

# **Union Leasing Limited**

## **Annual Report 2001**

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### **MISSION STATEMENT**

To be a foremost leasing company, receptive to the needs of our target market customers, acknowledged for consistently providing finer service quality and pioneering products, thereby delivering higher value to our stakeholders.

### **Corporate Information**

#### **Board of Directors**

Mr. Muneer Kamal	Chairman
Mr. Shahzad Enver Murad	Chief Executive
Mr. Aneeq Khawar	
Mr. Akbar Ali Chughtai	
Mr. Goharulayn Afzal	
Mr. Azmat Tarin	
Mr. Muhammad Umer Fareed	

#### **Company Secretary**

Mr. Muhammad Murtaza Ali, ACA

#### **Bankers**

Union Bank Limited

#### **Auditors**

Hameed Chaudhri & Co.  
Chartered Accountants  
HM House, 7 Bank Square  
Lahore

#### **Legal Advisor**

Mansoor Ahmad Khan & Company  
F/2-3, Block 8, Kehkashan  
K.D.A. Scheme 5  
Clifton  
Karachi- 75600

#### **Registrar and Share Transfer Office**

Hameed Majeed Associates (Pvt) Limited  
H. M. House, 7 Bank Square  
Lahore  
Tel: (042) 7235081, 7235082  
Fax: (042) 7358817

**Principal Office**

1st Floor, Imperial Court  
Dr. Ziauddin Ahmed Road  
Karachi - 75530  
Tel: (021) 5215416, 5686977  
Fax: (021) 5684971

**Registered Office/Branch**

Union Bank House  
39- Empress Road  
Lahore - 54000  
Tel: (042) 6372787, 6372767  
Fax: (042) 6372778

**Islamabad Branch**

Union Leasing Limited  
C/o Union Bank Limited  
Saudi Pak Tower, Blue Area  
Islamabad.  
Tel: (051) 2870001-4  
Fax: (051) 2~.783~,0

**Directors' Report and Chief Executive's Review**

The Board of Directors of Union Leasing Limited is pleased to present the Eighth Annual Report along with Audited Financial Statements for the year ended June 30, 2001.

**Operating Results**

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
Lease income	91,756,473	49,087,583
Other income	6,467,937	10,785,997
<b>Total income</b>	<b>98,224,410</b>	<b>59,873,580</b>
Profit before taxation	54,343,470	38,578,745
Provision for taxation	12,080,757	25,373,922
Profit after taxation	42,262,713	13,204,823
Profit brought forward	10,890,912	394,622
<b>Profit available for appropriation</b>	<b>53,153,625</b>	<b>13,599,445</b>

**Appropriations**

Transfer to Capital Reserve	8,452,543	2,640,965
Transfer (from)/to General Reserve	(34,600,000)	--
Transfer (from)/to Contingency Reserve	(8,135,454)	67,568
Transfer to Deferred Taxation Reserve	55,000,000	--
Proposed Dividend (15% Cash)	31,050,000	--
<b>Un-appropriated profit carried forward</b>	<b>1,386,536</b>	<b>10,890,912</b>

During the period under review, your Company's asset base crossed Rupees one billion. A total of 404 new leases amounting to Rs. 807.19 million were written. This, compared to last year, translated into lease business growth of 758%. The phenomenal growth was possible due to your Management's emphasis on converting your Company into a major player in the leasing sector. During the period under review, your Company earned a pre-tax profit of Rs. 54.34 million compared to Rs. 38.58 million for the previous corresponding period.

The strategy to manage and book low risk quality assets coupled with emphasis on portfolio diversification has been highly successful as is evident from the very satisfactory results. During this period, your Company established an independent branch in Islamabad to increase coverage. This brings the total branch strength to three. Plans are in the pipeline to establish branches in other major cities of the Country.

Due to substantially higher investment in leases as well as a reduction in non-performing leases, your Company managed to book the highest Revenue to date. Administrative expenses were kept in check by keeping staffing levels at a minimum. Additionally, instituting a state of the art information technology platform made it possible to provide premium services to a large number of customers.

Effective financial management optimized Company's costs of funds. However, due to your Company's increased borrowing needs, financial charges rose from Rs. 9.56 million, in the preceding period, to Rs. 39.23 million. After provision for tax, net profit for the period was Rs. 42.26 million compared to Rs. 13.20 million for the previous corresponding period. This translated into earnings per share of Rs. 2.04. Your Management is focused on providing a superior return to its shareholders. Based on the results, the Board of Directors has proposed a maiden cash dividend @ 15%.

**Economy**

During the period under review, the economy remained sluggish and the Rupee continued to

weaken against the U.S. Dollar. Moreover, oil prices remained firm, thereby exerting considerable strain on the balance of payments. Agriculture remains central to economic development and growth in Pakistan. Overall performance of agriculture during 2000 - 2001 was badly affected by an unprecedented drought.

However, outlook for the economy has improved following the successive IMF tranche approvals and disbursements. What remains to be seen is timing of the Poverty Reduction and Growth Facility (PRGF), which should replace the short-term stand-by facility. Once on board, the long term PRGF will ease pressures on debt servicing and at the same time allow commercial borrowing at improved rates. From a domestic perspective, investors will be able to expand businesses and set-up new projects once improving economic indicators become visible.

There was some activity in the textile and auto sectors. Auto manufacturers witnessed increased sales, primarily on account of leasing companies placing emphasis on their respective auto-lease products. Recognizing this, the Government increased the depreciation allowance from Rs. 600,000 to Rs. 750,000. In addition, initial depreciation on certain leased assets has also been allowed. These are very positive developments for the leasing sector.

Profit on Term Finance Certificates of individual investors has been taxed in the new Budget. Justifiably, there is concern that this development may hamper the Corporate Debt Market.

### **Credit Rating**

Pakistan Credit Rating Agency (Pvt.) Limited (PACRA) assigned your Company a rating of BBB+ (BBB plus) for long term and A2 (A two) for short term. Both ratings are investment grade and denote "good credit quality." These ratings are applicable to senior unsecured creditors of the Company. These ratings are an improvement over the previous ones.

### **Future Outlook**

Your Company's Management shall continue to book quality assets in its three major areas of emphasis, i.e., corporate, small & medium enterprises and consumer leasing. Your Management has been able to add a number of leading corporate names to the portfolio of Union Leasing Limited.

UNICAR, the vehicle lease product continues to perform well. Your Management intends to further develop this product and back it with a vigorous advertising campaign, thus ensuring its success in the coming years.

To secure future funding requirements, negotiations with banks and financial institutions are in progress. In addition, issuance of Term Finance Certificates is also planned for first quarter of the coming fiscal year. Your Company's Management is confident about successfully arranging funding at competitive rates for leasing operations.

### **Board of Directors**

The Board welcomes Mr. Aneeq Khawar, Mr. Azmat Tarin and Mr. Muhammad Umer Fareed who were elected upon expiry of the term of outgoing directors, i.e., Mr. Shamsul Hasan, Mr. Sultanali Allana and Mr. Khalil A. Malik. The Board wishes to place on record contributions made by the outgoing directors during their association with the Company.

### **Auditors**

The present auditors, Messrs Hameed Chaudhri & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment.

### **Pattern of Shareholding**

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

### **Acknowledgement**

We take this opportunity to thank our valued shareholders and customers for their confidence and patronage. We would like to place on record our appreciation for help and guidance provided by the Ministry of Finance, Securities & Exchange Commission of Pakistan, State Bank of Pakistan, other authorities, financial institutions and the auditors.

The Board also wishes to place on record its appreciation of hard work and dedication shown by the staff.

On behalf of the Board

Date: August 3, 2001  
Karachi.

**Shahzad Enver Murad**  
Chief Executive

## FINANCIAL HIGHLIGHTS

Particulars	1997	1998	1999	2000	2001
Profit Before Taxation	36,673	36,599	20,265	38,579	54,343
Profit After Taxation	35,848	35,002	42	13,205	42,263
Total Assets	531,205	532,486	458,636	493,494	1,045,441
Shareholders' Equity	240,034	275,036	275,078	288,283	299,496
Earning Per Share	2.39	1.69	0.00	0.64	2,040
Gross Income	85,442	85,746	87,738	59,874	98,224
Net Investment in Lease Finance	268,362	419,809	402,465	405,316	989,520

## Notice of Annual General Meeting

Notice is hereby given that the Eighth Annual General Meeting of Shareholders of Union Leasing Limited will be held on August 30, 2001 at 3:00 P.M. at Pearl Continental, Shahrah-e-Quaid-e-Azam, Lahore, to transact the following business:

### Ordinary Business:

1. To confirm the minutes of the 4th Extraordinary General Meeting held on Monday, June 11, 2001 at Lahore.
2. To receive and adopt the Annual Audited Accounts for the year ended June 30, 2001, along with Directors and Auditors report thereon.

To approve Dividend @ 15% as recommended by the Directors for the year ended June 30, 2001.

4. To appoint auditors for the year 2001-2002 and fix their remuneration. The present auditors, Messrs Hameed Chaudhry & Company, Chartered Accountants, retire & being eligible, offer themselves for reappointment.

### Special Business:

5. To consider and pass the following resolution as Special Resolution:

"Resolved that the Authorized Capital of the Company be increased from Rs. 210,000,000 to Rs. 500,000,000 divided into 50,000,000 ordinary shares of Rs. 10/- each. That respective clauses of Memorandum and Articles of Association of the Company be amended to the extent of increased Authorized Capital and division thereof and give effect accordingly".

### Statement Under Section 160 (1) (b) of the Companies Ordinance, 1984

It has been decided by the Board of Directors to increase the Authorized Capital of the Company. The purpose to increase the authorized Share Capital is to meet Capital Adequacy Requirements and to provide opportunities for growth in the Company's Business in order to increase the profitability and return to shareholders.

6. To consider any other business with the permission of the Chair.

By Order of the Board

August 3, 2001  
Karachi

**(Muhammad Murtaza Ali)**  
Company Secretary

### Notes:

1. The Share Transfer Books of the Company will remain closed from August 23, 2001 to August 30, 2001 (both days inclusive).
2. A member entitled to attend and vote at this Meeting may appoint another member as proxy. Proxies

in order to be effective, must be received at the Registered Office of the Company not later than forty-eight hours before the time of the meeting and must be duly stamped, signed and witnessed.

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

(i) In case of individuals, the account holders or sub account holders and / or the person whose securities are in group account and their registration details are unloaded as per the regulations, shall authenticate his / her identity by showing his / her original National Identity Card (NIC) or original passport at time of attending the meeting. The shareholders registered on CDS are also requested to bring their Participants' ID numbers and account numbers in CDS.

(ii) In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature of nominee shall be produced (unless it has been provided earlier) at the time meeting.

4. Shareholders are requested to notify the change of their addresses, if any, to Share Registrar, M/s Hameed Majeed Associates (Pvt.) Limited.

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

We have audited the annexed Balance Sheet of UNION LEASING LIMITED (refer note 1.1) as at 30 June, 2001 and the related Profit Loss Account, Cash Flow Statement and Statement of Changes in Equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all 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 amount and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

(b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) The expenditure incurred during the year was for the purpose of the Company's business; and

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Cash Flow Statement and Statement of Changes in Equity, together with the notes forming part thereof, 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 30 June, 2001 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Date: August 3, 2001  
Karachi.

**HAMEED CHAUDHRI & CO.**  
CHARTERED ACCOUNTANTS

**BALANCE SHEET**  
**AS AT JUNE 30, 2001**

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital			
21,000,000 (2000: 21,000,000) ordinary shares of Rs. 10 each		210,000,000	210,000,000
		=====	=====
Issued, subscribed and paid up capital		207,000,000	207,000,000
Reserves	4	92,495,672	81,282,959
		-----	-----
		299,495,672	288,282,959
<b>LONG-TERM LOANS</b>	5	200,000,000	--
<b>LONG-TERM FUND PLACEMENTS</b>	6	85,000,000	--
<b>LONG-TERM DEPOSITS</b>	7	87,747,501	48,563,725
<b>LONG-TERM CERTIFICATES OF INVESTMENT</b>	8	27,498,041	19,998,041
<b>DEFERRED LIABILITY FOR GRATUITY</b>	9	152,538	241,014
<b>CURRENT LIABILITIES</b>			
Current portion of:			
Long-term deposits	7	23,120,169	26,193,315
Long-term certificates of investment	8	500,000	100,000
Shod-term finances	10	190,999,812	30,300,000
Short-term certificates of investment	11	50,000,000	26,200,000
Accrued and other liabilities	12	36,403,940	35,696,870
Provision for taxation	13	13,473,522	17,917,870
Dividend payable		31,050,000	--
		-----	-----
		345,547,443	136,408,055
<b>Contingencies and Commitments</b>	14	-----	-----
		1,045,441,195	493,493,794
		=====	=====
<b>TANGIBLE FIXED ASSETS</b>	15	3,448,524	2,815,372
<b>NET INVESTMENT IN LEASE FINANCE</b>	16	686,969,985	218,654,221
<b>LONG-TERM INVESTMENTS</b>	17	6,483,250	8,940,149
<b>LONG-TERM LOANS AND RECEIVABLES</b>	18	21,313,882	21,313,882
<b>LONG-TERM DEPOSITS AND DEFERRED COSTS</b>	19	1,070,139	301,800
<b>CURRENT ASSETS</b>			
Current Portion of long-term assets	20	279,299,904	175,416,268
Morabaha finances and fund placements	21	42,105	41,842,105
Short-term investments	22	1,336,667	--
Advances, prepayments and other receivables	23	39,328,533	19,828,515
Cash and bank balances	24	6,148,206	4,381,482
		-----	-----
		326,155,415	241,468,370
		-----	-----
		1,045,441,195	493,493,794
		=====	=====

The annexed notes form an integral part of these accounts.

**SHAHZAD ENVER MURAD**  
CHIEF EXECUTIVE

**MUNEER KAMAL**  
CHAIRMAN

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

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
<b>INCOME</b>			
Income from lease operations	25	91,756,473	49,087,583
Profit on deposits		1,527,407	3,487,436
Other Income	26	4,940,530	7,298,561
		-----	-----
		98,224,410	59,873,580
<b>EXPENDITURES</b>			
Financial and bank charges	27	39,230,177	9,563,236
Administrative and operating expenses	28	10,180,332	7,708,043
Provision for doubtful lease finance		(5,649,801)	4,551,300
Diminution in value of investments		120,232	(527,744)
		-----	-----
		43,880,940	21,294,835
<b>PROFIT BEFORE TAXATION</b>			
		54,343,470	38,578,745
<b>PROVISION FOR TAXATION</b>			
	13		
Current year		1,800,000	19,000,000
Prior years		10,280,757	6,373,922
		-----	-----
		12,080,757	25,373,922
<b>PROFIT AFTER TAXATION</b>			
		42,262,713	13,204,823
Unappropriated profit - brought forward		10,890,912	394,622
		-----	-----
<b>PROFIT AVAILABLE FOR APPROPRIATIONS</b>			
		53,153,625	13,599,445
<b>APPROPRIATIONS:</b>			
Transfer to Capital Reserve		8,452,543	2,640,965
Transfer to Reserve for Deferred Taxation		55,000,000	--
Transfer from General Reserve		(34,600,000)	--
Transfer (from) /to Contingency Reserve		(8,135,454)	67,568
Proposed dividend 15% (Cash) (2000: NIL)		31,050,000	--
		-----	-----
		51,767,089	2,708,533
<b>Unappropriated profit - carried to Balance Sheet</b>			
		1,386,536	10,890,912
		=====	=====
<b>EARNINGS PER SHARE</b>			
	29	2.04	0.64
		=====	=====

The annexed notes form an integral part of these accounts.

**SHAHZAD ENVER MURAD**  
CHIEF EXECUTIVE

**MUNEER KAMAL**  
CHAIRMAN

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

		<i>Capital Reserve</i>	<i>Deferred Tax Reserve</i>	<i>General Reserve</i>	<i>Contingency Reserve</i>	<i>Unappropriated profit</i>	<i>Rupees Total</i>
Balance as at July 01, 2000	207,000,000	25,015,628	--	34,600,000	8,067,886	394,622	275,078,136
Net profit for the year	--	--	--	--	--	13,204,823	13,204,823
Transferred to unappropriated profit	--	2,640,965	--	--	67,568	(2,708,533)	--

	207,000,000	27,656,593	--	34,600,000	8,135,454	10,890,912	288,282,959
Balance as at July 01, 2001	207,000,000	27,656,593	--	34,600,000	8,135,454	10,890,912	288,282,959
Net profit for the year	--	--	--	--	--	42,262,713	42,262,713
Transferred to unappropriated profit				(34,600,000)	(8,135,454)	42,735,454	--
Transferred from unappropriated profit	--	8,452,543	55,000,000	--	--	(63,452,543)	--
Proposed Dividend	--	--	--	--	--	(31,050,000)	(31,050,000)
Balance as at June 30, 2001	207,000,000	36,109,136	55,000,000	--	--	1,386,536	299,495,672

**SHAHZAD ENVER MURAD**  
CHIEF EXECUTIVE

**MUNEER KAMAL**  
CHAIRMAN

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

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
<b>CASH GENERATED FROM / (USED IN) OPERATION</b>	30	271,348,388	(18,987,601)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed assets addition		(2,274,146)	(2,314,130)
Investment in lease finance - net		(587,961,533)	(2,850,632)
Sale proceed of fixed assets		949,744	709,607
Profit received on deposits		1,611,946	3,304,652
Deferred Cost incurred		(800,775)	--
Long-term Investments		(2,500,000)	(7,000,000)
Dividend received		315,644	194,381
Long-term loans and receivables - net		24,911,934	11,390,605
<b>NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES</b>		(565,747,186)	3,434,483
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Long-term loans received		200,000,000	--
Long-term fund placements		85,000,000	--
Financial charges paid		(32,845,108)	(10,569,532)
Long-term deposits (Lease Key Money)		36,110,630	8,452,236
Long-term certificates of investment		7,900,000	8,198,041
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		296,165,522	6,080,745
<b>NET CASH INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		1,766,724	(9,472,373)
<b>CASH AND CASH EQUIVALENTS</b>			
- At the beginning of the year		4,381,482	13,853,855
<b>CASH AND CASH EQUIVALENTS</b>			
- At end of the year		6,148,206	4,381,482

**SHAHZAD ENVER MURAD**  
CHIEF EXECUTIVE

**MUNEER KAMAL**  
CHAIRMAN

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2001

### 1. STATUS AND NATURE OF BUSINESS

The Company was incorporated in Pakistan as a Public Limited Company on October 2, 1993, and its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges in Pakistan. The main business activity of



the Company is leasing of moveable assets.

1.1. The Name of the Company was changed from Union Leasing Limited to ULease Limited. Certificate for the change of name was issued on January 26, 2001 by the Registrar Joint Stock Companies. The name was again changed to Union Leasing Limited from ULease Limited and in the Extra Ordinary General Meeting held on June 11,2001. This change is pending approval of Registrar Joint Stock Companies.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

### 2.2 Basis of Preparation

These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards, as applicable in Pakistan. Principal accounting policies remained unchanged from the previous corresponding year.

### 2.3 Employees' benefits

The Company operates an un-funded Gratuity Scheme for its permanent employees whose period of service is one year or more. Provision is made annually to cover obligation under the Scheme. Gratuity accruing to staff is equal to one basic salary for each completed year of service. Payment of gratuity is as follows:

Where completed year of service are:

Less than three years	Nil
Three years	60 % of gratuity amount
Four years	80 % of gratuity amount
Five years	100% of gratuity amount
In case of death, payment of Gratuity is based on completed years of service	100% of gratuity amount

In addition, the Company operates a Provident Fund Scheme for its permanent employees. Equal monthly contributions are made to the Fund, both by the Company and the employees, at the rate of 8.33 percent of basic salary.

### 2.4 Taxation

#### Current:

Charge for current taxation is based on taxable income for the year at current rates of tax after taking into account all available allowances and tax credits.

#### Deferred:

Deferred tax is accounted for using the Liability Method in respect of temporary timing differences arising from differences between the carrying amount of assets and liabilities in the financial statements and tax basis used in computation of taxable income. Deferred tax is calculated at the current applicable tax rates.

### 2.5 Tangible fixed assets and depreciation

#### Owned:

These are stated at cost less accumulated depreciation. Depreciation is charged to income applying reducing balance method at the rates stated in note 15.

Full year's depreciation is charged on all fixed assets capitalized during the year, whereas no depreciation is charged on fixed assets disposed-off during the year.

Gains / losses on disposal, if any, are taken to Profit and Loss Account. Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

#### Leased:

Assets acquired under "Finance Lease" are stated at cost less accumulated depreciation at the rates and basis applicable to the Company's owned assets. The outstanding obligation under Finance Lease less finance charges allocated to future periods is shown as liability. Finance charges are calculated at interest rates implicit in the lease and are taken to the Profit and Loss Account.

### 2.6 Investments

Long-term and short-term investments are stated at cost. Provision for diminution in value of investments is made if such diminution is considered permanent.

### 2.7 Deferred costs

Expenses, benefit of which is expected over several years, are deferred and amortized over a period of not more than five years.

### 2.8 Allowance for potential lease and installment loan losses

The allowance for potential lease and installment loan losses is maintained at a level which, in the judgment of Management, is adequate to provide for potential losses, on lease portfolio, that can be reasonably anticipated, in accordance with the Leasing Companies (Establishment and Regulation) Rules, 2000 of the Securities and Exchange Commission of Pakistan. The allowance is increased by provision charged to income and decreased by charge offs, net of recoveries.

### 2.9 Revenue recognition

#### Lease income

The Company follows "Finance Method" in recognising income on lease contracts. Under this method, un-earned income i.e., the excess of aggregate lease rentals and estimated residual value over the cost of leased assets is taken to income over the lease term so as to produce a constant periodic rate of return on net investment in lease.

#### Processing / front end fee, commitment fee, commission and penal charges

These are recognised as income when realised.

#### Dividend income

Dividend income is recognised:

- In case of final dividend; at the time when dividend is approved in AGM of investee company
- In case of interim dividend;
- at the time of closure of Share Transfer Book of investee company, or
- where no closure of Share Transfer Book, at the time dividend is declared in Board Meeting of investee company.

### 2.10 Financial instruments

#### Financial assets

Financial assets comprise of net investment in leases and investment loans net of related deposits, long-term investments in Govt. securities, long-term loans and receivables, long-term deposits, morabaha finances and fund placements, advances and other receivables, short-term investments and cash & 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.

#### 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.

### 2.11 General

- Figures in the accounts are rounded-off to the nearest Rupee.
- Corresponding figures have been re-arranged wherever necessary for the purpose of comparison.

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
15,000,000 ordinary shares of Rs. 10 each fully paid in cash	150,000,000	150,000,000
5,700,000 ordinary shares of Rs. 10 each issued as fully paid bonus shares	57,000,000	57,000,000
	-----	-----
	207,000,000	207,000,000
	=====	=====

Union Bank Limited held 12,893,362 (2000: 10,418,862) Ordinary Shares of Rs. 10/- each in Union Leasing Limited equal to 62.29 percent (2000:50.33 percent) of the total issued paid-up capital.

		<i>2001</i>	<i>2000</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>4. RESERVES</b>			
Capital reserve	4.1	36,109,136	27,656.59
General reserve	4.2	--	34,600,000
Reserve for deferred taxation	4.3	55,000,000	

Contingency reserve	4.4	--	8,135,454
Unappropriated profit		1,386,536	10,890,912
		-----	-----
		92,495,672	81,282,959
		=====	=====

**4.1 Capital Reserve**

As at July 01		27,656,593	25,015,628
Transfer from profit & loss account		8,452,543	2,640,965
		-----	-----
As at June 30		36,109,136	27,656,593
		=====	=====

This represents statutory reserve created under relevant provisions of Leasing Companies (Establishment and Regulation) Rules, 2000.

**4.2 General Reserve**

As at July 01		34,600,000	34,600,000
Transfer to profit & loss account		(34,600,000)	--
		-----	-----
As at June 30		--	34,600,000
		=====	=====

**4.3 Reserve for Deferred Taxation**

As at July 01		--	--
Transfer from (note 4.3.1)		55,000,000	--
		-----	-----
As at June 30		55,000,000	--
		=====	=====

4.3.1 Securities and Exchange Commission of Pakistan (SECP), vide circular No. 16 dated September 9, 1999 directed that in order to achieve compliance with International Accounting Standard - 12. "Income Taxes (Revised - 1996)", all leasing companies during each of the five financial years beginning July 1, 1999 and ending June 30, 2003 shall provide deferred tax liability arisen in that year together with a further amount equal to 1/5th of unprovided deferred tax liability as at the beginning of financial year 1998-99. Unprovided deferred tax liability as at June 30, 2001 amounted to Rs. 11.078 million (2000:16.618 million) which represents balance unprovided deferred tax liability as at beginning of the financial year 1998-99.

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>4.4 Contingency Reserve</b>		
As at July 01	8,135,454	8,067,886
Transfer (from)/to profit & loss account	(8,135,454)	67,568
	-----	-----
Balance as at June 30	--	8,135,454
	=====	=====

**5. LONG TERM LOANS****Term Finance - Secured**

Union Bank Limited (Holding company)	200,000,000	--
	=====	=====

**5.1 Union Bank Limited (Holding company)**

The Company has obtained term finance facility from Union Bank Limited, amounting to Rs. 200 million. This term finance is payable in six half yearly installments, with a two year grace period, commencing two years after the disbursement of loan i.e., June 18, 2001. The term finance carries mark up at the rate of 15% p.a. This loan and running finance facility (refer note 10.1) are secured by first charge on specific leased assets and rentals receivable to the extent of Rs. 299 million.

**6. LONG TERM FUND PLACEMENTS- UNSECURED**

These represent long-term funds placed with the Company by a financial institution and a leasing company carrying mark-up at the rate of 15.10 percent and 13.25 percent payable quarterly, and are for the period of 14 months and 21 months respectively.

**7. LONG TERM DEPOSITS**

These represent interest free security deposits (Lease Key Money) received from lessees under the lease

contracts and are adjustable on expiry of the respective lease terms.

As at July 01	110,867,670	74,757,040
Less: Current portion of deposits payable / adjustable within following twelve months	23,120,169	26,193,315
	-----	-----
As at June 30	87,747,501	48,563,725
	=====	=====

	<b>2001</b>	<b>2000</b>
	<b>Rupees</b>	<b>Rupees</b>

#### 8. LONG TERM CERTIFICATES OF INVESTMENT

Long term Certificates of Investments	27,998,041	20,098,041
Less: Current portion shown under current liabilities	500,000	100,000
	-----	-----
	27,498,041	19,998,041
	=====	=====

8.1 These certificates have been issued for terms ranging from three years to five years and carry return ranging from 16 percent to 19.75 percent per annum (2000:10.5 percent to 19.75 percent per annum).

#### 9. DEFERRED LIABILITIES

Provision for gratuity	152,538	241,014
	=====	=====

#### 10. SHORT TERM FINANCES

##### Secured

Running Finance	10.1	15,999,812	--
-----------------	------	------------	----

##### Unsecured

Short-term fund placements	10.2	175,000,000	30,300,000
		-----	-----
		190,999,812	30,300,000
		=====	=====

10.1 The Company has obtained running finance facility from Union Bank Limited, the Holding company. This facility carries mark up at the rate of 15 percent per annum. This facility is secured by way of first charge on specific leased assets and rentals receivable to the extent of Rs. 299 million.

10.2 These represent funds placed with the Company by financial institutions, investment banks and other companies, under mark up arrangements. These placements are unsecured and carry mark up ranging from 15 percent to 17.60 percent per annum (2000:12 percent to 18 percent per annum) payable at maturity. These placements are maturing at various dates from July 2001 to June 2002.

#### 11. SHORT TERM CERTIFICATES OF INVESTMENT

11.1 These Certificates have been issued for terms ranging from three months to one year. Rates of return on these Certificates range from 12.50 percent to 15.20 percent per annum (2000:10.50 percent to 16 percent per annum).

	<b>2001</b>	<b>2000</b>
	<b>Rupees</b>	<b>Rupees</b>

#### 12. ACCRUED AND OTHER LIABILITIES

Due to ex-associated undertaking	--	84,000
Mark up on	2,550,782	--
Short term finances	2,809,115	71,827
	-----	-----
	5,359,897	71,827
Mark-up reserve account	27,193,619	32,405,153
Return on:		
Long term certificates of investment	11,908,941	962,099
Short term certificates of investment	1,336,164	467,960
	2,527,058	1,430,059
Deposit against morabaha finances	42,105	42,105

Central excise duty payable	271,833	271,833
Client insurance payable	526,138	77,847
Accrued expenses	254,019	337,426
Others	229,271	976,620
	-----	-----
	36,403,940	35,696,870
	=====	=====

**13. PROVISION FOR TAXATION**

Opening balance	17,917,870	7,554,353
Provision made during the year		
Current year	1,800,000	19,000,000
Prior years	10,280,757	6,373,922
	-----	-----
	12,080,757	25,373,922
	-----	-----
	29,998,627	32,928,275
Less: Payments made during the year	16,525,105	150,010,405
	-----	-----
	13,473,522	17,917,870
	=====	=====

13.1 income tax assessments of the Company have been completed upto the Assessment Year 1998-99 (Income Year ended June 30, 1998).

In finalizing the Company's assessment for the Assessment Year 1997-98 and 1998-99, the Deputy Commissioner of Income Tax (DCIT) raised tax demand of Rs. 22.689 million and 19.133 million respectively. The demand for assessment 1997-98 was rectified vide DCIT order dated October 13, 2000 thereby reducing it to Rs 9.588 million. Provision there against, in these accounts, exists aggregating to Rs. 4.305 million and 12.423 respectively. Provision for the balance demand aggregating Rs. 5.283 million in respect of Assessment Year 1997-98 has not been made in these accounts as the company has filed appeal with the Income Tax Appellate Tribunal against the assessment framed by DCIT. The appeal is pending decision. Provision for the balance demand of Rs 5.267 million in respect of Assessment Year 1998-99 has also not been made in these accounts as the Company intends to appeal with the Commissioner of income Tax (Appeals) against the assessment framed by DCIT.

**14. CONTINGENCIES AND COMMITMENTS**

14.1 Refer to note 13.1 above

14.2 Commitment for lease finance (Rupees in million)	56.219	137.785
	=====	=====

**15. TANGIBLE FIXED ASSETS**

PARTICULARS	As at July 1, 2001	Additions during the year	Disposals during the year	As at June 30, 2001	As at July 1, 2001	On Disposals	% Rate	Charge for the year	Written down	
									As at June 30, 2001	value June 30, 2001
<b>OWNED</b>										
Office equipment	1,806,090	1,312,720	(217,576)	2,901,234	576,471	(94,663)	10	241,943	723,751	2,177,483
Furniture and fixtures	91,885	16,500	--	108,385	28,717	--	10	7,967	36,684	71,701
Vehicles	1,903,230	944,926	(1,201,420)	1,637,736	380,645	(242,084)	20	209,835	438,396	1,199,340
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
2001 Rupees	3,801,205	2,274,146	(1,427,996)	4,647,355	985,833	(336,747)		549,745	1,198,831	3,448,524
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
2000 Rupees	2,845,897	2,314,130	(1,358,822)	3,801,205	1,080,343	(618,798)		524,288	985,833	2,815,372
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

**15.1 DISPOSAL OF FIXED ASSETS**

Particulars	Cost	Accumulated depreciation	Book value	Sale proceed	Loss on disposal	Mode of disposal	Particular of purchases
<b>Office and equipments</b>							
Tulip Vision DT 486 DX	64,976	32,172	32,804	3,000	(29,804)	Negotiation	Mr. Mehdi Raza Employee (Union Bank - Holding Company)

Computer Compaq	74,900	30,672	44,228	5,000	(39,228)	Negotiation	Mr. Arshad Javed Employee (Union Bank - Holding Company)
Computer Compaq	77,700	31,819	45,881	5,000	(40,881)	Negotiation	Mr. Mirza Anjum Baig Ex-Employee
	-----	-----	-----	-----	-----		
	217,576	94,663	122,913	13,000	(109,913)		
	-----	-----	-----	-----	-----		
<b>Vehicles</b>							
Suzuki Cultus VXR	521,248	104,250	416,998	405,345	(11,653)	Insurance clai	Adamjee Insurance Co.
Honda City EXIs	689,172	137,834	551,338	531,399	(19,939)	Service Rules	Mr. Khalid Mehmood Ex-Employee
	-----	-----	-----	-----	-----		
	1,210,420	242,084	968,336	936,744	(31,592)		
	-----	-----	-----	-----	-----		
	1,427,996	336,747	1,091,249	949,744	(141,505)		
	=====	=====	=====	=====	=====		

**2001**      **2001**  
**Rupees**      **Rupees**

**16. NET INVESTMENT IN LEASE FINANCE**

Minimum lease payments receivable	1,152,832,544	394,927,873
Add: Residual value of leased assets	115,605,245	77,768,575
	-----	-----
<b>Gross investment in leases</b>	1,268,437,789	472,696,448
Less: Unearned finance income	278,918,002	71,138,194
	-----	-----
<b>Net investment in lease finance</b>	989,519,787	401,558,254
	-----	-----
Less: Current portion including overdue rentals of net investment in lease finance	302,549,802	182,904,033
	-----	-----
	686,969,985	218,654,221
	=====	=====

16.1 The Company, during the period, advanced lease finance facilities aggregating Rs.82,224,552 to its Holding company (2000: Rs. 34,432,780).

16.2 Investment in lease finance and lease rentals due are as follows:

Less than one year	464,098,511	264,500,465
One year to five years	776,131,278	208,195,983
More than five years	28,208,000	--
	-----	-----
	1,268,437,789	472,696,448
Less: Unearned finance Income	278,918,002	71,138,194
	-----	-----
	989,519,787	401,558,254
	=====	=====

**17. LONG TERM INVESTMENTS**

**Quoted Companies**

17.1

AI-Faysal Investment Bank Ltd. 63,437 (2000: 63,437) ordinary shares of Rs.10 each including 17,937 bonus shares	--	3,313,250
Crescent Investment Bank Ltd. 43,500 (2000: 43,500) ordinary shares of Rs.10 each including 9,700 bonus shares	--	2,487,500
Khadim All Shah Bukhari & Co. Ltd. 9,900 (2000: 9,900) ordinary shares of Rs.10 each including 4,900 bonus shares	--	580,750
	-----	-----
	--	6,381,500

Less: Provision for diminution in value		--	4,924,601
		-----	-----
		--	1,456,899
Federal Investment Bonds	17.2	9,983,250	7,483,250
Less: Current portion of Federal Investment Bonds		3,500,000	--
		-----	-----
		6,483,250	7,483,250
		-----	-----
		6,483,250	8,940,149
		=====	=====

17.1 In view of Management's plan of disposal of investments, these have been classified as Current Investments shown under note 22.

17.2 This investment has been made to comply with the Leasing Companies (Establishment and Regulation) Rules, 2000 of the Securities and Exchange Commission of Pakistan. Mark-up is receivable @ 15% per annum (2000: @ 15% per annum).

		<i>2001</i>	<i>2000</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>18. LONG TERM LOANS AND RECEIVABLES - SECURED</b>			
Kohat Cement Company Limited		--	22,083,780
Nimir Industrial Chemicals Limited	18.1	21,313,882	21,313,882
Taj Textile Mills Limited		--	2,828,154
Kings Tyre Industries Limited	18.2	3,082,884	3,082,884
		-----	-----
		24,396,766	49,308,700
Less: Current portion shown under current assets		3,082,884	27,994,818
		-----	-----
		21,313,882	21,313,882
		=====	=====

18.1 This loan has been created by conversion of lease finance facilities advanced to Nimir Industrial Chemicals Limited (NICL). The loan has been advanced under mark-up arrangements. As per terms of the agreement, NICL sold to the Company goods for a sum of Rs. 20.819 million. NICL simultaneously purchased the said goods from the Company at a price of Rs. 41.740 million (the purchase price). The purchase price is receivable from NICL on or before June, 2004 in 60 installments commencing July, 1999. The loan is secured against hypothecation / pledge of goods and first registered pari passu charge on land, building and other fixed assets of NICL.

18.2 This loan has been created by conversion of lease finance facilities advanced to Kings Tyre Industries Limited (KTIL). As per terms of the agreement, KTIL sold to the Company moveable property (the goods) for a sum of Rs. 6.235 million. KTIL simultaneously purchased the said goods from the Company at a price of Rs. 7.060 million (the purchase price). The purchase price was receivable from KTIL on or before December, 1999 in 28 installments commencing October, 1998. The Company has filed a suit for the recovery of outstanding balances plus mark up. The loan is secured against hypothecation / pledge of goods and equitable mortgage of residential property as security/collateral.

		<i>2001</i>	<i>2000</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>19. LONG TERM DEPOSITS AND DEFERRED COSTS</b>			
Term Finance Certificates floatation expenses		540,000	--
Microsoft Office (Software) License Fee		26,077,511	--
Less: Amortization		32,436	--
		-----	-----
		228,339	--
Security deposits		301,800	301,800
		-----	-----
		1,070,139	301,800
		=====	=====

## **20. CURRENT PORTION OF LONG TERM ASSETS**

Current portion of net investment in lease finance	16	302,549,802	182,904,033
Provision for doubtful lease finance		28,291,340	34,866,006
		-----	-----

		274,258,462	148,038,027
Current portion of long term loans and receivables	18	3,082,884	27,994,818
Provision for doubtful loans and receivables		1,541,442	616,577
		-----	-----
		1,541,442	27,378,241
Current portion of Federal Investment Bonds	17	3,500,000	--
		-----	-----
		279,299,904	175,416,268
		=====	=====

## 21. MORABAHA FINANCES AND FUND PLACEMENTS

<b>Morabaha finances</b>	21.1	742,105	742,105
Less: Provision for doubtful morabaha finances		700,000	700,000
		-----	-----
Considered good		42,105	42,105
Fund placements - Unsecured		--	41,800,000
		-----	-----
		42,105	41,842,105
		=====	=====

21.1 This represents sum receivable against a morabaha transaction i.e., sale of goods on deferred payment basis at specified profit margin. This is secured by pledge of goods and personal guarantees of partners of the firm. The applicable rate of profit is 24% per annum.

		<i>2001</i>	<i>2000</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>22. SHORT TERM INVESTMENTS</b>			
<b>Quoted Companies</b>			
Al-Faysal Investment Bank Ltd.			
63,437 (2000: 63,437) ordinary shares of Rs.10 each including 17,937 bonus shares		3,313,250	--
Crescent Investment Bank Ltd.			
43,500 (2000: 43,500) ordinary shares of Rs.10 each including 9,700 bonus shares		2,487,500	--
Khadim All Shah Bukhari & Co. Ltd.			
9,900 (2000: 9,900) ordinary shares of Rs.10 each including 4,900 bonus shares		580,750	--
		-----	-----
		6,381,500	--
Less: Provision for diminution in value		5,044,833	--
		-----	-----
		1,336,667	--
		=====	=====

22.1 The aggregate market value of above investments is Rs. 1,336,667.

22.2 The Company does not hold more than 10% equity of any investee company.

## 23. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances to executives - considered good	23.1	210,251	418,634
Advance against assets to be leased-out		363,788	10,764,578
Receivable from holding company	23.2	--	14,746
Advance taxation		26,368,906	3,124,191
Prepayments		99,873	104,489
Profit accrued on deposits		113,559	198,098
Markup receivable on long term loan		7,976,718	4,052,822
Markup receivable on FIBs		629,762	--
Other receivables - considered good		3,565,676	1,150,957



-----

39,328,533	19,828,515
------------	------------

=====

23.1 Maximum aggregate amount due from executives at any month-end during the year was Rs. 216,508 (2000: Rs. 484,519).

23.2 Maximum aggregate amount due from Holding company at any month-end during the year was Rs. NIL (2000: Rs. 14,746).

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>24. CASH AND BANK BALANCES</b>		
Cash in hand	230,000	11,230
Cash with banks on:		
Current accounts	58,801	2,601,068
Deposit accounts	24.1 5,912,326	1,769,184
	-----	-----
	5,918,206	4,370,252
	-----	-----
	6,148,206	4,381,482
	=====	=====

24.1 These include a deposit amounting Rs. 595,000 (2000: Rs. 595,000) with State Bank of Pakistan in order to comply with relevant provisions of SBP's Rules for NBFIs to maintain liquidity against certain liabilities.

#### 25. INCOME FROM LEASE OPERATIONS

Finance income	89,806,749	46,925,611
Processing fee	748,404	533,308
Documentation fee	582,058	179,100
Miscellaneous income	25.1 619,262	1,449,564
	-----	-----
	91,756,473	49,087,583
	=====	=====

25.1 This includes penal charges aggregating Rs. 233,345 (2000: Rs. 1,449,564) recovered from various Clients due to delays in repayment of lease rentals.

#### 26. OTHER INCOME

Profit on Federal Investment Bonds	1,445,121	400,068
Profit on morabaha finances, short term finances, funds placements and long-term loans & receivables	2,190,887	6,331,800
Dividend	315,644	194,381
Miscellaneous	191,580	20,522
Accrued and other liabilities written back	797,298	--
Gain on sale of shares	--	351,790
	-----	-----
	4,940,530	7,298,561
	=====	=====

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>27. FINANCIAL AND BANK CHARGES</b>		
Mark-up on:		
Long term loan	4,930,174	--
Short term finances	24,181,546	2,609,194
	-----	-----
	29,111,720	2,609,194
Interest on provident fund	--	168,721
	-----	-----
Return on:		
Long term certificates of investment	43,193,401	2,547,868
Short term certificates of investment	5,057,081	3,539,066
	-----	-----

	9,376,421	6,086,934
Central excise duty	291,667	--
Bank charges and others	82,133	38,587
Amortization and others	368,236	659,800
	-----	-----
	39,230,177	9,563,236
	=====	=====

**28. ADMINISTRATIVE & OPERATING EXPENSES**

Staff salaries and benefits		4,484,182	3,208,359
Printing and stationery		703,829	364,092
Communication		436,397	324,735
Rent, rate and taxes		448,359	722,000
Traveling and conveyance		393,018	230,738
Vehicles' running and maintenance		246,891	213,426
Insurance		150,281	84,082
Repair and maintenance		253,333	166,739
Fees and subscription		332,500	468,022
Advertisement		295,767	144,108
Entertainment		166,298	113,128
Newspapers and periodicals		25,884	18,317
Depreciation	15	549,745	524,288
Amortization of deferred cost	19	32,436	--
Legal and professional charges (other than auditors)		876,501	631,795
Donation (without director's interest)		427,122	--
Other office expenses		106,284	249,706
Auditor's remuneration:			
- Audit fee		55,000	55,000
- Special audit fee		30,000	30,000
- Certification fee		15,000	15,000
- Out of pocket expenses		10,000	--
		-----	-----
		110,000	100,000
Loss on sale of fixed assets	15.1	141,505	30,416
Miscellaneous		--	114,092
		-----	-----
		10,180,332	7,708,043
		=====	=====

**29. EARNINGS PER SHARE**

Profit after taxation attributable to ordinary shareholders		42,262,713	13,204,823
		=====	=====
Number of ordinary shares issued and subscribed during the year		20,700,000	20,700,000
		=====	=====
Earnings per share		2.04	0.64
		=====	=====

**30. CASH GENERATED FROM / (USED IN) OPERATIONS**

<b>Profit for the year - Before Taxation</b>		54,343,470	38,578,745
Add / (less) adjustments for:			
Depreciation		549,745	524,288
Provision for gratuity (net)		(88,476)	(189,590)
Loss on disposal on fixed assets		141,505	30,416
Provision for diminution in value of investments		120,232	(527,744)
Amortization of deferred expenses		32,436	--
Profit on deposits		(1,527,407)	(3,487,436)
Financial charges		39,230,177	9,563,236
Allowance for doubtful lease finance and loans (written back) / provided		(5,649,801)	4,551,300
Dividend income		(315,644)	(194,381)
		-----	-----
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Before working capital changes		86,836,237	48,848,834

**(Increase) / decrease in current assets**

Morabaha finances, shod-term finances	41,800,000	(41,800,000)
Short-term investments	--	7,000,000
Advances, prepayments and other receivables	3,660,158	(17,618,359)
<b>Increase / (decrease) in current liabilities</b>		
Short-term certificates on investment	23,800,000	200,000
Short-term finances	160,699,812	(5,200,000)
Accrued and other liabilities	(5,677,999)	4,592,329
	-----	-----
	224,281,971	52,826,030
	-----	-----

**CASH GENERATED FROM / (USED IN) OPERATIONS**

Before taxation	311,118,208	(3,977,196)
Taxes paid	(39,769,820)	15,010,405
	-----	-----

**CASH GENERATED FROM / (USED IN) OPERATIONS**

After taxation	271,348,388	18,987,601 )
	=====	=====

**31. REMUNERATION OF EXECUTIVES**

Managerial remuneration	1,576,309	1,197,597
Housing and utilities	869,745	936,377
Retirement benefits	427,692	122,493
Medical and other reimbursements	296,004	120,194
	-----	-----
	3,169,750	2,376,661
	=====	=====
No. of Executives	8	7
	=====	=====

Three (2000: Three) of the Executives were also provided with the use of the Company's cars.

The Directors were not paid any remuneration during the year (2000: Nil).

**32. NUMBER OF EMPLOYEES**

Number of employees as at end of the year	14	12
	=====	=====

**33. TRANSACTIONS WITH HOLDING COMPANY**

33.1 Aggregate transactions, other than lease facilities disbursed, with Holding company during the year were as follows:

Utilities charges paid	84,500	211,000
Reimbursement of expense	47,500	325,965
Profit on bank deposits received	1,527,407	3,487,436
Office rent paid	361,400	1,311,000
Sale of fixed assets	--	188,804
Bank charges paid	82,133	18,008
Lease rentals received	31,076,196	6,213,847
Deposit (Lease Key Money) received	8,222,453	3,443,278
Brokerage of FIB	78,971	2,179,263
Long-term borrowings	200,000,000	--

**34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE****34.1 Interest Rate Risk Exposure**

The information about the company's exposure to interest rate risk as at June 30, 2001 on contractual refinancing or maturity dates whichever is earlier is as follows:

PARTICULARS	INTEREST BEARING			NON-INTEREST BEARING			<i>Rupees</i>	
	<i>Maturity</i>	<i>Maturity</i>	<i>Sub Total</i>	<i>Maturity</i>	<i>Maturity</i>	<i>Sub Total</i>	<i>2001</i>	<i>2000</i>
	<i>before one</i>	<i>after</i>		<i>before one</i>	<i>after</i>			
	<i>year</i>	<i>one year</i>		<i>year</i>	<i>one year</i>			
<b>FINANCIAL ASSETS</b>								
Net investment in finance lease	297,378,631	599,222,484	896,601,115	--	--	--	896,601,115	292,681,206
Long-term investments	3,500,000	6,483,250	9,983,250	--	--	--	9,983,250	8,940,149

Long-term loans and receivables	1,541,442	21,313,882	22,855,324	--	--	--	22,855,324	48,692,123
Long-term deposits	--	--	--	--	301,800	301,800	301,800	301,800
Morabaha finances and placements	42,105	--	42,105	--	--	--	42,105	41,800,000
Advances and other receivables	--	--	--	12,859,754	--	12,859,754	12,859,754	16,599,835
Short-term investments	--	--	--	1,336,667	--	1,336,667	1,336,667	--
Cash and bank balances	5,912,326	--	5,912,326	5,880	--	5,880	5,918,206	4,381,482
	-----	-----	-----	-----	-----	-----	-----	-----
	308,374,504	627,019,616	935,394,120	14,202,301	301,800	14,504,101	949,898,221	413,396,595
	-----	-----	-----	-----	-----	-----	-----	-----
<b>FINANCIAL LIABILITIES</b>								
Long-term Loan	--	200,000,000	200,000,000	--	--	--	200,000,000	--
Long-term fund placements	--	85,000,000	85,000,000	--	--	--	85,000,000	--
Long-term certificates of investment	500,000	27,498,041	27,998,041	--	--	--	27,998,041	20,098,041
Shod-term finances	190,999,812	--	190,999,812	--	--	--	190,999,812	30,300,000
Shod-term certificates of investment	50,000,000	--	50,000,000	--	--	--	50,000,000	26,200,000
Accrued and other liabilities	--	--	--	8,938,488	--	8,938,488	8,938,488	6,735,289
	-----	-----	-----	-----	-----	-----	-----	-----
	241,499,812	312,498,041		553,997,853	8,938,488	--	8,938,488	562,936,341
	-----	-----	-----	-----	-----	-----	-----	-----
On balance sheet gap	66,874,692	314,521,575	381,396,267	5,263,813	301,800	5,565,613	386,961,880	330,063,265
	=====	=====	=====	=====	=====	=====	=====	=====

### 34.2 Fair Value of Financial Instrument

Carrying amount of financial assets and financial liabilities approximate their fair values.

### 34.3 Mark-up Rate

The effective mark-up rates for the Company's financial assets range from 20% to 29% per annum and for financial liabilities range from 10.50% to 19.75% per annum.

### 34.4 Credit Risk and Concentration of Credit Risk

The Company manages concentration of credit risk exposure through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments. For such purpose, the Company has established exposure limits for single lessees and industrial sectors. An analysis of sector-wise disbursements made during the year is as follows:

	2001 Percentage	2000 Percentage
Textile	20.24	10.75
Financial Institutions	10.29	39.65
Individuals	9.44	18.33
Tobacco	8.81	
Sugar and Allied	6.19	
Media and Advertising	4.71	0.80
Transport	4.65	
Chemicals and Allied	4.31	
Miscellaneous Services	4.13	10.39
Natural or Industrial Gas and LPG	3.85	7.98
Auto and Assemblers	3.75	
Information Technology	3.39	6.50
Health Care	3.11	0.69
Dairy and Beverages	2.96	1.15
Telecommunication	2.70	
Food and Confectionery	2.33	0.26
Miscellaneous Manufacturing	1.86	0.88
Engineering and Metals	1.80	
Electric and Electrical goods	0.48	2.18
Insurance Companies	0.39	
Hotels	0.35	
Leather and Tannery	0.09	
Paper and Board	0.07	
Construction and Building products	0.05	0.44
Pharmaceutical	0.05	
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**SHAHZAD ENVER MURAD**  
**CHIEF EXECUTIVE**

**MUNEER KAMAL**  
**CHAIRMAN**

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

<i>No. of Shareholders</i>	<i>Shareholding</i>			<i>Total Shares Held</i>
	<i>From</i>	<i>To</i>		
339	1	100	Shares	18,058
1054	101	500	Shares	292,596
1082	501	1,000	Shares	754,643
1391	1,001	5,000	Shares	2,184,416
103	5,001	10,000	Shares	680,111
53	10,001	15,000	Shares	628,461
10	15,001	20,000	Shares	167,744
10	20,001	25,000	Shares	217,468
6	25,001	30,000	Shares	162,515
4	30,001	35,000	Shares	128,275
1	35,001	40,000	Shares	39,250
4	40,001	45,000	Shares	164,497
2	45,001	50,000	Shares	94,323
1	50,001	55,000	Shares	51,000
1	60,001	65,000	Shares	62,100
1	65,001	70,000	Shares	65,100
1	70,001	75,000	Shares	71,828
1	85,001	90,000	Shares	87,100
2	95,001	100,000	Shares	195,936
1	100,001	105,000	Shares	103,590
1	105,001	110,000	Shares	109,779
1	110,001	115,000	Shares	110,745
1	125,001	130,000	Shares	127,500
1	170,001	175,000	Shares	171,603
1	245,001	250,000	Shares	245,500
1	825,001	830,000	Shares	828,000
1	12,935,001	12,940,000	Shares	12,937,862
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4,074				20,700,000
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Note: Slabs not applicable have been omitted

<i>Categories of Shareholders</i>	<i>Number</i>	<i>Shares Held</i>	<i>Percentage</i>
Individuals	3,999	5,589,270	27.00
Investment companies	8	102,472	0.50
Insurance companies	1	171,603	0.83
Joint stock companies	41	427,114	2.06
Financial institutions	11	14,163,552	68.42
Modarba companies	6	191,203	0.92
Leasing companies	2	36,912	0.18
Others	6	17,874	0.09
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	4,074	20,700,000	100.00
=====	=====	=====	=====