

Capital Assets Leasing Corporation Limited

Annual Report 2000

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CORPORATE INFORMATION

Board of Directors	Mr. Salman Qureshi (Chairman) Mr. Nisar A. Memon Mr. Mohammad Kalim Mr. Ilyas Mohsin Mr. Aamir Qureshi Mr. Anwar Shaft Mr. Jehangir Shah
Chief Executive Officer	Mr. Jehangir Shah
Company Secretary	Mr. Rizwan Akhtar
Auditors	M/s Ebrahim & Company Chartered Accountants 2nd Floor, Block "C" Lakson Square Building Sarwar Shaheed Road, Karachi.
Registrars & Share Transfer Office	M/s Softlink (Pvt.) Limited Wings Arcade, 1-K (Commercial) Model Town, Lahore. Tel.# 5839180-2 Fax#5837061
Legal Advisors	M/s Mohsin Tayebally & Co., Advocates M/s Rizvi, Isa & Co., Advocates
Main Bankers	ABN Amro Bank Askari Commercial Bank Limited Gulf Commercial Bank Limited National Bank of Pakistan Platinum Commercial Bank Limited Prime Commercial Bank Limited Union Bank Limited
Registered Office	10/1 1-B, 3rd Floor, LDA Flats Lawrence Road, Lahore. Telephone # 631 1604-5 Fax#6370017 Email: calcorp@nexlinx.net.pk
Branch Office	43/10/G, Block-VI Dr. Mehmood Hussain Road, PECHS, Karachi. Telephone # 4544115-6 Fax # 4523822 Email: calcorp@cyber.net.pk

NOTICE OF 8TH ANNUAL GENERAL MEETING

Notice is hereby given that the eighth (8th) Annual General Meeting of the Shareholders of CAPITAL ASSETS LEASING CORPORATION LIMITED will be held at the Registered Office of the Company located at 10/11-B, 3rd Floor, LDA Flats, Lawrence Road, Lahore on Friday, 15th December 2000 at 10:30 a.m. to transact the following business:

1. To confirm the minutes of 7th Annual General Meeting of the company held on December 30, 1999.
2. To receive, consider and adopt the Audited Accounts of the Company for the year

ended June 30, 2000 together with the Directors' and Auditors' Reports thereon.

3. To appoint Auditors of the Company and to fix their remuneration. The present Auditors M/s Ebrahim & Company Chartered Accountants, retire and being eligible offer themselves for reappointment.

Special Business

4. To approve the remuneration of Chief Executive.

5. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD

Lahore
November 24, 2000

(Rizwan Akhtar)
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from 7th December 2000 to 15th December, 2000 (both days inclusive).

2. A member eligible to attend and vote at this Meeting is entitled to appoint another member as his/her proxy to attend and vote instead of him/her. A proxy must be a member of the company. Proxies in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time of Meeting.

3. Any individual/beneficial owner of Central Depository Company (CDC), entitled to vote at this meeting must bring his/her National Identity Card to prove his/her identity. In case of proxy must enclose an attested copy of his/her National Identity Card. Representatives of corporate members should bring the usual documents required for such purpose

4. A Statement under Section 160 of Companies Ordinance 1984 pertaining to the Special Business is being sent to the shareholders along with this notice.

5. Members are requested to notify the changes of address, if any, to the Company's Share Registrars M/s. Softlink (Pvt.) Ltd. Wings Arcade, 1-K (Commercial) Model Town Lahore, immediately.

DIRECTORS' REPORT

The Board of Directors is pleased to place before the Shareholders the 8th Annual Report of the Company together with its Accounts for the year ended June 30, 2000.

Financial Results:

Rupees in thousand

Gross revenues		29,577
Total expenses		25,836

Operating profit for the year		3,741
Provisions		
For potential losses (Lease)	3,377	
For potential losses (Morabaha/short-term)	(2,950)	
For potential losses (Other receivables)	463	
For taxation (including Deferred Taxation)	311	1,201

Profit after taxation		2,540
Unappropriated profit brought forward		22,170

Profit available for appropriation		24,710
Appropriations		
Transfer to statutory reserves @ 20%	508	508

Unappropriated profit carried forward		24,202

Review of Operations:

During the year under review, your company's Balance Sheet has grown to Rs.261 million and we are pleased to point out that the company is showing steady growth in balance sheet size. 126 lease contracts were signed. Gross lease disbursements totaled Rs. 120.65 million. Net yield on the lease portfolio for the year was 23.35%. Short term financing facilities extended during the year were to the tune of Rs. 10.485 million. The management ensured that minimum 70% funds were deployed in leasing business as per rules. During the year under review leasing operations contributed the largest revenue, Rs.28.76 million towards the profit of the company.

Your Directors are pleased to inform you that the company has continued to market for quality

business and adhered to its strict standards for evaluating proposals, a policy which is helping to keep its lending portfolios healthy.

Fresh lease disbursements were made both to existing lessees with good track records and new lessees having market reputation. The assets leased during the year were mainly vehicles, both commercial & private, and also machinery and equipment. Our support to the Education and Information Technology sectors continue with very encouraging results.

Though the general economic and business activities remained weak during the year despite the Governments efforts to encourage the business community and investors, your company's balance sheet continued to grow

The pace of recoveries continued to be accelerated, and again during the year under review overall satisfactory recoveries were made. Where legal action was necessitated, such action had been initiated and we are pleased that favourable decrees are being awarded to us by the Courts based on strong documentation and assets strength.

Resource Mobilization:

Our creditor financial institutions continue to support us and our relationships are being stronger. The management ensures that the company's commitments are met on time.

We received permission to launch our Certificates of Investment in June, and this is expected to be a profitable source for resource mobilization due to their economic cost factor.

Regular lease rental receipts were also a major source of resource mobilization.

Entity Rating:

DCR-VIS Credit Rating Company completed our Entity Rating. We are pleased to inform you that the company has obtained the following ratings:-

Medium to Long Term: **BBB-**
Short Term: **D3**

These are satisfactory ratings and qualify the entity / issue as to investment grade.

Future Outlook:

Business activity is picking up as the overall economic scenario emerges clearer especially due to the Governments efforts to encourage investment. As activity picks-up so also do financial institutions become active. We are encouraged by the fact that the year just ended had a very satisfactory ending and we are positive the new financial year would be even better for us.

Leasing business has now become a popular mode for acquisition and financing of assets and we expect it to continue to grow in demand, resulting in further growth of the sector, of which your company is an active part.

The issue of increase in Paid-up Capital to Rs 200 million by leasing companies is to be addressed by the Board and Shareholders during this financial year. The Securities & Exchange Commission requires the affected companies to raise their Capital by June 30th, 2001. However the circumstances in the capital markets prevalent presently and the overall state of economy make it a major challenge to be successfully handled. We are also in contact with the Leasing Association of Pakistan on this matter.

We assure you your Directors and the company's management are fully aware and conscious of their responsibilities towards their shareholders interests, the company's growth and the country's prosperity, and are working keeping these in focus.

Board of Directors:

Choudhry Fazal-i-Hussain resigned as a Director of the company and Mr. Ilyas Mohsin was inducted to complete remainder of the tenure.

Auditors:

The Company's Auditors M/s Ebrahim & Company, Chartered Accountants, retire and being eligible offer themselves for re-appointment.

Acknowledgments:

We take this opportunity to thank our valued clients, shareholders, creditor financial institutions, the Securities & Exchange Commission of Pakistan, State Bank of Pakistan, Leasing Association of Pakistan and all three Stock Exchanges of Pakistan, for their continued support and guidance. The Board expresses its appreciation and thanks to the management and staff of the company for their commitment and dedicated hard work without which these results would not have been possible.

Pattern of Shareholding:

Pattern of shareholding as on June 30th 2000 is annexed to this report.

On behalf of the Board of Directors

Lahore
November 15, 2000

Jehangir Shah
Managing Director &
Chief Executive

Salman Qureshi
Chairman

**PATTERN OF HOLDING OF SHARES
HELD BY THE SHAREHOLDERS AS AT 30TH JUNE 2000**

<i>No. of shareholders</i>	<i>Shareholding</i>		<i>Total shares held</i>
	<i>From</i>	<i>To</i>	
31	1	100	2900
425	101	500	198100
128	501	1000	118050
123	1001	5000	288000
16	5001	10000	132500
6	10001	15000	76000
1	15001	20000	18000
6	20001	25000	136750
1	25001	30000	30000
1	30001	35000	30500
1	35001	40000	40000
1	45001	50000	50000
2	95001	100000	200000
1	115001	120000	116600
1	140001	145000	143000
1	145001	150000	150000
1	160001	165000	164600
1	165001	170000	168300
1	200001	205000	203800
1	265001	270000	269300
2	370001	375000	750000
2	385001	380000	771700
1	450001	455000	455000
1	495001	500000	499500
1	1610001	1615000	1611350

			6623950

With Central Depository Company of Pakistan

2	1	100	200
29	101	500	14250
26	501	1000	25000
41	1001	5000	100550
6	5001	10000	36500
4	10001	15000	48800
1	15001	20000	16500
1	25001	30000	27000
2	45001	50000	95150
1	55001	60000	59000
1	75001	80000	77500
2	125001	130000	257000
1	145001	150000	150000
1	195001	200000	199500
1	245001	250000	250000
1	250001	255000	254400

120			1611350
			=====

<i>Categories of Shareholders (including CDC)</i>	<i>Number</i>	<i>Share Held</i>	<i>Percentage</i>
1. Individuals	843	3310350	49.975
2. Investment Companies	3	79300	1.197
3. Insurance Companies	3	205050	3.096
4. Joint Stock Companies	9	14700	0.222
5. Financial Institution	14	2057550	31.062
6. Modaraba Companies	1	500	0.008
7. Leasing Companies	1	2000	0.030
8. Others	2	954500	14.410

Total	876	6623950	100.00
			=====

Others

Association			
Abandoned Property	--	--	--
Governments Authorities	--	--	--
Modarbas Management	--	--	--
Non-Resident	--	--	--
Foreign Company	--	--	--

Trust	2	954500	14.41
	-----	-----	-----
Total	2	954500	14.41
	=====	=====	=====

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **CAPITAL ASSETS LEASING CORPORATION 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 above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as explained in note 2.4 with which we concur;

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, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Karachi
November 15, 2000

Ebrahim & Company.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2000

	NOTE	2000 Rupees	1999 Rupees
SHARE CAPITAL AND RESERVES			
Authorised capital			
10,000,000 ordinary shares of			
Rs. 10 each		100,000,000	100,000,000
		=====	=====
Issued, subscribed and paid-up capital			
6,623,950 ordinary shares of			
Rs.10 each fully paid in cash		66,239,500	66,239,500
Reserves	3	8,120,448	7,612,407
Unappropriated profit		24,201,855	22,169,693
		-----	-----
		98,561,803	96,021,600
LONG TERM LOANS	4	10,416,668	--

LIABILITIES AGAINST ASSETS

SUBJECT TO FINANCE LEASE	5	3,078,729	659,831
DEFERRED LIABILITIES	6	2,920,770	3,197,170
LONG TERM DEPOSITS	7	25,796,929	25,252,421
CURRENT LIABILITIES			
Current portion of long term liabilities	8	28,775,990	19,219,928
Short term loans and running finances	9	82,513,755	58,367,704
Creditors, accrued and other liabilities	10	6,306,378	5,721,938
Provision for taxation		1,467,000	1,430,351
Dividend	11	885,415	3,854,481
		-----	-----
		119,948,538	88,594,402
CONTINGENCIES AND COMMITMENTS	12		
		-----	-----
		260,723,437	213,725,424
		=====	=====
TANGIBLE FIXED ASSETS	13	6,832,040	4,090,303
INVESTMENTS IN LEASE AND HIRE PURCHASE FINANCES	14	102,577,245	76,622,351
LONG TERM INVESTMENTS	15	250,000	250,000
LONG TERM ADVANCES	16	8,366,568	--
LONG TERM DEPOSITS AND DEFERRED COS	17	1,012,400	636,712
CURRENT ASSETS			
Current portion of long term investment in lease, hire purchase finance and long term advance	18	105,826,622	89,941,348
Morabaha and short term finances	19	10,766,740	20,401,060
Advances, deposits, prepayments and other receivables	20	6,065,163	5,048,111
Cash and bank balances	21	19,026,659	16,735,539
		-----	-----
		141,685,184	132,126,058
		-----	-----
		260,723,437	213,725,424
		=====	=====

NOTE: The annexed notes from an integral part of these accounts.

Salman Qureshi
Chairman

Jehangir Shah
Managing Director/CEO

Aamir Qureshi
Director

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

	NOTE	2000 Rupees	1999 Rupees
Income from leasing operations	22	28,759,942	25,651,892
Other income	23	817,267	5,859,068
		-----	-----
		29,577,209	31,510,960
Administrative and operating expenses	24	15,374,308	13,108,210
Financial charges	25	10,461,691	9,003,344
		-----	-----
		25,835,999	22,111,554
Operating profit before provisions		3,741,210	9,399,406
Provision/(reversal of provision) for losses			
For lease transactions		3,376,863	(986,300)
For morabaha and short term finances		(2,950,000)	3,272,500
For other receivables		463,007	--
		-----	-----
		889,870	2,286,200
Operating profit for the year		2,851,340	7,113,206
Provision for taxation			
Current year	26	455,000	402,000
Prior year		62,137	234,099
Deferred		(206,000)	3,059,000
		-----	-----
		311,137	3,695,099
Net profit after taxation		2,540,203	3,418,107
Unappropriated profit brought forward		22,169,693	22,747,182

Profit available for appropriation	24,709,896	26,165,289
Appropriations		
Proposed dividend at Nil (1999: 5%)	--	3,311,975
Transfer to reserves	508,041	683,621
	508,041	3,995,596
Unappropriated profit carried forward	24,201,855	22,169,693
EARNINGS PER SHARE	27	0.38
		0.52

NOTE: The annexed notes form an integral part of these accounts.

Salman Qureshi **Jehangir Shah** **Aamir Qureshi**
Chairman **Managing Director/CEO** **Director**

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

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	2,851,340	7,113,206
Adjustments for non cash charges/(credit) and other items		
Gratuity	6,400	--
Depreciation	2,020,077	1,396,649
(Gain) on disposal of fixed assets	(467,994)	(378,034)
Amortization of deferred cost	122,122	149,651
Financial charges	10,461,691	9,003,344
Provision for losses	889,870	2,286,200
	15,883,506	19,571,016
(Increase) in current assets		
Advances, prepayments and other receivables	(1,359,785)	(397,200)
(Decrease)/increase in current liabilities		
Creditors, accrued and other liabilities	798,121	(3,721,249)
Cash generated from operations	15,321,842	15,452,567
Financial charges paid	(10,675,372)	(6,954,641)
Tax paid	(612,061)	(524,144)
Gratuity paid	--	(85,834)
Net investment in lease and hire purchase finances	(38,650,419)	(20,856,114)
Morabaha and short term finances	(2,348,810)	(2,286,190)
Lease security deposits	293,570	6,238,786
Net cash from operating activities	(36,671,250)	(9,015,570)
CASH FLOW FROM INVESTING ACTIVITIES		
Addition to fixed assets	(381,421)	(963,478)
Proceeds from sale of fixed assets	1,003,500	384,530
Long term deposits	(497,810)	(243,410)
Net cash from investing activities	124,269	(822,358)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of liabilities against assets subject to finance lease	(1,088,884)	(33,315)
Dividend and Zakat paid	(2,969,066)	(630,090)
Short term loans and running finances	24,146,051	10,876,670
Long term loans	18,750,000	--
Net cash from financing activities	38,838,101	9,915,265
Net increase in cash and cash equivalents	2,291,120	77,337
Cash and cash equivalents at the beginning of the year	16,735,539	16,658,202
Cash and cash equivalents at the end of the year	19,026,659	16,735,539

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

	<i>ISSUED SUBSCRIBED AND PAID UP CAPITAL</i>	<i>RESERVES</i>	<i>UNAPPRO- PRIATED PROFIT</i>	<i>TOTAL</i>
Balance as at June 30, 1998	66,239,500	6,928,786	22,747,182	95,915,468
Profit after taxation	--	--	3,418,107	3,418,107
Transfer to reserves	--	683,621	(683,621)	--
Dividend	--	--	(3,311,975)	(3,311,975)
Balance as at June 30, 1999	66,239,500	7,612,407	22,169,693	96,021,600
Profit after taxation	--	--	2,540,203	2,540,203
Transfer to reserves	--	508,041	(508,041)	--
Balance as at June 30, 2000	66,239,500	8,120,448	24,201,855	98,561,803

Salman Qureshi
Chairman

Jehangir Shah
Managing Director/CEO

Aamir Qureshi
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2000

1. NATURE AND STATUS OF BUSINESS

The Company was incorporated on April 1, 1992 in Pakistan as a public limited company and its shares are quoted on all Stock Exchanges in Pakistan. The principal activity of the Company is to carry on leasing business.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These accounts have been prepared in accordance with requirements of the Companies Ordinance, 1984 and the International Accounting Standards, as applicable in Pakistan.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention without any adjustments for the effect of inflation or current values.

2.3 Staff retirement benefits

The Company operates a funded contributory provident fund scheme covering all regular employees. Equal monthly contributions are made by the Company and employees to the fund.

Provision for gratuity represents the amounts due to staff upto the date of introduction of provident fund scheme.

2.4 Compensated absences

The International Accounting Standard 19 - Employee Benefits became applicable for all financial statements covering periods beginning on or after January 01, 1999. This standard requires that liability in respect of accumulated compensated absences of employees should be accounted for in the period in which these absences are earned.

According to the previous accounting policy of the Company these absences were accounted for on payment basis. Accordingly, the management has decided to change the accounting policy of the Company and has made a total provision of Rs. 0.208 million in respect of accumulated compensated absences as at June 30, 2000. Had the policy not been changed, the profit before taxation for the year would have higher by Rs. 0.208 million. The comparative information has not been restated as it was considered impracticable to do so.

2.5 Revenue recognition

Lease income is recognised using the 'Finance Method'. Under this method the unearned finance income represented by the excess of the aggregate of lease rentals and the estimated residual value over the cost of leased assets is allocated to income on a systematic basis over the period of the lease term.

Profit on morabaha and short term finances is recognised on prorata basis taking into account the relevant buy-back date.

Front end fee, project examination fee and other commissions are recognised as income on receipt.

2.6 Taxation

Provision for current taxation is the higher of the amount computed on taxable income at the current tax rates after taking into account tax rebates and

minimum tax computed at the prescribed rate on turnover.

The Company accounts for deferred taxation using the liability method on all significant timing differences excluding those that are not likely to reverse in foreseeable future as stated more fully in Note: 6.1.

2.7 Tangible fixed assets

These are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method whereby the cost of an asset is written off over its estimated useful life at the rates given in relevant note.

Full year's depreciation is charged on additions while no depreciation is charged on disposal during the year.

Minor repairs and maintenance are charged to revenue. Major repairs, renewals and improvements are capitalised.

Gains and losses on disposal of fixed assets are charged to income.

2.8 Accounting for leases

The Company accounts for assets operated under financial lease by recording the assets and related liability.

The amounts are determined on the basis of discounted value of total minimum lease payments and residual value of the assets at the end of the lease period to be paid by the Company.

Financial charges are allocated to accounting periods in a manner so as to provide constant periodic rate of charge on the outstanding liability.

Depreciation is charged at rates specified in the related note to write off the assets over its estimated useful life in view of certainty of the ownership of the assets at the end of the lease.

2.9 Provision for potential losses

Provision for potential losses against lease, morabaha finances, short term finances, long term advances and other receivables represents provision which in the opinion of the management, is required to cover potential losses that can be reasonably anticipated. The allowance is increased by provision charged to income and decreased by charge net of recoveries.

2.10 Investments

Long term investments are stated at cost. Provision is made for diminution in the value of investments if considered permanent.

2.11 Deferred costs

These costs are amortized over a period of five years commencing from the year in which they are incurred.

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
3. RESERVES		
Opening balance	7,612,407	6,928,786
Transfer from profit and loss account	508,041	683,621
	-----	-----
	8,120,448	7,612,407
	=====	=====

This reserve represents the amounts set aside out of after tax profits in accordance with State Bank of Pakistan NBF Circular No. 1 dated December 5, 1991. Under this Circular 20% of the after tax profits are to be credited to reserves till such time that such reserves equal the paid up capital.

4. LONG TERM LOANS

Secured

Financial institution

Morabaha financing (Note: 4.1)	18,750,000	--
Less: Current portion	8,333,332	--
	-----	-----
	10,416,668	--
	=====	=====

4.1 These loans are secured against first pari passu charge on leased assets and related receivables. These loans carry markup at the rate of 17.5% and 18.5% per annum and are repayable in equal quarterly installments of Rs. 0.833 million and Rs. 1.25 million respectively latest by June 2003.

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

1999 - 2000	--	595,620
2000 - 2001	2,506,270	514,055
2001 - 2002	2,117,138	65,883
2002 - 2003	1,505,562	--
	-----	-----
	6,128,970	1,175,558
Less: Financial charges allocated to future periods	1,141,956	81,110
	-----	-----
	4,987,014	1,094,448
Less: Current portion	1,908,285	434,617
	-----	-----
	3,078,729	659,831
	=====	=====

This represent Finance lease entered into with leasing companies for vehicles and office equipments.
This balance of liability is payable latest by May 2003 in monthly installments.

Monthly lease payables includes finance charge at rates ranging from 18 to 22 percent per annum which is used as discounting factor.

At the end of the lease period the ownership of assets shall he transferred to the Company on payment of residual value. The cost of operating and maintaining the leased assets is borne by the Company.
The above liability is secured against demand promissory note.

6. DEFERRED LIABILITIES

Provision for gratuity	67,770	138,170
Deferred taxation (Note: 6.1)	2,853,000	3,059,000
	-----	-----
	2,920,770	3,197,170
	=====	=====

6.1 This amount comprises of provision/(reversal) of liability arising after June 30, 1998 and two-fifths of unprovided liability as at June 30,1998 as required by the Securities and Exchange Commission of Pakistan's circular no. 16 dated September 09, 1999. These amounts have been determined after taking into account tax losses.

7. LONG TERM DEPOSITS

Lease security deposits (Note: 7.1)	44,331,302	44,037,732
Less: Current portion shown under current liabilities	18,534,373	18,785,311
	-----	-----
	25,796,929	25,252,421
	=====	=====

7.1 These represent interest free security deposits received from lessees under lease contracts and are adjustable at the expiry of the respective lease period.

8. CURRENT PORTION OF LONG TERM LIABILITIES

Long term loans (Note: 4)	8,333,332	--
Liabilities against assets subject to finance lease (Note: 5)	1,908,285	434,617
Long term deposit (Note: 7)	18,534,373	18,785,311
	-----	-----
	28,775,990	19,219,928
	=====	=====

9. SHORT TERM LOANS AND RUNNING FINANCES

Short term loans		
Secured		
Financial institution		
Morabaha financing (Note: 9.1)	3,000,000	3,000,000
Unsecured		
Financial institutions (Note: 9.2)	42,500,000	11,200,000
	-----	-----
	45,500,000	14,200,000
	=====	=====
Running finances under markup arrangements		
Secured		
Banking companies (Note: 9.3)	37,013,755	44,167,704
	-----	-----
	82,513,755	58,367,704
	=====	=====

9.1 This facility is secured by first pari passu charge on leased assets and receivables of the Company and carries markup at the rate of 18 percent per annum. This amount is repayable by June 2001.

9.2 These facilities carry mark-up at rates ranging from 14 to 18 percent per annum. These borrowings comprise of ten different facilities and are repayable on various dates latest by April 2001.

9.3 The Company can avail facilities aggregating to Rs. 37.0 million (1999: Rs. 43.954 million) from commercial banks. Under these arrangements goods owned by the Company are sold to the banks and are deemed to be immediately repurchased by the Company at a price paid by the bank plus mark-up computed at the rate of 43.836 paisas per Rs. 1,000 per diem or part thereof on the price outstanding. These facilities are secured by first pari passu charge on Company's leased assets, fixed assets and receivables and are renewable/repayable by December 2000.

10. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	--	10,870
Accrued expenses	585,981	488,149
Advance rental from lessees	1,550,721	1,227,208
Mark-up accrued on secured loans and running finances	2,831,768	3,628,949
Mark-up accrued on unsecured loans	735,774	206,192
Mark-up on assets subject to finance lease	66,469	12,551
Income tax payable	263,669	--
Sundry deposits	66,816	93,623
Unclaimed gratuity	108,201	31,401
Other	96,979	22,995
	-----	-----
	6,306,378	5,721,938
	=====	=====

11. DIVIDEND

Proposed	--	3,311,975
Unclaimed	885,415	542,506
	-----	-----
	885,415	3,854,481
	=====	=====

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

The income tax assessment for the assessment year 1997-98 has been completed determining tax liability amounting to Rs.3.775 million which the Company is disputing in appeal before Income Tax Authority. In the event of adverse decision in the appeal, the company would be faced with a liability amounting to Rs. 3.563 million and a corresponding charge against profit amounting to Rs. 3.520 million.

12.2 Commitments

There were no capital commitments at the balance sheet date.

13. TANGIBLE FIXED ASSETS

PARTICULARS	COST				RATE %	DEPRECIATION			WRITTEN DOWN	
	AS AT 01-07-1999	ADDITIONS	DISPOSAL/ ADJUSTMENT	AS AT 30-06-2000		AS AT 01-07-1999	ADJUSTMENT FOR THE YEAR	AS AT 30-06-2000	AS AT 30-06-2000	VALUE AS AT 30-06-2000
Owned										
Furniture and fixtures	942,905	38,572	--	981,477	10	407,844	--	98,148	505,992	475,485
Air conditioner and refrigerators	412,031	--	--	412,031	15	240,130	--	44,852	284,982	127,049
Electric fitting and installation	32,040	--	--	32,040	15	22,181	--	3,339	25,520	6,520
Office machines and equipments	1,683,037	146,598	--	1,829,635	15	1,022,578	--	239,179	1,261,757	567,878
Vehicles	3,825,570	130,700	(1,556,184)	2,400,086	20	2,266,292	(1,020,678)	391,759	1,637,373	762,713
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	6,895,583	315,870	(1,556,184)	5,655,269	--	3,959,025	(1,020,678)	777,277	3,715,624	1,939,645
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Leased										
Vehicles	785,500	4,662,450	--	5,447,950	20	169,200	--	1,089,590	1,258,790	4,189,160
Office equipments	702,400	319,000	--	1,021,400	15	164,955	--	153,210	318,165	703,235
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	1,487,900	4,981,450	--	6,469,350	--	334,115	--	1,242,800	1,576,955	4,892,395
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Total Rupees - 2000	8,383,483	5,297,320	(1,556,184)	12,124,619	--	4,293,180	(1,020,678)	2,020,077	5,292,579	6,832,040
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Total Rupees - 2000	7,192,505	1,993,578	(802,600)	8,383,483	--	3,692,635	(796,104)	1,396,649	4,293,180	4,090,303
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

13.1 The following assets were deleted during the year.

PARTICULARS	COST	ACCUMULATED DEPRECIATION	WRITTEN DOWN VALUE	SALE PROCEEDS	MODE OF DISPOSAL	PARTICULARS OF PURCHASERS
-------------	------	-----------------------------	-----------------------	------------------	---------------------	---------------------------

Vehicles

Toyota Corolla	870,014	495,675	374,339	640,000	Negotiation	Mubashare Ahmed	Lahore
Suzuki Margalla	308,500	185,100	123,400	213,500	Negotiation	Asim Mehmood	Lahore
Suzuki Margalla	377,670	339,903	37,767	150,000	Negotiation	Elmetec (Pvt.) Limited	Lahore
	=====	=====	=====	=====			
Total Rupees - 2000	1,556,184	1,020,678	535,506	1,003,500			
	=====	=====	=====	=====			
Total Rupees - 1999	802,600	796,104	6,496	384,530			
	=====	=====	=====	=====			

14. INVESTMENT IN LEASE AND HIRE PURCHASE FINANCES

Minimum lease and hire purchase rentals

receivable	209,668,582	159,388,383
Add: Residual value	45,803,419	44,037,732
	-----	-----

Gross investment in lease and hire

purchase finances (Note: 14.2)	255,472,001	203,426,115
Less: Unearned finance income	47,671,683	34,276,216
	-----	-----

Net investment in lease and hire

purchase finances (Note: 1 4.3)	207,800,318	169,149,899
Less: Current portion of net investment (Note: 1 8)	99,260,060	89,941,348
	-----	-----

Long term portion of net

investment (Note: 14.1)	108,540,258	79,208,551
Provision for lease losses	5,963,013	2,586,200
	-----	-----

	102,577,245	76,622,351
	=====	=====

14.1 Long term net investment includes

Minimum lease and hire purchase rentals due

after one year but less than five years	96,264,675	59,704,155
Add: Residual value	27,269,046	25,252,421
	-----	-----

Less: Unearned finance income

	123,533,721	84,956,576
	14,993,463	5,748,025
	-----	-----

	108,540,258	79,208,551
	=====	=====

14.2 This includes balance due from an Associated Company amounting to Rs. Nil (1999: Rs. 2.048 million). Maximum amount due from Associated Company at the end of any month during the period was Rs. 2.91 million (1999: Rs. 2.048 million).

These receivable carry finance income at rates ranging from 18.50 to 30.00 percent per annum.

15. LONG TERM INVESTMENTS - AT COST

Federal Investment Bonds (Note: 15.1)	200,000	200,000
Shares in listed company		
5,000 ordinary shares of Commercial Union Life Assurance Company (Pakistan) Ltd. (Note: 15.2)	50,000	50,000
	-----	-----
	250,000	250,000
	=====	=====

15.1 Federal Investment Bonds have been issued by Government of Pakistan and carry profit at the rate of 15 percent per annum.

15.2 The market value of these shares at the balance sheet date was Rs. 35,000 (1999: Rs. 38,750). No provision for decline in market value of these shares has been made, as in the opinion of the management, this decline is temporary.

16. LONG TERM ADVANCES

Secured

Advances to customers (Note: 16.1 & 16.2)	16,733,130	--
Less: Current portion	6,566,562	--
	-----	-----

	10,166,568	--
	1,800,000	--
	-----	-----

Less: Provision for doubtful advances

	8,366,568	--
	=====	=====

1 6.1 These advances are secured by equitable mortgage of immovable properties and carry markup at rates ranging from 18 to 19 percent per annum. These advances are

repayable in equal quarterly installments latest by October 2004.

These advances were restructured by deferring their payments and reducing markup rate by 6 percent per annum.

17. LONG TERM DEPOSITS AND DEFERRED COST

Security deposit (Note: 17.1)	1,012,400	514,590
Deferred cost (Note: 17.2)	--	122,122
	-----	-----
	1,012,400	636,712
	=====	=====

17.1 This comprises of:

Security deposit	1,128,980	514,590
Less: Current portion	116,580	--
	-----	-----
	1,012,400	514,590
	=====	=====

17.2 This comprises of:

Pre-operating expenses	122,122	271,773
Less: Amortized during the year	122,122	149,651
	-----	-----
	--	122,122
	=====	=====

18. CURRENT PORTION OF INVESTMENT IN LEASE AND ADVANCES

Investment in lease and hire purchase (Note: 18.1)	99,260,060	89,941,348
Long term advance (Note: 16)	6,566,562	--
	-----	-----
	105,826,622	89,941,348
	=====	=====

18.1 Current portion of net investment in lease

Minimum lease and hire purchase rentals	113,668,880	99,684,228
Add: Residual value	18,269,400	18,785,311
	-----	-----
	131,938,280	118,469,539
Less: Unearned finance income	32,678,220	28,528,191
	-----	-----
	99,260,060	89,941,348
	=====	=====

19. MORABAHA AND SHORT TERM FINANCES

Secured		
Morabaha finances (Note: 19.1)	2,847,410	3,000,000
Short term finances (Note: 19.2)	9,119,330	23,351,060
	-----	-----
	11,966,740	26,351,060
Less: Provision for doubtful receivables	1,200,000	5,950,000
	-----	-----
	10,766,740	20,401,060
	=====	=====

19.1 These represent amounts receivable against morabaha transactions i.e. sale of goods on a deferred payment basis at specified profit margin. These are secured by equitable mortgage of property. The rate of profit applicable on these finances ranges from 25 to 28 percent per annum.

19.2 These finances are secured by equitable mortgage of property and charge on machinery. These finances carry mark up at rates ranging from 19 to 28 percent per annum. These include a balance due from an Associated Company amounting to Rs. Nil (1999: Rs. 0.939 million). Maximum amount due from Associated Company at the end of any month during the period was Rs. 4.974 million (1999: Rs. 0.939 million).

20. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances (Unsecured -Considered good)		
Chief Executive (Note: 20.1)	84,000	71,000
Executive(Note: 20.1)	--	53,120
Employee	4,500	13,900
Others	198,107	98,846
	-----	-----
	286,607	236,866
Against purchase of leased assets	600,000	352,695
Income tax	1,629,740	1,509,466
	-----	-----
	2,516,347	2,099,027
Security deposits	116,580	30,000
	=====	=====

Prepayments	370,459	330,484
Accrued return on bank deposits and short term finances	327,501	1,258,928
Income tax refundable	274,968	--
Other receivable		
Considered good		
Associated company(Note:20.2)	--	58,957
Executive (Note: 20.3)	604,677	138,645
Others	1,854,631	1,132,070
	-----	-----
	2,459,308	1,329,672
Considered doubtful		
Others	463,007	--
Less: Provisions for doubtful receivables	463,007	--
	-----	-----
	--	--
	-----	-----
	2,459,308	1,329,672
	-----	-----
	6,065,163	5,048,111
	=====	=====

20.1 The maximum amount outstanding due from Chief Executive and an Executive at the end of any month was Rs. 0.084 million (1999: Rs. 0.071 million) and Rs. Nil (1999: Rs. 0.053 million) respectively.

20.2 The maximum amount due from an Associated Company at the end of any month during the period was Rs. Nil (1999: Rs. 0.059 million).

20.3 The maximum amount due from an Executive at the end of any month during the year was Rs. 0.605 million (1999: Rs. 0.139 million).

21. CASH AND BANK BALANCES

Cash in hand	1,429,647	1,224,818
Cash at banks		
- in current accounts	824,921	1,172,355
- in deposit accounts (Note: 21.1 & 21.2)	16,772,091	14,338,366
	-----	-----
	17,597,012	15,510,721
	-----	-----
	19,026,659	16,735,539
	=====	=====

21.1 These include Rs.50,000 (1999: Rs.20,000) with State Bank of Pakistan as required under the rules of business for Non Banking Financial Institutions.

21.2 These accounts carry profit at rates ranging from 5 to 10.5 percent per annum.

22. INCOME FROM LEASING OPERATIONS

Income on lease contracts	26,448,799	23,871,835
Income from hire purchase contracts	460,763	817,879
Front-end fee	880,442	589,646
Documentation charges	258,520	245,590
Late payment and other charges	711,418	126,942
	-----	-----
	28,759,942	25,651,892
	=====	=====

23. OTHER INCOME

Profit on morabaha and short term finances	829,920	2,475,282
Return on bank deposits	882,497	679,747
Gain on sale of fixed assets	467,994	378,034
Gain on purchase and sale of shares	--	2,137,045
Dividend income	--	145,000
Profit on FIB's investment	30,000	30,000
Miscellaneous	5,761	13,960
	-----	-----
	2,216,172	5,859,068
Less: Reversal of profit on short term finances	1,398,905	--
	-----	-----
	817,267	5,859,068
	=====	=====

24. ADMINISTRATIVE AND OPERATING EXPENSES

Salaries, allowances and benefits (Note: 24.1)	5,259,593	5,259,689
Travelling and conveyance charges	384,018	406,527
Training and seminars	26,250	9,023
Rent, rates and taxes	923,652	555,240

Electricity, gas and water	899,805	588,900
Repairs and maintenance	174,769	247,230
Printing and stationery	289,201	315,449
Telephone and postage expenses	1,573,461	1,653,005
Advertising expenses	137,619	110,093
Legal and professional charges	1,492,002	707,077
Vehicle running expenses	920,233	682,086
Insurance expenses	523,796	309,161
Entertainment expenses	186,810	154,736
Amortization of deferred costs	122,122	149,651
Donation (Note: 24.2)	19,000	2,020
Auditors' remuneration		
Audit fee	40,000	40,000
Out of pocket expenses	22,534	20,809
Special audit fee	--	20,000
Tax and advisory services	--	175,000
	-----	-----
	62,534	255,809
Sundry expenses	359,366	305,865
Depreciation	2,020,077	1,396,649
	-----	-----
	15,374,308	13,108,210
	=====	=====

24.1 This amount includes Rs. 0.133 million (1999: Rs. 0.140 million) in respect of staff retirement benefits.

24.2 No Director and his spouse have any interest in the donee.

25. FINANCIAL CHARGES

Mark-up/interest on long term loans	484,402	--
Short term loans and running finances	9,201,350	8,657,905
Liabilities for finance leases	493,561	197,729
Bank charges	282,378	147,710
	-----	-----
	10,461,691	9,003,344
	=====	=====

26. PROVISION FOR TAXATION

The provision for current taxation represents the minimum tax under the Income Tax Ordinance, 1979 after considering unabsorbed depreciation and tax losses.

27. EARNINGS PER SHARE

Net profit for the year	2,540,203	3,418,107
	=====	=====
	<i>Number of shares</i>	
Average issued ordinary shares	6,623,950	6,623,950
	=====	=====
Earnings per share	0.38	0.52
	=====	=====

28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts for remuneration, including certain benefits to the Chairman, Chief Executive, Directors and Executives of the Company were as follows:

	<i>CHIEF EXECUTIVE</i>		<i>DIRECTORS</i>		<i>EXECUTIVES</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Managerial Remuneration	991,800	984,402	3,500	4,000	1,045,204	920,053
Bonus	--	100,000	--	--	--	--
Utilities	34,200	32,100	--	--	36,583	30,680
Leave encashment	57,000	50,000	--	--	50,284	58,334
Provident Fund Contribution	57,000	53,502	--	--	39,517	--
Reimbursable Expenses	28,308	53,576	--	--	66,573	54,336
Contract for Legal Services	--	--	60,000	332,600	--	--
Contract with Advisor to the Boa	--	--	--	--	930,000	1,423,375
	-----	-----	-----	-----	-----	-----
Total	1,168,308	1,273,580	63,500	336,600	2,168,161	2,486,778
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	4	4	5	5
	=====	=====	=====	=====	=====	=====

The Chairman, Chief Executive, Advisor to the Board and two Executives are provided use of Company maintained cars and other benefits as per Company policy.

29. TRANSACTIONS WITH ASSOCIATED COMPANY

The Company completed following transactions upto April, 2000 with an Associated Company in the normal course of business:

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
Leases finance provided	1,071,200	2,148,850
Lease rentals received	1,212,683	126,835
Interest on lease finance	298,472	38,605
Short term finance provided	8,774,000	939,000
Interest on short term finance	715,838	24,851
Recoverable expenses incurred	--	58,957

30. INTEREST RATE RISK

Interest rate risk and sensitivity of the Company's financial assets and financial liabilities as at June 30, 2000 can be evaluated from the following:

	<i>Interest/mark-up bearing</i>			<i>Non-interest bearing</i>			<i>Total</i>
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub total</i>	
FINANCIAL ASSETS							
Net investment in lease and hire purchase	99,260,060	102,577,245	201,837,305	--	--	--	201,837,305
Advances to customers	6,566,562	8,366,568	14,933,130	--	--	--	14,933,130
Investments	--	200,000	200,000	--	50,000	50,000	250,000
Security deposits	--	--	--	116,580	1,012,400	1,128,980	1,128,980
Morabaha and other finances	10,766,740	--	10,766,740	--	--	--	10,766,740
Advances, deposits and other receivables	--	--	--	3,948,384	--	3,948,384	3,948,384
Cash and bank balances	16,772,091	--	16,772,091	2,254,568	--	2,254,568	19,026,659
	-----	-----	-----	-----	-----	-----	-----
	133,365,453	111,143,813	244,509,266	6,319,532	1,062,400	7,381,932	251,891,198

FINANCIAL LIABILITIES

Loans	8,333,332	10,416,668	18,750,000	--	--	--	18,750,000
Liability against assets subject to finance lease	1,908,285	3,078,729	4,987,014	--	--	--	4,987,014
Deferred liabilities	--	--	--	--	67,770	67,770	67,770
Security deposits	--	--	--	18,534,373	25,796,929	44,331,302	44,331,302
Short term loans and running fina	82,513,755	--	82,513,755	--	--	--	82,513,755
Creditors, accrued and other liabil	--	--	--	4,755,657	--	4,755,657	4,755,657
Dividend	--	--	--	885,415	--	885,415	885,415
	-----	-----	-----	-----	-----	-----	-----
	92,755,372	13,495,397	106,250,769	24,175,445	25,864,699	50,040,144	156,290,913
	-----	-----	-----	-----	-----	-----	-----
Net financial assets/(liabilities)	40,610,081	97,648,416	138,258,497	(17,855,913)	(24,802,299)	(42,658,212)	95,600,285
	=====	=====	=====	=====	=====	=====	=====

31. CREDIT RISK

The Company's credit risk exposure is not significantly different from that reflected in the financial statements. The Management monitors and limits Company's exposure to credit risk through monitoring of clients' credit exposure, review and conservative estimates of provisions for potential lease losses and doubtful receivables and through the prudent use of collateral for large amounts of credit. The Management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in different avenues.

32. FAIR VALUE OF THE FINANCIAL INSTRUMENTS

The carrying value of financial assets and financial liabilities approximates their fair values as reflected in the financial statements except those stated as listed securities as referred in Note: 15.2.

33. NUMBER OF EMPLOYEES

Total number of employees at the year end was 20 (1999: 20).

34. FINANCIAL RELIEF AND PROVISION AGAINST NON-PERFORMING ADVANCES

As no relief was given or loan written off during the year under review, the information for statements required to be filed under section 33A of the Banking Companies Ordinance, 1962 is "Nil".

35. GENERAL

i) Figures have been rounded off to the nearest rupee.

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

Salman Qureshi
Chairman

Jehangir Shah
Managing Director/CEO

Aamir Qureshi
Director