7,292, 147	10,000,000
Finance G	15.4	6,505,771	-
		-----	-----
		30,847,455	61,846,588
Current maturity	18	(21,102,596)	(39,719,723)
		-----	-----
	Rupees	9,744,859	22, 126,865
		=====	=====

15.1 This represents a funding line obtained from a development financial institution and carries markup at a rate of 21% per annum. The principal and markup is payable in twelve equal quarterly installments of Rs. 2,860,545 from September 1997 to June 2000. The funding line is secured by hypothecation of leased assets, irrevocable assignment of rentals receivable under lease contracts and floating charge on current assets of the company.

15.2 This represents a morabaha financing obtained from an investment bank. The markup is payable on quarterly basis and mark up rate for next two quarters is reviewed on half yearly basis by adding 1% to the prevailing discounting rate of the State Bank of Pakistan with the floor of 19.5% per annum. The principal is payable in four equal half yearly installments of Rs. 2,375,000 from December 1998 to June 2000. The morabaha financing is secured by first charge ranking parri passu over leased assets of the company.

15.3 The represents a credit facility obtained from a development financial institution and carries markup at a rate of 20% per annum. The principal and markup is payable in twelve equal quarterly installments of Rs. 1,128,254 from July 1998 co April 2001. The facility is secured by first charge ranking pari passu on the leased assets of the company.

15.4 This represents a credit facility obtained from a development financial institution for three years, which carries markup at a rate of 20.5% per annum. The principal and markup is payable in twelve equal quarterly installment of Rs. 1,136,222 from February 1999 to November 2001. The facility is secured by pari passu charge on leased assets of the company.

16. CERTIFICATES OF INVESTMENT

These represent the mobilization of funds under the scheme of certificates of investment introduced with the permission of Corporate Law Authority (now Securities and Exchange Commission of Pakistan). The certificates are for terms ranging from three months to five years and carry profit ranging from 16% to 19% per annum. These include certificates of investment of Rs. 10,000,000 (1998: Rs. 20,000,000) issued to various financial institutions.

17. LONG TERM DEPOSIT

		1999	1998
Lease key money	17.1	61,721,305	78,004,987
Current maturity		(17,941,253)	(25,257,752)
		-----	-----
	Rupees	43,780,052	52,747,235
		=====	=====

17.1 This represents interest free security deposits received from lessees against lease contracts and are adjustable at the expiry/termination of the respective leases.

18. CURRENT MATURITY AND INSTALLMENTS DUE OF LONG TERM FINANCES

Current maturity of long term finances		21,102,596	39,719,723
Installments due of long term finances	18.1	8,339,819	-
		-----	-----
	Rupees	29,442,415	39,719,723
		=====	=====

18.1 This includes Rs. 6,128,000 which was rolled over in July 1999 and the remaining amount was settled in September 1999.

19. CERTIFICATES OF INVESTMENT

These include certificates of investment of Rs. 47,563,504 (1998: Rs. 140,000,000) issued to various financial institutions.

20. SHORT TERM FINANCES - Secured

Finance A	20.1	9,298,029	29,584,368
Finance B	20.2	603,328	4,000,000
Finance C	20.3	6,956,908	--
Finance D	20.4	46,452,947	48,340,730
Finance E	20.5	20,000,000	20,000,000
Finance F		--	10,000,000
Finance G	20.6	23,500,000	--
Finance H	20.7	7,000,000	--
	Rupees	113,811,212	111,925,098

20.1 This represents a running finance facility obtained from a commercial bank and carries markup at a rate of 18.5% per annum payable on quarterly basis. The facility is repayable by February 2000. The facility is secured by hypothecation of leased assets of the company.

20.2 This represents a demand finance obtained from a commercial bank and carries markup at a rate of 21% per annum payable on quarterly basis. The demand finance is for one year and matured in June 1999. The demand finance is secured by first charge ranking pari passu over leased assets and rentals receivable under lease contracts of the company

20.3 This represents a running finance facility of Rs. 7,500,000 obtained from a commercial bank which carries markup at a rate of 18.5% per annum payable quarterly. The facility was repayable by June 1999. The facility is secured by first pari passu charge over leased assets and rentals receivables.

20.4 This represents a running finance facility of Rs. 50,000,000 obtained from a commercial bank and carries markup at a rate of 18% per annum payable on half yearly basis. The facility is repayable by December 1999. The facility is secured by hypothecation of leased assets, irrevocable assignment of rentals receivable under lease contracts and floating charge on current assets of the company.

20.5 This represents a promissory note discounting facility obtained from an investment bank and carries markup at a rate of 19.5% per annum payable on quarterly basis. The principal was repayable in five equal quarterly installments of Rs. 2,000,000 by September 1998. The discounting facility is secured by first charge ranking pari passu over leased assets and rentals receivable under lease contracts of the company.

20.6 This represents a placement made by a development financial institution which carries markup at a rate of 22% per annum. The placement will mature in August 1999.

20.7 This represent a placement made by a development financial institution carrying a markup at a rate of 22% per annum. The placement will mature in September 1999.

	1 999	1998
21. SHORT-TERM FINANCES - Unsecured		
Finance A	-	15,000,000
Finance B	-	5,000,000
Finance C	-	3,000,000
Rupees	-	23,000,000

22. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued markup on long term finances	1,256,187	622,119
Accrued markup on short term finances	3,883,192	2,415,933
Accrued markup on certificates of investment	3,840,388	7,168,417
Advance lease rentals	1,455,468	2,336,991
Auditors' remuneration	100,000	50,000
Tax deducted at source	-	358,168
Excise duty on lease rentals	65,545	158,891
Unearned front end fee	95,000	392,023
Payable to gratuity fund	1,689,350	1,056,171
Provision for separation benefits	22.1	-
Others	474,643	425,425
Rupees	12,859,773	19,683,038

22. I In the light of Securities and Exchange Commission of Pakistan's observation the Board of Directors subsequently decided to reverse separation benefit of Chief Executive with this consent.

23. COMMITMENTS

Commitments for lease disbursements	Rupees	-	10,130,000
-------------------------------------	--------	---	------------

24. LEASE REVENUE

Lease income		61,710,933	84,215,567
Commitment charges		--	450,000
Markup on advance against leases commitments		668,156	126,658
Gain on cancellation of lease contracts		90,168	4,224
Documentation charges		15,300	112,000
Late payment surcharge		2,059,789	1,008,441
Other lease income		43,547	14,933
	Rupees	64,587,893	85,931,823

25. OTHER (CHARGES)/INCOME

Mark-up on Federal Investment Bonds		142,500	142,500
Profit on deposit accounts		9,604	35,334
Profit on Saving account		276	276
Dividend income		56,884	233,203
(Loss)/gain on disposals of fixed assets.		(609,919)	76,700
Others		231,770	140,676
	Rupees	(168,885)	628,413

26. ADMINISTRATIVE EXPENSES

Salaries and other benefits		5,990,764	6,371,198
Contribution to employees' provident Fund		218,585	227,358
Staff gratuity		633,179	1,056,171
Staff welfare and training		573,186	486,513
Rent, rates and taxes		1,578,845	1,610,333
Travelling and conveyance		1,411,080	1,609,137
Legal and professional		2,211,587	1,199,732
Telephone, telex and postage		468,420	631,488
Printing and stationery		317,939	668,309
Depreciation		1,045,655	1,723,782
Fees and subscription		207,825	301,151
Utilities		294,038	590,384
Advertisement		40,347	1,146,524
Auditor's remuneration	26.1	141,429	81,980
Repairs and maintenance		569,120	772,561
Entertainment		263,971	341,067
Insurance		581,633	724,000
General expenses		269,103	806,321
Zakat		--	629,315
	Rupees	16,816,706	20,977,324

26.1 Auditor's remuneration

Statutory audit fee		50,000	50,000
Out of pocket expenses		41,429	31,980
Special audit fee		50,000 -	-
	Rupees	141,429	81,980

27. FINANCIAL CHARGES

Mark up on			
Long term finances		10,772,059	26,382,449
Short term finances		23,206,045	16,170,670
Certificates of investment		23,782,746	29,068,777
Bank charges		139,795	1,087,397
Other financial charges		335,141	-
	Rupees	582,331,786	72,709,293

28. TAXATION

The income tax assessments of the company have been finalised upto and including assessment year 1997-1998 (income year ended 30 June 1997). An appeal before Income Tax Appellate Tribunal against certain disallowances relating to assessment year 1993-94 is pending. Further, income tax assessment for the assessment year 1997-98 has been set aside by appellate authorities. An additional tax liability of Rs. 1,254,701 could arise which has not been provided in these accounts as management expects a favourable outcome.

In view of tax loss for the current year, minimum tax at the rate of 0.5% of turnover under section 80(D) of the Income Tax Ordinance, 1979 has been provided.

As on 30 June 1999, net deductible temporary differences (resulting in deferred tax debits)

amounted to approximately Rs. 34,041,828.

29. TRANSACTIONS WITH ASSOCIATED COMPANIES

Lease income	Rupees	-	23,108
Insurance premium	Rupees	629,971	585,916

30. LOSS PER SHARE - BASIC AND DILUTED

Net loss for the year	(38,560,754)	'(24,588,407)
Weighted average number of outstanding Ordinary Share	8,259,700	8,259,700
Loss per share	(4.67)	(2.98)

31. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	CHIEF EXECUTIVE		EXECUTIVES	
	1999	1998	1999	1998
Managerial remuneration	828,000	828,000	1,254,990	1,664,222
House rent	372,000	372,000	553,794	733,643
Provident fund	62,100	62,100	92,514	122,360
Utilities	82,800	82,800	123,342	163,125
Medical	82,800	82,800	90,318	89,842
Others	582,900	316,100	164,580	6,000
Separation benefit	--	4,068,900*	--	--
Gratuity	552,000	759,000	68,820	261,430
Rupees	2,562,600	6,571,700	2,348,358	3,040,622
Number of persons	1	1	6	9

* Liability relating to separation benefits of Chief Executive has been reversed during the year ended 30 June, 1999

The chief executive and executives were also entitled to free use of company maintained cars. The aggregate amount of fee paid to nine non salaried directors was Rs. 9,000 (1998: Rs. 12,000). Medical insurance cover was also provided to all executives.

32. CREDIT RISK AND CONCENTRATIONS 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 counter parties and continuously assessing the credit worthiness of counter parties. A sectorwise break down of lease portfolio and short term advances as at 30 June 1999 is as follows:

Sectors		
Cement	77,460,364	18.26%
Chemical and pharmaceutical	24,598,100	5.80%
Engineering, Steel and auto	65,399,187	15.41%
Healthcare	2,286,362	0.54%
Sugar	17,305,394	4.08%
Food and allied	27,239,243	6.42%
Textile spinning	12,496,150	2.95%
Textile weaving	29,013,144	6.84%
Textile composite	5,755,325	1.35%
Synthetic and rayon	9,106,028	2.15%
Fuel and energy	38,395,112	9.05%
Transport and communication	49,275,041	11.61%
Paper and board	28,658,364	6.75%
Vanaspati and allied	1,852,742	0.44%
Others	35,416,530	8.35%
Rupees	424,257,086	100.00%
Present value of minimum lease payment	301,000,889	
Overdue lease rentals	93,199,417	
Short term advances	30,056,780	
Rupees	424,257,086	

33. FAIRVALUE OF FINANCIAL INSTRUMENTS

The fair value of all financial instruments is estimated to approximate their carrying value.

34. INTEREST RATE CASH FLOW RISK

The information about the exposure of company to interest rate case flow risk as at 30 June 1999 based on contractual reprising or maturity dates, whichever is earlier, is as follows:

	Interest bearing				Non interest bearing	Total
	Less than one month	More than one month but less than three months	More than three months but less than one year	Over One year		
Long term deposits	--	--	--	--	307,322	307,322
Long term investments	--	--	--	950,000	3,001,187	3,951,187
Net investment in lease finance	9,866,993	4,786,084	66,196,838	220,150,974	--	301,000,889
Over due lease rentals	--	--	--	--	113,553,521	113,553,521
Federal Investment Bonds	--	--	--	--	50,000	50,000
Short term advances	--	56,780	--	--	30,000,000	30,056,780
Deposits and other receivables	--	--	--	--	1,405,510	1,405,510
Cash and bank balances	40,180	--	--	--	428,172	468,352
	-----	-----	-----	-----	-----	-----
	9,907,173	4,842,864	66,196,838	221,100,974	148,745,712	450,793,561
Long term finances	(8,339,819)	(7,500,021)	(16,392,601)	(6,954,833)	--	(39,187,274)
Certificates of investment	(300,000)	(3,169,329)	(44,405,700)	(12,196,991)	--	(60,072,020)
Deposits	--	--	--	--	(61,721,305)	(61,721,305)
Short term finances	(7,560,236)	(30,500,000)	(75,750,976)	--	--	(113,811,212)
Accrued expenses and other liabilities	--	--	--	--	(11,243,760)	(11,243,760)
Unclaimed dividend	--	--	--	--	(472,300)	(472,300)
	-----	-----	-----	-----	-----	-----
	(16,200,055)	(41,169,350)	(136,549,277)	(19,151,824)	(73,437,365)	(286,507,871)
On balance sheet gap	(6,292,882)	(36,326,486)	(70,352,439)	201,949,150	75,308,347	164,285,690
	=====	=====	=====	=====	=====	=====
Interest rate cash flow risk gap						
Rupees	(6,292,882)	(36,326,486)	(70,352,439)	201,949,150		
	=====	=====	=====	=====		

The effective interest rates as at 30 June 1999 for financial instruments are as follows:

Assets

Net investment in lease finance	22.70%
Long terms Investments	15.00%
Short term advances	22.50%
Cash and bank balance	17.00%

Liabilities

Long term finances	20.43%
Certificates of investment	20.15%
Short term finances	19.42%

35. GENERAL

35.1 Total number of employees as at 30 June 1999 is 24 (1998:25).

35.2 Figures of the previous year have been rearranged, wherever necessary, to facilitate comparison.

35.3 Figures have been rounded off to the nearest rupee.