

# Dawood Leasing Company Limited

## Annual Report 2001

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### CORPORATE INFORMATION

<b>Board of Directors</b>	Mr. Rafique Dawood Mr. Rasheed Y. Chinoy Mr. Ayaz Dawood Mr. Asadullah Khawaja Mr. Muhammad Latif Mr. Abdul Latif Uqaili Mr. Ahmed Kamran	Chairman & Chief Executive    (Nominee of SLIC) (Nominee of ICP) (Nominee of A1-Faysal Inv. Bank)
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**Company Secretary** Syed Jamal Macdi

**Auditors** M. Yousuf Adil Saleem & Co.  
Chartered Accountants

**Legal Advisors** Mohsin Tayebaly & Co.

**Bankers** American Express Bank Ltd.  
Bank Al-Habib Ltd.  
Bank of Khyber  
Emirates Bank International PJSC  
Faysal Bank Ltd.  
Habib Bank Ltd.  
Habib Bank AG Zurich  
Metropolitan Bank Ltd.  
Muslim Commercial Bank Ltd.  
Oman International Bank S.A.O.G.  
Prime Commercial Bank Ltd.  
PICIC Commercial Bank Ltd.  
Societe General, The French & International Bank  
Soneri Bank Ltd.  
United Bank Ltd.  
Union Bank Ltd.

**Registered Office,  
Head Office and  
Share Registrars** 5-B, Lakson Square Building # 1,  
Sarwar Shaheed Road, Karachi-74200  
Tel.: (021) 568 7778  
Fax.: (021) 568 5830

E-mail: dlc@cyber.net.pk

**Branch Offices**

Office No. 20 & 21, Beverly Centre, 1st Floor,  
56-G, Jinnah Avenue, Islamabad-744000  
Tel.: (051) 227 6367 & 227 4194-5  
Fax: (051) 227 1280  
E-mail: moeen@comsats.net.pk

86-B/11, Punjab Government Employees,  
Cooperative Housing Society, Lahore.  
Tel/Fax: (042) 518 4710  
E-mail: dlc@brain.net.pk

**NOTICE OF SEVENTH ANNUAL GENERAL MEETING**

Notice is hereby given that the Seventh Annual General Meeting of **DAWOOD LEASING COMPANY LIMITED** will be held at the Registered Office, 5-B, Lakson Square Building # 1, Sarwar Shaheed Road, Karachi on Wednesday, December 26, 2001 at 8:30 a.m. to transact the following business:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2001 together with the Directors' and Auditors' Report thereon.
2. To approve Dividend @ 10% as recommended by the Directors for the year ended June 30, 2001.
3. To appoint Auditors and to fix their remuneration.

**Special Business:**

4. To elect 7 Directors of the Company as fixed by the Board of Directors under the provisions of Section 178 of the Companies Ordinance, 1984 for a term of three years. The retiring Directors are:

Mr. Rafique Dawood	Mr. Rasheed Y. Chinoy
Mr. Ayaz Dawood	Mr. Asadullah Khawaja
Mr. Muhammad Latif	Mr. Abdul Latif Uqaili
Mr. Ahmad Kamran	

5. To consider and if thought fit pass following resolution as Special Resolution under Section 208 of the Companies Ordinance, 1984 with or without modification.

"Resolved, that Mr. Rafique Dawood, the Chief Executive of the Company be and is hereby authorized with approval of the Board of Directors to make short term loans (upto 6 months) in the subsidiaries and associated companies/modarabas namely: (1) Providence Modaraba Limited (PML) (2) Guardian Modaraba (GM), (3) General Modaraba Services (Pvt.) Limited (GMSL) and (4) First General Leasing Modaraba (FGLM), on behalf of the Company, provided that the amount of such loans at any time shall not exceed 10% of the paid up capital, plus free reserves of the Company and return on these loans shall be 100 be more than the borrowing cost of the Company and subject to the compliance of rules and regulations as applicable. This authority shall remain in force until revoked by the shareholders. The outstanding short term loans and placements, amount at any one time should not exceed the following limits, PML Rs. 2.50 million, GM Rs. 25 million, GMSL Rs. 2.50 million and FGLM Rs. 10 million."

**By the Order of the Board**

November 28, 2001  
Karachi

**Syed Jamal Macdi**  
**Company Secretary**

**Notes:**

1. The Register of members of the Company will remain closed from December 18, 2001 to December 26, 2001 (both days inclusive).
2. Any person who seeks to contest the election of the office of Director shall at the Registered Office of the Company, file at the latest by December 12, 2001 a notice of his intention to offer himself for election as Director in terms of Section 178(3) of the Companies Ordinance, 1984. The conditions imposed by the Securities & Exchange Commission Of Pakistan require prior approval for any change in the Directors of the Company.
3. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No person other than a member shall act as proxy. An instrument appointing a proxy and the power-of-attorney or other authority (if any) must be deposited 48 hours before the Meeting at the Registered Office.

4. CDC account holders will in addition, have to follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for attending the meeting:

#### Statement Under Section 160 of the Companies Ordinance, 1984

The Company (DLC) has been making investment in the shape of short term loans and placements from time to time and creating reasonable portfolio on its own account. With the prevailing lower mark up rates and defaults it is desirable to give loans and place funds in those companies/modarabas who are although subsidiaries and associated but have good credit standing/history. Due to acquisitions and common directorships of Directors in other companies/modarabas, such other companies/modarabas namely (1) PML (2) GM (3) GMSL & (4) FGLM become subsidiaries and associated and loans to these companies/modarabas necessitate special resolution under section 208 of the Companies Ordinance, 1984. Since it is not practicable to pass a Special Resolution each time the Company to make a loan in such companies/modarabas, it has become necessary to give a standing authority to the Chief Executive to make, vary or withdraw investment in the companies/modarabas, as subsidiaries and associated, from time to time, with the approval of Board of Directors and subject to the limitations laid down under the Special Resolution and Section 208 of the Companies Ordinance, 1984.

The Directors have no personal interest in the above matters, except for the following limited interest:

Some of the directors may possibly be on the Board of the subsidiaries and associated companies for which the Chief Executive is being granted the authority to make investment under Section 208 of the Companies Ordinance, 1984.

PML is the fully owned subsidiary of DLC, whereas GMSL is owned 51% by DLC and ICP and SAPICO have 25% and 24% holding respectively. GM and FGLM are the two modarabas being managed by PML and GMSL.

The outstanding short-term loan/placement amount at any one time should not exceed the following limits:

PML Rs. 2.50 million, GM Rs. 25 million, GMSL Rs. 2.50 million and FGLM Rs. 10 million.

## FINANCIAL HIGHLIGHTS

	2001	2000	1999	1998	1997	1996	1995*
	<i>Rupees in Million</i>						
Authorized Capital	500.00	500.00	500.00	500.00	300.00	300.00	300.00
Paid-up Capital	250.00	250.00	250.00	250.00	250.00	250.00	250.00
Shareholders Equity	313.24	306.72	300.62	305.59	295.52	281.60	267.92
Group Equity	674.38	542.48	543.34	--	--	--	--
Total Assets	2057.67	1529.65	1520.99	926.58	680.10	539.45	340.45
Group Assets	2625.07	1886.77	1805.46	--	--	--	--
Net Investment in Lease Finance	1372.17	1117.79	1036.38	791.63	620.50	510.57	253.37
Provision for Lease Losses	77.00	49.00	34.00	26.50	16.50	5.00	--
Revenue	272.69	214.14	163.21	141.34	121.96	89.12	28.00
Income from Leasing Operations	184.58	171.04	154.05	133.36	121.29	84.66	21.19
Profit before Taxation	47.32	41.65	35.29	28.06	46.41	46.21	18.09
Taxation	15.80	10.55	15.35	17.89	1.24	1.27	0.17
Profit after Taxation	31.51	31.10	19.94	10.17	45.16	44.94	17.92
Current Ratios	1:1.06	1:1.04	1:1.32	1:1.26	1:1.53	1:0.91	1:6.74
Book Value Per Share	12.48	12.27	12.02	12.22	11.82	11.26	10.71
Earning Per Share - After Tax	1.26	1.24	0.80	0.40	1.81	1.79	0.71
Return on Equity - Pre-Tax	15.43%	13.86%	11.50%	9.50%	16.48%	17.25%	6.75%
Dividend Per Share (Rs.)	1.00	1.00	1.00	--	1.25	1.25	--

\*6 months of operations.

## DIRECTORS REPORT

We are pleased to present your Company's Seventh Annual Report for the year ended June 30, 2001.

#### Operating Result:

	2001	2000
	<i>Rupees</i>	<i>Rupees</i>
Total Assets	2,057 billion	1,529 billion
Total Group Assets	2,626 billion	1,887 billion
Lease Income	184,582,954	171,044,261

Other Income	88,109,917	43,371,017
Provisions (net)	35,192,433	21,446,119
Profit after Taxation	31,511,749	31,103,850
Profit Available for Appropriation	31,894,652	31,603,673
<b>Appropriations</b>		
Transfer to Statutory Reserve	6,302,350	6,220,770
Proposed Cash Dividend	25,000,000	25,000,000
Un-appropriated Profit	592,302	382,903

During the fiscal year 2000-2001, your Company made lease disbursements amounting to Rs. 616.08 million to 198 clients, raising the net investment in leases to Rs. 1.372 billion. (1999-2000 Rs. 1.117 billion). Scarcity of good leasing prospects continued this year as well. The Plant & Machinery continued to dominate the asset mix of the portfolio while sector wise portfolio has not changed significantly. The Textile Composite, Steel, Eng. & Automobile are our major areas of investment.

The total revenue of the Company has increased to Rs. 272.69 million, an increase of 27%, as compared to last year. The return on short term investment has increased to Rs. 50.11 million from Rs. 30.125 million mainly due to investments in TFCs which were made to support fixed income securities market in the country and to meet our liquidity requirement.

In continuation of our prudent accounting approach, this year we have provided Rs. 12 million on account of deferred tax liability through the income statement thus raising the total to Rs. 49.2 million. The Company does not expect that this liability will materialize in the foreseeable future. We also have made provision of Rs. 28 million for lease losses thus increasing the total to Rs. 77 million.

#### **Credit Rating**

Your Company's credit rating has been upgraded. The long term rating has been raised to A (single A) from A- (single A minus) and the short term rating to A1(A one) from A2 (A two) by Pakistan Credit Rating Agency. The assign rating denotes low expectation of credit risk and strong capacity for timely repayment of financial commitments.

#### **Underwriting & Pre-IPOs**

Your Company continued its policy to be an active participant in the development of secondary market. During the current year, your Company participated in Pre-IPO of Term Finance Certificates (TFCs) issued by Alnoor Sugar Mills Limited, Atlas Lease Limited, Network Leasing Limited and Shakarganj Mills Limited and underwrote the TFCs issue of Orix Leasing Limited, Alnoor Sugar Mills Limited, Network Leasing Limited and Engro Asahi. These activities generated fee based income of Rs. 713,750.

#### **Resource Mobilization**

The last few years have been difficult for the leasing sector as there has been declining trend in credit availability from multilateral agencies, the prohibitive cost of hedging made it difficult to avail even the approved credit lines. Meanwhile with the decline in interest rates, the local sources have become attractive avenues of funds mobilization for the leasing sector.

Your Company's good rating and solid credit standing has contributed in raising funds through issues of Certificate of Investments (COIs) to individual and corporate customers, an increase of 150 percent was achieved in COI deposits from last year. Our local bankers have continued to enhance and extended credit lines, as such, your Company does not foresee any uncertainty in meeting its future funding requirements.

Alhamdulillah, after the balance sheet date, on September 12th this year, your Company successfully issued Communication of Rs. 253 million, which were over subscribed. This was a unique issue because it was the First Five Year Perpetual TFC issued in Pakistani history. These TFCs are listed on the Lahore Stock Exchange and have a floating rate based on the discount rate with a floor of 13.5% and ceiling of 17.5%. We are thankful to all the investors for their support.

#### **Future Outlook**

Presently, the economy of Pakistan is in the throes of severe macro economic imbalances and deceleration of growth therefore it is difficult to assess the future outlook. It is hoped that military regime would be in a better position to think and take decisions that would reverse the country's economic slump. The task of reviving the economy and providing good governance is a monumental one.

With the events of September 11, our Government supportive stands with the coalition partners will certainly help to boost our economy. The Standard and Poor rating agency has maintained a stable outlook for Pakistan.

The trading at all the three stock exchanges of the country remained suspended for the whole week in September, the first instance in the past two decades, in order to avert drastic market decline.

The cut in discount rate to 10% is not yet sufficient, compared with the other economies of the region, India (6%) and Bangladesh (7.5%). A further cut is therefore expected which would certainly help our depressed economy.

Pressure on Pakistan rupee has eased considerably with the return of flight capital. Given the prevailing conditions, the management of your Company sees few prospects of fixed investments and we continue to emphasize our conservative approach in leasing out assets. We believe that your Company will continue to benefit from the improving trend in our economy.

#### **M & A Activities**

As part of the management s strategy for growth and diversification, your Company acquired another modaraba management company namely Providence Modaraba Ltd., the manager of First Providence Modaraba in December 2000.

Guardian Leasing Modaraba (GLM) has been merged with First Providence Modaraba (FPM) as per Scheme of Amalgamation/Merger approved by the Honourable High Court of Sindh.

The name of the merged modarabas has been changed to **Guardian Modaraba** with an equity base of Rs. 173.079 million and assets of Rs. 339.993 million as of June 30th 2001.

#### **Pattern of Shareholding**

The pattern of Shareholding as on June 30, 2001 is annexed to these financial statements.

#### **Auditors**

The present auditors, M. Yousuf Adil Saleem & Co., Chartered Accountants, are due for retirement and being eligible offer themselves for re-appointment.

#### **Condolence**

The members of the Board and staff of the Company record with deep sorrow the sad demise of Mr. Suleman Dawood, one of the pillars of the Dawood family. May Allah place his soul in eternal rest and give the strength to the family members to bear this loss, Ameen.

#### **Acknowledgements**

We would like to express our appreciation for the support and encouragement given to your Company by the Regulator, the Securities and Exchange Commission of Pakistan through the Chairman and the Governor of the State Bank of Pakistan. We also acknowledge the continued competence of our managements and staff.

**On behalf of the Board**

**Refique Dawood  
Chairman & CEO**

November 28, 2001

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

We have audited the annexed balance sheet of **DAWOOD LEASING COMPANY LIMITED** as at June 30, 2001 and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company s management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

b. in our opinion:

i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii. the expenditure incurred during the year was for the purpose of the Company s business; and

iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement 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, changes in equity and its cash flows 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.

Dated: November 28, 2001  
Karachi:

**M. Yousuf Adil Saleem & Co.**  
**Chartered Accountants**

## BALANCE SHEET AS AT JUNE 30, 2001

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized</b>			
50,000,000 Ordinary Shares of Rs. 10/- each		500,000,000	500,000,000
Issued, Subscribed and Paid up			
25,000,000 Ordinary Shares of Rs. 10/- each. Fully Paid in Cash		250,000,000	250,000,000
Statutory Reserve		40,148,077	33,845,727
General Reserve		22,500,000	22,550,000
Unappropriated Profit		592,302	382,903
		313,240,379	306,728,630
<b>LONG TERM LIABILITIES</b>			
Redeemable Capital	3	49,524,541	5,218,349
Long Term Loans	4	240,265,340	297,859,954
Long Term Deposits		305,900	--
Lease Deposits	5	194,431,475	112,511,803
Certificates of Investment	6	27,145,000	36,100,000
		511,672,256	451,690,106
<b>DEFERRED LIABILITIES</b>			
Taxation		49,200,000	37,200,000
Staff Gratuity		2,047,235	1,392,973
		51,247,235	38,592,973
<b>CURRENT LIABILITIES</b>			
Short Term Borrowings	7	734,016,863	496,539,426
Certificates of Investment	6	228,655,000	66,000,000
Current Portion of Long Term Liabilities	8	86,792,945	95,293,682
Accrued and Other Liabilities	9	103,045,228	47,213,529
Taxation		4,000,000	2,600,000
Proposed Dividend		25,000,000	25,000,000
		1,181,510,036	732,646,636
<b>COMMITMENTS</b>			
	10	2,057,069,906	1,529,658,346
<b>FIXED CAPITAL EXPENDITURE</b>			
	11	25,298,747	26,402,077
<b>NET INVESTMENT IN LEASE FINANCE</b>			
	12		
Minimum Lease Payment Receivables		1,581,130,526	1,338,939,163
Residual Value of Leased Assets		195,578,249	159,531,402
		1,776,708,775	1,498,470,565

The annexed notes from 1 to 39 form an integral part of these financial statements.

Unearned Finance Income		(404,531,665)	(380,678,513)
Net Investment in Lease Finance		1,372,177,110	1,117,792,052
Provision for Lease Losses		(44,675,000)	(27,050,000)
		1,327,502,110	1,090,742,052
Current Portion of Net Investment in Lease Finance		(592,126,053)	(429,288,511)
		735,376,057	661,453,541
<b>INVESTMENT IN SUBSIDIARIES /ASSOCIATE</b>	13	59,094,447	51,530,850
<b>LONG TERM LOANS</b>	14	2,638,318	2,899,224
<b>LONG TERM DEPOSITS</b>		402,000	300,000
<b>LONG TERM RECEIVABLE</b>	15	10,775,000	21,950,000
<b>CURRENT ASSETS</b>			
Current Portion of Net Investment in Lease Finance		592,126,053	429,288,511
Short Term Investments	16	521,008,202	297,765,560
Short Term Morabaha Finances	17	8,608,604	7,000,000
Advances against Lease Commitment		51,126,889	2,850,000
Advances, Deposits and Prepayments	18	4,727,280	4,507,617
Other Receivables	19	32,742,232	15,109,408
Cash and Bank Balances	20	13,746,077	8,601,558
		1,224,085,337	765,122,654
		2,057,669,906	1,529,658,346

**Rafique Dawood**  
Chairman & Chief Executive

**Abdul Latif Uqaili**  
Director

## 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>
<b>Income</b>			
Lease Income		184,582,954	171,044,261
Return on Deposits and Investments	21	51,745,620	33,351,769
Gain on Sale of Securities		9,836,110	9,294,278
Exchange Gain		23,947,808	--
Other Income		2,580,379	724,970
		272,692,871	214,415,278
<b>Expenditure</b>			
Administration and Operating Expenses	22	26,863,283	26,585,556
Financial Charges	23	175,320,927	132,925,298
Provision for Lease Losses		28,000,000	15,000,000
Reversal of Diminution in Value of Investments		(4,807,567)	(1,753,881)
		225,376,643	172,756,973
<b>Profit Before Taxation</b>		47,316,228	41,658,305
<b>Provision for Taxation</b>	24		
Current		4,000,000	2,600,000
Prior		(195,521)	(245,545)
Deferred		12,000,000	8,200,000
		15,804,479	10,554,455
<b>Profit After Taxation</b>		31,511,749	31,103,850
<b>Unappropriated Profit Brought Forward</b>		382,903	499,823
<b>Profit Available for Appropriation</b>		31,894,652	31,603,673

**Appropriations**

Transferred to Statutory Reserve	6,302,350	6,220,770
Proposed Cash Dividend Rs. 1/- per share (2000 - Rs. 1/- per share)	25,000,000	25,000,000
	-----	-----
	31,302,350	31,220,770
	-----	-----
<b>Unappropriated Profit Carried Forward</b>	592,302	382,903
	=====	=====

**Earning Per Share - Basic and Diluted**

	25		
Pre-Tax		1.89	1.67
Post-Tax		1.26	1.24

The annexed notes from 1 to 32 form an integral part of these financial statements

**Rafique Dawood**  
Chairman & Chief Executive

**Abdul Latif Uqaili**  
Director

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

	<i>Issued, Subscribed and Paid-up Capital</i>	<i>Statutory Reserve *</i>	<i>General Reserve</i>	<i>Unappropriated Profit</i>	<i>Total</i>
			<i>Rupees</i>		
Balance at June 30, 1999	250,000,000	27,624,957	22,500,000	499,823	300,624,780
Profit for the year	--	--	--	31,103,850	31,103,850
Appropriations:					
Transferred to Statutory Reserve	--	6,220,770	--	(6,220,770)	--
Dividend: Rs. 1/- per share	--	--	--	(25,000,000)	(25,000,000)
	-----	-----	-----	-----	-----
Balance at June 30, 2000	250,000,000	33,845,727	22,500,000	382,903	306,728,630
Profit for the year	--	--	--	31,511,749	31,511,749
Appropriations:					
Transferred to Statutory Reserve	--	6,302,350	--	(6,302,350)	--
Dividend: Rs. 1/- per share	--	--	--	(25,000,000)	(25,000,000)
	-----	-----	-----	-----	-----
Balance at June 30, 2001	250,000,000	40,148,077	22,500,000	592,302	313,240,379
	=====	=====	=====	=====	=====

\* The statutory reserve is created by transferring 20% after tax profit for the year as required under the Leasing Companies (Establishment and Regulation) Rules, 2000.

**Rafique Dawood**  
Chairman & Chief Executive

**Abdul Latif Uqaili**  
Director

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>2001 Rupees</i>	<i>2000 Rupees</i>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit After Taxation	31,511,749	31,103,850
Adjustments:		
Depreciation	5,595,734	5,053,056
Loss on Sale of Investments	(9,836,110)	(9,294,278)
Financial Charges	175,320,927	132,925,298
Loss / (Gain) on Sale of Assets	52,500	(89,400)



Provision for Gratuity	706,463	747,632
Provision for Lease Losses	28,000,000	15,000,000
Reversal for Diminution in Value of Investments	(4,807,567)	(1,753,881)
Provision for Deferred Taxation	12,000,000	8,200,000
Provision for Taxation	3,804,479	2,354,455
	-----	-----
	210,836,426	153,142,882
	-----	-----
	242,348,175	184,246,732

**Changes in Operating Assets and Liabilities**

(Increase)/Decrease in Operating Assets		
Advances, Deposits and Prepayments	(865,274)	263,791
Other Receivables	(17,504,599)	12,140,412
Net Investment in Lease Finance/Receivables	(253,585,058)	(125,312,170)
Long Term Loans	239,668	(1,207,982)
Advances against Lease Commitment	(48,276,889)	6,850,000
Short Term Morabaha Finances	(1,608,604)	96,051,816
	-----	-----
	(321,600,756)	(11,214,133)
	-----	-----
	(79,252,581)	173,032,599
Increase/(Decrease) in Operating Liabilities		
Long Term Deposits	305,900	--
Accrued and Other Liabilities	51,987,984	(9,034,413)
Lease Deposits	86,658,496	13,587,372
	-----	-----
	59,699,799	177,585,558
Financial Charges Paid	(172,454,568)	(116,148,272)
Gratuity Paid	(52,201)	(212,691)
Tax Paid	(1,865,855)	(2,435,617)
	-----	-----
<b>Net Cash (used in) / from Operating Activities</b>	<b>(114,672,825)</b>	<b>58,788,978</b>
	=====	=====

**B. CASH FLOW FROM FINANCING ACTIVITIES**

Redeemable Capital Obtained	75,000,000	--
Redemption of Redeemable Capital	(12,508,307)	(21,665,065)
Long Term Loans - net	(89,019,676)	(107,731,287)
Repayment of Lease Liability	--	(132,245)
Short Term Borrowings	237,477,437	62,991,347
Certificates of Investment	153,700,000	40,200,000
Dividend Paid	(24,022,644)	(24,664,666)
	-----	-----
<b>Net Cash from / (used in) Financing Activities</b>	<b>340,626,810</b>	<b>(51,001,918)</b>

**C. CASH FLOW USED IN INVESTING ACTIVITIES**

Long Term Deposits	(102,000)	--
Capital Expenditure	(4,718,904)	(9,137,403)
Proceeds From Sale of Fixed Assets	174,000	1,570,570
Purchase of Long Term Investment	(7,563,597)	(5,737,500)
Short Term Investments - net	(208,598,965)	(96,917,721)
	-----	-----
<b>Net Cash Used in Investing Activities</b>	<b>(220,809,466)</b>	<b>(110,222,054)</b>
Net Increase / (Decrease) in Cash and Bank Balances	5,144,519	(102,434,992)
Cash and Bank Balances at the Beginning of the Year	8,601,558	111,036,550
	-----	-----
<b>Cash and Bank Balances at the End of the Year</b>	<b>13,746,077</b>	<b>8,601,558</b>
	=====	=====

**Rafique Dawood**  
Chairman & Chief Executive

**Abdul Latif Uqaili**  
Director

**NOTES TO THE FINANCIAL STATEMENTS**

## **FOR THE YEAR ENDED JUNE 30, 2001**

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

The Company was incorporated on June 22, 1994 as a public limited Company under the Companies Ordinance, 1984 and is listed on the Karachi and Islamabad Stock Exchanges. The main business activity of the Company is leasing of assets.

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

#### **2.1 Accounting Convention**

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

#### **2.2 Basis of Preparation**

These accounts have been prepared in accordance with International Accounting Standard as applicable in Pakistan.

#### **2.3 Revenue Recognition**

The Company follows the finance Method in recognizing income on lease contracts. Under this method the unearned income i.e., the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortized over the terms of the lease applying the annuity method, so as to produce a constant rate of return on net investment in the leases.

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

The transaction of purchase and resale obligation of Government Securities at contracted rates for specified period of time are recorded at the contracted purchase price and the differential of the contracted purchase and resale prices is taken to income.

Profit on Morabaha finance and other financing are accrued on time proportion basis.

Return on securities is recognized on accrual basis.

Dividend income is recognized at the time of closure of the shares transfer books of the company declaring the dividend.

Lease income and profit on morabaha financing which are classified under the Leasing Companies (Establishment and Regulation) Rules, 2000 issued by Securities and Exchange Commission of Pakistan are not taken to income.

#### **2.4 Staff Retirement Benefits**

The Company operates a funded contributory Provident Fund Scheme for its employees. Employees are also entitled to gratuity after completion of 3 years continuous service in accordance with the service rules of the Company.

#### **2.5 Provision for Lease Losses**

Besides making a provision as per the requirements of the Leasing Companies (Establishment and Regulation) Rules, 2000 issued by the Securities and Exchange Commission of Pakistan, the Company exercising prudence, also makes a general provision at a reasonable level, which in the judgements of the management is adequate to provide for potential losses on lease portfolio and other finance that can be reasonably anticipated.

#### **2.6 Taxation**

The charge for current taxation is based on taxable income at the current rates of taxation. On lease income, it is computed as if all leases are operating leases, after taking into account allowances available for depreciation in respect of fixed assets under lease.

The tax effect for deferred taxation is calculated using the liability method on all major timing differences. As a matter of prudence, deferred tax debits are not accounted for.

#### **2.7 Tangible Fixed Assets and Depreciation**

These are stated at cost less accumulated depreciation. Depreciation is charged to income, applying the straight line method whereby cost of an asset is written off over its estimated useful life. A full year's depreciation is charged on all assets acquired during the year while no depreciation is charged on assets disposed off during the year.

Normal repairs and maintenance are charged to income as and when incurred. Gains and losses on disposal, if any, are taken to profit and loss account.

#### **2.8 Investments**

**2.8.1 Subsidiary / Associate**

The Company follows Cost Method of accounting in recognizing the investment in subsidiary / associate.

**2.8.2. Long Term**

These are stated at cost and are reduced to recognize a decline, other than temporary in values, if any.

**2.8.3 Short Term**

These are stated at lower of moving average cost and market / breakup value on aggregate portfolio basis.

**2.9 Foreign Currencies Transaction**

These are accounted for in Rupees at the exchange rate on the date of transaction. Assets and liabilities in foreign currencies are converted into Rupees at the rate of exchange on the balance sheet date. In cases, where exchange risk cover has been obtained from State Bank of Pakistan, the foreign currency amounts are translated into Rupees at the exchange rate prevailing on the date of disbursement or renewal.

Exchange risk fee and differences arising due to hedging mechanism are accounted for as deferred revenue or costs as the case may be, and are credited to income or amortized respectively over the term of the transaction.

**2.10 Financial Assets**

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

**2.11 Financial Liabilities**

Financial liabilities are classified according to the substance of contractual arrangements entered into. Significant financial liabilities are long term loans, long term deposits, certificates of investment, short term finances as well as accrued and other liabilities.

**2.12 Offsetting**

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

			<i>2001</i>	<i>2000</i>
	<b>Term Finance Certificates</b>		<b>Rupees</b>	<b>Rupees</b>
<b>3. REDEEMABLE CAPITAL -SECURED</b>				
<b>(NON-PARTICIPATORY)</b>				
Opening Balance	14,274,989	--	14,274,989	35,940,054
Obtained during the year	--	75,000,000	75,000,000	--
	-----	-----	-----	-----
	14,274,989	75,000,000	89,274,989	35,940,054
Paid during the year	(9,056,640)	(3,451,667)	(12,508,307)	(21,665,065)
	-----	-----	-----	-----
	5,218,349	71,548,333	76,766,682	14,274,989
Payable within one year shown under current liabilities	(5,218,349)	(22,023,792)	(27,242,141)	(9,056,640)
	-----	-----	-----	-----
	--	49,524,541	49,524,541	5,218,349
	=====	=====	=====	=====
Repayment period quarterly	Sept. 01, 1998 to	Dec. 26, 2000 to		
	Sept. 01 2001	May 18, 2004		
Sale Price	25,000,000	75,000,000		
Purchase Price	35,712,210	95,868,168		
Prompt Payment Bonus	1,271,106			

The redeemable capital is secured by way of a pari-passu charge on all assets and book debts of the Company through hypothecation. Similar arrangements unless specified have been made to secure the long term loans (Refer Note No. 4) and short term borrowings (Refer Note No. 7).

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
<b>4. LONG TERM LOANS - SECURED</b>		
Foreign Currency		
Asian Development Bank (4.1)	164,868,775	159,853,286
Local Currency		
Commercial Banks (4.2)	56,666,668	60,000,000
Investment Bank (4.3)	50,000,000	140,701,833
	-----	-----
	271,535,443	360,555,119
Payable within one year shown under current liabilities	(31,270,103)	(62,695,165)
	-----	-----
	240,265,340	297,859,954
	=====	=====

4.1 This represents a 15 years term loan facility, with a grace period of three years, obtained in tranches under Financial Sector Intermediation Loan # 1371-PAK. The loan is subject to interest @ 0.25% over variable Ordinary Capital Resource (OCR) rate of Asian Development Bank. The loan repayments are semi-annual and secured by guarantee of a development financial institution. The guarantee is secured against hypothecation of redeemable assets including book debts of the Company ranking pari-passu with charges created to secure of capital (Refer Note No. 3) and short term borrowings (Refer Note No. 7) and term finance certificates

Rs. 9,994,000/- of NDLC (Refer Note No. 16). The Company has obtained exchange risk cover from the State Bank of Pakistan. Principal repayment of the facility will commence from March 15, 2002 and end on March 15, 2014

4.2 These are secured against hypothecation of assets including book debts of the Company ranking pari passu, with the charge created in favour of other lenders to secure redeemable capital (Refer Note No. 3) and short term borrowings (Refer Note No. 7). These facilities are payable on various dates by May 2004.

These are subject to markup rate ranging from Re. 0.3808 to Re. 0.4657 per Rs. 1,000/- per day.

4.3 These are secured against hypothecation of assets including book debts of the Company ranking pari passu, with the charge created in favour of other lenders to secure redeemable capital (Refer Note No. 3) and short term borrowings (Refer Note No.7). These facilities are payable on various dates by May 2004.

These are subject to markup rate ranging from Re. 0.4384 to Re. 0.50 per Rs. 1,000/- per day.

#### **5. LEASE DEPOSITS**

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

#### **6. CERTIFICATES OF INVESTMENT**

These represent the mobilization of fund under the Scheme of certificates of investment issued with the permission of the Securities and Exchange Commission of Pakistan. The scheme is based on profit and loss sharing basis. The certificates are for the terms ranging from three months to five years. The expected rate of profit ranges from 11.75% to 19.25%

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
<b>7. SHORT TERM BORROWINGS</b>		
Secured- under markup arrangement (7.1)		
From Commercial Banks		
Term Loan	119,480,377	8,300,000
Morabaha Finance	50,000,000	--
Running Finance	113,286,486	78,239,426
From Non-Banking Financial Institutions	50,000,000	75,000,000
Unsecured		
From Commercial Banks	150,000,000	145,000,000
From Non Banking Financial Institutions	251,250,000	190,000,000
	-----	-----
	734,016,863	496,539,426
	=====	=====

7.1 These facilities are secured against hypothecation of assets including book debts of the Company ranking pari passu with the charge created to secure redeemable capital (Refer Note No. 3) and long term loans (Refer Note No. 4). These include Rs. 100 million which is secured by pledge of US dollar bonds and Rs. 50 million which is secured by pledge of Term Finance Certificates.

The sanctioned running finance facilities of Rs. 185 million from commercial banks are renewable yearly. The

letter of credit acceptance facilities of Rs. 45 million from commercial banks are not utilized on the balance sheet date.

The rate of markup ranges from Re. 0.3561 to Re. 0.4863 per Rs. 1,000/- per day.

#### 8. CURRENT PORTION OF LONG TERM LIABILITIES

Redeemable Capital	27,242,141	9,056,640
Long Term Loans	31,270,103	62,695,165
Lease Deposits	28,280,701	23,541,877
	-----	-----
	86,792,945	95,293,682
	=====	=====

#### 9. ACCRUED AND OTHER LIABILITIES

Mark-up on Secured		
Redeemable Capital	2,126,287	951,666
Long Term Loans	6,767,697	19,974,427
Short Term Borrowings	11,064,105	2,497,058
Mark-up / Return on Unsecured		
Short Term Borrowings	11,072,681	10,236,920
Certificates of Investment	11,677,080	6,181,420
Advance against Leases	11,813,227	3,083,782
Accrued Expenses	1,705,057	1,287,600
Guarantee Commission	879,775	--
Purchase of Listed Securities	41,248,442	--
Unclaimed Dividend	1,807,655	830,299
Others	2,883,222	2,170,357
	-----	-----
	103,045,228	47,213,529
	=====	=====

#### 10. COMMITMENTS

Lease financing contracts committed but not executed at the balance sheet date amounted to Rs. 86.6 million (2000 - Rs. 147 million) and underwriting commitments of TFCs amounted to Rs. 65 million (2000 Rs. 35 million).

#### 11. FIXED CAPITAL EXPENDITURE

Operating Assets - Tangible (11.1)	24,298,747	26,402,077
Capital Work in Progress		
Advance for Renovation of Office Premises	1,000,000	--
	-----	-----
	25,298,747	26,402,077
	=====	=====

#### 11.1 Operating Assets - Tangible

	<i>Cost at July 01, 2000</i>	<i>Addition/ Transfer/ (Deletion)</i>	<i>Cost at June 30, 2001</i>	<i>Accumulated Depreciation at July 01, 2000</i>	<i>Depreciation/ (Deletion) for the year</i>	<i>Accumulated Depreciation at June 30, 2001</i>	<i>Book value at June 30, 2001</i>	<i>Rate %</i>
Office Premises	16,029,956	--	16,029,956	4,282,833	1,602,996	5,885,829	10,144,127	10
Lease Hold Improvements	8,592,686	489,605	9,082,291	2,328,235	908,229	3,236,464	5,845,827	10
Furniture and Fixtures	4,767,177	205,650	4,972,827	2,005,494	497,282	2,502,776	2,470,051	10
Equipment and Appliances	5,365,838	607,649 (60,000)	5,913,487	3,556,727	883,758 (48,000)	4,392,485	1,521,002	20
Vehicles	7,809,714	2,416,000 (214,500)	10,011,214	3,990,005	1,703,469	5,693,474	4,317,740	20
	-----	-----	-----	-----	-----	-----	-----	
Rupees	42,565,371	3,718,904 (274,500)	46,009,775	16,163,294	5,595,734 (48,000)	21,711,028	24,298,747	
	=====	=====	=====	=====	=====	=====	=====	
2000 Rupees	37,273,336	9,137,403 (3,845,368)	42,565,371	13,474,436	5,053,056 (2,364,198)	16,163,294	26,402,077	
	=====	=====	=====	=====	=====	=====	=====	

#### 11.1.1 Disposal of Operating Assets - by negotiation

<i>Particulars</i>	<i>Cost</i>	<i>Accumulated</i>	<i>Written</i>	<i>Sale</i>	<i>Name and Address</i>
--------------------	-------------	--------------------	----------------	-------------	-------------------------

	<i>Depreciation</i>	<i>Down Value</i>	<i>Proceed</i>	
Furniture and Fixture	60,000	48,000	12,000	24,000 Mr. Noman Akhter, Ex-,employee C- 10, Jason Luxury Apartments Kehkashan Clifton, Karachi.
Vehicle	214,500	--	214,500	150,000 Mr. Munawar Raza (CDR) House No. C-4, PNS Johar, Karachi.
Rupees	274,500	48,000	226,500	174,000
2000 Rupees	3,845,368	2,364,198	1,481,170	1,570,570

**12. NET INVESTMENT IN LEASE FINANCE**

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>12.1 Minimum Lease Payment Receivables</b>		
Less than one year	911,499,912	593,660,855
More than one year and less than five years	669,630,614	745,278,308
	1,581,130,526	1,338,939,163
<b>12.2 Net Investment in Lease Finance</b>		
Less than one year	592,126,053	429,288,511
More than one year and less than five years	780,376,057	661,453,541
	1,327,502,110	1,090,742,052

12.3 The Company had extended leasing facilities to Pakland Cement Limited (PCL) against which a sum of Rs. 112.38 million was outstanding as at December 31, 2000. The creditors of PCL have filed petition in the Sindh High Court under section 284, 285, 286 and 288 of the Companies Ordinance, 1984 with the consent of the majority of creditors for restructuring of their outstanding liabilities and repayment thereof. Consequently, the lease facilities and borrowings of PCL shall be converted into Term Finance Certificates (TFCs) to be issued as redeemable capital under provisions of Section 120 of the Companies Ordinance, 1984. The TFCs will be for a period of eight and half years, secured by a pari - passu charge / mortgage over the assets and securities of PCL created in favour of the Trustees appointed on behalf of the TFC holders / Creditors and will be redeemed in 13 semi annual installments with grace period of two and half years from the effective date.

TFCs will be issued by PCL in two series. TFCs Series A represent the principal and overdue lease rentals/ borrowings and will carry a yield of 16% per annum. TFCs Series B will be issued for the accrued profit / markup on which no yield will be applicable.

These TFC s will be freely tradable amongst the TFC holders except that for a sell/transfer to party other than creditor, prior consent of PCL would be required.

The State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP) have granted specific exemptions from the applicability for the Prudential Guidelines in respect of the restructuring and additional facilities regarding PCL. No additional provision shall be made.

The carried over provisions will be reversed by the Company on the basis of the actual recoveries effected according to the repayment schedule of the TFCs.

The amount will be transferred to investment in TFCs on receiving approval of the High Court.

**13. INVESTMENT IN SUBSIDIARIES/ASSOCIATE****Subsidiaries**

Guardian Modaraba 191anagement (Pvt.) Limited		
Percentage of holding 99.80%		
2,495,000 Ordinary shares of Rs.10/- each		
Net assets value at June 30, 2001: Rs. 20.69 million	15,793,350	15,793,350
(2000: Rs.20.26 million)		
Certificates were with open transfer deeds		

General Modaraba Services (Pvt.) Limited

Percentage of holding 51%		
637,500 Ordinary shares of Rs. 10/- each		
Net assets value as at June 30, 2001: Rs. 0.40 million (2000: Rs. 0.28 million)	5,737,500	5,737,500

Providence Modaraba Limited		
Percentage of holding 99%		
990,000 Ordinary shares of Rs.10/- each		
Net assets value as at June 30, 2001: Rs. 4.42 million Certificates were with open transfer deeds	7,563,597	--

**Associate**

Pakistan Venture Capital Limited		
Percentage of holding 30%		
3,000,000 Ordinary shares of Rs. 10/- each		
Net assets value as at June 30, 2001: Rs 36.91 million (2000: Rs. 35.55 million)	30,000,000	30,000,000
Market value Rs.8.3 million (2000:Rs.15 million)		
	-----	-----
	59,094,447	51,530,850
	=====	=====

13.1 The above investments are carried at cost. Had these investments been accounted for using the Equity Method, the value of investments on the basis of latest available audited accounts for the year ended June 30, 2001 of the investees and their effects on the profit and loss account would have been as follows:-

	<i>Value of Investment under Equity Method Rupees</i>	<i>Effect on Profit Rupees</i>
Guardian Modaraba Management (Pvt.) Limited	23,016,617	7,223,267
General Modaraba Services (Pvt.) Limited	2,844,917	(2,892,583)
Providence Modaraba Limited	6,100,718	(1,462,879)
Pakistan Venture Capital Limited	36,521,678	6,521,678
	-----	-----
	68,483,930	9,389,483
	=====	=====

**14. LONG TERM LOANS - STAFF****Considered good**

Chief Executive	2,254,696	2,415,942
Executive	644,528	722,950
	-----	-----
	2,899,224	3,138,892
Less: Current Portion	(260,906)	(239,668)
	-----	-----
	2,638,318	2,899,224
	=====	=====
Outstanding for Period:		
- Within three years	854,871	784,759
- Exceeding three years	2,044,353	2,354,133
	-----	-----
	2,899,224	3,138,892
	=====	=====

The loans under the scheme have been provided to Chief Executive and an Executive of the Company to facilitate construction or purchase of house, which are repayable over a period of 10 years with service charge @ 5% to 10% per annum.

Maximum aggregate amount outstanding during the year in respect of Chief Executive and Executive is Rs. 3,138,892/-(2000 - Rs. 4,430,910/-).

**15. LONG TERM RECEIVABLE**

Principal due	43,100,000	43,900,000
Provision made		
Opening balance	21,950,000	--

Provided during the year	10,375,000	21,950,000
	-----	-----
	32,325,000	21,950,000
	-----	-----
	10,775,000	21,950,000
	=====	=====

The Company had filed a suit against the lessee in the courts of law and decree of recovery for Rs. 64.412 million was awarded by the Banking Court under the Banking Companies (Recovery of Loans, Advances, Credits and Finance) Act 1997. The Company also holds additional security by way of equitable mortgage on factory land and building. As a matter of prudence, provision has also been made.

## 16. SHORT TERM INVESTMENTS

Shares & Securities	16.1	186,978,087	95,098,144
Federal Investment Bonds	16.2	4,000,000	4,000,000
US Dollar Bonds	16.3	135,798.60	115,911,357
Euro Bonds	16.4	21,775,982	6,093,470
Certificates of Investment		--	10,000,000
Placements and Deposits	16.5	172,455,533	66,662,589
		-----	-----
		521,008,202	297,765,560
		=====	=====

### 16.1 Marketable Securities

Quoted Shares / Certificates	No. of Shares/Certificates		COST	
	2001	2000	2001 Rupees	2000 Rupees
Adamjee Insurance Company Ltd.	328,277	252	18,355,550	15,520
Glaxo Wellcome Pakistan Ltd.	2,000	2,000	80,500	80,500
ICI Pakistan Ltd.	589,250	336,250	5,363,912	5,046,600
Hub Power Company Ltd.	60,000	115,000	1,157,807	1,699,530
KASB Premier Fund Ltd.	50,000	50,000	500,000	500,000
Pakistan State Oil Company Ltd.	5,122	5,122	678,816	894,441
Pakistan Telecommunication Co. Lt	1,705,000	5,000	30,604,505	164,259
World Call Payphone Ltd.	1,000,000	--	15,700,000	--
Saadi Cement Ltd.	--	2,500,000	--	12,500,000
Engro Chemicals Ltd.	23,023	32,020	1,579,757	2,526,664
Sui Southern Gas Company Ltd.	6,988	155,939	97,299	2,541,251
Sui Northern Gas Company Ltd.	11,500	--	109,910	--
Sitara Energy Ltd.	15,000	--	339,000	--
Bank A1-Habib Ltd.	13,114	10,929	204,923	204,923
First Imrooz Modaraba	500	500	10,600	10,600
B.R.R International Modaraba	2,000	2,000	10,260	10,260
First General Leasing Modaraba	118,675	--	213,615	--
First Providence Modaraba	320,956	--	2,034,867	--
Dawood Hercules Ltd.	1,200	1,200	92,500	92,500
I.C.P. SEMF Mutual Fund	7,500	7,500	105,575	105,576
Dewan Farooq Motors Ltd.	400,000	400,000	3,884,479	4,000,000
Ibrahim Fibres Ltd.	--	50,000	--	720,000
Dhan Fibre Ltd.	--	100,000	--	1,050,000
Dewan Salman Fibres Ltd.	10,000	--	179,000	--
Nishat Mills Ltd.	50,000	--	865,000	--
D.G. Khan Cement Ltd.	--	60,000	--	480,000
Fauji Fertilizers Ltd.	--	11,500	--	452,525
Tripack Films Ltd.	177,500	--	5,413,750	--
National Refinery Ltd.	--	28,000	--	1,195,600
			-----	-----
Balance c/f			87,581,625	34,290,749
			-----	-----
Balance b/f			87,581,625	34,290,749
			-----	-----
Saudi Pak Leasing Company Ltd.	50	75	5,000,000	7,500,000
Dewan Salman Fibres Ltd.	100	100	9,992,000	9,996,000
National Development Leasing Ltd.	100	100	9,994,000	9,998,000
Pakistan Industrial Leasing Corpor	150	100	14,994,000	9,998,000
Sigma Leasing Ltd.	100	100	9,000,000	10,000,000
Paramount Leasing Ltd.	100	100	9,800,000	10,000,000
Atlas Lease Ltd.	75	--	7,498,500	--
Network Leasing Ltd.	100	--	9,998,000	--



Al-Noor Sugar Mills Ltd.	150	--	14,997,000	--
			91,273,500	57,492,000
Provision for diminution in value of investments			(7,284,605)	(9,038,486)
Opening balance			4,807,567	1,753,881
Reversal during the year			(2,477,038)	(7,284,605)
			176,378,087	84,498,144
<b>Unquoted Shares</b>				
Image Graphics Solution (Private) Limited				
Chief Executive - Mr. Tariq Mian	60,000	60,000	600,000	600,000
<b>Term Finance Certificates</b>				
Dewan Salman Fibres Ltd.	1	1	10,000,000	10,000,000
			186,978,087	95,098,144

**17. SHORT TERM MORABAHA FINANCES****Secured**

These represent funds provided under morabaha arrangement on markup / profit basis. These are secured by hypothecation of all present and future goods, merchandise, work-in-progress, finished and unfinished goods. The markup / profit rate is from Re. 0.4384 to Re. 0.5548 per Rs. 1,000/- per day.

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>18. ADVANCES, DEPOSITS AND PREPAYMENTS</b>		
Current Portion of Long Term Loans	260,906	239,668
Advance Income Tax	1,859,724	2,526,573
Deposits	--	41,000
Prepayments	1,593,550	1,550,376
Others	1,013,100	150,000
	4,727,280	4,507,617

**19. OTHER RECEIVABLES****Considered Good**

Receivable against Sale of Securities	14,119,120	182,261
Accrued Profit / Return	14,986,977	10,379,954
Income Tax Refundable	1,118,518	990,293
Receivable against Matured Leases	2,192,263	2,161,602
Others	325,354	1,395,299
	32,742,232	15,109,408

**20. CASH AND BANK BALANCES**

Cash in Hand		
Local Currency	--	19,726
Foreign Currency	510,245	355,098
Cash with Banks		
In Deposit Accounts	9,667,664	7,569,845
In Current Accounts	3,568,168	656,889
	13,746,077	8,601,558

**21. RETURN ON DEPOSITS AND INVESTMENTS**

Return on Short Term Investments	50,118,261	30,125,915
Profit on PLS Account / Bank Deposit (Net of Zakat)	76,518	75,179
Dividend	1,550,841	3,150,675
	51,745,620	33,351,769

**22. ADMINISTRATION AND OPERATING EXPENSES**

Salaries and Benefits (22.1)	10,626,756	9,115,019
Directors Meeting Fees	5,500	3,500
Rent, Rates and Taxes	592,515	520,571
Insurance	949,037	748,693
Legal, Professional and Consultancy	1,627,842	2,231,777
Travelling and Conveyance	780,234	2,108,171
Postage and Telephone	969,506	1,033,581
Utilities	627,105	450,884
Printing and Stationery	754,584	731,464
Vehicles Running and Maintenance	1,386,015	1,212,182
Computerisation	--	208,157
Entertainment	590,780	477,606
Advertisement	91,710	66,640
Repairs and Maintenance	621,229	625,355
Auditors Remuneration (22.2)	272,000	249,500
Share Department	--	250,000
Credit Rating	460,930	304,000
Depreciation	5,595,734	5,053,056
Fees and Subscription	502,462	605,987
Commission and Brokerage	331,559	357,286
Donation (22.3)	77,786	118,550
Others	--	113,578
	-----	-----
	26,863,283	26,585,556
	=====	=====

22.1 Salaries and benefits include Rs. 1,215,424 (2000: Rs. 1,142,485/-) in respect of retirement benefits.

**22.2 Auditors Remuneration**

Statutory Audit Fee	100,000	100,000
Tax and Other Consultancy	122,000	123,000
Other Services	40,000	20,000
Out of Pocket	10,000	6,500
	-----	-----
	272,000	249,500
	=====	=====

None of the directors or their spouse had any interest in the donees fund.

**23. FINANCIAL CHARGES**

Mark-up / Return on		
Redeemable Capital	5,473,350	4,836,425
Long Term Loans	36,777,379	45,334,061
Long Term Certificates of Investment	3,458,702	2,841,970
Short Term Borrowings	87,311,074	52,320,463
Short Term Certificates of Investment	24,441,918	10,728,745
Financial Charges on Lease Liability	--	9,565
Forward Cover Fee	13,801,593	13,390,894
Documentation, Project Examination, Guarantee		
Commission and Bank Charges	4,056,911	3,463,175
	-----	-----
	175,320,927	132,925,298
	=====	=====

**24. TAXATION**

The Company has provided for deferred taxation in compliance with circular No. 16 of the Securities and Exchange Commission of Pakistan to ensure that the liability arising on June 30, 2003 has been fully provided upto that year. The deferred taxation, arising out of timing difference between accounting and income tax revenue or charges computed under the liability method, is estimated at Rs. 59.2 million (2000 - Rs. 49.493 million). Part provision of Rs. 49.20 million has been made as of these accounts.

**25. EARNING PER SHARE**

There is no effect of dilution on the earning per share of the Company which is based on:

		<b>2001</b>	<b>2000</b>
Profit Before Taxation	Rs.	47,316,228	41,658,305

Profit After Taxation	Rs.	31,511,749	31,103,850
Weighted Average Number of Ordinary Shares		25,000,000	25,000,000
Earning Per Share - Pre-Tax	Rs.	1.89	1.67
Earning Per Share - Post-Tax	Rs.	1.26	1.24

## 26. REMUNERATION TO DIRECTORS AND EXECUTIVES

	2001			2000		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
Managerial Remuneration	1,277,424	619,356	3,284,096	838,710	619,356	2,804,259
Housing and Utilities	702,576	340,644	1,513,486	461,291	340,644	1,225,143
Bonus	--	80,000	378,811	100,000	80,000	280,874
Gratuity	356,673	50,906	283,185	171,603	187,073	388,956
Provident Fund	127,740	61,932	296,624	77,424	61,932	255,497
<b>Rupees</b>	<b>2,464,413</b>	<b>1,152,838</b>	<b>5,756,202</b>	<b>1,649,028</b>	<b>1,289,005</b>	<b>4,954,729</b>
Number of Persons	1	1	16	1	1	10

26.1 The Chief Executive, Director and Executives are also provided with free use of company cars, medical insurance cover and travelling allowance. The monetary value of these are Rs.2,157,259/-(2000-Rs. 1,723,646/-) approximately.

	2001 Rupees	2000 Rupees
27. TRANSACTIONS WITH ASSOCIATED COMPANIES		
Share of Common Expenses	1,135,613	259,089

## 28. CREDIT RISK AND CONCENTRATIONS OF SIGNIFICANT CREDIT RISK

Credit risk is the risk faced when one party to a financial instrument fails to discharge its obligation and cause the other party to incur a financial loss.

The Company follows two sets of guidelines, an operating policy duly approved by the Board of Directors and the Prudential Regulations for NBFIs issued by the Securities & Exchange Commission of Pakistan. The operating policy defines the extent of exposure with reference to a particular sector or group of leases. The leases are classified on the basis of Prudential Regulations guidelines.

The Company believes in maintaining a balance between profitability and portfolio riskiness. Diversification of lease portfolio is the focal point of Company's exposure policy. Extra care is taken to ensure that per party and per sector exposures remain within limits prescribed by the operating policy and Prudential Regulations.

Details of the industry / sector analysis of lease portfolio is given below:

Segment by Class of Business	Rupees	%
Textile Composite	219,373,028	15.99
Steel, Engineering & Automobile	179,750,834	13.10
Cement	160,521,837	11.70
Sugar and Allied	151,628,170	11.05
Transport & Communication	142,488,188	10.38
Food, Tobacco and Beverages	100,653,579	7.34
Chemicals, Fertilizers and Pharmaceuticals	58,783,603	4.28
Health Care	50,106,301	3.65
Textile Finishing	49,313,813	3.59
Energy, Oil and Gas	48,171,204	3.51
Power Generation	14,178,539	1.03
Electrical Goods	11,235,701	0.82
Financial	4,928,746	0.36
Miscellaneous	181,043,567	13.20
	<b>1,372,177,110</b>	<b>100.00</b>

## 29. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all the financial instruments reflected in the financial statements approximates to their fair values.

**30. INTEREST RATE RISK MANAGEMENT**

Interest rate risk arises from the possibility when changes in interest rate affect the value of financial instruments. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or reprice in a given period. The Company manages this risk by matching the repricing of assets and liabilities.

The Company's exposure to interest rate risk on its financial assets and liabilities are summarized as follows:-

<i>ASSETS</i>	<i>Less than One Month</i>	<i>One Month to One Year</i>	<i>Over One Year</i>	<i>Not Exposed to Interest Rate Risk</i>	<i>Total</i>
Fixed Capital Expenditure	--	--	--	25,298,747	25,298,747
Net Investment in Lease Finance	37,464,004	554,662,049	557,338,887	222,712,170	1,372,177,110
Long Term Receivable	--	--	10,775,000	--	10,775,000
Long Term Loans	20,855	240,051	2,638,318	--	2,899,224
Long Term Deposits	--	--	--	40,200	402,000
Investment in Subsidiaries / Associ	--	--	--	59,094,447	59,094,447
Short Term Investments	57,455,530	463,552,672	--	--	521,008,202
Short Term Morabaha Finance	--	8,608,604	--	--	8,608,604
Advances Against Lease Commitm	--	51,126,889	--	--	51,126,889
Advances, Deposits and Prepayme	--	--	--	4,466,374	4,466,374
Other Receivables	--	--	--	32,742,232	32,742,232
Cash and Bank Balances	9,667,664	--	--	4,078,413	13,746,077
<b>Rupees</b>	<b>104,608,053</b>	<b>1,078,190,265</b>	<b>570,752,205</b>	<b>348,794,383</b>	<b>2,102,344,906</b>
<b>CAPITAL AND LIABILITIES</b>					
Capital and Reserves	--	--	--	313,240,379	313,240,379
Provision for Lease Losses	--	--	--	44,675,000	44,675,000
Deferred Liabilities	--	--	--	51,247,235	51,247,235
Redeemable Capital	--	27,242,141	49,524,541	--	76,766,682
Long Term Loans	--	31,270,103	240,265,340	--	271,535,443
Certificates of Investment	71,450,000	157,205,000	27,145,000	--	255,800,000
Lease Deposits	--	--	--	222,712,176	222,712,176
Long Term Deposits	--	--	--	305,900	305.90
Short Term Borrowings	50,000,000	684,016,863	--	--	734,016,863
Accrued Expenses and Other Liabil	--	--	--	103,045,228	103,045,228
Taxation	--	--	--	4,000,000	4,000,000
Proposed Dividend	--	25,000,000	--	--	25,000,000
<b>Rupees</b>	<b>121,450,000</b>	<b>924,734,107</b>	<b>316,934,881</b>	<b>739,225,918</b>	<b>2,102,344,906</b>
<b>On-Balance Sheet Gap Rupees</b>	<b>(16,841,947)</b>	<b>153,456.16</b>	<b>253,817,324</b>	<b>(390,431,535)</b>	<b>--</b>
<b>Total Interest Rate Sensitivity Gap</b>	<b>(16,841,947)</b>	<b>136,614,211</b>	<b>390,431,535</b>	<b>--</b>	<b>--</b>

The effective average interest rate/mark-up for each of the monetary financial instrument is as follows.

**2001**  
**Effective Average Interest**  
**Rate / Mark-up**  
**%**

**Assets**

Net Investment in Lease Finance	20.50
Long Term Loans	5 - 10
Short Term Investments	18.29
Short Term Morabaha Finances	18.79
Cash & Bank Balances	5.27

**Liabilities**

Redeemable Capital	16.92
Long Term Loans	16.83
Certificates of Investment	16.04
Short Term Borrowings	16.85

**31. NUMBER OF EMPLOYEES**

Total number of permanent employees as at year end are 22 (2000 - 22)

### 32. GENERAL

Figures have been rounded off nearest to Rupee.

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

**Rafique Dawood**  
Chairman & Chief Executive

**Abdul Latif Uqaili**  
Director

## STATEMENT & REPORT

	<i>2001</i>	<i>2001</i>	<i>2001</i>	<i>2000</i>	<i>2000</i>
	<i>General</i>	<i>Guardian</i>	<i>Providence</i>	<i>General</i>	<i>Guardian</i>
<i>Statement and Report under Secti</i>	<i>Modaraba</i>	<i>Modaraba</i>	<i>Modaraba</i>	<i>Modaraba</i>	<i>Modaraba</i>
<i>Companies Ordinance, 1984</i>	<i>Services</i>	<i>Management</i>	<i>Limited</i>	<i>Services</i>	<i>Management</i>
	<i>(Pvt.) Ltd</i>	<i>(Pvt.) Ltd</i>		<i>(Pvt.) Ltd</i>	<i>(Pvt.) Ltd</i>

### STATEMENT UNDER SECTION (1) (E)

a. Extent of the interest of Dawood Leasing Company Limited (the holding company) in the equity of its subsidiaries as at the end of the last of the financial year of the subsidia

51.00%	99.80%	99.00%	51.00%	99.80%
--------	--------	--------	--------	--------

b. The net aggregate amount of profits less losses of the subsidiary companies so far as these concern members of the holding company and has not been dealt with in the accounts of the holding company for the year ended June 30, 2001 are:

i) for the financial year of the subsi	(713,410)	5,619,006	(1,832,779)	(967,563)	3,176,711
ii) for the previous financial year of the subsidiary since it became the Holding Compa	(3,951,588)	1,834,262	--	(2,984,025)	(1,342,449)

c. The net aggregate amount of profit less losses of the subsidiary companies so far as these concern member of the holding company and have been dealt with in the account of the holding company for the year ended June 30, 2001

i) for the financial year of the subsi	N/A	N/A	N/A	N/A	N/A
ii) for the previous financial year of the subsidiary since it became the holding Compa	N/A	N/A	N/A	N/A	N/A

STATEMENT UNDER SECTION (	N/A	N/A	N/A	N/A	N/A
STATEMENT UNDER SECTION (	N/A	N/A	N/A	N/A	N/A

**Rafique Dawood**  
Chairman & Chief Executive

**Abdul Latif Uqaili**  
Director

## PATTERN OF SHARE HOLDING AS AT JUNE 30, 2001

<i>No. of</i>	<i>Share Holding</i>			<i>Shares</i>
<i>Shareholders</i>	<i>From</i>		<i>To</i>	<i>Held</i>
28	1	--	100	2,100
1571	101	--	500	780,500
178	501	--	1000	164,400
192	1001	--	5000	510,700
44	5001	--	10000	364,100
16	10001	--	15000	201,100
10	15001	--	20000	199,100
8	20001	--	25000	198,000

6	25001	--	30000	177,900
2	30001	--	35000	65,500
1	40001	--	45000	42,500
10	45001	--	50000	494,600
2	50001	--	55000	107,500
3	55001	--	65000	181,000
1	65001	--	75000	371,100
14	75001	--	100000	1,279,700
5	100001	--	105000	435,800
2	105001	--	125000	240,500
1	125001	--	130000	145,000
1	140001	--	145000	250,000
3	145001	--	250000	810,000
3	305001	--	390000	1,098,600
1	390001	--	395000	426,000
3	405001	--	500000	972,000
1	500001	--	505000	502,500
1	505001	--	545000	542,800
1	545001	--	955000	950,100
1	955001	--	985000	983,200
1	985001	--	1000000	1,000,000
3	1000001	--	1510000	3,771,300
3	1510001	--	4215000	7,732,400

-----  
2,116-----  
25,000,000  
=====**Categories of Shareholders**

<i>PARTICULARS</i>	<i>Number of Shareholders</i>	<i>Shares Held</i>	<i>Percentage %</i>
Individuals	2035	7,910,300	22.88
Insurance Companies	5	4,395,500	12.71
Joint-Stock Companies	41	11,419,700	33.04
Financial Institutions	15	7,958,200	23.02
Associated Companies	1	71,100	0.21
Modarabas	7	96,900	0.28
Foreign Investors	1	983,200	0.84
Investment Companies	7	1,709,200	4.94
Modarabas Management Companies	1	23,000	0.07
Others	3	2,000	0.01
	-----	-----	-----
	2116	34,567,100	100.00
	=====	=====	=====

**CONSOLIDATED ACCOUNTS OF  
DAWOOD LEASING COMPANY LIMITED  
AND  
ITS SUBSIDIARIES**

**AUDITORS REPORT TO THE MEMBERS**

We have examined the annexed consolidated financial statements comprising consolidated Balance Sheet of DAWOOD LEASING COMPANY LIMITED and its subsidiary companies as at June 30, 2001 and the related consolidated Profit and Loss Account and consolidated Cash Flow Statement and consolidated Changes in Equity together with the notes forming part thereof, for the year ended June 30, 2001. We have also expressed separate opinion on the financial statements of DAWOOD LEASING COMPANY LIMITED and its subsidiary Company General Modaraba Services (Private) Limited. Audit of its other subsidiary Companies Guardian Modaraba Management (Private) Limited and Providence Modaraba Limited was done by other firms of Chartered Accountants for the year ended June 30, 2001 whose reports have been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our examination.

Our examination was made in accordance with International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of DAWOOD LEASING COMPANY LIMITED and its subsidiary companies as at June 30, 2001 and the results of their operations for the year then ended.

Dated: November 28, 2001  
Karachi:

**M. Yousuf Adil Saleem & Co.**  
**Chartered Accountants**

## CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2001

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized 50,000,000 Ordinary Shares of Rs. 10/- each		500,000,000	500,000,000
Issued, Subscribed and Paid up 25,000,000 Ordinary Shares of Rs. 10/- each. Fully Paid in Cash		250,000,000	250,000,000
Statutory Reserve		40,148,077	33,845,727
General Reserve		22,500,000	22,500,000
Unappropriated profit		10,825,573	6,757,205
		323,473,650	313,102,932
<b>MINORITY INTEREST</b>		1,121,186	1,750,804
<b>LONG TERM LIABILITIES</b>			
Redeemable Capital		49,524,541	5,218,349
Long Term Loans		240,265,340	297,859,954
Long Term Deposits		305,900	--
Lease Deposits		194,431,475	112,511,804
Certificates of Investment		27,145,000	36,100,000
		511,672,256	451,690,107
<b>DEFERRED LIABILITIES</b>			
Taxation		49,200,000	37,200,000
Staff Gratuity		2,047,235	1,392,973
		51,247,235	38,592,973
<b>CURRENT LIABILITIES</b>			
Short Term Borrowings	3	736,016,863	497,966,052
Certificates of Investment		228,655,000	66,000,000
Current Portion of Long Term Liabilities		86,792,945	95,293,682
Accrued and Other Liabilities	4	104,955,148	48,368,053
Taxation		4,502,551	2,782,133
Proposed Dividend		25,000,000	25,000,000
		1,185,922,507	735,409,920
<b>CONTINGENCIES AND COMMITMENTS</b>	5	2,073,436,834	1,540,546,736
<b>FIXED CAPITAL EXPENDITURE</b>			
	6	25,807,721	27,073,857
<b>GOODWILL ON CONSOLIDATION</b>	7	2,903,591	4,056,985
<b>NET INVESTMENT IN LEASE FINANCE</b>			
Minimum Lease Payment Receivables		1,581,130,526	1,338,939,163
Residual Value of Leased Assets		195,578,249	159,531,402

The annexed notes from 1 to 20 form all integral part of these financial statements.

		1,776,708,775	1,498,470,565
Unearned Finance Income		(404,531,665)	(380,678,513)
Net Investment in Lease Finance		1,372,177,110	1,117,792,052
Provision for Lease Losses		(44,675,000)	(27,050,000)
Current Portion of Net Investment in Lease Finance		1,327,502,110	1,090,742,052
		(592,126,053)	(429,288,511)
		735,376,057	661,453,541
<b>INVESTMENT IN ASSOCIATES</b>	8	70,163,597	55,477,605
<b>LONG TERM LOANS</b>		2,638,318	2,899,224
<b>LONG TERM DEPOSITS</b>		402,000	300,000
<b>LONG TERM RECEIVABLE</b>		10,775,000	21,950,000
<b>CURRENT ASSETS</b>			
Current Portion of Net Investment in Lease Finance		592,126,053	429,288,511
Short Term Investments	9	521,483,479	298,201,611
Short Term Morabaha Finances		8,608,604	7,000,000
Advances Against Lease Commitment		51,126,888	2,850,000
Advances, Deposits and Prepayments	10	5,076,560	4,774,614
Other Receivables	11	32,993,983	16,372,771
Cash and Bank Balances	12	13,954,983	8,848,018
		1,225,370,550	767,335,525
		2,073,436,834	1,540,546,736

**Rafique Dawood**  
Chairman & Chief Executive

**Abdul Latif Uqaili**  
Director

### CONSOLIDATED 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>
<b>Income</b>			
Lease Income		184,582,954	171,044,261
Return on Deposits and Investments	13	53,276,924	30,380,052
Management Fee		251,751	1,250,789
Gain on Sale of Securities		9,287,244	9,290,096
Exchange Gain		23,947,808	--
Other Income		2,605,175	1,544,159
		273,951,856	213,509,357
<b>Expenditure</b>			
Administration and Operating Expenses	14	28,615,393	27,183,070
Financial Charges	15	176,231,459	133,160,014
		(204,846,852)	(160,343,084)
		69,105,004	53,166,273
<b>Other Charges / Provision</b>			
Negative Goodwill recognized as Income from Subsidiary/Associate		896,726	526,826
Amortization of Goodwill on Acquisition		(1,153,394)	(1,153,394)
Provision for Lease Losses		(28,000,000)	(15,000,000)
Provision for Doubtful Debts		(1,297,941)	--
Reversal for Diminution in Value of Investments		5,425,744	1,733,068
		(24,128,865)	(13,893,500)
		44,976,139	39,272,773



<b>Share of Profit from Associates</b>	16	6,862,941	3,642,103
<b>Profit Before Taxation</b>		51,839,080	42,914,876
<b>Provision for Taxation</b>			
Current		4,219,410	2,684,500
Prior		(187,163)	(304,934)
Deferred		12,000,000	8,200,000
		(16,032,247)	(10,579,566)
<b>Profit After Taxation</b>		35,806,833	32,335,310
Minority Interest		707,462	923,654
	17	36,514,295	33,258,964
<b>Unappropriated Profit Brought Forward</b>		5,613,628	4,719,011
<b>Profit Available for Appropriation</b>		42,127,923	37,977,975
<b>Appropriations</b>			
Transferred to Statutory Reserve		6,302,350	6,220,770
Proposed Cash Dividend Rs. 1/- per share (2000 - Rs. 1/- per share)		25,000,000	25,000,000
		31,302,350	31,220,770
<b>Unappropriated Profit Carried Forward</b>		10,825,573	6,757,205
<b>Earning Per Share</b>	18		
Pre-Tax		2.07	1.72
Post-Tax		1.43	1.29

The annexed notes from 1 to 20 form an integral part of these financial statements

**Rafique Dawood**  
Chairman & Chief Executive

**Abdul Latif Uqaili**  
Director

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2001

	<b>2001</b>	<b>2000</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit After Taxation	35,806,833	32,335,310
Adjustments:		
Depreciation	5,758,640	5,220,544
Gain on Sale of Investments	(9,287,244)	(9,290,093)
Negative Goodwill	(896,726)	(526,826)
Amortization of Goodwill on Acquisition	1,153,394	1,153,394
Share of Profit from Associated Undertaking	(6,862,941)	(3,642,103)
Financial Charges	176,231,459	133,160,014
Loss / (Gain) on Sale of Assets	56,024	(89,400)
Provision for Gratuity	706,463	747,632
Provision for Lease Losses / Doubtful Debts	29,297,941	15,000,000
Reversal for Diminution in Value of Investments	(5,425,749)	(1,733,068)
Provision for Deferred Taxation	12,000,000	8,200,000
Provision for Taxation	3,804,479	2,379,566
	206,535,745	150,559,660
	242,342,578	182,894,970
<b>Changes in Operating Assets and Liabilities</b>		
(Increase)/Decrease in Operating Assets		
Advances, Deposits and Prepayments	(1,104,574)	276,757
Other Receivables	(16,505,560)	10,889,623
Net Investment in Lease Finance/Receivables	(253,585,058)	(125,312,170)
Long Term Loans	239,668	(1,207,982)

Advances Against Lease Commitment	(48,276,889)	6,805,000
Short Term Morabaha Finances	(1,608,604)	96,051,816
	(320,841,017)	(12,451,956)
	(78,498,439)	170,443,014
(Increase)/Decrease in Operating Liabilities		
Long Term Deposits	305,900	--
Accrued and Other Liabilities	52,724,490	(10,266,292)
Lease Deposits	86,658,495	13,587,372
	61,190,446	173,764,094
Financial Charges Paid	(173,529,540)	116,382,987)
Gratuity Paid	(52,201)	(212,691)
Tax Paid	(2,076,229)	(2,435,617)
<b>Net Cash (used in) / from Operating Activities</b>	<b>(114,467,524)</b>	<b>54,732,799</b>

**B. CASH FLOW FROM FINANCING ACTIVITIES**

Redeemable Capital Obtained	75,000,000	--
Redemption of Redeemable Capital	(12,508,307)	(107,731,287)
Long Term Loans - Net	(89,019,676)	(21,665,065)
Repayment of Lease Liability	--	(132,245)
Short Term Borrowings	238,050,811	63,917,974
Certificates of Investment	153,700,000	40,200,000
Dividend Paid	(24,022,644)	(24,664,668)
<b>Net Cash from / (Used in) Financing Activities</b>	<b>341,200,184</b>	<b>(50,075,291)</b>

**C. CASH FLOW USED IN INVESTING ACTIVITIES**

Acquisition of Subsidiary Net of Cash Acquired	(7,205,034)	(5,733,896)
Dividend Received	--	3,200,000
Long Term Deposits	6,324	--
Capital Expenditure	(4,718,904)	(9,137,403)
Proceeds from Sale of Fixed Assets	261,109	1,570,570
Long Term Investments	(1,400,311)	--
Short Term Investments - net	(208,568,897)	(96,915,313)
<b>Net Cash Used in Investing Activities</b>	<b>(221,625,695)</b>	<b>(107,016,042)</b>
<b>Net Increase/(Decrease) in Cash and Bank Balances</b>	<b>5,106,965</b>	<b>(102,358,534)</b>
Cash and Bank Balances at the Beginning of the Year	8,848,018	11,206,552
<b>Cash and Bank Balances at the End of the Year</b>	<b>13,954,983</b>	<b>8,848,018</b>

**Rafique Dawood**  
Chairman & Chief Executive

**Abdul Latif Uqaili**  
Director

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

	<i>Paid-up Capital</i>	<i>Statutory Reserve*</i>	<i>General Reserve Rupees</i>	<i>Unappropriated Profit</i>	<i>Total</i>
Balance at June 30, 1999	250,000,000	27,624,957	22,500,000	4,719,011	304,843,968
Profit for the year	--	--	--	33,258,964	33,258,964
Appropriations					
Transferred to Statutory Reserve	--	6,220,770	--	(6,220,770)	--
Dividend -Rs. 1/- per share	--	--	--	(25,000,000)	(25,000,000)
<b>Balance at June 30, 2000</b>	<b>250,000,000</b>	<b>33,845,727</b>	<b>22,500,000</b>	<b>6,757,205</b>	<b>313,102,932</b>

Profit for the year	--	--	--	36,514,295	36,514,295
Adjustment in Opening Retained Earning (Note No. 17)	--	--	--	(1,143,577)	(1,143,577)
Appropriations					
Transferred to Statutory Reserve	--	6,302,350	--	(6,302,350)	--
Dividend - Rs. 1/- per share	--	--	--	(25,000,000)	(25,000,000)
Balance at June 30, 2001	250,000,000	40,148,077	22,500,000	10,825,573	323,473,650

\*The statutory reserve is created by transferring 20% after tax profit of holding company for the year as required under the Leasing Companies (Establishment and Regulation) Rules, 2000.

**Rafique Dawood**  
Chairman & Chief Executive

**Abdul Latif Uqaili**  
Director

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

### 1. THE COMPANY AND ITS OPERATIONS

1.1 The Company was incorporated on June 22, 1994 as a public limited Company under the Companies Ordinance, 1984 and is listed on the Karachi and Islamabad Stock Exchanges. The main business activity of the Company is leasing of assets.

1.2 Subsidiaries of Dawood Leasing company Limited are companies limited by shares incorporated in Pakistan. The principal activities of companies are to promote, float and manage modarabas. The following subsidiaries have been consolidated in the accounts of the Company.

	2001	2000
	<i>Holding</i>	
Guardian Modaraba Management (Pvt.) Ltd.	99.80%	99.80%
General Modaraba Services (Pvt.) Limited	51.00%	51.00%
Providence Modaraba Limited	99.00%	--

### 1.3 Basis of Consolidation

1.3.1 The consolidated financial statements include the accounts of Dawood Leasing Company Limited (the holding Company) and its subsidiary companies. The financial statements of such subsidiaries have been consolidated on line by line basis. All material intercompany balances and transactions have been eliminated. Minority interest in the equity and results of the subsidiaries that are controlled by holding company are shown as separate item in the consolidated financial statements.

1.3.2 The significant accounting policies and disclosures required by Companies Ordinance, 1984 which are same and stated in the Dawood Leasing Company Limited financial statements are not reproduced in these consolidated financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Accounting Convention

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

### 2.2 Basis of Preparation

These accounts have been prepared in accordance with International Accounting Standard as applicable in Pakistan.

### 2.3 Goodwill

Any excess of the cost of acquisition over the Company's interest in the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction is described as goodwill. Any excess, as at the date of the exchange transaction, of the company's interest in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition, is described as negative goodwill.

Goodwill recognized as an asset, is amortized on a systematic basis over its useful life. The amortization method used reflects the pattern in which future economic benefits arising from goodwill are expected to be consumed. The amortization for each period is recognized as an expense.

The negative goodwill is recognized as income in the following manner:

- if excess of fair value of acquired identifiable non monetary assets, negative goodwill is recognized as income immediately, and
- if not exceeding the fair values of acquired identifiable non monetary assets, negative goodwill is recognized as income on systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable assets.

## 2.4 Investments

### 2.4.1 Investment in Associate

Investment in associated companies are included in the balance sheet at cost plus the appropriate share of post acquisition retained profits and reserves. The appropriate share of profits of associates have been included in the profit and loss account.

### 2.4.2 Short Term

These are stated at lower of moving average cost and market / breakup value on aggregate portfolio basis.

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>3. SHORT TERM BORROWINGS</b>		
Secured - under markup arrangement (3.1)		
From Commercial Banks		
Term Loan	119,480,377	8,300,000
Morabaha Finance	50,000,000	--
Running Finance	113,286,486	78,239,426
From Non-Banking Financial Institution	50,000,000	75,300,000
Unsecured		
From Commercial Banks	150,000,000	145,000,000
From Non Banking Financial Institutions	253,250,000	191,126,626
	-----	-----
	736,016,863	497,966,052
	=====	=====

3.1 These facilities are secured against hypothecation of assets including book debts of the Company ranking pari passu with the charge created to secure redeemable capital and long term loans. These includes Rs. 100 million which is secured by pledge of US dollar bonds and Rs. 50 million which is secured by pledge of Term Finance Certificates.

The sanctioned running finance facilities of Rs. 185 million from commercial banks are renewable yearly. The letter of credit acceptance facilities of Rs. 45 million from commercial banks are not utilized on the balance sheet date.

The rate of markup ranges from Re. 0.3561 to Re. 0.4863 per Rs. 1.000/- per day.

## 4. ACCRUED AND OTHER LIABILITIES

Mark-up on Secured		
Redeemable Capital	2,126,287	951,666
Long Term Loans	6,767,697	19,974,427
Short Term Borrowings	11,064,105	2,497,058
Mark-up / Return on Unsecured		
Short Term Borrowings	11,072,681	10,236,920
Certificates of Investment	11,677,080	6,181,420
Advance Against Leases	11,813,277	3,083,782
Due to Associated Company	1,260,437	399,165
Accrued Expenses	2,048,554	1,568,950
Guarantee Commission	879,775	--
Purchase of Listed Securities	41,248,442	--
Unclaimed Dividend	1,807,655	830,299
Others	3,189,208	2,644,366
	-----	-----
	104,955,148	48,368,053
	=====	=====

## 5. CONTINGENCIES AND COMMITMENTS

## Contingencies

5.1 The Income Tax Department has demanded of Rs. 422,461 for the assessment years 1998-99 and 1999-2000, which are not acknowledged by one of the subsidiary company. The orders of the assessing officer has been set-aside by the Deputy Commissioner of Income Tax.

5.2 In finalizing the one of the Subsidiary company s tax assessment for the year 1997-98, the Deputy commissioner of Income Tax (DCIT) has made certain disallowance and also made an addition of Rs. 2,050,000/- under section 12(18) of the Income Tax Ordinance, 1979 as undisclosed receipt resulted in tax liability of Rs. 851,723/-. Further, the DCIT has also not allowed brought forward losses of Rs. 5,042,790/-. The Company has filed an appeal with the Commissioner of Income Tax (CIT Appeals).

The management is confident that the decision will be in favour of the Company, therefore, no provision has been made in the accounts for the above liability.

## Commitments

5.3 Lease financing contracts committed but not executed at the balance sheet date amounted to Rs. 86.6 million (2000 - Rs. 147 million) and underwriting commitments of TFCs amounted to Rs. 65 million (2000 - Rs. 35 million).

## 6. FIXED CAPITAL EXPENDITURE

Operating Assets - Tangible (6.1)	24,807,721	27,073,857
Capital Work in Progress		
Advance for Renovation of Office Premises	1,000,000	--
	-----	-----
	25,807,721	27,073,857
	=====	=====

### 6.1 Operating Assets - Tangible

Particulars	Cost at July 01, 2000	Addition / (Deletion)	Cost at June 30, 2001	Accumulated Depreciation at July 01, 2000	Depreciation (Deletion) for the year	Accumulated Depreciation at June 30, 2001	Book value at June 30, 2001	Rate %
Office Premises	17,658,016	--	17,658,016	5,239,114	1,765,802	7,004,916	10,653,100	10
Lease Hold Improvements	8,592,69	489,605	9,082,291	2,328,235	908,229	3,236,464	5,845,827	10
Furniture and Fixtures	5,167,177	205,650	5,372,827	2,405,493	497,282	2,902,775	2,470,052	10
Equipment and Appliances	5,365,838	607,649 (60,000)	5,913,487	3,556,727	883,758 (48,000)	4,392,485	1,521,002	20
Vehicles	7,809,714	2,416,000 (214,500)	10,011,214	3,990,005	1,703,469	5,693,474	4,317,740	20
	-----	-----	-----	-----	-----	-----	-----	
Rupees	44,593,431	3,718,904 (274,500)	48,037,835	17,519,574	5,758,540 (48,000)	23,230,114	24,807,721	
	=====	=====	=====	=====	=====	=====	=====	
2000 Rupees	39,301,396	9,137,403 (3,845,368)	44,593,431	14,435,710	5,215,862 (2,364,198)	17,519,574	27,073,857	
	=====	=====	=====	=====	=====	=====	=====	

### 6.1.1 Disposal of Operating Assets - by negotiation

Particulars	Cost	Accumulated Depreciation	Written Down Value	Sale Proceed	Name and Address
Furniture and Fixtures	60,000	48,000	12,000	24,000	Mr. Noman Akhter, Ex-employee C-10, Jason Luxury Apartments Kehkashan Clifton, Karachi.
Vehicle	214,500	--	214,500	150,000	Mr. Munawar Raza (CDR) House No. C-4, PNS Johar, Karachi.
	-----	-----	-----	-----	
Rupees	274,500	48,000	226,500	174,000	
	=====	=====	=====	=====	
2000 Rupees	3,845,368	2,364,198	1,481,170	1,570,570	
	=====	=====	=====	=====	

	<i>General Modaraba Services (Pvt.) Limited</i>	<i>Guardian Modaraba Management (Pvt.) Limited</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
--	---	--	------------------------	------------------------

**7. GOODWILL ON CONSOLIDATION**

Amortized	2,984,023	2,782,945	5,766,968	5,766,968
Opening Balance	596,805	1,113,178	1,709,983	556,589
During the year	596,805	556,589	1,153,394	1,153,394
	(1,193,610)	(1,669,767)	(2,863,377)	(1,709,983)
	1,790,413	1,113,178	2,903,591	4,056,985

**8. INVESTMENT IN ASSOCIATES**

Pakistan Venture Capital Limited	8.1	36,521,679	34,634,243
First General Leasing Modaraba	8.2	3,253,050	4,927,500
Guardian Modaraba (formerly First Providence Modaraba)	8.3	30,388,868	--
Guardian Leasing Modaraba	8.4	--	15,915,862
		70,163,597	55,477,605

**8.1 Pakistan Venture Capital Limited**

Value of investment		36,905,699	35,545,089
Negative Goodwill At the time of Acquisition		3,564,478	3,564,478
Amortized		2,653,632	2,126,806
Opening Balance		526,826	526,826
During the year		(3,180,458)	(2,653,632)
		384,020	910,846
		36,521,679	34,634,243

8.1.1 The Company holds 30% shares in the equity of Pakistan Venture Capital Limited 3,000,000 Shares of Rs. 10 each (2000 - 3,000,000 shares). The market value of this investment is Rs. 8.3 million ( 2000 - Rs. 15 million). Net assets value at June 30, 2001 is Rs. 36.91 million (2000 - Rs. 35.55 million).

8.1.2 The Company holds 20% certificates in the equity of First General Leasing Modaraba 1,125,000 certificates of Rs. 10 each (2000 - 1,125,000 certificates ). The Market value of this investment is Rs. 2.64 million (2000 - Rs. 1.97 million). Net assets value at June 30, 2001 is Rs. 3.25 million (2000 - Rs. 4.972 million)

8.3 The Company holds 17.56% certificates in the equity of Guardian Modaraba (formerly First Providence Modaraba) 2,864,455 certificates of Rs. 10/- each. The market value of this investment is Rs. 4.29 million. Net assets value at June 30, 2001 is Rs. 30.39 million.

8.4 The merger of Guardian Leasing Modaraba (GLM) into First Providence Modaraba (FPM) effective from July 01, 2000 resulted in transfer to and vesting in FPM of the entire undertaking of GLM, together with all rights, liabilities and obligations against the issuance of one ordinary certificate of Guardian Modaraba (formerly First Providence Modaraba) for every ordinary certificate of GLM of Rs. 10/- each to the certificate holders of GLM.

	<i>2001 Rupees</i>	<i>2000 Rupees</i>
--	------------------------	------------------------

**9. SHORT TERM INVESTMENTS**

Shares & Securities	9.1	187,453,364	95,534,195
Federal Investment Bonds	9.2	4,000,000	4,000,000
US Dollar Bonds	9.3	135,798,600	115,911,357
Euro Bonds	9.4	21,775,982	6,093,470
Certificates of Investment	9.5	--	10,000,000

Placements and Deposits	9.6	172,455,533	66,662,589
		-----	-----
		521,483,479	298,201,611
		=====	=====

### 9.1 Marketable securities

	<i>No. of shares/certificates</i>		<i>COST</i>	
	<i>2001</i>	<i>2000</i>		
Quoted				
Shares / Certificates				
Adamjee Insurance Company Ltd.	328,277	252	18,355,550	15,520
Glaxo Wellcome Pakistan Ltd.	2,000	2,000	80,500	80,500
ICI Pakistan Ltd.	589,250	336,250	5,363,912	5,046,600
Hub Power Company Ltd.	60,000	115,000	1,157,807	1,699,530
KASB Premier Fund Ltd.	50,000	50,000	500,000	500,000
Pakistan State Oil Company Ltd.	5,122	5,122	678,816	894,441
Pakistan Telecommunication Co. Lt	1,705,000	5,000	30,604,505	164,259
World Call Payphone Ltd.	1,000,000	--	15,700,000	--
Saadi Cement Ltd.	--	2,500,000	--	12,500,000
Engro Chemicals Ltd.	23,023	32,020	1,579,757	2,526,664
Sui Southern Gas Company Ltd.	6,988	155,939	97,299	2,541,251
Sui Northern Gas Company Ltd.	11,500	--	109,910	--
Sitara Energy Ltd.	15,000	--	339,000	--
Bank AI-Habib Ltd.	13,114	10,929	204,923	204,923
First Imrooz Modaraba	500	500	10,600	10,600
B .R.R International Modaraba	2,000	2,000	10,260	10,260
First General Leasing Modaraba	221,475	106,300	548,549	890,187
First Providence Modaraba	320,956	--	2,034,867	--
Dawood Hercules Ltd.	1,200	1,200	92,500	92,500
I.C.P. SEMF Mutual Fund	7,500	7,500	105,576	105,576
Dewan Farooq Motors Ltd.	400,000	400,000	3,884,479	4,000,000
Ibrahim Fibres Ltd.	--	50,000	--	720,000
Dhan Fibres Ltd.	--	100,000	--	1,050,000
Dewan Salman Fibres Ltd.	10,000	--	179,000	--
Nishat Mills Ltd.	50,000	--	865,000	--
D.G. Khan Cement Ltd.	--	60,000	--	480,000
Fauji Fertilizers Ltd.	500	12,000	39,700	492,225
Tripack Films Ltd.	177,500	--	5,413,750	--
National Refinery Ltd.	--	28,000	--	1,195,600
			-----	-----
Carried Forward			87,956,260	35,220,636
Brought Forward			87,956,260	35,220,636
Crescent Board Mills Ltd.	5,000	5,000	35,829	35,829
Din Textile Mills Ltd.	100	100	976	976
First Habib Bank Modaraba	87	87	755	755
Guardian Leasing Modaraba	6,500	6,500	9,880	9,880
Wah Nobel Chemicals Ltd.	3,000	3,000	74,984	74,984
First Leasing Corporation	1,000	1,000	33,660	33,660
Salfi Textile Mills Ltd.	4,200	4,200	651	651
First Grindlays Modaraba	1,080	1,080	30,250	30,250
Second Prudential Modaraba	2,057	2,057	13,260	13,260
Schon Modaraba	850	850	9,067	9,067
Mari Gas Co. Ltd.	750	1,250	38,000	38,000
Pakistan Venture Capital Ltd.	1,000	2,000	23,700	47,400
Baluchistan Wheels Ltd.	125	125	5,330	5,330
			-----	-----
			88,232,602	35,520,678
Term Finance Certificates (TFCs)				
Saudi Pak Leasing Company Ltd.	50	75	5,000,000	7,500,000
Dewan Salman Fibres Ltd.	100	100	9,992,000	9,996,000
National Development Leasing Ltd.	100	100	9,994,000	9,998,000
Pakistan Ind. Leasing Corporation	150	100	14,994,000	9,998,000
Sigma Leasing Ltd.	100	100	9,000,000	10,000,000
Paramount Leasing Ltd.	100	100	9,800,000	10,000,000
Atlas Lease Ltd.	75	--	7,498,500	--
Network Leasing Ltd.	100	--	9,998,000	--

Al-Noor Sugar Mills Ltd.	150	--	14,997,000	--
			-----	-----
			179,506,102	93,012,678
Provision for diminution in value of investments				
Opening Balance			(8,078,483)	(9,822,390)
Reversal During the Year			5,425,745	1,743,907
			-----	-----
			(2,652,738)	(8,078,483)
			-----	-----
			176,853,364	84,934,195
<b>Unquoted Shares</b>				
Image Graphics Solution (Private) Limited				
Chief Executive - Mr. Tariq Mian	60,000	60,000	600,000	600,000
Term Finance Certificate				
Dewan Salman Fibres Ltd.	1	1	10,000,000	10,000,000
			-----	-----
			187,453,364	95,534,195
			=====	=====

Market value of quoted share / certificate is Rs. 85,579,863/- (2000 - Rs. 27,442,195/-) and breakup value of unquoted shares from unaudited account is Rs. 24.94 each (2000 - Rs. 12.05 each). Face value of shares is Rs. 10/- each.

The amount of TFCs represent redeemed value till year end. The TFCs are redeemed semi-annually and earn expected profit ranging from Re. 0.4110 to Re. 0.5205 per Rs. 1,000 per day. Market value of quoted TFCs is Rs. 102,325,180/- (2000- Rs. 61,566,118/-).

9.1 Investment in Federal Investment Bond, has a maturity period of 10 years. Rate of return is 15% per annum.

9.2 Investment in Special US Dollar Bonds of US\$ 2,190,300 has a maturity period of 3 & 7 years. Interest rates are 2% and 4% over LIBOR respectively.

9.3 Investment in GOP Euro Bonds at discounted price of US\$ 351,225 (face value US\$ 490,000) has a maturity of 5 years. Interest rate is 10% per annum.

9.4 Short term placements and deposits of fund to financial institutions are made in the normal course of business at profit rates ranging from Re. 0.3630 to Re. 0.5890 per Rs. 1,000/- per day.

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>10. ADVANCES, DEPOSITS AND PREPAYMENTS</b>		
Current Portion of Long Term Loans	260,906	239,668
Advance Income Tax	2,205,230	2,790,570
Deposits	--	41,000
Prepayments	1,593,550	1,550,376
Others	1,016,874	153,000
	-----	-----
	5,076,560	4,774,614
	=====	=====

## 11. OTHER RECEIVABLES

### Considered good

Receivable Against Sale of Securities	14,119,120	182,261
Accrued Profit / Return	14,986,977	10,379,954
Income Tax Refundable	1,118,518	1,002,866
Receivable Against Matured Leases	2,192,263	2,161,602
Others	577,105	2,646,088
	-----	-----
	32,993,983	16,372,771
	=====	=====

## 12. CASH AND BANK BALANCES

Cash in Hand		
Local Currency	23,196	26,776
Foreign Currency	510,245	355,098
Cash with Banks		
In Deposit Accounts	9,697,930	7,769,503



In Current Accounts	3,723,612	696,641
	-----	-----
	13,954,983	8,848,018
	=====	=====

**13. RETURN ON DEPOSITS AND INVESTMENTS**

Return on Short Term Investments	51,599,028	30,125,915
Profit on PLS Account / Bank Deposit (Net of Zakat)	79,200	82,012
Dividend	1,598,696	172,125
	-----	-----
	53,276,924	30,380,052
	=====	=====

**14. ADMINISTRATION AND OPERATING EXPENSES**

Salaries and Benefits (14.1)	10,857,756	9,172,619
Directors Meeting Fees	5,500	4,500
Rent, Rates and Taxes	1,497,693	677,046
Insurance	949,037	748,693
Legal, Professional and Consultancy	1,705,793	2,290,777
Travelling and Conveyance	844,145	2,251,001
Postage and Telephone	1,004,138	1,033,581
Utilities	717,105	450,884
Printing and Stationery	785,420	731,464
Vehicle Running and Maintenance	1,422,763	1,212,182
Computerisation	--	208,157
Entertainment	594,923	481,724
Advertisement	91,710	66,640
Repairs and Maintenance	621,229	625,355
Auditors Remuneration (14.2)	307,000	269,500
Sham Department	--	250,000
Credit Rating	460,930	304,000
Depreciation	5,758,540	5,200.55
Fees and Subscription	543,372	613,987
Commission and Brokerage	331,559	357,286
Donation (14.3)	79,358	118,550
Others	37,422	114,579
	-----	-----
	28,615,393	27,183,070
	=====	=====

14.1 Salaries and benefits include Rs. 1,215,424/- (2000: Rs. 1,142,485/-) in respect of retirement benefits.

**14.2 Auditors Remuneration**

Statutory Audit Fee	135,000	120,000
Tax and Other Consultancy	122,000	123,000
Special Audit	40,000	20,000
Out of Pocket	10,000	6,500
	-----	-----
	307,000	269,500
	=====	=====

14.3 None of the directors or their spouse had any interest in the donees fund.

**15. FINANCIAL CHARGES**

Mark-up / Return on	5,473,350	4,836,425
Redeemable Capital	36,777,379	45,334,061
Long Term Loans	3,458,702	2,841,970
Long Term Certificates of Investment	88,221,606	52,555,179
Short Term Borrowings	24,441,918	10,728,745
Short Term Certificates of Investment	--	9,565
Financial Charges on Lease Liability	13,801,593	13,390,894
Forward Cover Fee		
Documentation, Project Examination, Guarantee	4,056,911	3,463,175
Commission and Bank Charges		
	-----	-----
	176,231,459	133,160,014
	=====	=====

16. Its include share of profit of Rs. 6,049,143/- due to merger of Guardian Leasing Modaraba into First Providence Modaraba.

**17. OPENING RETAINED EARNINGS**

Opening Balance	6,757,205	4,719,011
Adjustment due to change in income from management fee of Guardian Modaraba Management (Private) Limited	(1,143,577)	--
	=====	=====
	5,613,628	4,719,011
	=====	=====

**18. EARNING PER SHARE**

There is no effect of dilution on the earnings per share of the Company which is based on:

Profit before taxation	Rs.	51,839,080	42,914,876
Profit after taxation	Rs.	35,806,833	32,335,310
Weighted average number of Ordinary shares		25,000,000	25,000,000
Earning per share - Pre - Tax	Rs.	2.07	1.72
Earning per share - Post - Tax	Rs.	1.43	1.29

**19. INTEREST RATE RISK MANAGEMENT**

Interest rate risk arises from the possibility when changes in interest rate affect the value of assets and liabilities. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or reprice in a given period. The Company manages this risk by matching the repricing of assets and liabilities.

The Company's exposure to interest rate risk on its financial assets and liabilities are summarized as follows:

<b>ASSETS</b>	<i>Less than one Month</i>	<i>One Month to One Year</i>	<i>Over One year</i>	<i>Not Exposed to Interest Rate Risk</i>	<i>Total</i>
Fixed Capital Expenditure	--	--	--	25,807,721	25,807,721
Goodwill	--	--	--	2,903,591	2,903,591
Net Investments in Lease Finance	37,464,004	554,662,049	557,338,887	222,712,170	1,372,177,110
Investment in Associates	--	--	--	70,163,597	70,163,597
Long Term Receivable	--	--	10,775,000	--	10,775,000
Long Term Loans	20,855	240,051	2,638,318	--	2,899,224
Long Term Deposits	--	--	--	402,000	402,000
Short Term Investments	57,455,530	464,027,947	--	--	521,483,477
Short Term Morabaha Finance	--	8,608,604	--	--	8,608,604
Advances Against Lease Commitm	--	51,126,889	--	--	51,126,889
Advances, Deposits and Prepayme	--	--	--	4,815,654	4,815,654
Other Receivables	--	--	--	32,993,983	32,993,983
Cash and Bank Balances	--	9,697,930	--	4,257,053	13,954,983
	=====	=====	=====	=====	=====
Rupees	94,940,389	1,088,363,470	570,752,205	364,055,769	2,118,111,833
	=====	=====	=====	=====	=====

**CAPITAL AND LIABILITIES**

Capital and Reser	--	--	--	323,473,650	323,473,650
Minority Interest	--	--	--	1,121,186	1,121,186
Provision for Lea	--	--	--	44,675,000	44,675,000
Deferred Liabilitie	--	--	--	51,247,235	51,247,235
Redeemable Capi	--	27,242,141	49,524,541	--	76,766,682
Long Term Loans	--	31,270,103	240,265,340	--	271,535,443
Certificates of In	71,450,000	157,205,000	27,145,000	--	255,800,000
Lease Deposits	--	--	--	222,712,176	222,712,176
Long Term Depo	--	--	--	305,900	305,900
Short Term Borro	50,000,000	686,016,863	--	--	736,016,863
Accrued Expense	--	--	--	104,955,148	104,955,148
Taxation	--	--	--	4,502,550	4,502,550
Proposed Divide	--	25,000,000	--	--	25,000,000
	=====	=====	=====	=====	=====
Rupees	121,450,000	926,734,107	316,934,881	752,992,845	2,118,111,833
	=====	=====	=====	=====	=====
On-Balance Shee	(26,509,611)	161,629,363	253,817,324	(388,937,076)	--
	=====	=====	=====	=====	=====
Total Interest Rat	(26,509,611)	135,119,752	388,937,076	--	--
	=====	=====	=====	=====	=====

The effective average interest rate/mark-up for each of the monetary financial instrument is as follows:

	<b>2001</b>
	<b>Effective Average Interest</b>
	<b>Rate / Mark-up</b>
	<b>%</b>
<b>Assets</b>	
Net Investment in Lease Finance	20.50
Long Term Loans	5-10
Short Term Investments	18.29
Short Term Morabaha Finances	18.79
Cash & Bank Balances	5.27
<b>Liabilities</b>	
Redeemable Capital	16.92
Long Term Loans	16.83
Certificates of Investment	16.04
Short Term Borrowings	16.85

## **20. GENERAL**

Figures have been rounded off nearest to Rupee.

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

**Rafique Dawood**  
Chairman & Chief Executive

**Abdul Latif Uqaili**  
Director