

Pak-Gulf Leasing Company Limited

Annual Report 2000

CONTENTS

Company Information
Notice of Annual General Meeting
Directors' Report
Auditors' Report to the Members
Balance Sheet
Profit and Loss Account
Cash Flow Statement
Notes to the Accounts
Pattern of Shareholding

Company Information

Board of Directors

Mr. Sohail Inam Ellahi
Chairman

Mr. Fawad S. Malik
Vice Chairman

Mr. Farouq H. Rahimtoola
Director

Mr. Habib Inam
Director

Mr. Inam Ellahi Shaikh
Director

Mr. Sheikh Muhammad Jawed
Director

Mr. Shoaib S. Malik
Director

Mr. Yousuf Jan Muhammad
Director

Mr. Ather Syed
Chief Executive

Senior Management

Ather Syed
Chief Executive

Humayun Zafar
St. Manager Credit & Marketing/
Company Secretary

S. Azfar Ali Baqvi
Chief Accounting Officer &
Manager Administration

Misbah ul Haq
Manager Credit & Marketing

Auditors

Taseer Hadi Khalid & Co.,
Chartered Accountants,
Sheikh Sultan Trust Building No. 2,
Beaumont Road,
Karachi.
Tel #: 5685847-9
Fax #: 5685095

Legal Advisors

M/s. Mohsin Tayebally & Company
2nd Floor, Dime Centre,
BC-4, Block # 9, Kehkashan,
Clifton,
Karachi.
Tel #: 5838077, 5866354, 5872690
Fax #: 5870240

Bankers

ABN AMRO Bank N.V.
Askari Commercial Bank Limited.
Gulf Commercial Bank Ltd.
Muslim Commercial Bank Limited.
National Bank of Pakistan.
Oman International Bank S.A.O.G.
Prime Commercial Bank Limited.
Standard Chartered Bank.
Soneri Bank Limited
Societe Generale - The French & Int'l Bank.
Union Bank Limited.

Registered/Share Transfer Office

Unibro House 114,
9th East Street, Phase-I,
P.O. Box # 12215,
Defence Housing Authority,
Karachi-75500.
Tel #: 5887571-3, 5899770
Fax #: 5887574
E-mail: pgl@cyber.net.pk

Notice of Annual General Meeting

Notice is hereby given that the 7th Annual General Meeting of Pak-Gulf Leasing Company Limited, will be held at the Company's Registered Office at 114, Unibro House, 9th East Street, Phase-i, Defence Housing Authority, Karachi on Saturday, December 23, 2000 at 11:30 a.m. to transact the following business:

ORDINARY BUSINESS:

- 1) To read and approve the minutes of the 6th Annual General Meeting of the company held on November 10, 1999.
- 2) 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.
- 3) To approve, as recommended by the Directors in their meeting held on Thursday the November 16, 2000, the payment of cash dividend @ 9% i.e. 0.90 paise per share for the year ended June 30, 2000.
- 4) To appoint Auditors of the company for the year July 01, 2000 to June 2001 and fix their remuneration. The present Auditors M/s. Taseer Hadi Khalid & Company, Chartered Accountants retire and being eligible offer themselves for re-appointment.
- 5) To transact any other business by the permission of the Chair.

By Order of the Board

Humayun Zafar
Company Secretary

Karachi: December 02, 2000

NOTES:

1. The share transfer books of the company will remain closed from December 15, 2000 to December 23, 2000 (both days inclusive) and no transfer of shares will be made during the period the register is closed.
2. A member entitled to attend, speak and vote at the General meeting is entitled to appoint a proxy to attend, speak and vote for him/her. A proxy must be a member of the company. Proxy forms can be obtained from the registered office of the company.
3. An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or notorially certified copy of the power of attorney in order to be valid must be deposited at the registered office of the company not less than 48 hours before the time of the meeting.
4. The Members are requested to notify the change in their address, if any, to the Company's Share Transfer Office, 114, Unibro House, 9th East Street, Phase-I, Defence Housing Authority, Karachi-75500.

Directors' Report

The Directors are pleased to present the third full year of operational review together with the audited accounts for the year ended June 30, 2000.

The financial results of the company for the year ended June 30, 2000 are summarized as follows:

	<i>June 30, 2000</i>	<i>June 30, 1999</i>
	<i>Rs. (In Millions)</i>	<i>Rs. (In Millions)</i>
Revenue	24.282	20.802
Expenditure	10.476	8.199
	-----	-----
Profit before Tax	13.806	12.603
Provision for Taxation	2.241	2.248

Profit after Tax	11.565	10.355
Unappropriated Profit brought forward	0.096	1.312
Profit available for appropriation	11.661	11.667
Appropriations		
Transfer to Statutory Reserve	2.313	2.071
Proposed Dividend @ 9% (1999: @ 9.5%)	9.00	9.00
	11.313	11.571
Unappropriated Profit Carried Forward	0.348	0.096

Operational Results for the year ended June 30, 2000

During the year, the company transacted business worth Rs. 59 million.

The year in question remained more or less the mirror image of last year but due diligence had been exercised in choosing the clientele from local corporates and other good blue chip companies.

The Net Investment in Leases during the year ended June 30,2000 was Rs. 121.495 million as compared to Rs. 113.868 million for the corresponding year 1999.

The income generated from business stood at Rs. 24.282 million as on June 30,2000 as compared to Rs. 20.802 million in 1999, showing an overall increase of 16.73%.

Cash Dividend:

The Board feels that the Shareholders are rightfully entitled to the returns on their investment and keeping in line with last year the Board is pleased to recommend a cash dividend of 9% for the year ended June 30, 2000.

Earnings per share of the company was Rs. 1.04 as on June 30,1999 which has gone up to Rs. 1.16 as on June 30, 2000.

The net profit has shown an increase of 11.68% as on June 30,2000 compared with the profit of the corresponding period of 1999. This shows that the company has been sustaining its growth and has occupied a firm place in the leasing industry.

The Economy:

Last year no significant changes were incorporated in the financial sector but it can be hoped that with the revival of IMF and Paris Club packages things might improve so that the process of economic revival could at least be initiated.

At present resource mobilization for leasing companies remains a vital area for the onward growth and profitability.

The Inter Bank rates have gone up making the cost of funds to leasing companies expensive and this has developed a precarious situation for those leasing companies with a smaller equity base to compete head-on with the larger leasing companies.

Securities & Exchange Commission of Pakistan, Islamabad, has given a deadline to the leasing companies to raise their paid-up capital to Rs. 200 million by June 30, 2001, this has now forced a majority of leasing companies to look for mergers.

Board of Directors:

During the year Mr. Inam Ellahi Shaikh resigned from the post of Chairman and Mr. Sohail Inam Ellahi was elected as Chairman of the Board.

Mr. Ather Syed was appointed as Chief Executive with effect from May 01, 2000.

Messrs. M. Ikhtiar Baig and Muhammad Rafiq, two of the founding Directors of the company resigned from the Board due to their other pressing engagements.

The Board wishes to acknowledge their valuable services and contribution during their association

with the company.

The Board is pleased to announce that it has finalised office premises for the company at "THE FORUM" on the ownership basis.

Future Outlook:

The future of the leasing sector depicts a mixed picture, although not very clear but it is hoped that the slow pace of economic revival has a direct bearing on the leasing sector.

Pak-Gulf has been carefully monitoring the economic pace and is determined to source out only those clients who have a proven track record and market credibility. The company has a policy of risk diversification and in this connection follows the strategy of extending lease financing to a financially sound clientele, in order to minimize risks of potential defaults.

The company has always stressed upon post disbursement monitoring of events and would follow the same policies in future also.

Recoveries:

This is the area which is of extreme significance for any lending institution, and in this connection your company has been extremely careful in selecting its lessees and the lease portfolio consists of good customers, with a timely repayment record.

Acknowledgement:

In the end we take this opportunity to thank the valued Shareholders, Auditors, Financial Institutions Securities & Exchange Commission of Pakistan, Joint Registrar of Companies, State Bank of Pakistan, all the three Stock Exchanges and Leasing Association of Pakistan for their continued support and guidance in resolving issues affecting the leasing sector in general and the company in particular.

Auditors:

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

Pattern of Shareholding:

Pattern of Shareholding as on June 30,2000 is annexed to this report.

On behalf of the board.

Karachi:
November 16, 2000

Ather Syed
Chief Executive

Sohail Inam Ellahi
Chairman

Auditors' Report to the Members

We have audited the annexed balance sheet of **Pak Gulf Leasing Company Limited** as at 30 June 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 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 except for the change referred to in note 2.4 with which we concur;

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 30 June 2000 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Date:
Karachi

Sd/-
Taseer Hadi Khalid & Co.
Chartered Accountants

Balance Sheet as at June 30, 2000

	<i>NOTE</i>	<i>2000</i>	<i>1999</i>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 20,000,000 ordinary shares of Rs. 10 each		200,000,000	200,000,000
		=====	=====
Issued, subscribed and paid up capital 10,000,000 (1999: 10,000,000) ordinary shares of Rs. 10/- each fully paid in cash		100,000,000	100,000,000
Statutory reserve		7,212,047	4,899,068
Unappropriated profit		348,187	96,269
		-----	-----
		107,560,234	104,995,337
DEFERRED TAXATION		4,527,000	3,206,000
LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE	3	693,151	572,951
LONG TERM DEPOSITS	4	20,097,817	14,840,088
CURRENT LIABILITIES			
Current portion of liability against assets subject to finance lease		498,551	268,558
Accrued expenses and other liabilities	5	955,009	950,309
Unclaimed Dividend		4,393	1,976
Proposed Dividend		9,000,000	9,500,000
		-----	-----
		10,457,953	10,720,843
		-----	-----
Rupees		143,336,155	134,335,219
		=====	=====

TANGIBLE FIXED ASSETS	6	3,465,951	3,407,140
CAPITAL WORK IN PROGRESS	7	3,758,200	--
LONG TERM INVESTMENTS	8	1,108,680	1,108,680
NET INVESTMENT IN LEASE FINANCE-secured	9	73,695,671	73,788,601
Deferred costs	10	--	2,752,452
LONG TERM LOANS AND DEPOSITS	11	545,651	619,643
CURRENT ASSETS			
Current portion of net investment in leases		47,799,399	40,079,135
Advances, prepayments and other receivables	12	10,082,825	11,546,028
Cash and bank balances	13	2,879,778	1,033,540
		-----	-----
		60,762,002	52,658,703
		-----	-----
	Rupees	143,336,155	134,335,219
		=====	=====

The annexed notes form an integral part of these financial statements.

Ather Syed
Chief Executive

Sohail Inam Ellahi
Chairman

Fawad S. Malik
Vice Chairman

Profit and Loss Account for the year ended June 30, 2000

	<i>NOTE</i>	<i>2000</i>	<i>1999</i>
Income from leasing operations	14	23,019,677	18,172,897
other income	15	1,262,133	2,629,178
		-----	-----
		24,281,810	20,802,075
Administrative and operating expenses	16	10,475,913	8,111,319
		-----	-----
Profit before provisions		13,805,897	12,690,756
Provision for diminution in the value of investment		--	87,230
		-----	-----
Profit before taxation		13,805,897	12,603,526
Taxation	17		
- current		920,000	1,337,500
- deferred		1,321,000	911,000
		-----	-----
		2,241,000	2,248,500
		-----	-----
Net profit after taxation		11,564,897	10,355,026
Unappropriated profit brought forward		96,269	1,312,248
		-----	-----
		11,661,166	11,667,274
Appropriations:			
Proposed dividend 9% (1999: 9.5%)		9,000,000	9,500,000
Transfer to statutory reserve		2,312,979	2,071,005
		-----	-----
		11,312,979	11,571,005
		-----	-----
Unappropriated profit carried forward	Rupees	348,187	96,269
		=====	=====
Earnings per share	18	1.16	1.04
		=====	=====

The annexed notes form an integral part of these financial statements.

Ather Syed
Chief Executive

Sohail Inam Ellahi
Chairman

Fawad S. Malik
Vice Chairman

Cash Flow Statement**For the year ended June 30, 2000**

	<i>2000</i>	<i>1999</i>
Cash flow from operating activities		
Profit before taxation	13,805,897	12,603,526
Adjustments for items not involving movement of funds:		
Depreciation	743,072	733,169
Amortization of deferred costs	2,752,452	1,270,360
Provision for diminution in the value of investments	--	87,230
Financial charges on finance lease	164,509	75,354
Profit on disposal of fixed assets	(255,883)	(177,359)
	-----	-----
Operating profit before working capital changes	17,210,047	14,592,280
Decrease?(Increase) in advances, prepayments and other receivables excluding advance income tax	2,476,559	(4,741,730)
Increase in accrued expenses and other liabilities	4,700	355,224
Net investment in leases	(7,627,334)	(23,249,540)
Deposits from lessees	5,257,729	5,231,661
Payment of tax	(1,933,356)	(2,056,179)
Increase in Long term loans and deposits	73,992	(528,974)
	-----	-----
	(1,747,710)	(24,989,538)
	-----	-----
Net cash flow from operating activities	15,462,337	(10,397,258)
Cash flow from investing activities		
Capital expenditure incurred	(4,024,200)	(900,890)
Proceeds from disposal of fixed assets	400,000	1,003,002
	-----	-----
Net cash flow from investing activities	(3,624,200)	102,112
Cash flow from financing activities		
Dividend paid	(9,497,583)	(9,998,024)
Payment of liability against assets subject to finance lease	(494,316)	(225,846)
	-----	-----
Cash flow from financing activities	(9,991,899)	(10,223,870)
	-----	-----
Net increase/(decrease)in cash and cash equivalents	1,846,238	(20,519,016)
Cash and cash equivalents at beginning of the year	1,033,540	21,552,556
	-----	-----
Cash and cash equivalents at the end of the year	2,879,778	1,033,540
	=====	=====

The annexed notes form an integral part of these financial statements.

Ather Syed
Chief Executive

Sohail Inam Ellahi
Chairman

Fawad S. Malik
Vice Chairman

Statement of Changes in Equity**For the year ended June 30, 2000**

	<i>Share Capital</i>	<i>Statutory Reserve</i>	<i>Unappropriated Profit</i>	<i>Total</i>
Balance as at 30 June 1998	100,000,000	2,828,063	1,312,248	104,140,311
Profit for the year	--	--	10,355,026	10,355,026
Transferred during the year	--	2,071,005	(2,071,005)	--
Proposed dividend	--	--	(9,500,000)	(9,500,000)
	-----	-----	-----	-----
Balance as at 30 June 1999	100,000,000	4,899,068	96,269	104,995,337

Profit for the year	--	--	11,564,897	11,564,897
Transferred during the year	--	2,312,979	(2,312,979)	--
Proposed dividend	--	--	(9,000,000)	(9,000,000)
Balance as at 30	Rupees	100,000,000	7,212,047	348,187
				107,560,234

Statutory reserve represents transfer of after tax profits as required under the relevant rule of the "rules of business for Non-Banking Financial Institutions".

The annexed notes form an integral part of these financial statements.

Ather Syed
Chief Executive

Sohail Inam Ellahi
Chairman

Fawad S. Malik
Vice Chairman

Notes to the Accounts for the year ended June 30, 2000

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on 27 December 1994 and commenced its operations on 16 September 1996. The Company is principally engaged in the business of leasing and is listed on all the three Stock Exchanges of Pakistan.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

These accounts have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee (IASC) and interpretations issued by Standing Interpretations Committee of the IASC, as adopted in Pakistan and the requirements of the Companies Ordinance, 1984.

2.2 Accounting Convention

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

2.3 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 estimated residual value over the cost of leased assets is deferred and taken to income over the term of the lease, so as to produce a systematic return on net investment in leases.

Unrealised income is suspended where necessary in accordance with the requirements of Non Bank Financial Institution Regulations.

Front-end fee is taken to income on receipt basis.

Dividend income and profit on other investments are accounted for on accrual basis.

2.4 Deferred Cost

These expenses were to be amortised over a period of sixty months from the date of commencement of commercial operations i.e. 16 September 1996. However, International Accounting Standards (IAS)-38 Intangible Assets, became effective from 1 July 1999. The IAS defines intangible asset as "an identifiable non monetary asset without physical substance held for use in the production or supply of goods or services, for rentals to others, or for administrative purposes". Further, the IAS has also defined the start-up cost of an operation will not give rise to an intangible asset. The management therefore, to comply with the requirement, has changed the accounting policy relating to deferred cost and charged the unamortised balance as an expense during the year. Had the accounting policy not been changed the profit before tax for the year would have increased by Rs. 1,483,008.

2.5 Investments

Long-term investments are stated at cost net off provision made for decline, other

than temporary, in value of investment, if any.

The charges or credits, if any, arising from adjustments in carrying amounts are taken to profit and loss account currently.

2.6 Tangible Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged applying the straight line method at the rates specified in note 6 in respect of additions during the year, depreciation is charged from the month of acquisition while no depreciation is charged in the month of disposal.

Normal repairs and maintenance are charged to income as and when incurred. Gains and losses on disposal of assets, if any are taken to profit and loss account.

2.7 Capital Work-in-progress

Capital work-in-progress is stated at cost.

2.8 Assets Subject to Finance Lease

Asset subject to finance lease is accounted for by recording the asset at the lower of present value of minimum lease payments under the lease agreements and the fair value of asset acquired. The related obligation under the lease is accounted for as liability. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

2.9. Net Investment in Lease Finance

Net investments in lease finances are stated at cost less specific and general provisions. Specific provisions are made in accordance with the requirements of Non Bank Financial Institutions Regulations. The company maintains a general provision for potential lease losses at a level that can be reasonably anticipated, keeping in view the nature of its overall business activities and considers this to be adequate to meet potential losses.

2.10 Employees' Retirement Benefits

The Company operates a defined contributory provident fund for all its regular permanent employees and contributions are made monthly to the fund equally by the Company and the employees in accordance with the fund's rules to cover the obligations.

2.11 Taxation

Current

The charge for current taxation is based on higher of taxable income at the current rate of taxation after taking into account tax credits and tax rebates available, if any and minimum tax liability @ 0.5% of turnover.

Deferred

Deferred taxation is accounted for using the liability method on all major timing differences excluding the effects of those timing differences, which are not likely to reverse in the foreseeable future.

3. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE-SECURED

	2000			1999		
	<i>Minimum lease payments</i>	<i>Financial charges for future periods</i>	<i>Principal outstanding</i>	<i>Minimum lease payments</i>	<i>Financial Charges for future periods</i>	<i>Principal outstanding</i>
Not later than one year	661,080	162,529	498,551	399,840	131,282	268,558
Later than one year and not later than five years	769,218	76,067	693,151	665,649	92,698	572,951
Rupees	1,430,298	238,596	1,191,702	1,065,489	223,980	841,509

This represents vehicles acquired under lease agreements from leasing companies. Lease rentals include financial charges ranging between 17.9 percent to 22.5 percent per annum which have been used as discounting factor and are payable on monthly basis. The Company has an option to purchase the assets upon completion of lease period by adjusting the security deposits and has intention to exercise the option.

4. LONG TERM DEPOSITS

These represent interest free security deposits received against lease contracts and are refundable/adjustable at the expiry/termination of the respective leases.

5. ACCRUED EXPENSES AND OTHER LIABILITIES

	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
Accrued expenses	130,591	52,616
Advance rentals	253,950	51,071
Other liabilities	570,468	846,622
	-----	-----
	955,009	950,309
	=====	=====

6. TANGIBLE FIXED ASSETS

<i>Description</i>	<i>COST</i>		<i>DEPRECIATION</i>			<i>Written down value as at June 30, 2000</i>	<i>Depreciation Rate %</i>	
	<i>As at July 1, 1999</i>	<i>Additions/ Deletions during the year</i>	<i>As at June 30, 2000</i>	<i>As at July 1, 1999</i>	<i>Charge for the year/ (adjustments)</i>			<i>As at June 30, 2000</i>
OWNED								
Lease hold improvement	256,410	--	256,410	242,146	14,26	256,410	--	33.33
Furniture and fixtures	891,391	--	891,391	299,866	80,225	380,091	511,300	10
Equipment	1,750,962	200,000	1,950,962	718,266	275,144	993,410	957,552	20
Vehicles	1,424,833	66,000 (500,535)	990,298	561,378	190,639 (356,418)	395,599	594,699	20
LEASED ASSETS								
Vehicles	992,000	680,000	1,672,000	86,800	182,800	269,600	1,402,400	20
2000 Rupees	5,315,596	946,000 (500,535)	5,761,061	1,908,456	743,072 (356,418)	2,295,110	3,465,951	
1999 Rupees	4,713,226	1,892,890 (1,290,520)	5,315,596	1,640,166	733,169 (464,879)	1,908,456	3,407,140	

6.1 Details of fixed assets disposed off during the year

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Book Value</i>	<i>Sale Proceeds</i>	<i>Mode of disposal</i>	<i>Particulars of purchasers</i>
Vehicle	437,435	333,544	103,891	345,000	Sold	Unibro Industries Limited (Associated Company)
Vehicle	63,100	22,874	40,226	55,000	Insurance claim	Eastern Federal Union General Insurance Ltd., Clifton Branch, Karachi.
2000 Rupees	500,535	356,418	144,117	400,000		
1999 Rupees	1,290,520	464,879	825,641	1,003,000		

2000
Rupees *1999*
Rupees

7. CAPITAL WORK IN PROGRESS

Advance for purchase and improvement of office premises

3,758,200	--
=====	=====

8. LONG TERM INVESTMENTS

Federal Investment Bonds--10 years

1,000,000	1,000,000
-----	-----

National Investment Trust Units

200,200	200,200
-----	-----

Provision for diminution in value of investment

(91,520)	(91,520)
-----	-----

108,680	108,680
-----	-----

1,108,680	1,108,680
=====	=====

9. NET INVESTMENT IN LEASE FINANCE-secured

	<i>Not later than one year</i>	<i>2000 Later than one year and less than five years</i>	<i>Total</i>	<i>Not later than one year</i>	<i>1999 Later than one year and less than five years</i>	<i>Total</i>
Lease rentals receivables	60,769,157	66,714,076	127,483,233	58,871,089	71,763,826	130,634,915
Estimated residual value of leased assets	3,689,179	18,481,931	22,171,110	4,307,016	14,213,495	18,520,511
Minimum lease payments	64,458,336	85,196,007	149,654,343	63,178,105	85,977,321	149,155,426
Unearned lease income	(16,658,937)	(11,500,336)	(28,159,273)	(23,098,970)	(12,188,720)	(35,287,690)
	-----	-----	-----	-----	-----	-----
	47,799,399	73,695,671	121,495,070	40,079,135	73,788,601	113,867,736
	=====	=====	=====	=====	=====	=====

2000	1999
Rupees	Rupees

10. DEFERRED COSTS

Preliminary expenses

358,877	358,877
-----	-----

Underwriting commission

1,400,000	1,400,000
-----	-----

Pre-operating expenses-net

4,592,924	4,592,924
-----	-----

6,351,801	6,351,801
-----	-----

Amortization to-date

24

(6,351,801)	(3,599,349)
-----	-----

--	2,752,452
=====	=====

11. LONG TERM LOANS AND DEPOSITS

Deposits

401,400	335,900
-----	-----

Loans to employees

144,251	283,743
-----	-----

545,651	619,643
=====	=====

12. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advance income tax (net of provision)

4,969,050	3,955,694
-----	-----

Advance against lease

1,425,000	--
-----	-----

Prepayments

284,211	419,008
-----	-----

Accrued return on investments

157,644	1,571,944
-----	-----

Net receivable against terminated leases

2,277,179	4,724,645
-----	-----

Other receivables

969,741	874,737
-----	-----

10,082,825	11,546,028
=====	=====

13. CASH AND BANK BALANCES

Cash in hand	10,000	6,249
Balances with banks on:		
- Current accounts	2,869,778	1,024,565
- Deposit accounts	--	2,726
	-----	-----
	2,869,778	1,027,291
	-----	-----
	2,879,778	1,033,540
	=====	=====

14. INCOME FROM LEASING OPERATIONS

Income on lease contracts	22,257,263	17,592,904
Front end fee	507,953	414,754
Documentation income	150,670	108,600
Gain on lease termination	87,172	56,573
Other income	16,619	66
	-----	-----
	23,019,677	18,172,897
	=====	=====

15. OTHER INCOME

Profit on bank accounts	632,034	1,548,091
Return on certificates on investment	--	708,040
Return on other investments	157,785	161,209
Profit on disposal of fixed assets	255,883	177,359
Miscellaneous income	216,431	34,479
	-----	-----
	1,262,133	2,629,178
	=====	=====

16. ADMINISTRATIVE AND OPERATING EXPENSES

Directors' fee		16,500	24,500
Salaries, allowances and benefits	16.1	3,539,769	2,934,481
Office maintenance		48,589	58,338
Insurance expenses		118,646	94,350
Office rent and utilities		972,456	956,308
Vehicle running expenses		563,222	753,173
Traveling and conveyance		99,018	37,020
Advertisement expenses		111,400	24,644
Subscriptions, printing and stationery		324,939	346,231
Entertainment expenses		18,682	24,946
Postage and courier		28,381	27,964
Internet expenses		7,913	8,847
Legal and professional charges		351,296	264,329
Auditors' remuneration	16.2	55,000	55,000
Depreciation		743,072	733,169
Amortization of deferred costs		2,752,452	1,270,360
Commission and brokerage		--	623
Computerization expenses		224,375	157,335
General meeting expenses		195,647	146,661
Security vault fee		10,496	9,709
Financial charges	16.3	192,129	87,311
Repair and maintenance		22,309	43,803
Kitchen and canteen expenses		37,435	49,175
Zakat		5,954	--
Miscellaneous		36,233	3,042
		-----	-----
		10,475,913	8,111,319
		=====	=====

Total number of employees as at 30 June 2000 were 16 (1999: 15)

16.1 Remuneration of Chief Executive and Executives

	<i>Director</i>		<i>Chief Executive</i>		<i>Executives</i>		<i>Total</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Managerial remuneration	--	--	350,207	545,808	635,947	571,486	986,154	1,117,294
Housing and Utilities	--	--	192,525	300,192	349,750	314,317	542,275	614,509
Leave Fare Assistance	--	--	17,500	42,000	--	--	17,500	42,000
Provident fund contribution	--	--	18,951	45,480	52,995	47,624	71,946	93,104
Meeting tee	16,500	24,500	--	--	--	--	16,500	24,500
	-----	-----	-----	-----	-----	-----	-----	-----
Rupees	16,500	24,500	579,183	933,480	1,038,692	933,427	1,634,375	1,891,407
	=====	=====	=====	=====	=====	=====	=====	=====
Number of persons	10	9	1	1	4	3	15	13
	=====	=====	=====	=====	=====	=====	=====	=====

The Chief Executive and certain executives of the Company are also entitled to free use of company maintained vehicles.

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
16.2 Auditors' Remuneration		
Annual audit fee	50,000	50,000
Out of pocket expenses	5,000	5,000
	-----	-----
	55,000	55,000
	=====	=====

16.3 Financial Charges

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
Mark-up on lease financing	164,509	75,354
Bank charges	27,620	11,957
	-----	-----
	192,129	87,311
	=====	=====

17. TAXATION

Current

In view of taxable income for the year, provision for tax has been made at normal rate in these accounts.

The income tax assessments of the company have been finalised upto and including the assessment year 1999-2000. Further, various appeals have been filed by the company and the tax department in respect of certain disallowances for assessment years 1997-98 to 1999-2000 which are pending before the appellate authorities.

In case of adverse decision in appeals described above, further tax liability amounting to Rs. 3.388 million may arise, for which no provision has been made in these accounts as management expects favorable outcome of such appeals.

Deferred

Deferred tax arising due to timing differences computed under the liability method is estimated at Rs. 6.060 million (1999: Rs. 5.250 million). The unprovided liability as on 30 June 2000 amounts to Rs. 1.533 million (1999: Rs. 2.044 million).

As per International Accounting Standard (IAS) 12 "Accounting for taxes on income (revised)", full liability against deferred tax should be provided in the year to which it relates. The Securities and Exchange Commission of Pakistan vide circular No. 16 dated 9 September 1999 has directed that in order to achieve compliance with the revised IAS 12, all leasing companies, during each of the five financial years beginning 1 July 1998 and ending 30 June 2003 shall provide deferred tax liability arising in that year together with a further amount equal to one-fifth of the unprovided deferred tax liability as at the beginning of the financial year ending 30 June 1999. Compliance with the above directive shall also be deemed where the company may appropriate equivalent amount as a capital reserve out of profits available for appropriation. Consequently the company has made full provision for deferred tax liability for the year and one fifth of the unprovided liability as on 1 July 1998.

18. EARNINGS PER SHARE

Net profit after tax	11,564,897	10,355,026
----------------------	------------	------------

Number of outstanding ordinary shares	10,000,000	10,000,000
Earnings per share	1.16	1.04

19. CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK

The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter parties, and continuously assessing the credit worthiness of counter parties.

Pak Gulf Leasing Company Limited (PGL) follows two sets of guidelines. Internally, it has its own operating policy duly approved by the Board of Directors whereas externally it adheres to the regulations issued by the State Bank of Pakistan and Securities and Exchange Commission of Pakistan. The operating policy defines the extent of fund and non-fund based exposures with reference to a particular sector or group of leases. The Management also classifies a particular lease on the basis of Rules of Business for Non Bank Financial Institutions.

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

	<i>2000</i>	<i>%</i>	<i>1999</i>	<i>%</i>
	<i>Rupees</i>		<i>Rupees</i>	
Sugar and allied	10,445,625	8.6	10,000,000	8.78
Cement	3,150,372	2.6	3,887,133	3.41
Steel, engineering and auto	3,207,385	2.6	1,797,148	1.58
Electrical goods	420,087	0.3	934,227	0.82
Transport and communications	5,519,210	4.5	8,100,855	7.11
Chemical, fertilizer and pharmaceu	12,164,998	10.0	10,360,084	9.09
Textile	26,581,704	21.9	27,928,577	24.53
Leather and footwear	390,742	0.3	751,499	0.66
Food, tobacco and beverages	2,555,071	2.1	1,614,426	1.42
Healthcare	7,958,152	6.6	2,799,438	2.46
Dairy and poultry	344,726	0.3	539,395	0.47
Banks and financial institutions	4,960,372	4.1	17,873,959	15.69
Others	43,796,626	36.0	27,280,995	23.98
	121,495,070	100	113,867,736	100

In addition the company has invested certain funds in Government Securities. For details refer note 8.

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

21. INTEREST RATE RISK MANAGEMENT

The company manages this risk by matching the repricing of assets and liabilities. The company's interest rate sensitivity position, based on the earlier of contractual repricing or maturity dates, is as follows:

	<i>Less than</i>	<i>One month</i>	<i>2000</i>	<i>Not exposed</i>	<i>Total</i>
	<i>one month</i>	<i>To one year</i>	<i>Over</i>	<i>to Interest/</i>	
			<i>one year</i>	<i>mark-up</i>	
				<i>rate risk</i>	
FINANCIAL ASSETS					
Long term investments	--	--	1,108,680	--	1,108,680
Net investment in lease finance	3,700,741	40,410,206	57,286,306	20,097,817	121,495,070
Long term loans and deposits	--	144,251	--	401,400	545,651
Cash and bank balances	2,805,208	--	--	74,570	2,879,778
	6,505,949	40,554,457	58,394,986	20,573,787	126,029,179

FINANCIAL LIABILITIES

Long term deposits	--	--	--	20,097,817	20,097,817	
Liability against assets subject to	38,188	460,363	693,151	--	1,191,702	
Other liabilities	--	--	--	--	--	
	-----	-----	-----	-----	-----	
	38,188	460,363	693,151	20,097,817	21,289,519	
	=====	=====	=====	=====	=====	
Net financial ass	Rupees	6,467,761	40,094,094	57,701,835	475,970	104,739,660
		=====	=====	=====	=====	=====

			1999		
	<i>Less than</i>	<i>One month</i>	<i>Over</i>	<i>Not exposed</i>	<i>Total</i>
	<i>one month</i>	<i>To one year</i>	<i>one year</i>	<i>to Interest/ mark-up rate risk</i>	

FINANCIAL ASSETS

Long term investments	--	--	1,108,680	--	1,108,680
Net investment in lease finance	3,019,244	37,218,663	58,789,741	14,840,088	113,867,736
Long term loans and deposits	--	283,743	--	335,900	619,643
Cash and bank balances	943,540	--	--	90,000	1,033,540
	-----	-----	-----	-----	-----
	3,962,784	37,502,406	59,898,421	15,265,988	116,629,599
	=====	=====	=====	=====	=====

FINANCIAL LIABILITIES

Long term deposits	--	--	--	14,840,088	14,840,088	
Liability against assets subject to	20,576	247,982	572,951	--	841,509	
Other liabilities	--	--	--	974,759	974,759	
	-----	-----	-----	-----	-----	
	20,576	247,982	572,951	15,814,847	16,656,356	
	=====	=====	=====	=====	=====	
Net financial ass	Rupees	3,942,208	37,254,424	59,325,470	(548,859)	99,973,243
		=====	=====	=====	=====	=====

The effective interest rate for each of the monetary financial instrument is as follows:

	2000	1999
	<i>Effective interest/mark-up rate</i>	
	<i>(%)</i>	
Assets		
Net investment in lease finance	22.20	22.35
Long term investments	15.00	15.00
Cash and bank balance	9.50-10.50	12.00
Liability		
Liability against assets subject to finance lease	17.90-22.50	22.50

22. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

These comprise of the following:

Lease Transactions**Pak Denim Limited**

Net investment outstanding 30 June	279,305	951,448
	-----	-----
Lease income received during the year	136,528	273,955
	-----	-----

Cox & Kings (Agents) Limited

Net Investment outstanding 30 June	58,818	159,732
	-----	-----
Lease income received during the year	24,974	44,859
	-----	-----

Sale of vehicle

Unibro Industries Limited

Vehicle sold	345,000	--
	-----	-----
Office Rent		
Unibro House		
Office rent for the year	540,000	540,000
	-----	-----

23. GENERAL

23.1 Amounts are rounded off to the nearest rupee.

23.2 Previous year's figures have been rearranged, wherever necessary, to facilitate comparison.

Ather Syed
Chief Executive

Sohail Inam Ellahi
Chairman

Fawad S. Malik
Vice Chairman

Pattern of Shareholding
as at June 30, 2000

<i>No. of Share Holders</i>	<i>Having Shares</i>		<i>Shares Held</i>	<i>Percentage %</i>
	<i>From</i>	<i>To</i>		
1	1	100	100	0.0010
25	101	500	12500	0.1250
7	501	1000	7000	0.0700
1	1001	5000	2000	0.0200
7	5001	10000	70000	0.7000
8	15001	20000	141925	1.4192
2	20001	25000	43575	0.4357
2	25001	30000	60000	0.6000
22	35001	40000	876000	8.7600
1	40001	45000	43000	0.4300
2	45001	50000	96500	0.9650
3	50001	55000	163000	1.6300
1	65001	70000	67200	0.6720
3	95001	100000	295575	2.9557
1	100001	105000	102500	1.0250
1	110001	115000	115000	1.1500
2	195001	200000	400000	4.0000
1	245001	250000	247500	2.4750
1	250001	255000	255000	2.5500
1	265001	270000	268350	2.6835
1	330001	335000	331175	3.3117
1	345001	350000	346000	3.4600
1	350001	355000	354000	3.5400
1	360001	365000	361000	3.6100
1	470001	475000	470350	4.7035
4	495001	500000	2000000	20.0000
1	515001	520000	519000	5.1900
1	2350001	2355000	2351750	23.5175
-----			-----	-----
103			10,000,000	100.00
=====			=====	=====

CATEGORIES OF SHAREHOLDERS
AS at June 30, 2000

<i>Particulars</i>	<i>Shareholders</i>	<i>Shareholding</i>	<i>Percentage (%)</i>
Individuals	95	5,967,300	59.6730
Joint-Stock Companies	7	1,680,950	16.8095
Foreign Companies	1	2,351,750	23.5175
	-----	-----	-----

Company Total	103	10,000,000	100.0000
	=====	=====	=====