

Atlas Lease Limited

Annual Report 2000

MISSION STATEMENT

Lead the industry by providing quality service to customers, ensure continuous growth in the shareholders' value and contribute towards the economic development of the country through a youthful goal oriented, well rewarded team.

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COMPANY INFORMATION

Chairman
Chief Executive
Directors

Company Secretary

Chairman
Members

Secretary

Chairman

Chairman

Chairman

Chairman

Auditors

BOARD OF DIRECTORS

Yusuf H. Shirazi
Khaleeq-ur-Rahman Khan
Dr. Amjad Waheed
Katsuaki Endo
Muhammad Shaft
Sanaullah Qureshi
Saquib H. Shirazi
Sherali Mundrawala
Talat Mahmood
Farooq Saleem

GROUP EXECUTIVE COMMITTEE

Yusuf H. Shirazi
Jawaid Iqbal Ahmed
Frahim Ali Khan
Iftikhar H. Shirazi
Aamir H. Shirazi
Saquib H. Shirazi
Amjad Hussain

GROUP PERSONNEL COMMITTEE

Yusuf H. Shirazi

GROUP AUDIT COMMITTEE

Sanaullah Qureshi

MANAGEMENT COMMITTEE

Khaleeq-ur-Rahman Khan

EXECUTIVE CREDIT COMMITTEE

Frahim Ali Khan

Ford, Rhodes, Robson, Morrow.

Chartered Accountants

Legal Advisors

Mohsin Tayebaly & Co.

Bankers

ABN AMRO Bank
Allied Bank of Pakistan Limited
Askari Commercial Bank Limited
Faysal Bank Limited
Habib Bank AG Zurich
Habib Bank Limited
Muslim Commercial Bank Limited
The Bank of Tokyo-Mitsubishi, Limited
The Hongkong and Shanghai
Banking Corporation Limited

Lending Institutions

Asian Development Bank (ADB)
Commonwealth Development Corporation (CDC)
German Investment and Development Co. (DEG)
International Finance Corporation (IFC)
Netherlands Development Finance Co. (FMO)
Pakistan Kuwait Investment Co., (Pvt.) Limited

Registered Office & Head Office

Federation House, Sharae Firdousi,
Clifton, Karachi - 75600
Tel: (92-21) 5866817 - 20, 5866919 - 20
Fax: (92-21) 5870543
E-mail: allkhi@allkhi.atlasgroup.pk.com
Web Site: www.atlasgroup.pk.com/all

Branch Offices

Lahore Office:
3rd Floor, Ajmal House,
27-Egerton Road, Lahore.
Tel: (92-42) 6366170 -74, 6364941, 6305439, 6305449
Fax: (92-42) 6365058
E-mail: allhr@allhr.atlasgroup.pk.com

Islamabad Office:
30, Mezzanine Floor, Beverly Centre,
Blue Area, Islamabad.
Tel: (92-51) 2824906, 824909
Fax: (92-51) 2821377

NOTICE OF MEETING

Notice is hereby given that the Thirteenth Annual General Meeting of the members of ATLAS LEASE LIMITED will be held at 11.00 a.m. on Tuesday, December 26, 2000 at Registered Office of the Company at Federation House, Sharae Firdousi, Clifton, Karachi to transact the following business:

ORDINARY BUSINESS:

1. To confirm the Minutes of the Twelfth Annual General Meeting held on December 22, 1999.
2. To elect eight (8) Directors on the Board of the Company under section 178 read with section 180 of the Companies Ordinance, 1984 for a period of three years commencing from December 29, 2000 in place of the eight (8) retiring Directors, namely:

- | | |
|-------------------------|---------------------------|
| 1. Mr. Yusuf H. Shirazi | 5. Mr. Sanaullah Qureshi |
| 2. Dr. Amjad Waheed | 6. Mr. Saquib H. Shirazi |
| 3. Mr. Katsuaki Endo | 7. Mr. Sherali Mundrawala |
| 4. Mr. Mohammad Shaft | 8. Mr. Talat Mahmood |

The Board of Directors has fixed number of Directors to be elected at the ensuing Annual General Meeting as eight. All retiring directors are eligible to offer themselves for re-election.

3. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2000 together with the Directors' and Auditors' Report thereon.
4. To appoint Auditors and fix their remuneration for the year ending June 30, 2001. The present Auditors M/s. Ford,

Rhodes, Robson, Morrow, Chartered Accountants, retire and being eligible, offer themselves for reappointment.

SPECIAL BUSINESS:

5. To approve the issue of Bonus Shares ~ 16% for the year ended June 30, 2000 as recommended by the Board of Directors.
6. To approve increase in Authorized Capital of the Company from Rs.200 million to Rs.300 million.
7. To approve the remuneration of the Chief Executive of the Company as recommended by the Board of Directors.

OTHER BUSINESS:

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

A statement under section 160 (1) (b) of the Companies Ordinance, 1984 pertaining to the Special Business referred to above is annexed to this Notice of Meeting.

Karachi: November 24, 2000

By Order of the Board
FAROOQ SALEEM
Company Secretary

NOTES:

- i) The Register of Members of the Company will remain closed from 19/12/2000 to 26/12/2000 (both days inclusive). Transfers received in order at the Registered Office of the Company at the close of business on December 18, 2000 will be treated in time for the purpose of entitlement of Bonus Shares.
- ii) A member entitled to attend and vote at this meeting may appoint another member as his / her proxy to attend & vote on his / her behalf. 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 received at the Registered Office of the Company duly stamped, signed and witnessed not later than 48 hours before the meeting.
- iii) Nomination from members for the office of director must be received at least 14 days before the time of the meeting at the Registered Office of the Company.
- iv) Shareholders whose shares are deposited with Central Depository System (CDS) are requested to bring their National Identity Card (NIC) alongwith their Account Number in CDS for verification. In case of corporate entity, the Board of Director's resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.
- v) Members are requested to notify any change in their addresses immediately.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts concerning the Special Business to be transacted at the Thirteenth Annual General Meeting of Atlas Lease Limited to be held on December 26, 2000.

1. The Directors are of the view that the Company's financial position justifies the capitalization of Rs. 27,770,320 from reserves of the Company to enable a Bonus issue in proportion of four (4) shares for every twenty five (25) shares held. For this purpose, following resolution is proposed to be passed as an Ordinary Resolution, namely:

RESOLVED

"that a sum of Rs. 27,770,320 (Rupees Twenty Seven Million Seven Hundred Seventy Thousand Three Hundred Twenty Only) out of the free reserves of the Company be capitalized and applied to the issue of 2,777,032 fully paid ordinary shares of Rs. 10/- each as Bonus Shares in the proportion of four (4) new shares for every twenty five (25) existing shares held to those members whose names appear in the register of members as at the close of business on December 18, 2000 and that the shares so issued shall be treated for all purposes as an increase in the paid-up capital of the Company."

FURTHER RESOLVED

"that the Bonus Shares so issued shall rank pari-passu in all respects with the existing ordinary shares of the Company"

FURTHER RESOLVED

"that members entitled to a fraction of a share shall be given the sale proceeds of their respective fractional entitlement, for which purpose the Directors be and are hereby authorized to consolidate the fractions into whole shares and sell the shares in the stock market."

FURTHER RESOLVED

"that the Directors be and are hereby authorized and empowered to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for the issue, allotment and distribution

of 2,777,032 shares."

2. The Authorized Capital of the Company is being proposed to be increased from Rs. 200,000,000/- (Rupees Two Hundred Million) to Rs. 300,000,000/- (Rupees Three Hundred Million) in order to enable the Directors to issue further share capital when deemed necessary. For this purpose, following resolution is proposed to be passed as a Special Resolution:

RESOLVED

"that Authorized Capital of the Company be and is hereby increased from Rs. 200,000,000/- (Rupees Two Hundred Million) divided into 20,000,000 (Twenty Million) ordinary shares of Rs. 10/- each to Rs. 300,000,000/- (Rupees Three Hundred Million) divided into 30,000,000 (Thirty Million) ordinary shares of Rs. 10/- each."

FURTHER RESOLVED

"that Clause V of the Memorandum of Association and Article 5 of the Articles of Association of the Company be and are hereby amended to the extent of reflecting therein the increase in Authorized Capital as aforesaid."

3. Approval of the shareholders will be sought for the remuneration payable to the Chief Executive of the Company in accordance with the terms and conditions of his service, as recommended by the Board of Directors of the Company. For this purpose, it is intended to propose the following Resolution to be passed as an Ordinary Resolution:

RESOLVED

"that the Company hereby authorizes the holding of office of profit and payment of remuneration (inclusive of allowances) to Mr. Khaleeq-ur-Rahman Khan, Chief Executive, not exceeding in the aggregate Rs 3.20 million per annum for the year ending June 30, 2001 in addition to perquisites and other benefits to which he is entitled as per Company policy."

The Chief Executive is interested in the business to the extent of his remuneration.

TEN YEARS AT A GLANCE

	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
	(Rupees in million)									
Paid-up Capital	173.56	105.19	105.19	105.19	105.19	66.55	60.50	55.00	50.00	50.00
Reserves & Surplus	143.31	137.83	112.51	108.58	90.86	59.08	39.58	26.90	19.20	9.82
Shareholders' Equity	316.87	243.02	217.70	213.77	196.05	125.63	100.08	81.90	69.20	59.82
Profit Before Taxation	28.66	23.74	34.36	24.63	43.18	33.38	26.34	20.78	14.39	8.58
Profit After Taxation	21.27	25.31	19.71	17.72	41.73	32.21	24.23	18.20	14.39	8.58
Cash Dividend			15.00%		15.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Stock Dividend	16.00%	15.00%					10.00%	10.00%	10.00%	
Right Issue		50.00%				50.00%				

DIRECTORS' REPORT

The Directors have pleasure in submitting Annual Report of the Company together with the Audited Accounts and the Auditors' Report thereon for the year ended June 30, 2000.

	2000 Rupees	1999 Rupees
Financial Results:		
Profit for the year before taxation	28,661,582	23,735,666
Taxation:		
Current	6,027,984	3,924,436
Prior	1,366,072	--
Deferred	--	(5,500,000)
	-----	-----
	7,394,056	(1,575,564)
	-----	-----
Net profit for the year after taxation	21,267,526	25,311,230
Previous profit brought forward	797,761	205,691
	-----	-----
Profit available for appropriation	22,065,287	25,516,921
Appropriations:		
Transfer to statutory reserve	4,253,505	5,062,246
Transfer from general reserve	(42,510,320)	(14,740,000)

Transfer to capital reserve for deferred taxation	32,500,000	24,440,000
Transfer to reserve for issue of bonus shares	27,770,320	9,956,914
	-----	-----
	22,013,505	24,719,160
	-----	-----
Un-appropriated profit carried forward.	51,782	797,761
	-----	-----

Dividend:

The directors are pleased to recommend a stock dividend/issuance of bonus shares in proportion of four (4) shares for every twenty five (25) shares held, i.e. 16% out of the general reserve of the Company.

Chairman's Review:

The accompanying Chairman's Review deals with the performance of the Company during the year and future outlook. The Directors of the Company endorse the contents of the review.

Pattern of Shareholding:

The pattern of shareholding of the Company is annexed.

Auditors:

The present Auditors Messrs. Ford, Rhodes, Robson, Morrow, Chartered Accountants retire and being eligible offer themselves for reappointment.

for and on behalf of

BOARD OF DIRECTORS

SANAULLAH QURESHI

Director

KHALEEQ-UR-RAHMAN KHAN

Chief Executive

YUSUF H. SHIRAZI

Chairman

Karachi: November 24, 2000

CHAIRMAN'S REVIEW

I am pleased to present the Thirteenth Annual Report of your Company for the year ended June 30, 2000.

THE ECONOMY

The year ending June 30, 2000 remained under the shadow of the international and domestic political and economic situation prevailing in the year 1999. Nuclear detonation, Kargil issue and ultimately army take over have had its impact on the political, economic and social fabric of the country. Good cotton, rice and wheat crops, however did help in raising the GDP growth but inept pricing and other policy measures could not yield the desired socio-economic benefits at the grass roots so as to uplift the economy on the whole. It was against this background that the National Budget for the year 2000-2001 was presented as a part of 3 years Perspective Plan aimed at achieving a 6% GDP growth and budgetary deficit below 5% by the year ending 2003.

The GDP growth for the year 1999-2000 was 4.8%, agriculture being highest at 7.2%, manufacturing the lowest at 1.1% and service sector at 4.5%. Inflation was claimed to be 3.6% which was the lowest in the past decade. The GDP growth target set for the year 2000-2001 vis-a-vis 1999-2000 is at 5%, up 0.2% from the previous year. Agriculture growth is projected at 3.9%, services at 5.2% and the manufacturing at 5.9%. The target growth rates are an encouraging sign. The inflation for the year 2000-2001 is estimated at 4.5%, 0.9% higher than last year. Despite government's emphasis on agriculture sector, a projection of lower growth as compared to last year seems reasonably cautious keeping in view the current water shortage and vagaries of the weather. In the present circumstances, the growth in manufacturing at 5.9% seems to be optimistic but achievable! Similarly, the budgetary deficit target set at 4.6% of GDP vis-a-vis 6.5% of last year and 6.6% average of the last 4 years seems to be somewhat realistic though with a lot of focus on the rough edges of the economy. The revenue target hinges on collection of an extra Rs. 100 billion. It is essential that all these targets are met in the wake of prevailing economic situation particularly the IMF conditionalities & the overall external pressures, which are becoming increasingly arduous for the borrowing nations with Pakistan the most hard hit at the present time.

On the other hand, in July 2000 the State Bank of Pakistan chose to remove the restrictions on the inter bank market and freed the rupee-dollar parity which caused the rupee to fall from Rs.52.36 to Rs.59.30 a dollar in early October 2000, 13.3% devaluation within a period of 10 weeks. In the kerb market, the rupee went as low as Rs.63 to a dollar - resulting in cost-push pressures in the long run. This was stated to meet one of the IMF conditionalities - before any settlement with them in sight. There is thus no alternative but to come out of the vicious circle of ever rising debts, falling rupee, debt servicing and costlier imports, consequently rendering exports incompetent due to rising internal costs. This can only be done by a better business environment, which promotes greater investment and savings. The devaluation has indeed made everything costlier without a corresponding increase in investment and production productivity, value addition and volume growth. Full utilization of capacity needs to

be the focus, which alone will bring the cost down and result in export competitiveness.

In order to revive the economy, the world financing agencies prescription may be just marginal. It has hardly helped any developing country so far. A recommendation in this connection to phase out seven main industries in Pakistan - steel, fertilizer, sugar, oil refineries, chemicals, pharmaceuticals and automobile, constituting over 50% of the economy, being not competitive by world standards, will further damage the economy as a whole. What will then remain for achieving self-reliance, a view the Government does espouse. Unemployment is becoming a bigger concern and challenge day by day. Similarly, a report that localization programmes will be done away will only discourage investment. Equally important is the competitive advantage of the local industry being eroded without which localization is effected. Imagine the rate of custom duty is being reduced from 35% to 25%, without a corresponding reduction in raw material duty which remains at 10%. Since the automobile engineering industry clearly does not come under the world financing institutions and other regulatory agencies - WTO - there is no reason to succumb to any pressure from any other international agency. Otherwise such policies will suspend investment with its repercussion on all financial institutions and particularly leasing, production and export - and above all, any entrepreneurial initiatives in these industries, to say the least, unless the situation is rectified or clarified in bold letters:

(The state secrets are the preservatives of the statesmen)

MONETARY DEVELOPMENTS

During the period under review, the money market generally remained liquid. Lack of economic activity can be termed as one of the major reasons of the excessive liquidity. The government in a bid to boost economy, asked financial institutions to cut down the lending rates. To facilitate this reduction, profits on national saving schemes were cut down by 2%. The State Bank of Pakistan also reduced the discount rate from 13% to 11%. The leading commercial banks followed suit and reduced markup rates upto 2% in the second half of the financial year under review. However, despite excess liquidity in the market and reduced lending rates the economic activity failed to pick up, indicating lack of investors response. Removal of trading band in the inter bank market put rupee under immense pressure against dollar. In order to stabilize the declining rupee, the State Bank of Pakistan carried out a major operation in October 2000 and sucked liquidity from the market to put dollarization to a hold.

In a span of 2-3 weeks, the State Bank of Pakistan increased discount rate by 2% i.e. from 11% to 13%. Cut-off rates on T-bills were also increased by more than 3%. Reserves requirement of the commercial banks was increased from 5% to 7%. All these measures sucked liquidity from the market and controlled further decline of rupee against dollar with rupee-dollar parity improving to Rs. 56.15 per dollar and Rs. 61.05 per dollar in the inter-bank and curb market respectively in the second week of November 2000. To control imports, commercial banks also imposed 30% margin requirement against letter of credit, subsequently reduced to 15% and eventually removed as the market eased out and rupee gained strength. The subject measures did manage to stabilize the rupee but at the cost of increased lending rates in the money market by 3% to 4%.

Expectation of the deregulation of energy sector, excess liquidity in the money market and reduction in profit rates of the national saving schemes led the KSE-100 index to reach the 28-month high of 2,054 points on March 22, 2000. However, the 4th quarter of the fiscal 2000 witnessed a sharp reversal in the stock market, as certain speculative operators in the LSE could not fulfill their settlement obligations. As a result of these defaults trading at all the three stock exchanges remained suspended on May 30, 2000, first time in the history of Pakistan. These events led to a sharp decline in the stock prices taking the index down to 1,520.74 on June 30, 2000 and to 1,386.31 points on November 20, 2000 since the much awaited settlement between GOP, WAPDA and a private IPP is still pending affecting fresh dozens of investment - particularly foreign!

THE LEASING INDUSTRY

The leasing industry started developing in Pakistan in mid eighties with the establishment of first leasing company in 1984 with paid-up capital of Rs. 20 million. Since then the number of leasing companies has increased to 32 and the equity to Rs.7,871 million till 1999. In addition there are 8 modaraba companies doing leasing business with an equity of Rs.3,009 million.

The performance of leasing companies in the last five years show a mixed trend. The equity grew from Rs.4,670 million in 1995 to Rs.7,871 million in 1999. The net investment in lease finance increased by more than three times, i.e. from Rs.9,404 million in 1995 to Rs.29,039 million in 1999.

The revenues also doubled from Rs. 2,522 million to Rs.5,528 million during the same period, but the net profit could not keep pace with the growth. After reaching the peak at Rs. 922 million in 1996, it declined to Rs. 451 million in 1999, as against Rs. 517 million in 1995. This shows the last few years not having been vibrant for the industry - primarily due to low level of investment activity, higher financial cost and operating expenses, which on cumulative basis increased from Rs. 1,448 million in 1995 to Rs. 4,928 million in 1999.

During the period under review, excess liquidity in the market coupled with limited investment opportunity created an environment of severe competitions in the market bringing down the mark-up rates and squeezing the spreads to bare minimum.

In the Finance Ordinance 2000-2001, availability of initial depreciation allowance, which was expiring on June 30, 2000, was not renewed. On the other hand, industrial sector has been given the incentive of Tax Credit in addition to the First Year Allowance. Leasing companies are however, excluded from these allowances despite being acquirer and owners of industrial machinery. This sudden removal of initial depreciation allowance will seriously hamper the growth of the entire leasing industry. This is a matter of serious concern for the leasing industry. Accordingly, LAP has taken up this issue with the Ministry of Finance and Central Board of Revenue requesting that either initial depreciation allowance be renewed for a further period of five years or leasing companies be also allowed to avail First Year Allowance and Tax Credit.

Positive development in the Finance Ordinance 2000-2001 was with respect to exclusion of finance lease from the definition of Supply under the Sales Tax Act. With this amendment the sale and lease back transaction will not be subject to imposition of sales tax, indeed a right approach in avoiding duplication of taxes. Furthermore, CBR has also issued a clarification with respect to lease key money, which was being taxed in some cases. This will no longer be treated as part of lease income and as such will not be subjected to tax.

The new Leasing Companies Rules 2000 were finally implemented with effect from September 25, 2000. Time limit for raising paid-up capital to Rs. 200 million has been extended to June 30, 2001. Current stock market conditions make the subject deadline highly unrealistic. Leasing Association of Pakistan (LAP) has taken up the matter with the SECP to review the deadline.

For financing of BMR requirements, small and medium size enterprises will be the main targets for the leasing industry. Despite the current economic scenario, the leasing business has the potential for substantial growth, which will unleash in the years to come with the economic and political stability in the country.

THE COMPANY'S RESULTS

During the period under review, lease disbursement of Rs. 738.03 million was made, up 19.74% from last year.

Net Investment in Lease Finance as on June 30, 2000 amounted to Rs.1,873,30 million compared to Rs. 1,910.08 million last year.

The lease portfolio comprised of 65.61% in machinery, 29.91% in vehicles and 4.48% in office equipment.

The sectoral exposure as on June 30, 2000, was fairly diversified and comprised of 12.09% in Cement followed by 11.67% in Textile Spinning, 11.09% in Services, 8.93% in Chemicals, Fertilizers & Pharmaceuticals, 8.02% in Steel, Engineering & Automobiles, 8.01% in Food, Tobacco & Beverages, 7.88% in Consumer, 5.77% in Transport & Communications, 5.32% in Electrical & Electronic Goods.

Gross revenue during the year amounted to Rs. 365.36 million, compared to Rs. 341.09 million of the previous year, up 7.12%. Financial charges amounted to Rs. 261.85 million as compared with Rs. 255.53 million of the previous year, higher by 2.47%. Administrative expenses rose by 24.47% to Rs. 48.37 million from Rs. 38.86 million. Major increase in expenses was under the heading of legal & professional, which were deemed necessary in view of the market conditions. Provision for doubtful debts amounted to Rs. 22.14 million compared to Rs. 15.44 million last year. Cumulative provision for doubtful debts amounted to Rs. 78.68 million, which is 4.20% of net investment in lease finance compared to 2.96% of last year.

The operating profit rose to Rs. 50.80 million from Rs. 39.17 million last year. The profit before tax for the year amounted to Rs. 28.66 million compared to Rs. 23.74 million last year. After providing for provision for current and prior year tax liability of Rs. 7.39 million, the profit after tax for the year amounted to Rs. 21.27 million as compared to Rs. 25.31 million of the previous year. On account of deferred tax liability an amount of Rs. 32.50 million was appropriated in the year under review, which comprised of Rs. 14.74 million being one-fifth of the deferred tax liability of Rs. 73.72 million of the previous years and Rs 17.76 million for current year as per requirement of SECP. The remaining provision with respect to previous years will be made in the next three years as required.

Due to 15% bonus and 50% right issue fully subscribed during the year, the paid-up capital was increased to Rs. 173.56 million from Rs. 105.19 million of last year. The Return on Equity worked out to 6.71% as compared with 10.41% in the previous year. Earning per Share (EPS), worked out to Rs. 1.38 as compared with Rs. 1.75 last year. The Gearing Ratio, however, improved to 5.72 times from 8.06 times in the previous year, which is now comparable with the industry average.

A sum of Rs. 13.74 million was paid to exchequer during the period under review by way of tax deducted at source and turnover tax. On cumulative basis since 1989, a sum of Rs. 153.51 million has been paid to the exchequer on these two accounts.

Total salaries, allowances and benefits paid to your company's staff during the period under review amounted to Rs. 22.10 million as compared to Rs. 18.10 million last year.

PAYOUT

Your Board has recommended issue of Bonus shares @16%. This will increase the paid-up capital from Rs. 173.56 million to Rs.201.33 million and will meet the requirement of Securities & Exchange Commission of Pakistan for increasing the paid-up capital to Rs.200 million by June 30, 2001.

FUNDING

During the period under review, the money market generally remained liquid. Funding position of your company remained satisfactory, as the company was able to mobilize long-term funds of Rs. 184 million during the period. Taking advantage of declining lending rates, your company was able to successfully negotiate reduction in markup rates ranging between 1.50% to 2.00% against facilities availed from local financial institutions.

SECP has granted approval to your company for the Term Finance Certificate issue of Rs. 300 million to be launched in two tranches. The first tranche of Rs. 200 million, at a coupon rate of 15% for a period of 5 years, has been successfully issued and the funds have been received in September 2000. The public issue of Rs. 50 million received an overwhelming response and was oversubscribed by more than three times. The second tranche of Rs. 100 million will be launched in the later half of the current financial year.

With the increase in the State Bank of Pakistan discount rate and the cut-off yields on T-bills in October 2000, the lending rates have already started rising. We however, do not foresee any problem in raising the necessary funds at competitive rates.

CREDIT RATING

Pakistan Credit Rating Agency maintained rating of your company at "A2 "and "A-" for short term and long term respectively, which denotes a low credit risk and strong capacity to pay financial commitments timely.

HUMAN RESOURCE

The Group Personnel Committee headed by the Chairman is continuously working to shape group personnel policies, so that the employees are motivated and rewarded according to their contribution in meeting the company's objectives. Further, all benchmark job descriptions were written in accordance with the Hay's format and then evaluated. Consequently, your company is being restructured to meet the challenges of the millennium and to be competitive in the face of globalization. It is only through a world class team that the company will be able to compete globally.

The emphasis on human resource development is the hallmark of the Atlas Group of which your company is a constituent member. This is based on strategic vision dovetailed with operational efficiency, team work and individual performance. Individual compensation has been linked with individual performance with executive bonus being on an agreed basis for the team as a whole. This year our emphasis is more on the role of leadership, management practices and integrity in terms of executive profile, with a view to further improve our performance. In order to implement the Hay's system, the company reviewed and restructured the management salaries to make them competitive in the market. This will enable the company to recruit, train and retain the right employees and a motivated team to face the fast approaching globalization.

Your company started with a staff of 6 persons in 1989.

The number has now increased to 55 persons by June 30, 2000 including a Chartered Accountant, 19 MBAs, 04 Postgraduates and 17 Graduates at three locations, at Karachi, Lahore and Islamabad.

CHANGE IN THE BOARD OF DIRECTORS

During the year under review, Mr. Saquib H. Shirazi resigned from the Board and was replaced by Mr. Sherali Mundrawala. Later on, Mr. T. Miyazaki and Mr. Masanori Okuda representing The Bank of Tokyo Mitsubishi Ltd., on their transfer from Pakistan, resigned from the Board and were replaced by Mr. Saquib H. Shirazi and Mr. Katsuaki Endo, respectively. The Board highly appreciates the contribution made by Mr. Miyazaki and Mr. Okuda and welcome Mr. Sherali Mundrawala and Mr. Katsuaki Endo and look forward to their support and guidance in running the affairs of your company.

YEAR 2000 COMPLIANCE

I am pleased to inform that all the systems, software and hardware packages in use of your company have smoothly crossed the Y2K timeline without encountering any problems.

FUTURE OUTLOOK

Financial sector integration is the key to national business integration. There are 42 local and foreign commercial banks with a paid-up capital of Rs.69.84 billion, 32 leasing companies whose paid-up capital is Rs.4.84 billion and 48 modaraba companies with a paid-up capital of Rs.8.14 billion. There are 15 investment banks with a paid-up capital of Rs.5.12 billion, 10 DFIs with a paid-up capital of Rs. 10 billion, 39 Mutual Funds with a paid-up capital of Rs.4.76 billion, 2 unit trusts with a paid-up capital of Rs. 14.0 billion, 2 venture capital companies with a paid-up capital of Rs.4.8 billion and 39 insurance companies with a paid-up capital of Rs.2.93 billion.

This never-ending list of financial institutions does not fit in with the economy of scale in relation to the size of

this economy. By international standards, hardly any sector would fit in and, as such, there is a need to rationalise it with a new approach. In view of the economy of scale, consolidation and mergers are taking place all over the world. We also need to reduce their number by mergers and consolidation. The earlier we do it, the better it would be for effective utilisation of the available resources. Otherwise, it would lead to deterioration, which will be difficult to control and thus will result in financial dis-equilibrium, to say the least, affecting seriously economic integration, as a whole.

Economic revival in the country is the key element towards the growth of the leasing industry as well as your company. Government is emphasizing on promoting small and medium size enterprises, value addition, oil & gas development and communication & information technology sectors. In addition, focus on documentation of economy and widening of the tax base aims toward increasing revenue, a must, to cut the soaring fiscal deficit. This will generate additional revenue for the much needed developmental expenditure, giving investment activities a boost and putting the economy back on track.

Stability in the economic policies and restoration of investors' confidence are the key challenges and most essential in reviving the economy of the country. Our focus will remain on slow but stable growth. Improving quality of portfolio, reduction in delinquency ratio, maintaining adequate liquidity and controlling the expense base will remain areas of top most priority.

I believe that the changes made on the economic front will yield positive results in due course and will help leasing industry as well as the other sectors.

I foresee a better future given the right entrepreneurial initiatives and investment climate.

ACKNOWLEDGEMENT

I thank your CEO Mr. Khaleeq-ur-Rahman Khan and his team for their commitment and dedicated efforts. I thank the Board of Directors and Group Executive Committee members for their valuable contribution, the valued clients, the financial institutions and place on record our gratitude to the State Bank of Pakistan, Securities and Exchange Commission of Pakistan and the Central Board of Revenue for their support and guidance. I am also thankful to the shareholders for the confidence reposed in your company.

YUSUF H. SHIRAZI

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of ATLAS LEASE LIMITED as at June 30, 2000 and the related profit and loss account, cash flow statement and statement of changes in equity 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.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of 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, cash flow statement and statement of changes in equity together with the notes forming part thereof

conform with approved accounting standards as applicable in Pakistan, and, 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, 2000 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Karachi -
November 24, 2000

Ford, Rhodes, Robson, Morrow
Chartered Accountants

BALANCE SHEET AS ON JUNE 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
ASSETS			
NON-CURRENT ASSETS			
Tangible fixed assets			
Operating fixed assets	3	20,490,810	17,008,727
Net investment in lease finance	4		
Minimum lease payments receivable		2,071,203,684	1,166,178,752
Residual value of leased assets		314,930,472	302,585,622
		-----	-----
Gross investment in lease finance		2,386,134,156	2,418,764,374
Unearned finance income		(512,835,394)	(508,686,318)
		-----	-----
Net investment in lease finance		1,873,298,762	1,910,078,056
Current portion of net investment in lease finance		(905,831,610)	(905,185,395)
Provision for doubtful finance		(78,678,548)	(56,538,310)
		-----	-----
		888,788,604	948,354,351
Long term investments	5	33,500,000	33,500,000
Long term loans, deposits and deferred cost	6	20,619,833	28,400,289
CURRENT ASSETS			
Current portion of net investment in lease finance		905,831,610	905,185,395
Short term investments	7	--	10,000,000
Advances, prepayments and other receivables	8	82,769,815	60,928,641
Cash and bank balances	9	178,814,005	199,564,948
		-----	-----
		1,167,415,430	1,175,678,984
		-----	-----
		2,130,814,677	2,202,942,351
		=====	=====
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
20,000,000 ordinary shares of Rs.10 each		200,000,000	200,000,000
		=====	=====
Issued, subscribed and paid-up	10	173,564,490	105,190,600
Reserves	11	143,314,671	137,825,735
		-----	-----
		316,879,161	243,016,335
NON-CURRENT LIABILITIES			
Long term loans	12	520,777,368	768,959,616
Long term deposits	13	167,645,670	177,166,446
Certificates of investment	14	45,299,391	21,995,000
CURRENT LIABILITIES			
Current maturity of long term loans		309,222,446	321,284,672
Current maturity of long term deposits		122,869,401	88,093,847
Certificates of investment	14	384,760,000	297,504,026
Short term finances	15	171,011,962	198,583,130
Finance under mark-up arrangements	16	--	348,705
Accrued and other liabilities	17	92,349,278	85,990,574
		-----	-----
		1,080,213,087	991,804,954

COMMITMENTS

18

2,130,814,6772,202,942,351

=====

The annexed notes form an integral part of these accounts.
The auditors' report is annexed hereto.

SANAULLAH QURESHI
Director

KHALEEQ-UR-RAHMAN KHAN
Chief Executive

YUSUF H. SHIRAZI
Chairman

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>Rupees</i>	<i>Rupees</i>
REVENUE			
Income from leasing operations	19	322,549,082	311,923,488
Other income	20	42,806,455	29,167,179
		-----	-----
		365,355,537	341,090,667
EXPENDITURE			
Financial charges	21	261,848,203	255,527,808
Administrative and operating expenses	22	48,367,319	38,855,132
Amortization of deferred costs		4,338,195	7,534,531
		-----	-----
		314,553,717	301,917,471
OPERATING PROFIT			
		50,801,820	39,173,196
Provision for doubtful finance		22,140,238	15,437,530
		-----	-----
PROFIT FOR THE YEAR BEFORE TAXATION		28,661,582	23,735,666
TAXATION			
Current	23	6,027,984	3,924,436
Prior		1,366,072	--
Deferred		--	5,500,000)
		-----	-----
		7,394,056	(1,575,564)
PROFIT AFTER TAXATION			
		21,267,526	25,311,230
Accumulated profit brought forward		797,761	205,691
		-----	-----
Profit available for appropriation		22,065,287	25,516,921
APPROPRIATIONS:			
Transfer to statutory reserve		4,253,505	5,062,246
Transfer from general reserve		(42,510,320)	(14,740,000)
Transfer to capital reserve for deferred taxation		32,500,000	24,440,000
Transfer to reserve for issue of bonus shares	11.10	27,770,320	9,956,914
		-----	-----
		22,013,505	24,719,160
Unappropriated profit carried forward			
		51,782	797,761
Basic earnings per share			
	24	1.38	1.75
		=====	=====

The annexed notes form an integral part of these accounts.

SANAULLAH QURESHI
Director

KHALEEQ-UR-RAHMAN KHAN
Chief Executive

YUSUF H. SHIRAZI
Chairman

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2000

2000 *1999*

	<i>Rupees</i>	<i>Rupees</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	28,661,582	23,735,666
Adjustments for:		
Depreciation on fixed assets	5,104,462	4,334,683
Amortization of deferred costs	4,338,195	7,534,531
Provision for doubtful finance	22,140,238	15,437,530
Profit on sale of shares	(4,820,178)	(675,195)
Loss / (profit) on sale of fixed assets	167,753	(457,574)
Interest/mark-up expense (net of interest income on foreign currency deposits)	242,147,385	239,072,069
Investment income	(35,256,077)	(24,836,363)
	-----	-----
	233,821,778	240,409,681
Operating profit before working capital changes	262,483,360	264,145,347
(Increase)/decrease in current assets		
Short term investments - net	14,820,178	--
Advances, prepayments and other receivables	(24,531,208)	(12,654,230)
	-----	-----
	(9,711,030)	(12,654,230)
Increase/(decrease) in current liabilities		
Short term finances	(27,571,168)	106,583,130
Finance under mark-up arrangements	(348,705)	(11,612,462)
Accrued and other liabilities	(2,523,499)	(18,483,974)
	-----	-----
	(30,443,372)	76,486,694
	-----	-----
Cash generated from operations	222,328,958	327,977,811
Income taxes paid	(3,327,255)	(4,059,185)
Interest/mark-up paid (net of receipt from interest on foreign currency deposits)	(234,682,352)	(232,926,095)
Long term deposits paid	(1,140,000)	(10,000)
Investment income received	35,421,282	24,877,459
	-----	-----
Net cash generated from operating activities	18,600,633	115,859,990
CASH FLOWS FROM INVESTING ACTIVITIES		
Long term investments	--	8,050,811
Capital expenditure	(12,708,580)	(9,093,065)
Net investment in lease finance (net of repayments)	36,779,294	(31,831,206)
Sale of fixed assets	3,954,282	2,504,814
Loans to executives	(1,532,856)	(4,934,778)
Recoveries of loans to executives	1,354,851	654,665
	-----	-----
Net cash used in investing activities	27,846,991	(34,648,759)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of right shares	52,595,300	--
Issue / (repayments) of Certificates of investment - net	110,560,365	44,493,397
Long term loans	184,000,000	150,000,000
Repayment of long term loans	(444,244,474)	(227,991,529)
Deferred costs	4,635,464	(1,452,562)
Dividends paid	--	(15,778,590)
Long term advances and deposits	25,254,778	35,200,479
	-----	-----
Net cash used in financing activities	(67,198,567)	(15,528,805)
Net increase/(decrease) in cash and bank balances	(20,750,943)	65,682,426
	-----	-----
Cash and bank balances at the beginning of the year	199,564,948	133,882,522
	-----	-----
Cash and bank balances at the end of the year	178,814,005	199,564,948
	=====	=====

SANAULLAH QURESHI
Director

KHALEEQ-UR-RAHMAN KHAN
Chief Executive

YUSUF H. SHIRAZI
Chairman

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2000**

	<i>Issued, Subscribed and Paid-up Capital</i>	<i>Statutory Reserve</i>	Capital Reserves			Revenue Reserves		
			<i>Reserve for Issue of Bonus Shares</i>	<i>Reserve for Deferred Taxation</i>	<i>Premium on Shares</i>	<i>General Reserve</i>	<i>Unappropriated Profit</i>	<i>Total</i>
	-----Rupees-----							
Balance as on July 1, 1998	105,190,600	33,638,043	--	--	5,821,676	72,849,095	205,691	217,705,105
Net Profit for the year							25,311,230	25,311,230
Transferred during the year	--	5,062,246	15,778,590	24,440,000	(5,821,676)	(14,740,000)	(24,719,160)	--
Balance as on June 30, 1999	105,190,600	38,700,289	15,778,590	24,440,000		58,109,095	797,761	243,016,335
Net Profit for the year							21,267,526	21,267,526
Issue of Right Shares	52,595,300	--	--	--	--	--	--	52,595,300
Issue of Bonus Shares	15,778,590	--	(15,778,590)	--	--	--	--	--
Transferred during the year	--	4,253,505		27,770,320	32,500,000	--	(42,510,320)	(22,013,505)
Balance as on June 30, 2000	173,564,490	42,953,794	27,770,320	56,940,000	--	15,598,775	51,782	316,879,161

SANAULLAH QURESHI
Director

KHALEEQ-UR-RAHMAN KHAN
Chief Executive

YUSUF H. SHIRAZI
Chairman

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2000

1. THE COMPANY AND ITS OPERATIONS

The company is incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad stock exchanges. It essentially carries on the business of leasing.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Revenue recognition

The company follows the "Finance Method" in accounting for recognition of lease income. Under this method the unearned lease income i.e. the excess of aggregate lease rentals and the residual value over the cost of leased asset is deferred and then amortized to income over the term of the lease, applying the annuity method to produce a constant rate of return on the net investment in the lease.

Other lease related income is recognised as and when realised.

Return on government investments is recognised on an accrual basis on the assumption that such investments will be held upto the next terminal date.

Dividends from equity securities are recognised when the right to receive such dividends becomes vested.

2.3 Tangible fixed assets

These are stated at cost less accumulated depreciation. Depreciation is charged to income applying the reducing balance method at the rates specified in note 3 to the accounts. In respect of additions during the year, depreciation is charged for the full year, however, no depreciation is charged in the year of disposal.

Profit or loss on disposal of assets is included in income currently.

2.4 Deferred cost

Processing charges in respect of long term loans, term finance certificates and other deferred cost are amortized over a period of three to five years from the year of incurrence.

2.5 Investments

Long term investments

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

Short term investments

These are stated at lower of cost and market value.

2.6 Taxation

Current

The charge for the current taxation for the year, if required, is based on taxable income, which is computed as if all leases are operating leases.

Deferred

The tax effect for deferred taxation is calculated using the liability method on all major temporary differences and is being dealt with as stated in note 11.2 to the accounts.

2.7 Foreign currency translations

Assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing at the balance sheet date except for those that are covered under an exchange risk coverage scheme which are translated at the rate prevailing on the date of disbursement. Exchange differences arising as a result of obtaining cover under these schemes are being amortized over the period of loan. Net exchange differences arising due to hedging mechanism are accounted for as deferred revenue/deferred cost as the case may be and are credited/amortized to the income over the term of the underlying transactions.

2.8 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also accordingly offset.

2.9 Employees' retirement benefits

The company operates a contributory provident fund for all its permanent employees and contributions are made monthly in accordance with the fund rules.

2.10 Provision for doubtful finance

Keeping in view the nature of leasing business, the company, as a prudent policy, makes this provision at a reasonable level, which as per management's anticipation is adequate for potential losses on the lease portfolio.

3. OPERATING FIXED ASSETS

Description	COST			DEPRECIATION				Written down value as at June 30, 2000	Depreciation rate on Written down Value %	
	As at July 1, 1999	Additions	Disposals	As at June 30, 2000	Accumulated as at July 1, 1999	Change for the year	On disposals			
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees			
Leasehold improvements	1,772,935	--	--	1,772,935	811,027	96,191		907,218	865,717	10
Furniture and fixtures	1,417,121	94,895	7,600	1,504,416	635,724	87,244	3,747	719,221	785,195	10
Office equipment	1,347,454	540,000	270,300	1,617,154	538,490	121,771	139,049	521,212	1,095,942	10
Computer equipment	13,634,742	1,713,312	1,344,420	14,003,634	7,276,490	1,898,827	868,163	8,307,154	5,696,480	25
Electrical equipment	1,246,122	263,473	116,500	1,393,095	577,448	89,153	75,878	590,723	802,372	10
Motor vehicles	12,268,718	10,096,900	5,938,381	16,427,237	4,839,186	2,811,276	2,468,329	5,182,133	11,245,104	20
	31,687,092	12,708,580	7,677,201	36,718,471	14,678,365	5,104,462	3,555,166	16,227,661	20,490,810	
1999	26,342,235	9,093,065	3,748,208	31,687,092	12,944,650	4,334,683	1,700,968	14,678,365	17,008,727	

3.1 Disposal of assets

Description	Cost	Accumulated depreciation	Written down value	Sale proceeds	Mode of disposal	Sold to
	Rupees	Rupees	Rupees	Rupees		
Furniture and fixture	3,500	1,826	1,674	375	Tender	Mr. Zain-ul-Abbidin A-393, Sector 1 I-A, North Karachi, Karachi.
Furniture and fixture	4,100	1,921	2,179	460	Tender	Mr. Arsalan Tanzeem 487, Naseerabad, F.B Area, Karachi.
Office equipment	265,300	137,329	127,971	50,000	Trade In	Shirazi Trading Co. (Pvt) Ltd. An associated undertaking, 3rd floor, Ebrahim state, Sharaf Faisal, Karachi.
Office equipment	5,000	1,720	3,280	5,188	Negotiation	Mr. Junaid Wahab Zuberi Ex-employee
Computer equipment	252,800	176,754	76,046	18,500	Trade In	M/s General Systems 36-Cavalry Grounds, Lahore.
Computer equipment	518,100	328,704	189,396	20,600	Trade In	M/s Reckon Technologies

Computer equipment	128,950	82,594	46,356	9,500	Negotiation	B-210, Anum Classic, DACHS, Karachi. Zain Anwar Lari
Computer equipment	39,960	27,671	12,289	5,500	Negotiation	89-N-2, PECHS, Karachi. Mr. Tanzeemur Rasheed H.No.487/14 Naseerabad, F.B.Area, Karachi.
Computer equipment	50,960	34,494	16,466	5,000	Negotiation	Mr. Imran Arif Falak Numa Manzil, Ranchore Line, Karachi.
Computer equipment	43,000	28,307	14,693	4,500	Negotiation	Mr. Monis Ahmed R-300/17, F.B. Area, Karachi.
Computer equipment	72,250	46,725	25,525	5,500	Negotiation	Mr. Mansoor Ahmed R-14, Block 16, F.B. Area, Karachi.
Computer equipment	78,950	48,473	30,477	4,500	Negotiation	Mr. Imran Arif Falak Numa Manzil, Ranchore Line, Karachi.
Computer equipment	91,950	52,569	39,381	4,500	Negotiation	Mr. Imran Ahmed Okhai Mansion, Hardas Street, Ranchore Line, Karachi.
Computer equipment	67,500	41,872	25,628	4,000	Negotiation	Mr. Abdul Qadir R-46/19, F.B. Area, Karachi.
Electrical equipment	12,500	8,140	4,360	1,500	Negotiation	Mr. Zeeshan Qureshi R-146, 14-B, North Karachi. Karachi.
Electrical equipment	52,000	33,869	18,131	7,000	Negotiation	M/s. Gulf Electronics 2, Gizri Bagh Colony, DHS, Karachi.
Electrical equipment	52,000	33,869	18,131	7,000	Negotiation	M/s. General Air- Conditioning B-44, Panorama Centre, Saddar, Karachi.
Motor vehicle	132,949	26,590	106,359	106,359	Company Policy	Mrs. T. Dias Employee
Motor vehicle	668,635	394,762	273,873	273,873	Company Policy	Mr. Aqdas Ahmed Employee
Motor vehicle	317,000	154,696	162,304	172,296	Tender	M/s Car Sales 16, Shara-e-Fatima, Lahore.
Motor vehicle	280,000	56,000	224,000	226,000	Tender	Mr. Khalid M. Junejo B-409, Erum Square, Gulshan-e-Iqbal, Karachi.
Motor vehicle	579,000	208,440	370,560	500,000	Insurance claim	Muslim Insurance Co Ltd. An associated undertaking, 2nd floor, Ameerjee Chamber, Karachi.
Motor vehicle	469,600	93,920	375,680	375,680	Company Policy	Mr. Farooq Saleem Employee
Motor vehicle	161,806	32,361	129,445	134,838	Insurance claim	Muslim Insurance Co Ltd. An associated undertaking, 2nd floor, Ameerjee Chamber, Karachi.
Motor vehicle	280,000	56,000	224,000	226,907	Tender	Mr. Irfan Ahmed Sheikh 2-A, Yaqoob Terrace, Jahangir Road, Karachi.
Motor vehicle	290,000	104,400	185,600	199,466	Tender	Mr. Adeel Badar A-548, Block D, North Nazimabad, Karachi.
Motor vehicle	368,000	132,480	235,520	338,000	Tender	Mr. Rizwan Ahmed Sheikh 2-A, Yaqoob Terrace, Jahangir Road, Karachi.
Motor vehicle	581,347	283,697	297,650	302,206	Tender	M/s Car Sales 16, Shara-e-Fatima, Lahore.
Motor vehicle	668,635	394,762	273,873	273,873	Company Policy	Mr. Mohammad Rafique Umer Employee
Motor vehicle	368,000	73,600	294,400	334,053	Tender	M/s Ford, Rhodes, Robson, Morrow

Motor vehicle	52,931	31,251	21,680	42,000	Tender	Finlay House, I.I. Chundrigar Road Karachi.
Motor vehicle	720,478	425,370	295,108	295,108	Company Policy	Mr. Rehan Ali Shamsi E-79, Yousuf Plaza, Block 16, Karachi. Mr. Khaleeq-ur-Rahman Khan Employee
	-----	-----	-----	-----		
	7,677,201	3,555,166	4,122,035	3,954,282		
	=====	=====	=====	=====		

4. NET INVESTMENT IN LEASE FINANCE

The expected maturities of gross investment in lease finance are as follows:

Not later than one year	1,211,154,447	1,256,126,778
Later than one year and not later than five years	1,174,979,709	1,162,637,596
	-----	-----
	2,386,134,156	2,418,764,374
	=====	=====

The expected maturities of net investment in lease finance are as follows:

Not later than one year	905,831,610	905,185,395
Later than one year and not later than five years	967,467,152	1,004,892,661
	-----	-----
	1,873,298,762	1,910,078,056
	=====	=====

Includes Rs.12,485,700 (1999: Rs.26,277,161) in respect of associated companies. Maximum amount due at the end of any month during the year was Rs.30,312,990 (1999: Rs.31,903,068).

The leases made by the company are subject to a term of 3 - 5 years and a security deposit is obtained generally upto 10% at the time of disbursement. The company requires the lessees to insure the leased assets in the favour of the company and to maintain certain financial ratios. Additional lease rentals are chargeable on delayed payments. The rate of return implicit in the lease ranges from 17.25% to 25.75% (1999: 18.25% to 27.00%).

5. LONG TERM INVESTMENTS

Note	No. of ordinary shares 2000 Rupees	No. of ordinary shares 1999 Rupees	Break up value 2000 Rupees	Average cost per share Rupees	2000	1999
					Cost Rupees	Cost Rupees
Shares in company:						
Unquoted:						
Arabian Sea Country Club (Chief Operating Officer: Mr. Aslam Mohsin All)						
5.1	100,000	100,000	295,000	10.00	1,000,000	1,000,000
					-----	-----
					1,000,000	1,000,000
Government Securities:						
Federal investment bonds						
5.2					32,500,000	32,500,000
					-----	-----
					33,500,000	33,500,000
					=====	=====

5.1 The break-up value of these shares is as per June 30, 1999 audited financial statements.

5.2 These investments have been made in compliance with regulations for Non-Banking Financial Institutions to maintain the liquidity requirement against certain liabilities. These investments carry a rate of return of 15% per annum and have terms of 10 years maturing upto November 22, 2004.

6. LONG TERM LOANS, DEPOSITS AND DEFERRED COST

	Note	2000 Rupees	1999 Rupees
Loans to executives - secured, considered good	6.10	7,734,502	7,556,497
Less: Current portion		386,607	261,805
		-----	-----
	6.1.1	7,347,895	7,294,692

Deposits		1,874,486	734,486
Deferred cost	6.2	11,397,452	20,371,111
		-----	-----
		20,619,833	28,400,289
		=====	=====

6.1 This represents house loans to the Chief Executive Officer and 4 executives which are repayable in 144 (in case of Chief Executive) and 180 (in case of executives) monthly instalments respectively and carry mark-up at the rate of 10% per annum. The loans are secured by registered mortgage of the property and assignment of life insurance policies.

Maximum amount outstanding at the end of any month during the year against loan to Chief Executive Officer Rs. 1,588,530 (1999: Rs.1,692,077) and Executives was Rs.6,701,545 (1999: Rs.5,864,420).

6.1.1 Recoverable after three years		6,285,857	6,532,806
Other		1,062,038	761,886
		-----	-----
		7,347,895	7,294,692
		=====	=====

6.2 Deferred cost

Preliminary expenses for issue of Term Finance Certificates		500,000	--
Net exchange difference arising due to hedging mechanism	6.2.1	10,897,452	20,371,111
		-----	-----
		11,397,452	20,371,111
		=====	=====

6.2.1 Net exchange difference arising due to hedging mechanism

Opening balance		35,111,744	33,659,182
(Credit) / debit during the year		(5,135,464)	1,452,562
		-----	-----
		29,976,280	35,111,744
Amortized to-date		(19,078,828)	(14,740,633)
		-----	-----
		10,897,452	20,371,111
		=====	=====

The above is being carried forward as it confers benefit to future years.

7. SHORT TERM INVESTMENTS

Federal investment bond		--	10,000,000
		=====	=====

8. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
Advances - considered good against assets to be leased out for expenses		10,973,647	7,441,079
to employees		14,206	78,669
to customers against COIs		337,492	387,141
		260,000	860,000
		-----	-----
		11,585,345	8,766,889
Current portion of loan to executives		386,607	261,805
Prepayments		2,145,320	979,983
Exchange difference refundable from SBP [net of exchange risk fee and other charges payable Rs.97,593,276 (1999: Rs.84,487,924)]		21,065,155	(286,385)
Accrued lease income		17,903,760	23,595,967
Accrued profit on long term investments		2,085,616	2,073,287
Accrued profit on short term investments		--	177,534
Advance Income Tax		--	2,649,631

Other charges recoverable from lessees	8.1	15,679,251	13,842,295
Repossessed assets held for sale		11,603,782	7,277,967
Other receivables		314,979	1,589,668
		-----	-----
		82,769,815	60,928,641
		=====	=====

8.1 Other charges recoverable from lessees

Considered good		15,679,251	13,842,295
Considered doubtful		1,066,371	1,066,371
		-----	-----
		16,745,622	14,908,666
Less: Provision for doubtful receivables		1,066,371	1,066,371
		-----	-----
		15,679,251	13,842,295
		=====	=====

9. CASH AND BANK BALANCES

Cash in hand		39,077	39,238
Stamps in hand		49,513	31,860
Cheques in hand		4,049,106	8,404,137
With banks on			
current accounts		39,863,580	12,380,243
local currency deposit account		95,288,566	7,956,526
foreign currency deposit account		124,279	122,059
foreign currency deposit accounts	9.1	36,999,884	169,130,885
special account with SBP	9.2	2,400,000	1,500,000
		-----	-----
		178,814,005	199,564,948
		=====	=====

9.1 Foreign currency deposits

Less: Credit facilities availed	9.1.1	502,718,581	656,367,447
		465,718,697	487,236,562
		-----	-----
		36,999,884	169,130,885
		=====	=====

9.1.1 The foreign currency deposits are under lien with respect to credit facilities availed on a matching facility basis and have been offset in accordance with note 2.8. The rate of interest on the deposits ranges from 7.06% to 7.91% per annum. The rate of mark-up on the credit facility availed ranges from 14.35% to 16.50% per annum. The maturity of credit facilities and foreign currency deposits are upto September 15, 2003.

9.2 This represents the amount kept with State Bank of Pakistan to comply with the regulations for Non-Banking Financial Institutions to maintain the liquidity requirement against certain liabilities.

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>Rupees</i>	<i>Rupees</i>
10. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
14,123,590 ordinary shares of Rs.10 each			
issued as fully paid in cash	10.1	141,235,900	88,640,600
3,232,859 ordinary shares of Rs.10 each			
issued as fully paid bonus shares		32,328,590	16,550,000
		-----	-----
17,356,449		173,564,490	105,190,600
		=====	=====

10.1 Includes 536,560 ordinary shares of Rs.10 each issued to International Finance Corporation upon exercise of their option to convert a portion of its loan into equity based on financial statements as at June 30, 1995 as per the loan agreement (refer to note 12.7).

11. RESERVES

Capital reserves			
Reserve for issue of bonus shares	11.1	27,770,320	15,778,590
Statutory reserve	11.2	42,953,794	38,700,289
Reserve for deferred taxation	11.3	56,940,000	24,440,000
		-----	-----
		127,664,114	78,918,879

Revenue reserves			
General reserve	11.4	15,598,775	58,109,095
Unappropriated profit		51,782	797,761
		-----	-----
		15,650,557	58,906,856
		-----	-----
		143,314,671	137,825,735
		=====	=====

11.1 Reserve for issue of bonus shares

Balance at the beginning of the year		15,778,590	--
Less: bonus shares issued during the year		(15,778,590)	--
		-----	-----
		--	--
Transfer from profit and loss appropriation account		27,770,320	9,956,914
Transfer from premium on shares account		--	5,821,676
		-----	-----
		27,770,320	15,778,590
		=====	=====

Proposed issue of bonus shares is in the ratio of 4:25 (1999: 3:20).

11.2 This represents 20% of after tax profit as required under the relevant provision of the Leasing Companies (Establishment and Regulation) Rules 2000.

11.3 Deferred taxation arising due to timing differences computed under the liability method is estimated at Rs.101.18 million of which Rs.17.76 million is in respect of the current year (1999:Rs.83.42 million, for the year Rs.9.7 million). The company has appropriated Rs.32.5 million (1999:Rs.24.44 million) in the current financial year [being one-fifth of the opening balance of deferred tax liability plus a further sum of Rs. 17.76 million (1999: Rs. 9.7 million) for current year] to achieve compliance with Circular 16 of 1999 issued by Securities and Exchange Commission of Pakistan. Deferred tax liability due to timing differences amounting to Rs.44.24 million, therefore remains to be appropriated over the next three years.

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>Rupees</i>	<i>Rupees</i>
11.4 General reserve			
Balance at the beginning of the year		58,109,095	72,849,095
Transfer to profit and loss appropriation account		(42,510,320)	(14,740,000)
		-----	-----
		15,598,775	58,109,095
		=====	=====

12. LONG TERM LOANS - Secured

Foreign currency loans			
Commonwealth Development Corporation II		--	11,110,604
Asian Development Bank II	12.2	366,100,000	467,100,000
Netherlands Development Finance Company I	12.3	12,374,654	37,042,965
Netherlands Development Finance Company II	12.4	136,555,300	195,943,260
German Investment and Development Company I	12.5	5,655,150	16,818,114
German Investment and Development Company II	12.6	17,779,594	29,590,549
International Finance Corporation (Loan A)	12.7	130,432,899	167,697,076
		-----	-----
		668,897,597	925,302,568
Less: Exchange differences not yet due		977,016	1,510,746
		-----	-----
		667,920,581	923,791,822
Local currency loans from			
investment bank - loan 1		--	7,500,000
banking company - loan 2	12.8	33,333,332	50,000,000
banking company - loan 3	12.9	3,745,901	8,952,466
banking company - loan 4	12.1	66,666,666	100,000,000
banking company - loan 5	12.1	58,333,334	--
		-----	-----
		162,079,233	166,452,466
		-----	-----
		829,999,814	1,090,244,288
Less: Current maturity		309,222,446	321,284,672

 520,777,368 768,959,616
 =====

12.1 All the loans stated in note 12.2 to 12.11 above are secured by pari-passu floating charges on the present and future leased assets, hypothecation of movable assets and receivables of the company and demand promissory notes. The foreign currency loans are registered with the State Bank of Pakistan.

12.2 This represents balance of a second loan facility of US\$ 10,000,000 obtained from Asian Development Bank (ADB) for financing lease operations. The loan is repayable in 10 equal semi-annual instalments which commenced from March 15, 1999. This has been hedged using the mechanism described in Note 28.

The interest rate is LIBOR plus 2.25% per annum payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 1% per annum over and above the interest rate.

12.3 This represents balance of a loan facility of Netherland Guilders (NLG) 10,000,000 comprising of two equal tranches of NLG 5,000,000 each and was obtained from Netherlands Development Finance Company (FMO) for financing lease operations. The loan is repayable in 14 equal semi-annual instalments which commenced from November 1, 1994 for the first tranche and November 1, 1995 for the second tranche.

The liability of this loan has been fixed in Pakistani Rupees under the exchange risk cover scheme of State Bank of Pakistan. The rate of interest and exchange risk cover fee is 10.7% and 5% per annum respectively, payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 2% per annum over and above the interest rate.

12.4 This represents the balance of a second loan facility of US \$ 5,821,618 equivalent to Netherland Guilders (NLG) 10,000,000 obtained from Netherlands Development Finance Company (FMO) for financing lease operations. The loan has been drawn in two tranches and is repayable in 10 equal semi-annual instalments which commenced from November 1, 1997 and May 1, 1998 respectively. These are hedged using the mechanism described in Note 28.

The interest rate for the first tranche is 10.50% per annum and for the second tranche is 10.25% per annum payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 2% per annum over and above the interest rate.

12.5 This represents the balance of a loan facility of Deutsche Marks 5,000,000 obtained from German Investment and Development Company (DEG) for financing lease operations. The loan is repayable in 15 equal semi-annual instalments which commenced from October 30, 1993.

The liability of this loan has been fixed in Pakistani Rupees under the exchange risk cover scheme of State Bank of Pakistan. The rate of interest and exchange risk cover fee is 10.5% and 5% per annum respectively, payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 2% per annum over and above the interest rate.

12.6 This represents the balance of a loan facility of Deutsche Marks 5,000,000 obtained from German Investment and Development Company (DEG) for financing lease operations. The loan is repayable in 15 equal semi-annual instalments which commenced from October 30, 1994.

The liability of this loan has been fixed in Pakistani Rupees under the exchange risk cover scheme of State Bank of Pakistan. The rate of interest and exchange risk cover fee is 10.6% and 5.77% per annum respectively, payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 2% per annum over and above the interest rate.

12.7 This represents the balance of a loan facility (A) of US \$ 10,000,000 obtained from International Finance Corporation (IFC) for financing lease operations. The loan is repayable in 16 equal semi-annual instalments which commenced from June 15, 1996.

In accordance with the loan agreement IFC has fully exercised its option of converting part of the loan into equity (refer to note 10.1).

The liability of this loan has been fixed in Pakistani Rupees under the exchange risk cover scheme of State Bank of Pakistan. The rate of interest and exchange risk cover fee is 8.5% and 6.66% per

annum respectively, payable half-yearly. In case the company fails to pay any amount on the due date, it shall be liable to pay liquidated damages at the rate of 2% per annum over and above the interest rate.

12.8 This represents the balance of a loan facility of Rs.50,000,000 obtained from a banking company for financing the leasing operations of the company. The loan is repayable in 12 equal quarterly instalments which commenced from September 30, 1999 and carried mark-up at the rate of 43.84 (1999: 46.58) paisas per thousand Rupees per day.

12.9 This represents the balance of a loan facility of Rs.13,105,579 obtained from a banking company for financing the leasing operations of the company. The loan is secured by second charge on leased assets of the company. The loan is repayable in 12 quarterly instalments which commenced from April 01, 1998 and carries mark-up at the rate of 50.68 paisas per thousand Rupees per day.

12.10 This represents the balance of a loan facility of Rs.100,000,000 obtained from a banking company for financing the leasing operations of the company. The loan is repayable in 6 equal semi annual instalments which commenced from September 20, 1999 and carried mark-up at the rate of 41.10 (1999: 48.63) paisas per thousand Rupees per day.

12.11 This represents the balance of a loan facility of Rs.70,000,000 obtained from a banking company for financing the leasing operations of the company. The loan is repayable in 12 equal quarterly carries mark-up at the rate of instalments which commenced from January 25, 2000 and paisas per thousand Rupees per day.

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
13. LONG TERM DEPOSITS			
From lessees			
Security deposits on lease contracts	13.1	290,028,551	264,325,200
From employees	13.2	486,520	935,093
		-----	-----
		290,515,071	265,260,293
Less: Current maturity of security deposits on lease contracts		122,869,401	88,093,847
		-----	-----
		167,645,670	177,166,446
		=====	=====

13.1 These represent security deposits received against lease contracts and are repayable/adjustable at the expiry of respective lease periods.

13.2 These represent deposits from employees under the company's vehicle scheme.

14. CERTIFICATES OF INVESTMENT

The company has a scheme of registered Certificates of Investment (COI) for resource mobilization as per the permission from the Corporate Law Authority (now SECP), Government of Pakistan. The terms of these Certificates of Investment range from three months to five years with return on certificates ranging from 11.75% to 19.15%.

15. SHORT TERM FINANCES - Unsecured

From financial institutions	155,000,000	190,000,000
From others	16,011,962	8,583,130
	-----	-----
	171,011,962	198,583,130
	=====	=====

The mark-up rate on the above ranges from 27.40 to 49.32 paisas per thousand Rupees per day.

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
16. FINANCE UNDER MARK-UP ARRANGEMENTS			
Running finances from banks utilized under mark-up arrangements - secured		--	348,705
		-----	=====

Total facilities from commercial banks amount to Rs.56.5 million (1999:Rs.71.50 million). Mark-up rates range from 40.41 to 47.95 (1999:43.84 to 47.95) paisas per thousand Rupees per day and are payable currently. The arrangements are secured by pari-passu floating charges on present and future leased assets and hypothecation of rentals receivable.

17. ACCRUED AND OTHER LIABILITIES

Accrued expenses	1,333,113	894,229
Mark-up on secured		
- long term loans	18,857,290	25,644,934
- credit facilities availed [net of accrued interest on foreign currency deposits Rs.21,709,869 (1999: Rs.27,881,487) - refer to note 9.1]	13,191,445	12,425,879
- running finances	93,290	298,399
Mark-up on unsecured short term finances	2,362,597	3,934,014
Guarantee commission and other charges on long term loans	611,779	1,186,997
Profit payable on Certificates of Investment	35,795,819	20,532,182
Provision for taxation	1,417,170	--
Other liabilities		
Advance from customers pending lease execution	1,347,527	1,180,875
Advance lease rentals from lessees	4,929,404	5,458,635
Payments from lessees received on account	10,287,386	13,242,348
Unclaimed dividends	25,530	11,113
Others	2,096,928	1,180,969
	-----	-----
	18,686,775	21,073,940
	-----	-----
	92,349,278	85,990,574
	=====	=====

18. COMMITMENTS

Commitments		
Letters of comfort against letters of credit	22,404,280	5,000,000
Lease commitments	12,854,000	4,915,950
	-----	-----
	35,258,280	9,915,950
	=====	=====

19. INCOME FROM LEASING OPERATIONS

322,549,082 311,923,488

The above includes all income arising on account of leasing operations.

	<i>Note</i>	<i>2000</i>	<i>1999</i>
		<i>Rupees</i>	<i>Rupees</i>
20. OTHER INCOME			
Return on long term investments:			
Government securities		4,887,329	4,875,000
Dividends [1999:Rs.321,163 from associated undertakings]		--	355,663
		-----	-----
		4,887,329	5,230,663
Return on deposit account		6,426,179	7,163,009
Return on short term investments		309,042	1,358,904
Income from short term placements		23,633,527	11,439,450
Mark-up on short term finances		307,280	83,333
Exchange gain		1,621,393	1,879,138
Mark-up on loans to executives		783,476	616,545
(Loss) / Profit on sale of fixed assets		(167,753)	457,574
Profit on sale of shares		4,820,178	675,195
Guarantee commission		--	123,126
Miscellaneous		185,804	140,242
		-----	-----
		42,806,455	29,167,179
		=====	=====

21. FINANCIAL CHARGES

Mark-up on secured		
- long term loans	101,543,590	111,714,733
- credit facilities availed [net of interest on foreign currency deposits Rs.44,910,951 (1999: Rs.52,754,616) refer to note 9.1]	33,306,081	27,770,955
- running finances	471,511	722,579

- short term finances	--	3,134,177
Exchange risk cover fee	13,963,261	23,110,082
Accrual / (refund) in respect of late payment of exchange risk cover fee - net	3,221,805	(8,475,905)
Mark-up on short term finance - unsecured	31,073,906	39,189,247
Profit on Certificates of Investment	75,752,297	56,540,378
Brokerage and commission	1,652,380	267,577
Guarantee commission and other charges on long term loans	612,237	1,225,124
Bank charges	251,135	328,861
	-----	-----
	261,848,203	255,527,808
	=====	=====

22. ADMINISTRATIVE AND OPERATING EXPENSES

Salaries, allowances and benefits	22.1	22,101,169	18,096,615
Rent, rates and taxes		3,138,766	2,988,433
Gas, electricity and utilities		683,793	535,469
Printing and stationery		959,556	1,111,913
Insurance		2,266,696	1,363,118
Repairs and maintenance		2,001,703	1,492,098
Travelling and conveyance		1,040,141	1,081,746
Staff training expenses		280,000	216,900
Membership and subscription		723,746	348,649
Canteen and entertainment expenses		561,706	445,370
Postage expenses		113,893	154,198
Telephone expenses		2,069,089	1,980,814
Legal and professional charges		3,305,988	1,914,605
Vehicle running expenses		2,376,895	1,826,687
Advertisement		229,436	129,313
Depreciation		5,104,462	4,334,683
Stamps and fees		904,240	306,244
Freight and packing		400	--
Auditors' remuneration			
Audit fee		110,000	900,001
Taxation services		108,930	106,934
Special audit fee		--	90,000
Other certifications		15,000	3,000
Out-of-pocket expenses		46,710	19,731
		-----	-----
		280,640	309,665
Professional tax		225,000	218,612
		-----	-----
		48,367,319	38,855,132
		=====	=====

22.1 This includes an amount of Rs.1,115,470 (1999: Rs.829,851) in respect of employees provident fund contribution.

23. TAXATION

Assessments have been finalised upto assessment year 1999-2000. Provision for current taxation has been made on the basis of minimum tax under section 80D of the Income Tax Ordinance, 1979.

24. BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

Profit after tax for the year	21,267,526	25,311,230
	=====	=====
Weighted average number of shares outstanding during the year	15,447,049	14,492,349
	=====	=====
Basic earnings per share	1.38	1.75
	=====	=====

24.1 No figure for diluted earnings per share has been presented as the company has not issued any instruments which would have an impact on earnings per share when exercised.

24.2 Weighted average number of shares for the prior period has also been adjusted for the effect of bonus issue and the right issue of shares during the current period.

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
25. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS			
Insurance premium expense		1,457,215	1,052,194
Paid towards software development		--	1,105,000
Services provided by		1,372,296	1,476,086
Expenses charged by		216,143	25,184
Lease rentals received		14,950,860	17,079,116
Cost of assets leased		10,454,735	4,215,000
Issue of Certificates of Investment		--	22,000,000
Purchase of operating assets		6,743,052	1,655,555
Sale of operating assets		50,000	--
Short term finance obtained		165,000,000	250,000,000
Short term finance repaid		165,000,000	250,000,000
Mark-up on short term finance obtained		6,336,096	9,591,997
Profit on Certificates of Investment paid		3,513,206	1,275,001
Brokerage paid against purchase of shares		950,654	--
Guarantee commission		--	123,126
Mark-up accrued on advance		--	1,057,366

Transactions with associated undertakings are entered into in the normal course of business at contracted rates and terms determined in accordance with market rates.

26. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

Remuneration in respect of the above charged in these accounts is as follows:

	2000			1999		
	<i>Chief</i>			<i>Chief</i>		
	<i>Executive</i> <i>Rupees</i>	<i>Executives</i> <i>Rupees</i>	<i>Total</i> <i>Rupees</i>	<i>Executive</i> <i>Rupees</i>	<i>Executives</i> <i>Rupees</i>	<i>Total</i> <i>Rupees</i>
Managerial remuneration	2,375,175	7,665,877	10,041,052	1,697,902	6,668,252	8,366,154
Housing and utilities	724,491	3,070,202	3,794,693	737,431	2,917,783	3,655,214
Medical	12,722	358,971	371,693	11,337	308,591	319,928
Provident fund	177,098	744,035	921,133	134,078	515,568	649,646
	-----	-----	-----	-----	-----	-----
	3,289,486	11,839,085	15,128,571	2,580,748	10,410,194	12,990,942
	=====					
Number of persons	1	25		1	22	
	=====					

26.1 The Chief Executive is provided with free use of company maintained car.

26.2 Fees totaling Rs.8,500 (1999: Rs.8,000) were paid to five directors (1999: five directors) for attending Board Meetings during the year.

27. CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK

Credit risk is the risk, which arises with the possibility that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

The company follows a two pronged policy. Firstly, it has developed its own prudent operating policies duly approved by the Board of Directors. Secondly, it follows the regulations issued by the State Bank of Pakistan. The internal policy prescribes the maximum limits of fund and non-fund based exposures with respect to a particular sector or a business group. Extra care is taken to ensure that per party and per sector exposures remain within limits prescribed by the internal policy and the State Bank of Pakistan regulations.

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in a similar manner.

Details of the industry sector analysis of lease portfolio is given below:

Industry Sector	2000		1999	
	Rupees	%	Rupees	%
Cement	226,407,195	12.09	168,659,892	8.83
Textile Spinning	218,664,807	11.67	259,388,600	13.58
Services	207,712,684	11.09	203,232,305	10.64
Chemicals, Fertilizers and Pharma	167,303,126	8.93	169,996,947	8.90
Steel, Engineering and Automobile	150,308,451	8.02	176,682,220	9.25
Food, Tobacco and Beverages	150,119,622	8.01	127,211,199	6.66
Consumer	147,664,835	7.88	124,346,081	6.51
Transport and Communication	108,010,596	5.77	84,043,434	4.40
Electrical and Electronic Goods	99,702,088	5.32	120,716,933	6.32
Printing and Packaging	90,071,773	4.81	70,099,865	3.67
Educational Institutions	50,984,022	2.72	48,133,967	2.52
Health Care	44,374,983	2.37	45,268,850	2.37
Glass and Ceramics	40,598,388	2.17	40,493,655	2.12
Energy, Oil and Gas	26,813,819	1.43	45,459,858	2.38
Financial Institutions	23,792,544	1.27	59,021,412	3.09
Paper and Board	23,792,544	1.27	42,785,748	2.24
Sugar and Allied	13,218,080	0.71	12,033,492	0.63
Dairy and Poultry	11,518,612	0.61	13,752,562	0.72
Construction	10,574,464	0.56	11,078,453	0.58
Leather Footwear and Tanneries	5,287,232	0.28	3,438,141	0.18
Banaspati and Allied Industries	3,210,105	0.17	4,011,164	0.21
Textile Weaving and Knitting	2,751,258	0.15	37,246,522	1.95
Hotels	1,321,808	0.07	1,719,070	0.09
Miscellaneous	49,095,726	2.63	41,257,686	2.16
	1,873,298,762	100.00	1,910,078,056	100.00

28. NET FOREIGN CURRENCY EXPOSURE

For foreign currency loans not covered through the State Bank of Pakistan exchange risk cover scheme, the company has adopted an alternative method to hedge foreign exchange risk associated with its foreign currency borrowing which has also been recognized by the State Bank of Pakistan. This involves purchasing foreign currency from the secondary market, placing the foreign currency on deposits and obtaining credit facilities against these deposits in local currency on a matching basis.

The details of hedge transactions are as follows:

Long term foreign currency borrowings hedged by long term deposits are as follows:

	2000		1999	
	Rupees	US\$	Rupees	US\$
FMO II	136,555,300	2,611,000	195,943,260	3,775,400
ADB II	366,100,000	7,000,000	467,100,000	9,000,000
	502,655,300	9,611,000	663,043,260	12,775,400

Long term deposits to hedge long term borrowings are as follows:

Pak Kuwait Inv. Co. (FMO II)	136,624,181	2,612,357	194,082,447	3,778,496
Pak Kuwait Inv. Co. (ADB II)	366,094,400	7,000,000	462,285,000	9,000,000
	502,718,581	9,612,357	656,367,447	12,778,496
	(63,281)	(1,357)	6,675,813	(3,096)

For foreign currency borrowings other than referred to above, appropriate forward exchange cover has been obtained directly from State Bank of Pakistan to hedge against foreign exchange fluctuation risks.

29. MARK-UP RATE RISK

Mark-up rate risk (MRR) arises from the possibility that changes in MRR will affect the value of financial instruments. A company is exposed to MRR as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or reprice in a given period. The risk is managed by matching the repricing of assets and liabilities.

The company's MRR sensitivity position, based on the earlier of contractual repricing or maturity date, is as follows:

	2000				
	<i>More than one</i>				<i>Total</i>
	<i>Less than one year</i>	<i>year and less than five years</i>	<i>More than five years</i>	<i>Not exposed to MRR</i>	
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Assets					
Fixed assets	--	--	--	20,490,810	20,490,810
Net investment in lease finance (net of provision for doubtful finance)	730,608,596	749,081,146	--	314,930,472	1,794,620,214
Long term investments	--	32,500,000	--	1,000,000	33,500,000
Long term loans, deposits and deferred cost	386,607	2,202,031	5,145,864	13,271,938	21,006,440
Short term investment	--	--	--	--	--
Income accrued or due	--	--	--	19,989,376	19,989,376
Advances, deposits, prepayments and other receivable (net of provision for doubtful debts)	11,233,647	--	--	51,160,185	62,393,832
Cash and bank balances (net)	107,597,426	24,815,303	--	46,401,276	178,814,005
A	849,826,276	808,598,480	5,145,864	467,244,057	2,130,814,677
Liabilities					
Capital and reserves	--	--	--	316,879,161	316,879,161
Long term finances	309,222,446	520,777,368	--	--	829,999,814
Certificates of Investment	384,760,000	45,299,391	--	--	430,059,391
Long term deposits	--	--	--	290,515,071	290,515,071
Short term finances	171,011,962	--	--	--	171,011,962
Accrued and other liabilities	--	--	--	92,349,278	92,349,278
B	864,994,408	566,076,759	--	699,743,510	2,130,814,677
MRR sensitivity gap (A-B)	15,168,132	242,521,721	5,145,864	(232,499,453)	--
Cumulative MRR sensitivity gap	15,168,132	227,353,589	232,499,453	--	--

	1999				
	<i>More than one</i>				<i>Total</i>
	<i>Less than one year</i>	<i>year and less than five years</i>	<i>More than five years</i>	<i>Not exposed to MRR</i>	
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Assets					
Fixed assets	--	--	--	17,008,727	17,008,727
Net investment in lease finance (net of provision for doubtful finance)	768,647,954	782,306,170	--	302,585,622	1,853,539,746
Long term investments	--	30,000,000	2,500,000	1,000,000	33,500,000
Long term loans, deposits and deferred cost	261,805	1,966,997	5,327,629	21,105,597	28,662,094
Short term investment	10,000,000	--	--	--	10,000,000
Income accrued or due	--	--	--	25,846,788	25,846,788
Advances, deposits, prepayments and other receivable (net of provision for doubtful debts)	8,301,079	--	--	26,518,969	34,820,048
Cash and bank balances (net)	49,983,047	127,226,423	--	22,355,478	199,564,948
A	837,193,885	941,499,590	7,827,695	416,421,181	2,202,942,351
Liabilities					
Capital and reserves	--	--	--	243,016,335	243,016,335
Long term finances	321,284,672	768,959,616	--	--	1,090,244,288
Certificates of Investment	297,504,026	21,995,000	--	--	319,499,026
Long term deposits	--	--	--	265,260,293	265,260,293
Short term finances	198,931,835	--	--	--	198,931,835
Accrued and other liabilities	--	--	--	85,990,574	85,990,574
B	817,720,533	790,954,616	--	594,267,202	2,202,942,351

MRR sensitivity gap (A - B)	19,473,352	150,544,974	7,827,695 (177,846,021)	--
Cumulative MRR sensitivity gap	19,473,352	170,018,326	177,846,021	--

a) The total MRR sensitivity gap represents the net amounts of on-balance sheet items.

b) The effective MRR for each of the monetary financial instrument is as follows:

	<i>2000</i>	<i>1999</i>
	<i>Effective</i>	<i>Effective</i>
	<i>MRR</i>	<i>MRR</i>
	%	%
Assets		
Net investment in lease finance	17.25 to 25.75	18.25 to 27.00
Investments - fixed interest instrument	10.00 to 15.00	12.00 to 15.00
Long term loans	10.00	10.00
Advances and other receivables	22.00 to 22.25	22.25 to 22.92
Cash and bank balances		
Local currency deposit account	10.00 to 10.50	12.00
Foreign currency deposit accounts	6.81 to 7.91	6.31 to 7.91
Liabilities		
Long term finances - Local Currency	15.00 to 20.00	17.00 to 20.00
- Foreign Currency	16.16 to 18.02	16.16 to 18.02
Certificates of Investment	11.75 to 19.15	15.00 to 19.15
Short term finances	10.00 to 18.15	10.50 to 19.75
Running finances	14.75 to 17.50	17.00 to 20.00

30. FAIR VALUE OF FINANCIAL INSTRUMENT

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. As also mentioned in note 2.1, the company prepares its financial statements under the historical cost convention. Consequently, differences can arise between book value and the fair value estimates.

The estimated fair values of all financial instruments are not significantly different from their book values.

31. GENERAL

31.1 Figures have been rounded off to the nearest Rupee.

31.2 Previous year's figures have been rearranged wherever necessary for the purpose of comparison.

SANAULLAH QURESHI
Director

KHALEEQ-UR-RAHMAN KHAN
Chief Executive

YUSUF H. SHIRAZI
Chairman

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2000

<i>Number of</i>	<i>Shareholding</i>			<i>Total</i>
	<i>From</i>		<i>To</i>	
34	1	--	100	1,332
69	101	--	500	18,242
28	501	--	1,000	21,413
68	1,001	--	5,000	159,787
9	5,001	--	10,000	65,272
3	10,001	--	15,000	39,756
1	15,001	--	20,000	16,467
1	25,001	--	30,000	26,587
2	30,001	--	35,000	65,288
2	35,001	--	40,000	73,431
2	40,001	--	45,000	84,460
1	45,001	--	50,000	50,000
1	50,001	--	55,000	51,499
1	60,001	--	65,000	63,250
1	85,001	--	90,000	85,750
1	150,001	--	155,000	154,685
2	220,001	--	225,000	450,000
2	250,001	--	255,000	504,698
1	285,001	--	290,000	288,955

1	435,001	--	440,000	437,485
1	505,001	--	510,000	508,940
1	615,001	--	620,000	617,044
1	715,001	--	720,000	718,624
1	815,001	--	820,000	819,692
1	985,001	--	990,000	985,048
1	1,020,001	--	1,025,000	1,021,708
4	1,845,001	--	1,850,000	7,397,242
1	2,625,001	--	2,630,000	2,629,794

241	TOTAL	17,356,449
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The slabs representing NIL holding have been omitted.

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage of Shares held
Individuals	219	10,836,717	62.44
Investment Companies	2	718,664	4.14
Insurance Companies	1	154,685	0.89
Joint Stock Companies	9	118,813	0.68
Financial Institutions	6	3,366,422	19.40
Modaraba Companies	1	13,456	0.08
Foreign Companies	3	2,147,692	12.37
Total	241	17,356,449	100.00

ATLAS GROUP COMPANIES

	Year of Establishment Acquisition
Shirazi Investments (Pvt) Ltd.	1962
Atlas Honda Ltd.	1963
Atlas Battery Ltd.	1966
Shirazi Trading Co. (Pvt) Ltd.	1973
Atlas Warehousing (Pvt) Ltd.	1979
Atlas Office Equipment (Pvt) Ltd.	1979*
Muslim Insurance Co. Ltd.	1980
Allwin Engineering Industries Ltd.	1981*
Atlas Lease Ltd.	1989
Atlas Investment Bank Ltd.	1990
Honda Atlas Cars (Pakistan) Ltd.	1993
Honda Atlas Power Product (Pvt) Ltd.	1997
Total Atlas Lubricants Pakistan (Pvt) Ltd.	1997