

## Interasia Leasing Company Limited

Annual Report 2000

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### COMPANY INFORMATION

<b>Board of Directors</b> As at June 30, 2000	Mr. Muhammad Younas Khan	Chairman
	Mr. Jameel ur Rehman	Chief Executive
	Mr. Talha Qureshi	Director
	Mr. Muhammad Azam Khan	Director
	Mr. Abdus Samad Khan	(Nominee of Saudi Pak Industrial & Agricultural Investment Co (Pvt) Ltd)
	Mr. Abdul Quddus Siddiqi	Director
	Saiyed Hashim Ishaque	Director

**Company Secretary** Muhammad Salman Haider (ACA)

**Bankers** Gulf Commercial bank Ltd  
The Bank of Khyber  
Trust Investment Bank Ltd

**Legal Advisors** Ahmer Bilal Soofi, Advocates & Solicitors  
**Auditors** M/s Khalid Majid Husain Rahman, Chartered Accountants  
**Registrar and Share Transfer Office** Universal Management Services (Pvt) Ltd  
Room No.205, 2nd Floor, Central Hotel Building  
Civil Lines, Karachi  
Phone: 5654037

**Registered Office** 101, 82-East, Fazal ul Haq Road, Blue Area  
Islamabad - 44000  
Phone: (92 51) 2206731 - 2206272  
Fax: (92 51) 2201380

**Head Office** Suite # 1, 3rd Floor, Leeds Centre  
11-E-2, Main Boulevard, Gulberg-III, Lahore  
Phone: (92 51) 5717295 - 96  
Fax: (92 51) 5717297

### NOTICE OF THE MEETING

Notice is hereby given that the Eighth Annual General Meeting of INTERASIA LEASING COMPANY LIMITED will be held at Hotel Holiday Inn, Islamabad on Saturday, December 30, 2000 at 1500 hours to transact the following business.

#### ORDINARY BUSINESS

1. To confirm minutes of the Third Extra Ordinary General Meeting of the Company held on April 03, 2000.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2000 together with the Directors' and Auditor's report thereon.
3. To appoint Auditors for the year 2000-2001 and fix their remuneration.
4. To transact any other business with the permission of the Chair.

By Order of the Board

**Islamabad:**  
November 25, 2000

**MUHAMMAD SALMAN HAIDER**  
Company Secretary

**NOTES:**

1. The Register of Members of the Company will remain closed from December 22, 2000 to December 29, 2000 (both days inclusive).
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her. A proxy need not be a member of the Company.
3. An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney in order to be valid must be deposited at the registered office of the Company not less than 48 hours before the time of the meeting.
4. Members are advised to lodge shares for transfer at the office of the Company Registrar, Universal Management Services (Pvt) Ltd., Room No.205, 2rid Floor, Central Hotel Building, Civil Lines, Karachi.
5. CDC shareholders desiring to attend the meeting are requested to bring their original national identity cards, account and participant's ID number for identification purpose and, in case of proxy, to enclose an attested copy of his/her national identity card.
6. Members are requested to notify any change in address immediately.

**DIRECTORS' REPORT AND REVIEW BY THE CHAIRMAN**

The Board of Directors of InterAsia Leasing Company Limited presents the Eighth Annual Report alongwith Audited Accounts for the year ended June 30, 2000.

**GENERAL REVIEW:**

The country's economy, which was being poorly managed in the past, did not show any sign of recovery during the year under review. The prevailing investment climate and the business environment failed to attract fresh local or foreign investment. The only positive signs came from the bumper agricultural crop and good performance of the textile sector. Naturally the sluggish economy did not provide any inputs to the leasing sector. The businesses whose leasing facilities had become problematic also did not show any sign of recovery. Consequently the recovery process continued to be slow and a futile exercise. Your management continued to focus its attention on the recoveries and generation of new deposits to generate fresh resources. In this regard, some new members of staff have been inducted who have started producing results. The past association of your Company with the BEL fiasco has resulted in a lack of confidence from the banks, which we are trying to restore. Money market brokers have been approached to get overnight funds and efforts are being made to induct more staff who could deliver institutional deposits. The new management has continued to pay back liabilities from the recoveries being made in order to lesson the debt burden. Small amounts of leases are also being written.

**OPERATING PERFORMANCE:**

Owing to the severe liquidity crunch, our lease operations were restricted and the income from lease financing declined from Rs. 59.4 million in the previous year to Rs. 33 million during the year under review. The management continued to pay attention to expenses. However the increase in administrative expenses from Rs. 9.4 million to Rs. 16.2 million is attributable to the charges which the Company had to absorb fully this year which previously were being shared with other group companies. As a results of our intensified efforts, improved recovery position due to retirement of the debts and the marketing of new COIs financial charges have been reduced considerably from Rs. 35 million to Rs. 22 million. Despite an overall reduction in the lending rates in the market, your Company had to pay higher mark up on its borrowings because of its prior commitments.

Your Company is still stuck with certain inherited poor performing portfolio which is being pursued vigorously for early recoveries. The archaic legal system is the biggest impediment in effecting recoveries. Even after a decree is issued, there is no guarantee that it will be executed speedily. Easy grant of the stay orders is yet another stumbling block in the prompt implementation of decrees.

**Financial ResuRupees**

Net investment in leases	165,561,002
Revenue	33,433,047
Expenditure	51,830,055
Provision for potential lease losses	(17,580,903)
Provision for diminution in the value of investments (marked to market)	3,666,240
Provision for taxation deferred and current	7,788,240

Loss after tax 12,270,585

#### **REVERSAL OF KASHMIR SUGAR MILLS LIMITED (KSML) LEASE:**

Your Company participated in a lease syndication of Kashmir Sugar Mills Limited (KSML) in the year 1997-98 to the tune of Rs. 40 m. The legal documentation with Bankers Equity Limited was very weak and the lessee i.e KSML also refused to recognize ILCL as its lessor. The issue was discussed with BEL, being the lead syndicate member, and it was resolved that both the companies will reverse the lease. Consequently, income of Rs. 12.2 m booked in the previous years had to be reversed this year.

#### **REFERENCE TO NOTE NO.14.3 IN THE AUDITORS' REPORT:**

This refers to two leases (1) Syed Bhais Lighting Limited and (2) Nimir Industrial Chemicals Limited which were disbursed in 1997 and 1995 respectively. At the time of disbursement the conditions of SRO 345(I)/96 of Leasing Companies (Establishment and Regulation Rules 1996) were fulfilled because of sufficient equity. However, as a result of the losses incurred during the year 1999 the equity of the Company shrank from Rs. 134 million to Rs. 86.381 million, resulting in a higher exposure than prescribed by the SRO 345(I)/96.

Subsequently, the SECP issued SRO 663(1)/2000 Leasing Companies (Establishment and Regulation) Rules, 2000 on September 25, 2000 allowing a single group exposure of maximum 20% of the net investment in leasing transactions. Both the leases in question are covered within the new prescribed limit.

#### **CREDIT RATING:**

The Pakistan Credit Rating Agency (Pvt) Ltd. (PACRA) has rated your Company as 'BB' (Double B) for long term and 'B' (Single B) for short term.

#### **FUTURE OUT LOOK:**

The initial liquidity problems have been overcome somewhat with the availability of sizeable matching credit facility from a premier international bank. Negotiations for further credit lines are in progress with some financial institutions. The current ratio has also improved to 1: 0.58 (as per NBFIs Regulations) that will help in negotiating further credit lines. Drive for COIs is also being geared up. With access to additional funds it will be possible to step up our efforts to progressively increase the volume of lease business. We seek indulgence of the shareholders and would ask them to bear with us a little longer, as we are just about to turn the corner for the better.

#### **AUDITORS:**

The name of M/S Hussain Rahman, Chartered Accountants, who have offered themselves for appointment, is being proposed as auditors.

#### **ACKNOWLEDGMENT:**

The Board takes the opportunity of appreciating the efforts of the management and staff for their dedication and hard work. We also thank the Securities & Exchange Commission of Pakistan and the State Bank of Pakistan for their continued support and guidance.

#### **PATTERN OF SHAREHOLDING:**

The pattern of shareholdings as at June 30, 2000 is given on page No.28

On behalf of the Board

Islamabad:  
November 25, 2000

**MUHAMMAD YOUNAS KHAN**  
Chairman

### **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed Balance Sheet of InterAsia Leasing Company Limited as at June 30, 2000 and the related Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statement 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 thereof, 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:

1. 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;

2. The expenditure incurred during the year was for the purpose of the Company's business; and

3. 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, the 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 loss and 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 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Without qualifying our opinion we draw attention to note 14.3.

Islamabad,  
November 27, 2000

**KHALID MAJID HUSSAIN RAHMAN**  
Chartered Accountants

## BALANCE SHEET AS JUNE 30, 2000

	NOTE	2000 RUPEES	1999 RUPEES
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorised Capital</b>			
20,000,000 ordinary shares of Rs. 10 each		200,000,000	200,000,000
<b>Issued, subscribed and paid up capital</b>			
10,000,000 ordinary shares of Rs. 10 each fully paid up in cash	3	100,000,000	100,000,000
<b>Reserves</b>			
Capital		33,805,866	26,181,263
Revenue		(52,070,807)	(39,800,222)
		81,735,059	86,381,041
<b>NON-CURRENT LIABILITIES</b>			
Long term loans	4	1,906,401	8,146,401
Certificates of investment	5	4,307,376	3,562,375
Liability against asset subject to finance lease	6	642,837	--
Long term deposits	7	14,774,813	35,961,381
Deferred liability	8	439,621	--
		22,071,048	47,670,157
<b>CURRENT LIABILITIES</b>			
Current portion of long term liabilities	9	18,907,155	28,616,100
Finance under mark-up arrangements	10	58,336,211	78,965,305
Certificates of investment	5	71,577,667	77,763,410
Accrued and other liabilities	11	23,676,708	38,208,441
Provision for taxation		1,145,995	982,358
Unclaimed dividend		497,282	550,006

		-----	-----
		174,141,018	225,085,620
<b>CONTINGENCIES AND COMMITMENTS</b>	12	--	--
		-----	-----
		277,947,125	359,136,818
		=====	=====
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Tangible fixed assets	13	3,168,836	2,602,878
Net investment in finance leases	14	113,869,587	199,673,901
Long term investments	15	16,398,691	22,014,411
Long term deposits		886,670	393,070
Deferred costs	16	236,783	1,157,491
		134,560,567	225,841,751
<b>CURRENT ASSETS</b>			
Current portion of net investment in finance leases	14	51,691,415	79,087,031
Advances, prepayments and other receivables	17	85,192,727	47,350,242
Cash and bank balances	18	6,502,416	6,857,794
		-----	-----
		143,386,558	133,295,067
		-----	-----
		277,947,125	359,136,818
		=====	=====

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

**CHIEF EXECUTIVE**

**DIRECTOR**

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

	<i>NOTE</i>	<i>2000 RUPEES</i>	<i>1999 RUPEES</i>
<b>REVENUE</b>			
Income from lease financing	19	32,727,339	59,356,023
Income from investments		2,850	--
Other Income	20	702,858	913,403
		-----	-----
		33,433,047	60,269,426
<b>EXPENDITURE</b>			
Administrative and operating expenses	21	16,230,592	9,411,659
Financial and other charges	22	22,499,878	42,184,389
Amortization of deferred cost		920,708	920,707
		-----	-----
		39,651,178	52,516,755
<b>PROFIT/(LOSS) BEFORE PROVISIONS</b>		(6,218,131)	7,752,671
Provision for potential lease losses		(17,580,903)	37,714,190
Provision for diminution in value of Investments		3,666,240	17,158,201
		-----	-----
		(13,914,663)	54,872,391
		-----	-----
		7,696,532	(47,119,720)
Reversal of Kashmir Sugar Mills Income Recognised in previous year	17.2	12,178,877	
		-----	-----
<b>(LOSS) BEFORE TAXATION</b>		(4,482,345)	(47,119,720)
<b>PROVISION FOR TAXATION</b>	23	7,788,240	9,378,582
		-----	-----
<b>(LOSS) AFTER TAXATION</b>		12,270,585)	(56,498,302)
<b>UN-APPROPRIATED PROFIT/(LOSS) BROUGHT FORWARD</b>		49,800,222)	6,698,080
		-----	-----
<b>UN-APPROPRIATED (LOSS)</b>		62,070,807)	(49,800,222)
		=====	=====
<b>(LOSS) PER SHARE</b>	24	(1.23)	(5.65)
		=====	=====

The annexed notes form an integral part of these financial statements

**CHIEF EXECUTIVE**

**DIRECTOR**

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

	<i>2000</i>	<i>1999</i>
	<i>RUPEES</i>	<i>RUPEES</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>(Loss) before taxation</b>	(4,482,345)	(47,119,720)
<b>Adjustments for:</b>		
Depreciation	1,219,845	990,464
Deferred costs amortized	920,708	920,707
Financial charges	22,102,718	35,586,665
(Gain)/loss on sale of fixed assets	--	1,609
Provision for diminution in the value of investments	3,666,240	17,158,201
Provision for potential lease losses	(13,170,580)	37,714,190
Provision for gratuity	812,004	
	-----	-----
	15,550,935	92,371,836
	-----	-----
<b>Operating Profit/(Loss) before working capital changes</b>	11,068,590	45,252,116
(Increase)/decrease in advances, prepayments and other receivable	(37,491,722)	(16,470,305)
Increase/(decrease)in accrued and other liabilities	(30,385,203)	(3,285,681)
	-----	-----
	(67,491,722)	(19,755,986)
	-----	-----
<b>Cash (used)/generated from operations</b>	(56,808,335)	25,496,130
<b>Payments for</b>		
Income tax	(277,953)	(1,066,367)
Dividend	(52,724)	10,460,223)
Financial charges	(12,340,547)	35,090,931)
Gratuity	(372,383)	
	-----	-----
<b>Net cash (used) in operating activities</b>	(69,851,942)	(21,121,391)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(736,803)	(410,850)
Proceeds from sale of fixed assets	--	461,070
Increase in long term security deposits	(493,600)	(205,000)
Investment in leases finance- net	126,297,698	42,130,522
Decrease in long term investments	1,949,480	1,180,996
	-----	-----
<b>Net cash generated from investing activities</b>	127,016,775	43,156,738
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term loans paid	(8,830,000)	14,046,000)
Short term finances obtained	15,000,000	98,500,000
Short term finances paid	33,283,792)	(105,016,031)
Certificates of investment	(5,440,743)	4,548,985
Lease money settled	24,810,948)	(4,098,032)
Payments of lease obligations	(154,728)	--
	-----	-----
<b>Net cash (used) in financing activities</b>	57,520,211)	(20,111,078)
	-----	-----
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(355,378)	1,924,269
	-----	-----
<b>Cash and cash equivalents at the beginning of the year</b>	6,857,794	4,933,525
	-----	-----
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	6,502,416	6,857,794
	=====	=====

**CHIEF EXECUTIVE**

**DIRECTOR**

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

	Share Capital		Capital Reserve			Revenue Reserve			Total
	NOTE 3 Rupees	Reserve for Contingencies NOTE 3.1 Rupees	Reserve for Deferred Tax Liability Rupees	Statutory Reserve Rupees	Sub-Total Rupees	General Reserve Rupees	Un-appropriated profit/(Loss) Rupees	Sub-Total Rupees	
Balance as at July 01, 1998	100,000,000	3,339,892	--	13,759,493	17,099,385	10,000,000	6,698,080	16,698,080	133,797,465
Net profit / (loss) for the year	--	--	--	--	--	--	(47,416,424)	(47,416,424)	(47,416,424)
Transfer to reserve for deferred tax liability	--	--	9,081,878	--	9,081,878	--	(9,081,878)	(9,081,878)	--
Balance as at June 30, 1999	100,000,000	3,339,892	9,081,878	13,759,493	26,181,263	10,000,000	(49,800,222)	(39,800,222)	86,381,041
Net profit / (loss) for the year	--	--	--	--	--	--	(4,645,982)	(4,645,982)	(4,645,982)
Transfer to reserve for deferred tax liability	--	--	7,624,603	--	7,624,603	--	(7,624,603)	(7,624,603)	--
Balance as at June 30, 2000	100,000,000	3,339,892	16,706,481	13,759,493	33,805,866	10,000,000	(62,070,807)	(52,070,807)	81,735,059

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

CHIEF EXECUTIVE

DIRECTOR

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

### 1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on November 30, 1992, as a public limited company and is listed on the Karachi and Islamabad Stock Exchanges. The licence to carry on leasing business was granted on April 26, 1993 and the certificate of commencement of business was obtained on May 02, 1993. The main business activity of the company is leasing.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Overall valuation policy

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

#### 2.2 Compliance with International Accounting Standards (IAS)

These financial statements have been prepared in compliance with International Accounting Standards (IAS) as applicable in Pakistan in all material aspects.

#### 2.3 Revenue recognition

##### 2.3.1 Lease

The Company follows "financial method" in accounting for recognition of lease income. Accordingly unearned lease income is taken over the term of the lease, starting from the period in which the lease is executed, so as to produce a constant return on net investment in the lease.

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

##### 2.3.2 Investments

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

Gain/profit on trading of investments are taken to income when it is realised.

##### 2.3.3 Other

Other income is recognised when earned.

#### 2.4 Tangible fixed assets and depreciation

Operating fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method. In respect of additions and deletions of assets during the year, depreciation is charged proportionately from/to the month of acquisition and deletion respectively.

Major extensions, renewals and improvements are capitalised.

Maintenance and minor improvements are charged to income as and when incurred. Gains and losses on disposal of fixed assets are included in current income.

**2.5 Investments**

2.5.1 Long term investments are carried at cost. Provision is made for diminution in value of investments, if any.

2.5.2 Short term investments are valued at the lower of average cost and market value determined on an aggregate portfolio basis, using Karachi Stock Exchange quotations.

**2.6 Taxation**

**2.6.1 Current**

Provision is made on taxable income at the prevailing rates of taxation after taking into account tax credits and rebates available, if any.

**2.6.2 Referred**

The company accounts for deferred taxation arising on all major timing differences using the liability method.

**2.7 Deferred costs**

Deferred costs are amortised during the period not exceeding five years from the year of incurrence thereof.

**2.8 Employees' retirement benefits**

The Company operates a contributory provident fund under a separate trust for all its permanent employees and contributions are recorded monthly in accordance with the fund rules. The Company also operates gratuity scheme for its permanent employees under the terms of their appointments. The benefits are payable to the employees on completion of prescribed qualifying period of service.

**3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL**

It includes 2,601,300 (1999: 2,612,300) ordinary shares of Rupees 10 each held by the associated undertakings.

**3.1 CONTINGENCIES RESERVE**

This represents a reserve created to meet any contingencies that may arise on the lease rentals receivable.

**4. LONG TERM LOANS**

	<i>Notes</i>	<i>2000</i> <b>RUPEES</b>	<i>1999</i> <b>RUPEES</b>
Bankers Equity Ltd	4.1	5,652,401	9,398,401
Crescent Investment Bank Ltd		--	3,000,000
Gulf Commercial Bank Ltd		--	5,830,000
		-----	-----
		5,652,401	18,228,401
Less: Current portion	9	3,746,000	10,082,000
		-----	-----
		1,906,401	8,146,401
		=====	=====

4.1 This represents two lines of credit amounting to Rs. 4,786,154 and Rs. 866,247 obtained for financing lease operations and carries mark-up at the rate of 21.5 and 23.5 percent per annum respectively. This facility is secured against endorsement of promissory notes and first charge on leased assets in favour of the bank. These facilities will mature on October 06, 2001 and January 11, 2002 respectively.

**5. CERTIFICATES OF INVESTMENT**

	<i>Notes</i>	<i>2000</i> <b>RUPEES</b>	<i>1999</i> <b>RUPEES</b>
Balance at the end of year	5.1	75,885,043	81,325,785
Less: Due within one year		71,577,667	77,763,410
		-----	-----
		4,307,376	3,562,375
		=====	=====

5.1 The Company has a scheme of Registered PLS Certificates of Investment for raising funds directly from local resources. These certificates have been issued for maturity periods of three months to five years with the facility of pre-mature encashment after minimum three months. The return on these certificates ranges from 14.00 percent to 26.00 percent per annum depending upon the period of maturity.



## 6. LIABILITY AGAINST ASSET SUBJECT TO FINANCE LEASE

The rate of interest used as discounting factor, implicit in lease, is approximately 22 percent per annum.  
The amount of future payments and periods during which they fall due are:

### Year ended 30 June

2001		377,700	--
2002		377,700	--
2003		335,700	--
		-----	-----
		1,091,100	--
<b>Less: Unamortised finance charges</b>		196,828	--
		-----	-----
		894,272	--
<b>Less: Current portion</b>	9	251,435	--
		-----	-----
		642,837	--
		=====	=====

The lease rentals are payable in monthly instalments. The amount of rentals payable in the year 2003 includes the amount of salvage value of Rupees 209,800 adjustable at the end of the lease term. The lease agreement carries renewal and purchase option at the end of lease period. There are no financial restrictions in lease agreement. The lease is secured by deposit of Rs. 209,800 included in long term security deposits.

### 6.1 Minimum lease payments and their present value are grouped as below:

	2000		1999	
	<i>Minimum Lease Payments</i>	<i>Present Value of Minimum Lease Payments</i>	<i>Minimum Lease Payments</i>	<i>Present Value of Minimum Lease Payments</i>
	Rupees	Rupees	Rupees	Rupees
Due not later than one year	377,700	251,436	--	--
Due later than one year but not later than five years	713,400	642,836	--	--
	-----	-----	-----	-----
	1,091,100	894,272	--	--
	=====	=====	=====	=====

	<i>Notes</i>	2000	1999
		<i>RUPEES</i>	<i>RUPEES</i>
<b>7. LONG TERM DEPOSITS</b>			
Balance at the end of year	7.1	29,684,533	54,495,481
Less: Current portion	9	14,909,720	18,534,100
		-----	-----
		14,477,813	35,961,381
		=====	=====

7.1 These represent the interest free security deposits received against lease contracts and are repayable/adjustable at the expiry/termination of the respective leases.

## 8. DEFERRED LIABILITY

Provision for gratuity		439,621	--
		=====	=====

## 9. CURRENT PORTION OF LONG TERM LIABILITIES

Long term loans	4	3,746,000	10,082,000
Liability against asset subject to finance lease	6	251,435	--
Long term deposits	7	14,909,720	18,534,100
		-----	-----
		18,907,155	28,616,100
		=====	=====

## 10. FINANCE UNDER MARK-UP ARRANGEMENTS

<b>Running Finance</b>		--	12,283,792
Cash Finances:			
The Bank of Khyber	10.1	5,000,000	5,000,000
Saudi Pak Industrial & Agricultural			

Investment Co.(Pvt) Ltd		--	2,000,000
English Leasing Ltd	10.2	13,000,000	10,000,000
Trust Investment Bank Ltd	10.3	18,000,000	25,000,000
<b>Musharika Financing</b>			
Trust Investment Bank Ltd	10.4	22,336,211	24,681,513
		-----	-----
		58,336,211	78,965,305
		=====	=====

10.1 This represents demand finance facility carrying mark-up at the rate of 20 percent per annum. The mark-up is payable quarterly. It is secured by way of hypothecation of leased assets valuing Rs. 6.7 million. The loan has matured in May 2000. However, a rollover request has been made with bank which is under consideration.

10.2 This represents a short-term facility of Rs. 15 million and carries mark-up at the rate of 19.5 percent per annum payable monthly. The facility matured on April 2000. However as per understanding with the lender the loan is being paid in monthly instalments.

10.3 This represents short-term facilities of Rupees 5 million and Rupees 20 million carrying mark-up at the rate of 19 percent and 20.40 percent per annum respectively and payable monthly. These facilities are being rolled-over on monthly basis.

10.4 This represents Musharika Investment Agreement carrying profit at the rate of 21 percent per annum payable half yearly.

	<i>2000</i>	<i>1999</i>
	<i>RUPEES</i>	<i>RUPEES</i>
<b>11. ACCRUED AND OTHER LIABILITIES</b>		
Accrued liabilities	476,629	124,000
Accrued financial charges-secured finances	19,719,196	9,957,025
Advance front-end fee and commission		167,911
Tax payable - deducted at source	664,870	629,752
Payable to lessees	432,043	4,602,850
Other payable	2,151,939	2,584,509
Payable to associated undertakings	232,031	20,142,394
	-----	-----
	23,676,708	38,208,441
	=====	=====

**12. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and capital commitments as at the end of the year.

**13. TANGIBLE FIXED ASSETS**

DESCRIPTION	C O S T			Rate %	DEPRECIATION			BOOK VALUE	
	<i>As at July 01, 1999</i>	<i>Additions/ (Deletions)</i>	<i>As at June 30, 2000</i>		<i>As at July 01, 1999</i>	<i>Adjustments</i>	<i>Charge for the year</i>	<i>As at June 30, 2000</i>	<i>As at June 30, 2000</i>
	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees
<b>OWNED</b>									
Leasehold Improvements	614,814	202,778	817,592	10	235,605	--	76,319	311,924	505,668
Electric and Gas Fittings	80,216	28,800	109,016	10	41,186	--	9,962	51,148	57,868
Equipments	2,016,311	276,225	2,292,536	20	1,370,642	--	414,861	1,785,503	507,033
Furniture and Fixtures	686,827	--	686,827	10	299,712	--	68,683	368,395	318,432
Vehicles	2,367,147	238,920	2,568,867	20	1,215,292	(27,280)	510,153	1,698,165	870,702
	-----	-----	-----		-----	-----	-----	-----	-----
	5,765,315	746,723	6,474,838		3,162,437	(27,280)	1,079,978	4,215,135	2,259,703
		(37,200)							
<b>LEASED</b>									
Vehicle		1,049,000	1,049,000				139,867	139,867	909,133
	-----	-----	-----		-----	-----	-----	-----	-----
June 30, 2000 Rupees	5,765,315	1,795,723	7,523,838		3,162,437	(27,280)	1,219,845	4,355,002	3,168,836
		(37,200)							
	=====	=====	=====		=====	=====	=====	=====	=====
June30,1999 Rupees	5,909,315	410,850	5,765,315		2,264,144	(92,171)	990,464	3,162,437	2,602,878
		(554,850)							
	=====	=====	=====		=====	=====	=====	=====	=====

13.1 Deletion represents trade-in of motorcycle registration No. LOM 8161 with new one.

*2000*      *1999*

	<i>RUPEES</i>	<i>RUPEES</i>
<b>14. NET INVESTMENT IN FINANCE LEASES</b>		
Lease rentals receivable	198,271,666	375,659,630
Guaranteed residual value of leased assets	29,514,037	54,324,985
	-----	-----
Gross investment in finance leases	227,785,703	429,984,615
Less: Unearned finance income	62,224,701	138,125,915
	-----	-----
Net investment in lease finances	165,561,002	291,858,700
Less: Current portion of net investment In finance leases	51,691,415	79,087,031
:Provision for doubtful receivables	--	13,097,768
	-----	-----
	51,691,415	92,184,799
	-----	-----
	113,869,587	199,673,901
	=====	=====

14.1 Lease payments and guaranteed residual value due within next twelve months ending on June 30, 2001 are Rs. 77.307 million (June 30, 2000: Rs. 125.886 million) out of which Rs. 36.782 million (June 30, 2000: Rs. 60.933 million) represent current maturity of principal portion.

14.2 Minimum lease payments and their present value are regrouped as below:

	<b>2000</b>		<b>1999</b>	
	<i>Minimum Lease Payments</i>	<i>Present Value of Minimum Lease Payments</i>	<i>Minimum Lease Payments</i>	<i>Present Value of Minimum Lease Payments</i>
Due not later than one year	77,307,647	51,691,415	125,886,068	79,087,031
Due later than one year but not later than five years	150,478,056	113,869,587	304,098,547	212,771,669
	-----	-----	-----	-----
	227,785,703	165,561,002	429,984,615	291,858,700
	=====	=====	=====	=====

14.3 The Company has provided facilities to the below mentioned parties in excess of twenty percent or more of its paid up capital and reserve which is in contradiction to the requirements of Statutory Regulatory Order 345(I)/96 of Leasing Companies (Establishment and Regulation Rules, 1996).

1. Syed Bhais Lighting Limited
2. Nimir Industrial Chemicals Limited

	<i>2000 RUPEES</i>	<i>1999 RUPEES</i>
<b>15. LONG TERM INVESTMENTS</b>		
<b>SHARES OF QUOTED COMPANIES</b>		
<b>Bankers Equity Limited</b>		
810,810 ordinary shares of Rupees 10 each	15,152,602	15,152,602
<b>Medi Glass Limited</b>		
117,562 ordinary shares of Rupees 10 each	752,397	752,397
	-----	-----
	15,904,999	15,904,999

**MODARABA CERTIFICATES- QUOTED**

**Associated Undertakings**

**Long Term Venture Capital Modaraba**

(Managed by National Technology

Development Corporation (Pvt) Ltd)

445, 237 ordinary certificates of Rupees 5 each

**Long Term Venture Capital Modaraba**

Nil (1999: 29,992) Redeemable Capital Certificates

	<i>2000 RUPEES</i>	<i>1999 RUPEES</i>
	5,068,395	5,068,395
	--	1,949,480
	-----	-----
	5,068,395	7,017,875

**SHARES OF UNQUOTED COMPANIES**

**Associated Undertaking**

**LTV Housing Finance Ltd**

1,250,000 ordinary shares of Rupees 10 each

12,500,000	12,500,000
------------	------------

(Chief Executive: Mr. M. Younas Khan)

**OTHER UNQUOTED INVESTMENTS**

<b>Federal Investment Bonds</b>	4,103,600	4,103,600
	-----	-----
	37,576,994	39,526,474
Less: Provision for diminution in value of investments	21,178,303	17,512,063
	-----	-----
	16,398,691	22,014,411
	=====	=====

15.1 The aggregate market value of listed modaraba certificates at the end of financial year is Rs. 556,546 (1999: Rs. 2,550,550).

15.2 The aggregate market value of listed companies at the end of financial year is Rs. 1,820,263 (1999: Rs. 3,447,761).

15.3 The aggregate break-up value of unquoted investments at the end of financial year is Rs. 9,918,282 (1999: Rs. 11,912,500).

**16. DEFERRED COSTS**

Balance at the beginning of the year	1,157,491	2,078,198
Less: Amortized during the period	920,708	920,707
	-----	-----
	236,783	1,157,491
	=====	=====

	<b>2000</b>	<b>1999</b>
<b>NOTE</b>	<b>RUPEES</b>	<b>RUPEES</b>

**17. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**

Advances-Considered good		
To Chief Executive	--	840,934
To Company's employees	1,098,000	1,367,022
	-----	-----
	1,098,000	2,207,956
Advance income tax	2,803,479	2,525,526
Prepayments	807,257	702,260
	17.1	1,724,181
Profit accrued on investments	2,397,433	4,175,633
	17.2	23,862,562
Excise duty receivable	2,528,841	2,629,456
Other receivable	670,755	1,180,417
		77,385,866
Less: Provision for doubtful receivables	28,085,647	28,158,459
	-----	-----
Considered good	49,300,219	33,928,994
	-----	-----
	85,192,727	47,350,242
	=====	=====

17.1 This represents receivable from the following associated undertakings on account of share of common expenses

LTV Capital Modaraba	17.1.1	1,624,181	--
First, Interfund Modaraba		100,000	--
		-----	-----
		1,724,181	--
		=====	=====

17.1.1 It is net of redemption of Redeemable Capital Certificates amounting to Rs. 1.95 million.

17.1.2 The aggregate maximum balance due from associated undertakings at the end of any month during the year was Rs. 1.7 million (1999: Rs. 4.3 million).

17.2 The balance is net of certain inter company transactions and adjustments as agreed in principle in a meeting of the Company's Management with BEL's Executive on May 20, 2000. The adjustments agreed include the reversal of lease of Kashmir Sugar Mills Limited recorded in previous year. Certain other adjustments are being discussed and the reconciliation with BEL is still in progress.

## 18. CASH AND BANK BALANCES

Cash in hand		7	10,988
Cash with banks			
Current account	18.1	963,314	6,711,161
Deposit account		5,539,095	135,645
		-----	-----
		6,502,416	6,857,794
		=====	=====

18.1 This includes interest free deposit of Rs. 494,000 (1999: Rupees 494,000) with the State Bank of Pakistan as required under Prudential Regulations for Non-Banking Financial Institutions (NBFIs) as applicable to leasing companies.

	NOTE	2000 RUPEES	1999 RUPEES
<b>19. INCOME FROM LEASE FINANCING</b>			
Leasing income		31,557,680	58,855,984
Front-end fee and documentation charges		1,169,659	500,039
		-----	-----
		32,727,339	59,356,023
		=====	=====

## 20. OTHER INCOME

Profit on Federal Investment Bonds		173,773	574,000
Return on bank deposits		386,220	376
Other income		142,865	339,027
		-----	-----
		702,858	913,403
		=====	=====

## 21. ADMINISTRATIVE AND OPERATING EXPENSES

Staff salaries and other benefits	21.1	7,745,896	5,536,452
Traveling and conveyance		645,855	371,908
Rent, rates and taxes		958,500	--
Electricity, gas and water		353,128	156,739
Advertisement		332,230	30,500
Printing, stationery and supplies		419,197	105,539
Postage and courier		80,311	70,674
Telephone and fax		551,014	157,192
Newspapers, books and magazines		20,406	11,067
Fees and subscriptions		674,100	907,922
Entertainment		--	2,729
Insurance		1,855,094	657,453
Repair and maintenance		738,620	246,414
Legal and professional		408,658	3,457
Auditors' remuneration			
Audit fee-Statutory		50,000	40,000
-Other		100,000	62,820
Out of pocket expenses		18,679	9,000
		-----	-----
		168,679	111,820
Depreciation		1,219,845	990,464
Miscellaneous expenses		59,059	51,329
		-----	-----
		16,230,592	9,411,659
		=====	=====

21.1 It includes Rs. 812,004 and Rs. 184,437 on account of staff gratuity and provident fund respectively.

21.2 Number of employees at the end of the year was 19 (1999: 23).

## 22. FINANCIAL AND OTHER CHARGES

### Financial charges

Mark-up on long term loans		4,227,245	7,819,362
Return on certificates of investment		7,303,317	14,150,917
Lease financial charges		117,930	--
Mark-up on short term finances		10,367,131	13,435,469
Bank charges		87,095	180,917
		-----	-----
		22,102,718	35,586,665

**Other charges**

Loss on termination of leases	397,160	--
Receivables written off	--	6,596,115
Loss on disposal of fixed assets	--	1,609
	-----	-----
	22,499,878	42,184,389
	=====	=====

**23. PROVISION FOR TAXATION**

Current	163,637	296,704
Deferred	7,624,603	9,081,878
	-----	-----
	7,788,240	9,378,582
	=====	=====

23.1 Provision for minimum tax at 0.5% of the turnover under section 80D of the Income Tax Ordinance, 1979 has been made in these financial statements, while no provision for current tax has been made due to tax carry forward losses as per returns filed and appeals filed against assessment orders for the assessment years 1994-95 through 1998-99.

23.2 Deferred tax for the current year amounting to Rs. 3,088,404 has been provided. Further in accordance with the Circular No.16 issued by the Securities and Exchange Commission of Pakistan deferred tax of Rs. 4,536,199 being one fifth of the unprovided deferred tax liability as at the beginning of the financial year ending June 30, 1998 has been provided.

**24. LOSS PER SHARE**

Loss after taxation	(12,270,585)	(56,498,302)
Number of ordinary shares	10,000,000	10,000,000
	-----	-----
Loss per share	(1.23)	(5.65)
	=====	=====

**25. INTEREST / MARK-UP RATE RISK**

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

<i>Financial Instrument</i>	<b>EXPOSED TO INTEREST/MARK-UP RATE PRICE RISK</b>				<b>EXPOSED TO INTEREST/MARK. UP RATE CASH FLOW RISK</b>			<b>NOT EXPOSED TO INTEREST/ MARK-UP RATE RISK</b>
	<i>Within one year</i>	<i>More than one year and up to five years</i>	<i>Above five years</i>	<i>Within one year</i>	<i>More than one year and up to five years</i>	<i>Above five years</i>		
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>		
<b>LIABILITIES</b>								
Long term loans	5,652,401	3,746,000	1,906,401	--	--	--	--	
Certificates of investment	75,885,043	71,577,667	4,307,376	--	--	--	--	
Liabilities against assets subject to finance lease	894,272	251,435	642,837	--	--	--	--	
Long term deposits	29,684,533	--	--	--	--	--	29,684,533	
Finance under mark-up arrangements	58,336,211	58,336,211	--	--	--	--	--	
Accrued and other liabilities	23,009,472	--	--	--	--	--	23,009,472	
	-----	-----	-----	-----	-----	-----	-----	
	193,461,932	133,911,313	6,856,614	--	--	--	52,694,005	
	=====	=====	=====	=====	=====	=====	=====	
<b>ASSETS</b>								
Net investment in leases	165,561,002	51,691,415	113,869,587	--	--	--	--	
Long term investments	16,398,691	4,103,600	--	--	--	--	12,295,091	
Long term deposits	886,670	--	--	--	--	--	886,670	
Advances and other receivables	81,581,991	--	--	--	--	--	81,581,991	
Cash and bank balances	6,502,416	5,539,095	--	--	--	--	963,321	
	-----	-----	-----	-----	-----	-----	-----	
	270,930,770	61,334,110	113,869,587	--	--	--	95,727,073	
	=====	=====	=====	=====	=====	=====	=====	
Total interest/mark-up rate sensitivity gap	77,468,838	72,577,203)	107,012,973	--	--	--	43,033,068	
	=====	=====	=====	=====	=====	=====	=====	

**25.1. INTEREST I MARK-UP RATE RISK**

Interest / mark-up rate risk and sensitivity of the Company's financial liabilities and financial assets as at

June 30, 1999 can be evaluated from the following:

<i>Financial Instrument</i>	<b>EXPOSED TO INTEREST/MARK-UP RATE PRICE RISK</b>				<b>EXPOSED TO INTEREST/MARK. UP RATE CASH FLOW RISK</b>			<b>NOT EXPOSED TO INTEREST/ MARK-UP RATE RISK</b>
	<i>Within one year five years</i>	<i>More than one year and up to five years</i>	<i>Above five years</i>	<i>Within one year five years</i>	<i>More than one year and up to five years</i>	<i>Above five years</i>		
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	
<b>LIABILITIES</b>								
Long term loans	18,228,401	10,082,000	8,146,401	--	--	--	--	
Certificates of investment	81,325,785	77,763,410	3,562,375	--	--	--	--	
Long term deposits	54,495,481	--	--	--	--	--	54,495,481	
Finance under mark-up arrangements	78,965,305	78,965,305	--	--	--	--	--	
Accrued and other liabilities	37,375,864	--	--	--	--	--	37,375,864	
	270,390,836	166,810,715	11,708,776	--	--	--	91,871,345	
<b>ASSETS</b>								
Net investment in leases	291,858,700	79,087,031	212,771,669	--	--	--	--	
Long term investments	22,014,411	6,053,080	--	--	--	--	15,961,331	
Long term deposits	393,070	--	--	--	--	--	393,070	
Advances and other receivables	44,122,456	--	--	--	--	--	44,122,456	
Cash and bank balances	6,857,794	135,645	--	--	--	--	6,722,149	
	365,246,431	85,275,756	212,771,669	--	--	--	67,199,006	
Total interest/mark-up rate sensitivity gap	94,855,595	(81,534,959)	201,062,893	--	--	--	(24,672,339)	

25.2 Effective interest / mark-up rates for financial assets and liabilities are given below:

	<b>2000</b>	<b>1999</b>
	<b>%</b>	<b>%</b>
<b>ASSETS</b>		
Net investment in leases	14.00-45.82	15.00-46.59
Long term investments	14.00	14.00
Cash with bank	8.00-12.50	10.00-12.00
<b>LIABILITIES</b>		
Certificates of investment	14.00-23.50	17.25-23.50
Long term loan	21.50-23.50	20.50-23.50
Liabilities against assets subject to finance lease	22.00	
Finances under mark-up arrangement	19.00-21.00	19.60-21.50

## 26. CHIEF EXECUTIVE, DIRECTOR'S AND EXECUTIVES' REMUNERATION

The aggregate amount charged in the accounts for the year for remuneration, including all benefits to the chief executive, director and executives of the Company is as follows:

	<b>CHIEF EXECUTIVE</b>		<b>DIRECTOR</b>		<b>EXECUTIVES</b>	
	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>	<b>2000</b>	<b>1999</b>
Remuneration	800,282	408,000	696,679	--	748,770	445,200
Leave passage	37,233	185,904	9,599	400,000	52,778	52,500
Perquisites	278,735	422,400	257,807	--	578,400	564,960
Retirement benefits	779,558	40,800				44,526
<b>Rupees</b>	<b>1,895,808</b>	<b>1,057,104</b>	<b>964,085</b>	<b>400,000</b>	<b>1,379,948</b>	<b>1,107,186</b>
<b>Number</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>3</b>

26.1 In addition, the chairman, chief executive, one director and three executives have also been provided free use of Company's maintained vehicles.

26.2 The aggregate amount charged in the accounts for the year for fees to 5 directors is Rs. 40,000 (1999: Rs. 20,000 for 6 directors).

## 27. CREDIT RISK

The management is of the view that it is not exposed to significant concentration of credit risk as its financial statements are adequately diversified in organizations of sound financial standing covering various industrial sectors and segments. Further an allowance for potential lease losses is maintained at a level which in the judgement of management is adequate to provide for potential lease losses on the portfolio that can be reasonably anticipated.

A sector wise break up of lease portfolio as at June 30, 2000 is as follows;

SECTOR	EXPOSURE	
	Rupees	%
Textile	11,446,498	6.91
Sugar and allied	5,577,488	3.37
Cement	4,766,558	2.88
Electrical and engineering	36,885,246	22.26
Steel and allied	9,998,109	6.03
Transportation and communication	5,520,063	3.33
Chemical and pharmaceuticals	51,764,076	31.23
Food and allied	9,264,772	5.59
Other	30,507,993	18.40
	-----	-----
	165,730,803	100.00
	=====	=====

## 28. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial assets and liabilities approximates their fair values as reflected in the financial statements.

## 29. FIGURES

-have been rounded off to the nearest rupee.

-of previous year have been rearranged and regrouped wherever, necessary for the purposes of comparison.

CHIEF EXECUTIVE

DIRECTOR

## PATTERN OF SHAREHOLDING AS AT JUNE 30, 2000

Number of Share-holders	Share Holdings		Total Shares Held	
	From	To		
212	1	TO	500	68,700
138	501	TO	1,000	76,800
82	1,001	TO	2,000	83,300
21	2,001	TO	3,000	33,500
14	3,001	TO	4,000	52,600
15	4,001	TO	5,000	75,000
24	5,001	TO	10,000	222,100
13	10,001	TO	20,000	226,300
2	20,001	TO	30,000	60,000
1	30,001	TO	40,000	40,000
5	40,001	TO	50,000	240,500
3	50,001	TO	100,000	300,000
2	100,001	TO	150,000	218,600
2	150,001	TO	200,000	380,600
1	200,001	TO	250,000	250,000
1	250,001	TO	300,000	292,500
1	450,001	TO	500,000	490,000
3	550,001	TO	Above	6,889,500
-----				-----
540			Total	10,000,000
=====				=====

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

Category of Share-holders	Number of		
	Share-holders	Shares held	Percentage
Individuals	355	1,662,200	16.62
Banks	1	50,000	0.50



Financial Institutions	8	2,059,500	20.59
Insurance Companies	3	56,000	0.56
Modarabas Companies	7	2,801,800	28.02
Private Ltd. Companies	3	70,500	0.71
Investment Companies	2	28,800	0.29
Joint Stock Companies	2	827,000	8.27
Central Depository Company	159	2,444,200	24.44
	-----	-----	-----
<b>Total</b>	540	10,000,000	100.00
	=====	=====	=====