

INTERASIA LEASING COMPANY LIMITED

Annual Reports 2002

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Board of Directors as on June 30, 2002

1. Muhammad Younas Khan	Chairman / Chief Executive
2. Majid Ahmed Jhumra	Director
3. Saiyed Hashim Ishaque	Director
4. Abdus Samad Khan	(Nominee of Saudi Pak Industrial & Agricultural Investment Co. (Pvt) Ltd.)
5. Muhammad Azam Khan	Director
6. Ahmed Mohiuddin Khan	Director
7. Jameel ur Rehman	Director

Company Secretary

Fazal Ahmad

Bankers

Gulf Commercial Bank Ltd.
The Bank of Khyber
Emirates Bank International

Legal Advisors

Ahmer Bilal Soofi, Advocates & Solicitors

Auditors

M/s Husain Rahman, Chartered Accountants

Registrar and Share Transfer Office

Universal Management Services (Pvt) Ltd.
Room No. 205, 2nd Floor, Central Hotel Building,
Civil Lines, Karachi.
Phone: 5654037

Registered Office

101, 82-East, Fazal ul Haq Road, Blue Area,
Islamabad-44000.
Phone: (92-51) 2206731-2206272
Fax: (92-51)2201380

Head Office

B-601-602, 6th Floor, Lakson Square Building # 03,
Sarwar Shaheed Road, Karachi.
Phone: (92-21)5654795-98
Fax: (92-21) 55688534

Notice of the Meeting

Notice is hereby given that 10th Annual General Meeting of INTERASIA LEASING COMPANY LIMITED will be held at Institu of Chartered Accountants of Pakistan Clifton, Karachi at 11.00 am. on Tuesday the December 10,2002 to transact the followif business.

ORDINARY BUSINESS

1. To confirm the Minutes of 9th Annual General Meeting held on December 29, 2002.
2. To receive, consider and adopt the audited Accounts of the Company for the year ended June 30, 2002 together wi
the Directors' and Auditor's report thereon.
3. To appoint Auditors for the financial year 2002-2003 and fix their remuneration. The present auditors M/s. Husain Rahm;

Chartered Accountants reconstitute as Anjum Asim Shahid Rahman & Co. retire and being eligible offer themselves for reappointment.

4. To transact any other business with the permission of the Chair.

By order of the Board

Karachi:
September 28, 2002

Notes:

1. The Register of Members of the Company will remain closed from December 03, 2002 to December 09, 2002 (both days inclusive).
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her. A proxy need not be a member of the Company.
3. An instrument of proxy and the power of Attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney in order to be valid must be deposited at the registered office at the Company not less than 48 hours before the time of the meeting.
4. Members are advised to lodge shares for transfer at the office of Company Registrar, Universal Management Services (Pvt) Ltd., Room No. 205, 2nd Floor, Central Hotel Building, Civil Lines, Karachi. Phone No. 5654037.
5. CDC shareholders desiring to attend the Meeting are requested to bring their original National Identity Cards, account and participant's ID number, for identification purpose, and in case of proxy, to enclose an attested copy of his/her National Identity Card.
6. Members are requested to notify any change in their address immediately.

Directors' Report and Review by the Chairman

The Tenth Annual Report on audited Accounts of InterAsia Leasing Company Limited for the year ended June 30, 2002 is presented hereunder.

The attached financial statements present a fair view of the affairs, cash flows and changes in equity of the Company as a result of its operations. The books of accounts are properly maintained, and the financial statements are based on appropriate accounting policies, which have been consistently followed. The accounting estimates are based on reasonable and prudent judgment. Due care has been taken to ensure that the system of internal control is sound in design and is being effectively implemented and monitored throughout the year. Current liquidity position of the Company is somewhat weak but there is no doubt about the Company's ability to continue as a going concern. The Board is pleased to state that there has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

General Review

Simmering tensions between India and Pakistan came to a boiling point with real threat of nuclear war during the recent months. The danger of potential conflict with India, post September 11th scenario, unfortunate suicide attack on the French technicians in Karachi have severely impacted the investment climate. The worsening law and order situation showed no sign of improvement, casting its shadow over the country's business activity in general, and of Karachi in particular. The real estate sector has been sluggish, low demand for credit has continued whilst large-scale output growth remained weak.

The stagnation of exports due to slowdown of international demand has not helped the matters either. The countrywide drop in rainfall precipitated the water crises. Luckily it did not hamper the crops yield as was being apprehended.

Though Pakistan has gained tremendously on the external account due to increase in remittances, official transfers and SBP buying US dollars to maintain the US dollar rupee parity. State Bank of Pakistan pursued a monetary policy to stimulate the economic growth, however it failed to yield the desired results.

The onslaught of commercial banks on the leasing industry's turf, continues to make it more difficult for the survival of small leasing companies. The answer lies in more consolidation. Therefore, there will be a shrinkage in the number of leasing companies, in the coming years and industry will portray a consolidated position.

Operating Performance

Acute liquidity problem was faced by the Company throughout the year under review. The Company's current financial position, its past association with BEL and its inability to attract fresh funds from financial institutions, contributed to the shortage of working capital necessary to write fresh leases. As a result, the company was unable to transact new business, which adversely affected its financial results. The annual income from lease financing declined by 45% from Rs. 28.4 million to Rs. 15.4 million. Major factors attributable to the above decline were reduction of leases, suspension of income of non-performing leases to the tune of Rs. 1.8 million, and a provision of Rs. 40.17 million made on the Receivables from lessees. During the year 51 leases reached their maturity.

The above provision included a sum of Rs. 25.27 million provided against a single lessee NICL - Nimir Industrial Chemical Limited - (formerly, Ravi Alkalis Limited). NICL was provided a syndicate lease financing during the year 1995. The Consortium comprised of 10 leasing Companies, 2 Modarabas, and 1 Commercial Bank. InterAsia Leasing Company also joined the syndicate

by providing a lease finance of Rs. 23.68 million. However, the client could not perform, and the lease was restructured four times between 1995 - 1999. This resulted in capitalization of accrued income to the principal amount. NIMIR was then taken over by a new management in the year 2000. The Consortium of lenders entered into a Memorandum of Understanding with

NIMIR's new management whereby it was agreed to waive-off a substantial portion of the balance receivable. The share of

InterAsia in the total waiver came to Rs. 25.27 million.

The overall operating expenses were kept under control and were lower than last year by Rs. 9.1 million, due to the reduced admin, financial and other costs. However, net loss for the year increased substantially due to large provisions made against potential lease losses and doubtful receivables. The management is consistently pursuing the defaulters for recovery of the long overdue balances.

Financial Results as on 30, June

	2002 Rupees	2001 Rupees	2000 Rupees	1999 Rupees	1998 Rupees	1997 Rupees	1996 Rupees
Net Investment in Lease	46,124,018	79,905,658	165,561,002	291,858,700	333,989,222	313,765,045	231,360,004
Revenue	15,933,189	28,934,071	33,433,047	53,671,702	60,772,034	60,696,286	38,382,935
Expenditure	28,017,343	37,222,203	39,651,178	45,919,031	45,775,197	44,076,571	25,302,570
Provision for diminution in value of investment	(1,919,053)	4,686,320	3,666,240	17,158,201	-	1,453,497	-
Provision for potential lease losses and against doubtful lease losses	40,196,139	28,085,643	(17,580,903)	37,714,190	463,881	599,517	2,478,639
Provision for Taxation deferred and current	3,624,320	4,678,560	7,788,240	9,378,582	313,448	277,202	177,295
Profit/(Loss) after Tax	(53,985,360)	(17,653,012)	(12,270,585)	(56,498,302)	14,219,508	14,289,499	10,206,722

Dividend

The Company's lack of profitability being in a loss situation and the Reserves in the negative, it is not possible to declare any dividend or issue bonus shares to the shareholders.

Provident Fund, and Gratuity

The Company has a registered contributory provident fund for all its permanent employees, and has a non funded gratuity scheme. The value of the investments as per un-audited account of Provident Fund as on June 30, 2002 was Rs. 1,156,307/=

Board Meetings

During the year the Board of Directors met four times. The following directors attended the meeting as indicated below:

1. Mr. M. Younas Khan (All Board meetings)
2. Mr. Majid A. Jhumra (All Board meetings)
3. Mr. Abdus Samad Khan (Last three meetings)
4. Mr. Azam Khan (Last two meetings)
5. Sayed Hashim Ishaque (First two meetings)
6. Mr. Ahmad Mohiuddin (First meeting only)
7. Mr. Jameel ur Rehman (No meeting attended)

Statement of Compliance

The Board of Directors hereby certify that InterAsia Leasing Company Limited is compliant with the provisions of best practices of corporate Governance as applicable on June 30, 2002. The Board will confirm to all other requirements of the code in the current year.

There has been no material payment outstanding on account of taxes, duties, levies and charges.

Future Out Look

As mentioned earlier, the company's business could not pick-up due to lack of the necessary working capital. The only hope for survival of the company and its future growth lies in its merger with some other financial institution. Our application for the company's merger with First Interfund Modaraba is at an advanced stage, and negotiations for a merger with another leasing company are in progress.

These mergers will have an effect of increasing the size of our Balance Sheet, reducing the expenditure and achieving some synergies. The process is expected to be completed as soon as the necessary legal formalities are met.

A little more patience is therefore solicited from the shareholders.

Auditors

M/s. Husain Rahman & Co. Chartered Accountants reconstituted as AnjumAsim Shahid Rahman & Co. retire and being eligible offer themselves for reappointment.

The Board appreciates the efforts of the management and staff for their continued dedication and hard work. We also thank the Securities and Exchange Commission of Pakistan for their support and guidance.

Pattern of Shareholding

The pattern of shareholding as at June 30, 2002 is given on page 29.

On behalf of the Board

Karachi:
September 28, 2002

MUHAMMAD YOUNAS KHAN
Chairman

Auditors' Report to the Members

We have audited the annexed balance sheet of InterAsia Leasing Company Limited as at June 30, 2002 and the related

profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, the profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give true and fair view of the state of the Company's affairs as at June 30, 2002 and of the loss and cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.
- e) Without qualifying our opinion, we draw attention to note 1.2 to the financial statement which indicates that minimum paid up share capital of the company is less than rupees two hundred million as required by the Leasing Companies (Establishment and Regulation) Rules, 2000.

Karachi: September 28, 2002

HUSAIN RAHMAN
Chartered Accountants

Balance Sheet As at June 30, 2002

	NOTE	2002 RUPEES	2001 RUPEES
SHARE CAPITAL AND RESERVES			
Authorised Capital			
20,000,000 ordinary shares of			
Rs. 10 each		<u>200,000,000</u>	<u>200,000,000</u>
Issued, subscribed and paid up capital			
10,000,000 ordinary shares of			
Rs. 10 each fully paid up in cash		<u>100,000,000</u>	<u>100,000,000</u>
Reserves			
Capital		39,779,385	38,342,065

Revenue		(123,709,179)	(69,723,819)
		(83,929,794)	(31,381,754)
		16,070,206	68,618,246
Certificates of investment	4	2,950,000	6,275,000
Liability against asset subject to finance lease	5	280,850	1,664,405
Deferred liability gratuity		1,388,963	529,091
Long term deposits	6	3,968,913	8,379,544
		8,588,726	16,848,040
CURRENT LIABILITIES			
Redeemable capital - Musharika arrangement	7	27,360,293	27,536,211
Current portion of long term liabilities	8	63,575,828	81,770,666
Finance under mark-up arrangements	9	5,000,000	17,400,000
Current portion of liabilities against assets subject to finance lease	5	525,806	785,143
Accrued and other liabilities	10	35,161,875	28,831,669
Taxation		253,531	-
		131,877,333	156,323,689
CONTINGENCIES			
	11		
		156,536,265	241,789,975

The annexed Notes form an integral part of these Financial Statements

CHIEF EXECUTIVE

	NOTE	2002 RUPEES	2001 RUPEES
ASSETS			
Fixed assets	12	5,040,824	7,333,582
Net investment in leases	13	38,306,043	42,857,102
Long term investments	14	3,341,905	16,032,100
Long term deposits		703,570	1,079,670
		47,392,342	67,302,454
CURRENT ASSETS			
Current portion of net investment in leases	15	48,436,914	94,148,892
Current portion of long term deposits		209,800	-
Advances to employees - Considered good		1,096,639	892,025
Prepayments		248,547	1,212,529
Short term investments	16	-	1,607,250
Other receivables	17	56,162,906	72,586,250
Taxation		-	1,845,760
Cash and bank balances	18	2,989,117	2,194,815
		109,143,923	174,487,521
		156,536,265	241,789,975

Prof it and LOSS ACCOUnt For the year ended June 30, 2002

	NOTE	2002 RUPEES	2001 RUPEES
Income from lease operation	19	15,470,046	28,465,617
Other income	20	463,143	468,454
		15,933,189	28,934,071
Administrative and operating expenses	21	17,262,963	19,137,198
Financial and other charges	22	10,754,180	17,848,222
Amortization of deferred cost		-	236,783
		28,017,143	37,222,203
Loss before provisions (Provision for)/Reversal of potential lease losses diminution in value of investments other receivables		(12,083,954)	(8,288,132)
		(14,921,222)	-
		1,919,053	(4,686,320)
		(25,274,917)	-
		(38,277,086)	(4,686,320)
Loss before taxation		(50,361,040)	(12,974,452)
Taxation	23	(3,624,320)	(4,678,560)
Loss after taxation		(53,985,360)	(17,653,012)
Earnings per share - basic and diluted	24	(5)	(2)

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

CHIEF EXECUTIVE

DIRECTOR

Cash FLOW Statement For the year ended June 30,2002

	2002 RUPEES	2001 RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation and extraordinary item	(50,361,040)	(12,974,452)
Adjustments for:		
Depreciation	1,202,208	1,396,205
Deferred cost	—	236,783
Financial charges	9,977,198	14,681,973
(Reversal of/provision for		
Diminution in the value of investment	(1,919,053)	4,686,320
Potential lease losses	14,921,222	-
other receivable	25,274,917	—
(Gain)/loss on sale of fixed assets	(151,256)	55,992
Loss/(gain) on share transactions	776,982	(25,014)
Provision for gratuity	358,127	303,228
	50,440,345	21,335,487
Operating loss before working capital changes	79,305	8,361,035
Increase in advances, prepayments and other receivable	(6,817,205)	(49,544,253)
Increase in accrued and other liabilities	1,391,842	4,754,015
	(5,425,363)	(44,790,238)
Cash used in operations	(5,346,058)	(36,429,203)
Income tax	(87,709)	(188,276)
Dividends		(96,336)
Financial charges	(5,038,834)	(14,681,973)
Gratuity	501,745	(213,758)
Net cash used in operating activities	(9,970,856)	(51,609,546)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(95,016)	(5,121,843)
Proceeds from sale of fixed assets	1,336,822	1,404,900
Long term security deposits	166,300	(193,000)
Investment in lease finance	(2,387,500)	(10,112,400)
Lease finances settled / terminated	36,454,316	95,767,744
Investments	15,439,516	(5,901,966)
Net cash generated from investing activities	50,914,438	75,843,435
CASH FLOW FROM FINANCING ACTIVITIES		
Long term loans	(1,906,401)	(3,746,000)
Musharika/running finances	(175,918)	—
Musharika/running finance	(12,400,000)	(13,400,000)
Certificate of investments	(12,472,358)	1,652,215
Security deposit on lease	827,850	2,447,170
Security deposit on lease settled/terminated	(12,379,561)	(15,150,251)
Payments for lease obligations	(1,642,892)	(344,724)
Net cash used in financing activities	(40,149,280)	(28,541,490)
Net increase/(decrease) in cash and cash equivalents	794,302	(4,307,601)
Cash and cash equivalents at the beginning of the year	2,194,815	6,502,416
Cash and cash equivalents at the end of the year	2,989,117	2,194,815

Statement of Changes in Equity

For the year ended June 30,2002

	Share Capital	CAPITAL RESERVES				REVENUE RESERVES			Total
		Reserve for Cotingencies	Reserve for Deferred Tax Liability	Statutory Reserve	Sub Total	General Reserve	Accumulated Loss	Sub-Total	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as on July 01, 2000	100,000,000	3,339,892	16,706,481	13,759,493	33,805,866	10,000,000	(62,070,807)	(52,070,807)	81,735,059
Net profit/(loss) for the year	-	-	-	-	-	-	(13,116,813)	(13,116,813)	(13,116,813)
Transfer to reserve for deferred tax	-	-	4,536,199	-	4,536,199	-	(4,536,199)	(4,536,199)	-
As at June 30, 2001	100,000,000	3,339,892	21,242,680	13,759,493	38,342,065	10,000,000	(79,723,819)	(69,723,819)	68,618,246
Loss for the year	-	-	-	-	-	-	(52,548,040)	(52,548,040)	(52,548,040)
Transfer to reserve for deferred tax	-	-	1,437,320	-	1,437,320	-	(1,437,320)	(1,437,320)	-

Tax liability	-	-	4,536,199	-	4,536,199	-	(4,536,199)	(4,536,199)	-
As at June 30, 2002	100,000,000	3,339,892	22,680,000	13,759,493	39,779,385	10,000,000	(13,709,179)	(123,709,179)	16,070,206

Reserve for contingencies represents a reserve created to meet any contingencies that may arise on the lease rental receivable.

Reserve for deferred tax liability represents the liability as at June 30, 1998 that has been transferred to capital reserve as per Securities and Exchange Commission of Pakistan Circular No. 16 of 1999 dated September 09, 1999.

The annexed notes from an integral part of financial statements.

Notes to the Financial Statements For the year ended June 30, 2002

1. LEGAL STATUS AND NATURE OF THE BUSINESS

1.1 The Company was incorporated in Pakistan November 30, 1992, as a public limited company and is listed on the Karachi and Islamabad Stock Exchanges. The license to carry on leasing business was granted on April 26, 1993 and the certificate of commencement of business was obtained on May 02, 1993. The main business activity of the company is leasing. It is classified as Non-Banking Financial Institution (NBFI) under the provisions of Leasing Companies (Establishment and Regulation) Rules, 2000.

1.2 Rule 5 of the Leasing Companies (Establishment and regulation) Rules 2000 requires that leasing companies granted license before the commencement of the Rules, need to raise the paid up capital to Rs. two hundred million by June 30, 2001. In order to comply with the requirement, the company is in the process of negotiating merger/acquisition plans with other leasing companies/undertakings.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for the revaluation of investments available for sale that are carried at fair value.

2.2 Basis of preparation

These financial statements have been prepared in accordance with the requirements of Companies Ordinance, 1984. International Accounting Standards and interpretations issued by Standing Interpretation Committee of IASC as applicable in Pakistan.

2.3 Adoption of "International Accounting Standards"

In the current year, the company has adopted IAS 39 (r2000) "Financial Instrument: Recognition and Measurement". IAS 39 (r2000) has introduced a comprehensive frame work for accounting for all financial instruments. The principal effect of the adoption of IAS 39 (r2000) have been that all investments held by the company are now carried at fair value. Since carrying amount of the investment on adoption of IAS 39 (r2000) equals to its fair value, therefore, no gain/loss have resulted due to the change in policy.

2.4 Financial Instruments

2.4.1 Recognition

Financial instruments are recognised when the company becomes a party to the contractual provisions of the instrument.

2.4.2 Off-setting

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

2.5 Fixed assets and depreciation

2.5.1 Owned Assets

Operating assets are stated at cost less accumulated depreciation. Depreciation is charges to income applying the straight line method. In respect of additions and deletions of assets during the year, depreciation is charged proportionately from/to the month of acquisition and deletion respectively. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

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

2.5.2 Assets subject to finance lease

The company accounts for fixed assets acquired under finance leases by recording the assets and the related liability. These amounts are determined at the inception of lease, on the basis of the lower of the fair value and the present value of minimum lease payments. Financial charges are allocated to the accounting period in a manner so as to provide a constant rate of charge on the outstanding liability. Depreciation is charged to income applying the same basis as for owned assets.

2.6 Investments

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities investments that the company has intention and ability to hold (held to maturity) are measured at amortized cost less any impairment loss recognized to reflect irrecoverable amounts.

Investments are classified as either held for trading or available-for-sale and are measured at subsequent reporting dates at fair value, based on quoted market prices at the balance sheet date. The difference between carrying value and fair value of balance sheet date is taken to profit and loss account.

Gain and losses on disposal of investments are recognized in income currently.

2.7 Taxation

2.7.1 Current

Provision is made on taxable income at the prevailing rates of taxation after taking into account tax credits and rebates available, if any, or the provision of section SOD of Income Tax Ordinance, 1979 whichever is higher.

2.7.2 Deferred

The company accounts for deferred taxation using the liability method on timing differences likely to reverse in the foreseeable future.

2.8 Revenue Recognition

2.8.1 Lease

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 term 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.

2.8.2 Dividend

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

2.8.3 Other

Other income is recognized when earned.

2.9 Staff retirement benefits

Provident fund

The company operates a contributory provident fund under a separate trust for all its permanent employees and contributions are recorded monthly in accordance with fund rules.

Gratuity fund

The company also operates unfunded gratuity scheme for its permanent employees under the terms of their appointments. Provision to cover this obligation is made annually and is calculated on the basis of last drawn gross salary and length of service of the employee.

2.10 Allowance for potential lease losses

The allowance for potential lease losses is made in accordance with prudential guidelines for provisioning for non-performing assets given in the Leasing Rules, 2000.

3. LONG TERM LOANS

NOTE

2002
RUPEES2001
RUPEES

Bankers Equity Ltd.		1,906,400
Less: Current portion	-	1,906,400
	-	-

	NOTE	2002 RUPEES	2001 RUPEES
4. CERTIFICATES OF INVESTMENT			
Certificates of investment		65,065,000	77,537,358
Less: Current portions shown under current liabilities	8	62,115,000	71,262,358
		2,950,000	6,275,000

4.1 The Company has a scheme of Registered PLS Certificates of Investment (COI) for raising funds directly from local resources. These certificates have been issued for maturity periods of three months to five years with the facility of pre-mature encashment after minimum three months. The return on these certificates is ranging from 12 percent to 26 percent per annum depending upon the period of maturity.

4.2 Securities and Exchange Commission of Pakistan (SECP) has vide its letter No. SC/LES-ED(SC)/296/2001 dated May 18, 2001 suspended the license of the company to issue COI with immediate effect. It further states that unless the company obtains an investment grade credit rating the company is advised neither to issue any new COI's nor roll over the existing COI's deposits upon maturity.

4.3 Subsequent to the suspension of license for issue of COI, the company has issued a COI to an individual. However, the COI is interest free and issued as collateral against lease facility disbursed to the individual.

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASES

The aggregate future minimum lease payments to which the company is committed under the various lease agreements and the periods, in which they will become due, are as follow;

	2002			2001		
	Minimum lease payment	Financial charges	Principal	Minimum lease payment	Financial charges	Principal
Due not later than one year	592,928	67,122	525,806	1,119,660	334,517	785,143
Due later than one year but not later than five years	301,798	20,948	280,850	1,893,355	228,950	664,405
	894,726	88,070	806,656	3,013,015	563,467	' 2,449,548

5.1 The company has acquired vehicles under lease agreements from Orix Leasing. The installments are payable monthly commenced on various dates. Financing rates ranging from 19 to 22 percent per annum have been used to arrive at constant periodic financial charge over the term of leases.

	Notes	2002 Rupees	2001 Rupees
6. LONG TERM DEPOSITS			
Security deposits		5,429,741	16,981,452
Less: Current portion shown under current liabilities	8	1,460,828	8,601,908
		3,968,913	8,379,544

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

7. REDEEMABLE CAPITAL - Musharika arrangement (Non participatory - Unsecured)

This represents following overdue musharika investments:

	2002 Rupees	2001 Rupees	Rate of markup	Mode of payment
Financial Institutions	22,336,211	22,336,211	%	21 Half yearly
Others	5,024,082	5,200,000		14 Maturity
	27,360,293	27,536,211		

NOTE	2002 RUPEES	2001 RUPEES
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8. CURRENT PORTION OF LONG TERM LIABILITIES

Long term loans	3	-	1,906,400
Certificates of investment	4	62,115,000	71,262,358
Long term deposits	6	1,460,828	8,601,908
		63,575,828	81,770,666

	NOTE	2002 RUPEES	2001 RUPEES
9. FINANCE UNDER MARK-UP ARRANGEMENTS			
Running finance			
Bank of Khyber		2,500,000	5,000,000
English Leasing Limited		2,500,000	2,500,000
Trust Investment Bank Limited		-	9,900,000
		5,000,000	17,400,000

9.1 These represent various fully utilized finance facilities from financial institutions under mark-up arrangements. These facilities carry markup ranging from 16% to 21% and are secured by way of hypothecation of leased assets valuing Rupees 6.3 million. The finance from Bank of Khyber is payable in equal quarterly installment upto October 31, 2002. However, the facility from English Leasing Limited matured on April 2000.

10. ACCRUED AND OTHER LIABILITIES

Accrued expenses	1,379,408	521,606
Due to LTV Capital Modaraba	117,625	-
Accrued financial charges		
- Secured	11,468,696	11,693,946
- Unsecured	17,426,633	12,263,019
Tax deducted at source	773,199	795,217
Payable to provident fund	1,037,538	225,174
Payable to lessees	312,194	681,206
Unclaimed dividend	400,946	400,946
Others	2,245,636	2,250,555
	35,161,875	28,831,669

11. CONTINGENCIES

The Deputy Commission of Income Tax has levied tax on account of non deduction of withholding tax amounting to Rs. 586,114, Rs. 2,954,938 and Rs. 1,517,136 for the assessments years 1994-96 and 1996-97 respectively and imposed additional tax of Rs. 407,501, Rs. 1,391,411 and Rs. 486,814 for non deductions for the said years respectively. The management has filed appeals with Appellate Authority who, on production of evidence of deduction of withholding tax, has set aside the appeal, pending outcome of the matters, no provision has been made in these financial statement for the demand raised as the management is confident that the outcome of the case will be in favour of the company.

12. TANGIBLE FIXED ASSETS

	COST			DEPRECIATION			Written down value as at June 30, 2002	Depreciation rate per annum %
	As at July 01, 2001	Additions/ (deletions) during the year	As at June 30, 2002	As at July 01, 2001	on disposals	For the year		
OWNED								
Leashold improvements	2,654,425	52,606	2,707,031	498,432		266,758	765,190	10
Electric and gas fittings	122,286		122,286	62,714		12,228	74,942	10
Equipment	3,117,536	26,010 (8,500)	3,135,046	2,318,689	(1,700)	340,968	2,657,957	20
Furniture and fixtures	773,067	16,400	789,467	442,474	-	78,537	521,011	10
Vehicles	3,380,867	(578,000)	2,802,867	1,962,306	(496,100)	46,550	1,512,756	20
	10,048,181	95,016 (586,500)	9,556,697	5,284,615	(497,800)	745,041	5,531,856	
LEASED								
Vehicles	2,961,000	(1,252,000)	1,709,000	390,984	(155,134)	457,167	693,017	20
	2,961,000	(1,252,000)	1,709,000	390,984	(155,134)	457,167	693,017	
2002	13,009,181	95,016 (1,838,500)	11,265,697	5,675,599	(652,934)	1,202,208	6,224,873	5,040,824
2001	7,523,838	7,021,843 (1,536,500)	13,009,181	4,355,002	(75,608)	1,396,205	5,675,599	7,333,582

12. DISPOSAL OF FIXED ASSETS

Accumulated	Book	Sale
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Particulars	Cost	depreciation	value	proceeds	Profit(loss)	Mode	Particulars of buyer
Suzuki Mehran	273,000	191,100	81,900	230,000	148,100	Auction	Mr. Akhtar Saleem
Toyota Corolla	685,000	22,834	662,166	623,122	(39,044)	Auction	Mr. Altaf Malik
Toyota Coure	305,000	305,000	-	30,500	30,500	Negotiation	Mr. Dabeer Ahmad (Employee)
Mobile Phone	8,500	1,700	6,800	3,200	(3,600)	Negotiation	Mr. Kashif Ali
Suzuki Cultus	567,000	132,300	434,700	450,000	15,300	Auction	Mumtaz Enterprises (Pvt) Ltd.
	1,838,500	652,934	1,185,566	1,336,822	151,256		

NOTE	2002 RUPEES	2001 RUPEES
13. NET INVESTMENT IN LEASES		
Minimum lease rentals receivable	62,759,562	81,440,364
Add: Residual value of leased assets	5,259,245	16,526,171
Gross investment in lease	68,018,807	97,966,535
Less: Unearned finance income	21,894,789	18,060,877
Net investment in leases (note 13.1)	46,124,018	79,805,658
Less: Current portion of net investment in leases	7,817,975	37,048,556
	38,306,043	42,857,102

13.1 Net Investment in leases

	2002				2001			
	Not later than one year	Later than one year and less than five year	Later than five years	Total	Not later than one year	Later than one year and less than five year	Later than five years	Total
Leases rentals receivable	13,401,200	44,327,672	5,030,690	62,759,562	40,055,104	41,385,260	-	81,440,364
Add: Residual value of leased assets	1,460,828	2,517,439	1,280,978	5,259,245	8,673,508	7,852,663	-	16,526,171
Gross Investment in lease	14,862,028	46,845,111	6,311,668	68,018,807	48,728,612	49,237,923	-	97,966,535
Less: Unearned lease income	7,044,053	14,547,285	303,451	21,894,789	11,680,056	6,380,821	-	18,060,877
Net investment in lease	7,817,975	32,297,826	6,008,217	46,124,018	37,048,556	42,857,102	-	79,905,658

13.2 The Company's exposure to Syed Bhais Lighting Limited exceeds 20% of its net investment in leases which is in contradiction to the requirement of the Leasing Companies (Establishment & Regulation) Rules, 2000. However over-run in exposure was due to subsequent re-scheduling including overdue interest of lease facility.

NOTE	2002 RUPEES	2001 RUPEES
14. LONG TERM INVESTMENTS		
- Available for Sale		
Government securities	-	2,000,000
Investment in shares	3,341,905	14,032,100
	3,341,905	16,032,100

NOTE	2002 RUPEES	2001 RUPEES
14.1 Shares of listed companies		
Bankers Equity Limited		
810,810 ordinary shares of Rupees 10 each	15,152,602	15,152,602
Nimir Industrial Chemicals Limited		
1,578,520 ordinary shares of Rs. 10 each		
Issued at a discount of 60%	6,314,080	6,314,080
Medi Glass Company Limited		
115,612 (2001:117,562) ordinary shares of Rupees 10 each	739,917	752,397
	22,206,599	22,219,079
Associated undertakings		
Modaraba certificates - listed		
Long Term Venture Capital Modaraba (Managed by National Technology Development Corporation Limited)		
444,451 (2001:445,237) certificates of Rupees 5 each	5,059,447	5,068,395
Shares unlisted companies		
Asian Housing Finance Limited		

(Formerly LTV Housing Finance Limited)

2002: Nil (2001 : 1,250,000 ordinary shares of Rupees

10 each) (Chief Executive: Mr. Junaid Khan Khakwani)

[Shares in equity of the investee company is 2002 : Nil

(2001 : 27%)]

Cost	27,266,046	39,787,474
Less:		
- Net adjustment to reflect adoption of IAS 39 (r2000)	23,924,141-	
- Provision for diminution in value of investments	-	25,755,347
Fair value	3,341,905	14,032,100

14.2.1 The aggregate market value of listed companies at the end of financial year amounted to Rs. 3,097,457

(2001:Rs307,902).

14.2.2 The aggregate market value of listed modaraba certificates at the end of financial year is Rs. 244,448

(2001 : Rs 222,619).

14.2.3 The aggregate break-up value of unlisted investment at the end of financial year is Rs. Nil (2001 :

Rs 7,187,500).

NOTE	2002 RUPEES	2001 RUPEES
14.3 Fair value computation		
On July 01, 2001		
- As originally stated at cost	39,787,474	
- Adjustment to reflect adoption of IAS 39 (r2000)	(25,755,374)	
As restated to reflect fair value as at July 01, 2001	14,032,100	
Disposed off during the period	(7,187,500)	
Decrease in fair value	(3,502,695)	
	3,341,905	

15. CURRENT PORTION OF NET INVESTMENT IN LEASES

NOTE	2002 RUPEES	2001 RUPEES
Current portion of net investment in leases	7,817,975	37,048,556
Overdue portion of net investment in leases	83,985,974	85,185,979
Less : Allowance for potential lease losses	(43,367,035)	(28,085,643)
	40,618,939	57,100,336
	48,436,914	94,148,892

16. SHORT TERM INVESTMENTS

- Held for trading

Shares in quoted companies

ICI Limited

50,000 ordinary shares of Rs. 10 each

Japan Power Limited

80,000 ordinary shares of Rs. 10 each

Muslim Commercial Bank Limited

35,000 ordinary shares of Rs. 10 each

Less : Provision for diminution in value of investments

The aggregate market value of listed companies at the end of financial year amounted to Rs Nil (2001 : Rs 1,607,250)

NOTE	2002 RUPEES	2001 RUPEES
17. OTHER RECEIVABLES		
Due from associated undertakings	17.1 1,811,593	822,752
Profit accrued on leases	1,527,335	2,234,481
Receivable from Bankers Equity Limited	17.2 24,097,470	23,862,562
Receivable from Nimir Industries Chemicals Limited	17.3 49,899,829	42,556,855
Excise duty receivable	2,469,961	2,480,293
Other	1,631,635	629,307
	81,437,823	72,586,250
Less : Provision for doubtful debts	25,274,917	
	56,162,906	72,586,250

17.1 This represents receivable from the following associated undertakings.

Receivable from Asian Housing Finance Limited (formerly - LTV Housing Finance Limited)		1,515,499	-
LTV Capital Modaraba	17.1.1	-	722,752
First Interfund Modaraba	17.1.1	269,094	100,000
		1,811,593	822,752

The aggregate maximum balance due from associated undertakings at the end of any month during the year ended June 30, 2002 was Rs 2.813 million (2001 : Rs 0.8 million).

17.1.1 This represents receivables on account of share of common expenses.

17.2 The balance is net of certain inter company transactions and adjustments as agreed in principle in a meeting of the company's management with BEL's Executives on May 20, 2000.

17.3 This represents amount receivable from Nimir Industries Chemicals Limited against lease finance as per MOD between Nimir and syndicate members.

18. CASH AND BANK BALANCE

Cash in hand		10,000	5,342
Cash with banks on current accounts with :			
• State Bank of Pakistan	18.1	-	494,000
- commercial banks		2,368,314	185,563
on deposit accounts		610,803	1,509,910
		2,989,117	2,194,815

18.1 This includes two accounts freed by tax authorities aggregating to Rs. 67,963.

NOTE	2002 RUPEES	2001 RUPEES
19. INCOME FROM LEASE OPERATION		
Lease income	13,957,617	26,107,336
Front end and documentation fee	1,512,429	2,358,281
	15,470,046	28,465,617
20. OTHER INCOME		
Income from government securities	158,329	102,776
Income from investments in shares / certificates	52,781	25,014
Return on bank deposits	42,451	316,472
Gain on disposal of fixed assets	151,256-	
Other income	58,326	24,192
	463,143	468,454
21. ADMINISTRATIVE AND OPERATING EXPENSES		
Salaries, allowance and other benefits	7,410,883	8,720,589
Rent, rates and taxes	2,569,820	2,652,011
Travelling and conveyance	1,246,358	1,553,068
Electricity, gas and water	552,018	351,547
Advertisement	167,794	67,654
Printing, stationery and supplies	343,787	602,191
Postage and courier	78,325	62,731
Telephone and fax	906,926	420,680
Newspapers, books and magazines	18,345	17,565
Fees and subscriptions	637,928	1,009,305
Entertainment	71,587	203,481
Depreciation	1,202,208	1,396,205
Insurance	744,870	872,525
Repair and maintenance	444,533	248,730
Legal and professional	626,584	725,113
Auditor's remuneration	21.1	143,950
Miscellaneous	97,047	76,203
	17,262,963	19,137,198

NOTE	2002 RUPEES	2001 RUPEES
21.1 Auditors' remuneration		
Statutory Audit fee	60,000	50,000
Special Audit fee	50,000	-
Other services	-	75,000
Out of pocket	33,950	32,600

	143,950	157,600
22. FINANCIAL AND OTHER CHARGES		
Financial charges		
Mark-up on long term loans	2,132,968	3,084,003
Return on certificates of investment	1,471,511	2,720,883
Lease financial charges	274,554	161,873
Mark-up on short term finances	6,023,491	8,651,954
Bank charges	74,674	63,260
	9,977,198	14,681,973
Other charges		
Receivables written off		3,110,257
Loss on disposal of investments	776,982	-
Loss on disposal of fixed assets	-	55,992
	10,754,180	17,848,222
23. PROVISION FOR TAXATION		
Current		
- for the year	112,000	142,361
- for prior years	2,075,000	-
Deferred	1,437,320	4,678,560
	3,624,320	4,678,560

23.1 Provision for current year taxation for the year represents minimum tax at half percent on turnover of the company.

23.2 The deferred debit balance of Rs 22,560,309 (2001 : Rs 2,647,860 credit balance) not accounted for as it is unlikely to reversal in foreseeable future. However, in accordance with the Circular No. 16 issued by Securities and Exchange Commission of Pakistan, an amount of Rs 1,437,320 being remaining balance (2001: Rs. 4,536,199) has been transferred to capital reserve under "Reserve for deferred tax liability".

	NOTE	2002 RUPEES	2001 RUPEES
24. EARNING PER SHARE -Basic and diluted			
Loss after taxation (Rupees)		(53,985,360)	(17,653,012)
Number of shares outstanding during the year		10,000,000	10,000,000
Earnings per share basic and diluted (Rupees)		(5)	(2)

25. CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES REMUNERATION

The aggregate amount charged in the account for the year for remuneration, including all benefits to the chief executive, director and executives of the company is as follows:

	CHIEF EXECUTIVE		DIRECTOR		EXECUTIVES	
	2002	2001	2002	2001	2002	2001
Remuneration	1,299,359	1,145,306	640,416	693,954	1,936,530	1,254,585
Leave passage	85,620	359,435	55,968	42,120	99,828	78,895
Perquisites	418,692	343,696	204,792	236,094	298,600	385,909
Retirement benefits fund	93,984	91,524	53,772	124,303	187,893	204,780
Rupees	1,897,655	1,939,961	954,948	1,096,471	2,522,851	1,924,169
Number	1	1	1	1	4	5

25.1 In addition, the chairman/chief executive, one director has also been provided free use of company's vehicles.

25.2 No amount is paid to director during the year for attending meetings of Board of Directors (2001 : Rs. 15,000 for 2 directors)

26. 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 party to incur a financial loss. The company attempts to control credit risk by monitoring credit exposures, limiting transaction with specific counter parties and continuously assessing the credit worthiness of counter parties.

The company 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 rises when number counterparties are engaged in similar business activities, or have similar economic feature that would cause their ability to meet contractual obligation as a result of changes in economic conditions.

Detailed industrial sector wise analysis of lease portfolio is given below :

SECTOR	EXPOSURE	
	Amount in Rupees	Percentage
Textile	738,511	1.6
Electrical, engineering and allied	34,866,882	76
Chemical and pharmaceuticals	188,613	0.4
Food and allied	2,271,346	5
Others	8,058,666	17
	46,142,018	100

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount at which an asset could be exchanged or liability settled between knowledgeable willing parties in an arms length transaction. The carrying value of financial assets and liabilities approximates their fair values as reflected in respective notes to accounts.

28. INTEREST/MARKUP RATE RISK MANAGEMENT

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

	Mark-up bearing			Non-markup bearing			Total
	Maturity upto one year	Maturity Afttr one year	Sub-Total	Maturity upto one year	Maturity Afttr one year	Sub-Total	
Financial assets							
Net investment in leases	48,436,914	38,306,043	86,742,957	-	-	-	86,742,957
Long term investments	-	-	-	-	3,341,905	3,341,905	3,341,905
Long term deposits	-	-	-	-	637,570	637,570	637,570
Advance to employees	-	-	-	1,096,639	-	1,096,639	1,096,639
Other receivables	-	-	-	53,692,945	-	53,692,945	53,692,945
Cash and bank balances	610,803	-	610,803	2,378,314	-	2,378,314	2,989,117
	49,047,717	38,306,043	87,353,760	57,167,898	3,979,475	61,147,373	148,501,133
Financial liabilities							
Certificate of investment	62,115,000	2,950,000	65,065,000	-	-	-	65,065,000
Obligation under finance leases	525,806	280,850	806,656	-	-	-	806,656
Redeemable capital under markup	27,360,293	-	27,360,293	-	-	-	27,360,293
Running finance	5,000,000	-	5,000,000	-	-	-	5,000,000
Accrued and other liabilities	-	-	-	32,835,640	-	32,835,640	32,835,640
	95,001,099	3,230,850	98,231,949	32,835,640	-	32,835,640	131,064,000
On balance sheet gap (a)	(45,953,382)	35,075,193	(10,878,189)	24,332,258	3,979,475	28,311,733	17,433,544
Cumulative interest rate sensitivity gap, 2002 Rupees	(45,953,382)	35,075,193	(10,878,189)				

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

	2002 %	2001 %
FINANCIAL ASSETS		
Net investment in leases	14-44	14-45.82
Long term investments	-	14
Cash with bank	8-12.5	8-12.5
FINANCIAL LIABILITIES		
Certificates of investments	12-26	12-26.18
Long term loans	-	21.5-23.5
Liabilities against assets subject to finance lease	19-22	19-22
Finance under mark up arrangements	16-21	16-21

29. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	2002 Rupees	2001 Rupees
Expenses charged by/(to) ILCL (Rupees)	1,857,581	(685,344)

30. NUMBER OF EMPLOYEES

The average number of employees during the year were 18 (2001 : 20).

31. GENERAL

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

Particulars	No. of Shareholders	Share holding
Associated Companies		
First Interfund Modaraba	1	178,900
Long Term Venture Capital Modaraba	1	2,125,200
Asian Housing Finance Ltd. (Formerly LTV housing Finance Ltd.)	1	292,500
NIT AND ICP		
Investment Corporation of Pakistan	1	5,600
Directors, CEO and their Spouse		
Abdus Samad Khan		
Nominee - Saudi Pak Industrial & Agricultural Inv. Co. Ltd.	1	1,000,000
Muhammad Younus Khan	1	500
Major (Retd.) Azam Khan	1	500
Saiyed Hashim Ishaq	1	500
Jameel-ur-Rehman	1	500
Abdul Quddus Siddiquie	1	500
Mohammad Majid Ahmad Jhumra	1	500
Banks, DFIs, NBFIs, Insurance, Modaraba etc.		
Bank	1	50,000
Financial Institutions	9	2,072,200
Individuals	309	1,615,900
Insurance Companies	3	56,000
Joint Stock Companies	4	2,106,200
Modaraba Companies	4	494,500
Total	341	10,000,000

Shareholders holding ten percent or more voting interest

Particulars	%age	Shares
Long Term Venture Capital Modaraba	21.25%	2,125,200
Bankers Equity Ltd.	17.86%	1,786,100
Saudi Pak Industrial & Agricultural Investment Company Ltd.	10.00%	100,000