

Security Leasing Corporation Limited

Annual Report 2000

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COMPANY INFORMATION

BOARD OF DIRECTORS

M. R. Khan	Chairman & Chief Executive
Mohammed Khalid Ali	Managing Director & Chief Operating Officer
Arshad Hassan	Nominee of Commonwealth Development Corporation, United Kingdom

Ariff All Rashid
Iskandar Sultan Khwaja
Jared Shakoor
Parvez Hussain Sufi
S. M. Nadim Shafiqullah
Zahid Rashid Khwaja

EXECUTIVE COMMITTEE

M. R. Khan	Chairman & Chief Executive
Mohammed Khalid Ali	Managing Director & Chief Operating Officer
S. M. Nadim Shafiqullah	Director
Zahid Rashid Khwaja	Director

CREDIT COMMITTEE

M. R. Khan	Chairman & Chief Executive
Mohammad Khalid All	Managing Director & Chief Operating Officer
Mohammed Rahmatullah	General Manager - Finance
Ghulam Qadir Khan	Head of Marketing

COMPANY SECRETARY

Mohammed Rahmatullah

AUDITORS

Khalid Majid Husain Rahman
Chartered Accountants

LEGAL ADVISORS

A. K. Brohi & Co.

REGISTERED OFFICE & SHARE TRANSFER OFFICE

B 901-902, 9th Floor, Lakson Square Building No. 3
Sarwar Shaheed Road, Karachi-74200, Pakistan.
Tel: 5672748, 5672779, 5683902 & 5686372 Fax: 5689854

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Seventh Annual General Meeting of the Members of Security Leasing Corporation Limited will be held on Wednesday, October 4, 2000 at 11:00 a.m. at the registered office of the Company situated at B901/902, Lakson Square No. 3, Sarwar Shaheed Road, Karachi-74200, to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Sixth Annual General Meeting of the Company held on December 14, 1999.
2. To receive, consider and adopt the audited accounts for the year ended June 30, 2000 and the reports of the Directors and the auditors thereon.
3. To consider and approve cash dividend @ 11% as recommended by the directors.
4. To appoint auditors and fix their remuneration. The present auditors Messrs. Khalid Majid Husain Rahman, Chartered Accountants retire and being eligible, offer themselves for reappointment.
5. To transact any other business with the permission of the Chair.

By Order of the Board
Mohammed Rahmatullah
Company Secretary

Karachi: August 17, 2000

Notes:

1. A member entitled to attend, speak and vote at these meetings may appoint a proxy to attend, speak, and vote on his/her behalf. A proxy need not be a member.
2. An instrument of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or other authority, 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.
3. The beneficial owners of shares recorded at Central Depository Company of Pakistan Limited (CDCP) are required to bring their National Identity Cards and in case of institutions being the beneficial owner, notarially certified copy of the power of attorney or other authority, together with the proof of identity of such nominee, is required for admittance to the meeting of the members.
4. Members are requested to notify any change in their address.

5. Share transfer books of the Company shall remain closed from September 27 to October 4, 2000, both days inclusive.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED JUNE 30, 2000

The Board of Directors has pleasure in presenting the Annual Report together with the audited financial statements for the year ended June 30, 2000.

Review

Like the preceding year, the year under review was also a difficult one due to continued economic and political uncertainties in the country. As a result, the businesses continued to face adverse cash flows and lower profitability. Barring textile sector, the new investment in other sectors has remained stagnant. Despite various reforms introduced by the government in the fiscal and financial spheres and incentives provided by it to enhance savings and investment, the economy is not showing significant signs of picking up. Although the liquidity situation has improved during the year, the non-availability of the foreign credit lines has had a dampening effect. Despite these difficulties, the directors are pleased to report that your Company has managed to achieve continuous steady growth. During the year, the net investment in leasing rose to Rupees 507.9 million from Rupees 465.6 million. The after tax profits for the year were Rupees 12.6 million which more than doubled compared to the previous year as a result of lower financial cost and measures taken by the management to improve recovery and operating efficiency.

During the year, the operations of the leasing companies were severely affected due to adverse investment climate, cash flow problems being faced by the business sector and increase in the operating costs due to inflation and government levies. The general 'wait and see' policy adopted by the businesses combined with substantial devaluation of the Rupee and lack of tangible outcome of the parleys held by the government with the international lending institutions are factors which are likely to put further pressure on the operations of the leasing companies in the immediate future. Your Company is, however, well poised to take stock of these anticipated difficulties and adopt measures, which will minimize their adverse effects and further improve profitability of the Company in the coming years.

As in the previous years, your Company continued to maintain a very diversified exposure as would be seen from the note 19 to the financial statements. The diversity of the lease portfolio has substantially reduced the risk of potential losses. However, in view of the current economic climate and as a measure of prudence, the Company will continue to follow its policy of creating adequate provisions for potential lease losses.

With regard to resource mobilization, the Company is currently in process of finalizing additional credit lines of Rs. 70 million from local financial institutions while further credit lines are also being negotiated with various lending institutions.

Future Business Prospects

The leasing business in the country continues to offer substantial growth potential, which hopefully will be realized in the coming years with the return Of economic and political stability in the country.

As in the past, your Company will continue its efforts to consolidate its position and to tap opportunities for sustained growth. Further, to ensure efficient and profitable utilization of the available resources, the Company will continue to spread its exposure over a broad spectrum of clients and industries taking exposure on such borrowers only who have a proven track record of timely repayments, good profitability and strong cash flows from their existing operations. Its emphasis being on quality, your Company will continue to strive to write quality leases for quality clients.

Financial Results

During the year, the total revenues were Rupees 97.881 million with the income from the leasing business being Rupees 80.155 million. Net Profit after tax was Rupees 12.551 million.

The profit and appropriations for the year ended June 30, 2000 were as follows:

	Rs. in million
Net profit after tax	12.551
Unappropriated profit brought forward	11.680

Profit available for appropriation	24.231
Appropriations:	
Transfers to:	
Statutory reserve	2.600
Reserve for deferred tax	3.700
Proposed dividend	11.000

	17.300

Unappropriated profit carried forward	6.931
	=====

Dividend

Your directors are pleased to recommend payment of cash dividend at the rate of 11% for the year ended June 30, 2000.

Human Resources

The directors express their deep appreciation of the efforts put in and dedication shown by all personnel of the Company, which enabled it to conduct its operations efficiently and achieve steady growth during the year.

Auditors

The auditors Messrs. Khalid Majid Husain Rahman, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

Pattern of Shareholding

The pattern of shareholdings as at June 30, 2000 is annexed to this report.

For and on behalf of the Board of Directors

M. R. Khan

Chairman & Chief Executive

Karachi: August 17, 2000

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2000

Shareholding From	To	Number of Shareholders	Total Shares Held	Percentage
1	100	3	300	0.00
101	500	66	32,700	0.33
501	1,000	15	14,900	0.15
1,001	5,000	24	72,700	0.73

5,001	10,000	10	97,000	0.97
15,001	20,000	2	38,900	0.39
20,001	25,000	2	50,000	0.50
25,001	30,000	1	25,100	0.25
45,001	50,000	1	50,000	0.50
50,001	55,000	1	53,100	0.53
55,001	60,000	1	60,000	0.60
65,001	70,000	1	70,000	0.70
90,001	95,000	1	93,000	0.93
115,001	120,000	1	119,200	1.19
125,001	130,000	1	125,500	1.26
145,001	150,000	2	300,000	3.00
165,001	170,000	1	167,400	1.67
245,001	250,000	1	250,000	2.50
295,001	300,000	4	1,200,000	12.00
300,001	305,000	1	304,300	3.04
325,001	330,000	1	329,000	3.29
345,001	350,000	1	348,000	3.48
445,001	450,000	1	448,900	4.49
1,495,001	1,500,000	1	1,500,000	15.00
4,245,001	4,250,000	1	4,250,000	42.50
		-----	-----	-----
		144	10,000,000	100.00

CATEGORIES OF SHAREHOLDERS

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	126	2,171,100	21.71
Investment Companies	9	888,500	8.88
Investment Banks	3	641,400	6.41
Modarabas	3	423,500	4.24
Insurance Companies	1	125,500	1.26
Foreign Investors	2	5,750,000	57.50
	-----	-----	-----
Total:	144	10,000,000	100.00

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Security Leasing Corporation Limited as at June 30, 2000 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) in our opinion:

(i) drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business;
and

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of changes in financial position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2000 and of the profit and the changes in financial position for the year then ended; and

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

Khalid Majid Husain Rahman
Chartered Accountants

Karachi: August 17, 2000

BALANCE SHEET AS AT JUNE 30, 2000

	Note	2000 Rupees	1999 Rupees
ASSETS			
TANGIBLE FIXED ASSETS	3	6,749,759	8,115,025
LONG TERM INVESTMENTS	4	3,695,840	9,081,262
NET INVESTMENT IN LEASES	5		
Minimum lease rentals receivable		531,219,259	498,314,610
Residual value		86,549,754	76,766,471
		-----	-----
Lease contracts receivable		617,769,013	575,081,081
Less: Unearned income		109,872,232	109,457,498
		-----	-----
Net investment in leases		507,896,781	465,623,583
Less: Current portion Of net investment in leases		181,329,484	159,295,356
Provision for potential lease losses		20,000,000	14,500,000
		-----	-----
		201,329,484	173,795,356
		-----	-----
		306,567,297	291,828,227
LONG TERM DEPOSITS	6	631,600	1,141,975
CURRENT ASSETS	7	232,475,790	241,168,557
		-----	-----
		550,120,286	551,335,046
		=====	=====
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
25,000,000 ordinary shares of Rs. 10 each		250,000,000	250,000,000
		=====	=====
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
Reserves	8	21,531,186	19,979,818
		-----	-----
		121,531,186	119,979,818
DEFERRED LIABILITY	9	800,000	--
LONG TERM LOANS	10	168,010,000	148,783,332
LONG TERM DEPOSITS	11	60,193,486	56,806,941
CURRENT LIABILITIES	12	199,585,614	225,764,955
CONTINGENCIES AND COMMITMENTS	13	--	--
		-----	-----
		550,120,286	551,335,046
		=====	=====

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

M. R. Khan
Chairman & Chief Executive

Mohammed Khalid All
Managing Director &
Chief Operating Officer

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

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
Income from leasing operations	14	80,155,150	77,269,020
Other income	15	17,725,557	4,150,295
		-----	-----
		97,880,707	81,419,315
Financial charges	16	57,049,726	49,865,319
Administrative and operating expenses	18	21,461,007	20,205,587
Amortization of deferred costs		--	622,820
Bad debts written off		291,119	--
Provision for potential lease losses		5,500,000	3,500,000
		-----	-----
		84,301,852	74,193,726
Operating profit for the year		13,578,855	7,225,589
Provision for taxation - current year	24	1,027,487	820,000
- prior year		--	1,036,329
		-----	-----
		1,027,487	1,856,329
		-----	-----
Profit after taxation		12,551,368	5,369,260
Unappropriated profit brought forward		11,679,818	17,688,447
		-----	-----
		24,231,186	23,057,707
Appropriations:			
Transfer to Statutory Reserve		2,600,000	1,077,889
Transfer to Reserve for Deferred Taxation		3,700,000	300,000
Proposed cash dividend @11% (1999 - 10%)		11,000,000	10,000,000
		-----	-----
		17,300,000	11,377,889
		-----	-----
		6,931,186	11,679,818
		=====	=====

Earnings per share (Basic)	22	1.26	0.53
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The annexed notes form an integral part of these financial statements.

M. R. Khan
Chairman & Chief Executive

Mohammed Khalid Ali
Managing Director &
Chief Operating Officer

**STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 2000**

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
Cash flows from operating activities		
Net profit before taxation	13,578,855	7,225,589
Adjustments for items not involving movement of funds:		
Depreciation	1,717,981	1,807,257
Amortization of deferred costs	--	622,820
Gain on disposal of listed securities	(15,539,130)	(1,012,265)
Gain on disposal of fixed assets	(61,991)	--
Gain on exchange fluctuations	(160,500)	(1,374,350)
Provision for gratuity	800,000	--
Provision for potential lease losses	5,500,000	3,500,000
	-----	-----
Operating profit before working capital changes	5,835,215	10,769,051
Advances, prepayments and other receivables	(1,066,877)	(1,068,424)
Deposits from lessees	7,437,838	22,507,714
Short term/running finances	(24,258,016)	(43,186,527)
Accrued and other current liabilities	5,139,031	5,937,189
Payment of tax	(1,073,524)	(3,134,075)
Dividend paid	(9,923,208)	(37,834)
	-----	-----
Net cash flow (used in) operating activities	(17,909,541)	(8,212,906)
Cash flows from investing activities		
Net investment in leases	(42,273,198)	(68,974,032)
Capital expenditure	(537,225)	(567,844)
Long term investments	(2,186,830)	(1,716,150)
Short term investments	(3,858,839,345)	(36,534,540)
Proceeds from disposal of listed securities	3,882,700,727	40,448,915
Proceeds from disposal of fixed assets	246,501	33,375
Proceeds from sale of dollar bonds	15,570,000	--
Placement under Musharika arrangement	(22,000,000)	(20,000,000)
Long term deposits	(48,632)	(245,450)
	-----	-----
Net cash used in investing activities	(27,367,993)	(87,555,726)
Cash flows from financing activities		
Proceeds from long term loans	170,000,000	186,000,000
Repayment of long term loans	(175,503,483)	(101,166,668)
	-----	-----
Net cash flow (used in)/from financing activities	(5,503,483)	84,833,332
Net increase in cash and cash equivalents	(50,781,017)	(10,935,300)
Cash and cash equivalents at beginning of the period	51,769,371	62,704,671

Cash and cash equivalents at end of the year (Note A)	988,354	51,769,371
=====		
Note A: Cash and cash equivalents at end of the year		
Cash and bank balances	738,354	48,769,371
Short term investments		
- National Investment Trust Units	250,000	--
- Federal Investment Bonds	--	3,000,000
	988,354	51,769,371
=====		

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

M. R. Khan
Chairman & Chief Executive

Mohammed Khalid Ali
Managing Director &
Chief Operating Officer

NOTES TO THE FINANCIAL STATEMENTS

THE YEAR ENDED JUNE 30, 2000

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated on December 6, 1993 and commenced its operations on May 21, 1995. It is principally engaged in the business of leasing and is listed on the Karachi Stock Exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

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

2.2 Revenue recognition

The Company follows the financing method in accounting for recognition of lease income. At the commencement of lease, a portion of the unearned lease income (i.e., the aggregate of lease contract receivables over cost of the leased asset), which approximates the provision for potential lease losses and the direct initial cost of writing the lease, is taken into income. The remainder of the unearned lease income is taken to income over the term of the lease contract so as to produce a systematic return on the net investment in leases.

Front end fee and profit on bank deposits and Federal Investment Bonds are accrued when due.

Dividend income and profit on term finance certificates are taken into account on accrual basis.

2.3 Provision for potential lease losses

The provision for potential lease losses is maintained at a level which, in the judgement of the Company, is sufficient to provide for any potential losses. Any change in the provision is set off against the income of the current period.

2.4 Deferred costs and amortization

Deferred costs are written off during the period not exceeding five years commencing from the year of incurrence.

2.5 Investments

Long term investments are stated at cost. Provision is made for other than temporary diminution in value of investments.

Short term investments are valued at the lower of cost and market value on an aggregate portfolio basis.

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

These are stated at cost less accumulated depreciation. Depreciation is charged applying the straight line method at the rates specified in note 3. In respect of additions during the year, depreciation is charged from the month of acquisition. No depreciation is charged in the month of disposal.

Normal repairs and maintenance are charged to income as and when incurred.

2.7 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 to cover the obligations. In addition, Company intends to setup a gratuity scheme for which provisions have been made in the accounts to meet any potential liability.

2.8 Employees' compensated absences and benefits

Adequate provisions are made in respect of employees' compensated absences and benefits.

2.9 Foreign currency financial assets

Foreign currency financial assets, acquired from the open market, are stated at cost or open market value, whichever is lower.

Foreign Currency Bonds acquired in lieu of foreign currency deposits are stated at the applicable conversion rates as at the date of financial statements.

2.10 Off-setting

A financial asset and a financial liability is off set and the net amount reported in the balance sheet if the Company has a legal enforceable right to set-off the transactions and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Corresponding income on the asset and charge on the liabilities is also netted off.

2.11 Taxation**Current**

Provision for taxation is made at the prevailing rates of taxation after taking into account tax credits available, if any.

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. TANGIBLE FIXED ASSETS

Description	COST			DEPRECIATION			Written down value as at	Depreciation rate
	<i>As at</i>	<i>Additions</i>	<i>As at</i>	<i>As at</i>	<i>Charge for</i>	<i>As at</i>		

	<i>July 1, 1999</i>	<i>(deletions) during the year</i>	<i>'June 30, 2000</i>	<i>July 1, 1999</i>	<i>the year/ (Adjustments)</i>	<i>June 30, 2000</i>	<i>June 30, 2000</i>	<i>%</i>
..... Rupees								
OWNED								
Office premises- Leasehold	7,306,560	--	7,306,560	1,491,756	365,328	1,857,084	5,449,476	5
Leasehold improvements	1,966,879	--	1,966,879	1,147,104	295,032	1,442,136	524,743	15
Furniture and fixtures	2,215,232	90,625 (102,060)	2,203,797	1,713,5'69	497,360 (102,059)	2,108,870	94,927	20
Office equipment	830,861	184,850 (206,700)	809,011	636,444	149,255 (175,502)	610,197	198,814	20
Computer equipment	1,528,740	75,750 (6,500)	1,597,990	977,270	189,520 (6,500)	1,160,290	437,700	25
Generator & airconditioners	1,173,279	--	1,173,279	956,694	216,584	1,173,278	1	20
Vehicles	57,630	186,000 (194,630)	49,000	41,319	4,902 (41,319)	4,902	44,098	20
June 30, 2000	15,079,181	537,225 (509,890)	15,106,516	6,964,156	1,717,981 (325,380)	8,356,757	6,749,759	
June 30, 1999	14,586,337	567,844 (75,000)	15,079,181	5,198,524	1,807,257 (41,625)	6,964,156	8,115,025	

3.1 Disposal of Assets

<i>Description</i>	<i>Book Value</i>	<i>Sale Proceeds</i>	<i>Gain / (Loss) on Disposal</i>	<i>Mode of Disposal</i>	<i>Buyer</i>
Rupees					
Equipment	28,068	65,000	36,932	Negotiations	Shirazi Trading
Equipment	2,475	1,000	(1,475)	Negotiations	Mr. Shakil Aziz, (Employee)
Equipment	--	1,000	1,000	Ex-employee	Mr. Misbahul Haq
Equipment	655	500	(155)	Negotiations	Mr. Aftab Ahmed, (Employee)
Computer Equipment	--	2,000	2,000	Negotiations	Mr. Shakeel Shams Khan
Furniture and fixture	1	1	--	Terms of employment	Mr. M. Khalid Ali, (Employee)
Vehicle	73,000	73,000	--	Insurance Cla	EFU General Insurance Co. Ltd.
Vehicle	64,000	64,000	--	Insurance Cla	EFU General Insurance Co. Ltd.
Vehicle	16,311	40,000	23,689	Negotiations	Mr. Shakil Aziz, (Employee)
June 30, 2000	184,510	246,501	61,991		
June 30, 1999	33,375	33,375	--		

Security Leasing
Corporation Limited

4. LONG TERM INVESTMENTS

*Number of ordinary
shares/certificates 2000* *Number of ordinary
shares/certificates 1999*

	<i>of Rs. 10 each</i>	<i>Rupees</i>	<i>of Rs. 10 each</i>	<i>Rupees</i>
Listed Securities				
A1-Ghazi Tractors Limited (of Rs. 5 each)	--	--	1,275	30,730
Fauji Cement Company Limited	--	--	50,000	406,100
First Equity Modaraba	--	--	34,500	224,316
First Ibrahim Modaraba	30,700	263,246	32,700	280,406
First UDL Modaraba	--	--	33,000	225,340
FFC Jordan Fertilizer Company Limited	90,000	1,589,800	80,000	1,461,300
Genertech Pakistan Limited	20,000	339,500	20,000	339,500
Ibrahim Energy Limited	12,500	345,500	12,500	345,500
Ibrahim Fibres Limited	10,000	186,800	--	--
ICP (SEMF)	--	--	50,000	1,245,525
Japan Power Generation Limited	--	--	70,000	637,700
KASB Mutual Fund Limited	--	--	50,000	335,500
Kohinoor Energy Limited	10,000	156,300	10,000	145,550
Kohinoor Power Company Limited	--	--	15,000	132,300
Maple Leaf Electric Company Limited	10,000	95,800	--	--
Nishat Mills Limited	391	6,685	66,891	1,119,895
Sitara Energy Limited	10,000	230,225	10,000	230,225
Sui Northern Gas Pipelines Limited	21,127	501,059	70,547	1,380,350
Southern Electric Power Company Limited	15,000	180,925	35,000	541,025
		-----		-----
		3,695,840		9,081,262
		=====		=====
Aggregate market value		2,434,250		4,511,612
		=====		=====

5. NET INVESTMENT IN LEASES

5.1 Minimum lease rentals receivable

Less than one year	196,849,601	203,016,854
More than one year and less than five years	328,880,058	295,297,756
More than five years	5,489,600	--
	-----	-----
	551,219,259	498,314,610
	=====	=====

5.2 Lease contracts receivable

Less than one year	212,405,228	212,928,141
More than one year and less than five years	398,050,485	362,152,940
More than five years	7,313,300	--
	-----	-----
	617,769,013	575,081,081
	=====	=====

5.5 Net investment in leases

Less than one year	181,329,484	159,295,356
More than one year and less than, five years	321,642,052	306,328,227
More than five years	4,925,245	--
	-----	-----
	507,896,781	465,623,583
	=====	=====

6- LONG TERM DEPOSITS

Deposits - against leases	849,975	851,352
Less: Current maturity	627,875	68,877
	-----	-----
	222,100	782,475

Deposits -others	409,500	359,500
	-----	-----
	631,600	1,141,975
	=====	=====

<i>Note</i>	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>

7. CURRENT ASSETS

Current portion of net investment in leases		181,329,484	159,295,356
Current portion of long term deposits	6	627,875	68,877
Short term investments	7.1	3,550,000	9,917,790
Placement under Musharika arrangement		2,000,000	20,000,000
Short term finance		40,000,000	--
Advances, prepayments and other receivables	7.2	4,230,077	3,117,163
Cash and bank balances	7.3	738,354	48,769,371
		-----	-----
		232,475,790	241,168,557
		=====	=====

7.1 Short term investments

Federal Investment Bonds		--	3,000,000
Investment in NIT Units	7.1.1	250,000	--
Investment in listed securities	7.1.2	3,300,000	4,050,000
Special US .Dollar Bonds		--	15,409,500
Less: Term finance		--	12,541,710
		-----	-----
		--	2,867,790
		-----	-----
		3,550,000	9,917,790
		=====	=====

7.1.1 This represents investment made as required under the relevant provision of the State Bank of Pakistan's Prudential Regulations for Non-Banking Financial Institutions under REPO arrangement with an investment bank and carry expected average return of 10% per annum.

7.1.2 This represents investment in following listed security.

		Number of ordinary shares of Rs. 10 each	<i>2000</i>	<i>1999</i>
		2000	<i>Rupees</i>	<i>Rupees</i>
		1999		
Baluchistan Wheels Limited	150,000	225,000	3,300,000	4,050,000
			=====	=====
Aggregate market value			3,300,000	5,175,000
			=====	=====

<i>Note</i>	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>

7.2 Advances, prepayments and other receivables

Advances - considered good

Executive	--	26,195
Other employees	46,560	84,132
	-----	-----
	46,560	110,327
Prepayments	276,332	266,052
Accrued return on investments	3,049,991	1,211,775
Advance tax	673,185	627,148
Other receivables	184,009	901,861
	-----	-----
	4,230,077	3,117,163
	=====	=====

7.3 Cash and bank balances

Balances with banks in	7.3.1	738,354	48,769,371
		-----	-----
- Current accounts		738,354	48,769,371
		=====	=====

7.3.1 Includes deposit of Rupees 253,000 with the State Bank of Pakistan to meet liquidity requirements under the State Bank of Pakistan's Prudential Regulations for Non-Banking Financial Institutions.

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
8. RESERVES			
Statutory reserve	8.1		
Balance at beginning of the year		8,000,000	6,922,111
Transfer from profit and loss account		2,600,000	1,077,889
		-----	-----
		10,600,000	8,000,000
Reserve for Deferred Taxation			
Balance at beginning of the year		300,000	--
Transfer from profit and loss account		3,700,000	300,000
		-----	-----
		4,000,000	300,000
Unappropriated profit		6,931,186	11,679,818
		-----	-----
		21,531,186	19,979,818
		=====	=====

8.1 This represents transfer of after tax profits as required under the relevant provision of the State Bank of Pakistan's Prudential Regulations for Non-Banking Financial Institutions.

9. DEFERRED LIABILITY

Provision for gratuity		800,000	--
		-----	-----

10. LONG TERM LOANS

Secured -			
From commercial banks	10.1	99,316,000	69,444,441
From other financial institutions	10.2	46,166,668	71,000,000
		-----	-----

		145,482,668	140,444,441
Unsecured -			
From financial institutions	10.3	75,000,000	63,000,000
From others	10.4	450,000	10,450,000
		-----	-----
		220,932,668	213,894,441
Less: Current maturity	12	52,922,668	65,111,109

		168,010,000	148,783,332
		=====	=====

10.1 This represents loans obtained for lease financing and carry mark-up at the average rate of 15.49% per annum and are secured by a first charge on certain specific assets leased out and related lease rentals receivable. These loans are repayable between July 31, 2000 and June 21, 2003.

10.2 This represents finances obtained under mark-up and pro-note discounting facilities and are repayable between July 31, 2000 and July 31, 2001. These arrangements carry mark-up at the average rate of 15.86% per annum. Out of these finances, Rupees 30 million are secured by pari passu charge over present and future movable assets and lease rentals receivable and Rupees 16 million are secured by first charge on certain specific assets leased out and related lease rentals receivable.

10.3 This represents finance obtained under mark-up and pro-note discounting facilities and are repayable between July 31, 2000 and December 21, 2002. These arrangements carry mark-up at the average rate of 15.59% per annum.

10.4 This represents financing arrangements and carry mark-up rate of 18% per annum. The maturity of these facilities range between July 31, 2000 and October 22, 2001.

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
11. LONG TERM DEPOSITS			
Security deposits on leases	11.1	75,500,231	68,062,375
Less: Current maturity of long term deposits		15,306,727	11,255,434
		-----	-----
		60,195,486	56,806,941
		=====	=====

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

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
12. CURRENT LIABILITIES			
Current maturity of long term loans	10	52,922,668	65,111,109
Current maturity of long term deposits	11	15,306,727	11,255,434
Short term finances - unsecured			
- from financial institutions	12.1	85,250,000	125,000,000
Running finance under mark-up			
arrangement- secured	12.2	15,491,984	--
Accrued and other liabilities	12.3	19,614,235	14,398,412
Proposed dividend		11,000,000	10,000,000
		-----	-----
		199,585,614	225,764,955

12.1 This represents finances obtained under mark-up arrangements from financial institutions and carry mark-up at the average rate of 14.62% per annum. These finances are repayable between July 7, 2000 and December 21, 2000.

12.2 This represents running finance utilized against aggregate facility of Rupees 50 million from banks. It carries mark-up at an average rate of Rupee 0.42 per Rupees 1,000 per day and is secured by a pari passu charge on movable assets and lease rentals receivable.

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
12.3 Accrued and other liabilities		
Accrued liabilities	276,602	73,904
Accrued mark-up on secured loans	6,173,958	4,489,501
Accrued markup on unsecured loans	7,797,303	5,565,001
Advance against leases	2,012,420	3,790,678
Unclaimed dividend	7,832	7,832
Accrued employees benefits	1,517,305	--
Other liabilities	1,828,815	471,496
	-----	-----
	19,614,235	14,398,412
	=====	=====

13. CONTINGENCIES 8: COMMITMENTS

13.1 Lease rentals payable under various lease agreements for motor vehicles are as detailed below:

Payable in the year ending June 30		
-2000	--	2,794,656
-2001	1,736,460	1,319,416
-2002	511,650	276,080
-2003	224,640	--
	-----	-----
	2,472,750	4,390,152
	=====	=====
13.2 Commitments for lease finance	58,954,000	13,840,000
	=====	=====
13.3 Commitments for guarantees and underwriting	6,754,790	2,000,000
	=====	=====

14. INCOME FROM LEASING OPERATIONS

Income on lease contracts	79,297,188	75,600,601
Front end fee & additional lease rentals	857,962	1,613,409
Lease termination charges	--	55,010
	-----	-----
	80,155,150	77,269,020
	=====	=====

15. OTHER INCOME

Profit from banks under cash management scheme	184,713	35,783
Mark-up on Term Finance Certificates	--	186,277
Profit on placements	940,730	33,562
Profit on modaraba certificates	94,260	65,700
Return on other investments	332,384	1,074,454

Fees, commissions and other charges	411,849	367,904
Gain on disposal of listed securities	15,539,130	1,012,265
Gain on disposal of fixed assets	61,991	--
Gain on exchange fluctuations	160,500	1,374,350
	-----	-----
	17,725,557	4,150,295
	=====	=====

16. FINANCIAL CHARGES

Mark-up on long term finance	31,037,150	22,522,165
Mark-up on short term finance	25,097,019	26,101,792
Mark-up on running finance	567,021	1,096,886
Brokerage fee	221,246	127,430
Documentation charges	63,100	1,600
Excise duty and bank charges	64,190	15,446
	-----	-----
	57,049,726	49,865,319
	=====	=====

17. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Mark-up on short term finance paid	--	285,102
	=====	=====

18. ADMINISTRATIVE & OPERATING EXPENSES

Directors' fee		6,000	1,000
Salaries, allowances and benefits	18.1	9,065,355	11,309,073
Gratuity		800,000	--
Accrued employees benefits		1,517,305	--
Staff training and development		16,350	41,800
Telephone and fax		387,048	349,044
Postage and courier		32,662	28,857
Electricity		407,015	342,108
Office maintenance		584,851	489,167
Insurance		78,802	69,197
Business promotion expenses		456,287	1,010,050
Canteen expenses		65,189	50,300
Vehicle running expenses		1,365,574	1,114,437
Travelling and conveyance		29,357	3,064
Advertisement expenses		366,605	91,800
Printing and stationery		282,171	138,606
Central Depository charges		56,000	50,000
Subscriptions and listing fees		126,358	136,002
Legal and professional charges	18.20	925,603	397,142
Statutory filing fees		16,962	15,530
Credit rating charges		140,000	--
Depreciation		1,717,981	1,807,257
Lease rentals		2,985,812	2,712,208
Zakat		10,507	1,201
Miscellaneous		48,213	47,744
		-----	-----
		21,461,007	20,205,587
		=====	=====

18.1 Remuneration of Chief Executive and Executives

	2000		1999	
	<i>Chief Executive</i>	<i>Executives</i>	<i>Chief Executive</i>	<i>Executives</i>
 Rupees			
Managerial remuneration	420,000	3,887,129	420,000	4,073,880
Housing and utilities	210,000	1,742,458	370,922	1,971,234
Medical and other perquisites	273,786	869,311	75,506	2,850,054
Provident fund contribution	--	384,240	--	354,078
	-----	-----	-----	-----
	903,786	6,883,138	866,428	9,249,246
	=====	=====	=====	=====
No. of persons	1	9	1	7
	=====	=====	=====	=====

In addition, the chief executive and certain executives were also provided with free use of company cars and certain household items in accordance with their terms of employment. All executives were also provided with medical insurance cover.

	2000	1999
	<i>Rupees</i>	<i>Rupees</i>
18.2 Legal and professional charges		
These include auditors' remuneration, as follows:		
Annual audit	50,000	42,500
Special audit	41,762	--
Others	2,500	60,941
Out-of-pocket expenses	4,200	7,700
	-----	-----
	98,462	111,141
	=====	=====

19. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Net investment in leases amounts to Rupees 507.9 million. The sector-wise break up is given below:

<i>Sector</i>	<i>% of total exposure</i>
Textile	17
Engineering	11
Food & Beverages	10
Sugar	10
Cement	8
Synthetic and rayon	8
Auto 8: allied	6
Health care	4
Consumer leases	4
Publications	3
Energy	3
Chemicals & Fertilizers	3
Others	13
Total	100

20. FAIR VALUE OF FINANCIAL ASSETS

The estimated fair value of long term and short-term investments as at June 30, 2000 is given in Note 4 and Note 7.1.2. respectively. No provision for decline in market value has been made, as, in the opinion of directors, the decline is temporary. The fair value of all other financial assets and financial liabilities is estimated to approximate their carrying value.

21. INTEREST RATE RISK EXPOSURE

	<i>Less than one month Rupees</i>	<i>One month to one year Rupees</i>	<i>Over one year Rupees</i>	<i>Non-interest bearing Rupees</i>	<i>Total Rupees</i>
Financial Assets					
Long term investments	--	--	--	3,695,840	3,695,840
Net investment in lease finance	13,548,614	167,780,870	240,017,543	86,549,754	507,896,781
Long term deposits	--	--	--	631,600	631,600
Short term investments	--	250,000	--	3,300,000	3,550,000
Short term finance	40,000,000	--	--	--	40,000,000
Placement under Musharika arrangement	2,000,000	--	--	--	2,000,000
Advances and other receivables	--	--	--	3,280,560	3,280,560
Cash and bank balances	738,354	--	--	--	738,354
	-----	-----	-----	-----	-----
	56,286,968	168,030,870	240,017,543	97,457,754	561,793,135
Financial Liabilities					
Long term loans	6,250,000	46,672,668	168,010,000	--	220,932,668
Long term deposits	--	--	--	75,500,213	75,500,213
Short term finances	37,250,000	48,000,000	--	--	85,250,000
Accrued and other liabilities	--	--	--	19,614,235	19,614,235
	-----	-----	-----	-----	-----
	43,500,000	94,672,668	168,010,000	95,114,448	401,297,116
On-balance sheet gap (a)	12,786,968	73,358,202	72,007,543	2,343,306	160,496,019
June 30, 1999	(1,916,112)	43,374,201	80,778,424	3,166,203	125,402,716
Total interest rate sensitivity gap	12,786,968	73,358,202	72,007,543	--	--
June 30, 1999	(1,916,112)	43,374,201	80,778,424	--	--

(a) The on-balance sheet gap represents the net amounts of on-balance sheet items.

(b) The effective interest rate for financial assets and liabilities are as follows:

Effective interest rates	<i>2000</i>	<i>1999</i>
	<i>%</i>	<i>%</i>
Assets		
Net investment in lease finance	22.50	2.290
Federal Investment Bonds	--	13.00
National Investment Trust Units	10.00	--
Special US Dollar Bonds	--	7.10
Placement under Musharika arrangement	19.00	18.60
Cash and bank balances	--	11.00
Liabilities		

Long term loans	15.70	18.50
Short term finances	14.60	18.40
Running finance	15.30	19.00

2000 **1999**
Rupees **Rupees**

22. EARNINGS PER SHARE

Basic		
Profit attributable to ordinary shareholders (Rupees)	12,551,368	5,369,260
	=====	=====
Number of ordinary shares issued	10,000,000	10,000,000
	=====	=====
Earnings Per Share (Rupees)	1.26	0.54
	=====	=====

Basic earnings per share has been calculated by dividing the net profit for the year attributable to the ordinary shareholders by the Weighted average number of ordinary shares outstanding during the year. There is no dilutive effect on the basic earning per share.

23. MANPOWER

As at year end	20	17
	=====	=====

24. TAXATION**Current**

This represents the provision for minimum tax under section 80D of the Income Tax Ordinance, 1979.

Deferred

Deferred tax liability is estimated to be nil as at June 30, 2000 (1999:Rupees 0.297 million).

25. STATEMENT OF CHANGES IN EQUITY

A separate statement of changes in equity has not been prepared as relevant information is given in Balance Sheet and Note 8.

26. GENERAL

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

M. R. Khan
Chairman & Chief Executive

Mohammed Khalid Ali
Managing Director &
Chief Operating Officer