

Gandhara Leasing Company Limited

Annual Report 2000

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Company Information

BOARD OF DIRECTORS

- | | |
|--|---|
| 1. Mr. C. Ahsanul Haq (Chairman/Chief Executive) | Nominee of A1-Zamin Leasing Modaraba |
| 2. Mr. Basheer Ahmed Chowdry | Nominee of A1-Zamin Leasing Modaraba |
| 3. Mr. Ansar Husain | Nominee of A1-Zamin Leasing Modaraba |
| 4. Sheikh Mohammad Farooq | Nominee of A1-Zamin Leasing Modaraba |
| 5. Mr. M. Moizul Haque | Nominee of A1-Zamin Leasing Modaraba |
| 6. Mr. Mohammad Zahid | Nominee of Zahidjee Brothers (Pvt.) Limited |
| 7. Mrs. Huma Zahid | Nominee of Zahidjee Brothers (Pvt.) Limited |
| 8. Ms. Aaliya K. Dossa | Nominee of National Investment Trust |
| 9. Mr. Anis Wahab Zuberi | Nominee of National Investment Trust |
| 10. Mr. A.G. Budhani | Nominee of Investment Corporation of Pakistan |

COMPANY SECRETARY

Mr. M. Moizul Haque

REGISTERED OFFICE

2nd Floor, State Life Building
34th, The Mall Peshawar Cantt,
Peshawar.

KARACHI OFFICE

104-108 Kassam Court,
BC-9, Block-5, Clifton Karachi.
Phone: 111-111-303

BANKERS TO THE COMPANY

LEGAL ADVISORS

Shaukat Law Associates
217, Central Hotel Annexe
Abdullah Haroon Road
Karachi
Phone: 5681495, 5686223

SHARE REGISTRARS

THK Associates (Pvt.) Ltd.
Ground Floor
Shaikh Sultan Trust
Building No. 2
Beaumont Road
Karachi-75530
Ph: 5686658-5685687

American Express Bank Ltd.
Allied Bank of Pakistan Ltd.
National Bank of Pakistan Ltd.
Standard Chartered Bank
The Bank of Tokyo
The Bank of Khyber
The Bank of Punjab

AUDITORS

Taseer Hadi Khalid & Company
Chartered Accountants
1st Floor, Shaikh Sultan Trust
Building No.2, Beaumont Road
Karachi-75530
Ph: 5681912, 5682290, 5680934, 5671761-63

Notice of Annual General Meeting

Notice is hereby given that the 9th Annual General Meeting of Ghandhara Leasing Company Limited will be held on Tuesday, 16th January, 2001 at 2nd Floor, State Life Building, 34 The Mall, Peshawar Cantt., Peshawar at 9:00 a.m. to transact the following business:

ORDINARY BUSINESS

* To receive, consider and adopt the Audited Accounts of the company for the year ended 30th June, 2000 together with Directors' Report and Auditors' Report thereon.

* To appoint Auditors and fix their remuneration. The present Auditors Messrs. Taseer Hadi Khalid & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

To consider and approve, with or without modifications the following resolution as Special Resolution:

"Resolved that the name of the company be and is hereby changed to A1-Zaamin Leasing Limited".
Further Resolved that clause-1 of Memorandum of Association be amended as under:
The name of the Company is "**A1-Zaamin Leasing Limited**".

Further Resolved that the above change in the name of the company shall be subject to approval by the Registrar of Companies, Securities & Exchange Commission of Pakistan and any change in the new name and or wording of this Special Resolution, if any, suggested by him or his office shall be deemed to have the approval of this meeting.

Further Resolved that wherever the existing name appears in the Memorandum and Articles of Association and other documents, may be substituted with the new name.

Further Resolved that the Chairman/Chief Executive be authorized to take steps necessary of change of name.

OTHER BUSINESS

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

By Order of the Board

M. Moizul Haque
(Company Secretary)

Karachi: 19th December, 2000

Notes:

1. The Share Transfer Books of the company will remain closed from 8th January 2001 to 15th January, 2001 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his /her proxy to attend the meeting and vote for him / her. No person shall act as proxy who is not a member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting.
3. Share holders are requested to immediately notify the company if any change in their addresses.

CDC Account Holders will further have to follow the undermentioned guidelines as laid down in Circular 1 dated 26th January, 2000 issued by the Securities and Exchange Commission of Pakistan:

A. For Attending the Meeting:

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall, authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For Appointing Proxies:

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- ii. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.
- iii. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his original NIC or original passport at the time of meeting.
- v. In case of corporate entity the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

This statement is annexed to the Notice of Annual General Meeting and sets out the material facts concerning special business to be transacted at the meeting.

The change in the name of company has been proposed due to the following reasons:

Gandhara Nissan Limited desired to change the name of company at the time of its disinvestments by them to A1-Zamin Leasing Modaraba and Associates and to avail the benefits of creditability and good will of A1-Zamin's name particularly with lenders.

None of the Directors have any special or other interest in the property or profits or the company other than that as holders of ordinary shares in the capital of the company.

Financial Highlights

<i>PARTICULARS</i>	<i>June-2000</i>	<i>June-1999</i>	<i>June-1998</i>	<i>June-1997</i>	<i>June-1996 (18 months)</i>
Balance Sheet (Rupees in Million)					
Net Investment in Lease	192.11	352.01	538.56	519.82	496.88
Total Equity	88.24	109.38	147.94	172.53	160.77
Total Assets	242.41	401.98	612.67	631.29	581.05
Break-up Value (Amount in rupees)	10.68	13.24	17.91	20.89	19.46
Income Statement (Rupees in Million)					
Gross Income	36.80	65.22	92.17	99.83	137.60
Financial Charges	29.63	58.24	72.71	67.34	87.67
Other Expenses/Provisions	23.31	44.18	41.30	16.13	26.31
Net (Loss)/Profit	(21.14)	(38.56)	(24.59)	11.76	22.93
Lease Portfolio (Percentage)					
Plant & Machinery	77.23	69.38	56.96	73.10	66.33
Equipment	4.58	5.65	9.20	10.31	9.23
Private Vehicles	8.01	6.12	8.79	7.05	9.67
Commercial Vehicles	10.19	18.85	25.05	9.54	14.77

**Pattern of Shareholding
as at 30 June 2000**

<i>NO. OF SHARE HOLDERS</i>	<i>HAVING SHARES</i>		<i>SHARES HELD PERCENTAGE</i>	
	<i>FROM</i>	<i>TO</i>		
55	1	100	5500	.0665
312	101	500	144600	1.7516
149	501	1000	146400	1.7724
64	1001	5000	159500	1.9310
22	5001	10000	177100	2.1441

7	10001	15000	84700	1.0254
5	15001	20000	97500	1.1804
1	20001	25000	23500	.2845
1	25001	30000	27800	.3365
2	30001	35000	64500	.7809
2	50001	55000	104300	1.2627
1	85001	90000	87000	1.0533
1	95001	100000	100000	1.2106
1	335001	340000	337700	4.0885
1	495001	500000	500000	6.0534
1	510001	515000	513000	6.2108
1	590001	595000	592800	7.1771
1	705001	710000	708200	8.5741
1	940001	945000	943600	11.4241
1	1245001	1250000	1250000	15.1337
1	2190001	2195000	2192000	26.5384

630			8,259,700	100.0000
=====				

Categories of Shareholders As at 30 June 2000

<i>PARTICULARS</i>	<i>SHARE HOLDERS</i>	<i>SHARE HOLDING</i>	<i>PERCENTAGE</i>
INDIVIDUAL	606	954600	11.5573
INVESTMENT COMPANIES	1	500	.0063
INSURANCE COMPANIES	1	337700	4.0885
JOINT STOCK COMPANIES	12	2586000	31.3086
FINANCIAL INSTITUTIONS	7	1687900	20.4353
MODARABAS	2	2193000	26.5506
FOREIGN COMPANIES	1	500000	6.0534

TOTAL	630	8,259,700	100.0000
=====			

Directors' Report

The Board of Directors of Gandhara Leasing Company Limited is pleased to present 9th Annual Report together with the Audited Accounts of the Company for the year ended 30th June, 2000.

Economic Scenario

The economy has shown a real GDP growth of 4.5 percent (1999: 3.2 percent) against the target of 5 percent. This recovery was possible due to agriculture sector on account of better cotton and wheat crops. Manufacturing sector did not perform well and showed growth of 1.6 percent only. However, service sector has shown a slight growth and stood at 4.5 percent against 4.1 percent last year.

External trade has also shown improvements but due to additional burden of increased oil prices on Pakistan's economy, the foreign exchange position did not show any improvement.

During the year under review, leasing industry did not show any significant recovery as it is directly related to the manufacturing sector. The industry is facing a number of problems including paucity of leases from quality customers, rate-competition amongst the leasing companies and entry of some of the banks and DFIs in the leasing sector offering very low rates. However, many leasing companies have diversified their risks to attain the required volume of business and are doing car leasing and small ticket leasing to small and medium organizations besides the usual corporate sector leasing.

Operating Results

Your company had been facing a difficult time since early 1998. The company's original sponsors were facing difficulties in their industrial concern's operations, resultantly the lender banks reported their overdues and defaults to the Credit Information Bureau (CIB) of State Bank of Pakistan. Your company's CIB report was clean but due to negative CIB report of the sponsors, Ghandhara Leasing was facing difficulty in raising additional funds for new leases. Your company somehow managed to achieve 12 times growth in 5 years (company started business with equity of Rs.50 million in 1992 and total assets were Rs.631 million on 30th June, 1997). During this period your company also paid 40% cash dividend.

To resolve their problems, sponsors of the company decided to disinvest their holdings in your company. At that moment borrowings of Rs.399 million by your company were outstanding. To keep afloat, your company decided that full lease rental recovery would be used to pay markup at due dates and balance amount to reduce principal outstanding where lenders demand repayment. During last 2 1/2 years, i.e., upto 30th June, 2000 your company recovered Rs.512 million from its lessees, most of which was used to meet operating expenses, payment of financial charges and repayment of loans. Only a small sum was used for writing new business. Your company incurred losses in the years 1998 to 2000 mainly due to suspension of income and setting aside provisions on some customers who are defaulters to the financial sector across the board.

In these circumstances A1-Zamin Leasing Modaraba and its Associates, Zahidjee Brothers (Pvt.) Limited decided to acquire controlling shares and management of your Company from Ghandhara Nissan Limited.

A1-Zamin Leasing Modaraba is a multipurpose modaraba extending lease financing since 1992. It is one of the best managed modarabas, paying dividend to its certificate holders. A1-Zamin Leasing Modaraba holds credit rating B-3 (B-Three) which is described as "Good Credit Quality, Sound Financial Condition, Financial condition protection factors are adequate".

A1-Zamin Leasing Modaraba and its Associates have nominated 6 Directors on the company's Board. The new sponsors are fully committed to growth of your company as the capability of handling of leasing business of A1-Zamin Group has been substantially enhanced. A1-Zamin's nominated Directors are fully involved in company's business for better coordination between the entities. Although, for the time being, legal status of both entities will remain independent; a merger in the future may be in the best interest of shareholders, in view of the capital adequacy requirements of Rs.200 million under the Leasing Rules, 2000.

Securities & Exchange Commission of Pakistan (SECP) approved the purchase of controlling shares by A1-Zamin Leasing Modaraba and its Associates and also the change of directors, on 22nd April, 2000.

As on 30th June, 2000 the total assets of the company have been reduced to Rs.242 million from Rs.401 million as no lease was executed during the previous year and net recovery was used to repay loans and other financial commitments. The company has incurred a loss after tax of Rs.21.142 million against Rs.38.561 million of the last year. Total revenue during the year was reduced to Rs.36.798 million against Rs.65.218 million of the last year as old leases matured and new leases were not executed during the year. Total expenses were reduced to Rs.52.941 million against Rs.102.412 million of the last year mainly due

to reduction of Rs.28.605 million in financial charges and reduction in provisions for potential lease losses. A number of recoveries were also made from a number of defaulted lessees. Admin expenses show increase due to payment of gratuity amounting to Rs. 4.000 million to the outgoing Chief Executive.

A provision of Rs.5 million on account of current taxation has been created to meet the tax liability, which may occur due to reversal of depreciation as during the last two years no major lease disbursement was made. To meet the SECP guidelines, your management has also decided to create a capital reserve for deferred tax amounting to Rs.4,079,419/=. Since the lease portfolio has been reduced, as explained above, a sum of Rs.4.1 million was transferred from the contingency reserve as per our policy.

Future Prospects

Your management is confident that better days are ahead and the takeover by A1-Zamin will significantly benefit the company. A1-Zamin holds respectable position in lenders market. Immediately after the takeover, the lenders of the company agreed to renew our facilities amounting to Rs.87 million, which includes conversion of Rs.62 million from short-term to long term facilities.

Further, a short-term loan of Rs.30 million to a sister concern of the previous sponsors was recovered subsequent to the close of accounts.

Considering A1-Zamin Leasing Modaraba and Zahidjee Brothers (Pvt.) Limited as our strength, DCR-VIS the Credit Rating Agency has rated our COIs as Investment Grade i.e. Triple B Minus (BBB-), which is described as:

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

The company is concentrating on BMR, small ticket leasing, car leasing and is avoiding green field projects due to high risks.

Your company is also committed to introducing new products. "ANY CAR" is the first introduction, which is targeted to individual customer that allows leasing of new and used cars upto 3 to 4 years old. However, uncertainty remains in the forefront. It is expected that the power crisis being experienced for the last few months will create further delays in recovery of rentals, which in turn will increase financial cost of the company. However, textile and IT sectors have witnessed an upsurge, which we intend to capitalize.

Our economy is passing through a transitory period of adjustments and therefore, your company is expected to expose to mismatching of funds and markup rates.

The Government is doing its best particularly to control revenue expenditure and is also fully committed to multifarious reforms, but the revival of leasing sector including your company is dependent on the overall revival of the economy.

Directors

M/s. C. Ahsanul Haq, Basheer A. Chowdry, Ansar Husain and Sheikh Mohammad Farooq nominees of A1-Zamin Leasing Modaraba and Mr. Mohammad Zahid and Ms. Huma Zahid, nominees of Zahidjee Brothers (Pvt) Limited had succeeded M/s. Raza Kuli Khan Khattak, Lt. Gen. (Retd) Ali Kuli Khan Khattak, Ahmed Kuli Khan Khattak, Jamil Ahmed Shah, Mushtaq Ahmed Khan and K.U. Rehman due to purchase of Controlling Shares by A1-Zamin Leasing Modaraba and Zahidjee Brothers (Pvt.) Limited and Associates. Mr. Michio Kuwahara had resigned subsequent to close of accounts and Mr. M. Moizul Haque was appointed director to fill casual vacancy.

Mr. Haroon Ahmed Zuberi had resigned as Chief Executive of the Company and Mr. C. Ahsanul Haq was appointed as Chairman/Chief Executive of the Company by the Board of Directors. Mr. A.W. Zuberi nominee of National Investment Trust (NIT) has succeeded Mr. Nasim Beg due to latter's resignation from NIT.

The Directors place on record their appreciation of the services of outgoing Chief Executive and Directors,

Information Technology

The company has successfully handled Y2K problem.

Staff

The Board places on record its appreciation for the performance of all staff members particularly in difficult days.

Auditors

The present Auditors M/s. Taseer Hadi Khalid & Co., Chartered Accountants retire and being eligible offer themselves for re-appointment.

Pattern of Shareholding and Loss per share

The pattern of shareholding as on 30th June, 2000 and loss per share are shown on page number 10 and 16 respectively.

On behalf of the Board

**C. Ahsanul Haq
Chairman and Chief Executive**

Karachi: 19th December, 2000

Auditors' Report to the Members

We have audited the annexed balance sheet of Ghandhara Leasing Company Limited as at 30th 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 manners so required and respectively give a true and fair view of the state of the company's affairs as at 30th June 2000 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) In our opinion no Zakat was deducted at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date: 19th December, 2000
Karachi

Taseer Hadi Khalid & Co.
Chartered Accountants

Balance Sheet as at 30 June 2000

ASSETS	<i>Note</i>	<i>2000</i>	<i>1999</i>
OPERATING FIXED ASSETS	3	5,031,854	5,889,840
LONG TERM DEPOSITS		405,322	307,322
LONG TERM INVESTMENTS	4	4,041,187	3,951,187
NET INVESTMENT IN LEASE FINANCE - Secured	5	34,937,098	124,117,091
DEFERRED COST	6	--	474,227
 CURRENT ASSETS			
Current maturity of net investment in lease finance and overdue lease rentals	7	157,175,606	227,894,346
Federal Investment Bond	8	50,000	50,000
Short term advances-Secured	9	29,935,415	30,056,780
Advances, deposits, prepayments and other receiva	10	13,788,911	8,772,519
Cash and bank balances	11	593,599	468,352
		-----	-----
		201,543,531	267,241,997
		-----	-----
	Rupees	245,958,992	401,981,664
		=====	=====
 EQUITY AND LIABILITIES			
SHARE CAPITAL	12	82,597,000	82,597,000
SHARE PREMIUM		48,895,500	48,895,500
RESERVES	13	19,510,996	19,531,577
ACCUMULATED LOSS		(59,213,760)	(41,642,343)
		-----	-----

		91,789,736	109,381.73
LONG TERM FINANCES-Secured	14	35,406,514	9,744,859
CERTIFICATES OF INVESTMENT	15	1,306,491	12,196,991
LONG TERM DEPOSITS	16	22,257,799	43,780,052
CURRENT LIABILITIES			
Current maturity and installments due of long term fi	17	10,410,133	29,442,415
Current maturity of long term deposits	16	25,777,536	17,941,253
Certificates of Investment	15 & 18	10,817,030	47,875,029
Short term Musharika-Secured	19	10,000,000	--
Short term finances-Secured	20	22,145,534	113,811,212
Accrued expenses and other liabilities	21	6,154,123	12,859,773
Provision for taxation		9,476,046	4,476,046
Unclaimed dividend		418,050	472,300
		-----	-----
		95,198,452	226,878,028
COMMITMENTS			
	Rupees	-----	-----
		245,958,992	401,981,664
		=====	=====

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

DIRECTOR

CHIEF EXECUTIVE

**Profit and Loss Account
for the year ended 30 June2000**

	<i>Note</i>	<i>2000</i>	<i>1999</i>
REVENUE			
Lease income	22	35,278,547	64,587,893
Mark-up on short term advances		1,319,572	798,851
Other income/(charges)	23	200,601	(168,885)
		-----	-----
		36,798,720	65,217,859
EXPENDITURE			
Administrative expenses	24	18,701,698	16,816,706
Financial charges	25	29,630,893	58,235,786
Amortisation of deferred cost		474,221	474,234
Provision against repossessed asset		--	195,825
Provision for diminution in value of investments		--	224,849
Provision for potential lease losses		583,906	30,533,736
Reversal of separation benefits		--	(4,068,900)
		-----	-----
		49,390,718	102,412,236
		-----	-----
LOSS BEFORE TAXATION		(12,591,998)	(37,194,377)

TAXATION			
Current		5,000,000	1,161,876
Prior		--	204,501
		-----	-----
		5,000,000	1,366,377
		-----	-----
LOSS AFTER TAXATION		(17,591,998)	(38,560,754)
		-----	-----
ACCUMULATED LOSS BROUGHT FORWARD		(41,642,343)	(7,552,954)
		-----	-----
		(59,234,341)	(46,113,708)
		-----	-----
APPROPRIATIONS			
Transfer from contingency reserve		4,100,000	4,471,365
Transfer to capital reserve for deferred tax		(4,079,419)	--
		-----	-----
		20,581	4,471,365
		-----	-----
ACCUMULATED LOSS CARRIED FORWARD	Rupees	(59,213,760)	(41,642,343)
		-----	-----
LOSS PER SHARE	28	2.13	4.67
		=====	=====

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

DIRECTOR**CHIEF EXECUTIVE**

**Cash Flow Statement
for the year ended 30 June 2000**

	<i>2000</i>	<i>1999</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(12,591,998)	(37,194,377)
Adjustment for:		
Depreciation	868,920	1,045,655
Amortisation of deferred cost	474,221	474,234
Accrued mark-up	29,630,893	58,095,991
Provision for potential lease losses	583,906	30,533,736
Provision for diminution in value of investments	--	224,849
Provision for gratuity	3,001,675	633,179
Reversal of separation benefits	--	(4,068,900)
Income on investments	(200,601)	(209,264)
Loss on sale of fixed assets	--	609,919
	-----	-----
	21,767,016	50,145,022
Changes in operating assets and liabilities		
Increase in long term deposits	(98,000)	(76,400)
Decrease in investment in lease finance	143,851,904	223,568,249
Decrease/(Increase) in overdue lease rentals	15,462,923	(67,554,229)

Decrease in advance against lease commitments	--	7,529,750
Decrease in short term advances	121,365	11,105,633
Decrease in advances, deposits, prepayments and other receivables	(2,708,408)	5,893,813
Decrease in long term deposits	(13,685,970)	(16,283,682)
Increase/(Decrease) in accrued expenses and other liabilities	928,509	(1,530,842)
	-----	-----
	143,872,323	162,652,292
	-----	-----
	165,639,339	212,797,314
Gratuity paid	(4,649,200)	--
Separation benefits paid	--	(630,000)
Mark-up paid	(35,617,527)	(59,322,693)
Taxes paid	(2,307,978)	(2,546,417)
	-----	-----
Net cash generated in operating activities	123,064,634	150,298,204
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to fixed assets	(39,350)	(455,000)
Additions to investment	(90,000)	--
Mark-up on Federal Investment Bond	142,500	142,500
Income from deposit accounts	--	9,880
Dividend income - net	58,101	56,884
Proceeds from sale of fixed assets	28,416	32,001
	-----	-----
Net cash used in investing activities	99,667	(213,735)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finances	67,629,373	(22,659,314)
Certificates of investment	(47,948,499)	(106,274,970)
Short term Musharika	10,000,000	--
Short term finances	(91,665,678)	(21,113,886)
Dividend paid	(54,250)	9,425
	-----	-----
Net cash used in financing activities	(123,039,054)	(150,038,745)
	-----	-----
Net increase in cash and bank balances	125,247	45,724
Cash and bank balances at beginning of the year	468,352	422,628
	-----	-----
Cash and bank balances at end of the year	593,599	468,352
	=====	=====

DIRECTOR

CHIEF EXECUTIVE

Statement of Changes in Equity as at 30 June 2000

<i>Share Capital</i>	<i>Share Premium</i>	<i>Capital Reserves Statutory</i>	<i>Deferred Tax</i>	<i>Contingency Reserve</i>	<i>(Accumulated losses)/ Unappropriated</i>	<i>Total</i>
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						<i>profit</i>	
Balance as at 30 June 1998	82,597,000	48,895,500	13,511,559	--	10,491,383	(7,552,954)	147,942,488
Loss for the year 1998-99	--	--	--	--	--	(38,560,754)	(38,560,754)
Transferred	--	--	--	--	(4,471,365)	4,471,365	--
	-----	-----	-----	-----	-----	-----	-----
Balance as at 30 June 1999	82,597,000	48,895,500	13,511,559	--	6,020,018	(41,642,343)	109,381,734
Loss for the year 1999-2000	--	--	--	--	--	(17,591,998)	(17,591,998)
Reserve for deferred tax	--	--	--	4,079,419	--	(4,079,419)	--
Transferred	--	--	--	--	(4,100,000)	4,100,000	--
	-----	-----	-----	-----	-----	-----	-----
Balance as at 30 June 2000	82,597,000	48,895,500	13,511,559	4,079,419	1,920,018	(59,213,760)	91,789,736
	=====	=====	=====	=====	=====	=====	=====

Notes to the Accounts for the year ended 30 June 2000

1. STATUS AND NATURE OF BUSINESS

Gandhara Leasing Company Limited was incorporated on 12th May 1991 as a public limited company under the Companies Ordinance, 1984 and was listed on all the Stock Exchanges in Pakistan. During the year ended 30th June 1997, the name of the company was changed from Ghemni Leasing Company Limited to Gandhara Leasing Company Limited

Its principal activity is leasing of machineries, equipments and vehicles. Other activities are short term advancing and investment in securities.

1.1 Change of ownership

Gandhara Nissan Limited and Marubeni Corporation of Japan held 35% and 6% share capital of the company. On 19th April 2000 these shares were sold to A1-Zamin Leasing Modaraba and Zahidjee Brothers (Private) Limited and effectively the controlling interest was acquired by A1-Zamin Leasing Modaraba and Zahidjee Brothers (Private) Limited. Approval from Securities and Exchange Commission of Pakistan has been received

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 Operating fixed assets and depreciation

The cost of operating fixed assets is depreciated over the useful life of related assets under the declining balance method; full year's depreciation is charged on assets acquired during the year, whereas no depreciation is charged in the year of disposal. Gains and losses on disposal of assets are included in income currently. Normal repairs and maintenance are charged to income as and when incurred.

2.4 Investments

Long term investments are stated at cost less provision for diminution in value to recognise a decline other than temporary. Short term investments are valued at lower of cost and market value determined on an aggregate portfolio basis. Cost is determined on moving average basis and the market values are taken from closing rates of the Karachi Stock Exchange (Guarantee) Limited on the last working day of the income year.

2.5. Deferred cost

This is amortised over a period of five years.

2.6. Net investments in lease finance

This is stated at cost less specific provision. Specific provision is made in accordance with the requirements of Non Bank Financial Institutions Regulations issued by the State Bank of Pakistan.

2.7. Revenue recognition

Lease revenue

The company follows the finance method in accounting for lease income. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of lease so as to produce a constant periodic rate of return on the outstanding net investment in lease

Unrealised lease income is suspended, where necessary, in accordance with the requirements of Non Bank Financial Institutions Regulations issued by the State Bank of Pakistan.

Commitment charges, gains on termination of lease contracts, documentation charges, late payment surcharge and other lease income are recognised as income when they are realised.

Markup income

This is recognised on a time proportion basis.

Dividend income

This is recognised at the time of closure of share transfer books of the company declaring the dividend.

Capital gains and losses

These are recorded on the date of sale of investment.

2.8. Foreign Currencies

Foreign Currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of the transaction. Assets and liabilities in foreign currencies at the year end are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in the profit and loss account currently.

2.9. Taxation

Current

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

4.1 Federal Investment Bonds

This investment has been made to meet the liquidity requirement under the Non Bank Financial Institutions Regulations issued by the State Bank of Pakistan. The bonds are maturing from December 2001 to April 2005 and carry markup at a rate of 15 per cent per annum payable on half yearly basis. The face value of these bonds is Rs. 1,040,000.

4.2. Listed Securities

<i>Number of shares/certificates</i>		<i>Cost</i>	
<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Mutual Funds			
14,100	14,100 19th ICP Mutual Fund	238,290	238,290
Modarabas			
32,500	32,500 First Elite Capital Modaraba	152,750	152,750
51,020	51,020 First Punjab Modaraba	471,935	471,935
36,500	36,500 First Mehran Modaraba	178,850	178,850
1,070	1,070 First HBL Modaraba	7,223	7,223
Leasing Companies			
29,700	29,200 Natover Motor Lease Limited	292,000	292,000
5,500	5,500 Saudi Pak Leasing Company Limit	103,251	103,251
Investment Companies/Banks			
3,681	3,681 Al-Faysal Investment Bank Limite	113,383	113,383
30,500	30,500 A1-Towfeek Investment Bank Limi	800,625	800,625
30,056	25,047 Bank Al-Habib Limited	588,750	588,750
2,509	2,509 Crescent Investment Bank Limited	83,655	83,655
36,500	36,500 Pakistan Industrial Credit and Inve	958,125	958,125
15,208	15,208 Prime Bank Ltd.	324,875	324,875
Textile Spinning			
5,000	5,000 Faisal Spinning Mills Limited	76,250	76,250
4,536	4,536 Saif Textile Mills Limited	10,305	10,305
Textile Composite			
69	69 Kohinoor Textile Mills Limited	966	966
Sugar and Allied			
1,710	1,710 Sanghar Sugar Mills Limited	36,604	36,604
2,156	2,156 Shahmurad Sugar Mills Limited	27,000	27,000
Cement			
52,625	52,625 Cherat Cement Company Limited.	3,104,875	3,104,875
17,460	17,460 D.G. Khan Cement Company Limit	744,072	744,072
19,565	17,787 Essa Cement Industries Limited	433,400	433,400
Chemical and Pharmaceutical			
15,000	15,000 Biafo Industries Limited	157,500	157,500
5,000	5,000 Wah Noble Chemicals Limited	230,000	230,000

Paper and Board				
29,040	29,040	Century Paper and Board Mills Li	907,500	907,500
Energy				
45,017	45,017	Sui Northern Gas Pipelines Limited	943,575	943,575
			10,985,759	10,985,759
		Provision for diminution in value	(7,984,572)	(7,984,572)
		Rupees	3,001,187	3,001,187

4.3 All the holdings are in modaraba certificate and ordinary shares of Rs. 10 each.

4.4 The aggregate market value of investments in listed securities as at 30th June 2000 amounted to Rs. 4,620,690 (1999: Rs. 3,001,187).

	2000	1999
5. NET INVESTMENT IN LEASE FINANCE		
Lease rentals receivable	199,345,970	375,387,556
Estimated residual value of leased assets	51,227,194	67,640,594
Minimum lease payments	250,573,164	443,028,150
Unearned income	(15,687,685)	(48,827,844)
Present value of minimum lease payments	234,885,479	394,200,306
Provision for potential lease losses	(42,772,775)	(42,188,869)
Current maturity	(79,439,112)	(134,694,929)
Overdue lease rentals	(77,736,494)	(93,199,417)
	Rupees	
	34,937,098	124,117,091

5.1.

	2000		Total	1999		Total
	Not later than one year	Later than one year and less than five years		Not later than one year	Later than one year and less than five years	
	(Rupees)					
Lease rentals receivables	124,028,579	75,317,391	199,345,970	210,820,661	164,566,895	375,387,556
Residual value of leased assets	45,708,825	5,518,369	51,227,194	34,059,873	33,580,721	67,640,594
Minimum lease payments	169,737,404	80,835,760	250,573,164	244,880,534	198,147,616	443,028,150
Unearned lease income	(12,561,798)	(3,125,887)	(15,687,685)	(16,986,188)	(31,841,656)	(48,827,844)
Provision for potential lease losses	(42,772,775)	--	(42,772,775)	(42,188,869)	--	(42,188,869)
Net investment in lease finance	114,402,831	77,709,873	192,112,704	185,705,477	166,305,960	352,011,437

The company has entered into various lease agreements with mark-up rates ranging from 19% to 27% per annum. The agreements usually are for three to five years period.

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

5.2 In terms of the requirements of Rule 7(1) (ii) of the Leasing Companies (Establishment and Regulations) Rules, 1996, the company's aggregate exposure under lease financing exceeding 20 per cent of the paid up capital and free reserves in respect of a public limited company amounted to Rs. 42,981,386 (1999: Rs. 43,894,182).

	<i>2000</i>	<i>1999</i>
6. DEFERRED COST		
Right share issue expenses	2,371,170	2,371,170
Amortised to date	(2,371,170)	(1,896,943)
	-----	-----
Rupees	--	474,227
	=====	=====

7. CURRENT MATURITY OF NET INVESTMENT IN LEASE FINANCE AND OVERDUE LEASE RENTALS

Current maturity of net investment in lease finance	79,439,112	134,694,929
overdue lease rentals	77,736,494	93,199,417
	-----	-----
Rupees	157,175,606	227,894,346
	=====	=====

8. FEDERAL INVESTMENT BOND

This bond has matured on 14th July 1995.

9. SHORT TERM ADVANCES - Secured

These include financing given to Gandhara Industries Limited (Formerly National Motors Limited) amounting to Rs. 30,000,000 at a mark-up rate of 18.50 percent per annum payable in nine monthly installments. The advance is secured by equitable mortgage on a plot of land owned by Gandhara Industries Limited (Formerly National Motors Limited). However, subsequent to the year end this advance was received by the company.

These also include financing amounting to Rs. 26,388 given to an individual and carry mark-up at the rate of 21 percent per annum payable in 35 equal installments by May 2002. This advances is secured by lien on certificates of investment issued by Company itself.

10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances		
-Staff	94,938	116,703
-Taxation	9,087,342	6,779,358
Advance for Consultant	3,550,000	--
Markup receivable	142,500	--
C.E.D. Receivable	565,055	111,400

Deposits	--	129,600
Prepayments	348,595	458,051
Accrued mark-up on short term advances	481	6,257
Receivable against sale of repossessed asset	--	954,175
others	--	216,975
	-----	-----
Rupees	13,788,911	8,772,519
	=====	=====

11. CASH AND BANK BALANCES

Cash with State Bank of Pakistan	11.10	220,000	220,000
Cash with commercial banks in current accounts		342,177	208,172
Cash with commercial bank in saving account		--	276
Cash with commercial banks in deposit accounts		31,422	39,904
		-----	-----
Rupees		593,599	468,352
		=====	=====

11.1. This has been kept to meet the liquidity requirements under the Non Bank Financial Institutions Regulations issued by the State Bank of Pakistan.

12. SHARE CAPITAL

Authorised			
20,000,000 ordinary shares of Rs. 10 each		200,000,000	200,000,000
		=====	=====
Issued, subscribed and paid up			
8,259,700 ordinary shares of Rs. 10 each			
fully paid in cash		82,597,000	82,597,000
		=====	=====

15. RESERVES

Statutory reserve	13.1	13,511,559	13,511,559
Capital reserve for deferred tax	26	4,079,419	--
Contingency reserve	13.2	1,920,018	6,020,018
		-----	-----
Rupees		19,510,996	19,531,577
		=====	=====

13.1 In accordance with the Non Bank Financial Institutions Regulations issued by the State Bank of Pakistan, company is required to transfer 20 per cent of its after tax profit to statutory reserve until the reserve equals its paid up share capital. Thereafter, 5 per cent of profit after tax is required to be transferred to the reserve.

13.2 Contingency Reserve

As at 1st July 1999		6,020,018	10,491,383
Transferred to profit and loss account		(4,100,000)	(4,471,365)
		-----	-----
as at 30th June 2000	Rupees	1,920,018	6,020,018
		=====	=====

This is being maintained at the rate of 2 per cent of the present value of minimum lease payments

as an appropriation from profit available for appropriation for potential lease losses which can reasonably be anticipated.

14. LONG TERM FINANCES - Secured

Finance A		--	12,299,537
Finance B		--	4,750,000
Finance C	14.1	3,072,517	7,292,147
Finance D	14.2	5,744,130	6,505,771
Finance E	14.3	17,000,000	--
Finance F	14.4	20,000,000	--
		-----	-----
		45,816,647	30,847,455
Current maturity	17	(10,410,133)	(21,102,596)
		-----	-----
	Rupees	35,406,514	9,744,859
		=====	=====

14.1 This represents a credit facility obtained from a development financial institution and carries mark-up at a rate of 20% per annum. The principal and mark-up is payable in twelve equal quarterly installments of Rs 1,128,254 from July 1998 to April 2001. The facility is secured by first charge ranking pari passu on the leased assets of the company.

14.2 This represents a credit facility obtained from a development financial institution for three years, which carries a mark-up rate of 20.5% per annum. The principal and mark-up is payable in twelve equal quarterly installments of Rs. 1,136,222 from February 1999 to November 2001. The facility is secured by pari passu charge on leased assets of the company.

14.3 This represents financing obtained from a financial institution and carries mark-up at a rate of 18 % per annum. Payment is to be made in equal quarterly installments in 3 years. The facility is secured by first pari passu charge on assets of Gandhara Leasing Company Limited.

14.4 This represents financing obtained from a financial institution and carries mark-up at a rate of 17.5% per annum. Mark-up is to be recovered quarterly from July 2000. The principal amount is to be re-paid on 30th June, 2002. The facility is secured by first pari passu charge on leased assets of the company.

15. CERTIFICATES OF INVESTMENT

Certificates of Investment		12,123,521	60,072,020
Current Maturity	15.1	(10,817,030)	(47,875,029)
		-----	-----
	Rupees	1,306,491	12,196,991
		=====	=====

15.1 These represents the mobilization of funds under the scheme of certificates of investment introduced with the permission of Corporate Law Authority (now Securities and Exchange Commission of Pakistan). The certificates are for terms ranging from three months to five years and carry mark-up ranging from 16% to 19% per annum.

16. LONG TERM DEPOSIT

Lease key money	16.1	48,035,335	61,721,305
Current maturity		(25,777,536)	(17,941,253)
		-----	-----

Rupees	22,257,799	43,780,052
	=====	=====

16.1 This represents interest free security deposits received from lessees against lease contracts and are adjustable at the expiry/termination of the respective leases.

17. CURRENT MATURITY AND INSTALLMENTS DUE OF LONG TERM FINANCES

Current maturity of long term finances	10,410,133	21,102,596
Installments due of long term finances	--	8,339,819
	-----	-----
Rupees	10,410,133	29,442,415
	=====	=====

18. CERTIFICATES OF INVESTMENT

These include certificates of investment of Rs. 10,000,000 issued to a development financial institution.

19. SHORT TERM MUSHARIKA-Secured

This represents a placement made by an associated leasing modaraba carrying a markup at a rate of 15% per annum. The placement will mature on 18th August, 2000.

20. SHORT TERM FINANCE -Secured

Finance A	--	9,298,029
Finance B	--	603,328
Finance C	--	6,956,908
Finance D	20.1	21,645,534
Finance E	--	20,000,000
Finance F	20.2	500,000
Finance G	--	7,000,000
	-----	-----
Rupees	22,145,534	113,811,212
	=====	=====

20.1 This represents a running financing facility of Rs. 25,000 000 obtained from a commercial bank and carries markup at a rate of 18% per annum till 31st December 1999 and 16% per annum onwards payable on quarterly basis. The facility is repayable by December 2000. The facility is secured by hypothecation of leased assets, irrevocable assignment of rentals receivable under lease contracts and floating charge on current assets of the company.

20.2 This represents a placement made by a development financial institution which carries mark-up at a rate of 16.5% per annum. The placement will mature in August, 2000.

21. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued markup on long term finances	258,275	1,256,187
Accrued markup on short term finances	706,259	3,883,192
Accrued markup on certificates of investment	2,028,599	3,840,388
Advance lease rentals	1,544,075	1,455,468
Auditors remuneration	100,000	100,000
Excise duty on lease rentals	--	65,545
Unearned front end fee	95,000	95,000
Payable to gratuity fund	41,825	1,689,350

Others		1,380,090	474,643
		-----	-----
	Rupees	6,154,123	12,859,773
		=====	=====
22. LEASE REVENUE			
Lease income		32,857,665	61,710,933
Markup on advance against leases commitments		--	668,156
Gain on cancellation of lease contracts		29,780	90,168
Documentation charges		--	15,300
Late payment surcharges		2,391,102	2,059,789
Other lease income		--	43,547
		-----	-----
	Rupees	35,278,547	64,587,893
		=====	=====
23. OTHER (CHARGES)/INCOME			
Mark-up on Federal Investment Bonds		142,500	142,500
Profit on deposit accounts		--	9,604
Profit on saving account		--	276
Dividend income		58,101	56,884
Loss on disposal of fixed assets		--	(609,919)
Others		--	231,770
		-----	-----
	Rupees	200,601	(168,885)
		=====	=====
24. ADMINISTRATIVE EXPENSES			
Salaries and other benefits		5,752,351	5,990,764
Contribution to employees' provident fund		242,101	218,585
Staff gratuity		3,001,675	633,179
Staff welfare and training		470,478	573,186
Rent, rates and taxes		1,261,328	1,578,845
Travelling and conveyance		1,397,112	1,411,080
Legal and professional		2,406,378	2,211,587
Telephone, telex and postage		421,542	468,420
Printing and stationery		332,053	317,939
Depreciation		868,920	1,045,655
Fees and subscription		305,953	207,825
Utilities		247,713	294,038
Advertisement		181,560	40,347
Auditors' remuneration	24.1	58,925	141,429
Repairs and maintenance		997,493	569,120
Entertainment		64,405	263,971
Insurance		439,454	581,633
General expenses		202,257	269,103
Brokerage and commission		50,000	--
		-----	-----
	Rupees	18,701,698	16,816,706
		=====	=====

24.1 Auditors' Remuneration

Statutory audit fee	50,000	50,000
Out of pocket expenses	8,925	41,429
Special audit fee	--	50,000
	-----	-----
Rupees	58,925	141,429
	=====	=====

25. FINANCIAL CHARGES

Mark-up on:

-Long term finances	5,394,029	10,772,059
-Short term finances	17,342,329	23,206,045
-Certificates of investment	6,311,763	23,782,746
Bank charges	122,791	139,795
Other financial charges	459,981	335,141
	-----	-----
Rupees	29,630,893	58,235,786
	=====	=====

26. TAXATION

The income tax assessments Of the company have been finalised upto and including assessment year 1997-98 (income year ended 30th June 1997). An appeal before Income Tax Appellate Tribunal relating to assessment year 1993-94 and appeal before Commissioner of Income Tax (Appeals) relating to assessment year 1997-1998 against certain disallowances are pending. In the case of adverse decisions, an additional tax liability of Rs. 16.999 million could arise, which has not been provided in these accounts as the management expects a favourable outcome of appeals.

Deferred

The Securities and Exchange Commission of Pakistan (SECP) vide circular No. 16 dated 9th 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 1st July 1998 and ending 30th 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 30th 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. 4,079,419 to capital reserve for deferred tax. The deferred tax liability not accounted for at 30th June 2000 amounts to Rs. 4,079,419.

27. TRANSACTION WITH ASSOCIATED COMPANIES

Insurance premium	Rupees	--	629,971
		=====	=====
Short term finance	Rupees	10,000,000	--
		=====	=====
Markup on short term finance	Rupees	172,603	--
		=====	=====

28. LOSS PER SHARE

Net loss for the year	Rupees	17,591,998	38,560,754
-----------------------	--------	------------	------------

Weighted average number of outstanding ordinary shares	8,259,700	8,259,700
Loss per share	2.13	4.67

29. REMUNERATION OF CHIEF EXECUTIVE & EXECUTIVES

	<i>CHIEF EXECUTIVE</i>		<i>EXECUTIVES</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Managerial remuneration	1,583,010	828,000	1,254,303	1,254,990
House rent	155,000	372,000	539,386	553,794
Provident fund	119,947	62,100	89,282	92,514
Utilities	34,500	82,800	119,957	123,342
Medical	34,500	82,800	96,934	90,318
Others	83,333	582,900	126,516	164,580
Gratuity	2,689,000	552,000	312,675	68,820
Rupees	4,699,290	2,562,600	2,539,053	2,348,358
Number of persons	2	1	8	6

The chief executive and five executives were also entitled to free use of company maintained cars.

The aggregate amount of fee paid to nine non salaried directors were Rs. 25,500 (1999:Rs. 9,000).

Medical insurance cover was also provided to all executives.

30. CREDIT RISK AND CONCENTRATIONS 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 counterparts and continuously assessing the credit worthiness of counter parties

A sectorwise bread down of lease portfolio and short term advances as at 30 June 2000 is as follows:

	<i>2000</i>		<i>1999</i>	
Sectors				
Cement	71,663,206	27.06%	77,460,364	18.26%
Chemical and pharmaceutical	19,390,901	7.32%	24,598,100	5.80%
Engineering, steel and auto	48,595,070	18.35%	65,399,187	15.41%
Healthcare	86,635	0.03%	2,286,362	0.54%
Sugar	5,771,789	2.18%	17,305,394	4.08%
Food and allied	7,378,663	2.79%	27,239,243	6.42%
Textile spinning	18,352,465	6.93%	12,496,150	2.95%
Textile weaving	19,025,924	7.18%	29,013,144	6.84%
Textile composite	--	0.00%	5,755,325	1.36%
Synthetic and rayon	2,249,351	0.85%	9,106,028	2.15%
Fuel and energy	23,878,864	9.02%	38,395,112	9.05%
Transport and communication	20,601,654	7.78%	49,275,041	11.61%
Paper and board	11,284,703	4.26%	28,658,364	6.75%

Vanapati and allied	3,964,183	1.50%	1,852,742	0.44%
Others	12,577,486	4.75%	35,416,530	8.35 %
	-----	-----	-----	-----
Rupees	264,820,894	100.00%	424,257,086	100.00%
	=====	=====	=====	=====
Present value of minimum lease payments	157,148,985			301,000,889
Over due lease rentals	77,736,494			93,199,417
Short term advances	29,935,415			30,056,780
	-----			-----
Rupees	264,820,894			424,257,086
	=====			=====

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of all financial instruments is estimated to approximate their carrying value.

32. INTEREST RATE CASH FLOW RISK

The information about the exposure of company to interest rate cash flow risk as at 30th June 2000 based on contractual repricing or maturity dates, whichever is earlier, is as follows:

	2000				Non interest bearing	Total
	Less than one month	More than one month but less than one year	More than one month but less than three months	Over one year		
Long term deposits	--	--	--	--	405,322	405,322
Long term investments	--	--	--	1,040,000	3,001,187	4,041,187
Net investment in lease finance	3,894,818	4,219,792	5,951,383	52,274,882	48,035,335	114,376,210
Over due lease rentals	--	--	--	--	77,736,494	77,736,494
Federal Investment Bonds	--	--	--	--	50,000	50,000
Short term advances	--	--	29,809,027	26,388	100,000	29,935,415
Deposits and other receivables	--	--	--	--	4,258,036	4,258,036
Cash and bank balances	31,422	--	--	--	562,177	593,599
	-----	-----	-----	-----	-----	-----
	3,926,240	4,219,792	35,760,410	53,341,270	134,148,551	231,396,263
Long term finances	--	(841,835)	(9,568,298)	(35,406,514)	--	(45,816,647)
Certificates of investment	(10,011,530)	(473,000)	(332,500)	(1,306,491)	--	(12,123,521)
Deposits	--	--	--	--	(48,035,335)	(48,035,335)
Short term finances	(21,645,531)	(10,500,000)	--	--	--	(32,145,531)
Accrued expenses and other liabilities	--	--	--	--	(4,515,048)	(4,515,048)
Unclaimed dividend	--	--	--	--	(418,050)	(418,050)
	-----	-----	-----	-----	-----	-----
	(31,657,061)	(11,814,835)	(9,900,798)	(36,713,005)	(52,968,433)	(143,054,132)
	-----	-----	-----	-----	-----	-----
On balance sheet	Rupees	(27,730,821)	(7,595,043)	25,859,612	16,628,265	81,180,118
Interest rate cash		=====	=====	=====	=====	=====
		(27,730,821)	(7,595,043)	25,859,612	16,628,265	88,342,131

flow risk gap	Rupees	(27,730,821)	(7,595,043)	25,859,612	16,628,265		
		=====	=====	=====	=====		
				1999			
				<i>Interest bearing</i>	<i>Non interest bearing</i>	<i>Total</i>	
		<i>Less than one month</i>	<i>More than one month but less than one year</i>	<i>More than one month but less than three months</i>	<i>Over one year</i>		
Long term investments		--	--	--	950,000	3,001,187	3,951,187
Net investment in lease finance		9,866,993	4,786,084	24,007,969	158,429,669	61,721,305	258,812,020
Over due lease rentals		--	--	--	--	93,199,417	93,199,417
Federal Investment Bonds		--	--	--	--	50,000	50,000
Short term advances		--	56,780	--	--	30,000,000	30,056,780
Deposits and other receivables		--	--	--	--	1,405,510	1,405,510
Cash and bank balances		40,180	--	--	--	428,172	468,352
		-----	-----	-----	-----	-----	-----
		9,907,173	4,842,864	24,007,969	159,379,669	189,805,591	387,943,266
Long term finances		(8,339,819)	(7,500,021)	(16,392,601)	(6,954,833)	--	(39,187,274)
Certificates of investment		(300,000)	(3,169,329)	(44,405,700)	(12,196,991)	--	(60,072,020)
Deposits		--	--	--	--	(61,721,305)	(61,721,305)
Short term finances		(7,560,236)	(30,500,000)	(75,750,976)	--	--	(113,811,212)
Accrued expenses and other liabilities		--	--	--	--	(11,243,760)	(11,243,760)
Unclaimed dividend		--	--	--	--	(472,300)	(472,300)
		-----	-----	-----	-----	-----	-----
		(16,200,055)	(41,169,350)	(136,549,277)	(19,151,824)	(73,437,365)	(286,507,871)
On balance sheet	Rupees	(6,292,882)	(36,326,486)	(112,541,308)	140,227,845	116,368,226	101,435,395
Interest rate cash		=====	=====	=====	=====	=====	=====
flow risk gap	Rupees	(6,292,882)	(36,326,486)	(112,541,308)	140,227,845		
		=====	=====	=====	=====	=====	=====

The effective interest rates as at 30 June 2000 for financial instruments are as follows:

Assets

	2000	1999
Net investment in lease finance	22.42%	22.70%
Long term investments	15.00%	15.00%
Short term advances	20.00%	22.50%
Cash and bank balance	12.00%	17.00%

Liabilities

Long term finance	19.00%	20.43%
Certificates of investment	20.15%	20.15%

Short term finances

15.83%

19.42%

33. GENERAL

33.1 Total number of employees as at 30th June 2000 is 14 (1999: 24)

33.2 Figures of the previous year have been rearranged, wherever necessary, to facilitate comparison.

33.3 Figures have been rounded off to the nearest rupee.

DIRECTOR

CHIEF EXECUTIVE