

ASSET INVESTMENT BANK LIMITED.
Annual Reports 2003

OUR MISSION

Our mission is to first come out of all the crises
by doing all our best efforts and than make
and keep the distinctive position in
the non- banking financial
sector with trust and
faith of our stakeholders and
keep their valuable debts in safe
custody and bring goods results by using
qualitative, professional, and
technological services.

Contents

Company Information
Notice of Annual General Meeting
Directors' Report
Statement of Compliance with the Code of Corporate Governance
Review Report to the Members on Statement of Compliance with the best
Practices of Code of Corporate Governance
Auditors' Report
Balance Sheet
Profit & Loss Account
Cash Flow Statement
Statement of Changes in Equity
Notes to the Accounts
Pattern of Shareholding

COMPANY INFORMATION

CHAIRMAN & DIRECTOR

M.A. Rehmani

CHIEF EXECUTIVE & DIRECTOR

Syed Naveed H. Zaidi

DIRECTORS

Mr. Khalid Iqbal
Azhar Tariq Khan
Rana M Abu Obaida (Nominee Director National Asset Leasing Corporation Ltd.)
Shamim I. Junejo (Nominee Director National Asset Leasing Corporation Ltd.)

COMPANY SECRETARY

Sohail Ahmed Noor

AUDIT COMMITTEE

M.A. Rehmani - Chairman
Azhar Tario, Kahn - Member
Rana M. Abu Obaida - Member
Dr. Khalid Iqbal - Member

BANKERS

Muslim Commercial Bank Limited
The Bank of Punjab
Habib American Bank
Platinum Commercial Bank Limited

Union Bank Limited

AUDITORS

Ijaz Tabussum & Co.,
Chartered Accountants

REGISTRAR

Nobel Computer Services (Pvt) Limited
14-Banglore Town, Housing Society, Shahrah-e-Faisal, Karachi
Phones: (021) 4546978, 4520121
Fax: (021)4314962

REGISTERED OFFICE

301 & 302, 3rd Floor
Muhammad Gulistan Khan House,
Blue Area, Islamabad
Phone: (051) 2270621, 2822513
Fax:(051)2272506

LIAISON OFFICE

309, Annum Empire, Plot No. ZICC, Block 7/B
Near Duty Free Shop, K.C.H.S. Union Limited, Karachi.
Phone:(021)4529225,4527246
Fax: (021)4527232

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 11 th Annual General Meeting of Asset Investment Bank Limited will be held at 301 & 302,3rd floor, Muhammad Gulistan Khan House, 82-East, Fazal-ul-Haq Road, Blue Area, Islamabad on Wednesday, October 29,2003, at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

- 1) To confirm the minutes of Annual General Meeting held on October 21, 2002.
- 2) To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2003 together with the Directors' and Auditors' Reports thereon.
- 3) To appoint Auditors for the next term and fix their remuneration. M/s. Ijaz Tabussum & Co. Chartered Accountants, being illegible offer themselves for reappointment.
- 4) To transact any other business with the permission of the chair.

By order of the Board

Islamabad

Sohail Ahmed Noor

October 08, 2003

Company Secretary

Notes:

1. A member entitled to attend and vote at the above meeting may appoint any other person as his/her proxy. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If a member is a corporation, either it's common seal be affixed to the proxy form or the Board of Directors' resolution/power of attorney along with specimen signature of the nominee shall be submitted with the proxy form. The proxy shall have a right to attend, speak and vote in the place of the member.
2. Proxies in order to be effective must be received at the Registered Office of the Company not later than forty-eight hours before the th of the meeting and must be duly stamped, signed and witnessed.
3. Proxy need not be a member.

4. CDC account holder will further have to follow the under mentioned guidelines specified by the Securities and Exchange Commission of Pakistan:

i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

ii. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

iii. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv. The proxy shall produce his original NIC or original passport at the time of the meeting.

v. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be submitted along with proxy form to the company.

5. The members are requested to immediately notify the change in address, if any.

6. The Share transfer books of the Company will remain closed from October 23, 2003 to October 29, 2003 both days inclusive

DIRECTORS' REPORT

The Directors of Asset Investment Bank Limited are submitting the annual accounts of the bank for the year ended June 30,2003.

REVIEW OF OPERATIONS

During the period under review, the bank had registered a loss of Rs.17.126 million. The operational losses, which are largely the result of a large accumulation of non-earning assets in the shape of non-performing loans and un-remunerative investments. The management has thus made strenuous efforts in all critical areas of the banks' operations to improve the quality of its assets and manage its liabilities in as cost effective way as possible. At the operating level the management has been closely looking at the banks' operative and administrative expenditures. As a result they came down considerably during the year under review. The management is taking further measures towards consolidation of its operations leading to substantial reduction in costs. The bank has classified its all doubtful debts and income from these debts is charged to suspense account and will be reversed upon its receipt. During the year the bank has revised its rate of returns as per current prevailing market rates resultantly our cost of fund has reduced significantly.

FUTURE OUTLOOK

As explained earlier in our preceding reports that the management of your bank is all along, rigorously pursuing the institutional lenders to convert their liabilities in to equity of the bank. By grace of Almighty Allah, the three major institutional lenders that includes Army Welfare Trust, National Asset Leasing Corporation Limited and Habib Bank Limited has consented to our proposals. Two creditable parties have also shown their willingness to enter in to equity and mobilization of funds. The conversions of these liabilities in to equity of the bank combined with fresh injection of capital will not only increase the paid up capital to the desked level required by the Securities and Exchange Commission of Pakistan but also provide the bank with required leverage to resume its functions confidently. After conversion of these liabilities into the equity the bank will carry a very small portfolio of its interest bearing liabilities which can be matched and easily managed with the existing assets of the bank which are stated at the fair value and the bank will be in a position to restart its normal business activities.

Shares of Asset Investment Bank Limited have been actively traded on the Stock Exchanges and the market price of the share has increased from Rs.1.40 to Rs.7.30 per share and is currently trading at R.s.4.50 per share and only in the month of July & August 2003 more than 7.20 million shares of Asset Investment Bank Limited have been traded.

The bank had concentrated on lending in its earlier years but later it has primarily focused on providing corporate finance and advisory services. We are emphasizing to provide non-fund based facilities and services to our clients. We have various definite business proposals that can change the financial health of the bank to its betterment. By taking the above-mentioned measures Asset Investment Bank Limited

will be in a position to earn substantial amount beneficial to the financial health of the bank.

Securities & Exchange Commission of Pakistan (SECP) has again filed petition for winding-up against the Company in the Lahore High Court-Rawalpindi Bench, under section 305 and 309 of the Companies Ordinance, 1984 that was earlier taken back by them. While the case is still pending for the court's judgment, the Company has applied for the fresh license required under rule 5 of the NBFC's Rules, 2003 but SECP has refused to accede to our request at this point, as the matter is pending in the court. The Management of the bank is planning to hold a meeting with SECP in the current month to present and discuss the restructuring plan of the bank and withdrawal of winding up petition.

The managements' views on the issues raised by the auditors in their report are as follows:

- The dispute with the Commercial bank will hopefully be decided in favour of the bank and the investments in equities is pledged with them and our bank is in dispute so due to their non cooperation, our bank could not receive the confirmation, as the commercial banks want the settlement first.
- The institutional depositor is charging interest on compounding interest method with higher rate.

CODE OF CORPORATE GOVERNANCE

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board is mindful of its responsibilities as established by Code of Corporate Governance issued by Securities and Exchange Commission of Pakistan in assistance with Institute of Chartered Accountants of Pakistan. The Directors hereby confirm the following as required by clause (xix) of the Code of Corporate Governance, issued by Securities and Exchange Commission of Pakistan.

- a. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b. Proper books of accounts of the company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e. The system of Internal Control is sound in design and has been effectively implemented and monitored.
- f. The company has followed the best practices of corporate governance, as detailed in die listing regulations, wherever possible and is in process of complying with all the remaining regulations.
- g. During the year five Board meetings were held. A tendance by each director was as under:

NAME OF DIRECTORS	MEETING ATTENDED
Syed Naveed H. Zaidi	5
Mr. M.A. Rehmani	5
Dr.KhalidIqbal	5
Mr. Azhar Tariq Kahn	5
Mr. Rana M. Abu Obaida	5
Mr. Shamim I. Junejo	5
Mr. Moeen Manzoor	4

Mr. Moeen Manzoor as nominee director of Industrial Capital Modaraba has resigned on April 22,2003 from the Board. As described above that the Company is in re-structuring phase and a winding a petition has been filed against the company. The lenders who are converting their liabilities into the equity of the bank have also conveyed the Company their willingness to induct deir nominee directors in the board of directors of Asset Investment Bank Limited. This casual vacancy will be filled accordingly.

- h. The Bank is in continual loss. Therefore the bank has neither declared dividend nor has issued

any bonus shares to its shares holders.

i. Due to financial constraints, the bank was not able to pay out the liability of Rs2.928 million of tax deducted at source payable as on June 30,2003.

j. Key financial data of the bank for the last six years is summarized below

Year	Loans and Advances	Investment	Deposits	NetProfit/(Loss)
2002	49,731,602	32,026,180	115,006,689	-87,548,087
2001	63,818,689	40,767,857	109,256,451	-97,467,296
2000	76,634,598	84,496,089	130,642,792	-50,276,066
1999	145,824,343	77,911,664	175,333,546	-14,131,494
1998	245,567,707	81,679,614	257,880,530	-21,392,656
1997	183,160,187	85,938,299	203,709,970	-5,405,864

STATEMENT OF COMPLIANCE

The Board of Directors hereby certify that Asset Investment Bank Limited is in compliant with the provisions of best practices of corporate governance as applicable on June 30, 2003. The Board will conform to all the requirements of the code in the current year.

PATTERN OF SHAREHOLDING

The pattern of shareholding as at June 30,2003 is annexed.

AUDITORS

The present auditors, M/S Ijaz Tabussum & Co., Chartered Accountants retire, and being eligible, off themselves for re-appointment.

ACKNOWLEDGMENT

We would like to thank our valued clients for their patronage and support in difficult times, to the Securities and Exchange Commission of Pakistan, State Bank of Pakistan and regulatory authorities for their guidance, to the staff for their commitment, hard work and dedication, and to the shareholders for the trust and confidence reposed on us.

We seek Allah's guidance and his blessings in achieving our objectives.

On behalf of the Board

SyedNaveedH. Zaidi
Islamabad, October 06, 2003

Chief Executive

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This Statement is being presented to comply the Code of Corporate Governance contained listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner.

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present board includes five non-executive directors and one executive director who is also working as Chief Executive of the company and his terms and conditions are determined by the Board of Directors.
2. All the Directors have confirmed that none of them is serving as Directors in more than ten Listed Companies including this company.
3. All the resident Directors of the Company are registered as taxpayers and all have confirmed that they have not been convicted by a court of competent jurisdiction as defaulter in payment of any loans to a banking Company, a Development Financial Institution or a Non banking Financial

Institution or, being a member of Stock exchange, has been declared as a defaulter by that stock exchange.

4. One causal vacancy occurred in the Board of Directors due to resignation of one nominee director and so far has not been filled.

5. The Company has prepared its statement of ethics and business practices, which has been approved by the Board Directors in its meeting dated February 26, 2003 and has been signed by all the directors and employees of the Company.

6. The Board has developed a vision /mission statement, overall corporate strategy and significant policies of the Company and has approved in its meeting dated February 26, 2003. A complete record of particulars of significant policies along with the dates on which these were approved or amended is currently being developed.

7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.

8. The meetings of the Board held during 2003 were presided over by the Chairman, and the Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. In compliance with the clause regarding orientation course, the directors thoroughly reviewed and discussed the Code of Corporate Governance in its meetings held during the year to apprise them of their duties and responsibilities.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The Directors report for this year has been prepared in compliance with the requirement of the code and fully describes the salient matters required to be disclosed.

12. The Financial Statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the share of the company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the code.

15. The Board has formed an audit committee comprising of four non-executive directors including the chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company, and as required by the Code of Corporate Governance. The terms of reference of the committee have been formed and approved by the Board of Directors.

17. The Company has an effective internal audit function, which is carrying out audit on a continuing basis.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of The Institute of Chartered Accountants of Pakistan and that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by The Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulation and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied.

Islamabad Syed Naveed Hassan Zaidi

Date: October 06, 2003 Chief Executive

REVIEW REPORT TO THE MEMBERS ON

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF

CODE OF CORPORATE GOVERNANCE

We have reviewed the 'Statement of Compliance with the best practices contained in the Code of Corporate Governance'¹ prepared by the Board of Directors of M/S Asset Investment Bank Limited to comply with the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance, and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statement², we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We Have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance effective as at June 30,2003.

Without qualifying our opinion, we draw attention of the members to the paragraphs (1) & (4) of the 'Statement of Compliance with the Best Practices of the Code of Corporate Governance' whereby, the number of directors of the Company has fallen below the minimum prescribed under Section 174(2) of the Companies Ordinance, 1984.

AUDITORS' REPORT TO THE MEMBERS

We have audited the accompanying balance sheet of ASSET INVESTMENT BANK LIMITED (the Company) as of June 30, 2003, and the related profit and loss account, the statement of cash flows, and the statement of changes in equity, together with the notes forming part thereof, for the year then-ended; and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal controls, 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.

Except as discussed in the paragraphs (1),(2) and (3) hereunder; we conducted our audit in accordance with the international standards on auditing, as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as evaluating the overall financial statements' presentation. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report as under:

1. The Company's accumulated losses amount- to Rs. 284.096 million (2002: Rs. 266.970 million) as at the year-end, and that the Company has a negative equity of Rs. 181.708 million (2002: Rs. 164.583 million), and the current liabilities have exceeded the current assets by Rs. 212.255 million (2002: Rs. 206.845 million), and the Company has significant exposure to contingencies as disclosed in the note 13 to the financial statements. The SECP has re-filed a petition for winding-up of the

Company under sections 305 & 309 of the Companies Ordinance, 1984, in the Lahore High Court Rawalpindi bench, during the year. Besides, the Company's application for issuance of fresh licence to the Securities & Exchange Commission of Pakistan (SECP) as required under the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003 has not been acceded to.

These factors indicate the existence of material uncertainty, which may cast significant doubts about the Company's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Accordingly, in our opinion, the Company's ability to continue as a going concern is not valid. However, financial statements have been prepared on going concern basis, without any adjustment to reflect assets at their realisable values and liabilities at values they are expected to be discharged; against the requirements of the approved International Accounting Standards and the Companies Ordinance, 1984.

2. The Company is facing litigation by a commercial bank for payment of the bank's claim of Rs. 30.171 million (2002: 30.171), which is disputed by the Company. The commercial bank offered the Company to settle its dues at Rs. 10 million in the year 1999-00 (refer note 13.3 to the financial statements). No provision has been made for such potential liability in the financial statements. Had the adjustment been made, it would have enhanced the amount of

loss & liabilities by Rs. 10 million (2002: Rs. 10 million). Further, in the absence of certificates of custody or any other mode of confirmation of the Company's investments of Rs. 36.728 million (2002:36.728 million) with market value of Rs. 16.002 million (2002: 14.132 million), held under pledge by a commercial bank, as stated in note 13.3 to the financial statements, we were unable to verify such shares and obtain satisfaction that such shares existed on the balances sheet date.

3. The Company has not recognised return on certificates of investment amounting to Rs. 36.02 million (2002: Rs. 20.856 million) claimed by an institutional depositor determined on the 'compound interest method'. The Company disputes this claim.

We further report that:-

(a) In our opinion, except for the effect of the matters referred to in the paragraphs (1) to (3) above, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) In our opinion:

I. Except for the effect of the matters referred to in the paragraphs (1) to (3) above, 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;

(d). In our opinion, zakat deductible at source, if any, under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

ISLAMABAD

IJAZTABUSSUM&CO.,

Date: October 06,2003

Chartered Accountants

ASSET INVESTMENT BANK LIMITED
BALANCE SHEET
AS AT JUNE 30,2003

	2003	2002
Note	Rupees	Rupees

EQUITY AND LIABILITIES			
SHARE CAPITAL			
Authorised capital			
		200,000,000	200,000,000
20,000,000 ordinary shares of Rs.10 each			
Issued, subscribed and paid up-capital			
		100,000,000	100,000,000
10,000,000 ordinary shares of Rs.10 each, fully paid in cash			
RESERVES			
Capital reserves			
		2,387,791	2,387,791
Statutory/special reserve			
		-284,096,005	-266,970,301
Revenue reserves			
		-281,708,214	-264,582,510
Accumulated loss			
		-181,708,214	-164,582,510
NON-CURRENT LIABILITIES			
		366,811	-
Obligations under finance lease			
		279,154	-
Long-term deposits			
		294,420	113,710
DEFERRED LIABILITIES			
CURRENT LIABILITIES			
		115,764,653	115,006,689
Short-term deposits			
		30,106,426	34,997,650
Short-term finances			
		170,180	-
Current portion of obligations under finance lease			
		136,047,171	125,039,994
Accrued and other liabilities			
		282,088,430	275,044,333
CONTINGENCIES			
		101,20,601	110,575,533
TOTAL EQUITY & LIABILITIES			
ASSETS			
NON-CURRENT ASSETS			
		2,450,271	2,479,839
Tangible fixed assets			
		28,056,408	32,026,180
Long-term investments			
		-	2,922,947
Long-term loans & advances			
		980,350	4,947,016
Long-term receivables, deposits & prepayments			
CURRENT ASSETS			
		50,296,630	46,808,655
Short term loan and advances			
			447,605
Accrued income			
		17,680,016	19,115,263
Advances, deposits, prepayments and other receivables			
		1,856,898	1,828,028
Cash and bank balances			
		69,833,572	68,199,551
TOTAL ASSETS			
		101,20,601	110,575,533

The annexed notes form an integral part of these financial statements.
The auditors' report is annexed hereto.

M-A-Rehmani
Chairman

Syed Naveed H. Zaidi
Chief Executive

ASSET INVESTMENT BANK LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2003

	Note	2003 Rupees	2002 Rupees
INCOME			
		1,539,709	76,891
Income from loans and advances			
		405,903	3,075,762
Commission and fees			
		335,347	28,662
Dividend income			
		579,819	249,213
Other income			
		2,860,778	3,430,528
EXPENDITURE			
		12,727,855	23,594,230
Return on deposits, borrowings & running finance			
		7,470,738	7,274,666
Administrative and operating expenses			
		1,936,890	11,500,000
Other charges			
		-2,163,501	48,591,719
Provisions			
		19,971,982	90,960,615
LOSS BEFORE TAXATION			
		-17,111,204	-87,530,087

Provision for taxation		14,500	18,000
LOSS FOR THE YEAR AFTER TAXATION		-17,125,704	-87,548,087
ACCUMULATED LOSS BROUGHT FORWARD		-266,970,301	-179,422,214
ACCUMULATED LOSS CARRIED FORWARD		-284,096,005	-266,970,301
BASIC & DILUTED LOSS PER SHARE	29	-1.71	-8.75

The annexed notes form an integral part of these financial statements.
The auditors' report is annexed hereto.

M.A.Rehmani
Chairman

Syed Naveed H. Zaidi
Chief Executive

ASSET INVESTMENT BANK LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2003

	2003 Rupees	2002 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Return, commission and other receipts	2,204,459	3,158,250
Return on deposits, borrowings and running finance	-12,727,855	-23,584,786
Other charges	(7,605,222)	-11,500,000
Administrative and operating expenses	-6,904,398	-6,745,271
	-25,033,116	-38,671,807
(Increase)/decrease in Assets-		
Loans and advances	421,944	104,163
Investments in equities	10,864,187	-
Income accrued and receivables	447,605	16,296
Advances, deposits, prepayments and other receivables	5,182,973	9,753,005
	16,916,709	9,873,464
Increase/(decrease) in liabilities-		
Deposits	1,037,118	5,750,238
Creditors, accrued & other liabilities	11,187,887	23,122,927
	12,225,005	28,873,165
Income tax paid	180,829	-43,764
Net cash used in operating activities	4,289,427	31,058
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received	335,347	28,662
Purchase of fixed assets	-15,300	-
Proceeds from sale of fixed assets and property	583,000	576,500
Net cash generated from investing activities	903,047	605,162
CASH FLOWS FROM FINANCING ACTIVITIES		
Short term finances	-4,891,224	-407,988
Repayment of obligations under finance lease	-246,509	-165,446
Net cash used in financing activities	-5,137,733	-573,434
Net decrease in cash and cash equivalents before provision	54,741	62,786
Provision for doubtful bank deposit	-25,871	-
Net decrease in cash and cash equivalents after provision	28,870	62,786
Cash and cash equivalents at the beginning of the year	1,828,028	1,765,242
Cash and cash equivalents at the end of the year	1,856,898	1,828,028

The annexed notes form an integral part of these financial statements.
The auditors' report is annexed hereto.

ASSET INVESTMENT BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2003

	Share Capital (Rupees)	Statutory Reserves (Rupees)	Accumulated Loss (Rupees)	Total (Rupees)
Balance as at July 1, 2001	100,000,000	2,387,791	-179,422,214	-77,034,423
Loss for the year	-	-	-87,548,087	-87,548,087

Balance as at June 30, 2002	100,000,000	2,387,791	-266,970,301	-164,582,510
Loss for the year	-	-	-17,125,704	-17,125,704
Balance as at June 30, 2003	100,000,000	2,387,791	-284,096,005	-181,708,214

The annexed notes form an integral part of these financial statements.
The auditors' report is annexed hereto.

M.A.Rehmani

Syed Naveed H. Zaidi

Chairman

Chief Executive

ASSET INVESTMENT BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

1. LEGAL STATUS AND OPERATIONS

Asset Investment Bank Limited (the 'Company') was incorporated in Pakistan on June 9, 1992 as a public limited company and is listed on the Karachi, Lahore and Islamabad stock exchanges. The Company was principally engaged in the business of investment banking under the provisions of SRO s85(l)/87 dated July 13, 198" issued by the Ministry of finance. Government of Pakistan prior to promulgation of Non Banking Financial Companies (Establishment & Regulation) Rules, 20(13 in April 2003. The registered office of the Company is situated in Islamabad.

2. GOING CONCERN

The Company's ability to continue as a going concern is fully impaired because the overall financial condition is precarious. Company's accumulated losses amount to Rs. 284(196 million as at the year-end, and the Company has a negative equity of Rs 181.708 million. Current liabilities have exceeded the current assets by Rs. 212.255 million, and the Company has significant exposure to contingencies as disclosed in the note 13. These conditions cast significant doubt on the Company's ability to realise its assets and discharge its liabilities in the normal course of business.

Securities & Exchange Commission of Pakistan (SHCPi has filed again petition for winding-up against the Company in the Lahore High Court Rawalpindi Bench, under section 30 .S and 309 of the Companies Ordinance, 1984 which was earlier taken back by (hem. \Till the case is still pending for the court's judgement, the Company 'sad applied for the fresh license required under rule 5 of the NBFC's Rules, 2003 but SI-CP has refused to accede the same *< this point, as the matter is pending in the court.

The Company has taken following steps to overcome the .ii<.e situation.

The Company put up the proposals to its major institutional lenders, namely Army Welfare Trust. 1 labih Bank Limited and National Asset Leasing Corporation Limited for the conversion of their liabilities into equity of th" Company. All the three lenders have consented to our proposal.

This arrangement, when finalised, is expected to result in the transfer of about 80" n of Company's imcrsi-bearing liabilities into equity, and help in achieving the minimum capital requirements of Rs.300 million set by the NBFC's Rules, 2003. After the conversion of above- mentioned liabilities into equity by issuance of right shares and clearance of State Bank's Credit Information Bureau Report, the Company will be in a position to restart its normal functions, and mobilise substantial funds to generate income through safe placements , investments.

The Company will mainly focus on non fund based activities. Presently, the Company has various definite business proposals, and working on different projects that will be finalised in due course, that have the potential to impact positively on the financial health of the company for its betterment

3 3.1 Statement of Compliance

The financial statements have been prepared, in all material respects, in accordance with requirements of the Companies Ordinance, 1984, regulations, notifications, and orders issued by regulatory authorities and approved accounting standards. Approved accounting standards comprise International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. \Tiereever the requirements of the Companies Ordinance, 1984, or the directives issued by SFCP and the State Bank of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance 1984, the requirements of the said directives & State Bank of Pakistan take precedence.

International Accounting Standard 39, Financial Instrument: Recognition and Measurement, is not applicable for Non-Banking Finance Companies in Pakistan as directed by the SiiCP. Accordingly, the requirements of this standard has not been considered in preparation of these financial statements.

3.2 Basis of measurement

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Tangible fixed assets and depreciation

Owned assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation on all operating fixed assets is charged to income on 'reducing balance method', at the rates given in note 14.

Full year's depreciation is provided in the year of purchase of fixed assets and no depreciation is charged in the year of disposal or retirement of fixed assets.

Minor renewals or replacements, maintenance, repair, gains or losses on disposal of fixed assets are included in income currently. Major renewals and replacements are capitalised.

Leased assets

Assets subject to finance lease are stated at the lower of the present value of minimum lease payments under the lease agreements and fair value of the assets. The related lease obligations are accounted for as liabilities.

Assets acquired under a finance lease are amortised over their useful lives on 'reducing balance method' at the rates given in the note 14. Amortisation of the leased assets is charged to income.

4.2 Taxation

Provision for current taxation is based on taxable income at the current rate of taxation after considering all applicable tax credits, rebates and exemptions.

Deferred tax is calculated using the liability method on all temporary differences at the balance sheet date, between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and sufficient taxable income will be available against which the deductible temporary differences can be utilised.

The earning amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that apply on the balance sheet date.

The Company is accruing minimum tax liability under section 113 of the Income Tax Ordinance, 2001 and there is no probability of enough taxable profits in foreseeable future so as to warrant normal tax liability. Accordingly, the Company has not recognised deferred tax.

4.3 Investments

Long-term investments are stated at moving average cost of the respective entities' share/certificates. Provision is made if the diminution in the value of investment is considered permanent.

Short-term investments are stated at moving average cost of the respective entities' share/certificates less provision for diminution in the market value. The provision for diminution in market value is determined on portfolio basis and is charged to income currently.

Market value is determined by using rates quoted on the Karachi Stock Exchange. Profit or loss on sale of investments is accounted for currently.

4.4 Government securities repurchase/resale transactions

The company enters into transactions of repurchase or resale in registered government securities at contracted rates for specified periods of time. These are recorded as follows:

(a) in the case of sale under repurchase obligations, the securities are deleted from the books at cost (whilst the coupon income continues to be accrued) and the charges arising from the differential in sale and repurchase values are accrued on pro-rata basis and recorded under income from government securities. Upon repurchase, the securities are reinstated at their respective original cost.

(b) in the case of purchases under resale obligations, the securities are booked at the contracted purchase price and the differential of the contracted purchase and resale prices is amortized over the period of the contract, and recorded under income from government securities.

4.5 Revenue recognition

Mark-up/return on finance is recognised on a time-proportion-basis, taking account of the relevant maturity dates. Commission and fees are taken to income when the services are provided.

Dividend income from investment in shares/certificates is recognised at the time of declaration of dividend by the investee companies.

Income from government securities is recognised by pro-rata accruals of the differential in cost and maturity values and/or the coupon rate applicable.

Project examination, commitment and other charges are recognised as income on receipt basis.

4.6 Provision for loan contingencies

The Company determines the amount of its provision for loan contingencies on the basis of debt servicing performance criteria, as per guidelines for the classification and provisioning under the NBFIs Rules of Business issued by the State Bank of Pakistan. Under this criteria, minimum provisions are made at the prescribed percentages of principal amount of the non-performing loans, depending on the period of default, and other criteria specified in the regulations.

4.7 Employees' retirement benefits

The Company started an un-funded defined benefit staff gratuity scheme with effect from last year, for all its permanent employees who complete the qualifying period of service. Annual provision is made in respect of eligible employees at the rate of 30 days' gross salary for each completed year of service. No actuarial valuation has been carried out for the expected increase in the salaries of the employees qualifying under the scheme because the company considers the provision adequate.

4.8 Foreign currency translations

Assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing on the balance sheet date. However, liabilities representing deposits in foreign currencies and return thereon are converted at the rate prevailing on the date of deposits where the option of exchange risk coverage has been exercised. Other foreign currency transactions are converted at the rate prevailing on the date of transaction. Exchange differences are included in income currently.

5. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

It includes 2,000,000 (2002: 2,000,000) ordinary shares of Rs. 10 each held by associated undertakings.

	Note	2003 Rupees	2002 Rupees
6. STATUTORY/SPECIAL RESERVE			
At the beginning of the year		2,587,791	2,387,791
Transfer from profit and loss account		-	.
		2,387,791	2,387,791

The statutory/special reserve is created by transferring 20% of the profit for the year. This reserve is required to be maintained under provisions of the NBFIs' Circular No. 1 dated December 5, 1991 issued by the State Bank of Pakistan and Rule 3 of the NBFIs Rules of Business.

7. OBLIGATIONS UNDER FINANCE LEASE

This represents the outstanding balance against obligations under finance leases. The rate of return used as discounting factor is 18% (2002: 21.30%) per annum, being implicit in lease. The lease rentals are payable in equal monthly instalments.

The future minimum lease payments to which the company is committed under the lease agreements are due as follows:

	Note	2003 Rupees	2002 Rupees
Not later than one year		246,400	
Later than one year and not later than five years		424,096	
Later than five years		-	-
		670,496	-
Less: Finance charge allocated to future periods		-133,505	-
		536,991	-
Less: Current portion shown under current liabilities		-170,180	-
		366,811	-
Long-term deposits		289,154	10,000
Less: Current portion taken to short-term deposits		-10,000	-10,000
		279,154	-

These deposits are held by customers for four to five years and the expected rate of return payable on these deposits is with in the range of 11 % to 12.5% (2002:19.5%) per annum.

	Note	2003 Rupees	2002 Rupees
9 DEFERRED LIABILITIES			
Gratuity payable		294,420	113,710
		294,420	113,710

	Note	2003 Rupees	2002 Rupees
10. SHORT-TERM DEPOSITS - UN-SECURED			
Banks and financial institutions-			
Local currency			
-From associated companies		35,525,000	35,550,000
-Others		25,217,000	25,217,000
		60,742,000	60,767,000
Others-			
Local currency		54,959,360	53,929,360
Foreign currency		53,293	300,329
		55,012,653	54,229,689
Add: Current portion of long-term deposits		10,000	10,000
	10.1	115,764,653	115,006,689

10.1 These represent deposits received from customers with maturity periods ranging between 30 days to one year. Expected return is payable at the rates varying from 6.375% to 6.4375% (2002:6.3750% to 6.4375%) per annum on US dollars deposits and from 5% to 8% (2002:12% to 21%) per annum on rupee deposits.

	Note	2003 Rupees	2002 Rupees
11. SHORT-TERM FINANCES			
Unsecured-			
From associated undertakings	11.1	5,000,000	5,100,000
Secuied-			
From banking companies and other financial institutions	11.2	25,106,426	29,897,650
		30,106,426	34,997,650

11.1 This carries mark-up of 21% (2002: 20% to 23.5%) per annum. This represents Rs.5,000,000 (2002: Rs.5,000,000) obtained from National Asset Leasing Corporation Limited, an associated company.

11.2 This represents running finance balance out of total sanctioned facility of Rs.30 million obtained from Habib Bank Limited. The rate of mark-up is 17.52%(2002:17.52%) per annum. The facility is secured by way of charge on book debts/receivables and pledge of shares of quoted companies amounting to Rs.20.654 million, market value Rs. 10.952 million (2002 : cost Rs.30.625 million, market value 16.14 million).

On December 11, 2002, HBL had given its sanction to convert Rs. 45.621 million out of total outstanding liability of Rs. 52.481 million (Principal 25.106 million + Mark up 27.375 million) into equity of the Company. Accordingly, the Company has ceased to charge markup on this facility w.e.f. December 11, 2002

14 TANGIBLE FI STS

Particulars	COST			DEPRECIATION			W. D. V.			
	as at 1 01.07.2002	Additions	Deletion	as at 30.06.2003	Rate	as at 01.07.2002	for the Year	Disposals/ Adjustment	as at 30.06.2003	as at 30.06.2003
	Rs.	Rs.	Rs.	Rs.	%	Rs.	Rs.	Rs.	Rs.	Rs.
Owned										
Office equipment	.1,357,147	-	-	1,357,147	10	683,791	67,336	-	751,127	606,020
Computers	426,976	15,300	-	442,276	33.33	253,626	62,877	-	316,503	125,773
Furniture and fixture	1,324,402	-	-	1,324,402	10	774,743	54,966	-	829,709	494,693
Office Renovations	1,055,453	-	-	1,055,453	33.33	604,046	150,454	-	754,500	300,953
Vehicles	2,493,784	..	-1,249,484	1,244,300	20	1,861,717	74,008	-987,456	948,269	296,031
	6,657,762	15,300	-1,249,484	5,423,578		4,177,923	409,640	-987,456	3,600,107	1,823,471
Leased										
Vehicle	-	783,500	-	783,500	20		156,700	-	156,700	626,800
#####	6,657,762	798,800	-1,249,484	6,207,078		4,177,923	566,340	-987,456	3,756,807	2,450,271
#####	8,068,711	440,000	-1,850,949	6,657,762		4,717,149	538,839	-1,078,065	4,177,923	2,479,839

Statement of disposal of fixed assets

ted;

Item description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/ (loss)	Mode of disposal	Purchaser
	Rs.	Rs.	Rs.	Rs.	Rs.		
Vehicle							
Suzuki Khyber	324,924	284,318	40,606	218,000	177,394	By inviting quotation	M/s Classic Motors
Honda Civic	924,560	703,138	221,422	365,000	143,578	do	Mr. Mohammad Yasir
	1,249,484	987,456	262,028	583,000	320,972		

15. LONG-TERM INVESTMENTS

	Note	2003 Rupees	2002 Rupees
Shares and certificates of listed companies and modarabas	15.1	59,33,111	70,097,298
Shares of unlisted companies	15.2	10,000,000	10,000,000
	15.3	69,233,111	80,097,298
Provision for diminution in value of investments		-41,176,703	-48,071,118
		28,056,408	32,026,180
Aggregate market value		28,597,322	32,026,18
15.1 Investments in shares and certificates of listed companies and modarahas			
Associated companies-			
National Asset Leasing Corporation Limited			
800,000 ordinary shares of Rs. 10 each	15.1.1	10,122,000	10,122,000
Caravan Last Fabrics Limited			
2,423,050 ordinary shares of Rs. 10 each	15.1.2	24,230,500	24,230,500
		34,352,500	34,352,500
Other companies and modarabas-			
First General Leasing Modaraba			
902,163 certificated of Rs. 10 Each			
including 101,963 bonus certificates	15.1.3	8,019,205	8,019,211
First Islamic Modaraha			
25,000		250,000	250,000
First Punjab Modaraha			
17,630 certificates of Rs. 10 each		258,415	925,900
Bankets Lquitv Limited (merged with \BP)			
23,000 ordinan- shares of Rs. 10 each			
including 3,(XX) bonus shares		1,102,012	1,102,012
Khadim Ali Shah Bukhan & Co. Limited			
6,000 ordinan shares of Rs. 10 each			
including 4,900 bonus shares			209,993
Crescent Investment Bunk Limited (merged with Mashirc] K;mk			
8,4(X> ordinan' shares of Rs. 10 each			
incfuJing .S.JVJ lxmus shares			
Asian Stock l'und			
2,5(X) ordmarv shares of Ks. 10 each		25,000	1,725,000
Indus 15. ink Limited (under liquidation)			
100,500 ordinan shares of Rs.H) each		1,653,660	1,653,660
Balance carried forward to next page		11,434,195	14,011,673

Note	2003 Rupees	2002 Rupees
Balance brought forward	11,434,195	14,011,673
Gadoon Textile Mills Limited 9,843 ordinary shares of Rs.10 each including 3,543 bonus shares	-	806,757
Dadabhor Cement Limited 4,000 ordinary shares of Rs. 10 each	210,640	210,640
Pioneer Cement Limited 40,000 ordinary shares of Rs.10 each	2,036,615	2,036,615
Cherat Cement Limited 43,750 ordinary shares of Rs.10 each including 10,750 bonus shares	-	2,730,400
Searle Pakistan Limited 1,974 ordinary shares of Rs.10 -ach including 725 bonus shares	109,940	109,940
Nishat Mills Limited 13,261 ordinary shares of Rs.10 each including 1,100 bonus shares	928,825	928,825
Pakistan Industrial Leasing Corp. Ltd. 20.0UO ordinary shares of Rs.10 each	603^20	603,320
Security I casing Corporation Limited 200 ordinary shares of Rs.10 each	2,000	1,674,000
Askari Commercial Bank Limited 619 ordinary shares of Rs.10 each	14,563	111,655
Nayab Spinning Mills Limited 700,000 ordinary shares of Rs.10 each	6^00,000	6,300,000
Genertech Pak Limited — 10,000 ordinary shares of Rs.10 each -----	254,500	254,500
KASB Premier Fund 100,000 ordinary shares of Rs 10 each	2,001,150	1,024,150
Balance carried forward to next page	22,918,748	30,802,475

Note	2003 Rupees	2002 Rupees
Balance brought forward	22,918,748	30,802,475
Pak Apex Leasing Limited 192,900 ordinary shares of Rs.10 each	1,934,000	1,934,000
Sui Northern Gas Pipelines Limited 1 ,220 ordinary shares of Rs. 1 0 each	27,863	2,511,323
I.C.I. Pakistan Limited 20,000 ordinary shares of Rs.10 each	-	497,000
	24,880,611	35,744,798
	59,233,111	70,097,298

15.2 Investment in unlisted companies

Associated companies-

Sihalah Biotech Limited

Net Asset value based on the audited accounts for year ended June 30, 2002 is 24.55 million.

(Chief Executive: Mr. Nasir Mahmood)

15.2. 1

10,000,000	10,000,000
10,000,000	10,000,000

15.1.1 Percentage of equity held in the investee company is 8.39% (2001:8.39%)

15.1.2 Percentage of equity held in the investee company is 24.23% (2001:24.23%)

15.1.3 Percentage of equity held in the investee company is 16.03% (2001:16.03%)

15.2.1 Percentage of equity held in the investee company is 36.60% (2001:36.60%)

15.3 Shares amounting to B« 57.38 million (2002 : Rs.67.353 million) are pledged with banks and financial institutions against loans taken from them. Shares of Rs. 36.728 million, market value Rs. 16.003 million (2002: cost Rs. 36.728 million, market value Rs.14.132 million) are held by the Muslim Commercial Bank limited against early loan settlement case, pending in the Sindh High Court, as stated in the note 13.3. Shares amounting to Rs. 20.654 million, market value Rs. 10.952 million (2002: cost Rs. Rs.30.625 million, market value Rs.16.137 million) are held by Habib Bank Limited, as stated in the note 11.2.

16. LONG-TERM LOANS AND, ADVANCES	Note	2003 Rupees	2002 Rupees
Lease Pak Limited - secured	16.2	1,684,000	1,684,000
Caravan East Fabrics Limited (associated company)	16.3	77,722,694	77,722,694
Sihalah Biotech Limited (associated company) - secured	16.4	17,326,267	17,326,267
Individuals -secured	16.5	-	440,012
Staff loans - un-secured	16.6	52,121	34,053
	16.1	96,785,082	97,207,026
Less: Provision for loan contingencies		-47,722,694	-48,564,694
	16.7	49,062,388	48,642,332
Less: Current portion taken to current assets	18	-49,062,388	-45,719,385
		-	2,922,947

No loan exceeding Rs. 500,000 was written off during the year.

16.1 Classification of loans and advances

Considered good		49,062,888	48,642,332
Considered bad or doubtful		47,722,694	48,564,694
		96,785,082	97,207,026

16.2 Lease Pak Limited

The loan carries mark-up of 20% per annum and is repayable in twelve quarterly installments of Rs. .4288,436 each, and is secured by charge on machinery worth Rs. 27.078 million.

	Note	2003 Rupees	2002 Rupees
16.3 Caravan East Fabrics Limited (associated company)			
	16.3.1	43,182,534	43,182,534
Poitted loan	16.3.2	34,540,160	34,540,160
		77,722,694	77,722,694

16.3.1 The Company has invested substantial amount of funds in Caravan East Fabrics Limited (CEFL) in the form of equity and project loans. Due to substantial past losses and CEFL's inability to repay the loan, the bank alongwith others took over the management of CEFL in April 1999. The original Musharakah facility of Rs. 30 million, alongwith outstanding, was rescheduled as a Murabaha sale agreement of Rs. 43.2 million, with sale price of Rs. 80 million. CEFL has restarted its operations and is meeting its expenses other than financial costs.

The loan carries a mark-up of 20% per annum and is secured by a first charge on fixed assets of the Company to the extent of Rs. 30 million. The loan is repayable in 12 quarterly installments commencing from July 2000.

16.3.2 In the year 2001, the Company had to accept a forced loan aggregating to Rs. 34,540,160 due to utilisation of placements of the Company with an investment bank, against their loans due from Caravan East Fabrics Limited. The terms and conditions of repayment, mark-up, etc. are not yet agreed for this loan. Pending agreement to the terms of the loan, no mark-up has been charged on this loan. Accordingly, this loan has been treated as long-term loan. The loan is unsecured.

The maximum aggregate amount due from the associated Company at the end of any month during the year was Rs. 77,722,694 (2002: Rs. 77,722,694).

16.4 Sihala Biotech Limited (Associated company)

The Company has accepted a proposal of Sihala Biotech Limited in 2001 whereby it recovered Rs. 35.00 million from the sale of its plant and machinery from the total outstanding of Rs. 53.326 million and balance payment of Rs. 17.326 million has to be recovered in nine equal quarterly instalments of Rs. 19.25 million each. Due to non-operational status of the borrower, the Company stopped charging mark-up on this loan with effect from March 1, 2000. The loan is secured by mortgage of land and building of the project to the extent of Rs. 10 million.

The Company has made an independent valuation of the land and building of the project, which amounts to Rs. 23 million. Because of being the only creditor, no provision against the loan and mark up is considered necessary by the management.

The maximum aggregate amount due from the associated Company at the end of any month during the year was Rs. 17,326,267 (2002- Rs. 17,326,267).

16.5 Individuals

This carries mark-up of 18% per annum and is repayable in 32 quarterly installments of Rs. 18,333 each.

16.6 Staff loans

These earn' mark-up of 13% per annum and are repayable in monthly installments deductible from the employees' salaries. This includes Rs. 15,766 (2002: Rs. 15,766) representing loans to executives. The maximum balance of loans to executives at any time during the year was Rs. 15,766 (2002: Rs. 64,884).

	Note	2003 Rupees	2002 Rupees
16.7 Outstanding for periods exceeding three years		62,192,801	62,632,813
Others		34,592,281	34,574,213
		96,785,082	97,207,026

17. LONG-TERM RECEIVABLES, DEPOSITS AND PREPAYMENTS

Receivables	17.1	4,866,666	10,475,000
Deposit with Central Depository Company of Pak Limited		200,000	200,000
Other deposits		105,350	105,350
		5,172,016	10,780,350
Less: Current portion shown under current assets-			
Receivables	20	4,191,666	5,833,334
		980350	4,947,016

17.1 Last year, the Company has revised the repayment plan of balance receivable from the University of Lahore against sale of machinery and equipment of Sahaiah Biotech Limited. Under the revised terms, the Company has restructured the repayment plan, and has allowed a remission of Rs. 11.50 million to the University of Lahore. The revised repayment plan is as follows:

(a) Twenty eight monthly installments from June 01, 2002 of Rs.25,000/- for first six months, Rs.50,000; -for next six months, Rs.75,000/- for next seven months, Rs.100,00/- for next four months, and Rs.225,000 for remaining five months.

(b) Rs.2,666,667 on September 15, 2002, Rs.2,666,667 on January 15, 2003 and Rs.2,666,666/- on September 15, 2003.

The receivable is secured by hypothecation of machinery and personal guarantees of Board of Governors of the University and promissory notes.

	Note	2003 Rupees	2002 Rupees
18. SHORT-TERM LOANS AND ADVANCES-SECURED			
Promissory notes discounted and margin loans; considered good		1,234,270	1,089,27
considered doubtful		10,815,759	10,960,759
		12,050,029	12,050,029
Less: Provision for doubtful debts		-10,815,759	-10,960,759
		1,234,270	1,089,270
Add: Current portion of long term loans	16	49,062,388	45,719,385
		50,296,658	46,808,655

These are principally secured by hypothecation, charges on the assets of customers, lien on deposits from customers in local/foreign currency, bank guarantees and/or pledge of shares of listed companies. The bills have been discounted at rates ranging between 16% to 24% (2002:16% to 24%) per annum.

	Note	2003 Rupees	2002 Rupees
19. ACCRUED INCOME			
On bank deposits		4,481,925	4,481,925
Less: Provision for doubtful receivable		4,481,925	4,456,054
		-	25,871
On loan and advances			
Caravan East Fabrics Limited (Associated company)		43,140,432	34,503,625
Others		8,857,928	10,598,030
		51,998,360	45,101,655
Less: Income in suspense account	19.1	51,998,360	44,679,921

19.1 This is income suspended for recognition in compliance with the regulations of the State Bank of Pakistan.

		2003 Rupees	2002 Rupees
20. ADVANCES, DEPOSITS, PREPAYMENTS			

	Note		
AND OTHERS RECEIVABLES			
Advances to staff against salary		11,162	11,162
Prepayments-			
Office rent		210,030	32,930
Prepaid insurance		26,835	-
		236,865	32,930
Commission and fee-			
Caravan East Fabrics Limited (associated company)	20.1	1,700,000	1,700,000
Others		7,633,051	7,528,300
		9,333,051	9,228,300
Less: Provision for doubtful receivable		3,006,237	2,982,626
		6,326,814	6,245,674
Excise duty		702,023	702,023
Less: Provision		702,023	702,023
Others receivables-			
National Assets Leasing Corporation (associated company)	20.1	1,606,293	1,606,293
Others		5,757,817	5,641,142
Current portion of long term receivables	17	4,191,666	5,833,334
		11,555,776	13,080,769
Less: Provision for doubtful receivable		2,924,616	2,924,616
		8,631,160	10,156,153
Tax deducted at source and advance tax		8,751,713	8,932,542
Provision for taxation		-6,285,266	-6,271,766
		2,466,447	2,660,776
Share transfer stamps		8,568	8,568
		17,681,016	19,115,263

20.1 The maximum aggregate amount due from these associated companies at the end of any month during the year was Rs. 3,306,293 (2002: Rs. 3,306,293).

	Note	2003 Rupees	2002 Rupees
21. CASH AND BANK BALANCES			
Cash-in-hand		3,057	3,861
Balance with banks-			
On current accounts	21.1	1,849,311	1,819,722
On deposit accounts		1,853,841	1,824,167
		1,856,898	1,828,028

21.1 This does not include "S\$ 18,349 (Rs. 1,061,673) (2002: US\$ 18,349 (Rs. 1,099,105)), which were wrongly credited by the bank, and have not been reversed.

	Note	2003 Rupees	2002 Rupees
22 OTHER INCOME			
Income from sale of fixed assets		320,972	243,616
Income from remission of mark up on loan		258,825	-
Income from bank deposits		22	5,597
		579,819	249,213
23 Return on deposits, borrowings & running finance			
Return on short term borrowing		940,903	6,285,167
Return on deposits		11,709,208	17,128,369
Bank charges		77,744	180,694
		12,727,86	23,594,230
24 ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries, allowances and benefits		3,555,058	3,332,368
Rents and utilities		1,421,995	1,367,789
Depreciation	14	566,40	538,839
Traveling and conveyance		267,917	402,179
Lease finance charges		43,393	18,902
Vehicle running		329,738	400,477
Printing and stationery		183,972	97,415
Advertisement and publicity		129,700	112,080
Insurance		24,304	17,106
Repair and maintenance		70,527	103,576
Postage		81,308	62,915
Legal and professional charges	24.1	409,327	270,490
Others		387,859	550,530

24.1	These include auditors' remuneration and expenses as follo	cvs:	7,470,738	7,274,666
	Audit fee		90,000	75,000
	Out-of-pocket expenses		15,000	10,000
		•	105,000	85,000

24.2 Penalties of Rs. 8.99 million (2002: Rs.8.187 million) have been imposed by State Bank of Pakistan, but the same have not been accounted for as the management has taken up the case with SBP for the wavier of these penalties.

26.	PROVISIONS	Note	2003 Rupees	2002 Rupees
	Loan contingencies		-987,000	39,850,042
	Doubtful income accrued on bank deposits		25,871	-
	Doubtful receivable		23,611	-
	Diminution in value of long term investments		-1,125,983	8,741,677
			-2,163,301	48^91,719

27 TRANSACTIONS WITH ASSOCIATED COMPANIES

Transactions with associated undertakings are measured at arms' length except for the mark-up on forced loan described and the reasons stated for not charging of mark-up in note 16.3.2, and mark- up free loan to Sihala Biotech Limited for reasons stated in note 16.4.

There would be no financial impact of such transaction on profit and loss, assets, liabilities, equities, and cash flows for the period as these loans are already classified as loss under the prudential regulations.

Other than those already stated above at June 30, 2003 in respect of, and income and expenditure arising out of, transactions with the associated companies during the year are summarised below:

	Note	2003 Rupees	2002 Rupees
Return on deposits		3,086,917	5,020,578
Mark-up on borrowings		1,050,000	1,050,000
		4,136,917	6,070,578

28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Executive (Rupee.)	June 30, 21 Directors (Rupee.)	903 Executives (Rupee.)	Executive (Rupee.)	June 3 Direct (Rupee*)	102,002 or.	Executives (Rupees)
Managerial Remuneration	580,644	-	1,343,460	701,872	-	-	928,620
Allowances and benefits	319,356	-	193,104	198,128	-	-	526,944
	900	-	1,536,564	900,000	-	-	1,455,564
Number	1	9	7	1	-	-	6

The chief executive and one executive are allowed the use of company maintained cars.

The chief executive and two directors have been provided furniture and fixture at their residence since 1994-95 of the value of

Rs.302,205/- (2002: Rs.302,205/-).

29.	BASIC LOSS PER SHARE	Note	2003 Rupees	2002 Rupees
	Net loss for the year		-17,125,704	-87,548,087
	Weighted average number of ordinary shares		10,000,000	10,000,000

29.1 No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on its earnings per share when exercised.

30. FINANCIAL INSTRUMENTS

These comprise financial assets and financial liabilities.

30.1 Market rate of return risk management

Market rate of return (MROR) risk arises from the possibility that changes in MRORs will affect the value of financial instruments. The Company is exposed to MROR risk as a result of mismatches of gaps in the amounts of assets and liabilities that mature or reprice in a given period. The Company manages this risk by matching the rrpncing of assets and liabilities.

The company's exposure to MROR risk and the effective MRORs on its financial assets and liabilities are summarised below:

As at June 30, 2003 FINANCIAL	TOTAL	Within one year	More than one year and less than five years ----- Rupees-----	More than five years	Not exposed to MROR risk
ASSETS Long term investments	28,056,408				28,056,408
Loans and advances	30,296,658	32,970,391			17,326,267
Security deposits	305,350				305,350
Other receivables	15,652,704				15,652,704
Income accrued and receivables			-		
Cash and bank balances	1,856,898		-		1,856,898
Total assets	96,168,018	32,970.39		-	63,197,627
FINANCIAL LIABILITIES					
Liabilities against assets subjects to finance lease	536,991	170.18	366,81 1		
Deposits	116,043.81	1 1 5,764.653	279,154	-	-
Short -term finance	31,485.72	31.485.722			
Accrued expenses and other liabilities	136,047,171		-		136,047,171
Total liabilities	284,113,691	147,420,555	645,965		136,047,171
MROR sensitivity gap		-114,450.16	-645,965		
Cumulative MROR sensitivity gap		(114X50,164)	-115,096,129	-115,096,129	

The range of weighted average of effective rates of return is disclosed in the respective notes to the financial statements.

As at June 30, 2002	TOTAL	Within one year	More than one year and less than five years ----- Rupees -----	More than five years	Not exposed to MROR risk
FINANCIAL ASSETS					
Long term investments	32,026.18	-	-	-	32,026,180
Loans and advances	49,731,602	32,038,655	293,328	73,352	17,326,267
Security deposits	305,350				305,350
Other receivables	21,063,223	-	-	-	21,063,223
Income accrued and receivables	447,605		-	-	34,951,230
Cash and hank balances	1,828.03	4,445			1,823,583
Total assets	105,401,988	32,043,100	293,328	73,352	107,495,833
FINANCIAL LIABILITIES					
Liabilities against assets subjects to finance lease	-		-	-	
Deposits	115,006,689	115,006,689	-	-	-
Short -term finance	34,997,650	34,997,650		-	-
Accrued expenses and other liabilities	125,153.70				125,153,704
Total liabilities	275,158,043	150,004,339	-		125,153,704
MROR sensitivity gap		'117,961,239)	293,328	73,352	
Cumulative MROR sensitivity gap		-117,961.24	-117,667,911	-117,667,911	

30.2 Credit risk and concentrations of credit risk

Credit risk is the risk that one parry 'u a financial instrument will fail to discharge an obligation and cause the other parry to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter parries, and continually assessing the credit worthiness of counter parties

The company has presented the maturity profile of its assets and liabilities on the bases of the contractual period from the dated of the balance without raking into accout its previous his ton* with respect to the payment and recoveries of such assets and liabilities and its liquidity position. However, assets and liabilities without their contractual maturities are presented on the date these are expected to be

settled.

Concentrations of credit risk arise when a number of counter parties are engaged in similar business activities, or have similar political or other conditions. Concentrations of credit risk indicate the relative sensitivity of a Company's performance to developments affecting a particular industry.

The Compa-y follows two sets of guidelines. It has its own operating policy duly approved by the Board of Directors and also adheres

to the regulations issued by SBP. The operating policy defines the extent of fund and non-fund based exposures with reference to a particular sector or group.

The Company seeks to manage its credit risk exposure through diversifications of lending activities to avoid undue concentrations of risk with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate. Details of the composition of loans portfolio are given below;

Loans and advances	2003 Rupees	%	2002 Rupees	%
Textile/ Textile composite	79,601,262	73.14	79,601,262	72.86
Pharmaceutical	17,326,267	15.92	17,326,267	15.86
Financial institutions	1,684,000	1.55	1,684,000	1.54
Individuals	1,171,461	1.08	1,611.47	1.47
Staff loan	52,121	0.05	34,053	0.03
Others	9,000,000	8.27	9,000.00	8.24
	108,835,111	100	109,257,055	100

30.3 Foreign exchange risk

The Company has negligible financial assets and liabilities in foreign currencies and has negligible foreign exchange risk.

30.3 Liquidity risk

The Company is encountering serious difficulties in raising funds to meet its commitments relating to borrowings and deposits as most of the loans and mark-up thereon are stuck up and no repayments are forthcoming from the borrowers.

30.3 Fair value of financial assets and liabilities

The carrying values of 'I' financial assets and liabilities reflected in the financial statements approximate their fair value. The fair value of the long term quoted equity investments is based on quoted market prices while unquoted equity investments are stated at the break up values.

31. NUMBER OF EMPLOYEES	2003	2002
Number of employees at the year end	19	21
32. DATE OF AUTHORISATION FOR ISSUE		
The Board of Directors of the Company has authorised these financial statements for issue on 1,		2003

All figures have been rounded off to the nearest rupee.

Previous years' figures have been re-arranged and regrouped wherever necessary, for the purpose of comparison.

MA.Rehmani	Syed Naveed H. Zaidi
Chairman	Chief Executive

PATTERN OF SHARE HOLDING

AS AT JUNE 30, 2003

Number of Shareholders	SHAREHOLDINGS		Total Shares held
	From	To	
103	1	100	10,233
800	101	500	351,500
166	501	1,000	163,300
308	1,001	5,000	963,267
74	5,001	10,000	597,600
24	10,001	15,000	306,000
16	15,001	20,000	292,900
10	20,001	25,000	232,100
5	25,001	30,000	141,200
1	30,001	35,000	68,000
1	35,001	40,000	37,500
1	40,001	45,000	42,800
3	45,001	50,000	145,500
4	50,001	55,000	204,300
2	55,001	60,000	116,500
1	65,001	70,000	68,000

1	70,001	75,000	71,500
1	90,001	95,000	184,400
1	95,001	100,000	99,500
1	100,001	105,000	101,000
1	125,001	130,000	125,500
1	140,001	145,000	140,100
1	145,001	150,000	150,000
1	150,001	155,000	150,500
1	160,001	165,000	164,300
1	180,001	185,000	183,800
1	190,001	195,000	191,300
1	195,001	200,000	200,000
1	295,001	300,000	600,000
1	300,001	305,000	302,500
1	390,001	395,000	390,700
1	445,001	450,000	450,000
1	750,001	755,000	754,200
1	995,001	1,000,000	2,000,000
1541			10,000,000

Category of Shareholder	Number of Shareholders	Shares held	Percentage Held
1. Individuals	1,471	4,700,200	47.00%
2. Investment Companies	5	63,200	0.63%
3. Insurance Companies	1	300,000	3.00%
4. Joint stock Companies	54	2,951,400	29.51%
5. Financial Institutions	6	836,200	8.36%
6. Modaraba Companies	3	394,800	3.948%
7. Foreign Investors	1	754,200	7.54%
TOTAL	1,541	10,000,000	100.00%