

Sigma Leasing Corporation Limited

Annual Report 2000

OUR VISION

We shall carve a place for ourselves at the highest level of the leasing industry by providing quality service and ensuring customer satisfaction. We will go an extra mile to ensure greater profitability and value for our shareholders.

OUR DYNAMICS

Professional management will be the hallmark of our organisation. We will operate with state of the art technology to achieve optimum results and develop an efficient and motivated work force with corporate pride in their company.

OUR RESOLVE

We will provide our customers modern and technology based leasing services while we ensure our shareholders security and a high rate of return on their investments.

OUR COMMITMENT

We will maintain financial discipline and adhere to professional and moral codes. In the operation of the company we will comply with all rules and regulations set down by the supervisory authorities.

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BOARD OF DIRECTORS

Mr. Asif Ali Rashid	Chairman
Mr. Ariff Ali Rashid	Vice Chairman
Mr. Muhammad Nasim Khan	Chief Executive & Managing Director
Mr. Ebrahim Qassim	Director
Mr. Arfan Ali Rashid	Director
Mr. Iskander Sultan Khawaja	Director
Mr. Ruhail Mohammed	Director
Mr. Shahzad Ali Rashid	Director

Mr. Haider Ali

Director

COMPANY SECRETARY

Mr. Arfan Ali Rashid

AUDITORSTaseer Hadi Khalid & Co. (Member firm of KPMG International)
Chartered Accountants**LEGAL ADVISOR**

Mohsin Tayebaly & Co.

BANKERSAskari Commercial Bank Limited
ORIX Investment Bank Pakistan Ltd.
National Bank of Pakistan
Emirates Bank International
Allied Bank of Pakistan Limited**REGISTERED OFFICE & HEAD OFFICE****Sigma House**8-C, Block-6, PECHS,
Off. Shahrah-e-Faisal, Karachi-75400, Pakistan
Tel: (021) 4557233-4, 4544850-1
Fax: (021) 4544439
Email: sigma@khi.comsats.net.pk
Website: www.sigma-leasing.com**SHARE DEPARTMENT****Sigma House**8-C, Block-6, PECHS,
Off. Shahrah-e-Faisal, Karachi.**DIRECTOR'S REPORT**

On behalf of the Board of Directors, I take pleasure in presenting the 4th Annual Report together with the audited financial statements for the year ended 30 June 2000.

FINANCIAL HIGHLIGHTS*2000*

Profit before taxation	24,649,232
Provision for Taxation	382,177

Net Profit after taxation	24,267,055
Unappropriated Profit brought forward	9,734,095

	34,001,150
APPROPRIATIONS	
Transfer to Statutory Reserve	4,853,411
Capital Reserve for Deferred Tax	8,991,534

Proposed Dividend	20,000,000

	33,844,945

Unappropriated Profit carried forward	156,205
	=====
Earnings Per Share	2.42
	=====

REVIEW OF OPERATIONS

For your company the over all success level during this period is modest in absolute terms but very goods considering the declining economic activities in the country, and intense competition amongst the lessors.

The year 1999-2000 was a year filled with political and economic uncertainties, resulting in un-favourable business environment. Due to these factors this was not an easy year for the leasing sector, the asset quality and the margins in the leasing sector has shown declining trend. However your company, by the Grace of God having a proper market perception, clear cut company's policy and adequate business vision has been able to maintain its growth.

Alhamdulillah the profitability has improved. The Return on Equity has increased from 17.76% to 20.29%. During the year, the net investment in leases increased from Rs. 204 million to Rs. 235 million as on 30 June 2000. The company expects the disbursement and net investment in leases to be higher next year due to positive signs of economic revival.

During the year under review, the company generated revenues of Rs. 49.317 million and after accounting for operating and financial expenses of Rs. 24.667 million earned a pre-tax profit of Rs. 24.649 million. The key to these results are (a) borrowing at highly competitive rates (b) efficient utilization of available cash in good quality earning assets (c) strong rental recovery and (d) operating expenses under strict control. A high degree of operating efficiency has resulted a slight increase in the administrative and operating expenditure during the year ending 30 June 2000.

The disbursements during the year 1999 - 2000 were slightly lower than the target as a consequence of ever increasing competition between leasing companies, lowering lease rates in the market, declining economic indicators of the country, and again your company's strong inclination of not compromising on the asset quality.

As mentioned last year, our risk controlling measures are diverse, and include such factors as cash flow analysis of prospects, limiting exposures to groups and sectors, and distributing exposures across different client sizes and types of assets to be leased. By the grace of God Almighty the claim

of 100% recovery, no default and no rescheduling as consistently claimed over the last three years, is repeated this year too.

The lease portfolio of the company remained well diversified with investments in almost all the major sectors of the economy including Textile (spinning, weaving, apparel) Cement, Synthetics, Health Care, Pharmaceuticals, Sugar, Financial Institutions, Food and Allied, Information Technology, and the Services sector.

TFC ISSUE

Having obtained an instrument rating "A-" from DCR-VIS Credit Rating Co. Ltd., your company successfully issued its first offering of Term Finance Certificates of Rs. 100 million, three years tenor. The public offering of the TFC issue was substantially oversubscribed. After using the green shoe option the total funds under T.F.C. issue amounted to Rs. 110.00 million.

FUTURE PROSPECTS

Your company expects a lot of BMR and expansion activity in the industry in coming times, and hence tremendous opportunities for the leasing sector on the whole. We have managed to keep our funding cost moderate. The creditors confidence on your company helps in this cost management. Your company will continue its efforts to grow and establish itself in the leasing industry. Efficient utilization of resources, spreading risk over a broad spectrum of clients and sectors and following a conservative and prudent approach in evaluating lease proposals shall remain the policy of your company. Your company will not compromise the asset quality, on which the whole edifice of successful leasing operations rests.

As good quality corporate business has declined, competition has increased resulting in exceeding pressure on our margins. Due to shrinkage in new corporate business Sigma plans to focus some of its efforts in micro and consumer leases in the coming years.

CERTIFICATE OF INVESTMENT (COIs)

Your company will be seeking the permission of Securities and Exchange Commission of Pakistan to issue the COIs (Certificate of Investment).

CREDIT RATING

DCR-VIS Credit Rating Co. Ltd., upgraded the medium to Long Term Entity Rating of Sigma Leasing Corporation Limited from BBB - (Triple B minus) to BBB (Triple B) and maintained the Short Term Entity Rating D-2 (D-Two) on July 12 1999.

The upgrade in rating reflects the ability of the management to improve SLCL's financial performance in adverse economic conditions while maintaining quality of assets intact.

Medium to Long Term Entity Rating of BBB (Triple B)

Description: Adequate credit quality. Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

Short Term Entity Rating of D-2 (Dee Two)

Description: Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although on-going funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small.

INFORMATION TECHNOLOGY

Complete computer environment and information technology based dependence has been the hallmarks of your company policy. To keep our systems current and compatible to the future requirements, your company has revamped its entire computer hardware. The policy decision has been taken to shift the programme language to "Oracle". It shall give your company a long mileage to cover the entire requirements of the system operations and MIS. This software will be in place before the close of year 2000. This will ensure a state of the art computer environment.

DIVIDEND

The Directors are pleased to recommend a final cash dividend of Rs. 2.00 per share i.e. 20% for the year ended 30 June 2000. This distribution maintains last year's precedent of 20% Cash Dividend.

AUDITORS

The auditors Messrs Taseer Hadi Khalid & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

PATTERN OF SHAREHOLDING

The pattern of shareholdings as at 30 June 2000 is annexed on page 29 to this report.

ACKNOWLEDGEMENTS

The directors are pleased to put on record their profound gratitude to the company's discerning clients, hardworking employees, capable senior management, supportive SECP and SBP, cooperative bankers, TFC investors and shareholders. The entire success of the company is owed to you all.

Asif Ali Rashid - FCA
Chairman

Karachi: 31 October 2000

NOTICE OF 4TH ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of Sigma Leasing

Corporation Limited will be held on Monday 27 November 2000 at 11.00 a.m. at its registered office at Sigma House, 8-C, Block 6, PECHS, Off. Shahrah-e-Faisal, Karachi, to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Extra Ordinary General Meeting of the company held on 24 October 2000.
2. To receive, consider and adopt the Audited Accounts together with the Directors, and Auditors' Report for the year ended 30 June 2000.
3. To approve as recommended by the Directors, the payment of Cash Dividend @ 20% i.e. Rs. 2/- per share for the year ended 30 June 2000.
4. To appoint Auditors and fix their remuneration. The present Auditors M/s Taseer Hadi Khalid & Co., 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

Arfan Ali Rashid
Company Secretary

Karachi: 04 November 2000

Notes:

1. The share transfer books of the company will remain closed from 20 November 2000 to 27 November 2000 (both days inclusive).
2. A member entitled to attend, speak and vote at the meeting is entitled to appoint another member as proxy to attend, speak and vote for him/her.
3. An instrument of proxy and the power of attorney or other authority (if any) under which it signed or a notary certified copy of such power of 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.
4. Members are requested to notify any change in their address immediately.

Auditors' Report to the Members

We have audited the annexed balance sheet of Sigma Leasing Corporation 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;

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.

Karachi: 31 Oct 2000

Taseer Hadi Khalid & Co.
Chartered Accountants

BALANCE SHET AS AT 30 JUNE 2000

	<i>Note</i>	<i>2000</i>	<i>1999</i>
CAPITAL AND RESERVES			
Authorised Capital			
30,000,000 ordinary shares of Rs. 10 each		300,000,000	300,000,000

Issued, subscribed and paid up capital	3	100,000,000	100,000,000
Statutory reserve	4	12,286,935	7,433,524
Capital Reserve for Deferred tax	5	8,991,534	--
Unappropriated profit		156,205	9,734,095
		-----	-----
		121,434,674	117,167,619
REDEEMABLE CAPITAL	6	96,843,638	--
LONG TERM LOANS - Secured	7	--	19,800,818
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	8	1,037,682	475,882
LONG TERM DEPOSITS	9	35,134,176	27,441,866
CURRENT LIABILITIES			
Current portion of long term liabilities	10	25,685,951	27,978,959
Short term loan	11	20,000,000	25,000,000
Accrued expenses and other liabilities	12	10,645,383	3,118,532
Provision for taxation		876,017	493,840
Proposed dividend		20,000,000	20,000,000
		-----	-----
		77,207,351	76,591,331
Commitments	13		
	Rupees	-----	-----
		331,657,521	241,477,516
		=====	=====
TANGIBLE FIXED ASSETS	14	17,845,940	17,070,296
NET INVESTMENT IN LEASE FINANCE	15		
Installments contracts receivables		240,068,387	224,979,234
Residual value		45,419,390	33,913,523
		-----	-----
Lease contract receivables		285,487,777	258,892,757
Unearned lease income		(50,575,783)	(55,081,369)
		-----	-----
Net investment in lease finance		234,911,994	203,811,388
Current portion of net investment in lease finance		(95,206,385)	(70,142,771)
		-----	-----
		139,705,609	133,668,617
LONG TERM INVESTMENTS	16	26,318,425	4,226,250
LONG TERM DEPOSITS	17	1,105,900	645,832
CURRENT ASSETS			
Current portion of net investment in lease finance		95,206,385	70,142,771
Current portion of long term deposits		76,932	399,706
Short term loan	18	2,862,000--	

Advances, prepayments and other receivables	19	16,795,000	2,810,655
Placements with other NBFIs	20	8,500,000	10,000,000
Cash and bank balances	21	23,241,330	2,513,389
		-----	-----
		146,681,647	85,866,521
		-----	-----
	Rupees	331,657,521	241,477,516
		=====	=====

These accounts should be read in conjunction with the annexed notes.

Chairman

Chief Executive

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

	<i>Note</i>	<i>2000</i>	<i>1999</i>
INCOME			
Lease income	22	40,241,220	37,173,093
Mark-up on deposits/placements/musharika arrange	23	1,023,700	319,215
Gain on sale of investments		2,100,582	7,884,416
Others	24	5,951,556	1,440,146
		-----	-----
		49,317,058	46,816,870
EXPENSES			
Administrative and operating expenses	25	8,883,948	8,096,206
Financial charges	26	20,071,313	13,624,196
(Reversal)/Provision for decline other than temporary in value of long term investments		(4,287,435)	4,287,435
		-----	-----
		24,667,826	26,007,837
		-----	-----
PROFIT BEFORE TAXATION		24,649,232	20,809,033
Provision for taxation			
- Current year	27	647,827	493,840
- Prior year		(265,650)	497,643
		-----	-----
		382,177	991,483
		-----	-----
PROFIT FOR THE YEAR		24,267,055	19,817,550
Unappropriated profit brought forward			
		9,734,095	123,880,055
		-----	-----
		34,001,150	33,697,605
APPROPRIATIONS			
Transfer to statutory reserve		(4,853,411)	(3,963,510)
Transfer to capital reserve for deferred tax		(8,991,534)	--

Proposed dividend (1999: 20%)		(20,000,000)	(20,000,000)
		-----	-----
		(33,844,945)	(23,963,510)
		-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWA	Rupees	156,205	9,734,095
		=====	=====
EARNINGS PER SHARE - basic and diluted	31	2.42	1.98
		=====	=====

These accounts should be read in conjunction with the annexed notes.

Chairman

Chief Executive

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2000**

	<i>2000</i>	<i>1999</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	24,649,232	20,809,033
Adjustments for:		
Depreciation	1,706,607	1,429,263
(Reversal)/provision for decline other than temporary in value of long term investments	(4,287,435)	4,287,435
Financial charges	20,071,313	13,624,196
Loss on sale of fixed assets	218,036	--
Amortization of deferred cost	--	838,649
Gain on sale of investments	(2,100,582)	(7,884,416)
	-----	-----
	40,256,631	33,104,160
Changes in operating assets/liabilities		
Net investment in lease finance	(31,100,606)	(65,970,275)
Advances, prepayments and other receivables	(16,587,814)	4,553,067
Placements with other NBFIs	1,500,000	49,500,000
Short term loan	(5,000,000)	--
Accrued expenses and other liabilities	(804,180)	(2,607,781)
	-----	-----
	(51,992,600)	(14,524,989)
	-----	-----
Cash used in operations	(11,735,969)	18,579,171
Financial charges paid	(11,740,282)	(14,249,821)
Taxes paid	(258,531)	(168,421)
	-----	-----
	(11,998,813)	(14,418,242)
	-----	-----
Net cash flows from operating activities	(23,734,782)	4,160,929

CASH FLOW FROM INVESTING ACTIVITIES

Purchase of fixed assets	(1,635,048)	(98,068)
Purchase of investments	(2,147,078,874)	(468,587,380)
Sale proceeds of investments	2,131,374,720	484,461,117
Sale proceeds of disposals of fixed assets	599,300	--
Long term deposits	(137,294)	(203,000)
Lease key money deposits	9,416,167	13,855,469
Other long term deposits	300,699	119,301
	-----	-----
	(7,160,330)	29,547,439
	-----	-----
Net cash flows from investing activities	(30,895,112)	33,708,368
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of term finance certificates - net	107,843,638	--
Long term loans	(34,547,344)	(17,566,131)
Dividend paid	(20,000,000)	--
Payments of liabilities against assets subject to finance lease	(1,673,241)	(1,081,459)
	-----	-----
Net cash flows from financing activities	(51,623,053)	(18,647,590)
(Decrease)/Increase in cash and bank balances	20,727,941	15,060,778
Cash and bank balances at beginning of the year	2,513,389	(12,547,389)
	-----	-----
Cash and bank balances at end of the year	Rupees 23,241,330	2,513,389
	=====	=====

These accounts should be read in conjunction with the annexed notes.

Chairman

Chief Executive

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

	<i>Share Capital</i>	<i>Statutory Reserve</i>	<i>Capital Reserve for Deferred tax</i>	<i>Unappropriated Profit</i>	<i>Total</i>
Balance as at 30 June 1998	100,000,000	3,470,014	--	13,880,055	117,350,069
Profit for the year	--	--	--	19,817,550	19,817,550
Transferred during the year	--	3,963,510	--	(3,963,510)	--
Proposed Dividend	--	--	--	(20,000,000)	(20,000,000)
	-----	-----	-----	-----	-----
Balance as at 30 June 1999	100,000,000	7,433,524	--	9,734,095	117,167,619
Profit for the year	--	--	--	24,267,055	24,267,055
Transferred during the year	--	4,853,411	8,991,534	(13,844,945)	--
Proposed Dividend	--	--	--	(20,000,000)	(20,000,000)
	-----	-----	-----	-----	-----
Balance as at 30 June 2000	100,000,000	12,286,935	8,991,534	156,205	121,434,674
	=====	=====	=====	=====	=====

These accounts should be read in conjunction with the annexed notes.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2000

1. STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan on 11 April 1996 as a public limited company and received Certificate of Commencement of Business on 27 January 1997. The company is principally engaged in the business of leasing and was listed on the Karachi Stock Exchange on 7 January 1997.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under the historical cost convention.

2.2 Statement of Compliance

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

2.3 Tangible Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation on fixed assets is charged on written down values at the rates given in note 14 to the accounts.

A full year's depreciation is charged on all fixed assets capitalized during the year while no depreciation is charged in the year fixed assets are disposed off or scrapped. Normal repairs and maintenance are charged to the profit and loss account as and when incurred. Major renewals and maintenance are capitalised as and when incurred.

Gains and losses on disposal of assets, if any, are taken to profit and loss account.

2.4 Assets Subject to Finance Lease

Assets subject to finance lease are 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 assets acquired. The related obligations under the lease are accounted for as liabilities. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged on written down values at the rates given in note 14 to the accounts.

2.5 Investments

Long term

Investments in equity securities are stated at cost net of provision made for decline other than temporary in value of investments, if any.

Investment in debt securities which are held with the intention of holding them to maturity are stated

at amortised cost and the difference between the face value and purchase cost is amortised on a straight line basis on the term of investments.

Short term

These are stated at lower of average cost and market value on an aggregate portfolio basis.

2.6 Revenue Recognition

Lease income

The financing method is used in accounting for income on direct financing leases. Under this method the unearned lease income i.e. the excess of aggregate lease rentals and the estimated residual value over the net investment (cost of leased assets) is amortized to income over the term of the lease, so as to produce a constant periodic rate of return on net investment outstanding in the leases.

Fee and commissions are recognised as income when realised.

Investment income

Return on investment is recognized at the rates specified in the respective investment schemes on time proportion basis.

Dividend income

Dividend Income is recorded at the time of closure of share transfer books of the company declaring the dividend.

Gain on sale of marketable securities

Gain and loss on sale of marketable securities is taken to income in the period in which it arises.

2.7 Taxation

Current

The charge for current taxation is based on taxable income at current rates of taxation after taking into account available tax credits and rebates. Income for the purposes of computing current taxation is determined under the provisions of the tax laws whereby lease rentals received or receivable are deemed to be income.

Deferred

The Company accounts for deferred taxation using the liability method on all significant timing differences. Deferred tax is not provided if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future. However, deferred tax debits are not accounted for.

2.8 Staff retirement benefits

The company operates an approved provident fund scheme for all its eligible employees. Equal monthly contributions are made, both by the company and its employees, to the fund at the rate of 8.33 per cent of basic salary.

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

		<i>2000</i>	<i>1999</i>
10,000,000 (1999: 10,000,000) ordinary shares			
of Rs. 10/- each fully paid in cash	Rupees	100,000,000	100,000,000
		=====	=====

4. STATUTORY RESERVE

In accordance with the State Bank of Pakistan regulations for Non Banking Financial Institutions, the company is required to transfer 20 percent of its after tax profits to statutory reserve until the reserve equals its paid up capital. Thereafter 5 percent of after tax profits are required to be transferred to reserve.

5. CAPITAL RESERVE FOR DEFERRED TAX

The capital reserve is not available for utilisation for any purpose other than to provide for deferred tax liability (See Note 27).

6. REDEEMABLE CAPITAL

Principal raised	6.1	110,000,000	--
Less: Initial transaction costs incurred		(2,156,362)	--
		-----	-----
		107,843,638	--
		(11,000,000)	--
		-----	-----
	Rupees	96,843,638	--
		=====	=====

6.1 The Term Finance Certificates (TFC's) were issued in January 2000 to raise funds for leasing operations. The TFCs are redeemable in 6 semi annual installments commencing from July 2000 and carry profit at the rate of 17 percent per annum payable semi annually. The TFC's are secured by hypothecation of present and future movable assets and receivables of the company.

7. LONG TERM LOANS - Secured

From commercial/investment bank			
Finance A	7.1	7,300,818	14,348,159
Finance B		--	27,500,000
		-----	-----
		7,300,818	41,848,159
Maturing within one year		(7,300,818)	(22,047,341)
		-----	-----
		--	19,800,818
		=====	=====

7.1 This represents profit bearing investment placed by a commercial bank for a period of three years carrying profit at the rate of 19.25 percent per annum. The principal amount and mark-up for three years period is payable in eleven equal quarterly installments of Rs. 2,330,137 each and balance of Rs. 3,404,234 as last installment commencing from 30 June 1998. The bank has the right to set-off any outstanding liabilities which it may owe to the company.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Balance at beginning of the year		1,773,218	2,854,677
Assets acquired during the year		1,664,000	--
		-----	-----
		3,437,218	2,854,677
Payments made during the year		1,673,241	1,081,459
		-----	-----
		1,763,977	1,773,218

Maturing within one year	(726,295)	(1,297,336)
	-----	-----
Rupees	1,037,682	475,882
	=====	=====

8.1 This represents vehicles, computers and accessories acquired under four different finance lease arrangements from leasing companies. Rentals are payable in equal monthly installments. Repairs and insurance costs are to be borne by lessee. Financing rates ranging from 18 percent to 20.52 percent have been used as discounting factor. Purchase option can be exercised by the lessee by adjusting security deposit at the expiry of lease period.

Future minimum lease payments including residual value are as detailed below:

Year ending 30 June 2000	--	1,462,054
Year ending 30 June 2001	900,584	507,164
Year ending 30 June 2002	393,420	--
Year ending 30 June 2003	769,670	--
	-----	-----
	2,063,674	1,969,218

Finance charges allocated to future periods	(299,697)	(196,000)
	-----	-----
Rupees	1,763,977	1,773,218
	=====	=====

9. LONG TERM DEPOSITS

From customers - Lease key money deposits	9.1	41,193,014	31,776,847
From employee		435,000	299,301
From others		165,000	--
		-----	-----
		41,793,014	32,076,148

Maturing within one year		(6,658,838)	(4,634,282)
		-----	-----
Rupees		35,134,176	27,441,866
		=====	=====

9.1 This represent sums received from lessees under lease contracts and are repayable/adjustable at the expiry of lease period.

10. CURRENT PORTION OF THE LONG TERM LIABILITIES

Redeemable capital	6	11,000,000	--
Long term loans	7	7,300,818	22,047,341
Liabilities against assets subject to finance lease	8	726,295	1,297,336
Long term deposits	9	6,658,838	4,634,282
		-----	-----
Rupees		25,685,951	27,978,959
		=====	=====

11. SHORT TERM LOAN

Rupees	20,000,000	25,000,000
	=====	=====

This represents a short term loan from an NBFI. The loan is for 183 days and carries mark up at the rate of 14.1 percent per annum.

12. ACCRUED EXPENSES AND OTHER LIABILITIES

Accounts payable	--	1,500,000
Accrued markup on finance lease	11,006	7,622
Accrued markup on term and running finance facilities	618,083	1,205,753
Accrued expenses	97,413	69,451
Advances from customers	834,564	335,706
Accrued markup on redeemable capital	8,915,317	--
Others	169,000	--
	-----	-----
Rupees	10,645,383	3,118,532
	=====	=====

13. COMMITMENTS

Commitments for lease disbursement	Rupees	14,000,000	--
		=====	=====

14. TANGIBLE FIXED ASSETS - At cost less accumulated depreciation

	<i>As at</i>	<i>COST</i>		<i>As at</i>	<i>Rate</i>	<i>As at</i>	<i>DEPRECIATION</i>		<i>As at</i>	<i>Written Down</i>
	<i>1 July 1999</i>	<i>Additions/</i>	<i>Disposals</i>	<i>30 June 2000</i>	<i>%</i>	<i>1 July 1999</i>	<i>For the</i>	<i>Disposals/</i>	<i>30 June 2000</i>	<i>Value as at</i>
		<i>Transfers*</i>					<i>year</i>	<i>Transfers*</i>		<i>30 June 2000</i>
OWN ASSETS										
Leasehold Land	1,800,000	--	--	1,800,000	--	--	--	--	--	1,800,000
Building on Leasehold Land	10,841,380	--	--	10,841,380	5	1,241,431	479,997	--	1,721,428	9,119,952
Vehicles	2,045,500	972,998	--	3,461,998	20	988,284	457,313	--	1,632,745	1,829,253
		443,500*						187,148*		
Equipments	323,416	602,050	(51,300)	1,377,266	10	77,544	117,728	(13,902)	317,710	1,059,556
		503,100*						136,340*		
Furniture & Fixtures	2,340,127	--	(101,215)	2,238,912	10	445,173	181,991	(26,169)	600,995	1,637,917
	-----	-----	-----	-----		-----	-----	-----	-----	-----
	17,350,423	1,575,048	(152,515)	19,719,556		2,752,432	1,237,029	(40,071)	4,272,878	15,446,678
		946,600*						323,488*		
	-----	-----	-----	-----		-----	-----	-----	-----	-----
LEASED ASSETS										
Vehicles	2,007,244	1,664,000	(1,376,744)	1,911,000	20	947,919	364,416	(671,851)	453,336	1,457,664
		(383,500)*						(187,148)*		
Office Equipments	1,794,730	--	--	1,291,630	10	381,750	104,622	--	350,032	941,598
		(503,100)*						(136,340)*		
	-----	-----	-----	-----		-----	-----	-----	-----	-----
	3,801,974	1,664,000	(1,376,744)	3,202,630		1,329,669	469,038	(671,851)	803,368	2,399,262
		(886,600)*						(323,488)		
	-----	-----	-----	-----		-----	-----	-----	-----	-----
2000	Rupees	21,152,397	3,239,048	(1,529,259)	22,922,186	4,082,101	1,706,067	(711,922)	5,076,246	17,845,940
			60,000					--		
		-----	-----	-----	-----	-----	-----	-----	-----	-----
1999	Rupees	21,054,329	98,068	--	21,152,397	2,652,838	1,429,263	--	4,082,101	17,070,296
		=====	=====	=====	=====	=====	=====	=====	=====	=====

14.1 Disposals of tangible fixed

<i>Description</i>	<i>Mode of Disposal</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Book Value</i>	<i>Sale Proceeds</i>	<i>(Loss)/Gain</i>	<i>Particulars of buyer</i>
Equipment							
Laser Printer	Scraped	27,600	7,480	20,120	--	(20,120)--	
Miscellaneous	Scraped	23,700	6,422	17,278	--	(17,278)--	
Furniture & Fixtures							
	Scraped	101,215	26,169	75,046	--	(75,046)--	
Vehicles							
Suzuki Margala	Negotiation	517,443	252,513	264,930	339,998	75,069	Mr. Farhana Aziz 111/1 10th Street Phase IV, D.A.A. Karachi-75400
Honda Civil	Terms of employment	859,301	419,338	439,963	259,302	(180,661)	Mr. Nasim Khan (Chief Executive)
	Rupees	1,529,259	711,922	817,337	599,300	(218,036)	

15. INVESTMENT IN LEASE FINANCE - secured

	<i>2000</i>			<i>1999</i>		
	<i>Not later than one year</i>	<i>Later than one year and less than five years</i>	<i>Total</i>	<i>Not later than one year</i>	<i>Later than one year and less than five years</i>	<i>Total</i>
Installments contract receivables	126,915,419	113,152,968	240,068,387	101,152,519	123,826,715	224,979,234
Residual value of leased assets	7,925,322	37,494,068	45,419,390	8,384,072	25,565,451	33,913,523
Lease contract receivable	134,840,741	150,647,036	285,487,777	109,500,591	149,392,166	258,892,757
Unearned lease income	2,132,978	48,442,805	50,575,783	2,203,254	52,878,115	55,081,369
Net investment in lease finance	132,707,763	102,204,231	234,911,994	107,297,337	96,514,051	203,811,388

The company has entered into various lease agreements with mark-up rates ranging from 16.77 percent to 28.01 percent per annum. The agreements usually are for a three years period.

In certain leases, the company has security, in addition to leased assets, in the form of corporate/personal guarantee of associated companies/directors.

As of 30 June 2000 there were no over due installments and none of the leases were rescheduled.

16. LONG TERM INVESTMENTS**Name of company/modaraba**

*No. of shares/
certificates*

	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Shares of listed companies				
Lucky Cement Limited	--	75,000	--	741,000
First Allied Bank Modaraba	--	44,000	--	298,470
Habib Arkady Limited	--	52,500	--	337,500
Nishat (Chunian) Mills Limited	--	56,500	--	1,128,965
Gadoon Textile Mills Limited	--	35,000	--	1,164,275
Hub Power Company Limited	--	35,000	--	1,742,200
Faysal Bank Limited	--	25,000	--	695,500
Investment Corporation of Pakistan - State Enterprise Mutual Fund	--	50,000	--	1,317,275
			-----	-----
			--	7,425,185
Term Finance Certificates (TFC) - Quoted				
Pakistan Industrial Leasing Corporation Limited			7,219,925	--
Paramount Leasing Limited			3,010,000	--
			10,229,925	--
Term Finance Certificates (TFC) - Unquoted				
Dewan Salman Fibres Limited			15,000,000	--
Federal Investment Bonds	16.2		1,088,500	1,088,500
			-----	-----
			26,318,425	1,088,500
Provision for decline other than temporary in the market value of investments			--	(4,287,435)
			-----	-----
	Rupees		26,318,425	(3,198,935)
			=====	=====

16.1 Aggregate market value as at 30 June 2000 of the above quoted investments amounted to Rs. 10,356,375 (1999: Rs. 4,237,750).

16.2 It represents investments made in Federal Investment Bonds required under the relevant provision of the SBP's rules for the NBFIs to maintain liquidity against certain liabilities. These bonds are redeemable within a period of five years from the date of purchase and carry markup at the rate of 15 percent per annum receivable half yearly from the date of issue. The face value of these bonds is Rs. 1,100,000.

17. LONG TERM DEPOSITS

Lease deposits		471,932	536,638
Other-security deposits		710,900	508,900
		-----	-----
		1,182,832	1,045,538
Maturing with one year		(76,932)	(399,706)
		-----	-----
	Rupees	1,105,900	645,832
		=====	=====

18. SHORT TERM LOAN

Short term loan	18.1 Rupees	2,862,000	--
		=====	=====

18.1 This represents a short term finance facility provided on secured basis in the normal course of business for 40 days at the rate of 15 percent per annum.

19. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advance Tax		775,280	516,749
Prepayments		248,417	218,860
Other receivables			
Insurance receivable		435,464	354,423
Accrued return on deposits/placements		145,912	42,974
Subscription refundable	19.1	6,990,000	--
Accrued income on leases		1,699,918	1,660,389
Dividend receivable		5,100,000	--
Lease rentals receivable		924,316	--
Others		475,693	17,260
		-----	-----
		15,771,303	2,075,046
		-----	-----
	Rupees	16,795,000	2,810,655
		=====	=====

19.1 This represents subscription towards Term Finance Certificates of Paramount Leasing Limited and was refunded subsequent to year end.

20. PLACEMENTS WITH OTHER NBFIs

At 30 June 2000, the company has placed Rs. 8,500,000 (1999: Rs. 10,000,000) with an NBFi. The placement is for a period of 45 days and carries mark-up at the rate of 16 percent per annum (Rs. 3,500,000) and for a period of 7 days at the rate of 14 percent per annum (Rs. 5,000,000). These placements are unsecured.

21. CASH AND BANK BALANCES

Cash with banks and other financial institutions			
- on current account (non interest bearing)	21.1	119,398	178,322
- on current accounts (interest bearing)		23,121,932	2,335,067
		-----	-----
	Rupees	23,241,330	2,513,389
		=====	=====

21.1 This includes deposit of Rs. 50,000 (1999: 50,000) with the State Bank of Pakistan to meet liquidity requirements under the State Bank of Pakistan Prudential Regulations for Non-Banking Financial Institutions.

22. LEASE INCOME

Income on lease contracts		39,894,860	36,846,389
Return on advance against leases		268,409	317,880
Cancellation charges of lease contracts		77,951	8,824
		-----	-----
	Rupees	40,241,220	37,173,093

23. MARK-UP ON DEPOSITS/PLACEMENTS/MUSHARIKA ARRANGEMENTS etc.

Income on local currency deposits/placements/ musharika arrangements etc.	Rupees	1,023,700	319,215
--	--------	-----------	---------

24. OTHER INCOME

Mark-up on Term Finance Certificates		319,665	413,014
Dividend income		5,371,775	326,675
Mark-up on Federal Investment Bonds		165,000	165,000
Exchange gain		--	535,457
Others		95,116	--
	Rupees	5,951,556	1,440,146

25. ADMINISTRATIVE AND OPERATING EXPENSES

Salaries and other benefits	25.1	3,348,252	3,061,143
Contribution to Provident Fund		94,972	112,104
Directors fees		8,000	6,000
Rent, rates and taxes		39,191	41,186
Security vault rent and services		108,000	108,000
Utilities		303,969	196,556
Postage and periodicals		61,874	68,126
Fees and documentation charges		81,100	73,700
Printing and stationary		304,841	258,521
Vehicle running and maintenance		339,816	226,162
Insurance		397,072	367,264
Travelling and conveyance		210,687	95,015
Auditors' remuneration	25.2	109,326	60,700
Legal and professional charges		562,782	475,275
Depreciation		1,706,067	1,429,263
Entertainment		54,221	52,019
Advertisement and business promotion expenses		71,968	37,403
Telex, fax and telephone expenses		158,111	121,844
Repairs and maintenance		202,927	155,076
Loss on sale of fixed assets		218,036	--
Zakat		--	3,125
Amortization of deferred cost		--	838,649
Others		502,736	309,075
	Rupees	8,883,948	8,096,206

25.1 Remuneration of Chief Executive and Executives

	<i>CHIEF EXECUTIVE</i>		<i>EXECUTIVES</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Managerial Remuneration	996,000	876,000	295,968	421,301
Housing and Utilities	492,000	432,000	148,742	205,887
Bonus	124,500	108,000	20,000	128,000

Rupees	1,612,500	1,416,000	464,710	755,188
Number of Persons	1	1	2	2

The Chief Executive and Executives are also entitled to free use of company maintained vehicles.

25.2 AUDITORS' REMUNERATION

	<i>Taseer Hadi Khalid & Co.</i>		<i>Mansha Mohsin Dossani Khan & Co.</i>		<i>Total</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Audit fee	55,000	55,000	--	--	55,000	55,000
Special audit fee	40,000	--	3,500	--	43,500	--
Out of pocket expenses	10,826	5,700	--	--	10,826	5,700
Rupees	105,826	60,700	3,500	--	109,326	60,700

25.3 At 30 June 2000, 12 (1999: 11) employees are employed by the company.

26. FINANCIAL CHARGES

Financial charges on lease financing	192,357	382,460
Mark-up on term finances	19,856,373	13,218,230
Bank charges	22,583	23,506
Rupees	20,071,313	13,624,196

27. TAXATION

Current

The tax liability of the company for the year has been calculated under the normal provisions of the Income Tax Ordinance, 1979 and represents minimum tax at the rate of 0.5 per cent of turnover under section 80(D). The income tax assessments of the company have been finalised upto and including assessment year 1999-2000. Appeals for assessment years 1998-99 and 1999-2000 are pending before Appellate Authorities.

The Deputy Commissioner of Income Tax has treated lease key money as other income while finalising the company's assessment for the assessment year 1999-2000. No additional liability is likely to arise in case of adverse decision in view of brought forward losses. However deferred tax liability will increase by Rs. 4.4 million. The above adverse effect has not been considered in calculation of deferred tax liability, as the management expects a favourable outcome of appeals.

Deferred

Deferred tax liability as at 30 June 2000 arising due to timing differences computed under the liability method is estimated at Rs. 18.752 million (1999: Rs. 13.014 million) of which Rs. 5.738 million is in

respect of the current year.

The Securities and Exchange Commission of Pakistan (SECP) vide circular No. 16 dated 09 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 be deemed to be met where the company consistently transfers to a capital reserve an amount equal to aggregate amount determined in accordance with the preceding paragraph.

Accordingly, the company has transferred Rs. 8,991,534 to capital reserve for deferred tax. This represents one fourth of the liability at 30 June, 1999 and liability in respect of current year. The deferred tax liability not accounted for at 30 June 2000 amounts to Rs. 9,760,256.

28. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the credit worthiness of counterparties.

A sector wise breakdown of lease portfolio is as follows:

	<i>2000</i>	<i>%</i>	<i>1999</i>	<i>%</i>
Textile made ups	66,528,476	28.31	32,148,005	15.77
Pharmaceuticals	9,957,537	4.24	6,344,183	3.11
Sugar	10,037,348	4.27	14,959,965	7.34
Cement	6,284,050	2.68	7,904,536	3.88
Textile spinning	16,989,963	7.23	18,315,263	8.99
Synthetic	4,030,163	1.72	4,530,786	2.22
Insurance	2,428,428	1.03	4,549,589	2.23
Banking and Financial Institutions	13,213,209	5.63	20,126,068	9.87
Textile-Weaving	22,273,468	9.48	29,056,301	14.26
Construction	316,267	0.14	876,045	0.43
Airlines and Shipping	12,527,664	5.33	17,681,846	8.68
Transportation	21,022,764	8.95	5,965,274	2.93
Trading Services	21,971,751	9.35	30,798,601	15.11
Food	636,460	0.27	2,170,241	1.06
Information Technology and Com	5,860,343	2.49	7,650,014	3.75
Education	17,006,447	7.24	734,671	0.36
Others	Rupees 3,827,656	1.63	--	--
	----- 234,911,994	----- 100	----- 203,811,388	----- 100
	=====	=====	=====	=====

In addition the company has placed certain funds with non banking financial institutions, provided certain funds on short term basis and invested in Term Finance Certificates and Federal Investment Bonds. For details refer Note 16, 18 and 20.

29. FAIR VALUE OF FINANCIAL ASSETS

The fair value of all financial assets and financial liabilities is estimated to approximate their

Financial Liabilities

Long term loans	1,250,000	20,797,341	19,800,818	--	41,848,159
Long term deposits	--	--	--	32,076,148	32,076,148
Liabilities against assets subject to finance lease	100,780	1,196,556	475,882	--	1,773,218
Short term loans	--	25,000,000	--	--	25,000,000
Accrued expenses and other liabilities	--	--	--	3,118,532	3,118,532
	-----	-----	-----	-----	-----
	1,350,780	46,993,897	20,276,700	35,194,680	103,816,057
	-----	-----	-----	-----	-----
On-balance sheet gap (a)	16,022,169	18,110,992	114,480,417	(28,539,164)	120,074,414
	-----	-----	-----	-----	-----
Total interest rate sensitivity gap	16,022,169	18,110,992	114,480,417	--	--
	=====	=====	=====	=====	=====

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

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

2000 **1999**
Effective interest rate %

Assets

Net Investment in Lease Finance including advance against lease	21.31	22.76
Terms Finance Certificates	14.77	--
Federal Investment Bonds	15.00	15.00
Short term loan	15	--
Placements with other NBFT's	14.82	15.25
Cash and bank balances	9.50	9.50

Liabilities

Redeemable capital	18.28	--
Long term loans	16.00	18.63
Short term loans	14.10	18.00

31. EARNING PER SHARE - basic and diluted

Profit for the year	Rupees	24,267,055	19,817,550
		=====	=====
Weighted average number of outstanding ordinary shares		10,000,000	10,000,000
		=====	=====
Earnings per share	Rupees	2.42	1.98
		=====	=====

32. GENERAL

32.1 Figures have been rounded off to the nearest rupee.

32.2 Figures of the previous year have been re-arranged, wherever necessary, to facilitate comparison.

PATTERN OF SHARE HOLDING AS AT 30 JUNE 2000

<i>SHARE HOLDING</i>		<i>NUMBER OF</i>		
<i>From</i>	<i>To</i>	<i>SHARE</i>	<i>TOTAL</i>	
		<i>HOLDERS</i>	<i>SHARES HELD</i>	<i>PERCENTAGE</i>
1	--	100	0	0
101	--	500	698	3,490
501	--	1,000	0	0
1,001	--	5,000	4	19,500
5,001	--	10,000	1	10,000
15,001	--	20,000	1	20,000
75,001	--	80,000	1	80,000
95,001	--	100,000	4	399,500
145,001	--	150,000	2	298,000
495,001	--	500,000	2	997,000
545,001	--	550,000	2	1,093,000
630,001	--	635,000	1	634,000
795,001	--	800,000	3	2,400,000
845,001	--	850,000	2	1,700,000
895,001	--	900,000	1	900,000
1,095,001	--	1,100,000	1	1,100,000
		-----	-----	-----
		723	10,000,000	100.000
		=====	=====	=====

CATEGORIES OF SHAREHOLDERS

<i>PARTICULARS</i>	<i>SHARE</i>	<i>SHARE</i>	
	<i>HOLDERS</i>	<i>HOLDING</i>	<i>PERCENTAGE</i>
Individuals	722	9,500,000	95.000
Joint Stock Companies	1	500,000	5.000
		-----	-----
		723	10,000,000
		=====	=====