

Dawood Leasing Company Limited

Annual Report 2000

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CORPORATE INFORMATION

Board of Directors

Mr. Rafique Dawood

Chairman & Chief Executive

Mr. Rasheed Y. Chinoy

Mr. Ayaz Dawood

Mr. Asadullah Khawaja

Mr. Muhammad Latif

(Nominee of SLIC)

Mr. Abdul Latif Uqaili

(Nominee of ICP)

Mr. Ahmed Kamran

(Nominee of AI-Faysal Inv. Bank)

Company Secretary

Syed Jamal Macdi

Auditors

M. Yousuf Adil Saleem & Co.

Chartered Accountants.

Legal Advisors

Mohsin Tayebaly & Co.

Bankers

American Express Bank Ltd.

Bank Al-Habib Ltd.

Bank of Khyber

Bank of Punjab

Faysal Bank Ltd.

Gulf Commercial Bank Ltd.

Habib Bank Ltd.

Metropolitan Bank Ltd.

Muslim Commercial Bank Ltd.

Oman International Bank S.A.O.G.

Prime Commercial Bank Ltd.

Societe Generale, The French & International Bank

Soneri Bank Ltd.

United Bank Ltd.

Union Bank Ltd.

**Registered Office,
Head Office and
Share Registrars** 5-B, Lakson Square Building # 1,
Sarwar Shaheed Road, Karachi-74200
Tel. : (021) 568 7778
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56-G, Jinnah Avenue, Islamabad-44000
Tel. : (051) 276 367 & 274 194-5
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Tel. : (042) 511 8141
E-mail: ennpak@netscape.net

NOTICE OF SIXTH ANNUAL GENERAL MEETING

Notice is hereby given that the Sixth Annual General Meeting of DAWOOD LEASING COMPANY LIMITED will be held at the Registered Office, 5-B, Lakson Square Building # 1. Sarwar Shaheed Road, Karachi on Tuesday December 26, 2000 at 8:00 a.m. to transact the following business:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2000 together with the Directors' and Auditors' Report thereon.
2. To approve payment of Cash Dividend @ Rs. 1.00 per share to the shareholders for the year ended June 30, 2000.
3. To appoint Auditors and to fix their remuneration.

By the Order of the Board

November 24, 2000
Karachi.

Syed Jamal Macdi
Company Secretary

Notes:

1. The share transfer books of the Company will remain closed from December 15, 2000 to December 26, 2000 (both days inclusive).
2. A member entitled to attend and vote at a General Meeting is entitled to appoint a Proxy to attend and vote on his behalf. No person other than a member shall act as a Proxy.
3. Duly completed forms of Proxy must be deposited with the Company Secretary at the Registered Office of the Company not later than 48 hours before the time appointed for the meeting.
4. Account holders and sub-account holders' holding book entry securities of the Company in Central Depository System of Central Depository Company of Pakistan Limited who wish to attend the Annual General Meeting are requested to please bring original I.D. Card with copy thereof duly attested by their Bankers for identification purpose.

FINANCIAL HIGHLIGHTS

	2000	1999	1998	1997	1996	1995
	Rupees in Million					
Authorized Capital	500.00	500.00	500.00	300.00	300.00	300.00
Paid-up Capital	250.00	250.00	250.00	250.00	250.00	250.00

Shareholders' Equity	306.72	300.62	305.59	295.52	281.60	267.92
Total Assets	1529.65	1520.99	926.58	680.10	539.45	340.45
Net Investment in Leases	1117.79	1036.38	791.63	620.50	510.57	253.37
Provision for Lease Losses	49.00	34.00	26.50	16.50	5.00	--
Revenue	214.41	163.21	141.34	121.96	89.12	28.00
Income from Leasing Operations	171.04	154.05	133.36	121.29	84.66	21.19
Profit before Taxation	41.65	35.29	28.06	46.41	46.21	18.09
Taxation	10.55	15.35	17.89	1.24	1.27	0.17
Profit after Taxation	31.10	19.94	10.17	45.16	44.94	17.92
Current Ratios	1:1.04	1:1.32	1:1.26	1:1.53	1:0.91	1:6.74
Book Value Per Share	12.27	12.02	12.22	11.82	11.26	10.71
Earning Per Share - After Tax	1.24	0.80	0.40	1.81	1.79	0.71
Return on Equity - Pre-Tax	13.86%	11.50%	9.50%	16.48%	17.25%	6.75%
Dividend Per Share (Rs.)	1.00	1.00	--	1.25	1.25	--

* 6 months of operations.

DIRECTORS' REPORT

We are pleased to present your company's Sixth Annual Report for the year ended June 30, 2000

Operating Results

	2000	1999
	Rupees	Rupees
Lease Income	171,044,261	154,046,674
Other Income	43,371,017	9,160,518
	214,415,278	163,207,192
Profit Before Tax	41,658,305	35,291,304
Provision for Tax	10,554,455	15,352,971
	31,103,850	19,938,333
Unappropriated Profit Brought Forward	499,823	9,549,157
Profit Available for Appropriation	31,603,673	29,487,490

Appropriations

Transfer to Statutory Reserve	6,220,770	3,987,667
Proposed Cash Dividend	25,000,000	25,000,000
Un-appropriated Profit Carried Forward	382,903	499,823

Review of Operations

.During. the year under review 1999-2000, lease disbursements of Rs. 461 million were made resulting m net investment in leases of Rs. 1.1 billion, which surpassed targets. Conservative targets had been set keeping in view the downturn in the economy and the low availability of good leasing prospects. The asset mix of the portfolio has not changed significantly since last year. The sector wise portfolio was changed to accommodate investments in growing businesses like the communications and information technology sectors.

Following our conservative provisioning policies a further provision for lease losses amounting to Rs. 15 million has been done. The total provisioning now stands at Rs. 49 million which is about 4.22% of net investment in lease finance. Hence the sum of all reserves, allowances and provisions is 60% (49% in 1999) of the paid-up capital of your Company.

Having surplus funds, due to good treasury management, the Company was able to make noteworthy returns. Deposits and investments income increased more than 3.7 times from Rs. 8.7 million to Rs. 33 million.

The Company was also able to earn a substantial return on its stock market portfolio. We remain conservative in our stock market operations understanding that our stock market has yet not developed and does not offer adequate hedging instruments.

Credit Rating

Your Company is pleased to inform you that we have been successfully upgraded to a credit rating of A minus for long term and A2 for short term from PACRA. This denotes rating of High Credit Quality" from the previously held "Good Credit Quality."

Underwriting and Pre-Initial Public Offerings

Your Company successfully participated in the Pre-IPO of every Term Finance Certificates (TFCs) issue during the year. We also underwrote the equity issues of Dewan Farooque Motors Limited, World Call Pay Phones Limited and the TFCs issues of Paramount Leasing Limited and Pakistan Industrial Leasing Corporation. All these issues were oversubscribed. This made your company one of the leading players in the nascent TFC market as well as the equity market.

Resource Mobilization

Your Company is the proud recipient of US\$ 6.66 million (Rs. 355 million) 15 years credit facility from the Asian Development Bank, under the Financial Sector Intermediation Loan Facility. The total amount has been disbursed in leasing but unfortunately due to difficulties and financial sector technicalities, the authorized Development Financial Institutions have not issued the requisite guarantees so that all the funds may be brought into the country.

Future Prospects

The leasing sector has lost much of the steep growth experienced during the past years due mainly to improper tax incentives and unavailability of low interest credit lines. A major threat to the leasing industry is the permission granted to commercial banks to acquire a leasing license. In essence this will be the death-knell for this industry. The banks, with their large financial base and huge credit generating facilities, are competition that the leasing sector and its medium size companies with low credit generating capacities cannot compete with.

Acquisitions

The consolidation process of Guardian Modaraba Management (Pvt.) Limited and General Modaraba Services (Pvt.) Limited and Pakistan Venture Capital Limited has been successfully completed.

Auditors

The present auditors, M. Yousuf Adil Saleem & Co. retire and being eligible offer themselves for reappointment.

Acknowledgments

We would like to thank our valuable customers and stakeholders for their confidence in the management. We remain grateful to the Ministry of Finance, the State Bank of Pakistan and the SECP for their encouragement and continuing support, not to forget fortitude in listening to our financial proposals.

We praise our staff and executive team for their hard work and dedication to the Company.

On behalf of the Board,

Rafique Dawood
Chairman & CEO

November 14, 2000

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of DAWOOD LEASING COMPANY LIMITED as at June 30, 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 June 30, 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.

Dated: November 14, 2000
Karachi.

M. Yousuf Adil Saleem & Co
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2000

	Note	2000 Rupees	1999 Rupees
SHARE CAPITAL AND RESERVES			
Authorized			
50,000,000 Ordinary Shares			
of Rs. 10/- each		500,000,000	500,000,000
		=====	=====
Issued, Subscribed and Paid-up			
25,000,000 Ordinary Shares of			
Rs. 10/- each. Fully Paid in Cash		250,000,000	250,000,000
Statutory Reserve		33,845,727	27,624,957
General Reserve		22,500,000	22,500,000
Unappropriated Profit		382,903	499,823

		-----	-----
		306,728,630	300,624,780
LONG TERM LIABILITIES			
Redeemable Capital	3	5,218,349	14,274,989
Long Term Loans	4	297,859,954	405,057,869
Liabilities against Assets subject to Finance Lease	5		
Lease Deposits	6	112,511,804	99,152,824
Certificates of Investment	7	36,100,000	11,400,000
		-----	-----
		451,690,107	529,885,682
DEFERRED LIABILITIES			
Taxation		37,200,000	29,000,000
Staff Gratuity		1,392,973	858,033
		-----	-----
		38,592,973	29,858,033
CURRENT LIABILITIES			
Short Term Borrowings	8	496,539,425	433,548,078
Certificates of Investment	7	66,000,000	50,500,000
Current Portion of Long Term Liabilities	9	95,293,682	108,339,332
Accrued and Other Liabilities	10	47,213,529	391,355,848
Taxation		2,600,000	4,100,000
Proposed Dividend		25,000,000	25,000,000
		-----	-----
		732,646,636	660,622,994
COMMITMENTS	11		
		-----	-----
		1,529,658,346	1,520,991,489
		=====	=====
TANGIBLE FIXED ASSETS	12	26,402,077	23,798,900
NET INVESTMENT IN LEASE FINANCE	13		
Minimum Lease Payment Receivables		1,338,939,163	1,204,287,306
Residual Value of Leased Assets		159,531,402	148,456,873
		-----	-----
		1,498,470,565	1,352,744,179
Unearned Finance Income		(380,678,513)	(316,364,297)
		-----	-----
Net Investment in Lease Finance		1,117,792,052	1,036,379,882
Provision for Lease Losses		(27,050,000)	(34,000,000)
		-----	-----
Current Portion of Net Investment in Lease Finance		1,090,742,052	1,002,379,882
		(429,288,511)	(426,289,808)
		-----	-----
		661,453,541	576,090,074
INVESTMENT IN SUBSIDIARIES AND ASSOCIATE	14	51,530,850	45,793,350
LONG TERM RECEIVABLE	15	21,950,000	--
LONG TERM DEPOSIT		300,000	300,000
LONG TERM LOANS	16	2,899,224	1,719,112
CURRENT ASSETS			
Current Portion of Net Investment in Lease Finance		429,288,511	426,289,808
Short Term Investments	17	297,765,560	189,799,680
Short Term Morabaha Finance	18	7,000,000	103,051,816
Advances Against Lease Commitments		2,850,000	9,700,000
Advances, Deposits and Prepayments	19	4,507,617	6,162,379
Other Receivables	20	15,109,408	27,249,820

Cash and Bank Balances	21	8,601,558	111,036,550
		-----	-----
		765,122,654	873,290,053
		-----	-----
		1,529,658,346	1,520,991,489
		=====	=====

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

Rafique Dawood
Chairman & Chief Executive

Ahmed Kamran
Director

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

	Note	2000 Rupees	1999 Rupees
Income			
Lease Income		171,044,261	154,046,674
Return on Deposits and Investments	22	33,351,769	8,746,096
Gain on Sale of Securities		9,294,278	136,734
Other Income		724,970	277,688
		-----	-----
		214,415,278	163,207,192
Expenditure			
Administration and Operating Expenses	23	26,585,556	23,565,327
Financial Charges	24	132,925,298	99,883,895
Provision for Lease Losses		15,000,000	7,500,000
Reversal of Diminution in Value of Investments		(1,753,881)	(3,033,334)J
		172,756,973	127,915,888
		-----	-----
Profit Before Taxation		41,658,305	35,291,304
Provision for taxation	25		
Current		2,600,000	2,100,000
Prior		(245,545)	142,971
Deferred		8,200,000	13,110,000
		-----	-----
		10,554,455	15,352,971
Profit After Taxation		31,103,850	19,938,333
Unappropriated Profit Brought Forward		499,823	9,549,157
		-----	-----
Profit Available for Appropriation		31,603,673	29,487,490
Appropriations			
Transferred to Statutory Reserve		6,220,770	3,987,667
Proposed Cash Dividend Rs. 1/- (1999-Rs. 1/-) Per Share		25,000,000	25,000,000
		-----	-----
		31,220,770	28,987,667
		-----	-----
Unappropriated Profit Carried Forward		382,903	499,823
		=====	=====
Earning per share - Basic and Diluted	27		
Pre-Tax		1.67	1.41
Post-Tax		1.24	0.80

The annexed notes form an integral part of these financial statements

Rafique Dawood
Chairman & Chief Executive

Ahmed Kamran
Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2000

	2000	1999
	Rupees	Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit After Taxation	31,103,850	19,938,333
Adjustments:		
Depreciation	5,053,056	5,505,186
(Gain) on Sale of Investments	(9,294,278)	(136,734)
Financial Charges	132,925,298	99,883,895
(Gain) on Sale of Assets	(89,400)	(16,374)
Provision for Gratuity	747,632	376,447
Provision for Lease Losses	15,000,000	7,500,000
(Reversal) for Diminution in Value of Investments	(1,753,881)	(3,033,334)
Provision for Deferred Taxation	8,200,000	13,110,000
Provision for Taxation	2,354,455	2,242,971
	-----	-----
	153,142,882	125,432,057
	-----	-----
	184,246,732	145,370,390
Changes in operating assets and liabilities		
Decrease/(Increase) in operating assets		
Advances, Deposits and Prepayments	263,791	(7,050)
Other Receivables	12,140,412	(25,249,942)
Net Investment in Lease Finance/Receivables	(125,312,170)	244,746,015
Long Term Loans	(1,207,982)	204,960
Advance against Lease Commitments	6,850,000	26,617,586
Short Term Morabaha Finances	96,051,816	103,051,816
	-----	-----
	(11,214,133)	346,232,277
	-----	-----
	173,032,599	(200,861,887)
Increase/(Decrease) in Operating Liabilities		
Accrued and Other Liabilities	(9,034,413)	(651,595)
Lease Deposits	13,587,372	28,137,135
	-----	-----
	177,585,558	(173,376,347)
Financial Charges Paid	(116,148,272)	(89,829,248)
Gratuity Paid	(212,691)	(152,755)
Tax Paid	(2,435,617)	(1,263,161)
	-----	-----
Net cash from / (used in) operating activities	58,788,978	(264,621,511)
	-----	-----
B. CASH FLOW FROM FINANCING ACTIVITIES		
Redeemable Capital Obtained	--	25,000,000
Redemption of Redeemable Capital	(21,665,065)	(69,089,644)
Long Term Loans	(107,731,287)	383,286,406
Repayment of Lease Liability	(132,245)	(151,735)
Short Term Borrowings	62,991,347	239,677,554
Certificates of Investment	40,200,000	(36,588,812)
Dividend Paid	(24,664,668)	--
	-----	-----
Net cash (used in) / from financing activities	(51,001,918)	542,133,769
	-----	-----

activity of the Company is leasing of assets.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

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

2.2. Basis of Preparation

These accounts have been prepared in accordance with International Accounting Standards as applicable in Pakistan.

2.3 Revenue Recognition

The company follows the Finance Method in recognizing income on lease contracts. Under this method the unearned income i.e., the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortized over the terms of the lease applying the annuity method, so as to produce a constant rate of return on net investment in the leases.

Front end fee, commitment fee and other commissions are taken to income when realized.

The transaction of purchase and resale obligation of Government Securities at contracted rates for specified period of time are recorded at the contracted purchase price and the differential of the contracted purchase and resale prices is taken to income.

Profit on Morabaha finance and other financing are accrued based on time proportion basis.

Return on securities is recognized on accrual basis.

Dividend income is recognized at the time of closure of the shares transfer book of the company declaring the dividend.

Lease income and profit on Morabaha financing which are classified under Prudential Regulations for NBFIs issued by State Bank of Pakistan, are not taken to income.

2.4 Staff Retirement Benefits

The Company operates a funded contributory Provident Fund Scheme for its employees. Employees are also entitled to gratuity after completion of 3 years continuous service in accordance with the service rules of the Company.

2.5 Provision for Lease Losses

Besides making a provision as per the requirements of Prudential Regulations for Non-Banking Financial Institutions (NBFIs) issued by State Bank of Pakistan, the Company, exercising prudence, also makes a general provision at a reasonable level, which in the judgment of management is adequate to provide for potential losses on lease portfolio and other finances that can be reasonably anticipated.

2.6 Taxation

The Charge for current taxation is based on taxable income at the current rates of taxation. On lease income, it is computed as if all leases are operating leases, after taking into account allowances available for depreciation in respect of fixed assets under lease.

The tax effect for deferred taxation is calculated using the liability method on all major timing differences which are expected to reverse in the foreseeable future. As a matter of prudence, deferred tax debits are not accounted for.

2.7 Tangible Fixed Assets and Depreciation

These are stated at cost less accumulated depreciation. Depreciation is charged to income, applying the straight line method whereby cost of an asset is written off over its estimated useful life. A full year's depreciation is charged on all assets acquired during the year while no depreciation is charged on assets disposed off during the year.

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

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

2.8 Investments

2.8.1 Subsidiary / Associate

The Company follows "Cost Method" of accounting in recognizing the investments in subsidiary / associate.

2.8.2 Long Term

These are stated at cost and are reduced to recognize a decline other than temporary in values, if any.

2.8.3 Short Term

These are stated at lower of moving average cost and market / break-up value on aggregate portfolio basis.

2.9 Foreign Currencies Transaction

These are accounted for in Rupees at the exchange rate on the date of transaction. Assets and liabilities in foreign currencies are converted into Rupees at the rate of exchange on the balance sheet date. In cases, where exchange risk cover has been obtained from State Bank of Pakistan, the foreign currency amounts are translated into rupees at the exchange rate prevailing on the date of disbursement or renewal.

Exchange risk fee and differences arising due to hedging mechanism are accounted for as deferred revenue or costs as the case may be, and are credited to income or amortized respectively over the term of the transaction.

2.10 Offsetting

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

Corresponding income on the asset and charge on the liability is also offsetted.

3. REDEEMABLE CAPITAL - SECURED (NON-PARTICIPATORY)

	Term Finance III	Certificates IV	Finance Under Mark-up Arrangement	2000 Rupees	1999 Rupees
Opening Balance	9,962,305	21,759,815	4,217,934	35,940,054	80,029,698
Obtained during the year	--	--	--	-	25,000,000
	-----	-----	-----	-----	-----
	9,962,305	21,759,815	4,217,934	35,940,054	105,029,698
Paid during the year	(9,962,305)	(7,484,826)	(4,217,934)	(21,665,065)	(69,089,644)
	-----	-----	-----	-----	-----
	--	14,274,989	--	14,274,989	35,940,054
Payable within one year shown under current liabilities	--	(9,056,640)	--	(9,056,640)	(21,665,065)
	-----	-----	-----	-----	-----
	--	5,218,349	--	5,218,349	14,274,989
	=====	=====	=====	=====	=====
Repayment period		Sept. 01, 1998 Sept. 01,2001			
Sale Price		25,000,000			
Purchase Price		35,712,210			
Prompt Payment Bonus		1,271,106			

The redeemable capital is secured by way of a pari-passu charge on all assets and book debts of the Company through hypothecation. Similar arrangements unless specified have been made to secure the long term loans (Refer Note No. 4) and short term borrowings (Refer Note No. 8).

4. LONG TERM LOANS - SECURED

Foreign Currency			
Asian Development Bank	(4.1)	159,853,286	124,356,036
Local Currency			
Commercial Banks	(4.2)	60,000,000	215,000,004
Investment Banks	(4.3)	140,701,833	128,930,366
		-----	-----
		360,555,119	468,286,406
Payable Within One Year Shown under Current Liabilities		(62,695,165)	(63,228,537)
		-----	-----
		297,859,954	405,057,869
		=====	=====

4.1 This represents a 15 year term loan facility, with a grace period of three years, obtained in tranches under Financial Sector Intermediation Loan # 1371-PAK. The loan is subject to interest @ 0.25% over variable Ordinary Capital Resource (OCR) rate of Asian Development Bank. The loan repayments are semi-annual and secured by guarantee of a development financial institution. The guarantee is secured against hypothecation of assets including book debts of the Company ranking pari-passu with charges created to secure redeemable capital (Refer Note No. 3) and short term borrowings (Refer Note No. 8). The Company has obtained exchange risk cover from the State Bank of Pakistan.

The total approved facility amounts to US\$ 6.662 million out of which US\$ 3.102 million have been received upto the balance sheet date. The balance amount of US\$ 3.560 is expected during the fiscal year 2000-2001.

4.2 These are secured against hypothecation of assets including book debts of the Company ranking pari passu, with the charge created in favour of other lenders to secure redeemable capital (Refer Note No. 3) and short term borrowings (Refer Note No. 8) Demand finance facility of Rs.40 million from a commercial bank is not utilized on the balance sheet date. These facilities are repayable on various dates by August 2002.

These are subject to mark-up rate ranging from Rs. 0.4109 to Rs. 0.5205 per Rs. 1,000/-per day.

4.3 These include Rs. 100.70 million which is secured by pledge of US dollar bonds. The balance amount is secured against hypothecation of assets including book debts of the Company ranking pari-passu with the charges created in favour of other lenders to secure redeemable capital (Refer Note No. 3) and short term borrowings (Refer Note No. 8). These facilities are repayable on various dates by June 2003.

These are subject to markup ranging from Rs. 0.3940 to Rs. 0.5479 per Rs. 1,000/- per day.

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2000	1999
	Rupees	Rupees
Opening Balance	205,845	357,580
Paid During the Year	(132,245)	(151,735)
	-----	-----
	73,600	205,845
Security Deposit	(73,600)	(73,600)
	-----	-----
	--	132,245
Payable within One Year Shown under Current Liabilities	--	(132,245)
	-----	-----
	--	--
	=====	=====

6. LEASE DEPOSITS

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

7. CERTIFICATES OF INVESTMENT

These represent the mobilization of fund under the scheme of certificates of investment issued with the permission of Securities and Exchange Commission of Pakistan. The scheme is based on profit and loss sharing basis. The certificates are for the terms ranging from three months to five years. The expected rate of profit ranges from 13% to 19% per annum.

	2000	1999
	Rupees	Rupees
8. SHORT TERM BORROWINGS		
Secured - under mark-up arrangement (8.1)		
From Commercial. Banks		
Term Loan	8,300,000	--
Running Finance	78,239,425	34,548,078
From Non-Banking Financial Institutions	75,000,000	35,000,000
Unsecured (8.2)		
From Commercial Banks	145,000,000	45,000,000
Non Banking Financial Institutions	190,000,000	319,000,000
	-----	-----
	496,539,425	433,548,078
	=====	=====

8.1 These facilities are secured against hypothecation of assets including book debts of the Company ranking pari passu with the charges created to secure redeemable capital (Refer Note No. 3) and long term loans (Refer Note No. 4). These includes Rs. 50 million which is secured by pledge of Term Finance Certificates and Rs. 8.3 million by pledge of US dollar bonds.

The sanctioned running finance facilities of Rs. 110 million from commercial banks are renewable yearly. The letter of credit acceptance facilities of Rs.45 million from commercial banks are not utilized on the balance sheet date.

The rate of mark-up ranges from Rs.0.3082 to Rs.0.4548 per Rs.1,000/- per day.

8.2 There are subject to mark-up ranging from 11% to 17% per annum.

9. CURRENT PORTION OF LONG TERM LIABILITIES

Redeemable Capital	9,056,640	21,665,065
Long Term Loans	62,695,165	63,228,537
Lease Liabilities	--	132,245
Lease Deposits	23,541,877	23,313,485
	-----	-----
	95,293,682	108,339,332
	=====	=====

10. ACCURED AND OTHER LIABILITIES

Mark-up on Secured		
Redeemable Capital	951,666	2,061,188
Long Term Loans	19,974,427	4,161,391
Short Term Borrowings	2,497,058	4,611,024
Mark-up / Return on Unsecured		
Short Term Borrowings	10,236,920	9,747,247
Certificates of Investment	6,181,420	2,483,615
Advance from clients	3,083,782	14,177,893
Withholding Tax	--	69,360
Accrued Expenses	1,287,600	1,155,497
Unclaimed Dividend	830,299	494,967
Others	2,170,357	173,402
	-----	-----
	47,213,529	39,135,584

11. COMMITMENTS

Lease financing contracts committed but not executed at the balance sheet date amounted to Rs. 147 million (1999 - Rs. 42 million) and underwriting commitments of TFCs amounted to Rs. 35 million (1999 - Nil).

12. TANGIBLE FIXED ASSETS

Particulars	Cost at July 01, 1999	Additions/ Transfer/ (Deletions)	Cost at June 30, 2000	Accumulated Depreciation at July 01, 1999	Depreciation/ Transfer/ (Deletions) for the year	Accumulated Depreciation at June 30, 2000	Book Value at June 30, 2000	Rate %
Company owned								
Office Premises	11,581,999	4,447,957	16,029,956	2,679,837	1,602,996	4,282,833	11,747,123	10
Leasehold Improvements	7,885,186	707,500	8,592,686	1,468,966	859,269	2,328,235	6,264,451	10
Furniture and Fixtures	3,527,177	1,240,000	4,767,177	1,528,776	476,718	2,005,494	2,761,683	10
Equipment and Appliances	5,337,892	190,946 (163,000)	5,365,838	2,805,463	844,664 (93,400)	3,556,727	1,809,111	20
Vehicles	8,554,082	2,551,000 387,000 (3,682,368)	7,809,714	4,759,194	1,269,409 232,200 (2,270,798)	3,990,005	3,819,709	20
	36,886,336	9,137,403 387,000 (3,845,368)	42,565,371	13,242,236	5,053,056 232,200 (2,364,198)	16,163,294	26,402,077	
Under Lease								
Vehicle	387,000	(387,000)	--	232,200	(232,200)	--	--	20
Rupees	37,273,336	9,137,403 -- (3,845,368)	42,565,371	13,474,436	5,053,056 -- (2,364,198)	16,163,294	26,402,077	
1999 Rupees	19,038,228	21,026,661 (2,791,553)	37,273,336	9,177,480	5,505,186	13,474,436	23,798,900	

12.1 Disposal Of Assets

Particulars	Mode of disposal	Sold to	Cost	Accumulated Depreciation	Book Value	Sale Proceed
Vehicle	Negotiation	Arif Maqsood Hamidi 28/6, Clifton, Karachi.	780,289	780,289	--	--
Vehicle	Negotiation	Salman Rasheed Ex-Employee Aamra Villas, CL-9-7/2, Civil Lines, Karachi.	764,904	764,904		75,000
Vehicle	Negotiation	Mr. Munawar Rehman 7/223, M.A.Hashim Road, D.M.C.H.S., Karachi.	588,675	353,205	235,470	235,470
Vehicle	Negotiation	Mr. Sheikh Mohammad Sardar 10-330, Liaquatabad, Karachi	44,500	17,800	26,700	12,100
Vehicle	Negotiation	Allibhai Motors 233-A, Block-2, P.E.C.H.S., Karachi.	377,000	75,400	301,600	310,000

Vehicle	Negotiation	Syed Taqeeem Hassan 40F, Ashraf Market, Wahadat Road, Lahore.	349,000	279,200	69,800	69,800
Vehicle	Insurance Claim	Royal Guardian Assurance P & O Plaza, I.I.Chundrigar Road, Karachi.	466,000	--	466,000	466,000
Vehicle	Insurance Claim	Orient Insurance Co. Ltd. Dean Arcade, Block-8, Kahkashan Clifton, Karachi.	312,000	--	312,000	311,000
Eqpt. & Appliances	Theft	--	11,000	2,200	8,800	--
Eqpt. & Appliances	Negotiation	Mr. Salman Rasheed Ex-Employee Aamra Villas, CL-9-7/2, Civil Lines, Karachi.	152,000	91,200	60,800	91,200
		Rupees	3,845,368	2,364,198	1,481,170	1,570,570
		1999 Rupees	2,442,553	1,208,228	1,234,325	1,250,699

13. NET INVESTMENT IN LEASE FINANCE

13.1 Minimum Lease Payment Receivables

	2000 Rupees	1999 Rupees
Less than one year	593,660,855	501,114,893
More than one year and less than five years	745,278,308	703,172,413
	1,338,939,163	1,204,287,306

13.2 Net Investment in Lease Finance

	2000 Rupees	1999 Rupees
Less than one year	429,288,511	426,289,808
More than one year and less than five years	688,503,541	610,090,074
	1,117,792,052	1,036,379,882

14. INVESTMENT IN SUBSIDIARIES AND ASSOCIATE

Subsidiaries

Guardian Modaraba Management (Pvt.) Limited

Percentage of holding 99.80% (1999: 99.80%)

2,495,000 Ordinary shares of Rs. 10/- each

15,793,350 15,793,350

(1999: Rs. 20.21 million)

General Modaraba Services (Pvt.) Limited

Percentage of holding 51%, 1999: Nil

637,500 Ordinary shares of Rs. 10/- each

Net assets value as at June 30, 2000 Rs. 0.28 million

5,737,500 --

Associate

Pakistan Venture Capital Limited

Percentage of holding 30% 1999: 30%

3,000,000 Ordinary shares of Rs. 10/- each

Net assets value as at June 30, 2000:Rs 35.55 million

(1999: Rs. 34.77 million)

Market value Rs. 15 million (1999: Rs. 15 million)

30,000,000	30,000,000
-----	-----
51,530,850	45,793,350
=====	=====

14.1 The above investments are carried at cost. Had these investments been accounted for using the "Equity Method", the value of investments on the basis of latest available audited accounts for the year ended June 30, 2000 of the Investees and their effects on the profit and loss account would have been as follows:

	Value of investment under equity method Rupees	Effect on profit Rupees
Guardian Modaraba Management (Pvt.) Limited	19,297,779	3,504,429
General Modaraba Services (Pvt.) Limited	4,173,132	(1,564,368)
Pakistan Venture Capital Limited	34,634,243	4,634,243
	-----	-----
	58,105,154	6,574,304
	=====	=====
	2000 Rupees	1999 Rupees

15. LONG TERM RECEIVABLE

Principal due	43,900,000	--
Provision made	(21,950,000)	--
	-----	-----
	21,950,000	--
	=====	=====

The Company had filed a suit against the lessee in the courts of law and decree of recovery for Rs. 64.412 million was awarded by the Banking Court under the Banking Companies (Recovery of Loans, Advances, Credits and Finance) Act, 1997. The Company also holds additional security by way of equitable mortgage on factory land and building. As a matter of prudence, provision has also been made.

16. LONG TERM LOANS

Considered good

Chief Executive	2,415,942	--
Executive	722,950	1,930,910
	-----	-----
	3,138,892	1,930,910
Less: Current Portion	(239,668)	(211,798)
	-----	-----
	2,899,224	1,719,112
	=====	=====
Due for payment:		
- Within three years	784,759	646,229
- Exceeding three years	2,354,133	1,284,681
	-----	-----
	3,138,892	1,930,910
	=====	=====

The loans under the scheme have been provided to the Chief Executive and an executive of the Company to facilitate construction or purchase of residential accommodation, which are repayable over a period of 10 years with a service charge @ 5% to 10% per annum.

Maximum aggregate amount outstanding during the year in respect of Chief Executive and

executives is Rs.4,430,910/- (1999-Rs.2,135,870/-).

17. SHORT TERM INVESTMENTS

Shares & Securities	17.1	95,098,144	29,854,034
Federal Investments Bonds	17.2	4,000,000	4,000,000
US Dollar Bonds	17.3	115,911,357	115,911,357
Euro Bonds	17.4	6,093,470	--
Certificates of Investment	17.5	10,000,000	--
Placements and Deposits	17.6	66,662,589	40,034,289
		-----	-----
		297,765,560	189,799,680
		=====	=====

17.1 Marketable securities

Quoted Shares/Certificates	No. of Shares/Certificates		COST	
	2000	1999	2000 Rupees	1999 Rupees
Adamjee Insurance Company Ltd.	252	36,252	15,520	2,578,500
Glaxo Wellcome Pakistan Ltd.	2,000	2,000	80,500	80,500
ICI Pakistan Ltd.	336,250	6,250	5,046,600	119,766
Hub Power Company Ltd.	115,000	5,000	1,699,530	67,984
KASB Premier Fund Ltd.	50,000	50,000	500,000	500,000
Pakistan State Oil Company Ltd.	5,122	4,269	894,441	1,123,182
Pakistan Telecommunication Co. Ltd.	5,000	5,000	164,259	155,750
Saadi Cement Ltd.	2,500,000	2,500,000	12,500,000	12,500,000
Engro Chemicals Ltd.	32,020	5,520	2,526,664	524,000
Sui Southern Gas Company Ltd.	155,939	5,285	2,541,251	133,230
Bank A1-Habib Ltd.	10,929	9,108	204,923	204,923
First Imrooz Modaraba	500	500	10,600	10,600
B.R.R. International Modaraba (Formerly BRR 2nd Modaraba)	2,000	2,000	10,260	10,260
Dawood Hercules Ltd.	1200	1,200	92,500	92,500
25th I.C.P. SEMF Mutual Fund	7,500	7,500	105,576	191,325
Dewan Farooq Motors Ltd.	400,000	--	4,000,000	--
Ibrahim Fibres Ltd.	50,000	--	720,000	--
Dhan Fibre Ltd.	100,000	--	1,050,000	--
D.G.Khan Cement Ltd.	60,000	--	480,000	--
Fauji Fertilizers Ltd.	11,500	--	452,525	--
National Refinery Ltd.	28,000	--	1,195,600	--
			-----	-----
			34,290,749	18,292,520
Term Finance Certificates (TFCs)				
Saudi Pak Leasing Company Ltd.	100	100	7,500,000	10,000,000
Dewan Salman Fibres Ltd.	55	55	9,996,000	10,000,000
National Development Leasing Corp.	100	--	9,998,000	--
Pakistan Ind. Leasing Corporation	100	--	9,998,000	--
Sigma Leasing Corp. Ltd.	100	--	10,000,000	--
Paramount Leasing Ltd.	100	--	10,000,000	--
			-----	-----
			91,782,749	38,292,520
Provision for diminution in value of investments				
Opening balance			(9,038,486)	(12,071,820)
Reversal during the year			1,753,881	3,033,334
			-----	-----
			(7,284,605)	(9,038,486)
			-----	-----
Balance c/f			84,498,144	29,254,034

Balance b/f			84,498,144	29,254,034
Unquoted Shares				
Image Graphics Solution (Pvt) Ltd.				
Chief Executive - Mr. Tariq Mian	60,000	60,000	600,000	600,000
Term Finance certificates				
Dewan Salman Fibres Ltd.			10,000,000	--
			-----	-----
			95,098,144	29,854,034
			=====	=====

Market value of quoted shares/certificates is Rs. 27,006,114/- (1999 - Rs. 9,254,034/-) and breakup value of unquoted shares is Rs. 10/- each (1999 - Rs. 10/- each). Face value of quoted shares/certificates are Rs. 10/- each.

The amount of TFCs represent redeemed value till year end, these TFCs are redeemed semi-annually and earn expected profit ranging from Rs.0.4384 to Rs.0.5205 per Rs. 1,000 per day. Market value of quoted TFCs is Rs. 61,566,118/- (1999: Rs. 20,000,000/-). The TFCs of Sigma Leasing Corporation Limited and Paramount Leasing Limited were in the process of listing at June 30, 2000, their face value have been taken as market value.

17.2 Investment in Federal Investment Bond, has a maturity period of 10 years. The interest rate is 15%.

17.3 Investment in Special US Dollar Bonds of US\$ 2,190,300 have a maturity period of 3 and 7 years. The interest rates are 2% and 4% over LIBOR respectively.

17.4 Investment in Euro Bonds at discounted price of US\$ 118,350 (face value US\$ 165,000) has a maturity of 5 years. The interest rates is 10% per annum.

17.5 This represents investment in COI with an investment bank at expected profit rate of Rs.0.3836 per Rs. 1000 per day.

17.6 Short term placements and deposits of funds to financial institutions are made in the normal course of business at profit rates ranging from Rs.0.3904 to Rs.0.6849 per Rs. 1,000/-per day.

18. SHORT TERM MORABAHA FINANCES- SECURED

These represent funds provided under morahaba arrangement on mark-up / profit basis. These are secured by hypothecation of all present and future goods, merchandise, work-in-progress, finished and unfinished goods. The mark-up / profit rate is Rs.0.5548 per Rs. 1,000/- per day.

	2000	1999
	Rupees	Rupees
19. ADVANCES, DEPOSITS AND PREPAYMENTS		
Current Portion of Long Term Loans	239,668	211,798
Advance Income Tax	2,526,573	3,945,414
Advance for Purchase of Shares	--	573,750
Deposits	41,000	41,000
Prepayments	1,550,376	827,480
Others	150,000	562,937
	-----	-----
	4,507,617	6,162,379
	=====	=====

20. OTHER RECEIVABLES

Considered good

Receivable Against Sale of Securities	182,260	19,180,330
Accrued Profit Return	10,379,954	5,609,068
Dividend	--	49,436
Income Tax Refundable	990,293	899,333
Receivable Against Lease Termination	2,161,602	
Others	1,395,299	1,511,653

-----	-----
15,109,408	27,249,820
=====	=====

21. CASH AND BANK BALANCES

Cash in Hand		
Local Currency	19,726	32,934
Foreign Currency	355,098	134,649
Cheque in Transit	--	107,027,788
Cash with Banks		
In Deposit Accounts (21.1)	7,569,845	1,959,332
In Current Accounts	656,889	1,881,847
	-----	-----
	8,601,558	111,036,550
	=====	=====

21.1 Includes Rs.234,260/- (1999-Rs.250,000/-) deposited with State Bank of Pakistan as required under Prudential Regulations of State Bank of Pakistan.

22. RETURN ON DEPOSITS AND INVESTMENTS

Return on Short Term Investments	30,125,915	8,405,723
Profit on PLS Account / Bank Deposit (Net of Zakat)	75,179	62,969
Dividend	3,150,675	277,404
	-----	-----
	33,351,769	8,746,096
	=====	=====

23. ADMINISTRATION AND OPERATING EXPENSES

Salaries and Benefits (23.1)	9,115,019	8,702,448
Directors' Meeting Fees	3,500	7,000
Rent, Rates and Taxes	520,571	512,202
Insurance	748,693	915,335
Legal, Professional and Consultancy	2,231,777	1,745,612
Travelling and Conveyance	2,108,171	1,008,116
Postage and Telephone	1,033,581	967,426
Utilities	450,884	278,301
Printing and Stationery	731,464	422,668
Vehicles Running and Maintenance	1,212,182	836,597
Computerization	208,157	130,460
Entertainment	477,606	472,266
Advertisement	66,640	141,604
Repairs and Maintenance	625,355	332,790
Auditors' Remuneration (23.2)	249,500	174,900
Share Department	250,000	342,180
Credit Rating	304,000	100,000
Depreciation	5,053,056	5,505,186
Fees and Subscription	605,987	446,180
Commission and Brokerage	357,286	383,537
Donation (23.3)	118,550	95,500
Others	113,577	45,019
	-----	-----
	26,585,556	23,565,327
	=====	=====

23.1 Salaries and benefits include Rs.1,142,485 (1999: Rs.667,819/-) in respect of retirement benefits.

23.2 Auditors' Remuneration

Statutory Audit Fee	100,000	85,000
Tax and Other Consultancy	123,000	55,000
Special Audit Fee	20,000	20,000
Out of Pocket	6,500	14,900

-----	-----
249,500	174,900
=====	=====

23.3 None of the directors or their spouse had any interest in the donees fund.

24. FINANCIAL CHARGES

Mark-up / Return on Redeemable Capital	4,836,425	12,123,723
Long Term Loans	45,334,061	13,352,747
Long Term Certificates of Investment	2,841,970	931,523
Short Term Borrowings	52,320,463	56,664,222
Short Term Certificates of Investment	10,728,745	15,588,319
Financial Charges on Lease Liability	9,565	62,754
Forward Cover Fee	13,390,894	886,231
Exchange Loss	--	18,883
Documentation, Project Examination, Guarantee Commission and Bank Charges	3,463,175	255,493
	-----	-----
	132,925,298	99,883,895
	=====	=====

25. TAXATION

The Company has provided for deferred taxation in compliance with circular No. 16 of Securities and Exchange Commission of Pakistan to ensure that the liability arising on June 30, 2003 has been fully provided upto that year. The deferred taxation, computed under the liability method is estimated at Rs.49.493 million (1999 - Rs.40.79 million). Part Provision of Rs. 37.20 million has been made as of these accounts. The liability for deferred tax is not likely to reverse in the foreseeable future.

26. REMUNERATION TO DIRECTORS AND EXECUTIVES

	2000			1999		
	Chief Executive	Director	Executive	Chief Executive	Director	Executive
Managerial Remunerations	838,710	670,969	2,804,259	806,452	403,226	2,634,876
Housing and Utilities	461,291	369,033	1,225,143	443,548	246,774	1,449,182
Gratuity	171,603	187,073	388,956	42,422	21,211	125,080
Provident Fund	77,424	61,932	255,497	77,424	40,323	173,655
	-----	-----	-----	-----	-----	-----
Rupees	1,549,028	1,289,007	4,673,855	1,369,846	711,534	4,382,793
Number of persons	1	1	14	1	1	10
	=====	=====	=====	=====	=====	=====

26.1 The Chief Executive, Director and Executives are also provided with free use of company cars, medical insurance cover and travelling allowance. The monetary value of these are Rs. 1,723,646/- (1999 - Rs. 1,444,523/-) approximately.

27. EARNING PER SHARE

There is no effect of dilution on the earnings per share of the Company which is based on:

	2000	1999
Profit Before Taxation	Rs. 41,658,305	35,291,304
Profit After Taxation	Rs. 31,103,850	19,938,333
Weighted Average Number of Ordinary shares	25,000,000	25,000,000
Earnings per share - pre tax	Rs. 1.67	1.41
Earnings per share - post tax	Rs. 1.24	0.80

28. TRANSACTION WITH ASSOCIATED COMPANIES

Share of common expenses	259,089	--
	-----	-----
	259,089	--

29. CREDIT RISK AND CONCENTRATIONS OF SIGNIFICANT CREDIT RISK

Credit risk is the risk faced when one party to a financial instrument fails to discharge its obligation and cause the other party to incur a financial loss.

The Company follows two sets of guidelines, an operating policy duly approved by the Board of Directors' and the Prudential Regulations for NBFIs issued by the State Bank of Pakistan. The operating policy defines the extent of exposure with reference to a particular sector or group of lessees. The leases are classified on the basis of Prudential Regulations guidelines.

The Company believes in maintaining a balance between profitability and portfolio riskiness. Diversification of lease portfolio is the focal point of Company's exposure policy. Extra care is taken to ensure that per party and per sector exposures remain within limits prescribed by the operating policy and Prudential Regulations.

Details of the industry / sector analysis of lease portfolio is given as follow:

Segment by class of business

	Rupees	%
Textile Composite	157,790,358	14.12
Steel, Engineering and Automobile	150,028,963	13.42
Cement	143,259,331	12.82
Transport and Communication	106,335,131	9.51
Energy, Oil and Gas	92,829,850	8.30
Chemicals, Fertilizers and Pharmaceuticals	76,825,889	6.87
Food, Tobacco and Beverages	74,076,623	6.63
Sugar and Allied	67,237,466	6.02
Health Care	53,617,819	4.80
Textile finishing	36,691,113	3.28
Power Generation	14,936,676	1.34
Electrical Goods	12,623,192	1.13
Miscellaneous	131,539,641	11.76
	-----	-----
	1,117,792,052	100.00
	=====	=====

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all the financial instruments reflected in the financial statements approximates to their fair values.

31. INTEREST RATE RISK MANAGEMENT

Interest rate risk arises from the possibility when changes in interest rates affect the value of assets and liabilities. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or reprice in a given period. The Company manages this risk by matching the repricing of assets and liabilities.

The Company's exposure to interest rate risk on its assets and liabilities are summarized as follows:

	Less than one month	One month to one year	Over one year	Not exposed to interest rate risk	Total
ASSETS					
Fixed Assets - Tangible	--	--	--	26,402,077	26,402,077
Net Investment in Lease Finance	54,560,888	374,727,623	552,449,860		136,053,681 1,117,792,052
Long Term Receivable	--	--	21,950,000		21,950,000
Long Term Loans	19,151	220,537	2,899,204		3,138,892
Long Term Deposit	--	--	--	300,000	300,000
Long Term Investments	--	--	--	51,530,850	51,530,850
Short Term Investments	30,276,875	267,488,685	--	--	297,765,560
Short Term Morabaha Finance	--	7,000,000	--	--	7,000,000

Advance against Lease Commitments	--	2,850,000	--	--	2,850,000
Advances, Deposits and Prepayments	--	--	--	5,398,949	5,398,949
Other Receivables	--	--	--	13,978,408	13,978,408
Cash and Bank Balances	8,226,734	--	--	374,824	8,601,558
	-----	-----	-----	-----	-----
	93,083,648	652,286,845	577,299,064	234,038,789	1,556,708,346
	=====	=====	=====	=====	=====

CAPITAL AND LIABILITIES

Capital and Reserves	--	--	--	306,728,630	306,728,630
Provision for Lease Losses	--	--	--	27,050,000	27,050,000
Deferred Liabilities	--	--	--	38,592,973	38,592,973
Redeemable Capital	--	9,056,640	5,218,349	--	14,274,989
Long Term Loans	11,680,544	51,014,621	297,859,954	--	360,555,119
Certificates of Investment	15,000,000	50,000,000	37,100,000	--	102,100,000
Lease Deposits	--	--	--	136,053,681	136,053,681
Short Term Borrowings	165,000,000	331,539,425	--	--	496,539,425
Accrued Expenses and Other Liabilities	--	--	--	47,213,529	47,213,529
Taxation	--	--	--	2,600,000	2,600,000
Proposed Dividend	--	25,000,000	--	--	25,000,000
	-----	-----	-----	-----	-----
	Rupees	191,680,544	466,610,686	340,178,303	558,238,813
		=====	=====	=====	=====
On Balance Sheet Gap	Rupees	(98,596,896)	185,676,159	237,120,761	(324,200,324)
		=====	=====	=====	=====
Total Interest Rate Sensitivity Gap	Rupees	(98,596,896)	87,079,623	324,200,324	--
		=====	=====	=====	=====

The effective average interest rate/mark-up for each of the monetary financial instrument is as follows.

2000
Effective interest rate / mark-up %

Assets

Net Investment in lease finance	20.24%
Long Term Loans	5% - 10%
Short Term Investments	15.39%
Short Term Morabaha Finance	20.25%
Cash & Bank Balances	5.27%

Liabilities

Redeemable Capital	19.04%
Long Term Loans	15.49%
Certificates of Investment	14.08%
Short Term Borrowings	12.87%

32. NUMBER OF EMPLOYEES.

Total number of full time employees as at year end are 22 (1999 - 22).

33. GENERAL

Figures have been rounded off nearest to Rupee.

Corresponding figures have been re-arranged wherever necessary for the purpose of comparison.

Rafique Dawood
Chairman & Chief Executive

Ahmed Kamran
Director

**Statement and Report under Section 237 of
Companies Ordinance, 1984**

2000 2000 1999

General Modaraba Services (Pvt.) Limited	Guardian Modaraba Management (Pvt.) Limited	Guardian Modaraba Management (Pvt.) Limited
---	--	--

STATEMENT UNDER SECTION (1) (E)

a. Extent of the interest of Dawood Leasing Company Limited (the holding company) in the equity of its subsidiaries as at the end of the last of the financial year of the subsidiaries.	51.00%	99.80%	99.80%
--	--------	--------	--------

b. The net aggregate amount of profits less losses of the subsidiary companies so far as these concern members of the holding company and has not been dealt with in the accounts of the holding company for the year ended June 30, 2000 are:

i) for the financial year of the subsidiaries	(967,563)	3,176,711	1,440,496
---	-----------	-----------	-----------

ii) for the previous financial year of the subsidiary since it became the Holding Company's subsidiary.	(2,984,025)	(1,342,449)	(2,782,945)
---	-------------	-------------	-------------

c) The net aggregate amount of profit less losses of the subsidiary companies so far as these concern member of the holding company and have been dealt with in the account of the holding company for the year ended June, 30, 2000

i) for the financial year of he subsidiaries	N/A	N/A	N/A
--	-----	-----	-----

ii) for the previous financial year of the subsidiary since it became the Holding Company's subsidiary.	N/A	N/A	N/A
---	-----	-----	-----

STATEMENT UNDER SECTION (1) (f)	N/A	N/A	N/A
--	-----	-----	-----

STATEMENT UNDER SECTION (1) (g)	N/A	N/A	N/A
--	-----	-----	-----

Rafique Dawood
Chairman & Chief Executive

Ahmed Kamran
Director

PATTERN OF SHARE HOLDING AS AT JUNE 30, 2000

No. of Shareholders	From	Share Holding To	Shares Held
15	1	--	100
1,629	101	--	500
125	501	--	1000
127	1001	--	5000
32	5001	--	10000
12	10001	--	15000
5	15001	--	20000
7	20001	--	25000
8	25001	--	30000
1	30001	--	35000
1	35001	--	40000
1	40001	--	45000

7	45001	--	50000	345,100
1	50001	--	55000	55,000
1	55001	--	65000	65,000
1	65001	--	75000	71,100
10	75001	--	100000	995,200
1	100001	--	105000	101,600
1	105001	--	125000	125,000
1	125001	--	130000	130,000
1	130001	--	145000	145,000
2	145001	--	250000	500,000
1	250001	--	260000	255,600
1	260001	--	305000	300,900
1	305001	--	390000	390,000
1	390001	--	405000	401,000
1	405001	--	500000	500,000
1	500001	--	505000	502,500
1	505001	--	545000	542,800
1	545001	--	955000	950,100
1	955001	--	985000	983,200
2	985001	--	1000000	2,000,000
1	1000001	--	1510000	1,506,000
1	1510001	--	4215000	4,212,500
1	4215001	--	7585000	7,582,200
-----			-----	-----
2,003				25,000,000
=====			=====	=====

Categories of Shareholders

Particulars	Number of Shareholders	Shares Held	Percentage
Individuals	1,969	6,714,500	26.86%
Insurance Companies	3	4,343,500	17.37%
Joint-Stock Companies	15	8,561,600	34.25%
Financial Institutions	6	2,306,200	9.22%
Modarabas	3	472,300	1.88%
Foreign Investors	1	983,200	3.93%
Investment Companies	6	1,618,700	6.47%
-----			-----
	2,003	25,000,000	100.00%
=====			=====

CONSOLIDATED ACCOUNTS OF DAWOOD LEASING COMPANY LIMITED AND ITS SUBSIDIARIES AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising Consolidated Balance Sheet of DAWOOD LEASING COMPANY LIMITED and its subsidiary companies as at June 30, 2000 and the related consolidated Profit and Loss Account and consolidated Cash Flow Statement and consolidated Changes in Equity together with the notes forming part thereof, for the year ended June 30, 2000. We have also expressed separate opinion on the financial statements of DAWOOD LEASING COMPANY LIMITED and its subsidiary Company, General Modaraba Services (Private) Limited. Audit of its another subsidiary Company, Guardian Modaraba Management (Private) Limited, was done by other firm of Chartered Accountants for the year ended June 30, 2000 whose reports have been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our examination.

Our examination was made in accordance with International Standards on Auditing and accordingly

included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of DAWOOD LEASING COMPANY LIMITED and its subsidiary companies as at June 30, 2000 and the results of their operations for the year then ended.

Dated: November 14, 2000
Karachi.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2000

	Note	2000 Rupees	1999 Rupees
SHARE CAPITAL AND RESERVES			
Authorized			
50,000,000 Ordinary Share of Rs. 10/- each		500,000,000	500,000,000
		=====	=====
Issued, Subscribed and Paid-up			
25,000,000 Ordinary Shares of Rs. 10/- each Fully Paid in Cash		250,000,000	250,000,000
Statutory Reserve		33,845,727	27,624,957
General Reserve		22,500,000	22,500,000
Unappropriated Profit		6,757,205	4,719,011
		-----	-----
		313,102,932	304,843,968
MINORITY INTEREST			
		1,750,804	28,961
LONG TERM LIABILITIES			
Redeemable Capital		5,218,349	14,274,989
Long Term Loans		297,859,954	405,057,869
Liabilities Against Assets subject to Finance Lease		--	--
Lease Deposits		112,511,804	99,152,824
Certificates of Investment		36,100,000	11,400,000
		-----	-----
		451,690,107	529,885,682
DEFERRED LIABILITIES			
Taxation		37,200,000	29,000,000
Staff Gratuity		1,392,973	858,033
		-----	-----
		38,592,973	29,858,033
CURRENT LIABILITIES			
Short Term Borrowings	3	497,966,052	433,548,078
Certificates of Investment		66,000,000	50,500,000
Current Portion of Long Term Liabilities		95,293,682	108,339,332
Accrued and Other Liabilities	4	48,368,053	39,324,426
Taxation		2,782,133	4,100,000
Proposed Dividend		25,000,000	25,000,000
		-----	-----
		735,409,920	660,811,836
COMMITMENTS			
		-----	-----
		1,540,546,736	1,525,428,480
		=====	=====
TANGIBLE FIXED ASSETS	5	27,073,857	23,798,900

GOODWILL ON CONSOLIDATION	6	4,056,985	2,226,356
NET INVESTMENT IN LEASE FINANCE			
Minimum Lease Payments Receivables		1,338,939,163	1,204,287,306
Residual Value of Leased Assets		159,531,402	148,456,873
		-----	-----
		1,498,470,565	1,352,744,179
Unearned Income		(380,678,513)	(316,364,297)
		-----	-----
Net Investment In Lease Finance		1,117,792,052	1,036,379,882
Provision For Lease Losses		(27,050,000)	(34,000,000)
		-----	-----
Current Portion of Net Investment in Lease Finance		1,090,742,052	1,002,379,882
		(429,288,511)	(426,289,808)
		-----	-----
		661,453,541	576,090,074
INVESTMENT IN ASSOCIATES	7	55,477,605	47,601,176
LONG TERM RECEIVABLE		21,950,000	--
LONG TERM DEPOSIT		300,000	300,000
LONG TERM LOANS		2,899,224	1,719,112
CURRENT ASSETS			
Current Portion of Net Investment in Lease Finance		429,288,511	426,289,808
Short Term Investments	8	298,201,611	189,896,924
Short Term Morabaha Finances		7,000,000	103,051,816
Advances Against Lease Commitments		2,850,000	9,700,000
Advances, Deposits and Prepayments	9	4,774,614	6,249,735
Other Receivables	10	16,372,770	27,298,027
Cash and Bank Balances	11	8,848,018	111,206,552
		-----	-----
		767,335,524	873,692,862
		-----	-----
		1,540,546,736	1,525,428,480
		=====	=====

The annexed notes from 1 to 17 form an integral part of these financial statements.

Rafique Dawood
Chairman & Chief Executive

Abdul Latif Uqaili
Director

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

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
Income			
Lease Income		171,044,261	154,046,674
Return on Deposits and Investments	12	30,380,052	8,752,373
Management Fee		1,250,789	--
Gain on Sale of Securities		9,290,096	139,471
Other Income		1,544,159	277,793
		-----	-----
		213,509,357	163,216,311
Expenditure			

Administration and Operating Expenses	13	27,183,070	23,644,687
Financial Charges	14	133,160,014	99,883,895
		-----	-----
		(160,343,084)	(123,528,582)
		-----	-----
		53,166,273	39,687,729
Other Charges / Provisions			
Negative Goodwill Recognized as Income from Associate		526,826	2,126,806
Amortization of Goodwill on Acquisitions		(1,153,394)	(556,589)
Provision for Lease Losses		(15,000,000)	(7,500,000)
Reversal for Diminution in Value of Investments		1,733,068	2,984,728
		-----	-----
		(13,893,500)	(2,945,055)
		-----	-----
		39,272,773	36,742,674
Share of Profit from Associates		3,642,103	2,770,705
		-----	-----
Profit Before Taxation		42,914,876	39,513,379
Provision For Taxation			
Current		2,684,500	2,100,000
Prior year's		(304,934)	142,971
Deferred		8,200,000	13,110,000
		-----	-----
		(10,579,566)	(15,352,971)
		-----	-----
Profit After Taxation		32,335,310	24,160,408
Minority Interest		923,654	(2,887)
		-----	-----
		33,258,964	24,157,521
Unappropriated Profit Brought Forward		4,719,011	9,549,157
		-----	-----
Profit Available for Appropriation		37,977,975	33,706,678
Appropriations			
Transferred to Statutory Reserve		6,220,770	3,987,667
Proposed Cash Dividend Rs. 1/- per Share (1999-Rs. 1/- per Share)		25,000,000	25,000,000
		-----	-----
		31,220,770	28,987,667
		-----	-----
Unappropriated Profit Carried Forward		6,757,205	4,719,011
		=====	=====
Earning per Share - Pre-Tax	15	1.72	1.58
Earning per Share - Post-Tax	15	1.29	0.97

The annexed notes from 1 to 17 form an integral part of these financial statements.

Rafique Dawood
Chairman & Chief Executive

Abdul Latif Uqaili
Director

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2000

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit After Taxation	32,335,310	24,160,408
Adjustments:		
Depreciation	5,200,544	5,505,187
(Gain) on Sale of Investments	(9,290,093)	(136,734)
Negative Goodwill	(526,826)	(2,126,806)

Amortization of Goodwill on Acquisitions	1,153,394	556,589
Share of Profit from Associated Undertaking	(3,642,103)	(2,770,705)
Financial Charges	133,160,014	99,883,895
(Gain) on Sale of Assets	(89,400)	(16,374)
Provision for Gratuity	747,632	376,447
Provision for Lease Losses	15,000,000	7,500,000
(Reversal) for Diminution in Value of Investments	(1,733,068)	(2,984,728)
Provision for Deferred Taxation	8,200,000	13,110,000
Provision for Taxation	2,379,566	2,242,971
	-----	-----
	150,559,660	121,139,742
	-----	-----
	182,894,970	145,300,150

Changes in Operating Assets and Liabilities

(Increase)/Decrease in Operating Assets		
Advances, Deposits and Prepayments	276,757	837,395
Other Receivables	10,889,623	(25,249,942)
Net Investment in Lease Finance/Receivables	(125,312,170)	(244,746,015)
Long Term Loans	(1,207,982)	204,960
Advances Against Lease Commitments	6,850,000	26,617,586
Short Term Morabaha Finances	96,051,816	(103,051,816)
	-----	-----
	(12,451,956)	(345,387,832)
	-----	-----
	170,443,014	(200,087,682)

(Increase)/Decrease in Operating Liabilities

Accrued and Other Liabilities	(10,266,292)	(1,451,940)
Lease Deposits	13,587,372	28,137,135
	-----	-----
	173,764,094	(173,402,487)

Financial Charges Paid	(116,382,987)	(89,829,248)
Gratuity Paid	(212,691)	(152,755)
Tax Paid	(2,435,617)	(1,263,161)
	-----	-----

Net Cash From / (Used in) Operating Activities	54,732,799	(264,647,651)
	-----	-----

B. CASH FLOW FROM FINANCING ACTIVITIES

Redeemable Capital Obtained	--	25,000,000
Redemption of Redeemable Capital	(107,731,287)	(69,089,644)
Long Term Loans	(21,665,065)	383,286,406
Repayment of Lease Liability	(132,245)	(151,735)
Short Term Borrowings	63,917,974	239,677,554
Certificates of Investment	40,200,000	(36,588,812)
Dividend Paid	(24,664,668)	--
	-----	-----

Net Cash (Used in) / from Financing Activities	(50,075,291)	542,133,769
---	---------------------	--------------------

C. CASH FLOW USED IN INVESTING ACTIVITIES

Acquisition of Subsidiary Net of Cash Acquired (Note I)	(5,733,896)	(15,777,953)
Dividend Received	3,200,000	--
Long Term Deposits	--	(300,000)
Capital Expenditure	(9,137,403)	(12,899,754)
Proceeds From Sale of Fixed Assets	1,570,570	1,394,940
Purchase of Long Term Investments	--	(30,000,000)
Purchase of Short Term Investments	(2,244,651,989)	(153,145,146)
Sale Proceeds of Short Term Investments	2,147,736,676	42,063,244
	-----	-----

Net Cash Used in Investing Activities	(107,016,042)	(168,664,669)
--	-----------------------	----------------------

Net (Decrease) / Increase in Cash and Bank Balance	(102,358,534)	108,821,449
Cash and Bank Balances at the Beginning of the Year	111,206,552	2,385,103
Cash and Bank Balances at the End of the Year	8,848,018	111,206,552

I. During the period the group acquired subsidiaries. The fair value of assets acquired and liabilities assumed were as follows:

Operating Fixed Assets	417,827	143,953
Investment in Associated	3,522,825	12,678,258
Marketable Securities	186,769	181,989
Advance Deposit & Other Receivables	81,556	971,013
Cash and Bank Balances	1,838	15,366
Short Term Borrowing	(255,000)	--
Accrued Expenses and Other Liabilities	(1,120,757)	(980,174)
Taxation	(81,581)	--
Net Assets	2,753,477	13,010,405
Goodwill	2,984,023	2,782,945
Total Purchase Price	5,737,500	15,793,350
Less: Cash and Bank Balances	3,604	15,397
Cash Flow on acquisition Net of Cash Acquired	5,733,896	15,777,953

Rafique Dawood
Chairman & Chief Executive

Abdul Latif Uqaili
Director

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

	<i>Paid-up Capital</i>	<i>Statutory Reserve *</i>	<i>General Reserve</i>	<i>Unappropriated Profit</i>	<i>Total</i>
Rupees					
Balance at June 30, 1998	250,000,000	23,637,290	22,500,000	9,549,157	305,686,447
Profit for the year	--	--	--	24,157,521	24,157,521
Appropriations					
Transfer to Statutory Reserve	--	3,987,667	--	(3,987,667)	--
Dividend- Rs. 1/- per share	--	--	--	(25,000,000)	(25,000,000)
Balance at June 30, 1999	250,000,000	27,624,957	22,500,000	4,719,011	304,843,968
Profit for the year	--	--	--	33,258,964	33,258,964
Appropriations					
Transfer to Statutory Reserve	--	6,220,770	--	(6,220,770)	--
Dividend- Rs. 1/- per share	--	--	--	(25,000,000)	(25,000,000)
Balance at June 30, 2000	250,000,000	33,845,727	22,500,000	6,757,205	313,102,932

*The statutory reserve is created by transferring not less than 20% after tax profit for the year which is required under Rule-3 of the State Bank of Pakistan's Prudential Regulations for Non-Banking Financial Institutions.

Rafique Dawood
Chairman & Chief Executive

Abdul Latif Uqaili
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2000

1. THE COMPANY AND ITS OPERATIONS

1.1 The Company was incorporated on June 22, 1994 as a public limited Company under the Companies Ordinance, 1984 and is listed on the Karachi and Islamabad Stock Exchanges. The main business activity of the Company is leasing of assets.

1.2 Subsidiaries of Dawood Leasing Company Limited are private limited companies incorporated in Pakistan. The principal activities of companies are to promote, float and manage modarabas. The following subsidiaries have been consolidated in the accounts of the Company.

	<i>2000</i>	<i>1999</i>
	Group holding	
Guardian Modaraba Management (Pvt.) Limited	99.80%	99.80%
General Modaraba Services (Pvt.) Limited	51.00%	--

1.3 Basis of Consolidation

1.3.1 The consolidated financial statements include the accounts of Dawood Leasing Company Limited (the holding company) and its subsidiary companies. The financial statements of such subsidiaries have been consolidated on line by line basis. All material intercompany balances and transactions have been eliminated. Minority interest in the equity and results of the subsidiaries that are controlled by holding company are shown as separate item in the consolidated financial statements.

1.3.2 The significant accounting policies and disclosures required by Companies Ordinance, 1984 which are same and stated in the Dawood Leasing Company Limited financial statements are not reproduced in this consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

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

2.2 Basis of Preparation

These accounts have been prepared in accordance with International Accounting Standards as applicable in Pakistan.

2.3 Goodwill

Any excess of the cost of acquisition over the Company's interest in the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction is described as goodwill. Any excess, as at the date of the exchange transaction, of the company's interest in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition, is described as negative goodwill.

Goodwill, recognized as an asset, is amortized on a systematic basis over its useful life. The amortization method used reflects the pattern in which future economic benefits arising from goodwill are expected to be consumed. The amortization for each period is recognized as an expense.

The negative goodwill is recognized as income in the following manner:

- If in excess of fair value of acquired identifiable non monetary assets, negative goodwill is recognized as income immediately, and
- If not exceeding the fair values of acquired identifiable non monetary assets, negative goodwill is recognized as income on systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable assets.

2.4 Investments**2.4.1 Investment in Associates**

Investment in associated companies are included in the balance sheet at cost plus the appropriate share of post acquisition retained profits and reserves. The appropriate share of profits of associated have been included in the profit and loss account.

2.4.2 Short Term

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

	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
3. SHORT TERM BORROWINGS		
Secured - under mark-up arrangement (3.1)		
From Commercial Banks		
Term Loan	8,300,000	--
Running Finance	78,239,426	34,548,078
From Non-Banking Financial Institutions	75,300,000	35,000,000
Unsecured (3.2)		
From Commercial Banks	145,000,000	45,000,000
Non-Banking Financial Institutions	191,126,626	319,000,000
	-----	-----
	497,966,052	433,548,078
	=====	=====

3.1 These facilities are secured against hypothecation of assets including book debts of the Company ranking pari passu with the charge created to secure redeemable capital and long term loans. These includes Rs. 50 Million which is secured by pledge of Term Finance Certificates and Rs. 8.3 million by pledge of US dollar bonds.

The sanctioned running finance facilities of Rs. 110 million from commercial banks are renewable yearly. The letter of credit acceptance facilities of Rs. 45 million from commercial banks are not utilized on the balance sheet date.

The rate of mark-up ranges from Rs. 0.3082 to Rs. 0.4548 per Rs.1,000/- per day.

3.2 These are subject to mark-up ranging from 11% to 17% per annum.

4. ACCRUED AND OTHER LIABILITIES

Mark-up on Secured		
Redeemable Capital	951,666	2,061,188
Long Term Loans	19,974,427	4,161,391
Short Term Borrowings	2,497,058	4,611,024
Mark-up / Return on Unsecured		
Short Term Borrowings	10,236,920	9,747,247
Certificates of Investment	6,181,420	2,483,615
Advance from Clients	3,083,782	14,177,893
Due to Associated Company	399,165	--
Withholding tax	--	69,360
Accrued Expenses	1,568,950	1,218,047
Unclaimed Dividend	830,299	494,967
Others	2,644,366	299,694
	-----	-----
	48,368,053	39,324,426
	=====	=====

5. TANGIBLE FIXED ASSET

Particulars	<i>Cost as at</i>	<i>Additions/</i>	<i>Cost as at</i>	<i>Accumulated Depreciation/</i>	<i>Accumulated</i>	<i>Book Value</i>	<i>Rate</i>
	<i>July01,</i>	<i>Transfer/</i>	<i>June30,</i>	<i>Depreciation</i>	<i>Depreciation</i>	<i>as at June</i>	
	<i>1999</i>	<i>(Deletion)</i>	<i>2000</i>	<i>as at July 01,</i>	<i>as at June 30,</i>	<i>30, 2000</i>	<i>%</i>

			<i>1999</i>		<i>for the year</i>		<i>2000</i>	
Company owned								
Office Premises	13,210,059	4,447,957	17,658,016	3,473,312	1,765,802	5,239,114	12,418,902	10
Leasehold Impro	7,885,186	707,500	8,592,686	1,468,966	859,269	2,328,235	6,264,451	10
Furniture and Fix	3,927,177	1,240,000	5,167,177	1,928,775	476,718	2,405,493	2,761,684	10
Equipment and	5,337,892	190,946	5,365,838	2,805,463	844,664	3,556,727	1,809,111	20
		(163,000)			(93,400)			
Vehicles	8,554,082	2,551,000	7,809,714	4,759,194	1,269,409	3,990,005	3,819,709	20
		387,000			232,200			
		(3,682,368)			(2,270,798)			
	-----	-----	-----	-----	-----	-----	-----	-----
	38,914,396	9,137,403	44,593,431	14,435,710	5,215,862	17,519,574	27,073,857	
		387,000			232,200			
		(3,845,368)			(2,364,198)			
Under lease								
Vehicle	387,000	(387,000)	--	232,200	(232,200)	--	--	--
	=====	=====	=====	=====	=====	=====	=====	=====
Rupees	39,301,396	9,137,403	44,593,431	14,435,710	5,215,862	17,519,574	27,073,857	
		(3,845,368)			(2,364,198)			
	=====	=====	=====	=====	=====	=====	=====	=====

6. GOODWILL ON CONSOLIDATION

	<i>General</i>	<i>General</i>	<i>2000</i>	<i>1999</i>
	<i>Modaraba</i>	<i>Modaraba</i>	<i>Rupees</i>	<i>Rupees</i>
	<i>Services</i>	<i>Management</i>		
	<i>(Pvt.) Ltd.</i>	<i>(Pvt.) Ltd.</i>		
Amortized	2,984,023	2,782,945	5,766,968	2,782,945
Opening Balance	--	556,589	556,589	--
During the year	596,805	556,589	1,153,394	556,589
	-----	-----	-----	-----
	(596,805)	(1,113,178)	(1,709,983)	(556,589)
	-----	-----	-----	-----
	2,387,218	1,669,767	4,056,985	2,226,356
	=====	=====	=====	=====

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
7. INVESTMENT IN ASSOCIATES		
Pakistan Venture Capital Limited	7.1	34,634,243
Guardian Leasing Modaraba	7.2	15,915,862
First General Leasing Modaraba	7.3	4,927,500
	-----	-----
	55,477,605	47,601,176
	=====	=====

7.1 Pakistan Venture Capital Limited

Value of Investment	35,545,089	34,772,953
Negative Goodwill		
At the time of Acquisition	3,564,478	3,564,478
Amortized		
Opening Balance	2,126,806	--
During the year	526,826	2,126,806
	-----	-----
	(2,653,632)	(2,126,806)
	-----	-----
	910,846	1,437,672

34,634,243 33,335,281
=====

7.1.1 The Company holds 30% shares in the equity of Pakistan Venture Capital Limited 3,000,000 shares of Rs. 10 each (1999: 3,000,000). The market value of this investment is Rs. 15,000,000. Net assets value as at June 30, 2000 is Rs.35.55 million (1999: Rs. 34.77 million).

7.2 The Company holds 20% certificates in the equity of Guardian Leasing Modaraba 2,000,000 certificates of Rs. 10/- each (1999: 2,000,000). The market value of this investment is Rs. 3,800,000. Net assets value as at June 30, 2000 is Rs.15.91 million. (1999: Rs. 14.07 million).

7.3 The Company holds 20% certificates in the equity of First General Leasing Modaraba 1,125,000 certificates of Rs. 10 each. The market value of this investment is Rs. 1,968,750. Net assets value as at June 30, 2000 is Rs.4.927 million.

8. SHORT TERM INVESTMENTS

		<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
Shares & Securities	8.1	95,534,195	29,951,278
Federal Investments Bonds		4,000,000	4,000,000
US Dollar Bonds		115,911,357	115,911,357
Euro Bonds		6,093,470	--
Certificates of Investment		10,000,000	--
Placements and Deposits		66,662,589	40,034,289
		----- 298,201,611	----- 189,896,924 =====

8.1 Marketable securities

Quoted	No. of Shares/Certificates		COST	
	<i>2000</i>	<i>1999</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
Shares/Certificates				
Adamjee Insurance Company Ltd.	252	36,252	15,520	2,578,500
Glaxco Wellcome Pakistan Ltd.	2,000	2,000	80,500	80,500
ICI Pakistan Ltd.	336,250	6,250	5,046,600	119,766
Hub Power Company Ltd.	115,000	5,000	1,699,530	67,984
KASB Premier Fund Ltd.	50,000	50,000	500,000	500,000
Pakistan State Oil Company Ltd.	5,122	4,269	894,441	1,123,182
Pakistan Telecommunication Co. Ltd.	5,000	5,000	164,259	155,750
Saadi Cement Ltd.	2,500,000	2,500,000	12,500,000	12,500,000
Engro Chemicals Ltd.	32,020	5,520	2,526,664	524,000
Sui Southern Gas Company Ltd.	155,939	5,285	2,541,251	133,230
Bank A1-Habib Ltd.	10,929	9,108	204,923	204,923
First Imrooz Modaraba	500	500	10,600	10,600
B.R.R. International Modaraba (Formerly BRR 2nd Modaraba)	2,000	2,000	10,260	10,260
Dawood Hercules Ltd.	1200	1,200	92,500	92,500
25th I.C.P. SEMF Mutual Fund	7,500	7,500	105,576	191,325
Dewan Farooq Motors Ltd.	400,000	--	4,000,000	--
Ibrahim Fibres Ltd.	50,000	--	720,000	--
Dhan Fibres Ltd.	100,000	--	1,050,000	--
D.G.Khan Cement	60,000	--	480,000	--
Fauji Fertilizers Ltd.	12,000	500	492,225	39,700
National Refinery Ltd.	28,000	--	1,195,600	--
First Grindlays Modaraba	1,080	1,080	30,250	30,250
Second Prudential Modaraba	2,057	2,057	13,260	13,260
First Habib Bank Modaraba	87	87	755	755
Schon Modaraba	850	850	9,067	9,067
First General Leasing Modaraba	106,300	108,300	890,187	906,660
Marl Gas Co. Ltd.	1,250	1,250	38,000	38,000

Pakistan Venture Capital Ltd.	2,000	2,000	47,400	47,400
Baluchistan Wheels Ltd.	125	125	5,330	5,330
			-----	-----
Balance C/f			35,364,698	19,382,942
Balance b/f			35,364,698	19,382,942
First Leasing Corp. Ltd.	1,000	1,000	33,660	33,660
Din Textile Mills Ltd.	100	100	976	976
Salfi Textile Mills Ltd.	4,200	4,200	651	651
Guardian Leasing Modaraba	6,500	--	9,880	--
Crescent Board Limited	5,000	5,000	35,829	35,829
Wah Noble Chemicals Limited	3,000	3,000	74,984	74,984
Term Finance Certificates (TFCs)				
Saudi Pak Leasing Company Ltd.	100	100	7,500,000	10,000,000
Dewan Salman Fibres Ltd.	55	55	9,996,000	10,000,000
National Development Leasing Corp.	100	--	9,998,000	--
Pakistan Ind. Leasing Corporation	100	--	9,998,000	--
Sigma Leasing Corp. Ltd.	100	--	10,000,000	--
Paramount Leasing Ltd.	100	--	10,000,000	--
			-----	-----
			93,012,678	39,529,042
Provision for diminution in value of investments				
Opening balance			(9,822,390)	(12,071,820)
Reversal during the year			1,743,907	3,033,334
			-----	-----
			(8,078,483)	(9,038,486)
			-----	-----
			84,934,195	30,490,556
Unquoted Shares				
Image Graphics Solution (Private) Limited Chief Executive - Mr. Tariq Mian			600,000	600,000
Term Finance Certificate				
Dewan Salman Fibres Ltd			10,000,000	--
			-----	-----
			95,534,195	31,090,556
			=====	=====

Market value of quoted shares/certificates is Rs. 27,442,195/- (1999 - Rs. 9,254,034/-) and breakup value of unquoted shares is Rs. 10/- each (1999 - Rs. 10/- each). Face value of shares/certificates are Rs. 10/- each.

The amount of TFCs represent redeemed value till year-end, these TFCs are redeemed semi-annually and earn expected profit ranging from Rs. 0.4384 to Rs. 0.5205 per Rs. 1,000 per day. Market value of quoted TFCs is Rs. 61,566,118/- (1999: Rs. 20,000,000/-). The TFCs of Sigma Leasing Corp. Ltd and Paramount Leasing Limited were in the process of listing at June 30, 2000 therefore their face value have been taken as market value.

9. ADVANCES, DEPOSITS AND PREPAYMENTS

Current Portion of Long Term Loans		239,668	211,798
Advance Income Tax		2,790,570	4,030,396
Advance for Purchase of Shares		--	573,750
Deposits		41,000	41,000
Prepayments		1,550,376	827,480
Others		153,000	565,311
		-----	-----
		4,774,614	6,249,735

10. OTHER RECEIVABLES**Considered Good**

Receivable against Sale of Securities	182,261	19,219,560
Accrued Profit/Return	10,379,954	5,609,889
Dividend	--	49,436
Income Tax Refundable	1,002,866	899,333
Receivables Against Lease Termination	2,161,602	--
Others	2,646,088	1,519,809
	-----	-----
	16,372,770	27,298,027
	=====	=====

11. CASH AND BANK BALANCES

Cash in Hand		
Local Currency	26,776	33,056
Foreign Currency	355,098	134,649
Cheque in Transit	--	107,027,788
Cash with Banks		
In Deposit Accounts (11. I)	7,769,503	--
In Current Accounts	696,641	4,011,059
	-----	-----
	8,848,018	111,206,552
	=====	=====

11.1 Includes Rs.234,260/- (1999 - Rs.250,000/-) deposited with State bank of Pakistan as required under Prudential Regulations of State Bank of Pakistan.

12. RETURN ON DEPOSITS AND INVESTMENTS

Return on Short Term Investments	30,125,915	8,405,723
Profit on PLS Accounts Bank Deposits (Net of Zakat)	82,012	69,246
Dividend	172,125	277,404
	-----	-----
	30,380,052	8,752,373
	=====	=====

13. ADMINISTRATION AND OPERATING EXPENSES

Salaries and Benefits (13.1)	9,172,619	8,702,448
Directors' Meeting Fees	4,500	7,000
Rent, Rates and Taxes	677,046	512,202
Insurance	748,693	915,335
Legal, Professional and Consultancy	2,290,777	1,807,262
Travelling and Conveyance	2,251,001	1,008,116
Postage and Telephone	1,033,581	967,426
Utilities	450,884	278,301
Printing and Stationery	731,464	422,668
Vehicles Running and Maintenance	1,212,182	836,597
Computerisation	208,157	130,460
Entertainment	481,724	472,266
Advertisement	66,640	141,604
Repairs and Maintenance	625,355	332,790
Auditors Remuneration (13.2)	269,500	184,900
Shares Department	250,000	342,180
Credit Rating	304,000	100,000
Depreciation	5,200,545	5,505,186
Fees and Subscription	613,987	447,340
Commission and Brokerage	357,286	383,537
Bad debts written off	--	4,000
Donation (13.3)	118,550	95,500
Zakat	--	1,215
Others	114,579	46,354

	-----	-----
	27,183,070	23,644,687
	=====	=====

13.1 Salaries and benefits include Rs.1,142,485 (1999: Rs. 667,819/-) in respect of retirement benefits.

13.2 Auditors Remuneration

Statutory Audit	120,000	95,000
Tax and Other Consultancy	123,000	55,000
Special Audit	20,000	20,000
Out of Pocket	6,500	14,900
	-----	-----
	269,500	184,900
	=====	=====

13.3 None of the directors or their spouse had any interest in the donees fund.

14. FINANCIAL CHARGES

Mark-up / Return on Redeemable Capital	4,836,425	12,123,723
Long Term Loans	45,334,061	13,352,747
Long Term Certificates of Investment	2,841,970	931,523
Short Term Borrowings	52,555,179	56,664,222
Short Term Certificates of Investment	10,728,745	15,588,319
Financial Charges on Lease Liability	9,565	62,754
Forward Cover Fee	13,390,894	886,231
Exchange Loss	--	18,883
Documentation, Project Examination, Guarantee Commission and Bank Charges	3,463,175	255,493
	-----	-----
	133,160,014	99,883,895
	=====	=====

15. EARNING PER SHARE

There is no effect of dilution on the earning per share of the Company which is based on:

Profit before Taxation	Rs. 42,914,876	39,513,379
Profit after Taxation	Rs. 32,335,310	24,160,408
Weighted Average Number of Ordinary Shares	25,000,000	25,000,000
Earning per Share - Pre Tax	Rs. 1.72	1.58
Earning per Share - Post Tax	Rs. 1.29	0.97

16. INTEREST RATE RISK MANAGEMENT

Interest rate risk arises from the possibility when changes in interest rates affect the value of assets and liabilities. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or reprice in a given period. The Company manages this risk by matching the repricing of assets and liabilities.

The Company's exposure to interest rate risk on its financial assets and liabilities are summarized as follows:

	<i>Less than one month</i>	<i>One month to one year</i>	<i>Over one year</i>	<i>Not exposed to interest rate risk</i>	<i>Total</i>
	Rupees				
ASSETS					
Tangible Fixed Assets	--	--	--	27,073,857	27,073,857
Goodwill	--	--	--	4,056,985	4,056,985
Net Investment in Lease Finance	54,560,888	374,727,623	552,449,860	136,053,681	1,117,792,052
Long Term Investments	--	--	--	55,477,605	55,477,605
Long Term Receivable	--	--	21,950,000	--	21,950,000
Long Term Loans	19,151	220,537	2,899,204	--	3,138,892
Long Term Deposit	--	--	--	300,000	300,000
Short Term Investments	30,276,875	172,390,541	--	95,534,195	298,201,611
Short Term Morabaha Finance	--	7,000,000	--	--	7,000,000
Advances Against Lease Commitments	--	2,850,000	--	--	2,850,000

Advances, Deposits and Prepayments	--	--	--	4,534,946	4,534,946
Other Receivables	--	--	--	16,372,770	16,372,770
Cash and Bank Balances	8,466,144	--	--	381,874	8,848,018
	-----	-----	-----	-----	-----
Rupees	93,323,058	557,188,701	577,299,064	339,785,913	1,567,596,736
	=====	=====	=====	=====	=====

CAPITAL AND LIABILITIES

Capital and Reserves	--	--	--	313,102,932	313,102,932
Minority Interest	--	--	--	1,750,804	1,750,804
Provision for Lease Losses	--	--	--	27,050,000	27,050,000
Deferred Liabilities	--	--	--	38,592,973	38,592,973
Redeemable Capital	--	9,056,640	5,218,349	--	14,274,989
Long Term Loans	11,680,544	51,014,621	297,859,954	--	360,555,119
Certificates of Investment	15,000,000	50,000,000	37,100,000	--	102,100,000
Lease Deposits	--	--	--	136,053,681	136,053,681
Short Term Borrowings	165,000,000	332,966,052	--	--	497,966,052
Accrued Expenses and Other Liabilities	--	--	--	48,368,053	48,368,053
Taxation	--	--	--	2,782,133	2,782,133
Proposed Dividend	--	25,000,000	--	--	25,000,000
	-----	-----	-----	-----	-----
Rupees	191,680,544	468,037,313	340,178,303	567,700,576	1,567,596,736
	=====	=====	=====	=====	=====
On Balance Sheet Gap Rupees	(98,357,486)	89,151,388	237,120,761	(227,914,663)	--
	-----	-----	-----	-----	-----
Total Interest Rate Sensitivity Gap Rupees	(98,357,486)	(9,206,098)	227,914,663	--	--
	=====	=====	=====	=====	=====

17. GENERAL

Figures have been rounded off nearest to Rupee.

Corresponding figures have been re-arranged wherever necessary for the purpose of comparison.

Rafique Dawood
Chairman & Chief Executive

Abdul Latif Uqaili
Director