

Orix Leasing Pakistan Limited

Annual Report 2000

Our Aim	To maximize investment potential with creative intelligent marketing.
Seeds for Future Growth	Viewing lease financing as core business from which it has branched into many directions.
Nationwide Coverage	One-on-one, personal service.
Knowledgeable, Simplified and Express Service	A well-trained marketing, technical and administrative staff of proven professionals.
Full Service Finance Lessor	A single source of standard or customized finance lease products for all types of moveable assets.
Rich and Fertile Ground	Devoting necessary resources to nature growth in the area of customer needs.

Associated Companies

Overseas Joint Ventures

Oman ORIX Leasing Company SAOG

1st Floor, ONIC Building, Al Qurum
P.O. Box 106
Postal Code: 118, Sultanate of Oman
Tel: (968) 565612, 568109
Fax: (968) 565610, 568106

ORIX Leasing Egypt SAE

4th Floor, Cairo Centre
2 Abdel Kader Hamza Street
Garden City, Cairo
Tel: 020-2-5842757, 5842758
Fax: 020-2-5942760

Saudi ORIX Leasing (under formation)

P.O. Box 3533
Riyadh 11481
Kingdom of Saudi Arabia
Tel: 966-1-4778433
Fax: 966-1-4776781

Joint Venture in Pakistan

ORIX Investment Bank Pakistan Limited

3rd Floor, PIC Towers, 32-A Lalazar Drive
Moulvi Tamizuddin Khan Road, Karachi-74000
Tel: 021-5610734, 5610618
Fax: 021-5610510

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Yoshihiko Miyauchi	(alternate Mr. Takahisa Sato)	Chairman
Mr. Shakirullah Durrani		Vice Chairman
Mr. Takeshi Sato	(alternate Mr. Kotaro Takamori)	
Mr. Masatoshi Yokota	(alternate Mr. Nagaaki Esaki)	
Mr. Mohammed Mazharuddin		
Mr. Shaheen Amin		
Mr. Mohammad Qamrul Haq		
Mr. Humayun Murad		Chief Executive

COMPANY SECRETARY

Mr. Ramon Alfrey - FCA

BANKS AND LENDING INSTITUTIONS

Banks

ABN-AMRO Bank N.V.
Al Faysal Investment Bank Limited
Al Meezan Investment Bank Limited
Citibank N.A.
Emirates Bank International PJSC
Faysal Bank Limited
First International Investment Bank Limited
Habib Bank Limited
Muslim Commercial Bank Limited
Oman International Bank SAOG
Standard Chartered Bank
Standard Chartered Grindlays Bank Limited
The Bank of Tokyo-Mitsubishi Limited
Union Bank Limited
United Bank Limited

DFIs and Lending Institutions

Asian Development Bank
F.M.O., The Netherlands
International Bank for Reconstruction and Development
International Finance Corporation
Pakistan Kuwait Investment Company (Private) Limited
Saudi Pak Industrial & Agricultural Investment Company (Private) Limited
Swiss Agency for Development and Co-operation

AUDITORS

Sidat Hyder Qamar & Co., Chartered Accountants

LEGAL ADVISORS

Mansoor Ahmad Khan & Co.
Walker Martineau & Saleem

REGISTRARS AND SHARE TRANSFER OFFICE

Noble Computer Services (Private) Limited
14, Banglore Town Housing Society
Shahra-e-Faisal, Karachi.

ORIX CORPORATION

Japan's Leading Diversified and Innovative Financial Services Institution

ORIX Corporation is Japan's largest diversified financial services institution with assets in excess of US \$ 50 billion. incorporated in 1964, ORIX is a pioneer of the leasing industry in Japan. While leasing remains its core business, ORIX has expanded the financial services and products it offers to installment loans, real estate, insurance, securities, venture capital, trust banking and commodity funds. The Company enjoys a global presence and has established ORIX Group companies in 20 countries. ORIX Corporation's shares are listed in Japan and on the New York Stock Exchange.

Business Operations:

In Japan, ORIX provides a wide array of office equipment, industrial machinery and transport equipment under finance and operating leases. ORIX's leasing and loan operations have established a strong and unique nationwide customer base with a solid core of small and medium sized companies. ORIX has effectively used this base for cross selling - the marketing of various additional financial products to existing customers. To further strengthen its customer services, the Company is productively developing e-business by utilising IT for direct provision of services to customers as well as distribution and settlement activities and auction markets.

ORIX is amongst the leading automobile leasing companies in Japan with approximately 261,000 vehicles under lease. The Company owns and maintains a fleet of Airbus aircraft and Boeing 737's which are given on operating lease to airlines around the world.

During the current year, ORIX entered into strategic alliances with the American International Group (AIG) by forming a joint venture to handle casualty insurance; and with Enron Corporation for investment in companies which market electricity from wind power generating facilities.

International Activities:

Since entering the Hong Kong market in 1971, ORIX has expanded its leasing operations and other business overseas through the establishment of wholly owned subsidiaries and joint ventures. The ORIX Groups' international presence is represented by 43 companies in 20 countries. The wide geographical spread of the ORIX Group has diversified revenue streams and Group companies benefit from a deep pool of experience and technological advances available to them due to a worldwide presence.

ORIX GROUP, JAPAN - FINANCIAL HIGHLIGHTS

(For the year ended March 31, 2000)

	<i>Japanese Yen (millions)</i>		<i>Translation into US Dollars (millions)</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Total Revenues	616,513	593,941	5,808	5,595
Net Profit After Tax	30,642	25,621	289	241
Shareholders' Equity	425,671	327,843	4,010	3,088
Total Assets	5,341,542	5,347,636	50,321	50,378
	=====	=====	=====	=====

Note: The dollar amounts above represent translations of Japanese Yen at an exchange rate of ¥ 106.15 to US \$1.

ORIX'S PRINCIPAL ACTIVITIES

DIRECT FINANCE LEASES

Aircraft and Marine Vessels
Automobiles
Industrial Equipment
Information related and Office Equipment

OPERATING LEASES

Aircraft

OTHER OPERATIONS

Investment Banking
Life insurance
Trust and Banking
Securities Brokerage
Securities Investment
Real Estate and Development Brokering
Venture Capital Investment
Futures and Options Trading
Commodities Funds

Marine Vessels
 Measuring Analytical Equipment
 Information-related Equipment
 Automobiles

Computer Software Development
 Insurance Agency Services
 Ship Management
 Environmental Services
 Commercial Mortgage Servicing

INSTALLMENT LOANS

Corporate Finance
 Housing Loans
 Card Loans

ASSOCIATED COMPANIES

OVERSEAS JOINT VENTURES

1. Oman ORIX Leasing Company SAOG (Oman ORIX)

Oman ORIX, in which ORIX Leasing Pakistan Limited holds 20.25% of equity and provides management support, continues to show strong growth in volumes and profits. In 1999, net profit after tax rose by 26% to Rial Omani (RO) 684,989 (Pak Rs. 92.33 million) from RO 542,403 (Pak Rs. 73.1 million) enabling the Company to declare a dividend of 10% and a bonus of 2.45%. Purchase cost of new business written during the year increased to RO 16.9 million (Pak Rs. 2.28 billion) compared to RO 13.6 million (Pak Rs. 1.84 billion) last year and gross lease receivables increased by 33% to RO 24 million (Pak Rs. 3.24 billion). As at December 31, 1999, Oman ORIX had total assets of RO 22.37 million (Pak Rs. 3.0 billion) and a net worth of RO 5.397 million (Pak Rs. 727.47 million).

For the half year ended June 30, 2000, the Company earned a pre-tax profit of RO 455,719 (Pak Rs. 61.4 million) and increased its asset base to RO 29.19 million (Pak Rs. 3.9 billion).

Oman ORIX leases all type of assets including motorcars, construction, earthmoving and transportation equipment, information technology equipment and plant and machinery. The Company's lessees include individuals, small and medium size companies and large sub contractors in diverse economic sectors including services, trading and contracting, construction and manufacturing.

Oman ORIX's Head office is in Muscat and during the year the Company extended its geographical reach by opening branches in the cities of Sohar and Salalah.

2. ORIX Leasing Egypt SAE (ORIX Egypt)

ORIX Corporation, Japan and ORIX Leasing Pakistan Limited each hold 23% of ORIX Egypt's equity. The Company started operations in November 1997 and has established a good business base.

For the year ended December 31, 1999, ORIX Egypt's profit before tax of Egyptian Pounds (EP) 2.04 million (Pak Rs. 30.8 million) was more than double last year's profit of EP 0.9 million (Pak Rs. 13.6 million). Business volume increased by 57% with disbursements of EP 38.3 million (Pak Rs. 577.9 million) compared to EP 24.4 million (Pak Rs. 368.2 million) last year. Gross lease receivables increased to EP 47.7 million (Pak Rs. 719.8 million) from EP 30.5 million (Pak Rs. 460.3 million). The Company continues to focus on needs of small and medium sized businesses, which enables it to diversify risk and earn good spreads.

3. Saudi ORIX Leasing Company (Saudi ORIX)

Saudi ORIX is under formation and is expected to commence commercial operations by the end of this year. The Company will be a pioneer of leasing in Saudi Arabia. As the largest economy in the Gulf with the biggest oil production in the world, Saudi Arabia offers immense potential for leasing.

Saudi ORIX will have a paid up capital of SR 60 million (Rs. 900 million). The sponsoring shareholders of Saudi ORIX Leasing Company are:

<i>Sponsor's Name</i>	<i>Shareholding</i> %
Saudi Investment Bank	28.0
Saudi Business Group	32.0
ORIX Corporation, Japan	20.0

International Finance Corporation	10.0
ORIX Leasing Pakistan Limited	10.0

	100.0

JOINT VENTURE IN PAKISTAN

ORIX Investment Bank Pakistan Limited (OIB)

ORIX Corporation, Japan and ORIX Leasing Pakistan Limited hold 20% and 15% respectively of OIB's equity. For the year ended June 30, 2000, OIB's profit before tax rose by 37.5% to Rs. 44.28 million from Rs. 32.2 million last year. The bank continues to concentrate on maintaining a high quality loan portfolio while seeking to improve fee-based income from advisory services. OIB is primarily engaged in providing a range of investment banking products, which include corporate advisory services, project packaging, structuring and placement of capital market debt products, issuance and discounting of bankers acceptance and treasury operations. At June 30, 2000, OIB had total assets in excess of Rs. 1.46 billion.

NOTICE OF MEETING

Notice is hereby given that the Fourteenth Annual General Meeting of the Company will be held at Overseas Investors Chamber of Commerce Building, Talpur Road, Karachi, on Friday, November 24, 2000 at 10.00 am to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited accounts together with the Directors' and Auditors' Report for the year ended June 30, 2000.
2. To approve the payment of cash dividend to the Shareholders at the rate of Rs. 4/- per share of Rs. 10/- each for the year ended June 30, 2000.
3. To appoint Auditors and fix their remuneration. The present Auditors Messrs. Sidat Hyder Qamar & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS (STATEMENT ATTACHED)

4. To approve the remuneration of Executive Directors including the Chief Executive.
5. To transact any other business, with permission of the Chair.

BY ORDER OF THE BOARD

RAMON ALFREY- FCA
Company Secretary

Karachi: October 19, 2000

Notes:

- i) The Register of Members of the Company will be closed from November 17, 2000 to November 24, 2000 (both days inclusive). Transfers received at our registrars, Messrs. Noble Computer Services (Private) Limited, 14-Banglore Town Housing Society, Shakra-e-Faisal, Karachi at the close of business on November 16, 2000, will be treated in time for the purpose of payment of dividend to the transferees.
- ii) A Member entitled to attend and vote at the General Meeting of Members is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a Member of the Company.
- iii) The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notorially certified copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the meeting. A form of proxy is enclosed. Shareholders are requested to notify any change of address immediately.
- iv) Any individual Beneficial Owner of the Central Depository Company, entitled to vote at this meeting must bring his/her National Identity Card with him/her to prove his/her identity, and 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.

Statement under section 160 of the Companies Ordinance, 1984, in respect of Special business and related draft resolution

Material facts concerning the special business to be transacted at the Annual General Meeting and the proposed resolution related thereto is given below:

Item no. 4 of Agenda - Remuneration of Chief Executive and Executive Directors

Shareholders' approval is required for the holding of office of profit by any of the Directors as well as of their remuneration. It is therefore proposed to pass the following as an Ordinary Resolution.

"Resolved that:

Approval is hereby given for the holding of office of profit with the Company by all the Executive Directors including the Chief Executive, namely, Mr. Humayun Murad, Mr. Shaheen Amin and Mr. Mohammad Qamrul Haq, and for payment of remuneration to the Executive Directors amounting in aggregate to Rs. 6.94 million actual for the year ended June 30, 2000, and Rs. 8.8 million estimated for the year ending June 30, 2001, together with other benefits in accordance with rules of the Company."

The Executive Directors are interested to the extent of the remuneration payable to them individually.

REPORT OF THE DIRECTORS

The Directors are pleased to present the fourteenth Annual Report together with the audited accounts of the Company for the year ended June 30, 2000.

FINANCIAL RESULTS

	<i>RUPEES</i>
Net profit for the year after charging all expenses	156,076,789
Less: Taxation	20,000,000

	136,076,789
Unappropriated profit brought forward	246,564

	136,323,353
Appropriations:	
Transfer to Statutory Reserve	7,000,000
Transfer to Capital Reserve for deferred tax-current year	34,081,000
Transfer to Capital Reserve for deferred tax-prior years	36,532,000
Transfer from General Reserve	(36,532,000)
Cash Dividend	80,554,764

	121,635,764

Unappropriated profit carried forward	14,687,589
	=====
Earnings per share	Rs. 6.76
	=====

DIVIDEND

The Directors recommend a cash dividend of 40% (1999: 40%) for the year.

REVIEW OF OPERATIONS

Business conditions remained slow and demand for industrial machinery was weak during the period under review. However, recent indicators are positive and the revival in the agricultural and textile sectors will benefit the economy. Borrowing costs fell sharply in the second half of the financial year providing relief to business.

Lease and installment loan volume increased by 33% to Rs. 2.72 billion (1999: Rs. 2.04 billion), adding Rs. 3.7 billion of new receivables. Profit before tax increased by 3.7% to Rs. 156.0 million in comparison to Rs. 150.4 million earned in the previous year. Lease revenue was higher by 9.8% to Rs. 790.9 million and total revenues reached Rs. 979.9 million. In compliance with the Institute of Chartered Accountants of Pakistan's directive, from July 1, 1999 the Company changed its revenue recognition method from "sum of the digit" to the "annuity" method which recognises income more evenly over the lease period. Consequently, had revenue been recognised on the old method, income and profits would have been higher by Rs.17.7 million. However, subsequent years will benefit from increased income recognition under the new method.

Commercial vehicles and motorcars accounted for 64% of the new business volume followed by machinery's share of 31% and the balance of 5% was for office equipment and computers. Financial assistance was provided to 1,436 businesses, majority of which were small and medium sized enterprises. Consumer finance and operating lease divisions achieved growth of 23% and 50% respectively and increasing contribution is expected from these sources in future. Dividend income from associated companies increased to Rs.12.9 million from Rs.11.8 million in 1999. These dividends were received from Oman ORIX Leasing Company SAOG and ORIX Investment Bank Pakistan Limited.

Financial charges represent 68% of the total expenses and show an increase of 2.02% over the previous year, although the average total borrowings increased by 16%. This reflects the impact of low cost funds which the Company raised during the year. In turn, the benefit of lower costs was passed on to lessees in shape of reduced lease rents. A total of Rs. 2.3 billion were raised through new loans and Rs. 1.7 billion was repaid to banks and financial institutions.

Selling, general and administrative expenses increased by 17% to Rs. 143.7 million. Islamabad Branch opened in December 1999 and staff numbers also increased as most departments were strengthened to cope with the increased volume of business. Direct costs of leases were higher by 59% and are primarily attributed to insurance premiums. Direct costs of operating leases reflect maintenance expenditure and depreciation of assets given on short term rental and these rose by 58% due to a bigger portfolio of assets. The charge for general provision for potential lease losses was raised to Rs. 39.7 million (1999: Rs. 31.8 million) in light of enhanced business. The accumulated general provision now amounts to Rs. 145.4 million which is equal to 3.5% of the net exposure on rent receivables.

CREDIT RATING

Based on results for the year ended June 30, 1999, the Pakistan Credit Rating Agency (PACRA) upgraded the Company's credit rating to AA- for long term debt and maintained A1+ for short-term debt. Your Company continues to enjoy the highest rating in the leasing sector for both categories of debt awarded by PACRA.

ASSOCIATED COMPANIES

Oman ORIX Leasing Company SAOG (OOL) continues to demonstrate strong growth. For the year ended December 31, 1999 it earned a pre-tax profit of Rs. 103.7 million (1998: Rs. 76.5 million) and had total assets of Rs. 3.0 billion. It declared a cash dividend of 10% and a bonus of 2.45%. For its half year to June 30, 2000 OOL earned a pre-tax profit of Rs. 61.4 million and increased its asset base to Rs. 3.9 billion.

ORIX Leasing Egypt (OLE) earned a pre-tax profit of Rs. 30.8 million for the year to December 31, 1999 (1998: Rs. 13.6 million) on an asset base of Rs. 821.8 million. This was the second full year of operations and OLE is making steady progress.

ORIX Investment Bank Pakistan Limited (OIBP) earned a pre-tax profit of Rs. 21.2 million for the six months ended December 31, 1999 showing an increase of 87% over the corresponding period in 1998. OIBP declared its maiden dividend (7.5%) for the year to June 30, 1999.

Saudi ORIX Leasing (SOL) is expected to start operations before the end of this year. The Government of Saudi Arabia has approved the project and incorporation process has started. SOL will have a paid-up capital of Rs. 900 million and your Company will hold 10% equity and will provide management support.

FUTURE PROSPECTS

The Company looks to the future with renewed confidence and expects enhanced business activity, particularly in the textile sector which should lead to demand for new machinery. The Company's network of branches is being expanded with the permission given by Securities and Exchange Commission of Pakistan for opening of branches in Multan and Hyderabad.

Auto finance is an increasing business and marketing teams have been strengthened in all branches to cope with the demand. Overseas ventures are expected to progress as planned and work is being undertaken to identify the next overseas joint-venture.

DIRECTORS

Dr. Najeeb Samie representing State Life Insurance Corporation resigned from the Board on his transfer and has been replaced by Mr. Mohammed Mazharuddin. Mr. Genichi Fujinaga relinquished his seat in favour of Mr. Masatoshi Yokota. The Directors place on record their appreciation of the services of Dr. Najeeb Samie and Mr. Genichi Fujinaga and welcome Mr. Mohammed Mazharuddin and Mr. Masatoshi Yokota on the Board.

HOLDING COMPANY

The Company is a subsidiary of ORIX Corporation which is incorporated in Japan.

STAFF

The Board places on record its appreciation of the performance of all staff personnel which has resulted in strong results in challenging market conditions.

AUDITORS

The present auditors, Sidat Hyder Qamar and Company, Chartered Accountants, retire and being eligible offer themselves for re-appointment.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2000 is shown on page 43.

On behalf of the Board

Humayun Murad
Chief Executive

Dated: October 19, 2000

SIDAT HYDER QAMAR & Co

Chartered Accountants

Progressive Plaza, Beaumont Road
Karachi-75530 Pakistan
(92-21) 5650007-11 Tel 5681965 Fax

Representing
Andersen Worldwide, SC in Pakistan

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ORIX Leasing Pakistan 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.

SIDAT HYDER QAMAR & CO.
CHARTERED ACCOUNTANTS

Karachi: October 19, 2000

FINANCIAL STATEMENTS OF THE COMPANY

BALANCE SHEET
PROFIT AND LOSS ACCOUNT
CASH FLOW STATEMENT
STATEMENT OF CHANGES IN EQUITY
NOTES TO THE ACCOUNTS

BALANCE SHEET AS AT JUNE 30, 2000

	<i>NOTE</i>	<i>2000</i>	<i>1999</i>
ASSETS			
Fixed assets - tangible	3	210,951,806	147,826,077
Net investment in leases and installment loans			
Installment contract receivables		5,245,225,497	4,541,466,561
Add: Residual value		1,198,382,582	956,348,542
		-----	-----
		6,443,608,079	5,497,815,103
Less: Unearned finance income		1,134,043,434	971,212,297
		-----	-----
Net investment	4	5,309,564,645	4,526,602,806
		-----	-----
Less: Current portion		2,285,307,020	2,020,003,733
Allowance for potential lease and installment loan losses		145,416,448	135,157,988
		-----	-----
		2,430,723,468	2,155,161,721
		-----	-----
		2,878,841,177	2,371,441,085
		-----	-----
Long-term investments	5	285,772,058	280,168,029
Long-term loans	6	39,202,196	26,243,454
Long-term deposits and deferred costs	7	24,376,405	22,847,566
Current assets	8	2,672,005,690	2,379,694,934
		-----	-----
	Rupees	6,111,149,332	5,228,221,145
		=====	=====

SHARE CAPITAL AND LIABILITIES

Share capital and reserves

Authorised

25,000,000 Ordinary shares of Rs. 10/- each

250,000,000 250,000,000

Issued, subscribed and paid-up 9 201,386,910 201,386,910

Reserves 10 724,903,508 669,381,483

Shareholders' equity 926,290,418 870,768,393

Long-term loans 11 1,948,532,805 1,983,877,063

Long-term certificates of investment 12 223,679,542 11,533,308

Deferred liability - gratuity 17,494,524 13,536,985

Long-term advances and deposits 13 911,378,554 679,389,666

Current liabilities 14 2,083,773,489 1,669,115,730

Commitments 15

Rupees 6,111,149,332 5,228,221,145

AUDITORS' REPORT ANNEXED

The annexed notes form an integral part of these accounts.

SHAKIRULLAH DURRANI
VICE CHAIRMAN**HUMAYUN MURAD**
CHIEF EXECUTIVE**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2000**

	<i>NOTE</i>	<i>2000</i>	<i>1999</i>
REVENUES			
Finance leases	16	790,997,617	720,455,539
Installment loans		52,020,406	42,255,279
Operating leases		53,495,044	35,607,248
Other income	17	83,470,127	106,799,885
		979,983,194	905,117,951
Less:			
EXPENSES			
Finance and bank charges	18	562,263,594	551,139,244
Selling, general and administrative expenses	19	143,741,976	122,385,746
Direct cost of leases			
Finance lease and installment loans	20.1	45,907,528	28,811,001
Operating Leases	20.2	32,268,671	20,433,625
Allowance for potential lease and installment loan losses		39,724,636	31,884,583
		823,906,405	754,654,199
Profit before taxation		156,076,789	150,463,752
Provision for taxation - current	23	20,000,000	20,000,000
Net profit after taxation		136,076,789	130,463,752
Unappropriated profit brought forward		246,564	6,037,576
		136,323,353	136,501,328
APPROPRIATIONS			
Transfer to Statutory reserve		7,000,000	7,000,000
Transfer to Capital reserve for deferred tax - current year		34,081,000	14,500,000
Transfer to Capital reserve for deferred tax - prior years		36,532,000	34,200,000
Transfer from General reserve		(36,532,000)	--
Proposed dividend @ 40% (1999: @40%)		80,554,764	80,554,764
		121,635,764	136,254,764

Unappropriated profit carried forward	Rupees	14,687,589	246,564
		=====	=====
Earnings Per Share - Basic and Diluted	28	6.76	6.48
		=====	=====

The annexed notes form an integral part of these accounts.

SHAKIRULLAH DURRANI
VICE CHAIRMAN

HUMAYUN MURAD
CHIEF EXECUTIVE

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2000

	<i>NOTE</i>	<i>2000</i>	<i>1999</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	24	663,473,669	576,458,458
Mark-up paid		(497,602,193)	(470,335,650)
Profit paid on certificates of investment		(44,070,116)	(43,917,682)
Deposits from lessees - net		246,656,621	167,878,799
Income taxes paid		(30,349,205)	(36,789,403)
Investment in leases - net		(782,961,839)	(363,115,114)
Long-term loans- net		(13,309,229)	(3,217,506)
		-----	-----
		(1,121,635,961)	(749,496,556)
		-----	-----
Net cash used in operating activities		(458,162,292)	(173,038,098)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments		(5,604,029)	(153,755,410)
Capital expenditure		(101,730,283)	(88,712,496)
Proceeds from sale of fixed assets		6,384,000	4,299,072
Dividend received		12,994,874	11,836,059
		-----	-----
Net cash used in investing activities		(87,955,438)	(226,332,775)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term loans		1,077,286,375	1,515,200,218
Short-term loans and running finance		236,798,443	(48,494,182)
Certificates of investment		480,476,972	(186,940,016)
Repayment of long term loans		(1,195,256,991)	(892,187,714)
Long-term deposits and deferred cost		(19,583,284)	(7,892,125)
Payment of dividend		(80,121,120)	(32,285,353)
		-----	-----
Net cash generated from financing activities		499,600,395	347,400,828
		-----	-----
Net (decrease) in cash activities		(46,517,335)	(51,970,045)
Cash and bank balances at beginning of the year		159,181,157	211,151,202
		-----	-----
Cash and bank balances at end of the year	Rupees	112,663,822	159,181,157
		=====	=====

SHAKIRULLAH DURRANI
VICE CHAIRMAN

HUMAYUN MURAD
CHIEF EXECUTIVE

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

	<i>2000</i>	<i>1999</i>
Share capital		
Balance at beginning	201,386,910	161,109,530
Bonus shares issued during the year	--	40,277,380
	-----	-----
Balance at end of the year	201,386,910	201,386,910

Share premium	287,216,909	287,216,909
Reserve for issue of bonus shares		
Balance at beginning	--	40,277,380
Bonus shares issued during the year	--	(40,277,380)
	-----	-----
Balance at end of the year	--	--
General reserve		
Balance at beginning	117,118,010	326,218,010
Transfer to Statutory reserve during the year	--	(209,100,000)
Transfer to Capital reserve for deferred tax-prior years	(36,632,000)	--
	-----	-----
Balance at end of the year	80,586,010	117,118,010
Statutory reserve		
Balance at beginning	216,100,000	--
Transfer from General reserve	--	209,100,000
Appropriation during the year	7,000,000	7,000,000
	-----	-----
Balance at end of the year	223,100,000	216,100,000
Capital reserve for deferred tax		
Balance at beginning	48,700,000	--
Transfer from General reserve-prior years	36,532,000	--
Appropriation during the year	34,081,000	48,700,000
	-----	-----
Balance at end of the year	119,313,000	48,700,000
Unappropriated profit		
Balance at beginning	246,564	6,037,576
Profit for the year	136,076,789	130,463,752
Dividend	(80,554,764)	(80,554,764)
Transfer to Capital reserve for deferred tax	(34,081,000)	(48,700,000)
Transfer to Statutory reserve during the year	(7,000,000)	(7,000,000)
	-----	-----
Balance at end of the year	14,687,589	246,564
Shareholders' equity	Rupees	
	=====	=====
	926,290,418	870,768,393

SHAKIRULLAH DURRANI
VICE CHAIRMAN

HUMAYUN MURAD
CHIEF EXECUTIVE

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

1. LEGAL STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan as a private limited company on July 1, 1986 and was converted into a public limited company on December 23, 1987. The Company is listed on Karachi, Lahore and Islamabad Stock Exchanges. The main business activity is leasing of moveable 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 financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards as applicable in Pakistan.

2.3 Revenue recognition

2.3.1 Finance lease and installment loans

The Company follows the 'financing method' in accounting for recognition of lease and installment loan income.

At the commencement of a lease, the total unearned lease income consists of the excess of aggregate lease contract receivables over the cost of the leased equipment. At the time a lease is executed, a portion of unearned lease income which approximates the initial costs directly associated with negotiating and consummating the lease plus an amount equal to the allowance for potential lease losses is taken into income. The remainder of the unearned lease income is taken into income over the term of the lease, applying the annuity method, so as to produce a systematic return on the net investment in lease. This method is applicable with effect from July 1, 1999. Income on leases disbursed prior to July 1, 1999 is recognised on the sum of digit method. The change in accounting method is in compliance with the directive of the Institute of Chartered Accountants of Pakistan issued through its Circular no. 9/99 of August 10, 1999.

Front end fee and other lease related income is recognised as income when realized.

2.3.2 Operating lease

Rental income from assets given on operating lease is recognised on accrual basis over the lease period.

2.4 Allowance for potential lease and installment loan losses

The allowance for potential lease and installment loan losses is maintained at a level which, in the judgement of management, is adequate to provide for potential losses on lease portfolio that can be reasonably anticipated. The allowance is increased by provisions charged to income and is decreased by charge offs, net of recoveries.

2.5 Tangible fixed assets and depreciation

2.5.1 Operating assets - own use

Operating assets 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. In respect of additions and deletions of an asset during the year, depreciation is charged from the month of acquisition and upto the month preceding the deletion respectively.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains and losses on disposal of assets, if any, are included in income currently.

2.5.2 Operating lease assets

Operating lease assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying straight line method, whereby the depreciable values of assets are written-off over their estimated useful life.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains and losses on disposal of assets, if any, are included in income currently.

2.6 Long-term investments

These are stated at cost. Investment made in foreign currency other than investment in associates are translated into rupees at the rate of exchange prevailing at the balance sheet date. Realised and unrealised exchange gains and losses are dealt within the profit and loss account. Return on investment is recognised at rates specified in the respective investment schemes and accrued for the period. Income is recognised on the assumption that such investments will be held till the terminal date.

Investment in associated companies is stated at cost. Provision for diminution in value of investments other than temporary, if any, is made in income in the year of occurrence.

Dividend income is recognised when the right to receive the dividend is established.

2.7 Deferred costs

2.7.1 Loans

Loan originating costs, front-end fee and documentation costs are amortised over the loan period or five years, whichever is shorter.

2.7.2 Project development costs

Expenditure incurred in connection with development of various projects and joint ventures are classified as project development costs and upon completion of such projects or joint ventures are amortised over a period of five years.

2.8 Staff retirement benefits

2.8.1 Gratuity

The Company operates an unfunded gratuity scheme covering all its permanent employees who have completed the minimum qualifying period of six months. Provision is made annually to cover obligation under the scheme.

2.8.2 Employees' accumulating compensated absences

The revised International Accounting Standard (IAS) 19 "Employee benefits" requires that the liability in respect of employees expected cost of accumulating compensated absences should be recognised. IAS 19 is applicable in Pakistan for accounting periods beginning on or after January 1, 1999. Circular 14 of August 26, 2000 issued by the Securities and Exchange Commission of Pakistan (SECP) states that in order to achieve compliance with IAS 19, companies may provide for accumulated absences in three equal annual installments. The Company has adopted a policy for accumulating absences to the extent of 30 days. Full provision will be made over three years.

2.9 Foreign currencies

Transactions in foreign currencies are accounted for in rupees at the rate prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the rate of exchange prevailing at the balance sheet date. Realised and unrealised exchange gains and losses are dealt within the profit and loss account. Foreign currency loans registered under Exchange Risk Coverage Scheme of the State Bank of Pakistan (SBP) are translated into rupees at the rate prevailing on the date of disbursement.

2.10 Financial instruments

2.10.1 Financial assets

Financial assets comprise of net investment in leases and installment loans net of related deposits, long term investments in government securities, long term loans and advances, short term loans and investments and cash and bank balances on deposits. Net investment in leases and installment loans are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amount, while other financial assets are stated at cost.

2.10.2 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are long term loans, short term loans, certificates of investment and running finances under mark-up arrangement.

Gain or loss if any on recognition and settlement of financial assets and liabilities is included in net profit or loss in the period in which it arises.

2.10.3 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset 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 realise the asset and settle the liability simultaneously.

2.11 Taxation

2.11.1 Current

Income for the purposes of computing current taxation is determined under the provisions of tax law whereby lease rentals received or receivable by the Company are deemed to be income. Provision for taxation is thus based on income determined in accordance with the accounting policy explained in Note 2.3 and adjusted in accordance with the requirements of the tax law.

2.11.2 Deferred

The Company accounts for deferred taxation using the liability method on timing differences arising from using the different methods in the recognition of lease income for tax purposes and accounting purposes as well as for all other significant timing differences.

3 FIXED ASSETS - Tangible

Operating assets-own use	3.1	59,301,585	34,446,408
Operating lease assets	3.2	151,650,221	113,379,669
		210,951,806	147,826,077
	Rupees		

3.1 Operating assets - own use

	<i>Cost at July 1, 1999</i>	<i>Additions/ (Deletions)/ (Transfer)*</i>	<i>Cost at June 30, 2000</i>	<i>Accumulated depreciation at June 30, 2000</i>	<i>Book value at June 30, 2000</i>	<i>Depreciation For the year</i>	<i>Rate (%)</i>
Leasehold improvements	15,538,035	7,984,500	23,522,535	13,631,291	9,891,244	1,663,450	15
Furniture and office equipment	32,352,788	14,123,881 (442,848)	46,033,821	24,198,913	21,834,908	6,041,692	15 - 25
Motor vehicles	40,146,029	22,591,716 (10,293,419)	52,444,326	24,868,893	27,575,433	8,783,705	20
Rupees	88,036,852	44,700,097 (10,736,267)	122,000,682	62,699,097	59,301,585	16,488,847	
1999-Rupees	82,612,157	10,201,254 (4,280,532) (496,027) *	88,036,852	53,590,444	34,446,408	12,453,664	

* Represents assets transferred to operating lease assets.

3.1.1 Movement of accumulated depreciation during the year:

	<i>Accumulated depreciation as at July 1, 1999</i>	<i>Depreciation charged during the year</i>	<i>Adjustment on disposal during the year</i>	<i>Accumulated depreciation as at June 30, 2000</i>
Leasehold improvements	11,967,841	1,663,450	--	13,631,291
Furniture & office equipment	18,519,247	6,041,692	362,026	24,198,913
Motor vehicles	23,103,356	8,783,705	7,018,168	24,868,893
Rupees	53,590,444	16,488,847	7,380,194	62,699,097
1999-Rupees	43,282,467	12,453,664	2,145,687	53,590,444

3.1.2 Assets deleted during the year:

<i>Description</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book Value</i>	<i>Sale Proceeds</i>	<i>Mode of Disposal</i>	<i>Sold to</i>
Motor Cycle	33,910	26,563	7,347	30,000	Insurance Claim	E.F.U General Insurance Co. Ltd.
Suzuki Margalla	491,000	351,869	139,131	244,558	Company Policy	Arshi Islam (Employee)
Suzuki Mehran	315,000	199,500	115,500	115,500	Company Policy	Babar Malik (Employee)
Suzuki Khyber	396,500	290,752	105,748	105,748	Company Policy	Mujahid Ali Mirza (Employee)
Suzuki Khyber	433,800	274,740	159,060	209,530	Company Policy	Aseya Qasim (Employee)
Suzuki Margalla	470,750	368,762	101,988	210,994	Company Policy	Ismail Khan (Employee)
Suzuki Mehran	272,264	222,362	49,902	51,870	Company Policy	Hamood Ahmed (Employee)
Suzuki Mehran	280,000	65,338	214,662	214,662	Company Policy	S. Waheedullah Shah (Employee)
Honda Civic	639,000	447,300	191,700	337,946	Company Policy	Ramon Alfrey (Employee)
Suzuki Khyber	400,000	286,681	113,319	201,659	Company Policy	Saba Ahmed (Employee)
Suzuki Mehran	317,000	200,754	116,246	116,246	Company Policy	Shah Suleman Fareed (Employee)
Suzuki Mehran	305,000	50,830	254,170	254,170	Company Policy	Taimur Ali (Employee)
Suzuki Mehran	272,264	222,362	49,902	49,902	Company Policy	Anis Imam (Employee)
Suzuki Mehran	290,000	120,825	169,175	189,587	Company Policy	Samiullah Durrani (Employee)
Suzuki Jeep	183,060	183,059	1	122,000	Negotiation	Mahreen Khan
Suzuki Van	165,300	165,299	1	156,000	Negotiation	Mahreen Khan
Suzuki Khyber	393,750	321,563	72,187	157,505	Company Policy	Ali Azhar Kazmi (Employee)
Suzuki Margalla	475,800	412,360	63,440	259,610	Company Policy	Arshad Abbas (Employee)
Suzuki Mehran	181,937	181,936	1	85,000	Negotiation	Manzoor Ahmed

Suzuki Khyber	400,000	320,016	79,984	178,603	Company Policy	Omer Farooq Sheikh (Employee)
Suzuki Margalla	521,850	260,940	260,910	334,916	Company Policy	Aijaz A. Butt (Employee)
Suzuki Khyber	400,000	320,022	79,978	185,116	Company Policy	Alnoor A. Aziz (Employee)
Motor Cycle	46,900	46,899	1	42,000	Insurance Claim	Adamjee Insurance Co. Ltd
Suzuki Khyber	467,000	38,915	428,085	432,000	Negotiation	Anwar Kazmi
Suzuki Mehran	328,000	71,071	256,929	268,009	Company Policy	Jamal Laique (Employee)
Suzuki Khyber	398,974	339,150	59,824	144,174	Company Policy	Nargis A. Mirza (Employee)
Suzuki Mehran	290,000	135,324	154,676	168,171	Company Policy	Khalid Rehman (Employee)
Suzuki Margalla	470,750	439,367	31,383	346,000	Negotiation	Naeem Ahmed Sheikh
Toyota Corolla	653,610	653,609	1	238,000	Negotiation	Alamgir
Mobile Phone	6,550	1,638	4,912	600	Trade-in	Cellular Links
Photocopier	140,000	112,000	28,000	45,000	Trade-in	Shirazi Trading Company
Type Writer	42,000	35,175	6,825	6,000	Trade-in	Multiline System
Air Conditioners	45,164	44,571	593	8,500	Negotiation	National Airconditioning
Refrigerator	8,410	8,409	1	3,200	Negotiation	Muhammad Ali
Computer	65,904	65,903	1	13,000	Negotiation	Computer International
Computer	20,800	20,799	1	4,000	Negotiation	Mars Associates
Computer	31,520	29,156	2,364	3,000	Negotiation	Zeeshan
Computer	50,000	11,876	38,124	38,124	Company Policy	Shafqat Parvez (Employee)
Computer	32,500	32,499	1	1,600	Negotiation	Mussarrat Jabeen
Rupees	10,736,267	7,380,194	3,356,073	5,572,500		

3.2 Operating lease assets

	<i>Cost at July 1, 1999</i>	<i>Additions Cost at June 30, 2000</i>	<i>Cost at June 30, 2000</i>	<i>Accumulated depreciation at June 30, 2000</i>	<i>Book value at June 30, 2000</i>	<i>Depreciation For the year</i>	<i>Rate (%)</i>
Machinery	70,904,622	15,002,322	85,906,944	12,441,612	73,465,332	7,889,012	10 - 15
Communication equipment	20,501,702	38,936,936	59,438,638	6,668,204	52,770,434	5,552,410	15
Office equipment	881,027	2,226,927	3,107,954	786,651	2,321,303	451,579	33.33
Motor vehicles	31,798,868	864,000 (868,000)	31,794,868	8,701,716	23,093,152	4,086,241	15
Rupees	124,086,219	57,030,185 (868,000)	180,248,404	28,598,183	151,650,221	17,979,242	
1999-Rupees	47,587,250	78,511,242 496,027* (2,508,300)	124,086,219	10,706,550	113,379,669	9,344,611	

*Represents assets transferred from operating assets.

3.2.1 Movement of accumulated depreciation during the year:

	<i>Accumulated depreciation as at July 1, 1999</i>	<i>Depreciation charged during the year</i>	<i>Adjustment on disposal during the year</i>	<i>Accumulated depreciation as at June 30, 2000</i>
Machinery	4,552,600	7,889,012	--	12,441,612
Communication equipment	1,115,794	5,552,410	--	6,668,204
Office equipment	335,072	451,579	--	786,651
Motor vehicles	4,703,084	4,086,241	(87,609)	8,701,716
Rupees	10,706,550	17,979,242	(87,609)	28,598,183
1999-Rupees	1,703,986	9,344,611	(342,047)	10,706,550

3.2.2 Assets deleted during the year:

<i>Description</i>	<i>Cost</i>	<i>Accumulated depreciation</i>	<i>Book Value</i>	<i>Sale Proceeds</i>	<i>Mode of Disposal</i>	<i>Sold to</i>
Suzuki Khyber	434,000	41,499	392,501	426,500	Leased	Transfer to finance lease
Suzuki Khyber	434,000	46,110	387,890	385,000	Leased	Transfer to finance lease
	-----	-----	-----	-----		
Rupees	868,000	87,609	780,391	811,500		
	=====	=====	=====	=====		
		<i>2000</i>			<i>1999</i>	
	<i>Less than one year</i>	<i>One year to five years</i>	<i>Total</i>	<i>Less than one year</i>	<i>One year to five years</i>	<i>Total</i>
Installment contract receivables	2,917,461,847	3,526,146,232	6,443,608,079	2,570,893,014	2,926,922,089	5,497,815,103
Less: Unearned finance income	632,154,827	501,888,607	1,134,043,434	550,889,281	420,323,016	971,212,297
	-----	-----	-----	-----	-----	-----
Rupees	2,285,307,020	3,024,257,625	5,309,564,645	2,020,003,733	2,506,599,073	4,526,602,806
	=====	=====	=====	=====	=====	=====

There are no installment contract receivables over five years. The Company's mark-up rate on leases and installment loans essentially ranges between 17.5 percent to 24 percent.

Federal investment bonds	5.1	7,915,000	7,915,000
Special US dollar bonds	5.2	70,821,269	65,217,240
In associated companies			
- Quoted	5.3	152,512,222	152,512,222
- Unquoted	5.4	54,523,567	54,523,567
		-----	-----
		207,035,789	207,035,789
		-----	-----
	Rupees	285,772,058	280,168,029
		=====	=====

5.1 Represents investment made in Government Securities as required under the relevant provision of the State Bank of Pakistan's Rules for Non-Bank Financial Institutions to maintain liquidity against certain liabilities. The securities are redeemable within a period of six months (included in short-term investments as per note 8) to ten years and earn mark-up varying from 7.25% per annum to 15% per annum receivable half yearly from the date of issue.

5.2 Represents investment made in special US dollar bonds issued by the Government of Pakistan upon conversion of the Company's frozen foreign currency accounts. The bonds have maturity period of three years, are tradable at Stock Exchanges in Pakistan and carry a markup of LIBOR plus one percent per annum receivable half yearly from the date of issue.

5.3 Quoted

<i>Name of associated company</i>	<i>Equity held (%)</i>	<i>No. of shares held</i>	<i>Currency of investment</i>	<i>Cost price per share</i>	<i>Cost of investment as at June 30, 2000</i>	<i>Cost of investment as at June 30, 2000</i>	<i>Market value of investment as at June 30, 2000</i>
Oman ORIX Leasing Company SAOG	20.25	1,012,320	Rial Omani	RO 1 each	RO 1,000,000	122,512,222	259,259,540
ORIX Investment Bank Pakistan Limited	15.00	3,000,000	Pak Rupee	Rs. 10 each	Rs.30,000,000	30,000,000	20,100,000
						-----	-----
					Rupees	152,512,222	279,359,540
						=====	=====

5.4 Unquoted

<i>Name of associated</i>	<i>Equity held (%)</i>	<i>No. of shares</i>	<i>Currency of investment</i>	<i>Cost price per share</i>	<i>Cost of investment</i>	<i>Cost of investment</i>
---------------------------	------------------------	----------------------	-------------------------------	-----------------------------	---------------------------	---------------------------

<i>company</i>	<i>held</i>	<i>as at June 30, 2000</i>	<i>as at June 30, 2000 (Rupees)</i>
ORIX Leasing Egypt SAE	23.00 46,000 Egyptian Pound EP. 100 each	EP. 4,600,000	54,523,567

The net asset value was EP.120 per share (Rs. 1,798/-) [1999:EP.113 per share (Rs. 1,640/- share)].

5.5 Investments in associated companies are stated at cost. Had the equity method been applied, the total profit for the year would have increased by Rs. 15,379,814/- (1999: Rs. 12,913,243/-) while the unappropriated profit brought forward would have been higher by Rs. 24,601,783/- (1999: Rs. 11,688,543). In addition, unrealised exchange gains on investments in foreign associates would have increased shareholders equity by Rs. 29,537,069/- (1999: Rs. 24,975,635) and long-term investment would have increased by Rs. 69,518,667/- (1999: Rs. 49,577,421/-).

6. LONG-TERM LOANS - Secured, considered good

Loans to employees:

Chief Executive		3,235,962	3,401,722
Directors		7,498,652	3,004,117
Executives		31,291,941	22,426,615
Other employees		797,389	682,261
		-----	-----
		42,823,944	29,514,715
Less: Current portion		3,621,748	3,271,261
		=====	=====
	Rupees	39,202,196	26,243,454
		=====	=====
Recoverable after three years	Rupees	33,429,319	23,046,570
Others	Rupees	5,772,877	3,196,884
		=====	=====

Loans to Chief Executive, Working Directors and Executives include house loans in accordance with terms of the Company's employment policy, repayable within a period of 20 years or retirement date whichever is earlier except for loans to the Chief Executive and a Working Director which are repayable within ten years. The loans to the Chief Executive and a Working Director were disbursed in 1992 and 2000 respectively with prior approval of the Securities and Exchange Commission of Pakistan (SECP). A loan to a Working Director was made prior to his becoming a Director and has been duly notified to the SECP. The loans are secured against equitable mortgage on the property by depositing the title documents of the property with the Company and carry mark-up of 5% per annum. Loans to other employees includes motor cycle loans, repayable within a period of five years and do not carry any mark-up.

Maximum amount outstanding at the end of any month during the year against loans to Chief Executive, Working Directors and Executives is Rs. 42,026,555/- (1999: Rs. 29,687,301/-).

7. LONG-TERM DEPOSITS AND DEFERRED COSTS

Deposits		2,842,767	3,223,313
Deferred costs	7.1	21,533,638	19,624,253
		-----	-----
	Rupees	24,376,405	22,847,566
		=====	=====
7.1 Deferred costs			
Loan originating cost	7.1.1	3,392,043	5,495,390
Exchange differences on:			
- Repayment of foreign currency loans	7.1.2	1,124,037	2,492,512
- Hedging of foreign currency loans	7.1.3	3,624,393	6,022,449
		-----	-----
		4,748,430	8,514,961
Project development costs	7.1.4	13,393,165	5,613,902
		-----	-----
	Rupees	21,533,638	19,624,253
		=====	=====

7.1.1 Represents loan originating cost paid to lending institutions on signing of various loans. These

are being written off over loan period or five years, whichever is shorter.

7.1.2 Represents the increase in the amount of foreign currency loans resulting from the difference in buying and selling rates of foreign currency as determined by the SBP. Receipts of loans are at buying rates and are the actual amount realised in Pak rupees. Repayments, when due, will be made at selling rates in accordance with the SBP rules. The difference arising from the use of above mentioned rates is treated as deferred costs to be written off over loan period or five years, whichever is shorter.

7.1.3 In the absence of Exchange Risk Cover by the SBP, the Company had adopted an alternative method to hedge foreign exchange risk associated with its foreign currency borrowings. This involved purchasing foreign currency from the secondary market, placing the foreign currency on deposit and obtaining credit facilities against these deposits in local currency on matching basis. Premium paid on purchase of foreign currency from the secondary market is deferred and is written off over the loan period or five years whichever is shorter.

7.1.4 This represents expenditure in connection with development of projects already completed and new joint ventures. Project development costs are being amortised in accordance with the policy mentioned in Note 2.7.2.

	<i>NOTE</i>	<i>2000</i>	<i>1999</i>
8. CURRENT ASSETS			
Current portion of net investment in leases, instalment loans and long-term loans	8.1	2,288,928,768	2,023,274,994
Short-term loans - secured, considered good	8.2	24,550,000	14,500,000
Short-term investments	5.1	9,326,000	8,766,360
Other current assets	8.3	236,537,100	173,972,423
Cash and bank balances	8.4	112,663,822	159,181,157
		-----	-----
	Rupees	2,672,005,690	2,379,694,934
		=====	=====

8.1 Current maturity

Net investment in leases and Instalment loans		2,285,307,020	2,020,003,733
Long-term loans - considered good		3,621,748	3,271,261
		-----	-----
	Rupees	2,288,928,768	2,023,274,994
		=====	=====

8.2 Represents short-term finance facilities provided on secured basis in the normal course of business.

8.3 Other current assets

Advances - unsecured considered good		2,474,099	2,316,348
Advance to suppliers		6,855,000	--
Advance payment of wealth tax		40,000	40,000
Short-term prepayments			
Insurance:			
Leased assets		30,698,688	19,354,468
Own assets		2,732,174	1,810,790
Rent		387,236	154,000
Others		4,840,894	4,759,241
		-----	-----
		38,658,992	26,078,499
Accrued return on investments and deposits		21,971,869	30,421,618
Net receivable against foreign loan payments covered under foreign exchange risk cover scheme	8.3.1	151,757,259	86,375,178
Operating lease rents receivable		5,910,478	12,450,265
Central Excise Duty (CED) receivable	8.3.2	6,623,180	14,196,776
Other receivables		2,246,223	2,093,739
		-----	-----
	Rupees	236,537,100	173,972,423
		=====	=====

8.3.1 Represents net amount receivable from the State Bank of Pakistan (SBP) on account of repayments of foreign currency loans registered under foreign exchange risk cover scheme. This amount is a net balance of exchange differences refundable from SBP and exchange risk fee payable to the SBP.

8.3.2 Represents amount paid on account of CED recoverable from lessees.

8.4 Cash and bank balances

Balances with banks on:

Current accounts		10,977,571	19,046,845
Deposit accounts	8.4.1	3,196,113	20,302,714
Foreign currency deposit accounts under lien - net	8.4.2	97,806,788	119,502,960
		-----	-----
		111,979,472	158,852,519
Cash in hand		684,350	328,638
		-----	-----
	Rupees	112,663,822	159,181,157
		=====	=====

8.4.1 Includes a mark-up free deposit of Rs. 1,650,000/- (1999: Rs. 1,400,000/-) with the State Bank of Pakistan (SBP) as required under the relevant provision of the SBP's Rules for Non-Bank Financial Institutions to maintain liquidity against certain liabilities. The rate of profit on deposits, other than deposits with SBP, ranges from 5% to 8.25% per annum on these accounts.

8.4.2 Foreign currency deposit account under lien

Foreign currency deposits		362,433,374	459,755,918
Credit facilities availed	8.4.2.1	(264,627,586)	(340,252,958)
		-----	-----
	Rupees	97,805,788	119,502,960
		=====	=====

8.4.2.1 As explained in Note 7.1.3 foreign currency deposits were created as a hedge against exchange risks associated with foreign currency borrowings. Credit facilities in Rupees have been availed against security of the foreign currency deposits and have been offset in accordance with the policy stated in Note 2.10.3. The rate of mark-up ranges from 14.1% to 15.14% per annum while the rate of interest on foreign currency deposits ranges from 7.1% to 7.8% per annum. Maturity of credit facilities and foreign currency deposits are upto September 2003.

9. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

	2000	1999	2000	1999
	Number of Shares		Rupees	
Ordinary Shares of Rs. 10/- each				
Fully paid in cash	13,106,249	13,106,249	131,062,490	131,062,490
Fully paid bonus shares				
	7,032,442	3,004,704	70,324,420	30,047,040
	--	4,027,738	--	40,277,380
	-----	-----	-----	-----
	7,032,442	7,032,442	70,324,420	70,324,420
	-----	-----	-----	-----
	20,138,691	20,138,691	201,386,910	201,386,910
	=====	=====	=====	=====

ORIX Corporation, Japan and its nominees held 11,494,558 (1999: 11,494,558) Ordinary shares of Rs. 10/- each at June 30, 2000.

10. RESERVES

Capital reserves:

Share premium		287,216,909	287,216,909
Statutory reserve	10.1	223,100,000	216,100,000
Reserve for deferred tax	10.2	119,313,000	48,700,000
		-----	-----
		629,629,909	552,016,909

Revenue reserves:

General reserve	80,586,010	117,118,010
Unappropriated profit	14,687,589	246,564
	-----	-----
	95,273,599	117,364,574
	-----	-----
Rupees	724,903,508	669,381,483
	=====	=====

10.1 Represents profit set aside as required under the State Bank of Pakistan rules for Non-Bank Financial Institutions(NBFIs).

10.2 International Accounting Standard 12 "Income Taxes" (revised) requires that full liability against deferred taxation should be provided in the year to which it relates. Circular no 16 of September 10, 1999 issued by the Securities and Exchange Commission of Pakistan (SECP) states that in order to achieve compliance with the revised IAS-12, all leasing companies, during each of the five financial years beginning July 1, 1998 and ending June 30, 2003, shall provide deferred tax liability arising in that year together with a further amount equal to one fifth of the unprovided deferred tax liability at the beginning of the financial year ending June 30, 1999. Deferred tax will be deemed to have been provided if a leasing company transfers such amount to a Capital Reserve account which would not be available for utilisation for any purpose other than to provide for deferred tax liability.

Deferred taxation arising due to timing differences between book and income tax revenue or charges is estimated at Rs. 228.9 million (1999: Rs. 185.5 million) of which Rs. 180.2 million relates to accounting periods prior to July 1, 1998. As at June 30, 2000, the Company has transferred an amount of Rs. 119.3 million (Rs. 48.7 million for the accounting periods beginning on or after July 1, 1998 and Rs. 70.6 million for accounting periods before July 1, 1998) to comply with the SECP's requirement for creating Capital reserve for deferred tax. Unprovided deferred tax amounting to Rs. 109.6 million (1999: Rs. 136.8 million) shall be appropriated to Capital reserve for deferred tax in equal annual instalments by June 30, 2003.

11. LONG -TERM LOANS - Secured

<i>Name of lending institution</i>	<i>Note</i>	<i>Commencement</i>	<i>Mode of loan repayment</i>	<i>2000</i>	<i>1999</i>	<i>Mark up</i>	<i>Exchange</i>
			<i>of repayment</i>			<i>rate</i>	<i>risk fee</i>
				<i>Rupees</i>		<i>(%)</i>	<i>(%)</i>
Foreign currency loans							
US Dollars							
11.1 Asian Development Bank Loan 1133 Pak (PS)		15-Jan-1994	12 equal semi annual instalments	--	23,176,033	9.4	7.08
11.2 Asian Development Bank Loan 1394 Pak (PS)	11.2.1	15-Mar-1999	10 equal semi annual instalments	357,094,499	453,861,361	2.13	--
11.3 International Finance Corporation Loan INT/PK 4252(A)		15-Jun-1996	16 equal semi annual instalments	155,949,870	200,506,975	8.5	6.66
11.4 International Bank for Reconstruction and Development	11.4.1	14-Sep-1996	Repayment in ten year after three years grace period	524,276,328	579,814,263	16.0	inclusive in mark-up
				-----	-----		
				1,037,320,697	1,257,358,632		
				-----	-----		
Netherland Guilders							
11.5 FMO Loan INT/PK 93033		01-Apr-1996	10 equal semi annual instalments	17,215,150	51,645,950	10.2	5.0
11.6 FMO Loan INT/PK 93032		01-Apr-1996	8 equal semi annual instalments	--	8,738,050	10.2	5.0
				-----	-----		
				17,215,150	60,384,000		
				-----	-----		
Local currency loans							
Rupees							
11.7 Swiss Agency for Development and Co-operation (SADC)		01-Nov-2000	5 equal annual instalments	33,000,000	--		17.00
11.8 Saudi Pak Industrial & Agricultural Investment Company (Private) Limited		01-Oct-1996	Quarterly repayments	--	2,639,237		18.50
11.9 Standard Chartered Grindlays Bank Limited		10-May-1998	3 equal annual installments	--	16,666,666		19.00
11.10 Oman International Bank SAOG		31-Ju1-1998	9 equal quarterly instalments	--	16,666,668		18.00
11.11 Standard Chartered Bank		28-Apr-1998	8 equal quarterly instalments	--	37,500,000		17.25
11.12 Pakistan Kuwait Investment Company		30-Mar-2000	2 equal quarterly instalments	--	50,000,000		17.65

(Private) Limited						
11.13 Standard Chartered Bank	01-Mar-1998	12 equal quarterly installments	6,666,669	20,000,002		16.50
11.14 The Bank of Tokyo-Mitsubishi Limited	26-Jun-1999	4 equal semi annual instalments	--	37,500,000		18.50
11.15 Al-Faysal Investment Bank Limited	03-Dec-2000	Full repayment on due date	100,000,000	100,000,000		18.50
11.16 Faysal Bank Limited	30-Dec-1999	Full repayment on due date	--	50,000,000		17.50
11.17 Standard Chartered Grindlays Bank Limited	30-Jul-1999	Full repayment on due date	--	50,000,000		17.75
11.18 Habib Bank Limited	26-Apr-1999	6 equal semi annual instalments	200,000,000	333,333,333	Note 11.18 (a)	
11.19 AI Meezan Investment Bank Limited	05-Mar-2000	Full repayment on due date	--	50,000,000		17.25
11.20 Al-Faysal investment Bank Limited	30-Dec-1999	20% loan repayable after 1 year & balance payable t year thereafter	135,983,029	169,978,786		18.25
11.21 Muslim Commercial Bank Limited	29-Jun-1999	6 equal semi annual instalment	25,000,000	41,666,667	Note 11.21 (a)	
11.22 Citibank N.A.	11-Jan-1999	2 instalments of Rs.10 million and balance payable after 6 months	--	70,000,000		18.00
11.23 Saudi Pak Industrial & Agricultural Investment Company (Private) Limited	13-Jun-1999	6 quarterly installments	9,289,635	42,567,772		18.25
11.24 First International Investment Bank Limited	30-Sep-1999	6 equal semi annual instalments	33,333,333	50,000,000		18.50
11.25 United Bank Limited	28-Jul-1999	8 equal quarterly instalments	--	200,000,000	Note 11.25 (a)	
11.26 Emirates International Bank PJSC	01-Sep-1999	12 quarterly installments	10,659,604	15,176,970		16.00
11.27 Muslim Commercial Bank Limited	29-Dec-1999	6 equal semi annual installments	100,000,000	150,000,000	Note 11.27 (a)	
11.28 Pakistan Kuwait Investment Company (Private) Limited	22-Jun-2001	2 equal annual instalments	100,000,000	100,000,000		17.00
11.29 Oman international Bank SAOG	30-Dec-1999	6 equal semi annual installments	40,000,000	60,000,000		15.00
11.30 ABN - AMRO Bank N.V.	29-Jul-2001	Full repayment on due date	120,000,000	60,000,000		12.00
11.31 ABN - AMRO Bank N.V.	29-Mar-2001	4 equal semi annual instalments	80,000,000	--		16.50
11.32 Standard Chartered Grindlays Bank Limited	26-Oct-2000	5 equal semi annual instalments	150,000,000	--	Note 11.32 (a)	
11.33 Standard Chartered Bank	30-Jun-2000	6 equal semi annual installments	125,000,000	--	Note 11.33 (a)	
11.34 Standard Chartered Bank	06-Sep-2000	6 equal semi annual instalments	50,000,000	--	Note 11.34 (a)	
11.35 Muslim Commercial Bank Limited	28-Jan-2002	7 equal semi annual instalments	200,000,000	--	Note 11.35 (a)	
11.36 Faysal Bank Limited	26-Apr-2004	Full repayment on due date	50,000,000	--	Note 11.36 (a)	
11.37 Standard Chartered Grindlays Bank Limited	09-Jun-2001	5 equal semi annual instalments	200,000,000	--	Note 11.37 (a)	
11.38 ABN - AMRO Bank N.V.	29-Dec-2001	4 equal semi annual instalments	100,000,000	--	Note 11.38 (a)	
			-----	-----		
			1,868,932,270	1,723,696,101		
			-----	-----		
		Total long-term loans	2,923,468,117	3,041,438,733		
		Less: Current maturity	974,935,312	1,057,561,670		
			-----	-----		
		Rupees	1,948,532,805	1,983,877,063		
			=====	=====		

The above loans are secured by hypothecation of leased assets and related lease receivables and the exchange risk fee is further secured by guarantees from commercial banks.

All loans have been obtained for financing of lease operations except for loans from IBRD, FMO loan INT/PK 93032 and SADC which have been obtained for financing of small scale and micro enterprises.

The local currency loans are obtained under sale and purchase agreements for financing of lease operations.

11.2.1 Represents a foreign currency loan from ADB of US\$ 20.0 million to be used for financing of lease operations. Due to difficulty in arranging satisfactory hedge for exchange rate risk, an undrawn amount of US \$10.2 million was cancelled during the year. As explained in Note 7.1.3 exchange risk is hedged by use of an alternative method.

11.4.1 The International Bank for Reconstruction and Development (IBRD) sanctioned a foreign currency pool loan equivalent to US\$ 26.0 million to Government of Pakistan (GOP) for on-lending to approved leasing companies in local currency for financing small scale and micro enterprises. The loan carries charges at the rate of 16% per annum which includes interest, administration charge, guarantee commission and foreign exchange fee.

11.18(a) This loan carries a mark-up of 3 percent over six months weighted average auction rate of Government treasury bills with a minimum of 15 percent and a maximum of 20 percent.

11.21(a) This loan carries a mark-up of 2 percent over six months auction rate of Government treasury bills with a minimum of 16.5 percent and a maximum of 19 percent.

11.25(a) This loan carries a mark-up of 2.5 percent over six months weighted average auction rate of Government treasury bills with a minimum of 16 percent and a maximum of 20 percent.

11.27(a) This loan carries a mark-up of 2 percent over six months auction rate of Government treasury bills with a minimum of 14.5 percent and a maximum of 19 percent.

11.32(a) This loan carries a mark-up of 3.5 percent over six months auction rate of Government treasury bills with a minimum of 15.5 percent and a maximum of 18 percent.

11.33(a) This loan carries a mark-up of 3 percent over six months auction rate of Government treasury bills with a minimum of 15.5 percent and a maximum of 19 percent.

11.34(a) This loan carries a mark-up of 3 percent over six months auction rate of Government treasury bills with a minimum of 15.5 percent and a maximum of 19 percent.

11.35(a) This loan carries a mark-up of 3 percent over one year auction rate of Government treasury bills with a minimum of 13 percent and a maximum of 17.5 percent.

11.36(a) This loan carries a mark-up of 2.5 percent over six months average of last six months auction rate of Government treasury bills with a minimum of 12.75 percent and a maximum of 17 percent.

11.37(a) This loan carries a mark-up of 3 percent over six months auction rate of Government treasury bills with a minimum of 12.5 percent and a maximum of 18 percent.

11.38(a) This loan carries a mark-up of 3.5 percent over three months auction rate of Government treasury bills with a minimum of 12.5 percent and a maximum of 17.5 percent.

	<i>NOTE</i>	<i>2000</i>	<i>1999</i>
12. LONG - TERM CERTIFICATES OF INVESTMENT			
Certificates of Investment		225,386,225	14,456,602
Less: Current maturity	14.1	1,706,683	2,923,294
		-----	-----
	Rupees	223,679,542	11,533,308
		=====	=====

Represents long term certificates of investment issued under profit and loss sharing basis at expected rates of profit ranging from 11.5% to 18% per annum. The certificates of investment are for terms of two to five years.

13. LONG - TERM ADVANCES AND DEPOSITS

Security deposit on leases	13.1	1,137,654,659	888,752,920
Less: Repayable/adjustable within 12 months		226,742,920	212,075,187
		-----	-----
		910,911,739	676,677,733
Advance lease rentals received	13.2	466,815	2,711,933
		-----	-----
	Rupees	911,378,554	679,389,666
		=====	=====

13.1 Represents sums received from lessees under lease contracts and are repayable/adjustable at the expiry of the lease period.

13.2 Represents sums received in advance and are adjustable against last rents due as per the lease agreement.

14. CURRENT LIABILITIES

Current maturity of long-term loans, certificates of investment and security deposit	14.1	1,203,384,915	1,272,560,151
Running finance under mark-up arrangements - secured	14.2	241,666,065	4,867,621
Short-term certificates of investment	14.3	401,214,058	131,666,709
Accrued financial and related charges	14.4	124,291,390	130,692,332
Creditors		12,665,033	18,630,442
Accrued expenses		8,405,188	8,590,633
Other liabilities	14.5	9,469,009	9,080,804
Provision for taxation - net	23	2,123,067	12,472,274

Proposed dividend	80,554,764	80,554,764
	-----	-----
Rupees	2,083,773,489	1,669,115,730
	=====	=====

14.1 Current maturity

Long-term loans	11	974,935,312	1,057,561,670
Certificates of investment	12	1,706,683	2,923,294
Security deposit on leases	13	226,742,920	212,075,187
		-----	-----
Rupees		1,203,384,915	1,272,560,151
		=====	=====

14.2 Represents running finance utilised against aggregate facilities from commercial banks of Rs. 344 million (1999: Rs 289 million) for one year and are renewable. The average rate of mark-up is 34 paisas per Rs.1,000/- per day on daily product basis. These arrangements are secured by hypothecation of leased assets and related lease receivables.

14.3 Represents short-term certificates of investment issued under profit and loss sharing basis at expected rates of profit ranging from 10% to 15% per annum. The certificates of investment are for terms of three to twelve months.

14.4 Accrued financial and related charges

Mark-up on secured loans.

Long-term loans	101,101,046	115,776,516
Short-term loans	1,095,891	48,573
Running finance	2,284,527	3,586,297
Profit on certificates of investment	18,476,596	10,156,103
Commitment charges	1,333,330	1,124,843
	-----	-----
Rupees	124,291,390	130,692,332
	=====	=====

14.5 Other liabilities

Advance from customers pending lease execution	3,960,588	4,407,166
Unclaimed dividend	1,381,005	947,361
Others	4,127,416	3,726,277
	-----	-----
Rupees	9,469,009	9,080,804
	=====	=====

15. COMMITMENTS

Leasing contracts committed but not executed at the balance sheet date were Rs. 34.8 million (1999: Rs. 10.3 million).

16. INCOME FROM FINANCE LEASES

Represents lease income recognised in accordance with the accounting policy as explained in Note 2.3.1, against lease rentals received and receivable for the year, amounting to Rs. 2,197,198,171/- (1999: Rs. 2,014,579,679/-). As explained in the aforementioned note, with effect from July 01, 1999, the Company is using the annuity method to recognise income.

Had the income been recognised under the sum of digits method as consistent with prior years, the income recognised for the year would have been higher by Rs. 17.7 million and accordingly profit would have been higher by the same amount.

17. OTHER INCOME

Return on foreign currency deposits	35,287,596	41,749,753
Return on deposits and investments	12,139,403	20,061,885
Gain / (Loss) on disposal of operating and leased assets	2,247,536	(2,024)
Other fees and income	14,836,168	14,267,912
Exchange gain	5,964,550	18,886,300
Dividend income	12,994,874	11,836,059
	-----	-----
Rupees	83,470,127	106,799,885
	=====	=====

18. FINANCE AND BANK CHARGES

Mark-up on		
Long-term loan	470,653,039	429,199,560

Short-term loan		5,927,206	16,555,776
Running finance		6,092,026	9,247,938
Profit on certificates of investment		52,390,609	52,683,149
Commitment charges		1,537,881	3,234,037
Exchange risk fee		14,368,502	23,832,667
Amortisation of deferred financial costs		10,101,732	15,095,170
Bank charges and commission		1,192,599	1,290,947
	Rupees	562,263,594	551,139,244

19. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Salaries, allowances, welfare and training	19.1	73,762,928	63,502,476
Rent and utilities		18,054,445	14,613,829
Travelling		4,401,758	4,703,230
Vehicle running and maintenance		6,233,595	4,641,803
Insurance on operating assets		2,708,933	2,221,645
Legal and professional charges		3,207,192	3,035,271
Communication		6,599,377	5,523,726
Subscriptions		740,275	548,636
Auditors' remuneration	19.2	1,413,760	1,257,400
Advertising		956,821	1,881,871
Printing and stationery		3,703,910	2,767,898
Depreciation		16,488,847	12,453,664
Office repairs and maintenance of equipment		3,372,726	3,518,818
Donations	19.3	1,847,874	1,460,566
Office general expenses		249,535	254,913
	Rupees	143,741,976	122,385,746

19.1 Includes Rs. 4.3 million (1999 - Rs. 3.3 million) in respect of defined benefit gratuity scheme. In addition, as explained in note 2.8.2 the Company will provide for accumulated compensated absences over three years. The liability on this account is Rs. 2.17 million of which Rs. 0.7 million has been provided this year and the unprovided liability amounting to Rs. 1.47 million will be provided over the next two years.

19.2 Auditors' remuneration

Audit fee		200,000	150,000
Fee for special audit and certificates		200,000	150,000
Tax and corporate advisory services		971,600	929,000
Out of pocket expenses		41,950	28,400
	Rupees	1,413,760	1,257,400

19.3 Donations

Donations include payments of Rs. 100,000/- each to the Patients' Aid Foundation and Marie Adelaide Leprosy Centre respectively. The Chief Executive, Mr. Humayun Murad, is a member of the Board of Governors of these registered charities.

19.4 The average number of employees during the year were 224 (1999 - 195).

20. DIRECT COST OF LEASES

20.1 Finance lease and Instalment loans

Insurance		43,610,056	27,227,778
Court fee and stamp duty		2,297,472	1,583,223
	Rupees	45,907,528	28,811,001

20.2 Operating Lease

Maintenance and insurance		14,289,429	11,089,014
Depreciation		17,979,242	9,344,611
	Rupees	32,268,671	20,433,625

	2000				1999			
	Chief Executive	Directors	Executives	Total	Chief Executive	Directors	Executives	Total
Managerial remuneration	2,850,000	1,675,000	29,280,786	33,805,786	2,250,004	1,429,996	23,270,672	26,950,672
Housing, utilities	1,300,000	863,698	15,213,556	17,377,254	999,996	686,069	12,175,964	13,862,029
Gratuity	142,464	107,396	1,666,737	1,916,597	109,589	92,053	1,415,822	1,617,464
	-----	-----	-----	-----	-----	-----	-----	-----
Rupees	4,292,464	2,646,094	46,161,079	53,099,637	3,359,589	2,208,118	36,862,458	42,430,165
	=====	=====	=====	=====	=====	=====	=====	=====
Number	1	2	107		1	2	91	
	=====	=====	=====	=====	=====	=====	=====	=====

The Chief Executive, a working Director and certain Executives are also provided with free use of Company owned and maintained cars.

2000 **1999**

22. TRANSACTIONS WITH ASSOCIATED COMPANIES

Dividend Income	Rupees	12,994,874	11,836,059
Subscription to right issue of an associated company	Rupees	--	88,538,170
Advisory, placement and loan arrangement fee	Rupees	--	1,000,000

23. TAXATION

Assessments have been finalized upto assessment year 1999-2000 by the Deputy Commissioner of Income Tax (DCIT). However, certain disallowances including initial depreciation claimed on certain leased assets have been made by the DCIT against which the Company has preferred appeals before the appropriate appellate forums.

Expenses, including initial depreciation claimed, which were disallowed by the DCIT for the assessment year 1996-97, have been set aside by the Income Tax Appellate Tribunal and directed to be re-assessed according to the law.

While finalising the Company's assessment for the assessment year 1998-99, the DCIT had made certain disallowances amounting to Rs. 403.8 million which include initial depreciation and lease key money. On appeal, items amounting to Rs. 116.1 million have been allowed by the Commissioner of Income Tax (Appeals) and the remaining items except for disallowances of certain profit and loss expenses, have been set aside for re-examination. The department appeal against the decision of CIT (Appeal) is pending with the Income Tax Appellate Tribunal. The Ministry of Finance and Economic Affairs (Revenue Division) has issued clarification regarding lease key money, stating that it should not be treated as part of income if it is refundable to lessees. In addition, in a recent order passed by the DCIT for the assessment year 1997-98, initial depreciation which had been set aside by the income Tax Appellate Tribunal has been allowed to the Company. Based on the above, management is confident that the ultimate decisions will be in favour of the Company. Accordingly, no provision has been made in the accounts in respect of the aforementioned disallowances.

24. CASH GENERATED FROM OPERATIONS

Profit for the year	156,076,789	150,463,752
Add / (Less): Adjustment for non-cash charges and other items:		
Depreciation and amortisation	52,522,534	36,893,445
Allowance for potential lease and instalment loans losses-net	10,258,460	2,589,544
Provision for staff retirement benefits-net	3,957,539	2,932,410
Mark-up expenses	482,672,271	455,003,274
Profit on certificates of investment	52,390,609	52,683,149
Dividend income	(12,994,874)	(11,836,059)
(Gain) / Loss on sale of fixed assets	(2,247,536)	2,024
	-----	-----
	586,559,003	538,267,787
	-----	-----
	742,635,792	688,731,539
	=====	=====

Movement in working capital

(Increase) / decrease in current assets:

Advances, prepayments and other receivables	(62,564,677)	(117,987,042)
Short-term loans	(10,050,000)	--
Short-term investment	(559,640)	1,233,640
	-----	-----
	(73,174,317)	(116,753,402)
(Decrease) / increase in creditors, accrued expenses and other liabilities	(5,987,806)	4,480,321
	-----	-----
	(79,162,123)	(112,273,081)
	-----	-----
Rupees	663,473,669	576,458,458
	=====	=====

25. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk arises from the possibility of asset impairment occurring because counter parties cannot meet their obligations in transactions involving financial instruments. The Company has established procedures to manage credit exposure including credit approvals, credit limits, collateral and guarantee requirements. These procedures incorporate both internal guidelines and the NBFIs regulations. The Company also manages risk through an independent credit department which evaluates lessees credit worthiness and growth potential.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or activities in the same geographic region, or have similar economic features which would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

The Company manages concentration of credit risk exposure through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments. For such purpose, the Company has established exposure limits for single lessees and industrial sectors. The Company has an effective rental monitoring system which allows it to evaluate customers credit worthiness and identify potential problem accounts. An allowance for potential lease losses is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on lease portfolio that can be reasonably anticipated.

An analysis by industrial sector of the Company's investment in leases and instalment loans is given below:

<i>Sector</i>	<i>2000</i>		<i>1999</i>	
	<i>Rupees</i>	<i>Percentage</i>	<i>Rupees</i>	<i>Percentage</i>
Textile and allied	733,143,780	13.81	690,103,657	15.24
Services	706,617,362	13.31	637,337,833	14.08
Trading	420,343,920	7.91	290,417,099	6.42
Food and allied	314,878,229	5.93	272,445,872	6.02
Steel and engineering	267,678,909	5.04	274,671,135	6.07
Chemical and pharmaceutical	259,630,357	4.89	273,300,090	6.04
Sugar	228,060,134	4.30	220,933,456	4.88
Transport and communication	190,753,957	3.59	148,624,741	3.28
Paper board and printing	155,064,681	2.92	150,221,442	3.32
Manufacturers of consumer good	144,236,445	2.71	118,237,728	2.61
Fuel and energy	110,864,289	2.09	164,470,337	3.63
Financial institutions	88,416,421	1.67	125,927,335	2.78
Installment loans - consumer and	1,031,549,781	19.43	571,121,743	12.62
Miscellaneous	658,326,380	12.40	588,790,138	13.01
	-----	-----	-----	-----
Net investment in leases and insta	5,309,564,645	100.00	4,526,602,806	100.00
	=====	=====	=====	=====

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments are not materially different from their book values as shown in these financial statements.

27. INTEREST RATE RISK MANAGEMENT

Changes in interest rates or in the relationships between short and long-term interest rates can affect the rates charged on interest earning assets differently than the rates paid on interest bearing liabilities. This can result in an increase in interest expense relative to finance income or vice versa. The Company manages this risk by matching its long-term assets with long-term loans and ensuring that loan rates are locked in below lease rates.

The Company's interest rate sensitivity position for interest bearing financial assets and liabilities is as follows:

<i>Financial Assets</i>	<i>2000</i>		<i>Total</i>
	<i>Less than one year</i>	<i>Over one year</i>	
Net investment in leases and instalment loans-net off related deposits	1,598,611,400	2,427,882,138	4,026,493,538
Long-term investment in Government Securities	--	78,736,269	78,736,269
Long-term loans and advances	3,621,748	39,202,196	42,823,944
Short-term loans and investment	33,876,000	--	33,876,000
Cash and bank balances on deposits	101,001,901	--	101,001,901
	-----	-----	-----
Rupees	1,737,111,049	2,545,820,603	4,282,931,652
	=====	=====	=====
Financial Liabilities			
Long-term loans	974,935,312	1,948,532,805	2,923,468,117
Long-term certificates of investment	1,706,683	223,679,542	225,386,225
Running finance under mark-up arrangement	241,666,065	--	241,666,065
Short-term certificates of investment	401,214,058	--	401,214,058
	-----	-----	-----
Rupees	1,619,522,118	2,172,212,347	3,791,734,465
	=====	=====	=====
Excess of Assets over Liabilities	Rupees		
	117,588,931	373,608,256	
	=====	=====	=====
		2000	1999

28. EARNINGS PER SHARE - Basic and Diluted

The effective interest/mark-up rates for monetary financial assets and liabilities are mentioned in the respective notes to the accounts.

EPS	=	Net profit after taxation	=	136,076,789	130,463,752
				-----	-----
		Weighted average no. of ordinary shares		20,138,691	20,138,691
				-----	-----
				6.76	6.48
				=====	=====

29. CORRESPONDING FIGURES

Prior year's figures have been re-arranged for purposes of comparison wherever necessary.

SHAKIRULLAH DURRANI
VICE CHAIRMAN

HUMAYUN MURAD
CHIEF EXECUTIVE

PATTERN OF SHAREHOLDING AS AT JUNE 30, 2000

<i>NUMBER OF SHARE HOLDERS</i>	<i>SHAREHOLDING</i>			<i>TOTAL SHARES HELD</i>
498	1	--	100	14,825
438	101	--	500	118,307
322	501	--	1,000	208,744
159	1,001	--	5,000	330,026
32	5,001	--	10,000	227,661
15	10,001	--	15,000	193,406
10	15,001	--	20,000	173,038

4	20,001	--	25,000	91,561
4	25,001	--	30,000	112,439
3	30,001	--	35,000	93,020
1	40,001	--	45,000	43,250
3	50,001	--	55,000	154,858
1	55,001	--	60,000	56,194
1	75,001	--	80,000	76,230
1	95,001	--	100,000	98,750
1	125,001	--	130,000	125,050
1	130,001	--	135,000	133,250
1	145,001	--	150,000	148,136
1	235,001	--	240,000	237,750
1	240,001	--	245,000	240,557
1	260,001	--	265,000	260,812
1	445,001	--	450,000	445,292
1	625,001	--	630,000	627,500
1	990,001	--	995,000	994,971
1	1,065,001	--	1,070,000	1,068,000
1	1,130,001	--	1,135,000	1,132,011
1	1,280,001	--	1,285,000	1,283,033
1	11,450,001	--	11,455,000	11,450,020
-----				-----
1,505				20,138,691
=====				=====

There are no shareholdings in the slabs which have not been included above.

<i>CATEGORIES OF SHAREHOLDERS</i>	<i>NUMBER OF SHARE HOLDERS</i>	<i>SHARES HELD</i>	<i>PERCENTAGE</i>
1. INDIVIDUALS	1,457	2,289,539	11.37
2. INVESTMENT COMPANIES	11	456,546	2.27
3. INSURANCE COMPANIES	4	1,171,357	5.82
4. JOINT STOCK COMPANIES	15	130,337	0.65
5. FINANCIAL INSTITUTIONS	3	1,416,719	7.03
6. MODARABAS	6	15,624	0.07
7. ORIX CORPORATION AND ITS NOMINEES	4	11,494,558	57.08
8. INTERNATIONAL FINANCE CORPORATION	1	1,132,011	5.62
9. OTHER - FOREIGN FUNDS	4	2,032,000	10.09

TOTAL	1,505	20,138,691	100.00
=====			

ORIX GROUP DIRECTORY

JAPANESE REGION

<i>Principal Business</i>	<i>Established (equity interest acquired)</i>	<i>ORIX Group's Ownership (%)</i>
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* Domestic Operations

Leasing and Instalment Loans

ORIX Corporation

Providing direct financing leases and operating leases for OA equipment, computers, industrial equipment, plants, aircraft, and other equipment; providing instalment loans.

ORIX Alpha Corporation

Leasing and financing furnishings equipment for retailers, hotels, restaurants, and other users; providing mediatory and	1972	100
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consulting services.

ORIX Auto Leasing Corporation	Auto lessor in Japan active mainly leasing but with growing business in auto leases for individuals.	1973	100
ORIX Aircraft Corporation	Aircraft leasing.	1986	100
ORIX Media Supply Corporation	Placement and management of ren televisions in hospitals and hotels; leasing and instalment sales.	1999	100
Sunleasing Co., Ltd.	Leasing for pharmaceutical whole medical institutions.	(1999)	100
Real Estate Related Business			
Real Estate Business Headquarters	Brokering real estate and other real estate related services, such as dormitory leasing.		
Real Estate Finance Headquarters	Financing, project finance, real estate investment product development, real estate liquidization, real estate securitization.		
ORIX Real Estate Corporation	Real estate development and man	1999	100
ORIX Asset Management and Loan Services Corporation	Commercial mortgage servicing.	1999	100
ORIX Estate Corporation	Managing real estate and leisure f	(1986)	100
Rentals			
ORIX Rentec Corporation	Rental supplier of high-precision equipment.	1976	100
ORIX Rent-A-Car Corporation	Rent-a-car business,	1985	100
X-Rent-A-Car Corporation	Rent-a-car business,	(1999)	100
Hotel Management and Training Facilities Management			
Blue Wave Corporation	Hotel and training facilities manag	1991	100
Consumer Finance			
ORIX Credit Corporation	Consumer credit company engage business centered on shopping credit and consumer finance.	1979	100
ORIX Club Corporation	Consumer loans.	1990	100
ORIX Club Corporation	Consumer loans.	1994	100
Computer Software			
ORIX Computer Systems Corporation	Software engineering house.	1984	100
Securities Brokerage			
ORIX Securities Corporation	Securities house.	(1986)	100
Venture Capital			
ORIX Capital Corporation	Management of venture capital in funds.	1983	100
Marine Transport			
ORIX Maritime Corporation	Shipping and ship management se	1977	100

Life Insurance			
ORIX Life Insurance Corporation	Life insurance.	1991	100
Insurance Agency			
ORIX Insurance Services Corporation	Agency services for casualty and insurance.	1976	100
ORIX Insurance Planning Corporation	Agency services for casualty insu	1999	50
Interior Products			
ORIX Interior Corporation	Manufacturer of carpet and other i products.	1998	100
Futures and Options			
ORIX Investment Corporation	Proprietary trading in global futur	1999	100
ORIX COMMODITIES Corporation	Futures and options trading.	1990	100
Environmental Services			
ORIX Eco Services Corporation	Environmental services.	1998	100
Trust Bank			
ORIX Trust and Banking Corporation	Trust and banking services.	(1998)	100
Advertisement Agency			
ORIX Create Corporation	Co-ordination of Group PR activiti	1998	100
Accounting Business			
ORIX Management Information Center Corporation	General/comprehensive accountin services.	1999	100
Call Center			
ORIX Call Center Corporation	Call center.	1999	100
Entertainment			
ORIX Baseball Club	Professional baseball team.	(1988)	100

* **Investment Banking****ORIX CorporatiPrincipal Business**

Investment Banking Headquarters	Supervising ORIX's entire international operations and providing an extensive range of financial and investment banking services adapted to the characteristics of each market.
Overseas Administration Office	Keeping up the worldwide Group network and being responsible for centralized planning and administrative support for international operations.
Capital Product Group	Arranging a variety of structured finance products for aviation, shipping, and other industries; development of capital products meeting the needs of ORIX's extensive customer base.
Marine Business Group	Providing a full range of financial services to the shipping industry, including arrangement of debt finance and equity investment; brokering sales and purchases of ships and acting as an intermediary for the building of new ships.
Corporate Finance Group	Arranging diversified structured finance products, including securitizations; providing corporate financial advisory services; investing in international

capital and money market products.

M&A Group

Planning and development of new business and investments, including mergers and acquisitions overseas.

ASIA & OCEANIA REGION

		<i>Principal Business</i>	<i>Established (equity interest acquired)</i>	<i>ORIX Group's Ownership (%)</i>
ORIX Investment And Management Private Limited	Singapore	Venture capital investment.	1981	100
ORIX Leasing Singapore Limited	Singapore	Equipment leasing, hire purchase, financial services.	1972	50
ORIX CAR RENTALS PTE. LTD.	Singapore	Rent-a-car business and auto leasi	1981	45
ORIX COMMODITIES SINGAPORE PTE. LIMITED	Singapore	Trading futures and options for pr and client accounts.	1990	100
ORIX Rentec (Singapore) Pte. Limited	Singapore	Equipment rental.	1995	100
ORIX Asia Limited	China (Hong Kong)	Leasing and investment banking i and throughout Southeast Asia.	1971	100
ORIX HOTELS INTERNATIONAL PRIVATE LIMITED (Registered in Singapore)	China (Hong Kong)	Hotel management and developme	1991	100
China Orient Leasing Co., Ltd.	China	Equipment leasing.	1981	50
Korea Development Leasing Corporation*	South Korea	Equipment leasing and other finan	1975	1.4
GLOBAL RENTAL COMPANY LIMITED	South Korea	Equipment rental.	1995	42
Korea Rental Corporation	South Korea	Rental of office equipment, measu instruments, etc.	(1996)	23
ORIX Taiwan Corporation	Taiwan	Hire purchase services and equip leasing services.	1990	95
ORIX Auto Leasing Taiwan Corporation.	Taiwan	Auto leasing.	1998	100
Consolidated ORIX Leasing and Finance Corporation	Philippines	Lease financing and mortgage loa	1977	40
Thai ORIX Leasing	Thailand	Equipment leasing, hire purchase,	1978	49

Co., Ltd.		services.		
ORIX Leasing Malaysia Berhad	Malaysia	Equipment leasing and other finan services.	1973	80
* Listed company				
ORIX CAR RENTALS SDN.BHD.	Malaysia	Rent-a-car business.	1989	54
ORIX Rentec (Malaysia) Sdn. Bhd	Malaysia	Equipment rental.	1996	94
PT. ORIX Indonesia Finance	Indonesia	Equipment leasing and other finan	1975	83
INFRA-STRUCTURE LEASING & FINANCIAL SERVICES LIMITED	India	Infrastructure commercialization, e leasing, and other financing services.	(1993)	20
ORIX AUTO FINANCE (INDIA) LIMITED	India	Auto leasing and fleet manageme	1995	60
Investsmart India Limited	India	Securities brokerage business.	1997	38
Lanka ORIX Leasing Company Limited*	Sri Lanka	Equipment leasing services.	1980	30
ORIX Australia Corporation Limited	Australia	Equipment leasing, vehicle operati and other financing services.	1986	100
Ranger Truck Rental and Leasing Pty Limited	Australia	Truck rental and vehicle operating	(1998)	100
AUSTRAL MERCANTILE COLLECTIONS PTY LIMITED	Australia	Debt servicing.	1998	50
ORIX Hire Pty Limited (Krueger Hire)	Australia	Trailer leasing and rental services.	1999	90
ORIX New Zealand Limited	New Zealand	Vehicle operating leases, equipme car and truck rentals, and other financial services.	(1988)	100

* Listed company

MIDDLE EASTERN & NORTH AFRICAN REGION

Regional General Manager, Middle East: Humayun Murad

<i>Principal Business</i>	<i>Established (equity interest acquired)</i>	<i>ORIX Group's Ownership (%)</i>
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ORIX Leasing Pakistan Limited*	Pakistan	Equipment leasing services.	1986	57
ORIX Investment Bank Pakistan Limited*	Pakistan	Investment bank.	1995	29
Oman ORIX Leasing Company SAOG*	Oman	Equipment leasing.	1994	12
ORIX Leasing Egypt SAE	Egypt	Equipment leasing.	1997	36

*Listed company

AMERICAS REGION**Corporate Executive Officer and Regional Chief Executive: Yoshio Ono**

ORIX USA CORPORATION	U.S.A.	Equipment leasing, asset- based le real estate leasing, and general corporate financing.	1981	100
ORIX Real Estate Equities, Inc.	U.S.A.	Commercial real estate developme investment.	(1987)	100
ORIX Commercial Alliance Corporation	U.S.A.	Instalment financing.	(1989)	100
ORIX Real Estate Capital Markets, LLC.	U.S.A.	Commercial mortgage servicing, is of MBS, and real estate investment.	1997	100
EnCom Corporation	U.S.A.	Electric power business.	(2000)	20
Stockton Holdings Limited	Bermuda	Trading in global futures markets f proprietary and client accounts.	(1989)	30

EUROPEAN REGION

ORIX Europe Limited	U.K.	Corporate and asset-based financ and investment.	1982	100
ORIX Corporate Finance Limited	U.K.	Investment banking focusing on c market and structured finance.	1989	100
ORIX IRELAND LIMITED	Ireland	Investment in and trade of securiti loans; general corporate finance and asset-based finance.	1988	100
ORIX AVIATION SYSTEMS LIMITED	Ireland	Operating/finance leases for aimra other related services.	1991	100
ORIX Polska S.A.	Poland	Equipment leasing services.	1995	88