

## English Leasing Limited

### Annual Report 2000

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#### COMPANY INFORMATION

##### BOARD OF DIRECTORS

SHEIKH JAVAID MAHMOOD	CHAIRMAN
SHEIKH MANZOOR ELAHI	CHIEF EXECUTIVE
SHEIKH IRSHAD AHMAD	DIRECTOR MARKETING
MRS. FARZANA MUNAFF	NOMINEE OF NIT
MR. SHAHID MAHMOOD	NOMINEE OF ICP
MR. M. SAAD MANIAR	DIRECTOR
MRS. TASKEEN JAVAID	DIRECTOR

##### BANKERS

ALLIED BANK OF PAKISTAN LIMITED  
FAYSAL BANK LIMITED  
MUSLIM COMMERCIAL BANK LIMITED  
PRUDENTIAL COMMERCIAL BANK LIMITED

##### COMPANY SECRETARY

MR. AZHAR HUSSAIN

##### AUDITORS

RAHIM IQBAL RAFIQ & CO.  
CHARTERED ACCOUNTANTS, KARACHI.

##### LEGAL ADVISORS

MR. HAQ NAWAZ CHATTA  
INTERNATIONAL LEGAL SERVICES

##### REGISTERED & SHARE TRANSFER OFFICE

C & K MANAGEMENT ASSOCIATES (PVT.) LIMITED  
404, TRADE TOWER, ABDULLAH HAROON ROAD,  
NEAR METROPOLE HOTEL, KARACHI

##### REGISTERED OFFICE

801, 8TH FLOOR, FORTUNE CENTRE  
45-A, BLOCK-6, P.E.C.H.S.,  
SHAHRAH-E-FAISAL, KARACHI.  
TEL: 92 21 4529061-64 (4 LINES)  
FAX: 92 21 4529065

##### PRINCIPLE OFFICE

M.K. ARCADE  
32- DAVIS ROAD, LAHORE.  
TEL: 6303855- 58  
FAX: 92 42 6304251  
email: englease@hotmail.com

#### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Ninth Annual General Meeting of the shareholders of English Leasing Limited will be held at its Registered Office 801,8th Floor Fortune Centre, Shahrah-e-Faisal, Karachi on Saturday, December 30, 2000 at 10.30 a.m. to transact the following business.

1. To Confirm the minutes of 8th Annual General Meeting held on December 21, 1999.
2. To receive, consider & adopt the Audited Accounts of the Company for the year ended June 30, 2000 together with the Director's and Auditor's Report thereon.

3. To approve Cash dividend of Rs. 1.25 per share (12.5%) for the year ended June 30, 2000 as recommended by the Board of Directors.
4. To appoint Auditors for the year 2000-2001 and fix their remuneration. The present Auditors M/s. Rahim Iqbal Rafiq & Co. Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
5. To transact any other business which may be placed before the meeting with the permission of the Chair.

**By Order of the Board**  
**(Azhar Hussain)**  
**Company Secretary**

Karachi: November 30, 2000

**Notes:**

1. The Share Transfer Books of the Company will remain closed from December 23, 2000 to December 30, 2000 (both days inclusive).
2. A member entitled to attend and vote at this meeting is entitled to appoint another member as his/her proxy, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time for holding the meeting.
3. Filling of Declaration For Exemption of Zakat, members are requested to file their declaration under the Zakat & Ushr Ordinance, 1980 on Non Judicial Stam Paper of Rs. 50/- for exemption of Zakat to the Registrar, C & K Management Associates (Pvt.) Limited, 4th Floor Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi.
4. Members are required to notify the change of address, if any immediately.
5. As per Rules no gift to be given to the shareholders.

**DIRECTORS' REPORT**

Availing this opportunity, on behalf of the board, I feel pleased to place before you Annual Accounts of the Company for the period ended June 30, 2000.

**FINANCIAL RESULTS:**

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

	<i>(Rupees)</i>
Profit Before Taxation	17,041,251
<b>TAXATION</b>	
Current Year	(771,215)
Previous Year	(106,413)
Net profit after Taxation	16,163,623
Unappropriated profit brought forward	1,681,783
Profit available for appropriation	17,845,406
<b>APPROPRIATIONS:</b>	
Transferred to Statutory Reserve	(3,232,725)
Transferred to Contingencies Reserve	(809,119)
Transferred to Capital Reserve for deferred taxation	(1,428,994)
Proposed Cash Dividend (12.5%)	(10,000,000)
Unappropriated Profit carried forward	2,374,568
Earning per share	2.02

**OPERATIONAL ACTIVITIES:**

Despite tall claims of improvement in country's economy and achievements in collection of highest ever revenue through Tax Amnesty Scheme and successful launching of campaign for documentation of economy, overall activity in the business as well as industrial sectors remained slow and both the sectors could not perform as envisaged. Although important sectors like Textile and Agriculture did exceptionally well, yet private sector investment continued to be shy and foreign exchange reserves have dwindled precariously with no respite inspite of significant devaluation of the currency, inflation rate has escalated and unemployment surged further adding to the frustration of the common man, business and industrial circles alike making the environment all the more gloomy and difficult for the leasing industry, already confronted with funding and investment constraints in atmosphere of tough competition with shrinking spreads and mounting over dues effecting profitability of the companies.

However, withstanding all the constraints, our company has been able to maintain its normal growth. During the period, the company made gross disbursements of Rs.101.656 million touching almost the previous year level of Rs.102.832 million raising total gross disbursement to Rs.780.253 million. Net investment in leases increased to Rs. 313.158 million from Rs.272.703 million of 1999, showing a rise of 14.83%. Company generated revenue of Rs.49.330 million which is marginally lower than the previous year figure of Rs.51.173 million, whereas on account of reduced financial and bank charges pre-tax profit of the company improved from Rs.16.069 million to Rs.17.462 million reflecting increase of 8.6%. Our company mobilized

long term funds aggregating Rs.75.00 million, during the period. The company continued its policy of accommodation to small and medium enterprises with good credibility and sound financial health. The management has maintained well diversified lease portfolio with highest exposure in machinery as follows:

Machinery	87%
Vehicle	9%
Equipment	4%

Sector-Wise Lease Portfolio reads:

Textile processing, weaving & spinning 33%, Knitting 10%, Dyeing & Printing 2%, Engineering 1 6%, Sugar 7% Synthetic & Fibre 3%, Electronics 6%, Services 2%, Pharmaceutical 7%, Food and Allied 2% others 12%.

Due to sluggish economic environment, uncertainty in the stock market still persists. However, market value of our long term investment, which was Rs. 5.604 million in 1999 has improved to Rs. 7.864 million in the year under review. In view of the improvement and company's intention to hold these investments on long term basis, no provision has been made for the diminution. Our company has already provided Rs. 4.173 million against short term investment, market value of which is 0.700 million against book value of Rs. 0.386 million.

#### RECOVERIES:

In the present adverse operating environment, our company has been able to restrict the infected portfolio with effective risk management, securing of collateral in every case and close monitoring. However, due to low business activity and uncertainty in the industrial and business sectors, recovery ratio could not improve form 70% of the year 1999. Different measures taken by the government and assurances to restore confidence of the public shall bring fruits, cash flows as well as business activity will gain momentum and bring improvement in the recoveries.

#### EARNING PER SHARE:

After tax earning per share for the FY 2000 improved to Rs. 2.02 against Rs. 1.82 in 1999.

#### DEFERRED TAXATION:

To meet the requirements of the SECP for creating capital reserve for deferred tax liability, sum of Rs. 1.429 million has been transferred to capital reserve for deferred tax raising the capital reserve for deferred tax to Rs. 15.429 million against total estimated liability of Rs. 29.139 million. Unprovided deferred tax amounting to Rs. 13.710 million shall be appropriated to capital reserve in annual installments by June 30, 2003.

#### CREDIT RATING:

DCR-VIS Credit Rating Co. (Pvt) Limited has maintained the previous long term credit rating of our company as BBB- (Triple B minus) and short term rating of D-3 (D Three) for the year 2000.

#### FUTURE OUTLOOK:

Future planning, its implementation and outcome of the policies primarily depends upon the direction of the economy Present environment and industrial activity in the country continue to be slow with no sign of early turn around. According to State Bank annual review against industrial target of 5.8% of GDP actual achievement remained at 1.1%. Investment climate with the revival of textile sector and encouraging reports being received from the Agriculture Sector especially cotton and rice crops, overall economic conditions in the country shall improve. creating better investment and business climate. With government determined effort and various steps like documentation of economy, reduced lending rates, rescheduling of external debts, increased exports and other facilities for the business community and the consumers, there may be all round improvement in the economy. However, at the moment leasing sector is facing adverse conditions and serious challenges. Our company is fully alive to the challenges and shall meet the situation.

#### ACKNOWLEDGMENT:

Finally, I express my gratitude to my colleagues for their cooperation in conducting affairs of the company. I also acknowledge SECP, SBP, Banks and other Financial Institutions for their guidance and support. I thank the customers and shareholders of the company for the confidence and trust reposed by them in us. Last of all I place my appreciations on record for the commitment and hard work put in by the members of the staff for the progress of the company.

**For and on behalf of the Board**

Karachi  
Dated: 22nd November, 2000

**(SHEIKH JAVAID MAHMOOD)**  
**Chairman**

#### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **ENGLISH LEASING LIMITED** as at June 30, 2000, and the related profit & 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 purpose 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 standard and 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 misstatements. An audit included 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 during the year was for the purpose of the company's business; and

(iii) the business conducted, investment made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980. (XVII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under Section of the Ordinance.

Without qualifying our opinion, we draw attention to the note 15.2 whereby long term Investments are valued at cost and no provision has been made for the decline by Rs. 11.447 million in the market value of these investments.

Karachi:  
Dated: 22nd November, 2000

**RAHIM IQBAL RAFIQ & COMPANY**  
Chartered Accountants.

## BALANCE SHEET AS AT JUNE 30, 2000

	NOTE	2000 RUPEES	1999 RUPEES
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised Share Capital 50,000,000 Ordinary shares of Rs.10 each		500,000,000	500,000,000
Issued, Subscribed and Paid-up Share Capital 8,000,000 Ordinary shares of Rs.10 each fully paid in cash		80,000,000	80,000,000
<b>Reserves</b>			
Capital reserves	3	39,608,744	34,947,025
Revenue reserves	4	14,683,737	13,874,618
Unappropriated profit		2,374,568	1,681,783
		56,667,049	50,503,426
		136,667,049	130,503,426
<b>NON-CURRENT LIABILITIES</b>			
Long Term Loans	5	96,464,661	58,856,013
Obligations under Finance Lease	6	2,562,630	2,171,243
Long Term Deposits	7	39,007,484	34,087,151
Long Term Certificates of Investment	8	8,790,680	10,055,447
<b>DEFERRED LIABILITIES</b>			
Gratuity		615,472	435,784
		147,440,927	105,605,638
<b>CURRENT LIABILITIES</b>			
Current portion of obligations under finance lease		1,480,224	719,660
Current maturity of long term loans		42,752,851	32,926,496
Shod term finances	9	45,000,000	42,499,707
Shod Term Certificates of Investment		2,280,700	5,100,000
Accrued and other liabilities	10	13,978,410	6,485,393
Taxation		--	--
Dividend payable	11	10,479,275	10,504,088

		115,971,460	98,235,344
<b>CONTINGENCIES AND COMMITMENTS</b>	12	--	--
		400,079,436	334,344,408
		=====	=====

The annexed notes form an integral part of these accounts.

**Chief Executive**

**Chairman**

**ASSETS**

**NON-CURRENT ASSETS**

Tangible Fixed Assets	13	9,016,484	8,398,526
Net Investment In Finance Leases	14	229,567,686	133,566,358
Long Term Investments	15	19,310,875	19,310,875
Long Term Deposits	16	751,083	822,155
		-----	-----
		258,646,128	162,097,914

**CURRENT ASSETS**

Current Portion of Net Investment in Leases		79,619,095	135,164,555
Shod Term Investments	17	386,285	386,285
Shod Term Finances	18	43,000,000	31,000,000
Advances, Prepayments and other receivables	19	7,756,807	2,898,506
Cash and Bank balances	20	10,671,121	2,797,148
		-----	-----
		141,433,308	172,246,494
		-----	-----
		400,079,436	334,344,408
		=====	=====

**Chief Executive**

**Chairman**

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

	<i>NOTE</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
<b>REVENUE</b>			
Income from lease operations	21	47,000,765	47,167,456
Gain on sale of securities		--	567,106
Other income	22	2,329,278	3,438,657
		-----	-----
		49,330,043	51,173,219
<b>EXPENDITURE</b>			
Financial and bank charges	23	18,402,566	23,328,566
Administrative and operating expenses	24	13,886,226	11,775,904
		-----	-----
		32,288,792	35,104,470
<b>PROFIT BEFORE TAXATION</b>			
<b>TAXATION</b>			
Current	25	771,215	578,667
Prior		106,413	901,340
		-----	-----
		877,628	1,480,007
<b>PROFIT AFTER TAXATION</b>			
		16,163,623	14,588,742
<b>UNAPPROPRIATED PROFIT BROUGHT FORWARD</b>			
		1,681,783	905,147
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>			
		17,845,406	15,493,889
<b>APPROPRIATIONS</b>			
Transfer from general reserve		--	14,000,000
Transfer to statutory reserve		(3,232,725)	(2,917,748)
Transfer to contingencies reserve		(809,119)	(894,358)
Transfer to capital reserve-reserve for deferred tax		(1,428,994)	(14,000,000)
Proposed dividend		(10,000,000)	(10,000,000)
		-----	-----
		15,470,838	(13,812,106)
<b>UNAPPROPRIATED PROFIT CARRIED FORWARD</b>			
		2,374,568	1,681,783

Earning per share	2.02	1.82
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The annexed notes form an integral part of these accounts.

**Chief Executive**

**Chairman**

### STATEMENT OF CHANGES IN EQUITY AND RESERVES FOR THE YEAR ENDED JUNE 30, 2000

	<i>Issued, subscribed &amp; paid up capital Rupees</i>	<i>Statutory Reserves Rupees</i>	<i>General Reserves Rupees</i>	<i>Contingency Reserves Rupees</i>	<i>Reserve for deferred tax liability Rupees</i>	<i>Unappropriated profit Rupees</i>	<i>Total 2000 Rupees</i>	<i>Total 1999 Rupees</i>
Balance as at July 01	80,000,000	20,947,025	8,500,000	5,374,618	14,000,000	1,681,783	130,503,426	125,914,684
Movement during the year								
Net Profit for the year						16,163,623	16,163,623	14,588,742
<b>Add: Transfer from P &amp; L a/c to</b>								
Statutory reserves		3,232,725					3,232,725	2,917,748
General reserve								
Contingency reserve				809,119			809,119	894,358
							20,205,467	18,400,848
<b>Less: Transfer to</b>								
Statutory reserves						(3,232,725)	(3,232,725)	(2,917,748)
General reserve						(809,119)	(809,119)	(894,358)
Contingency reserve								
Reserve for deferred tax liability					1,428,994	(1,428,994)	--	--
Proposed Dividends						(10,000,000)	(10,000,000)	(10,000,000)
							(14,041,844)	(13,812,106)
Balance as at June 30	80,000,000	24,179,750	8,500,000	6,183,737	15,428,994	2,374,568	136,667,049	130,503,426

**Chief Executive**

**Chairman**

### STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE, 2000

	<i>2000 Rupees</i>	<i>1999 Rupees</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	17,041,251	16,068,749
Add: Adjustment to reconcile profit to net cash provided by operating activities		
Depreciation	1,534,179	1,380,436
Provision for gratuity	179,688	175,793
	1,713,867	1,556,229
Operating profit before working capital changes	18,755,118	17,624,978
Decrease/(Increase) in current assets	(16,858,301)	(28,907,245)
(Decrease)/Increase in current liabilities	7,174,010	37,839,642
	(9,684,291)	8,932,397
Net cash from operating activities before income tax	9,070,827	26,557,375
Income tax paid	(877,628)	(1,588,262)
Net cash inflow/(outflow) from operating activities	8,193,199	24,969,113
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investment in leases - net	(40,455,868)	(30,848,353)
Long term investment	--	(1,000,000)
Capital Expenditure	(2,152,137)	(1,109,289)
Net cash from investing activities	(42,608,005)	(32,957,642)

**CASH FLOW FROM FINANCING ACTIVITIES**

Long term loans	43,952,627	7,473,891
Proceeds from lease obligations	1,151,951	(600,655)
Certificates of Investment	(1,264,767)	(2,226,897)
Deposits from lessees	8,402,709	9,486,575
Long term deposits and deferred cost	71,072	(245,000)
Payment of dividend	(10,024,813)	(15,751,425)
	-----	-----
Net cash (used)/generated from financing activities	42,288,779	(1,863,511)
Net increase / (decrease) in cash	7,873,973	(9,852,040)
Cash and bank balances at beginning of the year	2,797,148	12,649,188
	-----	-----
Cash and bank balances at the end of the year	10,671,121	2,797,148
	=====	=====

**NOTES TO THE ACCOUNTS****for the year ended June 30, 2000****1. THE COMPANY AND IT'S ACTIVITIES**

English Leasing Limited is a Public Limited Company incorporated in Pakistan and its shares are quoted on the Stock Exchanges of Pakistan. The Company is mainly engaged in business of Leasing.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES****2.1 Accounting convention**

These accounts have been prepared under the historical cost convention.

**2.2 Employees' provident fund & gratuity**

The Company is maintaining recognized provident fund covering all its permanent employees and working directors. Equal monthly contributions are made both by the company and employees @ 10% of the basic salaries to the fund.

The company operates an unfunded gratuity covering all its employees. Provision is made annually to cover the liability under the scheme.

**2.3 Tangible operating fixed assets and depreciation****Owned**

Tangible operating fixed assets are stated at cost less accumulated depreciation. Cost of these assets consists of historical cost and directly attributable cost of bringing the assets to working conditions.

Depreciation is charged to income applying the reducing balance method to write off the cost over their expected remaining useful life.

Full year's depreciation is charged on addition, while no depreciation is charged on deletion during the year.

Repairs and maintenance costs are expensed out as and when incurred, however, major betterment's are capitalized.

Gains and losses on disposal of assets, if any, are included in income currently.

**Leased**

These are stated at lower of present value of minimum lease payments under the lease agreements and fair value of assets acquired on lease. The related obligation under the lease agreements are accounted for as liabilities. Depreciation is charged on basis and rates similar to those applied for owned assets.

**2.4 Investments**

Long term investments are stated at cost, provision for diminution in value of investment is made, if considered permanent.

Short term investments are stated at lower of cost and market value.

**2.5 Taxation**

The charge for the current taxation is based on taxable income at the current tax rates after taking into account the tax credits and rebates available, if any. Deferred tax is accounted for by using the liability method on all major timing differences excluding tax effects on those timing differences which are not likely to reverse in the foreseeable future.

As a matter of prudence, deferred tax debits are not accounted for.

**2.6 Revenue Recognition**

The company follows the "Finance Method" to recognize the income on lease i.e., the excess of aggregate lease rentals and the residual value over the cost of leased assets is deferred

and the amortized to income over the lease term by applying the annuity method to produce a constant rate of return on the net investment in the lease.

income on bank accounts, loans and advances is recognized on a time proportion basis taking into account the principal/net investment outstanding and applicable rate of mark/up/profit thereon.

Income from fees, commission, commitment charges, term deposits and investment etc.: is recognized as and when received.

### 2.7 Provision for Doubtful Debts

Provision for doubtful debts is made/adjusted at the year end after review of out standing lease and advances portfolio on the basis of State Bank of Pakistan prudential regulations as applies to leasing companies.

### 2.8 Foreign currency transactions

Transactions in foreign currencies are accounted for in Rupees at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rate of exchange ruling at the balance sheet date except where exchange risk cover has been obtained.

Foreign currency loans registered under the exchange risk coverage scheme of The State Bank of Pakistan are translated into Pak Rupees at the rate prevailing on the dates of disbursements. Exchange risk fee, exchange gains and losses are charged to the year's income.

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
<b>3. CAPITAL RESERVES</b>			
<b>Statutory reserve</b>			
Opening balance		20,947,025	18,029,277
Add Appropriated from profit		3,232,725	2,917,748
		-----	-----
		24,179,750	20,947,025
<b>Reserve for deferred tax liability</b>			
Opening balance		14,000,000	--
Add for the year		1,428,994	14,000,000
		-----	-----
	25	15,428,994	14,000,000
		=====	=====
		39,608,744	34,947,025
		=====	=====

3.1 Statutory reserve has been created in pursuance of NBFI's regulations, whereby every NBFI is required to create reserve fund with an amount not less than 20% of its after tax profit till such time the reserve equals the amount of paid up capital, thereafter, 5% of Profit after Tax will be credited to this reserve. This reserve is not considered as free reserve for distribution of dividend.

### 4. REVENUE RESERVES

General Reserve	4.1	8,500,000	8,500,000
Contingency Reserve	4.2	6,183,737	5,374,618
		-----	-----
		14,683,737	13,874,618
		=====	=====

#### 4.1 General Reserve

Balance at the beginning of the year		8,500,000	22,500,000
Transfer to profit and loss account		--	(14,000,000)
		-----	-----
		8,500,000	8,500,000
		=====	=====

#### 4.2 Contingencies Reserve

Balance at the beginning of the year		5,374,618	4,480,260
Transfer from profit during the year		809,119	894,358
		-----	-----
		6,183,737	5,374,618
		=====	=====

4.3 Contingency reserve has been created to meet any potential lease losses on lease portfolio that can be reasonably anticipated.

### 5. LONG TERM LOANS

#### In foreign currency

Asian Development Bank	5.2	40,169,730	40,169,730
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#### In local currency



Muslim Commercial Bank Ltd	5.3	3,502,708	5,722,320
Al Faysal investment Bank Ltd	5.4	18,333,334	--
Pakistan Emerging Ventures Ltd	5.5	20,000,000	--
First Allied Bank Modaraba		--	15,000,000
Allied Bank of Pakistan Limited	5.6	5,454,544	12,727,272
Faysal Bank Limited	5.7	15,000,000	--
Pak Libya Holding Co. (Pvt) Ltd	5.8	26,324,305	11,212,672
		-----	-----
		88,614,891	44,662,264
		-----	-----
		128,784,621	84,831,994
Less: Current maturity		(32,319,960)	(25,975,981)
		-----	-----
		96,464,661	58,856,013
		=====	=====

5.1 All the local currency loans have been obtained for financing lease operations of the company and are secured by pari passu floating charge on the present and future leased assets, hypothecation of movable assets, demand promissory notes and personal guarantees of the directors. Muslim Commercial Bank Limited loan is further secured by assignment of lease agreements/rentals.

5.2 This represents loan facility of US \$873,255 obtained from Asian Development Bank (ADB) for financing lease operations. This loan is secured by way of floating and hypothecation charges on all the company's assets (present and future) including assets leased by the company. The loan is repayable in 15 years with three years grace period on annual installment basis which will commence from October 1, 2000. 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 6.38% and 7% per annum respectively. Mark up is repayable in semi annual installments commencing from March 15, 1999.

5.3 Muslim Commercial Bank Ltd. loan carries mark-up rate of 17.52% p.a. on reducing balances and is repayable in eight equal half yearly installments commencing from September 1, 1997 while mark-up is payable quarterly.

5.4 Loan from Al-Faysal Investment Bank Ltd carries mark-up rate 17.50% p.a. on reducing balance and is repayable in twelve equal quarterly installments commencing from June 27, 2000. Mark-up is repayable on quarterly basis.

5.5 Company has availed Rs. 30.000 million on 9 August, 1999 bearing mark-up rate of 18.50% p.a. on reducing balance. Effective 27 April, 2000 this loan has been revised to Rs. 20.00 million bearing mark-up rate of 17.50%, after payment of Rs.10.00 million towards the principal amount of loan and the mark up accrued thereon.

5.6 Loan from Allied Bank of Pakistan Ltd., carries mark-up @ 17% p.a. on reducing balance, the principal and mark-up is repayable in fourteen installments commencing from September 30, 1998 on quarterly basis.

5.7 Faysal Bank limited loan of Rs.15.00 million carries mark-up rate of 16.50% p.a. on reducing balance. This loan is repayable in eight quarterly equal principal plus mark-up installments commencing from September 30, 2000.

5.8 These represent loan from Pak Libya Holding Co. (Pvt) Limited. It carries mark-up rate of 19.25% and 21% per annum on reducing balance and is repayable in eight equal quarterly installments commencing from September 30, 2000 and thirty six equal monthly installments commencing from January 08, 1999 respectively.

## 6. OBLIGATIONS SUBJECT TO FINANCE LEASE

Balance of obligations under finance lease	4,042,854	2,890,903
Less: Current portion	(1,480,224)	(719,660)
	-----	-----
	2,562,630	2,171,243
	=====	=====

The obligations under finance lease are reported at aggregate of minimum lease payments, implicitly discounted by using the respective rates,

### Annual Rental Obligations

Year ended June 30,		
2000	--	1,053,480
2001	1,480,224	883,044
2002	1,468,399	883,044
2003	1,326,564	547,038
2004	736,316	--
2005	398,120	--
	-----	-----
	5,409,623	3,366,606
Less Interest applicable to the future period	(1,366,769)	(475,703)
	-----	-----

	4,042,854	2,890,903
	=====	=====

**7. LONG TERM DEPOSITS**

Security deposit on leases	49,440,375	41,037,666
Less: Current portion	(10,432,891)	(6,950,515)
	-----	-----
	39,007,484	34,087,151
	=====	=====

These represent interest free security deposits (Lease key money) received on lease contracts and are repayable/adjustable at the expiry of respective lease periods.

**8. CERTIFICATES OF INVESTMENTS**

Rapid Growth	3,207,532	3,442,489
Preference Investment	4,073,148	4,102,958
Shashmahi Amdan	1,500,000	10,000
Mahana Amdan	10,000	2,500,000
	-----	-----
	8,790,680	10,055,447
	=====	=====

The company has a scheme of Registered Certificates of Investment (COI's) according to the permission granted by the Securities and Exchange Commission of Pakistan, Government of Pakistan for raising funds directly from the local resources. These certificates have been issued for maturity period ranging from three months to five years. The return on COI's is payable on uniform basis ranging from 15% to 19.50% per annum.

**9. SHORT TERM FINANCES**

Secured		--	7,499,707
Un-Secured	9.1	45,000,000	35,000,000
		-----	-----
		45,000,000	42,499,707
		=====	=====

9.1 These short term finances have been obtained from banking companies and financial institutions. Rate of mark up ranges from 18% to 20.75%.

**10. ACCRUED AND OTHER LIABILITIES**

Accrued mark-up on loans	4,117,339	1,046,660
Profit payable on COI's	3,607,315	3,084,737
Advance lease rentals	36,760	36,760
Exchange risk cushion	5,152,204	--
Accrued expenses	594,305	1,250,784
Provident fund	93,493	74,485
Other liabilities	376,994	991,967
	-----	-----
	13,978,410	6,485,393
	=====	=====

**11. DIVIDEND PAYABLE**

Unclaimed dividend	479,275	504,088
Proposed dividend	10,000,000	10,000,000
	-----	-----
	10,479,275	10,504,088
	=====	=====

**12. CONTINGENCIES AND COMMITMENTS**

Contingencies		--	--
Commitments	12.1	--	10,303,320
		-----	-----
		--	10,303,320
		=====	=====

12.1 Commitments for leases approved but not disbursed to clients.

**13. TANGIBLE OPERATING FIXED ASSETS**

PARTICULARS	Cost		Depreciation				Rate %	Depreciation for the year	Book value as at June 30, 2000	
	As on July 01, 1999	As on June 30, 2000	As on July 01, 1999	Addition/ (Deletion) Adjustment	As at June 30, 2000	Depreciable Value				
<b>Assets Owned</b>										
Building	2,794,681	--	2,794,681	398,591	--	398,591	2,396,090	5	119,805	2,276,285
Furniture & Fixture	1,050,831	27,500	1,078,331	546,636	--	546,636	531,695	10	53,170	478,525
Vehicles	3,740,040	--	2,381,715	1,924,331	--	1,016,042	1,365,673	20	273,135	1,092,538
		(1,358,325)			(908,289)					

Office Equipment	1,236,555	311,250	1,547,805	513,272	--	513,272	1,034,533	10	103,453	931,080
Air Conditioners	685,160	--	685,160	337,564	--	337,564	347,596	10	34,760	312,836
Electric Installations	217,024	--	217,024	102,600	--	102,600	114,424	10	11,442	102,982
Lease hold Improvements	603,184	--	603,184	489,336	--	489,336	113,848	20	22.77	91,078
Electrical Equipment	121,950	53,423	175,373	38,204	--	38,204	137,169	10	13,717	123,452
	10,449,425	(966,152)	9,483,273	4,350,534	(908,289)	3,442,245	6,041,028		632,252	5,408,776
Leased Vehicles	3,839,725	2,210,000	6,049,725	1,540,090	--	1,540,090	4,509,635	20	901,927	3,607,708
Rupees - 2000	14,289,150	1,243,848	15,532,998	5,890,624	(908,289)	4,982,335	10,550,663		1,534,179	9,016,484
Rupees- 1999	13,724,096	565,054	14,289,150	5,054,423	(544,235)	4,510,188	9,778,962		1,380,436	8,398,526

### 13.1 Disposal of Vehicles

Description	Cost Rs.	Accumulated Depreciation	Book Value Rs.	Sale Proceeds	Profit/(Loss) on Disposal	Mode of Disposal	Sold To
Toyota Corolla	687,625	484,836	202,789	202,789	--	Company policy	Company Employee
Honda Civic	670,700	423,453	247,247	247,247	--	Company policy	Company Employee
Total - 2000	1,358,325	908,289	450,036	450,036	--		
Total - 1999	842,236	544,235	298,001	444,535	146,534		

#### Note

2000  
Rupees

1999  
Rupee

### 14. NET INVESTMENT IN LEASES

Minimum lease payments receivables	327,819,543	298,137,440
Add: Residual value of leased assets	54,604,165	45,529,824
Lease: contract receivables	382,423,708	343,667,264
Less: Unearned finance income	69,264,882	70,964,306
Net investment in leases	313,158,826	272,702,958
Less: - Current portion	79,619,095	135,164,555
- Provision for doubtful debts	14.1	3,972,045
	83,591,140	139,136,600
	229,567,686	133,566,358

### 15. LONG TERM INVESTMENTS

Quoted:

Dewan Salman Fibers Ltd. (153,060 Ordinary shares of Rs. 10/-each)	8,845,000	8,845,000
Pakistan Synthetics Ltd. (125,000 Ordinary shares of Rs. 10/- each)	7,865,875	7,865,875
	16,710,875	16,710,875
Federal Investment Bonds	2,600,000	2,600,000
	19,310,875	19,310,875
Aggregate Market Value	7,863,997	5,603,970

15.1 The company's holding does not exceed 10 percent of equity of any investee company.

15.2 No provision has been made for diminution in value as it is considered temporary in the context of the company's intentions to hold these investments on long term basis.

### 16. LONG TERM DEPOSITS

Security deposits for

Leased assets	312,900	383,972
Rented premises	172,500	172,500
Others	265,683	265,683
	751,083	822,155

**17. SHORT TERM INVESTMENTS**

Quoted:

Fidelity Investment Bank Ltd. (57,500 Ordinary shares of Rs. 10/-each)	2,871,500	2,871,500
The Bank of Punjab (36,179) Ordinary shares of Rs. 10/- each)	1,688,250	1,688,250
	-----	-----
	4,559,750	4,559,750
Less: Diminution in value of investments		
- Opening balance	4,173,465	4,173,465
- Provided during the year	--	--
	-----	-----
	4,173,465	4,173,465
	-----	-----
	386,285	386,285
	=====	=====
Aggregate Market Value	700,327	600,122
	=====	=====

17.1 The company's holding does not exceeds 10 percent of equity of any investee company.

**18. SHORT TERM FINANCE**

Secured - considered good	--	1,000,000
Un secured - considered good	43,000,000	30,000,000
	-----	-----
	43,000,000	31,000,000
	=====	=====

18.1 These represents shod term finance facilities provided in the normal course of business.

Rate of mark-up ranges from 19.50% to 21.50%

**19. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES****Advances:**

Employees	303,658	113,400
Income tax	370,562	284,960
Telephone	1,333	4,734
Exchange risk fee	1,276,942	1,166,259
Prepayments	2,111,741	640,999
Profit on bank deposits	--	63,171
Mark up on short term finances	3,273,424	453,549
Other receivables	419,147	171,434
	-----	-----
	7,756,807	2,898,506
	=====	=====

**20. CASH AND BANK BALANCES**

Cash in hand	119,036	294,011
Stamps in hand	19,031	17,850
Cash with banks		
- Current account	9,788,850	1,785,387
- Deposit account	20.1 744,204	699,900
	-----	-----
	10,671,121	2,797,148
	=====	=====

20.1 This includes an interest free deposit kept with State Bank of Pakistan as required under prudential Regulations for Non-Banking Financial Institutions (NBFIs).

**22. INCOME FROM LEASE OPERATIONS**

Lease income	45,612,436	44,934,849
Front end Fees	1,016,581	1,479,816
Documentation & other fees	371,748	752,791
	-----	-----
	47,000,765	47,167,456
	=====	=====

**22. OTHER INCOME**

Income from bank deposits	322,501	773,753
Profit/Mark-up on short term finances	1,844,973	2,518,370
Dividend income	161,804	--
Miscellaneous income	--	146,534
	-----	-----
	2,329,278	3,438,657
	=====	=====

**23. FINANCIAL AND BANK CHARGES**

Mark-up on long/short term finance	15,930,105	19,772,676
------------------------------------	------------	------------

Bank charges		110,043	51,463
Loan processing fee		481,648	46,027
Financial charges on lease liability		486,563	571,000
Mark-up on COIs		1,394,207	2,853,595
Mark-up on provident fund		--	33,805
		-----	-----
		18,402,566	23,328,566
		=====	=====

**24. ADMINISTRATIVE & OPERATING EXPENSES**

Directors' remuneration		3,285,351	2,583,232
Staff salaries and other benefits	24.1	3,400,915	2,829,358
Gratuity		196,996	175,793
Legal and professional		431,132	769,634
Registrar's services		203,000	189,812
Rent		720,399	698,000
Traveling and conveyance		242,162	267,264
Postage and Telephone		419,147	455,711
Electricity, Water & Gas		132,607	176,461
Stationery and other supplies		215,720	283,939
Vehicles running		792,390	669,684
Auditors' remuneration	24.2	105,000	105,000
News papers & periodicals		7,651	8,107
Insurance		491,911	548,540
Entertainment		69,117	58,101
Repairs & maintenance		646,334	299,991
Fees & subscriptions		303,437	215,408
Depreciation		1,534,179	1,380,436
Advertisement		19,350	61,433
Bad Debts Written off		669,428	--
		-----	-----
		13,886,226	11,775,904
		=====	=====

24.1 Number of Employees at the end of year 21 (1999:21)

**24.2 Auditors' Remuneration**

Audit fee		50,000	50,000
Tax consultancy		55,000	55,000
		-----	-----
		105,000	105,000
		=====	=====

**25. TAXATION**

<b>25.1 Current year</b>		771,215	578,667
		=====	=====

This represents the minimum tax due under section 80 (d) of the Income Tax Ordinance, 1979.

**25.2 Deferred**

Deferred taxation arising due to timing differences between book and income tax revenue, excluding overdue portion amounting to Rs. 47.876 million against net investment in lease, or charges is estimated at Rs. 29.139 million (1999: Rs. 32.425 million).

As at June 30, 2000, the Company has transferred an amount of Rs. 15.429 million to comply with the SECP's requirement for creating capital reserve for deferred tax. Unprovided deferred tax amounting to Rs. 13.711 million shall be appropriated to capital reserve for deferred tax in annual installments by June 30, 2003.

Prior year		4,715,140	4,715,140
Current year		(3,286,146)	9,284,860
		-----	-----
		1,428,994	14,000,000
		=====	=====

**26. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

	<i>CHIEF EXECUTIVE</i>		<i>DIRECTORS</i>		<i>EXECUTIVES</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Managerial remuneration	511,806	445,050	1,023,612	848,700	463,170	490,372
Bonus	91,252	79,350	182,504	108,000	83,492	70,898
House rent & utilities	345,798	280,286	731,882	632,452	208,426	212,718
Reimbursement of medical expens	36,183	2,852	208,772	100,948	28,876	15,864
Provident fund	51,181	44,508	102,361	60,552	46,317	39,042
	-----	-----	-----	-----	-----	-----
	1,036,220	852,046	2,249,131	1,750,652	830,281	828,894

No. of person	1	1	2	2	3	3
---------------	---	---	---	---	---	---

In addition, the Chief Executive, two Directors and three Executives are provided with free use of company maintained cars, while Chief Executive and Directors are also provided with reimbursement of residential telephone bills.

Directors fee totaling Rs 2,500 (1999: Rs. 2,000/- to two director for attending two Board meetings) was paid to three Directors for attending two Board meetings.

## 27. EARNING PER SHARE - BASIC

	2000		1999	
	Numerator	Denominator	Numerator	Denominator
	Rupees A	Shares B	Rupees A	Shares B
Profit attributed to ordinary share	16,163,623	--	14,588,742	--
Ordinary shares	--	8,000,000	--	8,000,000
	16,163,623	8,000,000	14,588,742	8,000,000
Earnings per share (A/B)	2.02	--	1.82	--

## 28. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 28.1 Credit Risk & Concentration of Credit Risk

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

English Leasing Limited (ELL) 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-Banking Financial Institutions.

### 28.2 Fair Value of Financial Instruments

The estimated fair value of financial instruments are not significantly different from their book values as shown in these financial statements except for long term investment (Note 15).

### 28.3 Exposure to Mark up Rate Risk

The Company's interest rate sensitivity position for interest bearing financial assets and liabilities for the year are summarised as follows:-

	Financial Instruments	Less than one year	Over one year	Effective Interest Mark-up rate %
<b>Financial Assets</b>				
Net investment in lease finance	313,158,826	79,619,095	233,539,731	19.00 - 25.00
Short term finances	31,000,000	43,000,000	--	16.50 - 19.50
	344,158,826	122,619,095	233,539,731	
<b>Financial Liabilities</b>				
Long term loans				
Local Currency	88,614,891	32,319,960	56,294,931	17.00 - 22.00
Foreign Currency	40,169,730	--	40,169,730	- - 6.38
Long term certificates of investme				
	8,790,680	--	8,790,680	15.00 - 19.50
Obligations under finance lease	4,042,854	1,480,224	3,929,399	20.00 - 22.00
Long term deposits (Lease key M	49,440,375	10,432,891	39,007,484	
Short term finance	45,000,000	45,000,000	--	18.00 - 20.00
Short term certificates of investme	2,280,700	2,280,700	--	15.00 - 18.00
	238,339,230	91,513,775	148,192,224	

## 29. GENERAL

29.1 Statement of changes in equity and reserves is annexed hereto.

29.2 Figures have been rearranged wherever necessary for comparison purposes.

29.3 Figures have been rounded off to the nearest rupee.

Chief Executive

Chairman

## PATTERN OF HOLDING OF SHARES AS AT JUNE 30, 2000

<i>No. of Shareholders</i>	<i>Shareholding</i>		<i>Total Shares held</i>
	<i>From</i>	<i>To</i>	
59	1	100	5,900
615	101	500	291,700
171	501	1000	168,500
176	1001	5000	467,900
37	5001	10000	318,600
6	10001	15000	77,000
10	15001	20000	183,800
9	25001	30000	261,100
2	30001	35000	64,100
3	35001	40000	109,500
2	40001	45000	88,500
6	45001	50000	29,500
1	50001	55000	55,000
1	55001	60000	58,500
1	60001	65000	63,700
1	65001	70000	68,000
1	70001	75000	72,400
1	75001	80000	80,000
3	95001	10000	300,000
1	140001	145000	143,500
3	145001	150000	449,900
1	200001	205000	203,500
1	215001	220000	220,000
1	245001	250000	250,000
1	345001	350000	350,000
1	445001	450000	450,000
1	480001	485000	480,500
1	500001	505000	500,100
1	515001	520000	515,800
1	595001	600000	600,000
1	805001	810000	807,000
-----			-----
1119			8,000,000
=====			=====

<i>S. No.</i>	<i>Categories of Shareholders</i>	<i>Numbers of Shareholders</i>	<i>Shares Held</i>	<i>Percentage</i>
1	Individual	1083	5,020,000	62.75
2	Investment Companies	9	552,800	6.91
3	Insurance Companies	2	481,500	6.02
4	Joint Stock Companies	10	31,500	0.39
5	Financial Institutions	13	1,910,200	23.88
6	Modaraba Companies	1	1,000	0.01
7	Others	1	3,000	0.04
		-----	-----	-----
		1119	8,000,000	100.00
		=====	=====	=====