

InterAsia Leasing Company Limited

Annual Report 2001

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Company Information

Board of Directors as on June 30, 2001

Muhammad Younas Khan	Chairman / Chief Executive
Majid Ahmed Jhumra	Director
Saiyed Hashim Ishaque	Director
Abdus Samad Khan	(Nominee of Saudi Pak Industrial & Agricultural Investment Co. (Pvt) Ltd.)
Muhammad Azam Khan	Director
Ahmed Mohiuddin Khan	Director
Jameel ur Rehman	Director

Deputy Secretary

Fakher Hussain

Bankers

Gulf Commercial Bank Ltd.
The Bank of Khyber
Emirates Bank International

Legal Advisors

Ahmer Bilal Soofi, Advocates & Solicitors

Auditors

M/s 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

B-601-602, 6th Floor, Lakson Square Building # 03,
Sarwar Shaheed Road, Karachi.
Phone: (92-21) 5654795-98
Fax: (92-21) 55688534

Notice of the Meeting

Notice is hereby given that 9th Annual General Meeting of INTERASIA LEASING COMPANY LIMITED will be held at Hotel Holiday Inn, Islamabad, at 11.00 a.m. on Saturday the December 29, 2001 to transact the following business.

ORDINARY BUSINESS

1. To confirm the Minutes of 04th Extra Ordinary General Meeting held on August 27, 2001.
2. To receive, consider and adopt the audited Accounts of the Company for the year ended June 30, 2001 together with the Directors' and Auditor's report thereon.
3. To appoint Auditors for the financial year 2001-2002 and fix their remuneration. The present auditors M/s. Husain Rehman, Chartered Accountants retire and being eligible, offer themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

By order of the Board

Islamabad:
December 7, 2001

FAHKER HUSSAIN
Deputy Secretary

Notes:

1. The Register of Members of the Company will remain closed from December 21, 2001 to December 28, 2001, (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 at 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 Company Registrar, Universal Management Services (Pvt) Ltd., Room No. 205, 2nd Floor, Central Hotel Building, Civil Lines, Karachi. Phone No. 5654037.
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 their address immediately.

Directors' Report and Review by the Chairman

The Board of Directors of InterAsia Leasing Company Limited presents the Ninth Annual Report alongwith Audited Accounts for the year ended June 30, 2001.

GENERAL REVIEW:

The country's economy was badly affected due to the water crises in the year under review a GDP growth of 2.6% was recorded against the target of 4.5%. The fiscal deficit showed an improvement this year as a result of tight monetary policy; inflation was also kept under check in the single digit. Overall the economy remained sluggish and there was lack of investment by both local and foreign investors. Generally though some investments came in the oil an gas and textile sectors. Our recovery process continued to be slow due to the prevailing legal system. The management did their best to generate fresh liquidity but without much success. The induction of new staff also did not produce desired results as far as liquidity position of the company is concerned. The problematic clients were pursued and wherever possible recoveries were made and court decrees were implemented. In order to take the company forward one merger application was filed with the besides pursuing SECP and other options were pursued.

OPERATING PERFORMANCE:

During the year under review the liquidity problem became more acute, as the company could not generate any liquidity from the credit facilities anticipated from the banking sector. Certain banks and financial institution with a stake in the company was approached but without any success. The existing financial position and past association with BEL appeared to be the impediments in getting the necessary credit facilities. Traditionally leasing sector's working capital is generated from the banking sector through loans, over drafts or commercial paper. We also tapped individual depositors for liquidity through COI's. In spite of our best efforts only a marginal success was achieved. As a result of lack of resources, income from lease financing declined from Rs. 33 million in the previous year to Rs. 28.5 million during the year under review. Overall expenses recorded a decline of Rs. 2.4 million. This was achieved by a decrease in financial and other charges. This downward trend was some what negated by an increase in administrative, traveling expenses and staff salaries. Contributory factors were prior year's rent booked this year, due to the meetings held with the regulators and other business travel and additional staff employed to generate more deposits. Major contributors to the loss was diminution in the value of investments Rs. 4.6 million and provision of deferred taxation of similar amount.

The problematic clients were pursued diligently and some positive results are expected in the near future.

Financial Results	Rupees
Net Investment in leases	79,905,658
Revenue	28,934,071
Expenditure	37,222,203
Provision for diminution in the value of investments (marked to market)	4,686,320
Provision for taxation deferred and current	4,678,560
Loss after tax	17,653,012

FUTURE OUT LOOK:

As mentioned earlier the business could not be built-up due to lack of liquidity. Matching credit facilities from a foreign bank could not be utilized, as the clients referred to them did not come up to their standard. Your management decided that the only way for survival of the company and its future growth was in a merger with some other financial institutions. Already an application for merger with First Interfund Modaraba is pending with the SECP for their approval.

Also plans are well in an advance stage to merge the Company with another financial institution. This will have the advantage of increasing the size of the Balance Sheet, reducing the expenditure and achieve other synergies. The process is expected to be completed before the end of current financial year.

A little more patience is therefore required from the shareholders. Once we create liquidity in the merged company, income will be generated by acquiring good quality assets.

AUDITORS:

U/s. Husain Rahman, Chartered Accountants, who have offered themselves for re-election, are proposed as auditors for the ensuing financial year.

ACKNOWLEDGMENT:

The Board takes the opportunity to appreciate the efforts made by the management and staff and their dedication and hard work. We also thank the Securities & Exchange Commission of Pakistan for their continued support and guidance.

PATTERN OF SHAREHOLDING:

The pattern of shareholding as at June 30, 2001

On behalf of the Board

Karachi:

December 7, 2001

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, 2001 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 thereof, we report that:

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

b) in our opinion:

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 true and fair view of the state of the Company's affairs as at June 30, 2001 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 and deposited in the Central Zakat Fund established under section 7 of that ordinance.

Islamabad: November 27, 2001

HUSAIN RAHMAN
Chartered Accountants

Balance Sheet As at June 30, 2001

	NOTE	2001 RUPEES	2000 RUPEES
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised Capital			
20,000,000 ordinary shares of Rs. 10 each		200,000,000	200,000,000
<hr/>			
Issued, subscribed and paid up capital			
10,000,000 ordinary shares of Rs. 10 each fully paid up in cash	3	100,000,000	100,000,000
Reserves			
Capital		38,342,065	33,805,866
Revenue		(69,723,819)	(52,070,807)
		68,618,246	81,735,059
NON-CURRENT LIABILITIES			
Long term loans	4	--	1,906,401
Certificates of investment	5	6,275,000	4,307,376
Liability against asset subject to finance lease	6	1,664,405	642,837
Long term deposits	7	8,379,544	14,774,813
Deferred liability	8	529,091	439,621
		16,848,040	22,071,048
CURRENT LIABILITIES			
Current portion of long term liabilities	9	11,293,451	18,907,155
Finance under mark-up arrangements	10	44,936,211	58,336,211
Certificates of investment	5	71,262,358	71,577,667
Accrued and other liabilities	11	28,430,723	23,676,708
Provision for taxation		1,288,356	1,145,995
Unclaimed Dividend		400,946	497,282
		157,612,045	174,141,018
CONTINGENCIES AND COMMITMENTS			
	12	--	--
		243,078,331	277,947,125
<hr/>			
ASSETS			
NON-CURRENT ASSETS			
Tangible fixed assets	13	7,333,582	3,168,836

Net investment in finance leases	14	42,857,102	113,869,587
Long term investments	15	16,032,100	16,398,691
Long term deposits		1,079,670	886,670
Deferred costs	16	--	236,783
		-----	-----
		67,302,454	134,560,567

CURRENT ASSETS

Current portion of net investment in finance leases	14	37,048,556	51,691,415
Advances, prepayments and other receivable	17	134,925,256	85,192,727
Short term investment in shares	18	1,607,250	--
Cash and bank balances	19	2,194,815	6,502,416
		-----	-----
		175,775,877	143,386,558
		-----	-----
		243,078,331	277,947,125
		=====	=====

The annexed Notes form an integral part of these Financial Statements

CHIEF EXECUTIVE

DIRECTOR

Profit and Loss Account For the year ended June 30, 2001

	NOTE	2001 RUPEES	2000 RUPEES
REVENUE			
Income from lease financing	20	28,465,617	32,727,339
Income from investments		25,014	2,850
Other Income	21	443,440	702,858
		-----	-----
		28,934,071	33,433,047
EXPENDITURE			
Administrative and operating expenses	22	19,137,198	16,230,592
Financial and other charges	23	17,848,222	22,499,878
Amortization of deferred costs		236,783	920,708
		-----	-----
		37,222,203	39,651,178
		-----	-----
		(8,288,132)	(6,218,131)
PROFIT/(LOSS) BEFORE PROVISIONS			
Provision for potential lease losses		--	(17,580,903)
Provision for diminution in value of Investments		4,686,320	3,666,240
		-----	-----
		4,686,320	(13,914,663)
		-----	-----
		(12,974,452)	7,696,532
Reversal of Kashmir Sugar Mills			
Income Recognised in the previous year		--	12,178,877
		-----	-----
PROFIT/(LOSS) BEFORE TAXATION		(12,974,452)	(4,482,345)
PROVISION FOR TAXATION	24	4,678,560	7,788,240
		-----	-----
(Loss) AFTER TAXATION		(17,653,012)	(12,270,585)
ACCUMULATED (LOSS) BROUGHT FORWARD		(62,070,807)	(49,800,222)
		-----	-----
ACCUMULATED (LOSS) CARRIED TO EQUITY		(79,723,819)	(62,070,807)
		=====	=====
(LOSS) PER SHARE	25	(1.77)	(1.23)

The annexed notes form an integral part of these Financial Statements

CHIEF EXECUTIVE

DIRECTOR

Cash Flow Statement For the year ended June 30, 2001

	2001	2000
	RUPEES	RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES		
LOSS before Taxation	(12,974,452)	(4,482,345)
Adjustments for:		
Depreciation	1,396,205	1,219,845
Deferred costs amortized	236,783	920,708
Financial charges	14,681,973	22,102,718
Loss on sale of fixed assets	55,992	--
Provision for diminution in the value of investment	4,686,320	3,666,240
Provision for potential lease losses	--	(13,170,580)
(Gain) on share transactions	(25,014)	--
Return on PIBs	(102,776)	(173,773)
Obligation for gratuity	303,228	812,004
	-----	-----
	21,232,711	15,377,162
	-----	-----
Operating profit/(loss) before working capital changes	8,258,259	10,894,817
(Increase)/decrease in advances, prepayments and other receivables	(49,544,253)	(37,491,722)
Increase/(decrease) in accrued & other liabilities	4,754,015	(30,385,203)
	-----	-----
	(44,790,238)	(67,876,925)
	-----	-----
Cash (used)/generated from operations	(36,531,979)	(56,982,108)
Income tax	(188,276)	(277,953)
Dividend	(96,336)	(52,722)
Financial charges	(14,681,973)	(12,340,547)
Return on PIBs	102,776	173,773
Gratuity	(213,758)	(372,383)
	-----	-----
Net cash (used) in operating activities	(51,609,546)	(69,851,942)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(5,121,843)	(736,803)
Proceeds from sale of fixed assets	1,404,900	--
Increase in long term security deposits	(193,000)	(493,600)
Investments in lease finance	(10,112,400)	(5,218,862)
Lease finances settled/terminated	95,767,744	131,516,560
Investment made in PIBs	(2,000,000)	--
FIBs encashed	4,103,600	--
Shares transaction with other Listed Companies	(13,993,380)	--
Proceed from shares transaction with Listed Companies/Modarabas	5,987,814	1,949,480
	-----	-----
Net cash generated from investing activities	75,843,435	127,016,775
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans settled	(3,746,000)	(8,830,000)
Short term financing obtained	--	15,000,000
Short term finances settled	(13,400,000)	(33,283,792)
Certificate of Investments	1,652,315	(5,440,743)
Security Deposits obtained	2,447,170	857,334
Security Deposits settled	(15,150,251)	(25,668,282)
Payments for lease obligations	(344,724)	(154,728)
	-----	-----
Net cash (used) in financing activities	(28,541,490)	(57,520,211)
	-----	-----
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,307,601)	(355,378)
Cash and cash equivalents at the beginning of the year	6,502,416	6,857,794
	-----	-----
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2,194,815	6,502,416
	=====	=====

CHIEF EXECUTIVE

DIRECTOR

**Statement of Changes in Equity
For the year ended June 30, 2001**

	CAPITAL RESERVES					REVENUE RESERVES			Total Rupees
	Share Capital (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	Unappro- priated Profit Rupees	Sub- Total Rupees	
Balance as on July 01, 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 on 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
Net Profit/(loss) for the year	--	--	--	--	--	--	(13,116,813)	(13,116,813)	(13,116,813)
Transfer to reserve for deferred tax liability	--	--	4,536,199	--	4,536,199	--	(4,536,199)	(4,536,199)	--
Balance as on June 30, 2001	100,000,000	3,339,892	21,242,680	13,759,493	38,342,065	10,000,000	(79,723,819)	(69,723,819)	68,618,246

The annexed notes form an integral part of Financial Statements.

CHIEF EXECUTIVE

DIRECTOR

Notes to the Financial Statements For the year ended June 30, 2001

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 Deferred

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 2,597,800 (2000: 2,601,300) 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>2001 Rupees</i>	<i>2000 Rupees</i>
Bankers Equity Ltd.	4.1	1,906,401	5,652,401
		-----	-----
		1,906,401	5,652,401
Less: Current portion	9	1,906,401	3,746,000
		-----	-----
		--	1,906,401
		=====	=====

4.1 This represents two lines of credit amounting to Rupees 1,586,154 and Rupees 320,247 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>2001 RUPEES</i>	<i>2000 RUPEES</i>
Balance at the end of year		77,537,358	75,885,043
Less: Due within one year		71,262,358	71,577,667
		-----	-----
		6,275,000	4,307,376
		=====	=====

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 is ranging from 12.00 percent to 26.00 percent per annum depending upon the period of maturity.

6. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

The rates of interest used as discounting factor, implicit in leases, are approximately 22%, 19.5% and 19% per annum. The amount of future payments and periods during which they fall due are:

	2001			2000	
	22% RUPEES	19.50% RUPEES	19% RUPEES	Total RUPEES	RUPEES
Year ended June 30					
2002	377,700	217,740	524,220	1,119,660	377,700
2003	335,700	217,740	524,220	1,077,660	377,700
2004	--	200,660	615,035	815,695	335,700
	-----	-----	-----	-----	-----
	713,400	636,140	1,663,475	3,013,015	1,091,100
Less: Unamortised finance charges	70,565	130,742	362,160	563,467	196,828
	-----	-----	-----	-----	-----
	642,835	505,398	1,301,315	2,449,548	894,272
Less: Current portion	312,703	142,217	330,223	785,143	251,435
	-----	-----	-----	-----	-----
	330,132	363,181	971,092	1,664,405	642,837

The lease rentals are payable in monthly instalments. The amount of rentals payable in the year 2003 and 2004 includes the amount of salvage value of Rupees 209,800 and 190,000 respectively are 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 agreements. The leases are secured by deposit of Rupees 209,800/-, 55,500/- and 134,500/- included in long term security deposits.

6.1 Minimum lease payments and their present values are regrouped as below:

	2001		2000	
	Minimum Lease Payments	Present value of minimum lease payments	Minimum Lease Payments	Present value of minimum lease payments
Due not later than one year	1,119,660	785,143	377,700	251,436
Due later than one year but not later than five years	1,893,355	1,664,405	713,400	642,836
	-----	-----	-----	-----
	3,013,015	2,449,548	1,091,100	894,272

	Notes	2001 Rupees	2000 Rupees
7. LONG TERM DEPOSITS			
Balance at the end of year	(7.1)	16,981,452	29,684,533
Less: Current Portion	(9)	8,601,908	14,909,720
		-----	-----
		8,379,544	14,774,813

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.

	Notes	2001 Rupees	2000 Rupees
8. DEFERRED LIABILITY			
Provision for gratuity		529,091	439,621

	Notes	2001 Rupees	2000 Rupees
9. CURRENT PORTION OF LONG TERM LIABILITIES			
Long term loans	(4)	1,906,401	3,746,000
Liability against assets subject to finance lease	(6)	785,143	251,435
Long term deposits	(7)	8,601,908	14,909,720
		-----	-----
		11,293,452	18,907,155

10. FINANCE UNDER MARK-UP ARRANGEMENTS

Cash Finances

Ban k of Khyber	(10.1)	5,000,000	5,000,000
English Leasing Ltd.	(10.2)	2,500,000	13,000,000
Trust Investment Bank Ltd.	(10.3)	9,900,000	18,000,000

Musharika Financing

Financial Institution	(10.4)	22,336,211	22,336,211
Non Financial Institution	(10.5)	5,000,000	--
Individual	(10.6)	200,000	--
		-----	-----
		44,936,211	58,336,211
		=====	=====

10.1 This represents demand finance facility carrying mark-up at the rate of 16 percent per annum. The mark-up is payable quarterly. It is secured by way of hypothecation of leased assets valuing Rupees 6.7 million. The loan has matured in May 2001. However, a roll over request has been made with the bank which is under consideration.

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

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

10.5 This represents Musharika investment Agreement carrying profit at the rate of 16.60 percent per annum payable at maturity.

10.6 This represents Musharika Investment Agreement carrying profit at the rate of 12.50 percent per annum payable at maturity.

	<i>Notes</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
11. ACCRUED AND OTHER LIABILITIES			
Accrued liabilities		521,606	476,629
Accrued financial charges-secured finances		23,956,965	19,719,196
Tax Payable - deducted at source		795,217	664,870
Payable to lessees		681,206	432,043
Other payable		2,475,729	2,151,939
Payable to associated undertaking		--	232,031
		-----	-----
		28,430,723	23,676,708
		=====	=====

12. CONTINGENCIES AND COMMITMENTS

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

13. TANGIBLE FIXED ASSETS

DESCRIPTION	COST			Rate	DEPRECIATION			BOOK VALUE	
	<i>As at July 01, 2000</i>	<i>Additions/ (Deletions)</i>	<i>As at June 30, 2001</i>		<i>As at July 01, 2000</i>	<i>Adjust- merits</i>	<i>Charge for the year</i>	<i>As at June 30, 2001</i>	<i>As at June 30, 2001</i>
OWNED									
Leasehold improvements	817,592	1,836,833	2,654,425	10	311,924	--	186,508	498,432	2,155,993
Electric and Gas Fitting	109,016	13,270	122,286	10	51,148	--	11,566	62,714	59,572
Equipments	2,292,536	825,000	3,117,536	20	1,785,503	--	533,186	2,318,689	798,847
Furniture and Fixtures	686,827	86,240	773,067	10	368,395	--	74,079	442,474	330,593
Vehicles	2,568,867	2,348,500	3,380,867	20	1,698,165	(75,608)	339,749	1,962,306	1,418,561
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	6,474,838	5,109,843	10,048,181		4,215,135	(75,608)	1,145,088	5,284,615	4,763,566
		(1,536,500)							
LEASED									
Vehicles	1,049,000	1,912,000	2,961,000	--	139,867	--	251,117	390,984	2,570,016
	-----	-----	-----	-----	-----	-----	-----	-----	-----

June 30, 2001	Rupees	7,523,838	7,021,843 (1,536,500)	13,009,181	--	4,355,002	(75,608)	1,396,205	5,675,599	7,333,582
June 30, 2000	Rupees	5,765,315	1,795,723 (37,200)	7,523,838	--	3,162,437	(27,280)	1,219,845	4,355,002	3,168,836

13.1 Disposal

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceed	Gain(Loss) on disposal	Mode of Disposal	Sold to
Vehicles							
Toyota Corolla	200,000	53,333	146,667	59,900	(86,767)	Negotiation	Mr. Talha Qureshi
Toyota Corolla	1,336,500	22,275	1,314,225	1,345,000	30,775	(under sale & lease back agreement)	ORIX LEASING PAKISTAN LTD.
June 30, 2001 Rupees	1,536,500	75,608	1,460,892	1,404,900	(55,992)		
June 30, 2000 Rupees	37,200	27,280	9,920	9,920	--		

	2001 Rupees	2000 Rupees
14. NET INVESTMENT IN FINANCE LEASES		
Lease rentals receivable	81,440,364	198,271,666
Guaranteed residual value of leased assets	16,526,171	29,514,037
Gross investment in finance leases	97,966,535	227,785,703
Less: Unearned finance income	18,060,877	62,224,701
Net investment in lease finances	79,905,658	165,561,002
Less: Current portion of net investment in finance leases	37,048,556	51,691,415
	42,857,102	113,869,587

14.1 Lease payments and guaranteed residual value due within next twelve months ending on June 30, 2002 are Rupees 48.729 million (June 30, 2001 : Rupees 77.307 million) out of which Rupees 28.731 million (June 30, 2001 : Rupees 36.782 million) represents current maturity of principal portion.

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

	2001		2000	
	Minimum Lease Payments Rupees	Present value of minimum lease payments Rupees	Minimum Lease Payments Rupees	Present value of minimum lease payments Rupees
Due not later than one year	48,728,612	37,048,556	77,307,647	51,691,415
Due later than one year but not later than five years	49,237,923	42,857,102	150,478,056	113,869,587
	97,966,535	79,905,658	227,785,703	165,561,002

14.3 The Company exposure to Syed Bhais Lighting Limited exceeds 20% of its Net Investment in Lease Finance, which is in contraindication to the requirement of The Leasing Companies (Establishment & Regulation) Rules 2000. However over-run in exposure was due to subsequent re-scheduling of lease facility.

	Notes	2001 Rupees	2000 Rupees
15. LONG TERM INVESTMENT			
SHARES OF QUOTED COMPANIES	151		
Bankers Equity Limited			
810,810 ordinary shares of Rupees 10 each		15,152,602	15,152,602

Medi Glass Limited

117,562 ordinary shares of Rupees 10 each 752,397 752,397

Nimir Industrial Chemicals Limited

1,578,520 ordinary shares of rupees 10 each
issued at discount of 60% 6,314,080 --

22,219,079 15,904,999

MODARABA CERTIFICATES-QUOTED 15.2

Associated Undertakings

Long Term Venture Capital Modaraba

(Managed by National Technology
Development Corporation Ltd.)
445,237 ordinary certificates of Rupees 5 each 5,068,395 5,068,395

5,068,395 5,068,395

SHARES OF UNQUOTED COMPANIES 15.3

Associated Undertaking

LTV Housing Finance Ltd.
1,250,000 ordinary shares of Rupees 10 each 12,500,000 12,500,000
(Chief Executive: Mr. Javed I Qureshi)

OTHER QUOTED INVESTMENTS

Federal Investment Bonds -- 4,103,600

OTHER UN-QUOTED INVESTMENT

Pakistan Investment Bonds 2,000,000 --

41,787,474 37,576,994
Less: Provision for diminution in value of investments 25,755,373 21,178,303

16,032,101 16,398,691
=====

15.1 The aggregate market value of listed companies at the end of financial year is Rs. 307,902 (2000: 1,820,263).

15.2 The aggregate market value of listed modaraba certificates at the end of financial year is Rs. 222,619 (2000: 556,546).

15.3 The aggregate break-up value of unquoted investments at the end of financial year is Rs. 7,187,500 (2000:9,918,282).

	<i>2001</i>	<i>2000</i>
<i>Notes</i>	<i>Rupees</i>	<i>Rupees</i>
16. DEFERRED COSTS		
Balance at the beginning of the year	236,783	1,157,491
Less: Amortized during the period	236,783	920,708
	-----	-----
	--	236,783
	=====	=====

17. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances-Considered good

To company's employees 892,025 1,098,000

Advance Income Tax 3,134,116 2,803,479

Prepayments 1,212,529 807,257

Due from associated undertakings (17.1) 822,752 1,724,181

Profit accrued on investment 2,234,481 2,397,433

Receivable from Bankers Equity Limited (17.2) 23,862,562 23,862,562

Excise Duty receivable 2,480,293 2,528,841

Other receivables 629,307 670,755

Receivable from Nimir Industrial Chemicals Limited (17.3) 42,556,855 --

Due from lessees	85,185,979	77,385,866
Less: Provision for doubtful receivables	28,085,643	28,085,647
	-----	-----
Considered good	57,100,336	49,300,219
	-----	-----
	134,925,256	85,192,727
	=====	=====

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

LTV Capital Modaraba	(17.1.1)	722,752	1,624,181
First Interfund Modaraba		100,000	100,000
		-----	-----
		822,752	1,724,181
		=====	=====

17.1.1 The aggregate maximum balance due from associated undertakings at the end of any month during the year was Rupees 0.8 million (2000: Rupees 1.7 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 Executives on May 20, 2000.

17.3 This represent amount receivable/adjustable from Nimir Industrial Chemical Limited against lease financed to them as per MOU between them and other syndicate members.

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
18 SHORT TERM INVESTMENTS		
SHARE IN QUOTED COMPANIES		
ICI Limited		
50,000 ordinary shams of Rs. 10 each	508,750	--
Japan Power Limited		
80,000 ordinary shares of Rs. 10 each	352,000	--
Muslim Commercial Bank Limited		
35,000 ordinary shares of Rs. 10 each	855,750	--
	-----	-----
	1,716,500	--
Less: Provision for diminution in value of investments	109,250	--
	-----	-----
	1,607,250	--
	=====	=====

The aggregate market value of listed companies at the end of financial year is Rs. 1,607,250 (2000:NA).

19 CASH AND BANK BALANCES

Cash in hand	5,342	7
Cash with banks		
Current account (Note 19.1)	679,563	963,314
Deposit account	1,509,910	5,539,095
	-----	-----
	2,194,815	6,502,416
	=====	=====

19.1 This includes interest free deposit of Rupees 494,000 (2000: Rupees 494,000) with the State Bank of Pakistan as was required under Prudential Regulation for Non Banking Financial Institutions (NBFIs) as was applicable to leasing companies.

	<i>2001</i>	<i>2000</i>
<i>Notes</i>	<i>Rupees</i>	<i>Rupees</i>
20 INCOME FROM LEASE FINANCING		
Lease income	26,107,336	31,557,680
Front-end fee and documentation charges	2,358,281	1,169,659
	-----	-----
	28,465,617	32,727,339
	=====	=====

21 OTHER INCOME

Profit on Federal/Pakistan Investment Bonds		102,776	173,773
Return on bank deposits		316,472	386,220
Other income		24,192	142,865
		-----	-----
		443,440	702,858
		=====	=====

22 ADMINISTRATIVE AND OPERATING EXPENSES

Staff salaries and other benefits	22.1	8,720,589	7,745,896
Travelling and conveyance		1,553,068	645,855
Rent, rates and taxes	22.3	2,652,011	958,500
Electricity, gas and water		351,547	353,128
Advertisement		67,654	332,230
Printing, stationery and supplies		602,191	419,197
Postage and courier		62,731	80,311
Telephone and fax		420,680	551,014
Newspapers, books and magazines		17,565	20,406
Fees and subscriptions		1,009,305	674,100
Entertainment		203,481	--
Insurance		872,525	1,855,094
Repair and maintenance		248,730	738,620
Legal and professional charges		725,113	408,658
Auditors' remuneration			
Audit fee - Statutory		50,000	50,000
- other		75,000	100,000
Out of pocket expenses		32,600	18,679
		-----	-----
		157,600	168,679
Depreciation		1,396,205	1,219,845
Miscellaneous expenses		76,203	59,059
		-----	-----
		19,137,198	16,230,592
		=====	=====

22.1 It includes Rupees 303,228 and Rupees 172,757 on account of staff Gratuity and provident fund respectively.

22.2 Number of employees at the end of year was 20 (2000: 19)

22.3 This represents office premises rent charged by the associated company for the year ended June 30,2000 after the finalization of our Annual accounts for the year ended June 30, 2000.

	<i>Notes</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
23 FINANCIAL AND OTHER CHARGES			
Financial charges			
Mark-up on long term loans		3,084,003	4,227,245
Return on certificates of investment		2,720,883	7,303,317
Lease financial charges		161,873	117,930
Mark-up on short term finances		8,651,954	10,367,131
Bank charges		63,260	87,095
		-----	-----
		14,681,973	22,102,718
Other charges			
Loss on termination of leases		--	397,160
Receivable written off		3,110,257	--
Loss on disposal of fixed assets		55,992	--
		-----	-----
		17,848,222	22,499,878
		=====	=====

24 PROVISION FOR TAXATION

Current	24.1	142,361	163,637
Deferred	24.2	4,536,199	7,624,603
		-----	-----
		4,678,560	7,788,240

=====

24.1 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 2000-2001

24.2 Deferred tax credit for the current year amounting to Rs. 2,647,860 has not been accounted. 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.

25 LOSS PER SHARE

(Loss) after taxation	(17,653,012)	(12,270,585)
Number of ordinary shares	10,000,000	10,000,000
	-----	-----
(Loss) per share	(1.77)	(1.23)

=====

26 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, 2001 can be evaluated from the following:

	EXPOSED TO INTEREST/MARK-UP RATE PRICE RISK				EXPOSED TO INTEREST/MARK-UP RATE CASH FLOW RISK			NOT EXPOSED TO INTEREST/MARK-UP RATE RISK
	FINANCIAL INSTRUMENT	within one year	More than one year and upto		within one year	More than one year and upto		
			five years	Above five years		five years	Above five years	
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES	
LIABILITIES								
Long term loans	1,906,401	1,906,401	--	--	--	--	--	--
Certificate of Investment	77,537,358	10,362,358	6,275,000	--	--	--	--	60,900,000
Liabilities against assets subject to finance lease	2,449,548	785,143	1,664,135	--	--	--	--	--
Long term deposits	16,981,452	--	--	--	--	--	--	16,981,452
Finance under mark-up arrangements	44,936,211	44,936,211	--	--	--	--	--	--
Accrued and other liabilities	27,633,140	--	--	--	--	--	--	27,633,140
	-----	-----	-----	-----	-----	-----	-----	-----
	171,444,110	57,990,113	7,939,135	--	--	--	--	105,514,592
ASSETS								
Net investment in leases	79,905,658	37,048,556	42,857,102	--	--	--	--	--
Long term investment	16,032,101	2,000,000	--	--	--	--	--	14,032,101
Long term deposits	1,079,670	--	--	--	--	--	--	1,079,670
Short term investment	1,607,250	--	--	--	--	--	--	1,607,250
Advances, and other receivable	130,578,611	--	--	--	--	--	--	130,578,611
Cash and bank balance	2,194,815	1,509,910	--	--	--	--	--	684,905
	-----	-----	-----	-----	-----	-----	-----	-----
	231,398,105	40,558,466	42,857,102	--	--	--	--	147,982,537
Total interest/mark-up rate sensitivity gap	59,953,995	(17,431,647)	34,917,967	--	--	--	--	42,467,945

=====

26.1 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.

	EXPOSED TO INTEREST/MARK-UP RATE PRICE RISK				EXPOSED TO INTEREST/MARK-UP RATE CASH FLOW RISK			NOT EXPOSED TO INTEREST/MARK-UP RATE RISK
	FINANCIAL INSTRUMENT	within one year	More than one year and upto		within one year	More than one year and upto		
			five years	Above five years		five years	Above five years	
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES	
LIABILITIES								
Long term loans	5,652,401	3,746,000	1,906,401	--	--	--	--	--
Certificate of investments	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	--	--	--	--	--	--	29,664,533
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
ASSETS								
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

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

	2001 %	2000 %
ASSETS		
Net investment in leases	14.00-45.82	14.00-45.82
Long term investments	14	14
Cash with banks	8.00-12.50	8.00-12.50
LIABILITIES		
Certificate of investments	12.00-26.00	14.00-23.50
Long term loans	21.50-23.50	21.50-23.50
Liabilities against assets subject to finance lease	22.00-19.00	22.00
Finances under mark up arrangements	16.00-21.00	19.00-21.00

27. 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 follow:

	(Amount in Rupees)					
	CHIEF EXECUTIVE		DIRECTOR		EXECUTIVE	
	2001	2000	2001	2000	2001	2000
Remuneration	1,145,306	800,282	693,954	696,679	1,254,585	748,770
Leave passage	359,435	37,233	42,120	9,599	78,895	52,778
Perquisites	343,696	278,735	236,094	257,807	385,909	578,400
Retirement Benefits	91,524	779,558	124,303	--	204,780	--
	-----	-----	-----	-----	-----	-----
Rupees	1,939,961	1,895,808	1,096,471	964,085	1,924,169	1,379,948
Number	1	1	1	1	5	4

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

27.2 The aggregate amount charged in the accounts for the year for fees to 2 directors is Rupees 15,000 (2000: Rupees 40,000 for 5 directors).

28. 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 organisation 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 on June 30, 2001 is as follows:

EXPOSURE

SECTOR	Rupees	%
TEXTILE	5,121,267	6.41
SUGAR & ALLIED	4,390,474	5.49
CEMENT	3,800,000	4.76
ELECTRICAL & ENGINEERING	33,413,767	41.82
STEEL AND ALLIED	5,768,277	7.22
TRANSPORT & COMMUNICATION	1,553,643	1.94
CHEMICAL & PHARMACEUTICALS	1,011,831	1.27
FOOD & ALLIED	6,721,999	8.41
OTHERS	18,124,400	22.68
	-----	-----
	79,905,668	100.00
	=====	

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

30. CORRESPONDING FIGURES

Figures have been re-arranged and re-grouped wherever necessary for the purpose of comparison.

Chief Executive

Director

Pattern of Shareholding As at June 30, 2001

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

There are no shareholdings in the slabs that 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
	-----	-----	-----
	540	10,000,000	100.00
	=====	=====	=====