

Orix Leasing Pakistan Limited

Annual Report 1999

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Yoshihiko Miyauchi	(alternate Mr. Takafumi Kanda)	Chairman
Mr. Shakirullah Durrani		Vice Chairman
Mr. Takeshi Sato	(alternate Mr. Yuki Ohshima)	
Mr. Genichi Fujinaga	(alternate Mr. Nagaaki Esaki)	
Dr. Najeeb Samie		
Mr. Shaheen Amin		
Mr. Mohammad Qamrul Haq		
Mr. Humayun Murad		Chief Executive

COMPANY SECRETARY

Mr. Ramon Alfrey - ACA

BANKS AND LENDING INSTITUTIONS

Banks

ABN-AMRO Bank N.V.
AI Faysal Investment Bank Limited
AI-Meezan Investment Bank Limited
ANZ Grindlays Bank Limited
Bank of America NT & SA
Citibank N.A.
Faysal Bank Limited
First International Investment Bank Limited
Habib Bank Limited
Muslim Commercial Bank Limited
Oman International Bank SAOG
Standard Chartered Bank
The Bank of Tokyo-Mitsubishi Limited
United Bank Limited

DFIs and Lending Institutions

Asian Development Bank

F. M. O., The Netherlands

International Bank for Reconstruction and Development

International Finance Corporation

Pakistan Kuwait Investment Company (Private) Limited

Saudi Pak Industrial & Agricultural Investment Company (Private) Limited

AUDITORS

Sidat Hyder Qamar & Co., Chartered Accountants

LEGAL ADVISORS

Mansoor Ahmad Khan & Co.

Walker Martineau & Saleem

REGISTRARS AND SHARE TRANSFER OFFICE

Noble Computer Services (Private) Limited

2nd Floor, Al-Manzoor Building

Dr. Ziauddin Ahmed Road, Karachi

REGISTERED OFFICE & HEAD OFFICE

Overseas Investors Chamber of Commerce Building

Talpur Road, Karachi - 74000

Tel: 2426020-9 Fax: 2425897

BRANCH OFFICES

Lahore

State Life Building, Sir Aga Khan III Road (Davis Road), Lahore- 54000.

Tel: 6369946, 6301527, 6302620, 6304258, 6301866

and 6302897 Fax: 6305024

Faisalabad

2nd Floor, Sitara Towers, Bilal Chowk, Civil Lines, Faisalabad.

Tel: 633926 and 633811-3 Fax: 633927

Sialkot

1st Floor, Goolam Kadir Arcade, Aziz Shaheed Road, Sialkot Cantt.

Tel: 260767, 260616 and 260877 Fax: 269548

Peshawar

1st Floor, State Life Building, The Mall, Peshawar.

Tel: 279789 and 278647 Fax: 273389

Universal Access Number (UAN): 111- 24 24 24

E-mail: olp@orix-pak.com

Website: www.orix-pak.com

ORIX CORPORATION

Japan's Leading Diversified Financial Services Institution

ORIX Corporation is Japan's leading diversified financial services institution with assets in excess of US \$ 45 billion. Founded as a leasing specialist in 1964, ORIX has developed niche markets, including those for installment loans, life insurance and real estate services in Japan and 21 countries overseas. In addition to being a listed Company in Japan, in September 1998 ORIX listed its shares on the New York Stock Exchange, (NYSE), becoming the twelfth Japanese Company on the NYSE.

Business Operations-

ORIX's strength lies in its ability to anticipate change and create new business based on fresh concepts that go beyond existing frameworks. The Company is known for its flexibility and provides specialised, innovative support across a broad range of financial services including lease financing, rentals, loans (corporate finance, housing and card loans), installment loans, securities related services, venture capital, life insurance, trust and banking, commodity funds and management of real estate.

ORIX has approximately 241,000 vehicles under automobile leasing, the largest number in the Japanese automobile leasing industry. The Company owns and maintains 23 Airbus 320 aircraft and one Boeing 737 aircraft which are given on operating lease to airlines around the world. As a pioneer of equipment rental business in Japan, ORIX has approximately 20,000 types of equipment and more than 350,000 individual items under rental. ORIX Life Insurance Corporation provides "ORIX Direct" insurance which is Japan's first range of whole life, endowment and term life insurance products offered through direct channels.

International Activities:

Since entering Hong Kong in 1971, ORIX has actively expanded its international activities and has built a network of 45 companies in 21 countries. ORIX's approach to international expansion has been to either establish wholly owned operations or set-up joint ventures with strong local partners. In Singapore, Malaysia, Hong Kong and Taiwan ORIX offers automobile maintenance leases in addition to direct financing leases. In the United States, ORIX has undertaken a diverse range of financial and real estate related businesses, including corporate finance and real estate development and financing operations.

(For full directory see pages 42 to 48)

ORIX GROUP, JAPAN

FINANCIAL HIGHLIGHTS

(For the year ended March 31)

	Translation into			
	Japanese Yen (millions)		US Dollars (thousands)	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
Total Revenues	593,941	507,143	5,015,123	4,282,217
Net Profit after Tax	25,621	23,731	216,339	200,380
Shareholders' Equity	327,843	313,821	2,768,242	2,649,844

Total Assets	5,347,636	5,574,309	45,154,403	47,068,386
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Note: The dollar amounts above represent translations of Japanese yen at an exchange rate of ¥ 11843 to US \$1.

ORIX'S PRINCIPAL ACTIVITIES

DIRECT FINANCE LEASES

Aircraft and Marine Vessels
Automobiles
Industrial Equipment
Information related and office equipment

OPERATING LEASES

Aircraft
Marine Vessels
Measuring Analytical Equipment
Information-related Equipment
Automobiles

INSTALLMENT LOANS

Corporate Finance
Housing Loans
Card Loans

OTHER OPERATIONS

Life insurance
Trust and Banking
Securities Brokerage
Securities Investment
Real Estate and Development Brokering
Venture Capital Investment
Futures and Options Trading
Commodities Funds
Computer Software Development
Insurance Agency Services
Ship Management
Commercial Mortgage Servicing

ASSOCIATED COMPANIES

OVERSEAS JOINT VENTURES

1.Oman ORIX Leasing Company SAOG (Oman ORIX)

Oman ORIX in which ORIX Leasing Pakistan Limited holds 20.25% of equity and provides management support, achieved strong growth in volume and profits in 1998. Net profit after tax rose by 64% to Rial Omani (RO) 542,403 (Pak Rs. 72.1 million) from RO 331,833 (Pak Rs. 38.9 million) enabling the Company to declare a dividend of 11%. Purchase cost of new business written during

the year increased to RO 13.6 million (Pak Rs. 1.8 billion) compared to RO 10 million (Pak Rs. 1.2 billion) last year and gross lease receivables increased by 39% to RO 18 million (Pak Rs. 2.39 billion). Oman ORIX has total assets of RO 18.4 million (Pak Rs. 2.4 billion) and a net worth of RO 5.134 million (Pak Rs. 682.8 million).

Oman ORIX wrote 1,469 contracts for all type of assets including motor cars, construction, earthmoving and transportation equipment, information technology equipment and plant and machinery. The Company's lessees include individuals, small and medium size companies and large sub contractors in diverse economic sectors including services, trading and contracting, construction and manufacturing.

Oman ORIX continues to focus on its core business of lease and hire purchase financing and plans to expand geographical reach of the business by opening branches in other main cities of the Sultanate.

2.ORIX Leasing Egypt SAE (ORIX Egypt)

ORIX Corporation, Japan and ORIX Leasing Pakistan each hold 23% of ORIX Egypt's equity. The Company started operations in November 1997 and has established a good business base. ORIX Egypt's first accounting period ended on December 31, 1998 representing fourteen months commercial operations.

ORIX Egypt earned a profit before tax of Egyptian Pounds (EP) 904,160 (Pak Rs. 13.1 million) in its first accounting period. Business volume was good with purchase cost of leases written amounting to EP 24.4 million (Pak Rs. 355.5 million) and related gross lease receivables of EP 30.5 million (Pak Rs. 444.4 million). The Egyptian economy is performing well and ORIX Egypt is well placed to avail business opportunities which will increase as the concept of leasing which is new in Egypt becomes familiar. The Company continues to focus on needs of small and medium sized business which enables it to diversify risk and earn good spreads.

JOINT VENTURE IN PAKISTAN

ORIX Investment Bank Pakistan Limited (OIB)

ORIX Corporation, Japan and ORIX Leasing Pakistan hold 20% and 15% respectively of OIB's equity. OIB earned a profit of Rs. 32.2 million for the year to June 30, 1999. The bank continues to concentrate on maintaining a high quality loan portfolio while seeking to improve fee based income from advisory services. As experienced by other financial institutions in Pakistan, OIB's business is also impacted by the slow economic conditions prevailing in the Country. The Bank is primarily engaged in providing a range of investment banking products which include corporate advisory services, project packaging, structuring and placement of capital market debt products, issuance and discounting of bankers acceptance and treasury operations. At June 30, 1999 OIB had total assets in excess of Rs. 1.8 billion.

NOTICE OF MEETING

Notice is hereby given that the Thirteenth Annual General Meeting of the Company will be held at Overseas Investors Chamber of Commerce Building, Talpur Road, Karachi on, Tuesday, November 2,1999 at 11:30 am to transact the following business:

ORDINARY BUSINESS

1.To receive, consider and adopt the audited accounts together with the Directors' and

Auditors' Report for the year ended dune 30, 1999.

2. To approve the payment of cash dividend to the Shareholders at the rate of Rs. 4/- per share of Rs. 10/- each for the year ended dune 30,1999.

3.To appoint Auditors and fix their remuneration. The present Auditors Messrs. Sidat Hyder Qamar & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

4. To elect 8 (eight) Directors of the Company as fixed by the Board of Directors for a period of three years under Section 178 of the Companies Ordinance, 1984.

The following are the retiring Directors who being eligible have notified their intention to offer themselves for election.

- | | |
|----------------------------|----------------------------|
| 1. Mr. Yoshihiko Miyauchi | 5. Dr. Najeeb Samie |
| 2. Mr. Shakirullah Durrani | 6. Mr. Shaheen Amin |
| 3. Mr. Takeshi Sato | 7. Mr. Mohammad Qamrul Haq |
| 4. Mr. Genichi Fujinaga | 8. Mr. Humayun Murad |

SPECIAL BUSINESS: (STATEMENTS ATTACHED)

5. To approve investment in a joint venture leasing company in the Kingdom of Saudi Arabia.
6. To approve the remuneration of Executive Directors including the Chief Executive.
7. To transact any other business, with permission of the Chair.

Karachi: September 22, 1999

BY ORDER OF THE BOARD

RAMON ALFREY - ACA
Company Secretary

Notes:

i) The Register of Members of the Company will be closed from October 4, 1999 to October 11, 1999 (both days inclusive). Transfers received at our registrars, Messrs. Noble Computer Services (Private) Limited, 2nd Floor, Al-Manzoor Building, Dr. Ziauddin Ahmed Road, Karachi at the close of business on October 3, 1999, will be treated in time for the purpose of payment of dividend, issuing of notices and annual reports to the transferees.

ii) A Member entitled to attend and vote at the General Meeting of Members is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a Member of the Company.

iii) The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the meeting. A form of proxy is enclosed. Shareholders are requested to notify any change of address immediately.

**Statement under section 160 of the Companies Ordinance, 1984,
in respect of Special business and related draft resolutions**

Material facts concerning the special business to be transacted at the Annual General Meeting and the proposed resolutions related thereto are given below.

Item no. 5 of Agenda - Investment in Joint Venture Leasing Company in Kingdom of Saudi Arabia

I. The Directors recommend the Company's participation, as one of the sponsors, in a leasing company being established in the Kingdom of Saudi Arabia. The proposed company will be named Saudi ORIX Leasing Company. The Government of Saudi Arabia has been actively following a policy to develop the non-oil sectors and is keen to promote the development of small and medium sized industrial enterprises. Leasing is expected to contribute towards this objective as it has demonstrated in many other countries. ORIX will be a pioneer of leasing in Saudi Arabia, which offers attractive opportunities for the promotion of leasing business. The investment will be financed from the Company's internal resources. This will be OLP's third investment overseas and together with operations in Oman and Egypt will form a sound base for foreign currency earnings in future. The sponsoring shareholders of Saudi ORIX Leasing Company are:

<i>Sponsor's Name</i>	<i>Share of Equity</i>		<i>Shareholding %</i>
	<i>Saudi Rial</i>	<i>Pak Rupees*</i>	
	<i>(in millions)</i>		
Saudi Investment Bank	18	270	30%
Saudi Business Group	18	270	30%
ORIX Corporation, Japan	12	180	20%
ORIX Leasing Pakistan Limited	6	90	10%
IFC - Washington	6	90	10%
	-----	-----	-----
Total sponsor's holding	60	900	100%
	=====	=====	=====

*Saudi Rial 1 = approximately Rs. 15

The proposal has been examined and is being recommended for the following reasons:

- a) The viability of the project has been identified and a sound and profitable future is forecast.
- b) The strength of institutional sponsorship demonstrates confidence in the proposed project.
- c) The investment will add to the growing international business of ORIX Leasing Pakistan Limited in the Middle East Region.
- d) Shares in Saudi ORIX Leasing Company will be acquired at par value by ORIX Leasing Pakistan Limited from its own resources.

II. The Directors of ORIX Leasing Pakistan Limited have no interest in the above investment.

It is proposed to pass the following special resolution.

"Resolved that:

The Company be and is hereby authorised to invest the rupee equivalent of Saudi Rial (SR) 6 million representing 10% equity interest in a proposed joint venture leasing company in the Kingdom of Saudi Arabia, subject to such permissions as may be required in this behalf from the Government of Pakistan and Saudi Arabia and departments acting on their behalf.

Further resolved that the Managing Director be and is hereby authorised on behalf of the Company to sign such documents and take such steps from time to time as may be necessary to acquire the said equity interest in the said company."

Item no. 6 of Agenda - Remuneration of Chief Executive and Executive Directors

Shareholder's approval is required for the holding of office of profit by any of the Directors as well as of their remuneration. It is therefore proposed to pass the following as an Ordinary Resolution.

"Resolved that:

Approval is hereby given for the holding of office of profit with the Company by all the Executive Directors including the Chief Executive, namely, Mr. Humayun Murad, Mr. Shaheen Amin and Mr. Mohammad Qamrul Haq, and for payment of remuneration to the Executive Directors amounting in aggregate to Rs. 5.6 million actual for the year ending June 30, 1999, and Rs. 7.1 million estimated for the year ending June 30, 2000, together with other benefits in accordance with rules of the Company."

The Executive Directors are interested to the extent of the remuneration payable to them individually.

REPORT OF THE DIRECTORS

The Directors are pleased to present the thirteenth Annual Report together with the audited accounts of the Company for the year ended June 30, 1999.

FINANCIAL RESULTS

	RUPEES
Net profit for the year after charging all expenses	150,463,752
Less: Taxation	20,000,000

	130,463,752
Unappropriated profit brought forward	6,037,576

	136,501,328
Appropriations:	
Transfer to Statutory reserve	7,000,000
Transfer to Capital reserve for deferred tax	48,700,000
Cash dividend	80,554,764

	136,254,764

Unappropriated profit carried forward	246,564
	=====

DIVIDEND

The Directors recommend a cash dividend of 40% for the year. Last year's distribution was 20% cash and 25% bonus shares.

REVIEW OF OPERATIONS

The slowdown in economic activity and depressed conditions for investment posed new challenges for our business. These were primarily on three fronts:

- low investment in plant and machinery has a direct bearing on leasing business which is asset-based financing thus necessitating new marketing strategies to develop sufficient volume of business;
- foreign currency loans as a major source of funding dried completely due to the inability to hedge the exchange rate risk forcing all funding to be raised from domestic sources;
- weakness of the corporate and business sector required new measures to be taken to ensure that the lease portfolio quality did not deteriorate.

I am pleased to report that the Company managed its operations successfully, and in particular, was able to overcome the challenges mentioned above by making the necessary adjustments in our business strategy and day to day operations.

Machinery and industrial equipment traditionally used to account for more than half of our lease disbursements but this share has been declining in recent years. In the year under review 37% of disbursements were towards this segment. To make up for this fall, steps were taken in the previous years to boost leasing of other assets. The results of these efforts bore fruit in 1999 with total lease disbursements increasing by 44% over 1998 to Rs. 2.04 billion, the highest volume ever achieved by the Company. Commercial vehicles and saloon cars accounted for 57% of the volume and office equipment for 6%. Financial assistance was provided to 1,289 business enterprises, majority of which were small and medium sized businesses.

Profit before tax increased by 12% to Rs. 150.4 million (1998:Rs. 133.9 million) thus reversing the trend of declining profits witnessed in the last two years. In the year under review, earnings per share were recorded at Rs. 6.48 per share (1998: Rs. 5.16 per Share). New rent receivables of Rs. 2.9 billion were added and total income from all operations increased by 7.8% to Rs. 905.1 million. Although finance lease remains our main product, increasing contribution was made by short-term rental of equipment under operating lease contracts and automobile leases for individual customers. Consumer finance side maintained steady progress and has developed a firm market niche for its product.

Financial charges represent 73% of the total expenses and show an increase of 2.6% over the previous year. Since the average total borrowings of Rs. 3 billion during the year were higher than the previous year by 5% the financial costs reflect an improvement in borrowing rates. Although short-term rates have improved by 3-4%, the overall reduction in our borrowing costs will not be so prominent as our business relies on medium to long-term loans for which rates have decreased marginally. During the year Rs. 1.76 billion of new loans were taken which were all from domestic sources. No foreign currency loan was utilised, and due to the difficulty in arranging satisfactory hedge for exchange rate risk, an undrawn amount of US \$10.2 million from Asian Development Bank loan was recently cancelled. Our repayment obligations to all foreign lenders are now current.

Tight control was maintained on selling, general and administrative costs which increased by 6.2% to Rs. 122.3 million. This is a modest increase considering the impact of inflation and the continuous increase in expenditure for our expanding business. The charge for general provision for potential bad leases was Rs. 31.8 million (1998 Rs. 28.1 million) and the accumulated general provision now amounts to Rs. 135.2 million which is equal to 3.72% of the net exposure on rent

receivables. As mentioned earlier in the Report one of the challenges faced by management was to ensure that the lease portfolio did not impair in the current economic scenario. I am pleased to report that due to rigorous monitoring and tight credit checks our infected portfolio was lower than 1998 and our recovery rate continues to be excellent.

CREDIT RATING

The Pakistan Credit Rating Agency (PACRA) maintained the Company's credit rating for the fourth consecutive year. Based on results for the year to June 30, 1998, AI+ and A1 were accredited to the Company's short and long term debt respectively. The Company continues to enjoy the highest rating in the leasing sector for both categories of debt awarded by PACRA.

ASSOCIATED COMPANIES

Oman ORIX Leasing Company SAOG (OOL) in which your Company holds 20.25% equity and provides management support, continued to show strong progress. For the year ended December 31, 1998 it earned pre-tax profit equivalent to Rs. 75.5 million (1997 Rs. 41.7 million) and had total assets of Rs. 2.4 billion. OOL declared 11% as dividend which resulted in an income of Rs. 11.8 million (1997 Rs. 4.7 million) for your Company which amount is included in the results under review. OOL, which is headquartered in Muscat, recently inaugurated its second branch office in the city of Sohar.

ORIX Leasing Egypt (OLE) concluded its first accounting period on December 31, 1998 representing fourteen months operation. In this period it earned pre-tax profit equivalent to Rs. 13.1 million on an asset base of Rs. 387.7 million. OLE's business is developing satisfactorily. Your Company holds 23% of OLE's equity and provides management support.

ORIX Investment Bank Pakistan Limited (OIBP) earned a profit before tax of Rs. 11.3 million for the half year to December 31, 1998 in comparison to Rs 7.1 million earned in the corresponding period in 1997. OIBP has a high quality loan portfolio and is making steady progress. Investment banking business, however is more sensitive to economic environment and until there is an upturn in business conditions, OIBP will be expanding conservatively.

NEW VENTURE IN SAUDI ARABIA

Your Directors are pleased to recommend the Company's participation, as one of the sponsors in a new leasing company being established in Saudi Arabia. The Government of Saudi Arabia is encouraging investment in the non-oil sector and is keen to promote the development of small and medium sized enterprises. Leasing is expected to contribute towards this objective as it has demonstrated in many other countries. Saudi Arabia has a population of 20 million and GDP of US\$ 141 billion. The proposed company which will be a pioneer of leasing in Saudi Arabia will be named Saudi ORIX Leasing Company and will start with a paid up capital of Saudi Riyal 60 million, equivalent to approximately Rs. 900 million at current exchange rate. Your Company proposes to take 10% equity in the new venture together with other sponsoring shareholders ORIX Corporation, Japan (20%), International Finance Corporation (10%) Saudi Investment Bank (30%) and a private business group consisting of eminent Saudi bankers and businessmen (jointly holding 30%). This will be your Company's third overseas investment and together with operations in Oman and Egypt will form a sound base for foreign currency earnings in future.

FUTURE PROSPECTS

Leasing now has an established market niche which generates a certain volume of lease based transactions. Business conditions allowing, we expect a steady growth in our volume of leases

together with greater consolidation of the new products already launched. Income from overseas operations should provide increasing returns as these companies become more established.

DIRECTORS

Dr. Najeeb Samie, Chairman of State Life Insurance Corporation (SLIC) succeeded Sayed Muzafar All Shah on the Board due to the latter's transfer from SLIC. Mr. Takashi Koizumi, Managing Director, International Operations of ORIX Corporation, relinquished his seat on the Board in favour of Mr. Genichi Fujinaga. The Directors place on record their appreciation of the services of Sayed Muzafar All Shah and Mr. Takashi Koizumi and welcome Dr. Najeeb Samie and Mr. Genichi Fujinaga on the Board.

HOLDING COMPANY

The Company is a subsidiary of ORIX Corporation which is incorporated in Japan.

INFORMATION TECHNOLOGY

The Company has taken measures to ensure that its computer applications, systems and hardware are year 2000 compliant.

STAFF

The Board places on record its appreciation of the performance of all staff members which has resulted in strong results in challenging market conditions.

AUDITORS

The present auditors, Sidat Hyder Qamar and Company, Chartered Accountants, retire and being eligible offer themselves for re-appointment.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 1999 is shown on page 41.

On behalf of the Board

Humayun Murad

Chief Executive

Dated: September 22, 1999

AUDITORS' REPORT TO THE MEMBERS

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

**SIDAT HYDER QAMAR & CO.
CHARTERED ACCOUNTANTS**

Karachi: September 22, 1999.

FINANCIAL STATEMENTS OF THE COMPANY

BALANCE SHEET

PROFIT AND LOSS ACCOUNT

STATEMENT OF CHANGES IN FINANCIAL POSITION

NOTES TO THE ACCOUNTS

BALANCE SHEET AS AT JUNE 30, 1999

	<i>NOTE</i>	<i>1999</i>	<i>1998</i>
ASSETS			
Fixed assets - tangible	3	147,826,077	85,212,954
Net investment in leases and installment loans			
Installment contract receivables		4,541,466,561	4,221,596,985
Add - Residual value		956,348,542	795,433,479
		-----	-----
		5,497,815,103	5,017,030,464
Less: Unearned finance income		971,212,297	853,542,773
		-----	-----
Net investment		4,526,602,806	4,163,487,691
		-----	-----
Less: Current portion		2,020,003,733	1,854,335,260
Allowance for potential lease and			

installment loan losses		135,157,988	132,568,444
		-----	-----
		2,155,161,721	1,986,903,704
		-----	-----
	4	2,371,441,085	2,176,583,987
Long term investments	5	280,168,029	126,412,619
Long term loans	6	26,243,454	23,626,007
Long term deposits and deferred costs	7	22,847,566	30,050,611
Current assets	8	2,379,694,934	2,148,643,045
		-----	-----
	Rupees	5,228,221,145	4,590,529,223
		=====	=====

SHARE CAPITAL AND LIABILITIES

Share capital and reserves

Authorised

25,000,000 Ordinary shares of Rs. 10/- each

250,000,000

250,000,000

=====

=====

Issued, subscribed and paid-up

9

201,386,910

161,109,530

Reserves

10

669,381,483

659,749,875

Shareholders 'equity

870,768,393

820,859,405

Long term loans

11

1,983,877,063

1,699,670,218

Long term certificates of investment

12

11,533,308

7,378,238

Deferred liability - gratuity

13,536,985

10,604,575

Long term advances and deposits

13

679,389,666

576,215,899

Current liabilities

14

1,669,115,730

1,475,800,888

Contingencies and commitments

15

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Rupees

5,228,221,145

4,590,529,223

=====

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AUDITORS' REPORT ANNEXED

The annexed notes form an integral part of these accounts.

SHAKIRULLAH DURRANI
VICE CHAIRMAN

HUMAYUN MURAD
CHIEF EXECUTIVE

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

	NOTE	1999	1998
REVENUES:			
Finance leases	16	720,455,539	713,931,367
Installment loans		42,255,279	43,516,669
Operating leases		35,607,248	9,104,378
Other income	17	106,799,885	72,530,240
		-----	-----
		905,117,951	839,082,654
Less:			

EXPENSES

Finance and bank charges	18	551,139,244	536,988,511
Selling, general and administrative expenses	19	122,385,746	115,171,699
Direct cost of leases			
Finance lease and installment loans	20.1	28,811,001	21,635,198
Operating Lease	20.2	20,433,625	3,276,437
Allowance for potential lease and installment loan losses		31,884,583	28,117,240
		-----	-----
		754,654,199	705,189,085
Profit before taxation		150,463,752	133,893,569
Provision for taxation - current	23	20,000,000	30,000,000
		-----	-----
Net profit after taxation		130,463,752	103,893,569
Unappropriated profit brought forward		6,037,576	4,643,293
		-----	-----
		136,501,328	108,536,862

APPROPRIATIONS

Transfer to Statutory reserve		7,000,000	--
Transfer to Capital reserve for deferred tax		48,700,000	--
Proposed dividend @ 40% (1998: @20%)		80,554,764	32,221,906
Transfer to General reserve		--	30,000,000
Transfer to Reserve for issue of bonus shares		--	40,277,380
		-----	-----
		136,254,764	102,499,286
Unappropriated profit carried forward	Rupees	246,564	6,037,576
		=====	=====
Earning Per Share- Basic and Diluted	27	6.48	5.16
		=====	=====

The annexed notes form an integral part of these accounts.

SHAKIRULLAH DURRANI
VICE CHAIRMAN

HUMAYUN MURAD
CHIEF EXECUTIVE

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED JUNE 30, 1999

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	150,463,752	133,893,569
Add: Adjustment to reconcile profit to net cash provided by operating activities		
Depreciation and amortisation	36,893,445	31,781,829
Allowance for potential lease and installment loan losses - net	2,589,544	558,390
Provision for staff retirement benefits - net	2,932,410	2,947,664
Provision for mark-up on long - term finance	--	533,574
Loss / (Gain) on sale of fixed assets	2,024	(1,052,557)
	-----	-----

Net cash provided by operating activities	192,881,175	168,662,469
(Increase) in current assets	(117,987,042)	(16,151,344)
(Decrease) /Increase in current liabilities	(2,150,035)	3,884,829
	-----	-----
Cash generated from operations	72,744,098	156,395,954
Income taxes paid	(36,789,403)	(21,947,565)
	-----	-----
Net cash from operating activities	35,954,695	134,448,389
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in leases - net	(363,115,114)	70,824,179
Investments	(152,521,770)	12,500,000
Capital expenditure	(88,712,496)	(59,168,546)
Long-term loans - net	(3,217,506)	(3,375,143)
Proceeds from sale of fixed assets	4,299,072	3,729,941
	-----	-----
Net cash (used in)/generated from investing activities	(603,267,814)	24,510,431
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term loans	1,515,200,218	657,786,970
Short term loans and running finance	(48,494,182)	(235,085,656)
Certificates of investment	(186,940,016)	145,332,777
Deposits from lessees - net	167,878,799	114,025,574
Repayment of redeemable capital and mark up	--	(19,902,976)
Repayment of long term loans	(892,187,714)	(653,145,097)
Long term deposits and deferred cost	(7,892,125)	(9,407,401)
Payment of dividend	(32,221,906)	(72,499,289)
	-----	-----
Net cash generated from / (used in) financing activities	515,343,074	(72,895,098)
	-----	-----
Net (decrease) /increase in cash activities	(51,970,045)	86,063,722
Cash and bank balances at beginning of the year	211,151,202	125,087,480
	-----	-----
Cash and bank balances at end of the year	159,181,157	211,151,202
	=====	=====

SHAKIRULLAH DURRANI
VICE CHAIRMAN

HUMAYUN MURAD
CHIEF EXECUTIVE

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

1. LEGAL STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan as a private limited company on July 1, 1986 and was converted into a public limited company on December 23, 1987. The Company is listed on Karachi, Lahore and Islamabad Stock Exchanges. The main business activity is leasing of moveable assets.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These financial statements have been prepared under the historical cost convention.

2.2 Basis of preparation

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

2.3 Revenue Recognition

2.3.1. Finance Lease and Installment Loans

The Company follows the 'financing method' in accounting for recognition of lease and installment loan income.

At the commencement of a lease, the total unearned finance income consists of the excess of aggregate installment contract receivables over the cost of the leased equipment. At the time a lease is executed, a portion of unearned finance income which approximates the initial costs directly associated with negotiating and consummating the lease plus an amount equal to the allowance for potential lease losses is taken into income. The remainder of the unearned finance income is taken into income over the term of the lease, starting with the month in which the lease is executed applying the sum of digits method, so as to produce a systematic return on the net investment in lease. This method was applicable for all leases executed upto 30 June 1999. The Institute of Chartered Accountants of Pakistan through its Circular no. 9/99 of August 10, 1999, requires that income should be allocated using the annuity method for all leases commencing after June 30, 1999. In compliance with ICAP's directive, with effect from July 01, 1999, the Company will be using the annuity method to recognise lease income.

Front end fee and other lease related income is recognised as income when realized.

2.3.2 Operating lease

Rental income from assets given on operating lease is recognised on accrual basis over the lease period.

2.4 Allowance for potential lease and installment loan losses

The allowance for potential lease and installment loan losses is maintained at a level which, in the judgement of management, is adequate to provide for potential losses on lease portfolio that can be reasonably anticipated. The allowance is increased by provisions charged to income and is decreased by charge offs, net of recoveries.

2.5 Tangible fixed assets and depreciation

2.5.1 Operating assets - own use

Operating assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method, whereby cost of an asset is written-off over its estimated useful life. In respect of additions and deletions of an asset during the year, depreciation is charged from the month of acquisition and upto the month preceding the deletion respectively.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains and losses on disposal of assets, if any, are included in income currently.

2.5.2 Operating lease assets

Operating lease assets are stated at cost less accumulated depreciation. From the current year depreciation is charged to income applying straight line method instead of previous years'

annuity method, whereby the depreciable values of assets are written-off over their estimated useful life.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains and losses on disposal of assets, if any, are included in income currently.

2.6 Long-term investments

These are stated at cost. Investment made in foreign currency other than investment in associates are translated into rupees at the rate of exchange prevailing at the balance sheet date. Realised and unrealised exchange gains and losses are dealt within the profit and loss account. Return on investment is recognised at rates specified in the respective investment schemes and accrued for the period. Income is recognised on the assumption that such investments will be held till the terminal date.

Investment in associated companies is stated at cost. Provision for diminution in value of investments other than temporary, if any, is made in income in the year of occurrence. Dividend income is recognised when the right to receive the dividend is established.

2.7 Deferred costs

2.7.1 Loans

Loan originating costs, front-end fee and documentation costs are amortised over the loan period or five years, whichever is shorter.

2.7.2 Project development costs

Expenditure incurred in connection with development of various projects and joint ventures are classified as project development costs and upon completion of such projects or joint ventures are amortised over a period of five years.

2.8 Staff retirement benefits

The Company operates an unfunded gratuity scheme covering all its permanent employees who have completed the minimum qualifying period of six months. Provision is made annually to cover obligation under the scheme.

2.9 Foreign currencies

Transactions in foreign currencies are accounted for in rupees at the rate prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the rate of exchange prevailing at the balance sheet date. Realised and unrealised exchange gains and losses are dealt within the profit and loss account. Foreign currency loans registered under Exchange Risk Coverage Scheme of the State Bank of Pakistan (SBP) are translated into rupees at the rate prevailing on the date of disbursement.

2.10 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has the legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Taxation

2.11.1 Current

Income for the purposes of computing current taxation is determined under the provisions of tax law whereby lease rentals received or receivable by the Company are deemed to be

income. Provision for taxation is thus based on income determined in accordance with the accounting policy explained in Note 2.3 and adjusted in accordance with the requirements of the tax law.

2.11.2 Deferred

The Company accounts for deferred taxation using the liability method on timing differences arising from using the different methods in the recognition of lease income for tax purposes and accounting purposes as well as for all other significant timing differences.

	<i>NOTE</i>	<i>1999</i>	<i>1998</i>
3. FIXED ASSETS - tangible			
Operating assets - own use	3.1	34,446,408	39,329,690
Operating lease assets	3.2	113,379,669	45,883,264
		-----	-----
	Rupees	147,826,077	85,212,954
		=====	=====

3.1 Operating assets - Own use

	<i>Cost at July 1, 1998</i>	<i>Additions/ (Deletions)/ (Transfer)*</i>	<i>Cost at June 30, 1999</i>	<i>Accumulated depreciation at June 30, 1999</i>	<i>Book value at June 30, 1999</i>	<i>Depreciation For the year</i>	<i>Rate %</i>
Leasehold improvements	15,010,196	527,839	15,538,035	11,967,841	3,570,194	1,034,627	15
Furniture and office equipment	29,773,787	3,259,915 (184,887) (496,027)*	32,352,788	18,519,247	13,833,541	3,987,609	15
Motor vehicles	37,828,174	6,413,500 (4,095,645)	40,146,029	23,103,356	17,042,673	7,431,428	20
Rupees	82,612,157	10,201,254 (4,280,532) (496,027)*	88,036,852	53,590,444	34,446,408	12,453,664	
1998-Rupees	76,629,306	14,483,346 (5,598,445) (2,902,050)*	82,612,157	43,282,467	39,329,690	12,270,300	

* Represents assets transferred to operating lease assets.

3.1.1 Movement of accumulated depreciation during the year ·

<i>Accumulated depreciation as at July 1, 1998</i>	<i>Depreciation charged during the year</i>	<i>Adjustment on disposal/ transfer during the year</i>	<i>Accumulated depreciation as at June 30, 1999</i>
--	---	---	---

Leasehold improvements	10,933,214	1,034,627	--	11,967,841
Furniture & office equipment	14,670,435	3,987,609	138,797	18,519,247
Motor vehicles	17,678,818	7,431,428	2,006,890	23,103,356
	-----	-----	-----	-----
Rupees	43,282,467	12,453,664	2,145,687	53,590,444
	=====	=====	=====	=====
1998- Rupees	34,246,524	12,270,300	3,234,357	43,282,467
	=====	=====	=====	=====

3.1.2 Assets deleted during the year -

<i>Description</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book Value</i>	<i>Sale Proceeds</i>	<i>Mode of Disposal</i>	<i>Sold to</i>
Suzuki Khyber	393,750	275,604	118,146	152,245	Company Policy	Effat Kadri (Employee)
Yamaha Motor Cycle	26,000	25,999	1	23,000	Insurance Claim	Adamjee Insurance Co. Ltd.
Suzuki Mehran	319,000	143,559	175,441	183,385	Company Policy	Qamar ul Islam (Employee)
Suzuki Margalla	470,750	266,764	203,986	280,122	Company Policy	Giasuddin Khan (Employee)
Suzuki Margalla	470,750	266,764	203,986	276,993	Company Policy	Hiralal Bharwani (Employee)
Suzuki Mehran	235,895	121,892	114,003	147,000	Negotiation	Owais Ahmed
Suzuki Khyber	393,750	255,918	137,832	178,916	Company Policy	Azaz Ahmed (Employee)
Suzuki Khyber	393,750	249,356	144,394	187,197	Company Policy	Mohd Shakeb (Employee)
Suzuki Mehran	315,000	141,750	173,250	194,250	Insurance Claim	Adamjee Insurance Co. Ltd.
Suzuki Mehran	280,000	18,667	261,333	261,333	Insurance Claim	Adamjee Insurance Co. Ltd.
Suzuki Mehran	315,000	152,250	162,750	183,750	Insurance Claim	Adamjee Insurance Co. Ltd.
Suzuki Margalla	482,000	88,367	393,633	401,000	Leased	Transfer to Installment loans
Furniture	50,000	24,119	25,881	25,881	Company Policy	Effat Kadri (Employee)
Mobile Phone	15,887	1,589	14,298	14,000	Negotiation	Mobile Communication
Fax Machine	24,000	23,100	900	5,000	Negotiation	Laser Tech Office Automation
Computer Note Book	95,000	5,937	89,063	85,000	Insurance Claim	EFU General Insurance Co. Ltd.
	-----	-----	-----	-----		
Rupees	4,280,532	2,061,635	2,218,897	2,599,072		
	=====	=====	=====	=====		

3.2 Operating lease assets

	<i>Cost at July 1, 1998</i>	<i>Additions/ (Deletions)/ (Transfer)*</i>	<i>Cost at June 30, 1999</i>	<i>Accumulated depreciation at June 30, 1999</i>	<i>Book value at June 30, 1999</i>	<i>Depreciation for the year</i>	<i>Rate %</i>
Machinery and equipment	30,528,200	60,878,124	91,406,324	5,668,394	85,737,930	5,152,134	10%-33.33%
Office equipment	385,000	496,027 *	881,027	335,072	545,955	230,754	33.33%
Commercial vehicles	16,674,050	17,633,118 (2,508,300)	31,798,868	4,703,084	27,095,784	3,961,723	15%
	-----	-----	-----	-----	-----	-----	-----
Rupees	47,587,250	78,511,242 496,027 * (2,508,300)	124,086,219	10,706,550	113,379,669	9,344,611	
	=====	=====	=====	=====	=====	=====	=====
1998-Rupees	--	44,685,200 2,902,050*	47,587,250	1,703,986	45,883,264	1,390,690	
	=====	=====	=====	=====	=====	=====	=====

3.2.1 Movement of accumulated depreciation during the year:

	<i>Accumulated depreciation as at July 1, 1998</i>	<i>Depreciation charged during the year</i>	<i>Adjustment on (disposal)/ transfer* during the year</i>	<i>Accumulated depreciation as at June 30,1999</i>
Machinery and equipment	516,260	5,152,134	--	5,668,394
Office equipment	20,263	230,754 *	84,055	335,072
Motor vehicles	1,167,463	3,961,723	(426,102)	4,703,084
	-----	-----	-----	-----
Rupees	1,703,986	9,344,611	(342,047)	10,706,550
	=====	=====	=====	=====
1998-Rupees	--	1,390,690	313,296	1,703,986
	=====	=====	=====	=====

*Represents assets transferred from operating assets.

3.2.2 Assets deleted during the year:

<i>Description</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book Value</i>	<i>Sale Proceeds</i>	<i>Mode of Disposal</i>	<i>Sold to</i>
Mitsubishi Pajero	1,289,425	215,859	1,073,566	900,000	Leased	Transfer to finance lease
Mitsubishi Pajero	1,218,875	210,243	1,008,632	800,000	Leased	Transfer to finance lease
	-----	-----	-----	-----		
Rupees	2,508,300	426,102	2,082,198	1,700,000		
	=====	=====	=====	=====		

3.2.3 The Company has reviewed the expected pattern of economic benefits that will flow to the Company in future years from operating lease assets and consequently the method of depreciation has been changed from annuity method to straight line method for all operating lease assets. The management of the Company is of the view that the new method of providing depreciation is more conservative and will give a fair presentation of the Company's results and financial position. Had the depreciation been charged under the annuity method at the rates consistent with prior year, the depreciation charge for the year would have been lower by Rs. 2.9 million and accordingly profit would have been higher by the same amount.

4. NET INVESTMENT IN LEASES AND INSTALLMENT LOANS

The company's mark-up rate on leases and installment loans ranges between 21.5 percent to 25.5 percent.

5. LONG TERM INVESTMENTS

Federal investment bonds	5.1	7,915,000	7,915,000
Special US dollar bonds	5.2	65,217,240	
In associated companies			
- Quoted	5.3	152,512,222	63,974,052
- Unquoted	5.4	54,523,567	54,523,567
		-----	-----
		207,035,789	118,497,619
		-----	-----

Rupees 280,168,029 126,412,619
 ===== =====

5.1 Represents investment made in Government Securities as required under the relevant provision of the State Bank of Pakistan's Rules for Non-Bank Financial Institutions to maintain liquidity against certain liabilities. The securities are redeemable within a period of six months (included in short term investments as per note 8) to ten years and earn mark-up varying from 14.15% per annum to 15% per annum receivable half yearly from the date of issue.

5.2 Represents investment made in special US dollar bonds issued by the Government of Pakistan upon conversion of the Company's frozen foreign currency accounts. The bonds have maturity period of three years, are tradable at Stock Exchanges in Pakistan and carry a markup of LIBOR plus two percent per annum receivable half yearly from the date of issue.

5.3 Quoted

<i>Name of associated company</i>	<i>Equity held (%)</i>	<i>No. of shares held</i>	<i>Currency of investment</i>	<i>Cost price per share</i>	<i>Cost of investment as at June 30, 1999</i>	<i>Cost of investment as at June 30, 1999</i>	<i>Market value of investment as at June 30, 1999</i>
Oman ORIX Leasing Company SAOG	20.25	800,000	Rial Omani	RO 1 each	RO 1,000,000	122,512,222	196,824,756
ORIX Investment Bank Pakistan Limited	15.00	3,000,000	Pak Rupees	Rs. 10 each	Rs. 30,000,000	30,000,000	15,000,000
					Rupees	152,512,222	211,824,756
						152,512,222	211,824,756

5.4 Unquoted

<i>Name of associated company</i>	<i>Equity heir (%)</i>	<i>No. of shares held</i>	<i>Currency of investment</i>	<i>Cost price per share</i>	<i>Cost of investment as at June 30, 1999</i>	<i>Cost of investment as at June 30, 1999 Rupees</i>
ORIX Leasing Egypt SAE	23.00	46,000	Egyptian Pounds	EP. 100 each	EP. 4,600,000	54,523,567

The net asset value per share was equivalent to Rs.1,640/- per share(1998: Rs.1,366/-).

5.5 Investments in associated companies are stated at cost. Had the equity method been applied, the total profit for the year would have increased by Rs. 12,913,243/- (1998 · Rs. 6,727,515/-) while the unappropriated profit brought forward would have been higher by Rs.11,688,543/- (1998 ' Rs. 4,961,029). In addition, unrealised exchange gains on investments in foreign associates would have increased shareholders equity by Rs. 24,975,635/- (1998 · Rs. 21,943,178) and long term investment would have increased by Rs. 49,577,421/- (1998 · Rs. 33,631,721/-).

6. LONG-TERM LOANS -secured, considered good

Loans to employees:

Chief Executive	3,401,722	3,537,273
-----------------	-----------	-----------

Directors		3,004,117	1,652,939
Executives		22,426,615	20,601,061
Other employees		682,261	505,936
		-----	-----
		29,514,715	26,297,209
Less: Current portion		3,271,261	2,671,202
		-----	-----
	Rupees	26,243,454	23,626,007
		=====	=====
Recoverable after three years	Rupees	23,046,570	20,955,612
Others	Rupees	3,196,884	2,670,395
		=====	=====

Loans to Chief Executive, working Directors and Executives include house loans in accordance with terms of the Company's employment policy, repayable within a period of 20 years or retirement date whichever is earlier except for the loan to Chief Executive which is repayable within ten years. The loan to Chief Executive was disbursed in 1992 with prior approval of Securities and Exchange Commission of Pakistan (SECP), formerly Corporate Law Authority. Loans to other working Directors were made prior to their becoming Directors and have been duly notified to the SECP. The loans are secured against equitable mortgage on the property by depositing the title documents of the property with the Company and carry mark-up of 5% per annum. Loans to other employees includes motor cycle loans, repayable within a period of five years and do not carry any mark-up.

Maximum amount outstanding at the end of any month during the year against loans to Chief Executive, working Directors and Executives is Rs. 29,687,301/- (1998: Rs. 26,930,915/-)

7. LONG-TERM DEPOSITS AND DEFERRED COSTS

	<i>NOTE</i>	<i>1999</i>	<i>1998</i>
Deposits		3,223,313	2,877,813
Deferred costs	7.1	19,624,253	27,172,798
		-----	-----
	Rupees	22,847,566	30,050,611
		=====	=====

7.1 Deferred costs

Loan originating cost	7.1.1	5,495,390	5,298,669
Commitment charges		--	186,291
Exchange differences on:			
- Repayment of foreign currency loans	7.1.2	2,492,512	4,532,068
- Hedging of foreign currency loans	7.1.3	6,022,449	10,189,928
		-----	-----
		8,514,961	14,721,996
Project development costs	7.1.4	5,613,902	6,965,842
		-----	-----
	Rupees	19,624,253	27,172,798
		=====	=====

7.1.1 Represents loan originating cost paid to lending institutions on signing of various loans. These are being written off over loan period or five years, whichever is shorter.

7.1.2 Represents the increase in the amount of foreign currency loans resulting from the difference in buying and selling rates of foreign currency as determined by the SBP. Receipts of loans are at buying rates and are the actual amount realised in Pak rupees. Repayments, when due, will be made at selling rates in accordance with the SBP rules. The difference arising from the use of above mentioned rates is treated as deferred costs to be written off over loan period or five years, whichever is shorter.

7.1.3 In the absence of Exchange Risk Cover by the SBP, the Company had adopted an alternative method to hedge foreign exchange risk associated with its foreign currency borrowings. This involved purchasing foreign currency from the secondary market, placing the foreign currency on deposit and obtaining credit facilities against these deposits in local currency on matching basis. Premium paid on purchase of foreign currency from the secondary market is deferred and is written off over the loan period or five years whichever is shorter.

Since opening of new foreign currency deposit accounts is no longer feasible, this method of hedging will not be available for future foreign currency loans.

7.1.4 This represents expenditure in connection with development of projects already completed and new joint ventures and are being amortised in accordance with the policy mentioned in Note 2.7.2.

	<i>NOTE</i>	<i>1999</i>	<i>1998</i>
8. CURRENT ASSETS			
Current portion of net investment in leases, installment loans and long-term loans	8.1	2,023,274,994	1,857,006,462
Short term loans - secured - considered good	8.2	14,500,000	14,500,000
Short term investments	5.1	8,766,360	10,000,000
Other current assets	8.3	173,972,423	55,985,381
Cash and bank balances	8.4	159,181,157	211,151,202
		-----	-----
	Rupees	2,379,694,934	2,148,643,045
		=====	=====

8.1 Current maturity

Net investment in leases and Installment loans		2,020,003,733	1,854,335,260
Long-term loans - considered good		3,271,261	2,671,202
		-----	-----
	Rupees	2,023,274,994	1,857,006,462
		=====	=====

8.2 Represents short-term finance facilities provided on secured basis in the normal course of business.

8.3 Other current assets

Advances - unsecured considered good		2,316,348	2,601,629
Advance payment of wealth tax		40,000	40,000
Short-term prepayments			
Insurance			
Leased assets		19,354,468	12,257,748

Own assets		1,810,790	1,609,422
Rent		154,000	153,960
Others		4,759,241	3,927,937
		-----	-----
		26,078,499	17,949,067
Accrued return on investments and deposits		30,421,618	30,463,366
Net receivable against foreign loan payments covered under foreign exchange risk cover scheme	8.3.1	86,375,178	--
Operating lease rents receivable		12,450,265	2,953,785
Central Excise Duty (CED) receivable	8.3.2	14,196,776	--
Other receivables		2,093,739	1,977,534
		-----	-----
	Rupees	173,972,423	55,985,381
		=====	=====

8.3.1 Represents net amount receivable from the State Bank of Pakistan (SBP) on account of repayments of foreign currency loans registered under foreign exchange risk cover scheme. This amount is a net balance of exchange differences refundable from SBP and exchange risk fee payable to the SBP.

8.3.2 Represents amount paid on account of CED recoverable from lessees.

	NOTE	1999	1998
--	-------------	-------------	-------------

8.4 Cash and bank balances

Balances with banks on:

Current accounts		19,046,845	2,581,982
Deposit accounts	8.4.1	20,302,714	122,985,239
Foreign currency deposit accounts under lien - net	8.4.2	119,502,960	85,154,703
		-----	-----
		158,852,519	210,721,924
Cash in hand		328,638	429,278
		-----	-----
	Rupees	159,181,157	211,151,202
		=====	=====

8.4.1 Includes a deposit of Rs. 1,400,000/- (1998 · Rs. 1,050,000/-) with the State Bank of Pakistan (SBP) as required under the relevant provision of the SBP's Rules for Non-Bank Financial Institutions to maintain liquidity against certain liabilities. The rate of interest ranges from 6.5% to 10% per annum on these accounts.

8.4.2 Foreign currency deposit account under lien

Foreign currency deposits		459,755,918	489,108,626
Credit facilities availed	8.4.2.1	(340,252,958)	(403,953,923)
		-----	-----
	Rupees	119,502,960	85,154,703
		=====	=====

8.4.2.1 As explained in Note 7.1.3 foreign currency deposits were created as a hedge against exchange risks associated with foreign currency borrowings. Credit facilities in Rupees have been availed against security of the foreign currency deposits and have been offset in accordance with the policy stated in Note 2.10. The rate of mark-up ranges from 13.9% to 15.14% per annum while the rate of interest on foreign currency deposits ranges from 6.8% to 7.8% per annum. The maturity of credit facility and foreign currency deposits are upto September 2003.

9. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

	<i>1999</i>	<i>1998</i>		<i>1999</i>	<i>1998</i>
	<i>Number of Shares</i>			<i>Rupees</i>	
Ordinary Shares of Rs. 10/- each					
Fully paid in Cash	13,106,249	13,106,249		131,062,490	131,062,490
Fully paid bonus shares					
	3,004,704	3,004,704	Beginning of the year	30,047,040	30,047,040
	4,027,738		-- Issued during the year	40,277,380	--
	-----	-----		-----	-----
	7,032,442	3,004,704		70,324,420	30,047,040
	-----	-----		-----	-----
	20,138,691	16,110,953		201,386,910	161,109,530
	=====	=====		=====	=====

ORIX Corporation, Japan and its nominees held 11,494,558 (1998: 9,195,647) Ordinary shares of Rs. 10/- each at June 30, 1999.

	<i>NOTE</i>	<i>1999</i>	<i>1998</i>
10. RESERVES			
Capital reserves:			
Share premium		287,216,909	287,216,909
Statutory reserve	10.1	216,100,000	--
Reserve for deferred tax	10.2	48,700,000	--
Reserve for issue of bonus shares		--	40,277,380
		-----	-----
		552,016,909	327,494,289
Revenue reserves:			
General reserve		117,118,010	326,218,010
Unappropriated profit		245,564	6,037,576
		-----	-----
		117,364,574	332,255,586
		-----	-----
	Rupees	689,381,483	659,749,875
		=====	=====

10.1 The Statutory reserve represents profit set aside as required under the State Bank of Pakistan rules for Non-Banking Financial Institutions (NBFIs) and have been created since inception of NBFIs rules. These were included in General reserves and during the year have been reclassified and disclosed separately.

10.2 International Accounting Standard 12 "Income Taxes" (revised) requires that full liability

against deferred taxation should be provided in the year to which it relates. Circular no 16 of 10 September 1999 issued by the Securities and Exchange Commission of Pakistan (SECP) states that in order to achieve compliance with the revised IAS-12, all leasing companies, during each of the five financial years beginning July 1, 1998 and ending June 30, 2003, shall provide deferred tax liability arising in that year together with a further amount equal to one fifth of the unprovided deferred tax liability at the beginning of the financial year ending June 30, 1999. Deferred tax will be deemed to have been provided if a leasing company transfers such amount to a Capital Reserve account which would not be available for utilisation for any purpose other than to provide for deferred tax liability.

Deferred taxation arising due to timing differences between book and income tax revenue or charges is estimated at Rs. 185.5 million (1998: Rs. 171.1 million). As at June 30, 1999, the Company has transferred an amount of Rs. 48.7 million (Rs. 14.5 million for the current year and Rs. 34.2 million being one fifth of the total deferred tax liability for previous years) to comply with the SECP's requirement for creating Capital reserve for deferred tax. Unprovided deferred tax amounting to Rs. 136.8 million shall be appropriated to Capital reserve for deferred tax in equal annual installments by June 30, 2003.

10.3 Statement of Changes in Equity

	<i>Share Capital</i>	<i>Share Premium</i>	<i>Reserve for issue of bonus Shares</i>	<i>General reserve</i>	<i>Statutory reserve</i>	<i>Capital reserve for Deferred tax</i>	<i>Unappropriated profit</i>	<i>Total</i>
Balance as at June 30, 1997	161,109,530	287,216,909	--	296,218,010	--	--	4,643,293	749,187,742
Profit for the year	--	--	--	--	--	--	103,893,569	103,893,569
Dividend	--	--	--	--	--	--	(32,221,906)	(32,221,906)
Proposed Bonus Shares	--	--	40,277,380	--	--	--	(40,277,380)	--
Transferred during the year	--	--	--	30,000,000	--	--	(30,000,000)	--
Balance as at June 30, 1998	161,109,530	287,216,909	40,277,380	326,218,010	--	--	6,037,576	820,859,405
Profit for the year	--	--	--	--	--	--	130,463,752	130,463,752
Dividend	--	--	--	--	--	--	(80,554,764)	(80,554,764)
Bonus shares issued during the year	40,277,380	--	(40,277,380)	--	--	--	--	--
Transferred from general reserve	--	--	--	(209,100,000)	209,100,000	--	--	--
Transferred during the year	--	--	--	--	7,000,000	48,700,000	(55,700,000)	--
Balance as at June 30, 1999	201,386,910	287,216,909	--	117,118,010	216,100,000	48,700,000	246,564	870,768,393

11. LONG TERM LOANS - secured

<i>Note</i>	<i>Sanctioned amount</i>	<i>Utilised amount</i>		<i>Rupees</i>		<i>Mark up rate (%)</i>	<i>Exchange risk fee (%)</i>
		<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>		
		<i>(in millions)</i>					
Foreign currency loans							
US Dollars							
11.1	10.0	10.0	10.0	23,176,033	69,527,849	9.4	7.08
11.2	20.0	9.8	9.8	453,861,361	453,178,377	2.125	--
						over LIBOR	
11.3	12.5	12.5	12.5	200,506,975	245,064,035	8.5	6.66

11.4	3.3	3.3	3.3	--	38,329,500	2.75	--
11.5	19.1	19.1	18.5	579,814,263	586,355,071	16.0	Inclusive in mark-up
	64.9	54.7	54.1	1,257,358,632	1,392,454,832		

Netherland Guilders

11.6	10.0	10.0	10.0	51,645,950	86,076,750	10.2	5.00
11.7	4.0	4.0	4.0	8,738,050	26,148,068	10.2	5.00
	14.0	14.0	14.0	60,384,000	112,224,818		

Local currency loans

Rupees

Note	Sanctioned amount	Utilised amount		Rupees		Mark up rate (%)
		1999	1998	1999	1998	
<i>(Rupees in millions)</i>						
1 1.8	342.5	342.5	342.5	--	114,166,666	18.50
1 1.9	50.0	50.0	50.0	--	16,666,667	18.00
1 1.1 0	50.0	50.0	50.0	--	16,666,666	18.00
1 1.1 1	25.0	25.0	25.0	2,639,237	12,079,914	18.50
1 1.12	40.0	40.0	40.0	--	19,999,999	18.00
1 1.13	100.0	100.0	100.0	--	90,000,000	18.00
1 1.14	50.0	50.0	50.0	16,666,666	33,333,333	19.00
1 1.15	100.0	100.0	100.0	--	100,000,000	18.00
1 1.16	30.0	30.0	30.0	16,666,668	30,000,000	18.00
1 1.17	120.0	120.0	120.0	--	60,000,000	18.50
11.18	100.0	100.0	100.0	37,500,000	87,500,000	17.25
11.19	50.0	50.0	50.0	50,000,000	50,000,000	17.65
11.20	40.0	40.0	40.0	20,000,002	33,333,334	18.00
11.21	50.0	50.0	50.0	37,500,000	50,000,000	18.50
11.22	100.0	100.0	100.0	100,000,000	100,000,000	18.50
11.23	50.0	50.0	50.0	50,000,000	50,000,000	17.50
11.24	50.0	50.0	50.0	50,000,000	50,000,000	17.75
11.25	400.0	400.0	--	333,333,333	--	Note 11.25 (a)
11.26	50.0	50.0	--	50,000,000	--	17.25
11.27	170.0	170.0	--	169,978,786	--	18.25
11.28	50.0	50.0	--	41,666,667	--	Note 11.28 (a)
11.29	80.0	80.0	--	70,000,000	--	18.00
11.30	50.0	50.0	--	42,567,772	--	18.25
11.31	50.0	50.0	--	50,000,000	--	18.50
11.32	200.0	200.0	--	200,000,000	--	Note 11.32 (a)
11.33	15.2	15.2	--	15,176,970	--	16.00
11.34	150.0	150.0	--	150,000,000	--	Note 11.34 (a)
11.35	100.0	100.0	--	100,000,000	--	18.00
11.36	60.0	60.0	--	60,000,000	--	Note 11.36 (a)

11.37	60.0	60.0	--	60,000,000	--	15.00
	2,782.7	2,782.7	1,347.5	1,723,696,101	913,746,579	
				3,041,438,733	2,418,426,229	
Less: Current maturity				1,057,561,670	718,756,011	
			Rupees	1,983,877,063	1,699,670,218	
				=====	=====	

The above loans are secured by hypothecation of leased assets and related lease receivables and the exchange risk fee is further secured by guarantees from commercial banks.

The local currency loans are obtained under sale and purchase agreements for financing of lease operations.

11.25(a)

This loan carries a mark-up of 3 percent over six months weighted average auction rate of Government treasury bills with a minimum of 18 percent and a maximum of 20 percent.

11.28(a)

This loan carries a mark-up of 2 percent over six months auction rate of Government treasury bills with a minimum of 16.5 percent and a maximum of 19 percent.

11.32(a)

This loan carries a mark-up of 2.5 percent over six months weighted average auction rate of Government treasury bills with a minimum of 18 percent and a maximum of 20 percent.

11.34(a)

This loan carries a mark-up of 2 percent over six months auction rate of Government treasury bills with a minimum of 16 percent and a maximum of 19 percent.

11.36(a)

This loan carries mark-up of 16 percent with an increase of 0.5 percent after the first year and 1 percent in the last year of the loan.

<i>Name of lending institutions</i>	<i>Note</i>	<i>Commencement of repayment</i>	<i>Mode of Principal repayment</i>	<i>Mode of Payment of mark up</i>
11.1 Asian Development Bank Loan 1133 Pak (PS)		15-Jan-1994	12 equal semi annual installments	Semi annual
11.2 Asian Development Bank Loan 1394 Pak (PS)	11.2.1	15-Mar-1999	10 equal semi annual installments	Semi annual
11.3 International Finance Corporation Loan INT/PK 4252(A)		15-Jun-1996	16 equal semi annual installments	Semi annual
11.4 International Finance Corporation Loan INT/PK 4252(B)	11.4.1	15-Jun-1997	4 equal semi annual installments	Semi annual
11.5 International Bank for Reconstruction and Development	11.5.1	14-Sep-1996	Repayment in ten years after three years grace period.	Semi annual
11.6 FMO Loan INT/PK 93033		01-Apr-1996	10 equal semi annual installments	Semi annual
11.7 FMO Loan INT/PK 93032		01-Apr-1996	8 equal semi annual installments	Semi annual
11.8 Pakistan Kuwait Investment Company		30-Dec-1996	3 equal annual installments	Quarterly

	(Private) Limited				
11.9	ANZ Grindlays Bank Limited	13-Dec-1996	6 equal semi annual installments	Quarterly	
11.10	First International Investment Bank Limited	29-Dec-1996	6 equal semi annual installments	Semi annual	
11.11	Saudi Pak Industrial & Agricultural Investment Company (Private) Limited	01 -Oct-1996	Quarterly repayments	Quarterly	
11.12	American Express Bank Limited	30-Jun-1997	6 equal semi annual installments	Quarterly	
11.13	Citicorp Investment Bank Pakistan Limited	11-Jan-1998	4 semi annual installments of Rs.10 million and 1 installment of Rs.60 million thereafter.	Quarterly	
11.14	ANZ Grindlays Bank Limited	20-May-1998	3 equal annual installments	Semi annual	
11.15	ANZ Grindlays Bank Limited	10-Aug-1998	2 equal annual installments	Semi annual	
11.16	Oman International Bank SAOG	31-Jul-1998	9 equal quarterly installments	Quarterly	
11.17	ABN AMRO Bank N.V.	02-Jul-1998	Full repayment on due date	Quarterly	
11.18	Standard Chartered Bank	28-Apr-1998	8 equal quarterly installments	Quarterly	
11.19	Pakistan Kuwait Investment Company (Private) Limited	30-Mar-2000	2 equal quarterly installments after 2 years grace period	Quarterly	
11.20	Standard Chartered Bank	01-Mar-1998	12 equal quarterly installments	Quarterly	
11.21	The Bank of Tokyo-Mitsubishi Limited	26-Jun-1999	4 equal semi annual installments after 1 year grace period	Semi annual	
11.22	Al-Faysal Investment Bank Limited	03-Dec-2000	Full repayment on due date	Quarterly	
11.23	Faysal Bank Limited	30-Dec-1999	Full repayment on due date	Quarterly	
11.24	ANZ Grindlays Bank limited	30-Jul-1999	Full repayment on due date	Quarterly	
11.25	Habib Bank Limited	26-Apr-1999	6 equal semi annual installments	Semi annual	
11.26	Al Meezan Investment Bank Limited	05-Mar-2000	Full repayment on due date	Quarterly	
11.27	Al-Faysal Investment Bank Limited	30-Dec-1999	20% loan repayable after 1 year & balance payable 1 year thereafter	Quarterly	
11.28	Muslim Commercial Bank Limited	29-Jun-1999	6 equal semi annual installments	Semi annual	
11.29	Citibank N.A.	11 -Jan-1999	2 installments of Rs. 10 million and balance payable after 6 months	Quarterly	
11.30	Saudi Pak Industrial & Agricultural Investment Company (Private) Limited	13-Jun-1999	6 quarterly installments	Quarterly	
11.31	First International Investment Bank Limited	30-Sep-1999	6 equal semi annual installments	Quarterly	
11.32	United Bank Limited	28-Jul-1999	8 equal quarterly installments	Quarterly	
11.33	Emirates International Bank PJSC	01-Sep-1999	12 quarterly installments	Quarterly	
11.34	Muslim Commercial Bank Limited	22-Dec-1999	6 equal semi annual installments	Semi annual	
11.35	Pakistan Kuwait investment Company (Private) Limited	22-Jun-2001	2 equal annual installments after 2 years grace period	Quarterly	
11.36	Oman International Bank SAOG	30-Dec-1999	6 equal semi annual installments	Quarterly	
11.37	ABN AMRO Bank N.V.	30-Jul-2000	Full repayment on due date	Quarterly	

All loans have been obtained for financing of lease operations except for loans from IBRD and FMO loan INT/PK 93032, which have been obtained for financing of small scale and micro enterprises.

11.2.1 Represents a foreign currency loan from ADB of US\$ 20.0 million to be used for financing of lease operations. Commitment charges are payable semi-annually at a rate of 0.5% per annum. Such commitment charges are payable (a) during the first twelve months from the date of agreement, on 50% of the unutilised part of the loan and (b) thereafter, on the entire unutilised part of the loan. As explained in Note 7.1.3 exchange risk is hedged by use of an alternate method.

11.4.1 Represents a foreign currency loan referred to as Loan 'B' for US \$ 3.3 million arranged by IFC through a syndicate of international banks. As explained in Note 7.1.3 exchange risk is hedged by use of an alternate method.

11.5.1 The International Bank for Reconstruction and Development (IBRD) sanctioned a foreign currency pool loan equivalent to US\$ 26.0 million to Government of Pakistan (GOP) for on-lending to approved leasing companies in local currency for financing small scale and micro enterprises.

The loan carries charges at the rate of 16% per annum which includes interest, administration charge, guarantee commission and foreign exchange risk fee.

	<i>NOTE</i>	<i>1999</i>	<i>1998</i>
12. LONG TERM CERTIFICATES OF INVESTMENT			
Certificates of Investment		14,456,602	8,898,918
Less: Current maturity	14.1	2,923,294	1,520,680
		-----	-----
	Rupees	11,533,308	7,378,238
		=====	=====

Represents long term certificates of investment issued under profit and loss sharing basis at expected rates of profit ranging from 16.5% to 18% per annum. The certificates of investment are for terms of two years to five years.

13. LONG TERM ADVANCES AND DEPOSITS

Security deposit on leases	13.1	888,752,920	723,419,404
Less: Repayable/adjustable within 12 months		212,075,187	147,370,155
		-----	-----
		676,677,733	576,049,249
Advance lease rentals received	13.2	2,711,933	166,650
		-----	-----
	Rupees	679,389,666	576,215,899
		=====	=====

13.1 Represents sums received from lessees under lease contracts and are repayable/adjustable at the expiry of the lease period.

13.2 Represents sums received in advance and are adjustable against last rents due as per the lease agreement.

	<i>NOTE</i>	<i>1999</i>	<i>1998</i>
14. CURRENT LIABILITIES			
Current maturity of long-term loans, certificates of investment and security deposit	14.1	1,272,560,151	867,646,846
Short-term loans from banks - secured		--	15,000,000
Running finance under mark-up arrangements - secured	14.2	4,867,621	38,361,803
Short-term certificates of investment	14.3	131,666,709	324,164,409
Accrued financial and related charges	14.4	130,692,332	138,576,037
Creditors		18,630,442	16,250,290
Accrued expenses		8,590,633	7,171,273
Other liabilities	14.5	9,080,804	7,146,646

Provision for taxation - net	23	12,472,274	29,261,678
Proposed dividend		80,554,764	32,221,906
		-----	-----
	Rupees	1,669,115,730	1,475,800,888
		=====	=====

14.1 Current maturity

Long-term loans	11	1,057,561,670	718,756,011
Certificates of investment	12	2,923,294	1,520,680
Security deposit on leases	13	212,075,187	147,370,155
		-----	-----
	Rupees	1,272,560,151	867,646,846
		=====	=====

14.2 Represents running finance utilised against aggregate facilities from commercial banks of Rs. 289 million (1998: Rs. 317 million) for one year and are renewable. The average rate of mark-up is 44 paisas per Rs.1,000/- per day on daily product basis. These arrangements are secured by hypothecation of leased assets and related lease receivables.

14.3 Represents short term certificates of investment issued under profit and loss sharing basis at expected rates of profit ranging from 15.0% to 16.6% per annum. The certificates of investment are for terms of three to twelve months.

1999 **1998**

14.4 Accrued financial and related charges

Mark-up on secured loans			
Long-term loans		115,776,516	126,070,653
Short-term loans		48,573	2,657,898
Running finance		3,586,297	6,015,211
Profit on certificates of investment		10,156,103	1,390,636
Commitment charges		1,124,843	700,809
Exchange risk fee- net		--	1,740,830
		-----	-----
	Rupees	130,692,332	138,576,037
		=====	=====

14.5 Other liabilities

Advance from customers pending lease execution		4,407,166	3,744,361
Unclaimed dividend		947,361	1,010,808
Others		3,726,277	2,391,477
		-----	-----
	Rupees	9,080,804	7,146,646
		=====	=====

15. CONTINGENCIES AND COMMITMENTS

Leasing contracts committed but not executed at the balance sheet date were Rs. 10.3 million (1998: Rs. 19.8 million).

16. INCOME FROM FINANCE LEASES

Represents lease income recognised in accordance with the accounting policy as explained in Note 2.3.1, against lease rentals received and receivable for the year, amounting to Rs.

2,014,579,679/- (1998: Rs. 1,888,172,699/-).

17. OTHER INCOME

Return on foreign currency deposits	41,749,753	42,367,895
Return on deposits and investments	20,061,885	15,471,434
(Loss) / gain on disposal of operating and leased assets	(2,024)	1,052,557
Other fees and income	14,267,912	9,864,104
Exchange gain / (loss)	18,886,300	(954,831)
Dividend income	11,836,059	4,729,081
	-----	-----
Rupees	106,799,885	72,530,240
	=====	=====

NOTE **1999** **1998**

18. FINANCE AND BANK CHARGES

Mark-up on Redeemable capital	--	533,574
Long-term loan	429,199,560	420,227,671
Short-term loan	16,555,776	15,758,847
Running finance	9,247,938	24,588,909
Profit on certificates of investment	52,683,149	22,485,380
Commitment charges	3,234,037	2,284,947
Exchange risk fee	23,832,667	31,716,370
Amortisation of deferred financial costs	15,095,170	18,120,839
Bank charges and commission	1,290,947	1,271,974
	-----	-----
Rupees	551,139,244	536,988,511
	=====	=====

19. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Salaries, allowances, welfare and training	19.10	63,502,476	57,370,866
Rent and utilities		14,613,829	12,535,972
Travelling		4,703,230	4,409,447
Vehicle running and maintenance		4,641,803	4,083,351
Insurance on operating assets		2,221,645	2,800,125
Legal and professional charges		3,035,271	4,365,951
Communication		5,523,726	5,712,440
Subscriptions		548,636	484,547
Auditors' remuneration	19.2	1,257,400	605,225
Advertising		1,881,871	3,090,754
Printing and stationery		2,767,898	2,303,157
Depreciation		12,453,664	12,270,300
Office repairs and maintenance of equipment		3,518,818	3,284,663
Donations	19.3	1,460,566	1,612,305
Office general expenses		254,913	242,596
		-----	-----
Rupees		122,385,746	115,171,699
		=====	=====

19.1 Includes Rs. 3.3 million (1998 · Rs. 2.5 million) in respect of defined benefit gratuity scheme.

19.2 Auditors' remuneration

Audit fee	150,000	150,000
Fee for special audit and certificates	150,000	--
Tax and corporate advisory services	929,000	434,225
Out of pocket expenses	28,400	21,000
	-----	-----
Rupees	1,257,400	605,225
	=====	=====

19.3 Donations

Donations include payments of Rs. 32,000/- and Rs. 110,000/- to the Patients' Aid Foundation and Marie Adelaide Leprosy Centre respectively. The Chief Executive, Mr. Humayun Murad, is a member of the Board of Governors of these registered charities.

19.4 The average number of employees during the year were 195 (1998 · 187).

20. DIRECT COST OF LEASES

NOTE **1999** **1998**

20.1 Finance lease and Installment loans

Insurance	27,227,778	20,301,163
Court fee and stamp duty	1,583,223	1,334,035
	-----	-----
Rupees	28,811,001	21,635,198
	=====	=====

20.2 Operating Lease

Maintenance and insurance	11,089,014	1,885,747
Depreciation	9,344,611	1,390,690
	-----	-----
Rupees	20,433,625	3,276,437
	=====	=====

21. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

1999

1998

	<i>Chief</i>				<i>Chief</i>			
	<i>Executive</i>	<i>Directors</i>	<i>Executives</i>	<i>Total</i>	<i>Executive</i>	<i>Directors</i>	<i>Executives</i>	<i>Total</i>
Managerial remuneration	2,250,004	1,429,996	23,270,672	26,950,672	2,190,004	55,000	21,182,516	23,427,520
Housing and utilities	999,996	686,069	12,175,964	13,862,029	999,996	--	10,915,240	11,915,236
Gratuity	109,589	92,053	1,415,822	1,617,464	109,589	24,110	1,183,539	1,317,238
	-----	-----	-----	-----	-----	-----	-----	-----
Rupees	3,359,589	2,208,118	36,862,458	42,430,165	3,299,589	79,110	33,281,295	36,659,994

Number	1	2	91	1	1	80
--------	---	---	----	---	---	----

The Chief Executive, a working Director and certain Executives are also provided with free use of Company owned and maintained cars.

22. TRANSACTIONS WITH ASSOCIATED COMPANIES

Dividend Income	Rupees	11,836,059	4,729,081
Subscription to right issue of an associated company	Rupees	88,538,170	--
Advisory, placement and loan arrangement fee	Rupees	1,000,000	700,000

23. TAXATION

Assessments have been finalised upto assessment year 1998-99 by the Deputy Commissioner of Income Tax (DCIT). However, certain disallowances including initial depreciation claimed on certain leased assets have been made by the DCIT against which the Company has preferred appeals before the appropriate appellate forums. Expenses, including initial depreciation claimed, which were disallowed by the DCIT for the assessment year 1997-98, have been set aside by the Income Tax Appellate Tribunal and directed to be re-assessed according to the law.

While finalising the Company's assessment for the assessment year 1998-99, the DCIT has made certain disallowances amounting to Rs. 403.8 million which include initial depreciation and raised a tax demand of Rs. 156 million on an accounting profit of Rs. 134 million. The Company has preferred an appeal before the Commissioner of Income Tax (Appeals) which is pending adjudication. Similar disallowances for assessment year 1997-98 have been set aside as mentioned above and, therefore, management is confident that on the merits of the case, the ultimate decisions will be in favour of the Company. Accordingly, no provision has been made in the accounts in respect of the aforementioned demand.

24. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk arises from the possibility of asset impairment occurring because counter parties cannot meet their obligations in transactions involving financial instruments. The Company has established procedures to manage credit exposure including credit approvals, credit limits, collateral and guarantee requirements. These procedures incorporate both internal guidelines and the NBFIs regulations. The Company also manages risk through an independent credit department which evaluates lessees credit worthiness and growth potential.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or activities in the same geographic region, or have similar economic features which would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk, therefore, indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

The Company manages concentration of credit risk exposure through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments. For such purpose, the Company has established exposure limits for single lessees and industrial sectors. The Company has an effective rental monitoring system which allows it

to evaluate customers credit worthiness and identify potential problem accounts. An allowance for potential lease losses is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on lease portfolio that can be reasonably anticipated.

An analysis by industrial sector of the Company's investment in leases and installment loans is given below:

<i>Sector</i>	<i>1999</i>	
	<i>Rupees</i>	<i>Percentage</i>
Textile and allied	690,103,857	15.25
Services	637,337,833	14.08
Trading	290,417,099	6.42
Food and allied	272,445,872	6.02
Steel and engineering	274,671,135	6.07
Chemical and pharmaceutical	273,300,090	6.04
Sugar	220,933,456	4.88
Fuel and energy	164,470,337	3.63
Paper board and printing	150,221,442	3.32
Transport and communication	148,624,741	3.28
Financial institutions	125,927,335	2.78
Manufacturers of consumer goods	118,237,728	2.61
Installment loans - consumer and auto finance	571,121,743	12.62
Miscellaneous	588,790,138	13.01
	-----	-----
Net investment in leases and installment loans	4,526,602,806	100.00
	=====	=====

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments are not significantly different from their book values as shown in these financial statements.

26. INTEREST RATE RISK MANAGEMENT

Changes in interest rates or in the relationships between short and long-term interest rates can affect the rates charged on interest earning assets differently than the rates paid on interest bearing liabilities. This can result in an increase in interest expense relative to finance income or vice versa. The Company manages this risk by matching its long term assets with long term loans and ensuring that loan rates are locked in below lease rates. By maintaining a positive current ratio, the Company safeguards against sudden upward swings in short term rates.

The Company's interest rate sensitivity position for interest bearing financial assets and liabilities is as follows:

<i>Financial Assets</i>	<i>1999</i>		
	<i>Less than one year</i>	<i>Over one year</i>	<i>Total</i>
Net investment in leases and installment loans - net of related deposits	1,396,605,983	2,106,085,915	3,502,691,898
Long term investment in Government Securities	--	73,132,240	73,132,240
Long term loans and advances	3,271,261	26,243,454	29,514,715

Short term loans and investment		23,266,360	--	23,266,360
Cash and bank balances on de posits		139,805,674	--	139,805,674
	Rupees	1,562,949,278	2,205,461,609	3,768,410,887
Financial Liabilities				
Long term loans		1,057,561,670	1,983,877,063	3,041,438,733
Long term certificates of investment		2,923,294	11,533,308	14,456,602
Running finance under mark-up arrangement		4,867,621	--	4,867,621
Short-term certificates of investment		131,666,709	--	131,666,709
	Rupees	1,197,019,294	1,995,410,371	3,192,429,665
Excess of Assets over Liabilities	Rupees	365,929,984	210,051,238	

27. EARNINGS PER SHARE - Basic and Diluted

The effective interest/mark-up rates for monetary financial assets and liabilities are mentioned in the respective notes to the accounts.

EPS	=	Net profit after taxation	130,463,752	103,893,569
		Weighted average no. of ordinary shares	20,138,691	20,138,691
			6.48	5.16

28. CORRESPONDING FIGURES

Prior year's figures have been re-arranged for purposes of comparison wherever necessary.

SHAKIRULLAH DURRANI
VICE CHAIRMAN

HUMAYUN MURAD
CHIEF EXECUTIVE

PATTERN OF SHAREHOLDING AS AT JUNE 30, 1999

<i>NUMBER OF SHAREHOLDERS</i>	<i>SHAREHOLDING</i>		<i>TOTAL SHARES HELD</i>	
472	1	--	100	13,560
442	101	--	500	116,011
315	501	--	1,000	197,247
160	1,001	--	5,000	328,763
31	5,001	--	10,000	209,630
14	10,001	--	15,000	177,164
8	15,001	--	20,000	138,405
2	20,001	--	25,000	48,186
3	25,001	--	30,000	86,639
2	30,001	--	35,000	63,652
1	45,001	--	50,000	50,000

1	50,001	--	55,000	51,638
1	55,001	--	60,000	57,770
1	60,001	--	65,000	64,694
1	70,001	--	75,000	72,250
1	75,001	--	80,000	76,230
1	95,001	--	100,000	98,750
1	120,001	--	125,000	120,320
1	125,001	--	130,000	125,050
1	130,001	--	135,000	133,250
1	145,001	--	150,000	148,136
2	235,001	--	240,000	476,295
1	240,001	--	245,000	240,557
1	260,001	--	265,000	260,812
1	445,001	--	450,000	445,292
1	645,001	--	650,000	648,500
1	990,001	--	995,000	994,971
1	1,040,001	--	1,045,000	1,044,888
1	1,065,000	--	1,070,000	1,068,000
1	1,130,001	--	1,135,000	1,132,011
1	11,450,001	--	11,455,000	11,450,020
-----				-----
1,471			20,138,691	
=====				=====

There are no shareholdings in the slabs which have not been included above.

<i>CATEGORIES OF SHAREHOLDERS</i>	<i>NUMBER OF SHAREHOLDERS</i>	<i>SHARES HELD</i>	<i>PERCENTAGE</i>
1. INDIVIDUALS	1,435	2,319,029	11.52
2. INVESTMENT COMPANIES	4	185,527	0.92
3. INSURANCE COMPANIES	3	1,162,857	5.77
4. JOINT STOCK COMPANIES	7	19,333	0.10
5. FINANCIAL INSTITUTIONS	7	1,754,252	8.71
6. MODARABAS	6	18,124	0.09
7. ORIX CORPORATION AND ITS NOMINEES	4	11,494,558	57.08
8. INTERNATIONAL FINANCE CORPORATION	1	1,132,011	5.62
9. OTHERS- FOREIGN FUNDS	4	2,053,000	10.19

TOTAL	1,471	20,138,691	100.00
=====			

ORIX GROUP DIRECTORY

JAPANESE REGION

<i>Principal Business</i>	<i>Established (equity interest acquired)</i>	<i>ORIX Group's Ownership (%)</i>
---------------------------	---	-----------------------------------

* Domestic Operations

Leasing and Installment Loans

ORIX Corporation	Providing direct financing leases and operating leases for CA equipment, computers, industrial equipment, plants, aircraft, and other equipment; providing installment loans.		
ORIX Auto Leasing Corporation	Auto lessor in Japan active mainly in fleet leasing but with growing business in auto leases for individuals.	1973	100
ORIX Alpha Corporation	Leasing and financing furnishings and equipment for retailers, hotels, restaurants, and other users; providing mediatory and consulting services.	1972	100
ORIX Aircraft Corporation	Aircraft leasing.	1986	100

Real Estate Related Business

Real Estate Business Headquarters	Brokering real estate and other real estate related services, such as dormitory leasing.		
Real Estate Finance Headquarters	Housing loans and project finance.		
ORIX Estate Corporation	Managing real estate and leisure facilities.	(1986)	99
ORIX Real Estate Corporation	Real estate development and management.	1999	100
ORIX Asset Management and Loan Services Corporation	Commercial mortgage servicing.	1999	100

Rentals

ORIX Rentec Corporation	Rental supplier of high-precision measuring equipment in Japan.	1976	100
ORIX Rent-A-Car Corporation	Rent-a-car business.	1985	85

Consumer Finance

ORIX Credit Corporation	Consumer credit company engaged in business centered on shopping credit and consumer finance	1979	100
ORIX Club Corporation	Consumer loans.	1990	100

Computer Software

ORIX Computer Systems Corporation	Software engineering house.	1984	100
--	-----------------------------	------	-----

Securities Brokerage

ORIX Securities Corporation Securities house. (1986) 100

Venture Capital

ORIX Capital Corporation Management of venture capital investment funds. 1983 95

Marine Transport

ORIX Maritime Corporation Shipping and ship management services. 1977 100

Life insurance

ORIX Life Insurance Corporation Life insurance. 1991 100

Insurance

ORIX Insurance Services Corporation Agency services for casualty and life insurance. 1976 100

Interior Products

ORIX Interior Corporation* Manufacturer of carpet and other interior products. 1998 100

Entertainment

ORIX Baseball Club Professional baseball team. (1988) 100

Futures and Options

ORIX Investment Corporation Proprietary trading in global futures markets. 1999 100

ORIX COMMODITIES Corporation Futures and options trading. 1990 100

Hotel Management and Training Facilities Management

Blue Wave inn Corporation Hotel management. 1991 100

Cross Wave Corporation Training facilities management. 1993 100

Transportation

SKYMARK AIRLINES CO., LTD Airline travel services. 1996 23

Environmental Services

ORIX Eco Services Corporation Environmental services. 1998 100

Trust Bank

ORIX Trust and Banking Corporation Trust and banking services. (1998) 100

Advertisement Agency

ORIX Create Corporation Co-ordination of Group PR activities. 1998 100

* ORIX Corporation and ORIX Interior Corporation merged on April 1, 1999. ORIX Interior's financing operations were taken over by ORIX, while ORIX Interior's remaining operations (manufacturing, warehousing, etc.) were transferred to OI Corporation, a vehicle established specifically to undertake these operations. On April 1, 1999,

OI Corporation was renamed ORIX Interior Corporation.

*** International Operations**

ORIX Corporation	Principal Business
International Headquarters	Supervising ORIX's entire international operations and providing an extensive range of financial services adapted to the characteristics of each market.
International Department	Keeping up the worldwide Group network and being responsible for centralized planning and administrative support for international operations.
Corporate Development Department	Planning and development of new business and investments, including mergers and acquisitions overseas.
Marine Business Department	Providing a full range of financial services to the shipping industry, including arrangement of senior debt finance, mezzanine debt finance, and equity investment; brokering sales and purchases of ships and acting as an intermediary for the building of new ships.
International Business Department	Arranging diversified financing (corporate, asset-based, sovereign, and structured); investing in prime international capital and money market products.
International Real Estate Department	Financing, equity placement, investment, brokerage, consulting, and development in connection with real estate.
Aerospace Department I	Operating leases and finance leases for aircraft.
Aerospace Department II	Arranging leveraged leases for aircraft and other equipment; development and marketing of asset-based structured investment schemes.

ASIA & OCEANIA REGION

			<i>Established (equity interest acquired)</i>	<i>ORIX Group's Ownership (%)</i>
	<i>Principal Business</i>			
ORIX Investment And Management Private Limited	Singapore	Venture capital investment	1981	100
ORIX Leasing Singapore Limited	Singapore	Equipment leasing, hire purchase, and other financial services	1972	50
ORIX CAR RENTALS PTE. LTD.	Singapore	Rent-a-car business and auto leasing	1981	45
ORIX	Singapore	Trading futures and options for proprietary	1990	100

COMMODITIES SINGAPORE PTE. LIMITED		and client accounts.		
ORIX Rentec (Singapore) Pte. Limited	Singapore	Equipment rental.	1995	100
ORIX Asia Limited	China (Hong Kong)	Leasing and investment banking in Hong Kong and throughout Southeast Asia.	1971	100
ORIX HOTELS INTERNATIONAL PRIVATE LIMITED (Registered in Singapore)	China (Hong Kong)	Hotel management and development business	1991	100
ORIX Auto Leasing Asia Limited	China (Hong Kong)	Auto leasing.	1995	89
China Orient Leasing Co., Ltd.	China	Equipment leasing.	1981	50
ORIX Maritime Corporation, Seoul Represen- tative Office	South Korea	Liaison functions for ORIX Maritime Corporation.	1992	--
Korea Development Leasing Corporation*	South Korea	Equipment leasing and other financing services.	1975	26
GLOBAL RENTAL COMPANY LIMITED	South Korea	Equipment rental.	1995	52
Korea Rental Corporation	South Korea	Rental of office equipment, measuring instruments, etc.	(1996)	36
ORIX Taiwan Corporation	Taiwan	Hire purchase services and equipment leasing services.	1990	95
ORIX Auto Leasing Taiwan Corporation.	Taiwan	Auto leasing.	1998	100
Consolidated ORIX Leasing and Finance Corporation * Listed company	Philippines	Lease financing and mortgage loans.	1977	40
Thai ORIX Leasing Co., Ltd.	Thailand	Equipment leasing, hire purchase, and factoring services.	1978	49

UNITED ORIX LEASING BERHAD	Malaysia	Equipment leasing and other financing services.	1973	80
ORIX CAR RENTALS SDN.BHD.	Malaysia	Rent-a-car business.	1989	54
ORIX Rentec (Malaysia) Sdn. Bhd	Malaysia	Equipment rental.	1996	94
PT. ORIX Indonesia Finance	Indonesia	Equipment leasing and other financing services.	1975	83
INFRA-STRUCTURE LEASING & FINANCIAL SERVICES LIMITED	India	Infrastructure commercialization, equipment leasing, and other financing services.	(1993)	20
ORIX AUTO FINANCE (INDIA) LIMITED	India	Auto leasing and fleet management.	1995	60
Lanka ORIX Leasing Company Limited*	Sri Lanka	Equipment leasing services.	1980	30
ORIX Australia Corporation Limited	Australia	Equipment leasing, vehicle operating leases and other financing services.	1986	100
Ranger Truck Rental and Leasing Pty Limited	Australia	Truck rental and vehicle operating leases.	(1998)	100
AUSTRAL MERCANTILE COLLECTIONS PTY LIMITED	Australia	Debt servicing.	1998	50
ORIX New Zealand Limited	New Zealand	Vehicle operating leases and rent a-car business.	(1988)	100

* Listed company

MIDDLE EASTERN & NORTH AFRICAN REGION

Regional General Manager, Middle East: Humayun Murad

*Established
(equity
interest*

*ORIX
Group's
Ownership*

		<i>Principal Business</i>	<i>acquired</i>	(%)
ORIX Leasing Pakistan Limited*	Pakistan	Equipment leasing services.	1986	57
ORIX Investment Bank Pakistan Limited*	Pakistan	Investment bank.	1995	29
Oman ORIX Leasing Company SAOG*	Oman	Equipment leasing.	1994	12
ORIX Leasing Egypt SAE	Egypt	Equipment leasing.	1997	36
AMERICAS REGION				
Corporate Executive Officer and Regional Chief Executive: Yoshio Ono				
ORIX USA CORPORATION	U.S.A.	Equipment leasing, asset- based lending, real estate leasing, and general corporate financing.	1981	100
ORIX Real Estate Equities, Inc.	U.S.A.	Commercial real estate development and investment.	(1987)	100
ORIX Commercial Alliance Corporation	U.S.A.	Installment financing.	(1989)	100
Banc One Mortgage Capital Markets, LLC.	U.S.A.	Commercial mortgage servicing, issuance of MBS, and real estate investment.	1997	45
Stockton Holdings Limited	Bermuda	Trading in global futures markets for proprietary and client accounts.	(1989)	30
Bradesco Leasing S.A. Arrendamento Mercantil	Brazil	Equipment leasing services.	1973	25
EUROPEAN REGION				
ORIX Europe Limited	U.K.	Corporate and asset-based finance and investment.	1982	100
ORIX Corporate Finance Limited	U.K.	Investment banking focusing on capital market and Structured finance.	1989	100
ORIX IRELAND LIMITED	Ireland	Investment in and trade of securities and loans; general corporate finance and asset-based finance.	1988	100

ORIX AVIATION SYSTEMS LIMITED	Ireland	Operating/finance leases for aircraft and other related services.	1991	100
ORIX Polska S.A.	Poland	Equipment leasing services.	1995	85

CORPORATE FINANCE LEASE

Providing Industrial, Commercial and Transportation equipment on flexible lease terms

CONSUMER FINANCE

Allowing corporate employees to acquire domestic appliances of their choice.

AUTOMOBILE LEASING

On the move, helping Individuals and Corporate clients stay mobile.

OPERATING LEASES

Providing productive assets on short term rental.

MICRO ENTERPRISE LEASE

Supporting Country's cottage industries.

CERTIFICATE OF INVESTMENT (COI'S)

Offering investment plans matching the needs of our valued customers.

Associated Companies

Overseas Joint Ventures

Oman ORIX Leasing Company SAOG
3rd Floor, Al Harthy Complex, Al Qurum
P.O. Box 106, Al Harthy Complex
Postal Code 118, Sultanate of Oman
Tel: 00968 - 565612, 565617
Fax: 00968 - 565610

ORIX Leasing Egypt SAE

4th Floor, Cairo Centre,
2 Abdel Kader Hamza Street
Garden City, Cairo
Tel: 020 - 2 - 5842757, 5842758
Fax: 020 - 2 - 5942760

Joint Venture in Pakistan

ORIX Investment Bank Pakistan Limited

3rd Floor, PIC Towers, 32-A Lalazar Drive
Moulvi Tamizuddin Khan Road
Karachi - 74000, Pakistan

Tel: 021 - 5610734, 5610618

Fax: 021 - 5610510

TEN YEAR SUMMARY AT A GLANCE*Rupees in millions*

	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>	<i>1995</i>	<i>1994</i>	<i>1993</i>	<i>1992</i>	<i>1991</i>	<i>1990</i>
Financial Position										
Gross Lease Receivables	5,498	5,017	5,281	4,753	3,536	2,407	1,703	1,284	818	470
Paid-up Capital	201	161	161	161	152	72	66	60	60	35
Shareholders' equity	871	821	749	686	571	197	159	130	103	69
Operating Position										
Total Disbursements	2,046	1,474	1,726	1,957	1,560	1,052	728	658	473	260
Profit before tax	150	134	157	167	113	61	49	43	33	21
Bonus shares	--	40	--	--	--	7	7	6	--	7
Cash dividend	81	32	72	72	53	14	12	9	14	--
Total Distribution	81	72	72	72	53	21	19	15	14	7
Key Ratios										
Earnings per Share	6.48	5.16	8.20	9.22	6.61	7.33	6.16	5.91	4.55	6.51
Dividend per Share	4.00	4.50	4.50	4.50	3.50	3.00	2.75	2.50	2.30	2.00
Book Value per Share	43.24	50.95	46.50	42.57	37.52	27.26	24.13	21.69	21.69	19.55