

## **Universal Leasing Corporation Limited**

### **Annual Report 2000**

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#### **COMPANY INFORMATION**

##### **BOARD OF DIRECTORS**

Mr. Humayun Sadiq	Chairman
Mr. Muhammad Talha Qureshi	Chief Executive Officer
Mr. Muhammad Asif Dar	
Mr. H. N. Akhter	
Mr. Aziz A. Merchant	
Mr. Sarfraz A. Shaikh	
Mr. Noman A. Qureshi	
Mr. Saeed Haider Bhatti	

##### **BOARD EXECUTIVE COMMITTEE**

Mr. Muhammad Talha Qureshi	Chief Executive Officer
Mr. Muhammad Asif Dar	Director
Mr. Saeed It. Bhatti	Director

##### **COMPANY SECRETARY**

Syed Hassan Mahmood

##### **AUDITORS**

Habib, Basit, Umar, Iftexhar & Company  
Chartered Accountants

##### **LEGAL ADVISORS**

M/s. SMR Law Associates  
M/s. Saalim Salam Ansari  
Advocates

##### **REGISTERED OFFICE**

Hajveri Centre, 2nd Floor,  
Defence Main Boulevard,  
Lahore Cantt.  
Tel: # (042) 6673097

##### **KARACHI OFFICE**

603 & 604, 6th Floor,  
Lakson Square # 3,  
Sarwar Shaheed Road,  
Karachi.  
Telephone No. 5687860, 5687016, 5687026, 5687056  
Fax No. 5680414

##### **SHARE TRANSFER OFFICE**

603 & 604, 6th Floor,  
Lakson Square # 3,  
Sarwar Shaheed Road,  
Karachi.

#### **NOTICE OF THE ANNUAL GENERAL MEETING**

Notice is hereby given that the Seventh Annual General Meeting of the Company will be held on December 23, 2000 at 3:30 p.m. at Avari Hotel, Lahore to transact the following business.

##### **ORDINARY BUSINESS**

1. To confirm and approve the Minutes of the sixth Annual General Meeting held on February 14, 2000.
2. To receive, consider and adopt the Audited Accounts of the company for the year ended June 30, 2000, together with Directors' and Auditors' reports, thereon.

3. To appoint Auditors for the 'period ending June 30, 2001 and to fix their remuneration.

#### **SPECIAL BUSINESS:**

4. To consider & approve the remuneration of Chief Executive Officer & two Executive Director as per Company Ordinance 1984.
5. To Consider and approve the change of Registered Office of the company from 2nd floor, Hajvari Center, Defence Main Boulevard, Lahore, Cantt. To 603-604, 6th Floor, Lakson Square Building 3, Sarwar Shaheed Road, Karachi.
6. To take approval for implementing the change of name of company as approved in the Board of Directors Meeting dated 7th October, 2000.

#### **ORDINARY BUSINESS**

7. Any other business with the permission of the Chair.

Karachi  
Dated: November 25, 2000

**By the Order of Board  
Syed Hassan Mehmood  
Company Secretary**

#### **Notes:**

- i) The share Transfer Book, of the company will remain closed from December 23, 2000 to December 29, 2000 (both days inclusive)
- ii) A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received at the Registered Office of the company, duly stamped and signed not less than 48 hours before the meeting.
- iii) Any individual beneficial owner of CDC, entitled to attend and vote at this meeting, must bring his/her NIC to prove his/her identity, and in case of proxy must enclose an attested copy of his/her NIC. Representatives of corporate members should bring the usual documents required for such purpose.
- iv) Member are requested to promptly communicate to the Company, any change in their address.

#### **STATEMENT UNDER SECTION 160(1) OF THE COMPANIES ORDINANCE, 1984 AGENDA # 4.**

1. Approval of remuneration of the Chief Executive and two whole time working Directors of the Company. The Member's approval is sought for the payment of remuneration and provision of certain facilities for Chief Executive officer and two Executive Directors as per recommendations of the Board of Directors of the Company in their meeting dated October 07th 2000 for this purpose it is proposed that the following resolution be passed as an Special Resolution as required under Companies 1984.

"Resolved that the Chief Executive and two whole time working Directors shall be paid w.e.f. October 2000 the details of their remuneration are as under;

a) CHIEF EXECUTIVE	Rs. 55,650
b) DIRECTOR	Rs. 65,350
c) DIRECTOR	Rs. 36,300

Apart from the above salary, they are also be entitled to any other fringe benefits, allowances, bonus & reward as per the decision of the board."

2. To consider and approve the change of Registered Office of the Company from Hajvari Centre, Defence Main Boulevard, Lahore TO 603-604, Lakson Square # 3, 6th Floor, Sarwar Shaheed Road, Karachi, as approved by the Board in their meeting held on November 25, 2000.
3. To consider and approve the change in the name of the Company.

#### **DIRECTOR'S REPORT**

On behalf of the Board of Directors of Universal Leasing Corporation Limited, we are presenting Annual Audited Account for the period ended June 30,2000. The present management of the Company took over on October 1,2000 and soon thereafter applied for approval of Securities & Exchange Commission of Pakistan, which was received on November 7, 2000. We would like to update our shareholders on the developments, state of affairs and future outlook of the Company.

#### **CHANGE OF MANAGEMENT**

Universal Leasing Corporation had become a dormant Company and was not active in its main business of leasing. A new Management has been inducted who have initiated the process of reactivating the Company. As will be seen from the following details of the new Directors, the Management now comprises of persons with vast background and experience in the financial sector, which augurs well for the future of this Company. The Director hope to revive full-fledged operations of the Company in the shortest possible period of time.

#### **NEW BOARD OF DIRECTORS**

Your Chairman, Mr. Humayun Sadiq has over 50 years experience in banking, finance and investments including leasing both domestic and foreign.

Presently, Mr. Human Sadiq is Chairman of Universal Leasing Corporation Limited.

Mr. Haq Nawaz Akhter has been a senior official of the Government having over 40 years experience in various capacities including Chairman Pakistan Steel Mill, Controller of Capital Issues, Managing Director, Pak Libya Holding Company, and Secretary in different ministries.

Mr. Aziz Abdullah Merchant has over 45 years experience in senior positions in various local and foreign banks including Societe Generale. He is a very well respected banker. He has trained several bankers who hold high positions in various banks.

Mr. Sarfaraz A. Shaikh, a senior banker who represents Allied Bank of Pakistan on the Board is working as Executive Vice President, Credit and Corporate Division in the said bank and is a valuable asset to our Board.

Mr. Noman Ahmed Qureshi a senior banker who represents Saudi Pak Agricultural & Industrial Investment Company (Pvt.) Limited, is working as Executive Vice President and Head of Karachi Operations. He too is a valuable asset to our Board.

Mr. Saeed Haider Bhatti has over 42 years Central Banking experience. He held position of Director, Banking Supervision and has been involved in various committees and banking law reforms.

Mr. Mohammad Asif Dar has been a Senior Banker with domestic and foreign banks for over 35 years and has also worked in Amman, Dubai, Bahrain and Muscat. He has also headed several Modarabas.

Mr. Muhammad Talha Qureshi is an MBA from U.K and has over 10 years working experience in Leasing Companies and Modarabas. Mr. Qureshi has participated in various domestic and International Seminars and workshops. He is the Chief Executive Officer of the company.

#### **SPECIAL AUDIT**

The Securities & Exchange Commission of Pakistan, (SECP) ordered in June, 2000, through M/s. M. Yousuf Adil Salim & Company, Chartered Accountants, to inspect the affairs of the Company under Section 265(b) of the Companies Ordinance, 1984, for a period covering from July 1997 to June 30, 2000.

The outgoing directors and Chief Executive had filed an appeal against the aforesaid decision of SECR The Present Management after discussions with the Commission has with drawn the said appeal and allowed the inspectors to carry out their work as we want to know full facts about the affairs of the Company and would like to conduct business in a transparent manner in keeping with the rules and regulations. The Inspection Report will reveal the real state of affairs and it will be our endeavour to apply corrective measures as soon as practicable and feasible.

#### **REVIEW OF FINANCIAL:**

Soon after taking over management in October 2000, we initiated statutory audit of the Company, which should have been started much earlier. We have finalized the accounts on the basis of prudential and sound accounting principles.

The management carefully scrutinized all the Mushraika and lease finance portfolio and observed inadequate provisions were made in earlier years. After carefully judging each case on merit we observed that Musharika Agreements matured on June 30, 1999 are of dubious nature and require provisioning of principal and profit thereon. As such we have made substantial provisioning in respect of the principal amount and full provisioning for anticipated profit which we deemed to be irrecoverable. The lease portfolio has been reclassified as per prudential regulations for leasing companies.

The new Board also took initiative in the recovery of stuck-up leases by way of rigorous follow-up and initiation of legal proceeding against the defaulters. The outstanding liabilities towards bank / financial institutions, tax and utilities were settled on priority basis. Inspire of Assurance by the present management all members of staff of previous management with the exception for 2, suddenly left the Company fearing that the results of inspection might reveal irregularities on their part.

#### **AUDITORS**

The auditors M/s. Habib, Basit, Umar, Iftekhar & Co., Chartered Accountants, retired and being eligible to offer themselves for re-appointment.

**For & on behalf of the Board**

- sd -

**Chief Executive Officer**

#### **CHAIRMAN'S REVIEW**

We have taken over an almost defunct company with a view to putting life back in to it. I am confident that with the help of my colleagues in the Board of directors who are all men of integrity and professionalism, we will be able to revive the Company and give the shareholders confidence once again. Our vision for the Company may be summed up as follows:

To make a departure from conventional leasing into micro leasing resulting in creation of self employment and alleviation of poverty.

To adopt Community leasing, treating the community as one unit.

To adopt group models for leasing so that individual deficiencies and weaknesses are balanced by collective strength of the group.

To diversity the leasing business with a view to generate income support and profit for self employment particularly for womenfolk and skilled or educated youth of the country.

To become a pioneer for micro leasing in Pakistan and to become a gateway for multinational agencies, who wish to expand micro credit and micro leasing in Pakistan and to explore other business avenues, as per charter of the Company.

I look forward to a year for successful operations during which we hope to tide over problems of the past

- sd -  
**HUMAYUN SADIQ**  
 Chairman

### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of Universal Leasing Corporation Limited, as at 30 June 2000 and the related profit and loss account and the statement of changes in financial position 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 purpose of our audit and after due verification thereof, we report that;

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

(b) in our opinion:

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 further 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 and the statement of changes in financial position together with the notes forming part thereof, give a true and fair view of the state of the Company's affairs as at 30 June 2000 and of the loss for the year then ended; and

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

Dated: **Habib Basit Umar Iftikhar & Co.**  
 Karachi **Chartered Accountants**

### BALANCE SHEET AS AT JUNE 30, 2000

	<i>Note</i>	<i>2000</i> <i>Rupees</i>	<i>1999</i> <i>Rupees</i>
<b>SHARES CAPITAL &amp; RESERVES</b>			
Authorised Capital 20,000,000 Ordinary Shares of Rs. 10/- each		200,000,000	200,000,000
Issued Subscribed and paidup capital 11,000,000 ordinary Shares of Rs. 10/- each fully paid in cash		110,000,000	110,000,000
Reserves	3	8,056,600	8,056,600
Unappropriated profit/(Loss)		(41,928,333)	779,242
		76,128,267	118,835,842
<b>OBLIGATION UNDER FINANCE LEASES</b>	4	957,860	--
<b>DEFERRED LIABILITY</b>		731,030	559,536
<b>LONG TERM DEPOSIT</b>	5	2,105,763	2,758,673
<b>CURRENT LIABILITIES</b>			
Current portion of obligations under finance leases		468,823	28,953
Current Maturity of Long term deposits		10,345,871	8,267,429
Short term Running Finance		22,005,559	17,252,749
Accrued & Other Liabilities	7	1,059,089	912,884
Provision for Taxation		136,164	51,339
Unclaimed Dividend		2,600	2,600
		34,018,106	26,515,954
<b>COMMITMENTS</b>	8		
		113,941,026	148,670,005
<b>TANGIBLE FIXED ASSETS</b>	9	12,807,254	12,798,875

**NET INVESTMENT IN LEASES**

Minimum lease rentals receivable		64,438,618	71,540,130
Add: Residual value		14,057,727	12,632,195
		-----	-----
Gross investment in leases		78,496,345	84,172,325
Less: Unearned Finance Income		7,983,006	(8,420,613)
		-----	-----
Net Investment in lease finance		70,513,339	75,751,712
Less: Allowance for potential lease losses		(13,312,958)	(12,339,719)
		-----	-----
		57,200,381	63,411,993
Less: Current portion of net investment in leases		(51,427,305)	(55,714,441)
		-----	-----
		5,773,076	7,697,552

**LONG TERM INVESTMENTS**

	10	--	1,392,400
--	----	----	-----------

**LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COST**

	11	626,000	270,000
--	----	---------	---------

**CURRENT ASSETS**

Current portion of net investment in lease		51,427,305	55,714,441
Short term investments	12	73,800	857,722
Short term Musharikas Investments	13	21,628,175	43,256,358
Advances, deposits prepayments and other receivables	14	21,144,814	26,535,916
Cash & bank balances	15	460,602	146,741
		-----	-----
		94,734,696	126,511,178
		-----	-----
		113,941,026	148,670,005
		=====	=====

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

-sd-

Chief Executive

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Chairman

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

	<i>Note</i>	<i>2000 Rupees</i>	<i>1999 Rupees</i>
Income from lease operations	16	3,291,133	5,472,668
Other Income	17	577,803	9,850,183
		-----	-----
		3,868,936	15,322,851
Administrative & operating expenses	18	10,886,270	10,827,240
Financial charges	19	2,626,950	3,734,878
Provision on Musharika Investment		21,628,175	--
Reversal of Profit on Musharika Investment		7,784,099	--
Provision for potential lease losses		973,238	9,431,954
Provision on other receivable		2,592,954	--
		-----	-----
		46,491,686	23,994,072
Profit/(Loss) before taxation		(42,622,750)	(8,671,221)
Provision for taxation	20	84,825	375,929
		-----	-----
		(42,707,575)	(9,047,150)
Unappropriated profit brought forward		779,242	4,106,392
		-----	-----
		(41,928,333)	(4,940,758)
Appropriations:			
Transfer from/(to)			
General reserve-reserve for contingencies		--	8,000,000
Statutory reserves		--	--
Capital reserve-reserve for deferred taxation		--	(2,280,000)
		-----	-----
		--	5,720,000
Unappropriated (Loss)/Profit carried forward		(41,928,333)	779,242
		=====	=====
Earning per share:			
- Basic	22	(3.88)	(0.82)
- Diluted		N/A	N/A

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

-sd-  
Chief Executive

-sd-  
Chairman

**STATEMENT OF CHANGES IN FINANCIAL POSITION  
(CASH FLOW STATEMENT) FOR THE YEAR ENDED JUNE 30, 2000**

	<i>2000</i>	<i>1999</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating profit before taxation	(42,622,750)	(8,671,221)
Adjustments for non cash item		
Amortization of deferred cost	--	891,227
Depreciation	1,948,245	1,742,611
Loss/(gain) on sale of investments	(78,386)	(15,000)
Financial charges	2,626,950	3,734,878
Reversal/provision for diminution in value investments	3,930	(91,482)
Provision of gratuity	171,494	380,507
Provision for potential lease losses	973,238	9,431,954
Provision on Musharika Investment	21,628,175	--
Provision on receivable	2,592,954	--
Reversal of profit on Musharika	7,784,099	--
Loss/(gain) on sale of fixed assets	(257,669)	(3,800)
Dividend income	(148,438)	(88,442)
	-----	-----
<b>Operating profit/(loss) before working capital changes</b>	<b>(5,378,158)</b>	<b>7,311,232</b>
Decrease in net investment in leases	5,238,373	19,775,672
(Increase)/decrease in short term musharika investments	8	(29,908,909)
(Decrease)/increase in long term deposits	1,425,532	(4,048,720)
(Decrease)/increase in accrued liabilities excluding accrued financial charges	32,204	(469,118)
Decrease/(Increase) in advances, deposits prepayments and other receivables	(4,985,951)	11,670,322
	-----	-----
	1,710,166	(2,980,753)
	-----	-----
Cash generated from operations	(3,667,992)	4,330,479
(Increase)/decrease in long term deposits	(356,000)	(78,629)
Income tax paid	--	(956,077)
Gratuity paid	--	(470,745)
	-----	-----
Net cash generated from operating activities	(4,023,992)	2,825,028
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend received	148,438	88,442
Purchase of fixed assets	(2,348,655)	(117,200)
Sale proceed from fixed assets	649,700	300,920
Investments	2,250,779	15,000
<b>Net cash generated/(used) in investing activities</b>	<b>700,262</b>	<b>287,162</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Liability against subject to finance lease	1,397,730	(321,744)
Short term loans	4,752,810	(1,291,057)
Dividend Paid	--	--
Financial charges paid	(2,512,949)	(3,774,659)
	-----	-----
<b>Net cash used in financing activities</b>	<b>3,637,591</b>	<b>(5,387,460)</b>
	-----	-----
Net decrease in cash and cash equivalents	313,861	(2,275,270)
<b>CASH AND BANK BALANCE</b>		
<b>At the beginning of the year</b>	146,741	2,422,011
<b>CASH AND BANK BALANCE</b>		
At the end of the year	460,602	146,741
	=====	=====

-sd-  
Chief Executive

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Chairman

**Notes to the financial statements  
for the year ended June 30, 2000**

**1. Legal status and nature of business**

The universal Leasing Corporation Limited was incorporated in Pakistan on July 29,1993 as a public limited company

under the Companies Ordinance, 1984. The principal activity of the Company is leasing of assets. The Company's shares were floated for public subscription on February 6, 1995, while it commenced its business from April 24, 1995. It is listed on the Karachi Stock Exchange and is classified as a Non-Banking Financial Institution (NBFII) by the State Bank of Pakistan.

## **2. Significant Accounting Policies**

### **2.1 Accounting convention**

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

### **2.2 Fixed assets and depreciation**

Fixed assets are stated at cost less depreciation to date. Depreciation is charged to income by applying straight-line method over the useful life of the assets. Full year's depreciation is charged on acquisitions during the year.

Gains and losses on disposal of fixed assets, if any, are included in income currently.

#### **Leased:**

Assets acquired under finance leases are stated at the fair value or, if lower, at present value of minimum lease payments. Leased assets are depreciated over their useful life by applying straight-line method.

The outstanding obligations under finance leases less finance charges allocated to future periods is shown as liability. The finance charges are calculated at the rate implicit in the lease and are charged to profit and loss account.

### **2.3 Deferred costs and amortization**

Deferred costs are amortized systematically over the period of five years commencing from the year of incurrence.

### **2.4 Investments**

Long term investments are carried at cost. Provision is made for diminution other than temporary in their value, if any.

Short-term investments are carried at the lower of cost and market value, determined on an aggregate portfolio basis. The charges or credits, if any, arising from adjustments in carrying amounts are taken to the profit and loss account.

Gains and losses on disposal of investments, if any, are recognized in income currently.

### **2.5 Taxation**

#### **Current:**

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

#### **Deferred:**

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

### **2.6 Revenue recognition**

#### **Income from lease operations:**

The Company follows the "Financing Method" for recognition of lease income. Accordingly, at the commencement of lease, the total unearned lease finance income consists of the excess of aggregate lease rental receivables plus any residual value over the cost of the leased assets, this finance income is allocated over the lease terms on a pattern reflecting a constant periodic return on the Company's net investment outstanding in respect of the lease.

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

#### **Profit on Musharika investments**

Expected profit on Musharika investments is recognized on pro-rata accrual basis.

#### **Dividend income:**

Dividend income is recognized when the right to receive the dividend is established.

### **2.7 Staff retirement benefits**

The Company operates an un-funded gratuity scheme for all of its permanent employees. Provision for gratuity is made on one month gross salary for those employees who have completed three years of service.

### **2.8 Allowance for potential lease losses**

The allowance for potential lease losses is maintained at a level, which, in the judgment of the management, is adequate to provide for potential losses on lease portfolio that can be reasonably anticipated.

### **2.9 Earnings per share**

Basic earnings per share is calculated by dividing profit, after tax by the weighted average number of outstanding shares during the year.

## **3. CHANGES IN EQUITY**

### *Reserves*

	<i>Share Capital</i>	<i>Statutory</i>	<i>Contingency</i>	<i>Capital deferred taxation</i>	<i>Total</i>	<i>Unappropriated profit</i>	<i>Total</i>
AS at July 1,1998	110,000,000	5,776,600	8,000,000	--	13,776,600	4,106,392	127,882,992
Profit during the year	--	--	--	--	--	(9,047,150)	(9,047,150)
Inter transfer	--	--	(8,000,000)	2,280,000	(5,720,000)	5,720,000	--
As at July 1,1999	110,000,000	5,776,600	--	2,280,000	8,056,600	779,242	118,835,842
Loss during the year	--	--	--	--	--	(42,707,575)	(42,707,575)
Inter transfer	--	--	--	--	--	--	--
As at June 30,2000	110,000,000	5,776,600	--	2,280,000	8,056,600	(41,928,333)	76,128,267

3.1 Statutory reserve represents the reserve created under the provisions of the State Bank of Pakistan's Rules for Non Banking Financial Institutions.

	<i>2000 Rupees</i>	<i>1999 Rupees</i>
<b>4. OBLIGATIONS UNDER FINANCE LEASES</b>		
Balance of obligation under finance leases	28,953	667,757
Add: Acquisition net of repayments/adjustments	1,397,730	(638,804)
	1,426,683	28,953
Less: Current portion shown under current Liabilities	(468,823)	(28,953)
	957,860	--

The obligation under finance lease is reported at minimum lease payment, discounted by using rate of 21.54%.

The future payments due are as follows:

June 30,2001	710,100	--
June 30, 2002	710,100	29,795
June 30, 2003	407,127	--
	1,827,327	29,795
Less Finance charges allocated to future period of lease	(400,644)	(842)
	1,426,683	28,953
<b>5. LONG TERM DEPOSITS</b>		
Security Deposits	12,451,634	11,026,102
Less: Current maturity showing under current liabilities	(10,345,871)	(8,267,429)
	2,105,763	2,758,673

These represent interest free Security deposit received against lease contracts and are repayable/adjustable at the expiry/termination of the respective lease/contracts.

#### 6. SHORT TERM RUNNING FINANCE-Secured

Short term running finance facilities available at the balance sheet date from commercial under banks/DFI's markup arrangements were Rs.22,005 million (1999:Rs.17.818 million). The rates of markup applicable to these facilities range from 15.6% to 21.90% (1999:18.25% to 20.075%) payable quarterly. These facilities are secured by charge on the leased assets and related rentals receivable.

#### 7. ACCRUED AND OTHER LIABILITIES

Markup on short-term running finance	553,563	439,562
Auditor's remuneration	151,600	245,750
Advance against lease	87,900	87,900
Tax deducted from payments to suppliers & others	--	2,604
Others	266,026	137,068
	1,059,089	912,884

#### 8. COMMITMENTS

For acquiring 4.59% shares in first Women Bank Limited	--	25,704,000
--	----	------------

The company participate in the privatisation of First Women Bank Limited for acquiring 4.59% shares. Due to change in privatisation policy the process is being delayed and commitments to the same do not exist.

#### 9. FIXED ASSETS-TANGIBLE

*COST*

*DEPRECIATION*



ITEM	AS AT	ADDITION	DISPOSAL	AS AT	AS AT	DISPOSAL	TRANSFER	CHARGE	AS AT	WDV	DEPRECIATION	
	JULY 9000	DURING THE YEAR	DURING THE YEAR	JUNE 30, 2000	JULY 9000	DURING THE YEAR	DURING THE YEAR	FOR THE YEAR	JUNE 30, 2000		RATE % PER ANNUM	
<b>OWNED</b>												
Premises	9,844,000	--	--	9,844,000	1,968,800	--	--	492,200	2,461,000	7,383,000	5	
Furniture	7,101,647	--	--	7,101,647	3,037,570	--	--	710,165	3,747,735	3,353,912	10	
Equipment	683,035	79,505	--	762,540	495,010	--	--	152,508	647,518	115,022	20	
Vehicles	1,650,055	471,090	(1,075,055)	1,046,090	1,003,024	(683,024)	--	209,218	209,218	516,872	20	
	19,278,737	550,595	(1,075,055)	18,754,277	6,504,404	(683,024)	--	1,564,091	7,385,471	11,368,806		
<b>LEASED</b>												
Equipment	245,425	--	--	245,425	220,883	--	--	24,542	245,425	--	30	
Vehicles	--	1,798,060	--	1,798,060	--	--	--	359,612	359,612	1,438,448	20	
	245,425	1,798,060	--	2,043,485	220,883	--	--	384,154	605,037	1,438,448		
2000	19,524,162	2,348,655	(1,076,055)	20,797,762	6,725,287	(683,024)	--	1,948,245	7,990,508	12,807,254		
1999	20,319,587	117,200	(912,625)	19,524,162	5,281,121	--	--	1,742,611	6,725,287	12,798,875		
						(298,445)						

### 9.1 Disposal of fixed assets

Particulars	Cost	Accumulated Depreciation	Written down value	Sales Sales proceeds	Gain/ (Loss)	Mode	Particulars of Purchaser
Motor vehicle-Owned	280,670	280,670	--	174,700	174,700	Negotiation	Mr. Jameel
Motor vehicle-Owned	423,000	253,800	169,200	225,000	55,800	Negotiation	Mr. Irfan Ahmed Qureshi
Motor vehicle-Owned	371,385	148,554	222,831	250,000	27,169	Negotiation	Mr. Amjad Ali
	1,075,055	683,024	392,031	649,700	257,669		

2000  
Rupees                      1999  
Rupees

### 10. LONG TERM INVESTMENTS

No. of certificates/shares  
1999                      2000

49,630	-- Confidence Mutual Fund	--	496,300
24,675	-- N.D.L.C.	--	396,175
10,000	-- 23rd ICP Mutual Fund	--	81,300
10,000	-- 25th ICP Mutual Fund	--	102,800
20,000	-- Pak Synthetic Limited	--	468,425
		--	1,545,000
	Less: Provision for diminution in the Value of Investment	--	(152,600)
		--	1,392,400

10.1 Unless stated other wise investments represents certificate/Ordinary shares of Rs.10/- each fully paid in cash

10.2 The aggregate value of the investment as on June 2000 amounted Rs. Nil (1999: Rs. 1,392,400)

### 11. LONG TERM DEPOSITS & DEFERRED COSTS

Deposits:			
Lahore Office		30,000	30,000
Lease Key Money		346,000	--
Central Depository Company		250,000	200,000
Others		--	40,000
		626,000	270,000

#### 11.1 Deferred Cost

Preliminary Expenses	--	1,396,646
shares floatation expenses including Commission & Brokerage	--	791,591
Un-allocated Capital Expenditure	--	2,057,030
Others	--	210,868

Deferred cost	--	--
	-----	-----
	--	4,456,135
Less: Amortization to date	--	(4,456,135)
	-----	-----
	--	--
	=====	=====

## 12. SHORT TERM INVESTMENTS-Listed Securities

*No. of certificates/shares*  
1999                      2000

10,500	10,500 Agri Auto Industry	51,240	51,240
5,000	--Haseeb Waqas Sugar	--	39,650
8,000	--Indus Motor	--	161,600
1,000	1,000 21st ICP Mutual funds	8,230	8,230
2,000	2,000 Ahmed Hassan Textile	18,260	18,260
5,000	-- Idrees Textile Mills	--	33,150
3,000	--Paramount Leasing Corp.	--	28,890
25,000	--Fauji Jordan	--	486,650
4,862	--General Rubber & Tyre	--	198,910
23,000	--Sui Southern Gas	--	564,000
		-----	-----
		77,730	1,590,580
	Less: Diminution in the value of investments	(3,930)	(732,858)
		-----	-----
		73,800	857,722
		=====	=====

12.1 Unless stated other wise investments represent certificates/ordinary shares of Rs.10/- each fully paid in cash.

12.2 The aggregate value of the investment as on June 2000 amounted Rs. 73,800 (1999: Rs.857,722).

	<b>2000</b>	<b>1999</b>
	<b>Rupees</b>	<b>Rupees</b>

## 13. SHORT TERM MUSHARIKAS INVESTMENTS-unsecured

Short-term Musharika Investments	43,256,350	43,256,350
Provision on Musharika Investments	(21,628,175)	--
	-----	-----
	21,628,175	43,256,350
	=====	=====

These represent investments made on Musharika basis, where by the company is to participate in the profit & loss in agreed proportions. The expected profit on such investments is 22% p.a.

## 14. ADVANCES, DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES

Advances:		
For purchase of software	--	i44,000
To staff-considered good (Note 14.1)	362,523	399,273
Against Legal charges	100,000	100,000
Other Advances	36,873	
Deposits with the Privatisation Commission (Note 14.2)	10,000,000	10,000,000
Lease Key Money	--	12,271
Prepayments	61,703	125,058
Musharikas profit receivable considered good	--	7,784,099
Receivable from Binham group	5,232,704	5,232,704
Markup against leased assets	781,074	781,074
Other receivables	4,569,937	1,957,437
	-----	-----
	21,144,814	26,535,916
	=====	=====

14.1 Maximum amount due from Executive at the end of any month during the year amounted to Rs. 496,773 (1999: Rs. 354,023)

14.2 This represents amount deposited with the Privatisation Commission, Government of Pakistan, on behalf of a Consortium for acquisition of 51% shares of First Women Bank Limited.

## 15. CASH AND BANK BALANCES

Cash in hand	54,834	23,055
Cash at banks:		
On current accounts with		
-- State Bank of Pakistan	65,000	65,000
-- Commercial Banks	340,768	58,574
On PLS saving account:	--	--
-- On Deposit account:	--	112
	-----	-----

	460,602	146,741
	=====	=====

**16. INCOME FROM LEASE OPERATIONS**

Income from lease contracts	3,165,137	5,470,368
Front end documentation fee	125,996	2,300
	-----	-----
	3,291,133	5,472,668
	=====	=====

**17. OTHER INCOME**

Profit on Musharika investment	--	6,875,422
Markup income	--	2,631,294
Profit/return on deposits with banks	81	16,516
Gain on safe of investment	78,386	15,000
Gain on Lease termination	--	65,776
Dividend income	148,438	88,422
Late payment charges	--	58,000
Reversal of diminution in the value of investment	--	91,482
Gain on disposal of fixed assets	257,669	3,800
Others	93,229	4,471
	-----	-----
	577,803	9,850,183
	=====	=====

**18. ADMINISTRATIVE EXPENSES**

Salaries, allowances & staff benefits	2,188,401	2,130,081
Remuneration of Chief Executive Directors & other Executives (Note 21)	1,493,787	2,133,404
Rent Expenses	142,000	354,000
Travelling & Conveyance	587,432	509,940
Vehicle Running expenses	417,540	382,385
Electricity & Gas	503,691	281,300
Telephone/Telex	613,337	287,179
Insurance	671,642	288,462
Fee, subscription & periodicals	208,136	111,131
Printing and Stationary	238,627	74,589
Legal & Professional Charges	467,327	268,063
Auditors remuneration (Note 18.1)	85,000	222,000
Repair & Maintenance	358,454	194,480
Entertainment Expenses	105,866	120,911
Depreciation	1,948,245	1,742,611
Shares Registrar Services	120,000	240,080
Amortisation of deferred cost	--	891,227
Advertisement	52,847	15,360
Property Tax	39,693	40,012
Donations Note 18.2	--	12,000
Provision for diminution in value of investments	3,930	--
Zakat	765	1,968
Gratuity	171,494	380,507
Miscellaneous	468,056	147,550
	-----	-----
	10,886,270	10,829,240
	=====	=====

**18.1 Auditor's remuneration**

Audit Fee	42,500	85,000
Fee for consultancy services	30,500	--
Accountancy services	--	40,000
Fee for Special audit-98	--	30,000
Fee for Special audit-99	--	35,000
Out of pocket expenses:	--	--
-- Statutory	12,000	20,000
-- Special	--	12,000
	-----	-----
	85,000	222,000
	=====	=====

**18.2 Donations**

Donations do not include any amount paid to any person or organisation in which the chief Executive, Directors or their spouses have any interest

**19. FINANCIAL CHARGES**

Finance Charges under lease obligations	184,400	80,957
Markup on short term running finance	2,426,321	3,641,199
Bank charges	16,229	12,722
	-----	-----
	2,626,950	3,734,878
	=====	=====

**20. PROVISION FOR TAXATION**

**Current**

- For the year	84,825	87,964
- For prior year	--	287,965
	-----	-----
	84,825	375,929
	=====	=====

**20.1 Taxation**

Income Tax Assessments of the company have been finalized upto and including the assessment year 1997-98 (Period ended 30 June 1997). Matters of disagreement exist between the company and the tax authorities for the assessment year 1997-98 are pending before the CIT-Appeals. The management considers that no further provision is required for additional tax liability of Rs. 4,713,009/- as appeals are being contested vigorously with expectations of their favorable outcomes.

**21. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR & OTHER EXECUTIVE**

	2000			1999		
	Chief Executive	Director	Executives	Chief Executive	Director	Executives
	<i>Rupees</i>					
Management Remuneration	520,700	202,960	164,502	522,000	192,000	608,000
Housing & Utility	284,300	111,040	90,498	294,720	108,000	342,000
Expenses Reimbursed	80,474	26,885	12,428	15,917	5,246	45,521
	-----	-----	-----	-----	-----	-----
	885,474	340,885	267,428	832,637	305,246	995,521
	=====	=====	=====	=====	=====	=====
	1	1	1	1	1	4
	=====	=====	=====	=====	=====	=====

21.1 The Chief Executive, Director and other Executives are provided with free use of company maintained cars.

In addition, the Chief Executive is also entitled to reimbursement of salaries of house keeping staff & use of mobile phone.

	2000	1999
	<i>Rupees</i>	<i>Rupees</i>
<b>22. EARNING PER SHARE</b>		
<b>- Basic</b>		
Numerator:		
(Loss)/Profit after tax (Rupees)	(42,707,575)	(9,047,150)
<b>Denominator:</b>		
<b>Weighted average number of shares Outstanding during the year</b>	11,000,000	11,000,000
Basic earning per shares (Rupees as per shares)	(3.88)	(0.82)

**Diluted**

Diluted earnings per share is not applicable as the corporation has not issued any instrument that would have an impact on earning per shares when exercised.

**23. DEFERRED TAXATION:**

Deferred taxation arising due to timing differences between accounting and income tax revenue computed under liability method is estimated at Rs. 2.818 Million (Rs. 9.71 Million 1999)

**24. CREDIT RISK AND CONCENTRATION OF CREDIT RISK**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other parties to incur a financial loss. The corporation attempts control credit risk by monitoring credit exposures, limiting transaction with specific counter to parties and continuously assessing the credit worthiness of counter parties.

Corporation follows two sets of guidelines, internally, it has its own operating policy duly approved by the Board of Directors whereas externally it adheres to the rules and regulations issued by State Bank of Pakistan and Securities and Exchange Commission of Pakistan.

Concentration of credit risk arises when number of counter parties are engaged in similar business activities, or have similar economic feature that would cause their ability to meet contractual obligation to be similarly affected by changes in economic, political, conditions.

Maximum credit risk in respect of Net Investment in Finance Lease is to the extent of the amount provided as allowance for potential lease losses.

Detailed industry sector analysis of lease portfolio is given below:

Sector	Exposure	Percentage
Cement	25,589,006	32%
Food & allied	12,658,761	16%
Individual	10,782,518	13%

Textile	3,236,101	4%
Consumer goods	2,959,987	4%
Service	10,363,144	13%
Paper board	8,131,780	10%
Energy & Fuel	5,501,204	7%
Pharmaceutical	370,176	0%
Other	1,250,475	1%
	80,843,152	100%

In addition the company has invested certain fund in listed securities and Musharika as mentioned in notes 10, 12 and 13.

## 25. FAIR VALUE OF FINANCIAL INSTRUMENTS:

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms length transaction. The corporation prepares its financial statements under the historical cost convention, however, the estimated fair value of instruments are not significantly different from their book values except for long term investments.

## 26. INTEREST/MARKUP RATE RISK MANAGEMENT:

(a) The corporation manages this risk by matching the reprising of assets and liabilities. The corporation's interest/markup rate sensitivity position, based on the earlier of contractual repricing or maturity dates, is as follows:

	<i>INTEREST/MARK-UP RATE SENSITIVITY EXPOSED</i>				<i>TOTAL</i>
	<i>LESS THAN ONE MONTH</i>	<i>ONE MONTH TO ONE YEAR</i>	<i>OVER ONE YEAR</i>	<i>TO INTEREST/MARK-UP RATE RISK</i>	
	<i>RUPEES</i>				
<b>FINANCIAL ASSETS:</b>					
Net investment in finance leases	48,661,159	6,628,859	15,223,321	--	70,513,339
Long term investments	--	--	--	--	--
Long term deposits	--	--	--	626,000	626,000
Shod term investments	--	--	--	73,800	73,800
Shod term Musharika investments	--	21,628,175	--	--	21,628,175
	--	--	--	--	--
Advances deposits & receivables	--	4,617,999	--	16,526,815	21,144,814
Cash and bank balances	--	--	--	460,602	460,602
	48,661,159	32,875,033	15,223,321	20,280,171	114,446,730
<b>FINANCIAL LIABILITIES</b>					
Obligation under finance leases	59,175	409,648	957,860	--	1,426,683
Deferred liability	--	--	--	731,030	731,030
Long term running deposit	--	--	--	12,451,634	12,451,634
Shod term deposits	--	--	--	--	--
Shod term running finance	22,005,559	--	--	--	22,005,559
Accrued and other liabilities	553,563	505,526	--	--	1,059,089
Unclaimed dividend	--	--	--	2,600	2,600
	22,618,297	915,174	957,860	13,185,264	37,676,595
On-balance sheet gap (a)	26,042,862	31,959,859	14,265,461	4,501,953	76,770,135
Commutative Interest rate sensitivity gap.					
2000 Rupees	26,042,862	31,959,859	14,265,461		

(b) the effective interest/mark-up rate for financial assets and liabilities are as follows:

## FINANCIAL ASSETS

Net investment in finance leases	21.99
Short term musharika investments	22.00
Advances, deposits and other receivables	23.00

## FINANCIAL LIABILITIES

Obligation under finance lease	20.35
Short term running finance	19.16

## 27. NUMBER OF EMPLOYEES

Number of employees at the year end is 19 (1999:42)

**28. CORRESPONDING FIGURES**

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

**PATTERN OF SHAREHOLDING AS AT JUNE 30, 2000**

<i>NO. OF SHARE HOLDER</i>	<i>SHAREHOLDING</i>		<i>TOTAL SHARES HELD</i>
	<i>FROM</i>	<i>TO</i>	
36	101	500	17,900
6	501	1000	6,000
14	1001	5000	48,500
24	5001	10000	158,500
27	10001	15000	323,000
25	15001	20000	411,500
30	20001	25000	748,000
16	25001	30000	446,000
7	0.30	35000	245,000
1	35001	40000	40,000
9	45001	50000	450,000
1	55001	60000	60,000
1	60001	70000	66,000
1	70001	75000	70,500
2	95001	100000	200,000
1	115001	120000	120,000
1	195,001	200000	200,000
1	245001	250000	250,000
1	250001	255000	253,500
1	250000	300000	300,000
1	435001	440000	437,200
1	650001	700000	700,000
1	850001	900000	900,000
1	1410001	1415000	1,412,800
1	1460001	1465000	1,462,900
1	1650001	1700000	1,672,700
-----			-----
211			11,000,000
=====			=====

**CATEGORIES OF SHAREHOLDERS**

<i>Categories of Shareholders</i>	<i>Number Share Holders</i>	<i>Shares Held</i>	<i>Percentage</i>
1. INDIVIDUALS	199	4,625,100	42.04
2. INVESTMENT COMPANY	1	1,738,700	15.81
3. INSURANCE COMPANY	--	--	--
4. JOINT STOCK COMPANY	5	1,619,400	14.72
5. FINANCIAL INSTITUTIONS	3	2,562,800	23.30
6. MODARABA COMPANY	3	454,000	4.13
7. OTHERS (TO BE SPECIFIED)			
-----			-----
	211	11,000,000	100.00
=====			=====