

# Security Leasing Corporation Limited

## Annual Report 2001

### CONTENTS

COMPANY INFORMATION

NOTICE OF MEETING

REPORT OF THE DIRECTORS

PATTERN OF SHAREHOLDING

AUDITORS' REPORT TO THE MEMBERS

BALANCE SHEET

PROFIT AND LOSS ACCOUNT

STATEMENT OF CHANGES IN FINANCIAL POSITION

NOTES TO THE FINANCIAL STATEMENTS

### COMPANY INFORMATION

#### BOARD OF DIRECTORS

M. R. Khan	Chairman & Chief Executive
Mohammed Khalid Ali	Managing Director & Chief Operating Officer
Ariff Ali Rashid	
S. M. Nadim Shafiqullah	
Zahid Rashid Khwaja	
Shahab Azfar	
S.S. Hamid	

#### COMPANY SECRETARY

Mohammed Rahmatullah

#### SENIOR MANAGEMENT

M. R. Khan	Chairman & Chief Executive
Mohammad Khalid Ali	Managing Director & Chief Operating Officer
Mohammed Rahmatullah	General Manager - Finance
Syed Tariq Hasan	Head of Marketing

#### BANKERS & LENDING INSTITUTIONS

Allied Bank of Pakistan Ltd.

A1-Meezan Investment Bank Ltd.

Habib Bank Limited

Pak-Kuwait Investment Company (Pvt.) Ltd.

Pak-Libya Holding Company (Pvt.) Ltd.

Saudi-Pak Industrial & Agricultural Development Company Ltd.

The Bank of Punjab

The Bank of Khyber

Union Bank Limited

United Bank Limited

#### AUDITORS

Husain Rahman

Chartered Accountants

#### LEGAL ADVISORS

A. K. Brohi & Co.

#### REGISTERED OFFICE & SHARE TRANSFER OFFICE

B 901-902, 9th Floor, Lakson Square Building No. 3

Sarwar Shaheed Road, Karachi-74200, Pakistan.

Tel: 5672748, 5672779, 5683902 & 5686372 Fax: 5689854

### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Eighth Annual General Meeting of the Members of Security Leasing Corporation Limited will be held on Thursday, December 27, 2001 at 6:00 p.m. at the registered office of the Company situated at B901/902, Lakson Square No. 3, Sarwar Shaheed

Road, Karachi 74200, to transact the following business:

**Ordinary Business:**

1. To confirm the minutes of the Extraordinary Annual General Meeting of the Company held on July 30, 2001.
2. To receive, consider and adopt the audited accounts for the year ended June 30, 2001 and the reports of the Directors and the auditors thereon.
3. To appoint auditors and fix their remuneration. The present auditors Messrs. Husain Rahman, Chartered Accountants retire and being eligible, offer themselves for reappointment.
4. To transact any other business with the permission of the Chair.

**By Order of the Board**

**Mohammed Rahmatullah  
Company Secretary**

Karachi: November 15, 2001

**Notes:**

1. A member entitled to attend, speak and vote at these meetings may appoint a proxy to attend, speak, and vote on his/her behalf. A proxy need not be a member.
2. An instrument of proxy and the power of attorney or other authority (if any) under which it is signed or a notorially certified copy of such power of attorney or other authority, 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.
3. The beneficial owners of shares recorded at Central Depository Company of Pakistan Limited (CDCP) are required to bring their National Identity Cards and in case of institutions being; the beneficial owner, notorially certified copy of the power of attorney or other authority, together with the proof of identity of such nominee, is required for admittance to the meeting of the members.
4. Members are requested to notify any change in their address.
5. Share transfer books of the Company shall remain closed from December 20 to December 28, 2001, both days inclusive.

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED JUNE 30, 2001**

The Board of Directors has pleasure in presenting the Annual Report together with the audited financial statements for the year ended June 30, 2001.

**Review**

The directors are pleased to report that your Company has managed to achieve steady growth despite the continued economic and political uncertainties. During the year, the net investment in leases rose to Rupees 645.8 million from Rupees 507.9 million. The after tax profits for the year were Rs. 14.0 million compared to Rupees 12.6 million in the preceding year resulting from increase in leasing business and measures taken by the management to improve recovery and operating efficiency.

As in the previous year, the businesses continued to face adverse cashflows and lower profitability. Barring textile sector, the new investment in other sectors has remained stagnant. Despite various reforms introduced by the government in the fiscal and financial spheres and incentives provided by it to enhance savings and investment, the economy did not show significant signs of picking up. Long term credit lines remained scarce. The general 'wait and see' policy adopted by the businesses combined with substantial devaluation of the Rupee and the events of September 11, 2001 and subsequent turmoil in Afghanistan are factors, which are likely to put further pressure on the operations of the leasing companies in the near future. Your Company is, however, well poised to take stock of these anticipated difficulties and adopt measures, which will minimize their adverse effects and further improve profitability of the Company in the coming years.

As in the previous years, your Company continued to maintain a very diversified exposure as would be seen from the note 17 to the financial statements. The diversity of the lease portfolio has substantially

reduced the risk of potential losses. However, in view of the current economic climate and as a measure of prudence, the Company will continue its policy of creating adequate provisions for potential lease losses.

With regard to resource mobilization, the Company is currently in process of finalizing issue of Rupees 200 million Term Finance Certificates. Additional credit lines of Rs. 50 million from local financial institutions are in process. Further credit lines are also being negotiated with various lending institutions.

#### **Future Business Prospects**

As in the past, your Company will continue its efforts to consolidate its position and to tap opportunities for sustained growth. Further, to ensure efficient and profitable utilization of the available resources, the Company will continue to spread its exposure over a broad spectrum of clients and industries taking exposure on such borrowers only who have a proven track record of timely repayments, good profitability and strong cash flows from their existing operations. Its emphasis being on quality, your Company will continue to strive to write quality leases for quality clients.

#### **Financial Results**

During the year, the total revenues were Rupees 102.4 million with the income from the leasing business being Rupees 98.3 million. Net Profit after tax was Rupees 14.0 million.

The profit and appropriations for the year ended June 30, 2001 were as follows:

	<i>Rs. in million</i>
Net profit after tax	14.004
Unappropriated profit brought forward	6.931
	-----
Profit available for appropriation	20.94
Appropriations:	
Transfers from/to:	
Statutory reserve	(2.800)
Reserve for deferred tax	4.000
	-----
	1.200
	-----
Unappropriated profit carried forward	22.135
	=====

#### **Dividend**

In the context of the requirement to increase the Company's equity base to a minimum of Rupees 200 million, your directors have not recommended dividend for the year ended June 30, 2001. However, the directors would review the position after December 31, 2001 to determine the feasibility of giving an interim dividend to Company's shareholders.

#### **Human Resources**

The directors express their deep appreciation of the efforts put in and dedication shown by all personnel of the Company, which enabled it to conduct its operations efficiently and achieve steady growth during the year.

#### **Auditors**

The auditors Messrs. Husain Rahman, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

#### **Pattern of Shareholding**

The pattern of shareholdings as at June 30, 2001 is annexed to this report.

**For and on behalf of the Board of Directors**

**M. R. Khan**  
**Chairman & Chief Executive**

Karachi: November 15, 2001

#### **PATTERN OF SHAREHOLDING AS AT JUNE 30, 2001**

<i>Number of</i>	<i>Total</i>	<i>Percentage of</i>
------------------	--------------	----------------------

<i>Shareholding</i>		<i>Shareholders</i>	<i>Shares Held</i>	<i>Issued Capital</i>
<i>From</i>	<i>To</i>			
1	100	4	400	0.00
101	500	68	33,400	0.33
501	1000	16	16,000	0.16
1001	5000	25	72,200	0.72
5001	10000	12	114,500	1.15
15001	20000	1	18,900	0.19
20001	25000	4	97,300	0.97
45001	50000	1	50,000	0.50
65001	70000	2	139,800	1.40
125001	130000	1	125,500	1.26
145001	150000	2	300,000	3.00
165001	170000	1	167,200	1.67
245001	250000	1	250,000	2.50
295001	300000	3	900,000	9.00
325001	330000	1	329,000	3.29
425001	430000	1	426,500	4.27
345001	350000	1	348,000	3.48
860001	865000	1	861,300	8.61
1495001	1500000	1	1,500,000	15.00
4245001	4250000	1	4,250,000	42.50
		-----	-----	-----
		147	10,000,000	100.00
		=====	=====	=====

## CATEGORIES OF SHAREHOLDERS

<i>Categories of Shareholders</i>	<i>Number</i>	<i>Shares Held</i>	<i>Percentage</i>
Individuals	128	2,884,300	28.84
Investment Banks & Companies	7	732,300	7.32
Banks	1	167,200	1.67
Modarabas	2	304,000	3.04
Insurance Companies	1	125,500	1.26
Joint Stock Companies	6	36,700	0.37
Foreign Investors	2	5,750,000	57.50
		-----	-----
<b>Total:</b>	147	10,000,000	100.00
		=====	=====

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Security Leasing Corporation 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, 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 accounts 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, 2001 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

**Husain Rahman**  
**Chartered Accountants**

Karachi: November 15, 2001

## BALANCE SHEET AS AT JUNE 30, 2001

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
<b>ASSETS</b>			
<b>TANGIBLE FIXED ASSETS</b>	3	6,657,498	6,749,759
<b>LONG TERM INVESTMENTS</b>	4	10,790,896	3,695,840
<b>NET INVESTMENT IN LEASES</b>	5		
Minimum lease rentals receivable		689,519,585	531,219,259
Residual value		103,736,241	86,549,754
		-----	-----
Lease contracts receivable		793,255,826	617,769,013
Less: Unearned income		147,490,003	109,872,232
		-----	-----
Net investment in leases		645,765,823	507,896,781
		-----	-----
Less: Current portion of net investment in leases		2,223,351,071	181,329,484
Provision for potential lease losses		26,000,000	20,000,000
		-----	-----
		248,335,107	201,329,484
		-----	-----
		397,430,716	306,567,297
<b>LONG TERM DEPOSITS</b>	6	453,100	631,600
<b>CURRENT ASSETS</b>	7	198,785,139	232,475,790
		-----	-----
		714,117,349	550,120,286
		=====	=====

## EQUITY AND LIABILITIES

### SHARE CAPITAL AND RESERVES

Authorised capital			
25,000,000 ordinary shares of Rs. 10 each		250,000,000	250,000,000
Issued, subscribed and paid up capital			
10,000,000 (2000: 10,000,000) ordinary shares			
of Rs. 10 each fully paid in cash		100,000,000	100,000,000
Reserves		35,535,416	21,531,186
		-----	-----
		135,535,416	121,531,186

<b>DEFERRED LIABILITY</b>	8	1,730,100	800,000
<b>LONG TERM LOANS</b>	9	246,635,998	168,010,000
<b>CERTIFICATE OF INVESTMENT</b>		10,000,000	--
<b>LONG TERM DEPOSITS</b>	10	72,040,821	60,193,486
<b>CURRENT LIABILITIES</b>	11	248,175,014	199,585,614
<b>CONTINGENCIES AND COMMITMENTS</b>	12	--	--
		-----	-----
		714,117,349	550,120,286
		=====	=====

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

**M. R. Khan**  
Chairman & Chief Executive

**Mohammed Khalid Ali**  
Managing Director &  
Chief Operating Officer

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2001

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
Income from leasing operations	13	98,276,643	80,155,150
Other income	14	4,120,382	17,725,557
		-----	-----
		102,397,025	97,880,707
		-----	-----
Financial charges	15	59,599,312	57,049,726
Administrative and operating expenses	16	21,630,812	21,461,007
Bad debts written off		--	291,119
Provision for potential lease losses		6,000,000	5,500,000
		-----	-----
		87,230,124	84,301,852
Operating profit for the year		15,166,901	13,578,855
		-----	-----
Provision for taxation - current year	22	1,162,671	1,027,487
		-----	-----
Profit after taxation		14,004,230	12,551,368
		-----	-----
Unappropriated profit brought forward		6,931,186	11,679,818
		-----	-----
		20,935,416	24,231,186
Appropriations:			
Transfer to Statutory Reserve		2,800,000	2,600,000
Transfer to/(from) Reserve for Deferred Taxation		(4,000,000)	3,700,000
Proposed cash dividend @ - (2000 - 11%)		--	11,000,000
		-----	-----
		(1,200,000)	17,300,000
		-----	-----
		22,135,416	6,931,186
		=====	=====
Earnings per share (Basic)	20	1.40	1.26
		=====	=====

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

**M. R. Khan**  
Chairman & Chief Executive

**Mohammed Khalid Ali**  
Managing Director &  
Chief Operating Officer

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2001

<i>Share</i>	<i>Statutory</i>	<i>Reserve for</i>	<i>Unappropriated</i>	<i>Total</i>
--------------	------------------	--------------------	-----------------------	--------------

	<i>Capital Rupees</i>	<i>Reserve Rupees</i>	<i>Deferred Tax Rupees</i>	<i>Profit Rupees</i>	<i>Rupees</i>
<b>Balance as at June 30, 1999</b>	100,000,000	8,000,000	300,000	11,679,818	119,979,818
Profit for the year ended June 30, 2	--	--	--	12,551,368	12,551,368
	-----	-----	-----	-----	-----
	100,000,000	8,000,000	300,000	24,231,186	132,531,186
Cash dividend	--	--	--	(11,000,000)	(11,000,000)
Transferred to statutory reserve	--	2,600,000	--	(2,600,000)	--
Transferred to reserve for deferred	--	--	3,700,000	(3,700,000)	--
	-----	-----	-----	-----	-----
<b>Balance as at June 30, 2000</b>	100,000,000	10,600,000	4,000,000	6,931,186	121,531,186
Profit for the year ended June 30, 2	--	--	--	14,004,230	14,004,230
Dividend	--	--	--	--	--
Transferred to statutory reserve	--	2,800,000	--	(2,800,000)	--
Transferred to/(from) reserve for d	--	--	(4,000,000)	4,000,000	--
	-----	-----	-----	-----	-----
	--	2,800,000	(4,000,000)	15,204,230	14,004,230
	-----	-----	-----	-----	-----
<b>Balance as at June 30, 2001</b>	100,000,000	13,400,000	--	22,135,416	135,535,416
	=====	=====	=====	=====	=====

**M. R. Khan**  
Chairman & Chief Executive

**Mohammed Khalid Ali**  
Managing Director &  
Chief Operating Officer

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
(CASH FLOW STATEMENT)  
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>2001 Rupees</i>	<i>2000 Rupees</i>
<b>Cash flows from operating activities</b>		
Net profit before taxation	15,166,901	13,578,855
Adjustments for items not involving movement of funds:		
Depreciation	1,325,991	1,717,981
Gain on disposal of listed securities	(1,894,994)	(15,539,130)
Gain on disposal of fixed assets	--	(61,991)
Gain on exchange fluctuations	--	(160,500)
Provision for gratuity	930,100	800,000
Provision for potential lease losses	6,000,000	5,500,000
	-----	-----
Operating profit before working capital changes	21,527,998	5,835,215
Advances, prepayments and other receivables	760,938	(1,066,877)
Deposits from lessees	18,252,610	7,437,838
Short term/running finances	(10,725,576)	(24,258,016)
Accrued and other current liabilities	3,283,723	5,139,031
Payment of tax	(1,146,731)	(1,073,524)
Dividend paid	(10,537,117)	(9,923,208)
	-----	-----
<b>Net cash flow (used in) operating activities</b>	21,415,845	(17,909,541)
<b>Cash flows from investing activities</b>		
Net investment in leases	137,869,042	(42,273,198)
Capital expenditure	(1,233,730)	(537,225)
Net (increase)/decrease in investments	(3,677,559)	21,674,552
Proceeds from disposal of fixed asset	--	246,501
Proceeds from sale of dollar bonds	--	15,570,000
Placement under Musharika arrangement	(26,100,000)	(22,000,000)
Long term deposits	189,437	(48,623)
	-----	-----

<b>Net cash used in investing activities</b>	168,690,894	(27,367,993)
<b>Cash flows from financing activities</b>		
Proceeds from long term loans	260,000,000	170,000,000
Repayment of long term loans	(111,256,003)	(175,503,483)
Net cash flow (used in) from financing activities	148,743,997	(5,503,483)
Net increase in cash and cash equivalents	1,468,948	50,781,017
Cash and cash equivalents at beginning of the period	988,354	31,769,371
Cash and cash equivalents at end of the year (Note A)	2,457,302	988,354

Note A: Cash and cash equivalents at end of the year

Cash and bank balances	2,457,302	738,354
Short term investments		
- National Investment Trust Units	--	250,000
	2,457,302	988,354

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

**M. R. Khan**  
Chairman & Chief Executive

**Mohammed Khalid Ali**  
Managing Director &  
Chief Operating Officer

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2001**

### **1. THE COMPANY AND ITS OPERATIONS**

The Company was incorporated on December 6, 1993 and commenced its operations on May 21, 1995. It is principally engaged in the business of leasing and is listed on the Karachi Stock Exchange.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **2.1 Basis of preparation**

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

#### **2.2 Accounting convention**

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

#### **2.3 Revenue recognition**

The Company follows the financing method in accounting for recognition of least income. At the commencement of lease, a portion of the unearned lease income (i.e., the aggregate of lease contract receivables over cost of the leased asset), which approximates the provision for potential lease losses and the direct initial cost of writing the lease, is taken into income. The remainder of the unearned lease income is taken to income over the term of the lease contract so as to produce a systematic return on the net investment in leases.

Front end fee and profit on bank deposits and Federal Investment Bonds are accrued when due. Dividend income is taken into account when right to receive the dividend is established. Profit on term finance certificates are taken into account on accrual basis.

#### **2.4 Credit and interest rates risk management**

Credit risk arises from the failure of counter party to the financial instrument to meet their obligations when due. This risk is managed by incorporating procedures and guidelines relating to evaluation of credit worthiness of the lessees/borrowers, credit approvals, limits on credit exposure, collaterals and guarantee requirements and diversification of exposure over different sectors of the economy.



### 2.5 Provision for potential lease losses

The provision for potential lease losses is maintained at a level which, in the judgement of the Company, is sufficient to provide for any potential losses. Any change in the provision is set off against the income of the current period.

### 2.6 Deferred costs and amortization

Deferred costs are written off during the period not exceeding five years commencing from the year of incurrence.

### 2.7 Investments

Long term investments are stated at cost. Provision is made for other than temporary diminution in value of investments.

Short term investments are valued at the lower of cost and market value on an aggregate portfolio basis.

The charges or credits, if any, arising from adjustments in carrying amounts are taken to profit and loss account currently.

### 2.8 Tangible fixed assets and depreciation

These are stated at cost less accumulated depreciation. Depreciation is charged applying the straight line method at the rates specified in note 3. In respect of additions during the year, depreciation is charged from the month of acquisition. No depreciation is charged in the month of disposal.

Normal repairs and maintenance are charged to income as and when incurred. Profit or loss on disposal of fixed assets are included in income currently.

### 2.9 Employees' retirement benefits

The Company operates a contributory provident fund for all its permanent employees and contributions are made monthly in accordance with the fund rules to cover the obligations. In addition, Company has also setup an unfunded gratuity scheme for which full provisions have been made.

### 2.10 Employees' compensated absences and benefits

Adequate provisions are made in respect of employees' compensated absences and benefits.

### 2.11 Foreign currency financial assets

Foreign currency financial assets, acquired from the open market, are stated at cost or open market value, whichever is lower.

Foreign Currency Bonds acquired in lieu of foreign currency deposits are stated at the applicable conversion rates as at the date of financial statements.

### 2.12 Off-setting

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

### 2.13 Taxation

#### Current

Provision for taxation is made at the prevailing rates of taxation after taking into account tax credits available, if any.

#### Deferred

Deferred taxation is accounted for using the liability method on all major timing differences excluding the effects of those timing differences which are not likely to reverse in the foreseeable future.

### 3. TANGIBLE FIXED ASSETS

<i>Description</i>	<i>COST</i>			<i>DEPRECIATION</i>			<i>Written down value as at June 30,</i>	<i>Depreciation rate</i>
	<i>As at July 1,</i>	<i>Additions (deletions)</i>	<i>As at June 30,</i>	<i>As at July 1,</i>	<i>Charge for the year/</i>	<i>As at June 30,</i>		

	2000	during the year	2001	2000	(Adjustments)	2001	2001	%
	<i>Rupees</i>							
<b>OWNED</b>								
Office premises-Leasehold	7,306,560	--	7,306,560	1,857,084	365,328	2,222,412	5,084,148	5
Leasehold improvements	1,966,879	--	1,966,879	1,422,136	295,032	1,737,168	229,711	15
Furniture and fixtures	2,203,797	332,550 (701,370)	1,834,977	2,108,870	100,357 (701,370)	1,507,857	327,120	20
Office equipment	809,011	22,500	831,511	610,197	100,466	710,663	120,848	20
Computer equipment	1,597,990	89,680	1,687,670	1,160,290	272,370	1,432,660	255,010	36
Generator & airconditioners	1,173,279	--	1,173,279	1,173,278	--	1,173,278	1	20
Vehicles	49,000	789,000	838,000	4,902	192,438	197,340	640,660	24
June 30, 2001	15,106,516	1,233,730 (701,370)	15,638,876	8,356,757	1,325,991 (701,370)	8,981,378	6,657,498	
June 30, 2000	15,079,181	537,225 (509,890)	15,106,516	6,964,156	1,717,981 (325,380)	8,356,757	6,749,759	

### 3.1 Disposal of Assets

Description	Book Value	Sale Proceeds	Gain / (Loss) on Disposal	Mode of Disposal	Buyer
Furniture and fixture	1	1	--	Terms of employment	Mr. M. R. Khan, (Employee)
Furniture and fixture	1	1	--	Terms of employment	Mr. M. Khalid Ali, (Employee)
Furniture and fixture	1	1	--	Terms of employment	Mr. M. Rahmatullah, (Employee)
Furniture and fixture	1	1	--	Terms of employment	Mrs. Syma U. Iqbal, (Employee)
June 30, 2001	4	4	--		
June 30, 2000	184,510	246,501	61,991		

### 4. LONG TERM INVESTMENTS

Listed Securities	Number of ordinary shares/ certificates of Rs. 10 each	2001 Rupees	Number of ordinary shares/ certificates of Rs. 10 each	2000 Rupees
Term finance certificates				
Network Leasing Corporation Limi	18	89,982	--	--
Shares -quoted				
Al-Meezan Investment Bank Limit	413,460	4,754,790	--	--
Cherat Cement Company Limited	10,000	185,625	--	--
Fauji Fertilizer Company Limited	5,000	199,242	--	--
FFC Jordan Fertilizer Company Lim	90,000	1,589,800	90,000	1,589,800
First Ibrahim Modaraba	--	--	30,700	263,246
Gadoon Textile Limited	5,000	175,272	--	--
Genertech Pakistan Limited	22,000	339,500	20,000	339,500
Ibrahim Energy Limited	15,000	345,500	12,500	345,500
Ibrahim Fibres Limited	12,500	186,800	10,000	186,800
Ibrahim Leasing Limited	30,700	263,246	--	--
ICI Pakistan Limited	10,000	152,800	--	--
Indus Motor Company Limited	10,000	129,932	--	--
Kohinoor Energy Limited	13,000	156,300	10,000	156,300
Kohinoor Raiwind Mills	5,000	111,255	--	--
Kohinoor Textile Mills Limited	5,030	48,187	--	--
Lucky Cement Limited	5,000	53,014	--	--
Maple Leaf Cement Factory Limite	4,970	47,613	--	--

Maple Leaf Electric Company Limit	--	--	10,000	95,800
Nishat Chunian Limited	5,000	129,600	--	--
Nishat Mills Limited	5,391	157,935	391	6,685
Packages Limited	2,310	139,695	--	--
Pakistan State Oil	1,000	176,629	--	--
PTCL - A	16,000	386,620	--	--
Samin Textile Limited	10,000	108,000	--	--
Sitara Energy Limited	10,000	230,225	10,000	230,225
Southern Electric Power Company	15,000	180,925	15,000	180,925
Sui Northern Gas Pipelines Limited	12,796	162,159	21,127	301,059
Sui Southern Gas Company Limite	10,000	131,500	--	--
Tri-pack Films Limited	5,000	158,750	--	--
		-----		-----
		10,790,896		3,695,840
		=====		=====
Aggregate market value		8,384,071		2,434,250
		=====		=====

## 5. NET INVESTMENT IN LEASES

### 5.1 Minimum lease rentals receivable

Less than one year	255,490,980	196,849,601
More than one year and less than five years	419,089,064	328,880,058
More than five years	14,939,541	5,489,600
	-----	-----
	689,519,585	531,219,259
	=====	=====

### 5.2 Lease contracts receivable

Less than one year	275,616,057	212,405,228
More than one year and less than five years	495,939,505	398,050,485
More than five years	21,700,264	7,313,300
	-----	-----
	793,255,826	617,769,013
	=====	=====

### 5.3 Net investment in leases

Less than one year	222,335,107	181,329,484
More than one year and less than five years	403,201,132	321,642,052
More than five years	20,229,584	4,925,245
	-----	-----
	645,765,823	507,896,781
	=====	=====

## 6. LONG TERM DEPOSITS

Deposits - against leases	616,938	849,975
Less: Current maturity	616,938	627,875
	-----	-----
	--	222,100
Deposits - others	453,100	409,500
	-----	-----
	453,100	631,600
	=====	=====

## 7. CURRENT ASSETS

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
Current portion of net investment in leases		222,335,107	181,329,484
Current portion of long term deposits	6	616,938	627,875
Short term investments	7.1	1,777,500	3,550,000
Placement under Musharika arrangement		8,100,000	2,000,000
Short term finance		60,000,000	40,000,000
Advances, prepayments and other receivables	7.2	3,498,292	4,230,077
Cash and bank balances	7.3	2,457,302	738,354
		-----	-----
		298,785,139	232,475,790

**7.1 Short term investments**

Investment in NIT Units		--	250,000
Investment in listed securities	7.1.1	1,777,500	3,300,000
		1,777,500	3,550,000

**7.1.1 This represents investment in following listed security.**

	<i>Number of ordinary shares of Rs. 10 each</i>		<i>2001</i>	<i>2000</i>
	<i>2001</i>	<i>2000</i>	<i>Rupees</i>	<i>Rupees</i>
Baluchistan Wheels Limited	79,000	150,000	1,777,500	3,300,000
Aggregate market value			1,797,250	3,300,000

	<i>Note</i>	<i>2001</i>	<i>2000</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>7.2 Advances, prepayments and other receivables</b>			
Advances - considered good			
Executive		1,220,000	--
Other employees		45,837	46,560
		1,265,837	46,560
Prepayments		682,787	276,332
Accrued return on investments		836,583	3,049,991
Advance tax		702,339	673,185
Other receivables		10,746	184,009
		3,498,292	4,230,077

**7.3 Cash and bank balances**

Balances with banks in			
- Current accounts	7.3.1	2,457,302	738,354
		2,457,302	738,354

7.3.1 Includes deposit of Rupees 253,000 with the State Bank of Pakistan to meet liquidity requirements under the State Bank of Pakistan's Prudential Regulations for Non-Banking Financial Institutions.

**8. DEFERRED LIABILITY**

Provision for gratuity		1,730,100	800,000
------------------------	--	-----------	---------

**9. LONG TERM LOANS****Secured -**

From commercial banks	9.1	174,226,666	99,316,000
From other financial institutions	9.2	45,000,000	46,166,668
		219,226,666	145,482,668

**Unsecured -**

From financial institutions	9.3	140,000,000	75,000,000
From others	9.4	450,000	450,000
		359,676,666	220,932,668
Less: Current maturity	12	113,040,668	52,922,668
		246,635,998	168,010,000

9.1 This represents loans obtained for lease financing and carry mark-up at the average rate of 15.97% per annum and are secured by a first charge on certain specific assets leased out and related lease rentals receivable. These loans are repayable between July 31, 2001 and June 15, 2004.

9.2 This represents finances obtained under mark-up and pro-note discounting facilities and are repayable between July 31, 2001 and Nov. 10, 2002. These arrangements carry mark-up at the average rate of 16.28% per annum. These finances are secured by first charge on certain specific assets leased out and related lease rentals receivable.

9.3 This represents finance obtained under mark-up and pro-note discounting facilities and are repayable between July 31, 2001 and December 21, 2002. These arrangements carry mark-up at the average rate of 16.00% per annum.

9.4 This represents financing arrangements and carry mark-up rate of 18% per annum. The maturity of these facilities range between July 31, 2001 and October 22, 2001.

#### 10. LONG TERM DEPOSITS

Security deposits on leases	10.1	93,752,823	75,500,213
Less: Current maturity of long term deposits		21,712,002	15,306,727
		-----	-----
		72,040,821	60,193,486
		=====	=====

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

#### 11. CURRENT LIABILITIES

Current maturity of long term loans	9	113,040,668	52,922,668
Current maturity of long term deposits	10	21,712,002	15,306,727
Short term finances - unsecured			
- from financial institutions	11.1	90,000,000	85,250,000
Running finance under mark-up			
arrangement-secured	11.2	16,408	15,491,984
Accrued and other liabilities	11.3	23,405,936	19,614,235
Proposed dividend		--	11,000,000
		-----	-----
		248,175,014	199,585,614
		=====	=====

11.1 This represents finances obtained under mark-up arrangements from financial institutions and carry mark-up at the average rate of 18.23% per annum. These finances are repayable between July 6, 2001 and September 20, 2001.

11.2 This represents running finance utilized against aggregate facility of Rupees 60 million from banks. It carries mark-up at an average rate of Rupee 0.44 per Rupees 1,000 per day and is secured by first charge on certain specific assets leased out and related lease rentals receivable.

#### 11.3 Accrued and other liabilities

Accrued liabilities		195,269	276,602
Accrued mark-up on secured loans		5,162,241	6,173,958
Accrued markup on unsecured loans		8,181,200	7,797,303
Advance against leases		4,422,199	2,012,420
Unclaimed dividend		547,507	7,832
Taxation		45,094	--
Accrued employees benefits		1,757,982	1,517,305
Other liabilities		3,094,444	1,828,815
		-----	-----
		23,405,936	19,614,235
		=====	=====

#### 12. CONTINGENCIES & COMMITMENTS

12.1 Lease rentals payable under various lease agreements for motor vehicles are as detailed below:

	<b>2001</b>	<b>2000</b>
	<b>Rupees</b>	<b>Rupees</b>
Payable in the year ending June 30		
-2002	87,440	511,650
-2003	--	224,640
	-----	-----
	87,440	736,290
	=====	=====
12.2 Commitments for lease finance	15,952,800	58,954,000
	=====	=====
12.3 Commitments for guarantees and underwriting	500,000	6,754,790
	=====	=====
<b>13. INCOME FROM LEASING OPERATIONS</b>		
Income on lease contracts	96,840,310	79,297,188
Front end fee & additional lease rentals	1,435,333	857,962
Lease termination charges	1,000	--
	-----	-----
	98,276,643	80,155,150
	=====	=====
<b>14. OTHER INCOME</b>		
Profit from banks under cash management scheme	59,153	184,713
Mark-up on Term Finance Certificates	7,312	--
Mark-up on musharika	242,641	--
Profit on placements	455,464	940,730
Profit on modaraba certificates	76,750	94,260
Return on other investments	907,487	332,384
Fees, commissions and other charges	457,751	411,849
Gain on disposal of listed securities	1,894,994	15,539,130
Gain on disposal of fixed assets	--	61,991
Gain on exchange fluctuations	--	160,500
Other Income	18,830	--
	-----	-----
	4,120,382	17,725,557
	=====	=====
<b>15. FINANCIAL CHARGES</b>		
Mark-up on long term finance	22,238,383	31,037,150
Mark-up on short term finance	31,031,783	25,097,019
Mark-up on running finance	4,432,142	567,021
Mark-up on certificates of investment	1,444,726	--
Brokerage fee	134,543	221,246
Documentation charges	247,809	63,100
Excise duty and bank charges	69,926	64,190
	-----	-----
	59,599,312	57,049,726
	=====	=====
<b>16. ADMINISTRATIVE &amp; OPERATING EXPENSES</b>		
Directors' fee	16.1 60,000	6,000
Salaries, allowances and benefits	16.2 12,316,433	9,065,355
Gratuity	1,062,100	800,000
Accrued employees benefits	240,677	1,517,305
Staff training and development	38,200	16,350
Telephone and fax	405,716	387,048
Postage and courier	34,455	32,662
Electricity	518,269	407,015
Office maintenance	759,230	584,851
Insurance	94,237	78,802
Business promotion expenses	371,354	456,287
Canteen expenses	97,501	65,189
Vehicle running expenses	1,447,525	1,365,574
Travelling and conveyance	33,117	29,357
Advertisement expenses	137,845	366,605
Printing and stationery	209,344	282,171

Central Depository charges		71,100	56,000
Subscriptions and listing fees		174,793	126,358
Legal and professional charges	16.3	1,168,710	925,603
Statutory filing fees		19,870	16,962
Credit rating charges		--	140,000
Depreciation		1,325,991	1,717,981
Lease rentals		998,280	2,958,812
Zakat		700	10,507
Miscellaneous		45,365	48,213
		-----	-----
		21,630,812	21,461,007
		=====	=====

**16.1 Directors' fee**

Includes remuneration paid to a director amounting to Rs. 60,000 (2000: Nil).

**16.2 Remuneration of Chief Executive and Executives**

	<b>2001</b>		<b>2000</b>	
	<b>Chief Executive</b>	<b>Executives</b>	<b>Chief Executive</b>	<b>Executives</b>
Managerial remuneration	420,000	6,396,623	420,000	3,887,129
Housing and utilities	437,270	2,358,694	370,922	1,742,458
Medical and other perquisites	133,728	586,669	112,864	869,311
Provident fund contribution	--	592,800	--	384,240
Payment of gratuity	--	132,000	--	--
	-----	-----	-----	-----
	990,998	10,066,786	903,786	6,883,138
	=====	=====	=====	=====
No. of persons	1	8	1	9
	=====	=====	=====	=====

In addition, the chief executive and certain executives were also provided with free use of company cars and certain household items in accordance with their terms of employment. All executives were also provided with medical insurance cover.

	<b>2001</b>	<b>2000</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>16.3 Legal and professional charges</b>		
These include auditors' remuneration, as follows:		
Annual audit	50,000	50,000
Special audit	17,500	41,762
Others	2,500	2,500
Out-of-pocket expenses	6,156	4,200
	-----	-----
	76,156	98,462
	=====	=====

**17. CREDIT RISK AND CONCENTRATION OF CREDIT RISK**

Net investment in leases amounts to Rupees 645.76 million. The sector-wise break up is given below:

<b>Sector</b>	<b>% of total exposure</b>
Textile	19
Food & Beverages	9
Consumer leases	8
Cement	7
Health care	7
Auto & allied	7
Sugar	6
Publications	6
Engineering	5
Synthetic and rayon	4

Energy	3
Chemicals & Fertilizer	1
Others	18
	-----
Total	100
	=====

**18. FAIR VALUE OF FINANCIAL ASSETS**

The estimated fair value of long term and short-term investments as at June 30, 2001 is given in Note 4 and Note 7.1.1. respectively. No provision for decline in market value has been made, as, in the opinion of directors, the decline is temporary. The fair value of all other financial assets and financial liabilities is estimated to approximate their carrying value.

**19. INTEREST RATE RISK EXPOSURE**

	<i>Less than one month Rupees</i>	<i>One month to one year Rupees</i>	<i>Over one year Rupees</i>	<i>Non-interest bearing Rupees</i>	<i>Total Rupees</i>
<b>Financial Assets</b>					
Long term investments	--	--	--	10,790,896	10,790,896
Net investment in lease finance	15,862,390	206,472,717	319,694,475	103,736,241	645,765,823
Long term deposits	--	--	--	453,100	453,100
Short term investments	--	--	--	1,777,500	1,777,500
Short term finance	60,000,000	--	--	--	60,000,000
Placement under Musharika arrangement	8,100,000	--	--	--	8,100,000
Advances and other receivables	--	--	--	2,113,166	2,113,166
Cash and bank balances	2,457,302	--	--	--	2,457,302
	-----	-----	-----	-----	-----
	86,419,692	206,472,717	319,694,475	118,870,903	731,457,787
	=====	=====	=====	=====	=====
<b>Financial Liabilities</b>					
Long term loans	--	113,040,668	246,635,998	--	359,676,666
Long term deposits	--	--	--	93,752,823	93,752,823
Short term finances	20,000,000	70,000,000	--	--	90,000,000
Accrued and other liabilities	--	--	--	23,405,936	23,405,936
	-----	-----	-----	-----	-----
	20,000,000	183,040,668	246,635,998	117,158,759	566,835,425
	-----	-----	-----	-----	-----
<b>On-balance sheet gap (a)</b>	66,419,692	23,432,049	73,058,477	1,712,144	164,622,361
	=====	=====	=====	=====	=====
June 30, 2000	12,786.97	73,358,202	72,007,543	2,343,306	160,496,019
	=====	=====	=====	=====	=====
<b>Total interest rate sensitivity gap</b>	66,419,692	23,432,049	73,058,477	--	--
	=====	=====	=====	=====	=====
June 30, 2000	12,786,968	73,358,202	72,007,543	--	--
	=====	=====	=====	=====	=====

(a) The on-balance sheet gap represents the net amounts of on-balance sheet items.

(b) The effective interest rate for financial assets and liabilities are as follows:

<i>Effective rates of return at year - end</i>	<i>2001 %</i>	<i>2000 %</i>
<b>Assets</b>		
Net investment in lease finance	21.30	22.50
National Investment Trust Units	--	10.00
Placement under Musharika arrangement	20.00	19.00
<b>Liabilities</b>		
Long term loans	16.00	15.70
Short term finances	18.20	14.60
Running finance	15.90	15.30
	<b>2001</b>	<b>2000</b>



	<i>Rupees</i>	<i>Rupees</i>
<b>20. EARNINGS PER SHARE</b>		
<b>Basic</b>		
Profit attributable to ordinary shareholders (Rupees)	14,004,230	12,551,368
	=====	=====
Number of ordinary shares issued	10,000,000	10,000,000
	=====	=====
Earnings Per Share (Rupees)	1.40	1.26
	=====	=====

Basic earnings per share has been calculated by dividing the net profit for the year attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. There is no dilutive effect on the basic earning per share.

#### **21. MANPOWER**

As at year end	17	20
	=====	=====

#### **22. TAXATION**

##### **Current**

This represents the provision for minimum tax under section 80D of the Income Tax Ordinance, 1979.

##### **Deferred**

Deferred tax liability is estimated to be nil as at June 30, 2001 (2000: Rupees Nil).

#### **23. GENERAL**

Previous year's figures have been rearranged wherever necessary to facilitate comparison.

**M. R. Khan**  
Chairman & Chief Executive

**Mohammed Khalid Ali**  
Managing Director &  
Chief Operating Officer