Pak-Gulf Leasing Company Limited

Annual Reports 2002

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Company Information

Board of Directors

Mr. Sohail Inam Ellahi	Chairman
Mr. Fawad S. Malik	Vice Chairman
Mr. A. B, Shahid	M.D, & CEO
Mr. Inam Ellahi Shaikh	Director
Mr. Shaheed H. Gaylani	Director
Mr. Shaikh Aftab Ahmed	Director
Mr. Sheikh Mohammad Jawed	Director
Mr. Yousuf Jan Mohammad	Director

Auditors
M/s. Taseer Hadi Khalid & Company
Chartered Accountants
Sheikh Sultan Trust Building No. 2,
Beaumont Road,
Karachi.
Tel # : 5671761-3, 5685847
Fax # : 5685095

Company Secretary
Mr. S. Azfar Ali Baqvi

Audit Committee

Mr. Sohail Inam Ellahi	Chairman
Mr. Fawad S. Malik	Member & Secretary
Mr. Shaikh Aftab Ahmed	Member
Mr. Sheikh Mohammad J	Member

Senior Management
Mr. A. B. Shahid
Managing Director & Chief Executive

Mr. S. Azfar Ali Baqvi
Chief Accounting Officer

Mr. Sheikh M. Asghar
Chief Manager Marketing

Mr. S. Farhan Abbass
Manager Marketing

Credit Rating Agency
JCR-VIS Credit Rating Co. Ltd.

Entily rating:
- BBB for medium to long term
- A-3 for short term
- outlook stable

Legal Advisor
M/s. Mohsin Tayebaly & Company
2nd Floor, Dime Centre,
BC-4, Block # 9, Kehkashan, Clifton,
Karachi.
Tel #: 538077, 571653, 5872690
Fax #: 5870240, 5870468

Bankers
ABN AMRO Bank N.V.
Askari Commercial Bank
Bank AI-Falah Ltd.
Muslim Commercial Bank Ltd.
National Bank of Pakistan.
PICIC Commercial Bank Ltd.
Standard Chartered Grindlays Bank pie
Union Bank

Registered / Share Transfer Office
Pak-Gulf Leasing Company Limited
THE FORUM:
Room # 125-127, First Floor,
G-20, Block # 9, P. 0. Box # 12215,
Main Khayaban-e-Jami, Clifton,
Karachi-75600.
Tel #: 5820301, 5820965, 5820966, 5824401
Fax #: 5820302
E-mail: pgl@cyber.net.pk

Mission Statement

The Company will:
Aim to gain the confidence of all its stakeholders by earning a credible reputation for being an innovative enterprise that is prepared to change in the best interests of its stakeholders.

Continually monitor structural changes in the various sectors of the economy, and accordingly alter the Company's busi ness strategy to benefit from the emerging opportunities.

Focus on changing customer needs and strive to improve tangible and intangible returns to its customers by providing service and satisfaction at par with the best in the industry, which would be reflected in prompt risk evaluation and facility disbursement procedures and practices.

Consciously share, and remain part of all initiatives by the leasing industry to play a positive role in the evolution of small and medium size enterprises to expand the country's indus trial base and support economic growth, higher employment, and a better future for all.

Notice of Annual General Meeting

Notice is hereby given that the 9th Annual General Meeting of Pak-Gulf Leasing Company Limited, will be held at the Company's Registered Office at THE FORUM, Room Nos. 125 - 127, First Floor, G-20 Block # 9, Main Khayaban-e-Jami, Clifton, Karachi-75600, on Saturday, October 26, 2002 at 03.30 p.m. to transact the following business:

Ordinary Business

1) To Confirm the minutes of the 8th Annual General Meeting held on December 29, 2001.

2) To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2002 together with Director's and Auditors' Report thereon.

3) To consider and pass the following resolution:

"Resolved that 3,000,000 Right Shares of Rs. 10 each amounting to total par value of Rs. 30,000,000 million be issued by the company at a discount of 30% (discount of Rs. 3 per share), subject to the company obtaining requisite SECP approval. Subject to availability of SECP approval for flotation of the Right Shares, the Right Shares' entitlement of the members will be determined on the basis of their shareholding as on Friday, October 18, 2003."

4) To appoint External Auditors of the company for the year July 01, 2002 to June 30, 2003 and fix their remuneration. The present Auditors M/s. Taseer Hadi Khalid & Company, Chartered Accountants retire, and being eligible, offer themselves for re-appointment.

5) To transact any other business with the permission of the Chair.

By order of the Board

Syed Azfar Ali Baqvi

Company Secretary

Karachi: September 30, 2002

Notes:

1. The Share Transfer Register of the Company will remain closed from October 19, 2002 to October 26, 2002 (both days inclusive) and no transfer of shares will be made during the period the Register is closed.

2. A member entitled to attend, speak, and vote at the Company's General Meeting is entitled to appoint a proxy to attend, speak, and vote on his/her behalf. A company or corporation may, by means of a resolution of its Board of Directors appoint a person as its proxy, who is not a Member of the Company. A proxy must, however, be a member of the Company that appoints him/her as its proxy. Proxy Forms can be obtained from the Registered office of the Company.

3. An instrument of proxy and the power of attorney or other authority, if any, under which it is signed or, in order to be valid, notarially certified copy of the power of attorney must be deposited at the Registered Office of the Company not less than 48 hours before the time of the General Meeting.

4. Members are requested to notify changes in their address, if any, to the Company's Share Transfer Office at THE FORUM, Room Nos. 125 - 127, First Floor, G-20, Block # 9, Main Khayaban-e-Jami, Clifton, Karachi-75600.

Directors' Report

Dear Shareholders,

We are pleased to present to you the 6'" Annual Report of the company for the year ending 30'" June 2002.

Review of operations

During the year under review, balance sheet footing of your company rose from Rs.187.8 million in 2000-01 to Rs. 264.7 million reflecting 40.9% growth. During the year, 138 fresh leases worth Rs. 119.8 million were written. Besides the leases, at the close of the year, the company also had on its books advance payments against leases amounting to Rs. 12.53 million. Together with the leases written, the business booked during the year amounted to Rs. 132.3 million compared to 109 leases amounting to Rs. 96 written last year reflecting a rise of 37.8% in overall business. After accounting for leases maturing during the year, the net lease portfolio expanded from Rs.162 million in 2000-01 to Rs. 209.5 million representing a rise of 29.3%. Gross revenue for the year amounted to Rs. 25.6 million representing 3.0% increase over last year, and 3.64% rise in pre-tax profit compared to 1.45% last year.

Results	**30-Jun-02**	**30-Jun-01**
Revenue	25,605	24.857
Expenditure	11,088	10.852
Profit before taxation & provision for lease losses	14,516	14.005
Provision for possible lease losses	1,047	-

Provision for taxation	1,702	2.324
Profit after taxation	11,767	11.681
Un-appropriated profit brought forward	9,693	0.348
Adjustment due change in accounting policy	30.7 —	
Profit available for appropriation	21,491	12,029
Appropriations:		
Transfer to statutory reserves	2,353	2,336
Transfer to Reserve for Issue of Right Shares	18.1 -	
Total appropriations	20,453	2,336
Un-appropriated profit carried forward	**1.038**	**9.693**

Directors' Report

Administrative Expen"-

Although growth in pre-tax profit was higher compared to the last year, the primary reason for low growth in profit ability was the fact that company performance during the first and second quarters was marred by the general slump in the economy made worse by the events of September 11, 2001. However, it bounced back significantly and 91.77% of the business for the year was booked in the last two quarters. It is worth mentioning that the present Chief Executive took over charge from his predecessor in Sep tember 2001. The momentum generated in the last two quarters has put the company on a sound footing. Based on our current form as well as the hope that the economic downturn will not become more severe than it is, the com pany should register much higher growth in business next year.

The fact that the company maintained its post-tax profit slightly above last year's level is significant in view of the fact that, out of abundant caution, this year your company has cre ated a General Provision of over Rs. 1.047 million for any future lease losses. Besides, much higher level of business activity in the second half of the year resulted in increased outlay on utilities, communications, transport, administra tion and maintenance. The cost impact was accentuated by the recent increases in utility charges. Finally, additional expenses were incurred on floatation of Right Shares. It is therefore significant that in spite of adverse business sen timent and additional expenses, the company improved its post-tax profit. Equally important is the fact that expansion in leasing portfolio was achieved at an improved rate of profitability despite aggressive entry by Commercial Banks in the leasing business. In these trying times, however, your company's management has kept in perspective the need to ensure the health of its portfolio by concentrating on sectors in which it has leasing expertise.

Your company continues to follow a judicious credit policy and observes close monitoring procedures to contain the incidence of over due rentals. The result of this cautious approach is reflected in the good health of the lease port folio of your company.

The economy in 2001-02

Investment growth remains slow as investors are still get ting to grips with the fiscal disciplinary reforms the govern ment introduced during the last two years. They are also taking their time in adjusting to the frequent interest rate fluctuations, which they were not used to. GDP growth, and a pronounced revival of investor confidence have therefore not been visible. A clear indication of that was the consis tent fall in consumer imports throughout the year under review, and low growth in the large-scale manufacturing sector. Tight fiscal discipline resulted in lower public sector investment, and impacted downstream private sector investment growth.

This trend also reduced consumer purchasing power and
caused a consequent decline in demand.

Low private sector investment growth had an understandable adverse impact on the leasing sector. While industrial asset leasing rose slightly because of imports of plant and equipment, bulk of the growth was in vehicle leasing, a large part of which was accounted for by vehicle price increases, not as much in the number of units leased because the aggressive vehicle leasing posture of commercial banks squeezed the share of leasing companies in this sector aside from the unhealthy market practices it gave rise to prompting the government to reduce duty on import of used vehicles.

Future prospects for the economy

Pakistan is slowly recovering from the adverse impact of the Afghan war, which is reflected in the continuing uncertainty in the business sector. Pressure on the external sector has been offset partly by re-sched uling/re-profiling of external debt, as also the stabilization of the exchange value of the Rupee. Sec ondly, to support the industry as a whole, SBP has rapidly cut the Discount Rate, which initially was too rapid for the financial services sector to transmit down the line given Pakistan's decades old culture of borrowing and lending on fixed-rates. It may have a positive impact on the investment climate if the culture of borrowing and lending on floating rates gains credibility.

Rapid cuts in the Discount Rate between October 27, 2001 and January 22, 2002 totaling 3% initially, proved destabilizing for the financial sector as a whole, especially the leasing sector. In the wake of this development, while lessees expected an equally rapid fall in IRR, leasing companies found it hard to raise funds to finance leases at rapidly falling rates. During this trying period, advantage was clearly shifted to the big banks, and not surprisingly, during this period they launched ambitious leasing cam paigns.

Given their high cost structures, commercial banks are still finding it hard to lend to the corporate sector at rates that can afford them the high spreads they need to remain profitable. A logical response of the corporate sector has been a surge in the issue of TFCs to avoid the high intermediation costs of the banking sector. Quite understandably therefore, there has been a visible shift to high yield consumer finance business by the banking industry. Most commercial banks are gearing themselves up to serve this market. Given their large networks, they should be able to do so with reasonable success, and may help lift the sagging consumer demand.

The permission allowing banks to undertake consumer financing will shift the major share of this market to the banking sector thereby forcing the leasing sector to strive for a bigger share in equipment fi nancing. Pending their privatization, the shrinking role of DFIs is also forcing the industrial sector to look to the leasing companies for financing its high-ticket plant and equipment needs - a void the leasing sector may be able to fill only partially given its present equity and resource base. Besides, it calls for familiarity with the sourcing, supply, demand, and pricing of a wider variety of industrial technology, and adopting a more sophisticated approach to risk assessment necessitating a shift in the risk as sessment profile of the leasing sector. It remains to be seen how successfully the leasing sector responds to this challenge.

Profit rates on deposits may not continue to fall given their impact on small savers. Your company's management therefore intends to benefit from the current lower rates to expand its business base through competitive pricing. It is confident that in spite of the visible prospects of lower economic growth, and competition from the banking sector that is most likely to stiffen, your company will do well in the ensuing financial year.

Dividend Policy

The Directors have come to the conclusion that in order to expand the operations of the company, it is imperative that the company retains its post-tax profits to expand its equity base. Accordingly, the Directors propose to transfer R.s 18.100 million of un-appropriated profit to the "Reserve for Issue of Bonus Shares". In doing so, it will also ensure fulfilling the SECP requirement of raising Company equity to Rs. 200 million within the current year, and be positively in a position to declare a handsome dividend next year.

Equity Enhancement

The understanding reached with Securities & Exchange Commission (SECP) provided for enhancing Company equity to Rs. 200 million in two phases. Last year, your Company successfully floated Right Shares with a face value of Rs. 40,000,000 at a discount of 30%. Subscription to these shares was completed on May 10, 2002. In the second phase, it is proposed to float 3,000,000 Right Shares with a face value of Rs. 30,000,000 at a discount of 30%. In response to our request to this effect, SECP have sought certain clarifications subject to the satisfactory provision of which the request may be approved. With the floatation of the second tranche of Right Shares, and together with the Statutory Reserves and the profits retained in the Reserve for Issue of Bonus Shares, your Company will fulfill the requirement of raising its equity to Rs. 200 million as soon as formalities relating to floatation of the proposed Rights

Issue are completed. Given the increase, in its equity, and continued availability of requisite lines of credit from its valued bankers, your company should be able to substantially increase its lease portfolio and profitability in the coming financial year.

Credit Rating

JCR-VIS has revised upwards the entity rating of your company to BBB for medium to long-term outlook, and A-3 for the short-term. The outlook of these rating has been classified as stable. A positive outlook had been assigned to the ratings in March 2002 in view of the move to fulfill minimum capital requirement. JCR-VIS has noted with satisfaction the successful issuance of Right Shares in the first phase of the plan.

Statement in compliance with the Code of Corporate Governance

To the best of our knowledge and belief, we confirm correctness of the following information in compliance with Code No. XIX of the Code of Corporate Governance of the SECP:

Directors' Report

a. 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 account of the listed company have been maintained.

c. Appropriate accounting policies have been consistently applied in preparation of financial statements and the accounting estimates presented in the report are based on reasonable and prudent judgment.

d. IAS standards, as applicable in Pakistan, were followed in preparation of the financial statements, and there was no departure from these standards.

e. The system of internal control is sound in design, and has been effectively implemented and monitored. An Internal Audit Committee consisting of Mr. Sohail Inam Ellahi, Director & Chairman, Mr. Sheikh Muhammad Jawed, Director, and Mr. Shaikh AftabAhmed, Director, has been formed. Mr. Fawad S. Malik, Director & Vice Chairman will act as its Secretary.

f. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

g. Pattern of shareholding (name-wise as per the categories specified in the code of Corporate Governance) is included as an annexure at the end of the report.

h. Significant deviations from last year in operating results have been highlighted in the Directors' Report to the Shareholders along with the reasons thereof. The company has not declared dividend only for the years 2000-01 and 200I 02 nor issued bonus shares during these years because it made a commitment to the SECP that the profits for both these years will be retained in the Company in the Reserve for Issue of Bonus Shares until the Company equity is raised to Rs. 200 million. Before the end on the current calendar year, the Company would be able to raise its equity to Rs. 200 million. Once that target is achieved, the Company may, after approval by the SECP, issue Bonus Shares for the amount retained in the Reserve for Issue of Bonus Shares.

During the year under review, the significant change was the appointment of Mr. A.B. Shahid as Managing Directors CEO effective September 01, 2001. As far as expansion of the business of the company is concerned, details have been provided above under the heading Review of Operations. The company does not foresee any serious threats to its business except those outlined under the heading Future Prospects of the economy.

Key operating and financial data of last six years is summarized below:

Fin. Year	Total Assets	Net inv. in leases	Pre-tax Income	Net Income	Total Equity	Bank Borrowing
1997	110,998,340	67,772,892	6,029,963	5,934,263	105,934,263	-
1998	126,638,823	90,618,196	10,706,048	8,206,048	104,140,311	-
1999	134,335,219	113,867,736	12,603,526	10,355,026	104,995,337	-
2000	143,336,155	121,495,070	13,805,897	11,564,897	107,560,234	-
2001	187,775,027	161,979,589	14,005,441	11,681,241	119,241,475	28,055,554
2002	264,639,165	208,478,228	14,516,043	11,767,265	171,039,485	26,616,568

k. Six Board Meetings were held during the year under review. Only one Director resigned on personal grounds, and was immediately replaced by another Director. Details of Board Meetings and attendance by each Director are detailed below:

Particulars of the meeting	Directors	Meetings attended
60th Meeting on Aug 17, 2001	Mr. Sohail Inam Ellahi	6
61s1 Meeting on Oct 26, 2001	Mr. Fawad S. Malik	6
62nd Meeting on Dec 29, 2001	Mr. Inam Ellahi Shaikh	6
63rd Meeting on Feb 13, 2002	Mr. Yusuf Jan Muhammad	5
64th Meeting on Apr 19, 2002	Mr. Sheikh M. Jawed	5
65th Meeting on May 10, 2002	Mr. Shaheed H. Gaylani	3
	Mr. A.B. Shahid	6
	Mr. Habib Inam Ellahi*	1
	Mr. Shikh Aftab Ahmed**	3
	* Resigned in October 2001	
	** Joined in October 2001	

I. No statutory payment on account of taxes, duties, levies and charges was outstanding against the company as on June 30, 2002.

m. Value of company investment reported in the Balance Sheet and under Provident Fund as on June 30, 2002 was as follows:

Long-term investments represent: investment in:

- Federal Investment Bonds with a face value of Rs. 1,000,000. We believe that their book value represented their fair market value on June 30, 2002.

- National Investment Trust (NIT) Units with a face value of Rs. 200,200. As on June 29,

the quoted market value of these units was Rs. 173,030.
The figure of Rs. 484,000 reported under Provident Fund represents investment in Defence Saving Certificates. We believe that their book value represented their fair market value on June 30, 2002

Acknowledgements

The Board gratefully acknowledges the understanding and cooperation extended to the Company by the SECP in agreeing to a realistic timeframe for enhancement of the Company equity. We also gratefully acknowledge the co-operation and guidance extended to the Company by the State Bank of Pakistan and the other regulatory authorities. The Board also wishes to place on record its appreciation of the guidance provided by the Company's External Auditors. Last but not the least, we profusely thank our valued shareholders, bankers, and other financiers that provided us their support, and for reposing their confidence in us. We hope to continue to fulfill our commitments to them. The Board wishes to place on record its appreciation of the hard work and dedication shown by the management and all staff members of your company. The year under review was undeniably tough but they have performed extremely well.

A. B. Shahid

Managing Director &
Chief Executive Officer

Fawad S. Malik

Vice Chairman

Sohail Inam Ellahi

Chairman

Statement of compliance with the best practices of
The Code of Corporate Governance to the members

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37, (XIII) and 36 of listing regulation of Karachi, Lahore and Islamabad Stock Exchanges respectively for the purpose of establishing a framework of good corporate governance, whereby a listed company is managed in compliance with best practices.

The company applies the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive director on its Board and at present the Board includes at least two independent non-executives directors.

2. Non of the directors of the company are serving as a director in ten or more listed companies.

3. All of the resident directors of the company are registered as Taxpayers and none of them have defaulted in payment of any dues, to a banking company, a DFI or NBFI or stock exchanges.

4. The company is in the process of preparing a "Statement of E^'^""- "nd Business Practices" which shall be signed by all directors an employees of the cc

8. Arrangements are being made to carry out an orientation course for directors to apprise them of their duties and responsibilities,

9. The appointment of CFO and Company Secretary, including their remuneration and terms and conditions, are ratified by the Board.

10. The Directors report for this year has been prepared keeping in mind the requirements of the Code and fully describe the salient matters required to be disclosed.

11. The financial statements of the company have been duly endorsed by CEO and CFO.

12. The Directors do not hold any interest in the shares of the company other than that has already been disclosed in the pattern of shareholding.

13. An audit committee has been formed and it will meet at least once every quarter prior to approval of interim and final results of the company. The terms of reference of the committee have been formed and advised to the committee.

The auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they are not aware of any instances where shares of the Company are held by any of the partners of the firm, their spouses and minor children and that the firm and all its partners are compliant with International Federation of Accountants guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

For and on behalf of Board of Directors

A. B. Shahid
Managing Director &
Chief Executive Officer

Fawad S. Malik
Vice Chairman

Sohail Inam Ellahi
Chairman

Taseer Hadi Khalid & Co.
Chartered Accountants

RO.BoxNo.8517
Karachi 75530
Pakistan

First Floor, Telephone +92 (21) 568 5847
Sheikh Sultan Trust Building No. 2, Fax +92(21)5685095
Beaumont Road,
Karachi 75530 Pakistan

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 prepared by the Board of Directors ofPak Gulf Leasing Company Limited to comply with the Regulation No. 37, 36 and Chapter XIII of the Listing Regulations of the Karachi, Islamabad and Lahore Stock Exchanges respectively 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 statements 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.

We have audited the annexed balance sheet ofPak Gulf Leasing Company Limited as at 30 June 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, we report that:

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

b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the change as stated in note 2.4 with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2002 and of the profit, its 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 (XVIII of 1980).

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Balance Sheet
As at June 30, 2000

	Note	2002 Rupees	2001 Rupees
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			

	Note	2002	2001
Authorised capital			
20,000,000 ordinary shares of Rs. 10 each		**200,000,000**	**200,000,000**
Issued subscribed and paid up capital			
14,000,000 (2001: 10,000,000) ordinary shares 3 of			
Rs. 10 ach fully paid in cash		140,000,000	100,000,000
Statutory reserve		11,901,748	9,548,295
Reserve for bonus shares		18,100,000	—
Unappropriated profit		1,037,737	9,693,180
		171,039,485	**119,241,475**
DEFERRED TAXATION		7,976,258	6,689,500
LONG TERM LOANS	3	1,388,882	4,722,218
LIABILITY AGAINST ASSETS			
SUBJECT TO FINANCE LEASE	4	389,991	231,033
LONG TERM DEPOSITS	5	46,942,226	30,250,486
CURRENT LIABILITIES			
Current portion of liability against assets subject			
to finance lease		368,589	462,351
Current portion of long term loan		3,333,336	3,333,336
Short term loans	6	25,000,000	20,000,000
Short term finances under mark-up			
arrangements - secured	7	2,760,706	-
Accrued expenses and other liabilities	8	5,073,526	2,435,809
Unclaimed dividend		380,109	408,819
		36,916,266	26,640,315
		264,653,108	**187,775,027**

	Note	**2,002**	**2,001**
		Rupees	**Rupees**
TANGIBLE FIXED ASSETS	9	15,193,264	11,234,689
INVESTMENTS	10	1,173,030	1,108,680
DEFERRED COST	11	11,600,000	-
NET INVESTMENT IN LEASE			
FINANCE - secured	12	141,004,567	98,904,622
LONG TERM LOANS AND DEPOSITS	13	522,625	455,333
CURRENT ASSETS			
Current portion of net investment in leases		67,473,661	63,074,967
Advances, prepayments			
and other receivable	14	24,758,344	10,266,587
Cash and bank balances	15	2,927,617	2,730,149
		95,159,622	76,071,703
		264,653,108	**187,775,027**

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

Profit and Loss Account
For the year ended June 30, 2002

	Note	**2002**	**2001**
		Rupees	**Rupees**
Income from leasing operations	16	24,310,244	22,917,783
Other income	17	1,294,377	1,939,256
		25,604,621	24,857,039
Administrative and operating expenses	18	(8,760,061)	(8,077,804)
Financial charges	19	(2,328,517)	(2,773,794)
Provision for potential lease losses		(1,047,020)	-
Profit before taxation		13,469,023	14,005,441
Taxation	20		
- Current		(415,000)	(161,700)
- Deferred		(1,286,758)	(2,162,500)
		(1,701,758)	**(2,324,200)**
Net profit after taxation		**11,767,265**	**11,681,241**
Earnings per share	21	**1**	**1**

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

Cash Flow Statement
For the year ended June 30, 2002

	Note	2002 Rupees	2001 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		13,469,023	14,005,441
Adjustments for non cash items			
Depreciation		1,380,855	875,132
Amortization of deferred costs		400,000	—
Financial charges		2,328,517	2,773,794
Gain on re-measurement of investments		(33,605)	-
Profit on disposal of fixed assets		(91,118)	-
Provision for potential lease losses		1,047,020	—
		18,500,692	**17,654,367**
Changes in operating, assets/liabilities			
Advances, prepayments and other liabilities			
excluding advance income tax		(14,188,150)	1,318,275
Accrued expenses and other liabilities		3,028,218	768,119
Net investment in leases		(47,545,659)	(40,484,519)
Deposits from lessees		16,691,740	10,152,668
Long term loans and deposits		(67,292)	90,318
		(42,081,143)	(28,155,139)
Cash used in operations		(23,580,451)	(10,500,772)
Financial charges paid		(2,618,691)	(1,898,352)
Taxes paid		(718,607)	(1,663,737)
		(3,337,298)	(3,562,089)
Net cash flow from operating activities		(26,917,749)	(14,062,861)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(4,813,312)	(4,885,670)
Proceeds from disposal of fixed assets		169,000	—
Net cash flows from investing activities		(4,644,312)	(4,885,670)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(28,710)	(8,595,574)
Proceeds from issue of right shares		28,000,000	-
Proceeds from borrowings		5,000,000	30,000,000
Repayment of long term loan		(3,333,336)	(1,944,446)
Repayment of liability against assets subject to finance lease		(639,131)	(661,078)
Cash flows from financing activities		28,998,823	18,798,902
Net decrease in cash and cash equivalents		(2,563,238)	(149,629)
Cash and cash equivalents at beginning of the year		2,730,149	2,879,778
Cash and cash equivalents at the end of the year 22		**166,911**	**2,730,149**

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

Statement of Changes in Equity
For the year ended June 30, 2002

	Share Capital	Statutory Reserve	Reserve for Bonus Shares	Unappropriated Profit	Total
Balance as at 30, June 2000	100,000,000	7,212,047	-	348,187	107,560,234
Profit for the year	-	-	-	11,681,241	11,681,241
Transferred during the year	-	2,336,248	-	(2,336,248)	-
Balance as at 30, June 2001	100,000,000	9,548,295	-	9,693,180	119,241,475
Adjustment resulting from change in accounting policy	-	-	-	30,745	30,745
Balance as on 1, July 2001	100,000,000	9,548,295	-	9,723,925	119,272,220
Right issue (4,000,000 ordinary shares @ Rs. 10 each)	40,000,000	-	-	-	40,000,000
Profit for the year	-	-	-	11,767,265	11,767,265
Transferred during the year	-	2,353,453	18,100,000	(20,453,453)	-
Balance as at 30, June 2002	**140,000,000**	**11,901,748**	**18,100,000**	**1,037,737**	**171,039,485**

Statutory reserve represents transfer of after tax profits as required under the relevant rule of the Leasing Companies (Establishment and Regulation) Rules, 2000.

The annexed notes form an integral part of these accounts.

Notes to the Accounts
For the year ended June 30, 2002

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on 27 December 1994 having its registered office in Karachi, Sindh and commenced its operations on 16 September 1996. The Company is principally engaged in the business of leasing and is listed on all three Stock Exchanges of Pakistan.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

These accounts have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee (IASC) and interpretations issued by Standing Interpretations Committee of the IASC, as adopted in Pakistan and the requirements of the Companies Ordinance, 1984.

2.2 Accounting Convention

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

2.3 Revenue Recognition

The Company follows the finance method in accounting for recognition of lease income. Under this method the unearned lease income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of leased assets is deferred and taken to income over the term of the lease, so as to produce a systematic return on net investment in leases.

Unrealised income is suspended where necessary in accordance with the requirements of the Leasing Companies (Establishment and Regulations) Rules, 2000.

Front-end fee is taken to income on receipt basis.
Dividend income and profit on other investments are accounted for on accrual basis.

2.4 Investments

In compliance with the Securities and Exchange Commission of Pakistan circular No. 1 dated 10 January 2002, the Company adopted International Accounting Standard 39 Financial Instruments: Recognition and Measurement (IAS 39) with effect from 1 July 2001. The adoption of this IAS has resulted in the Company classifying its investment in NIT units as available for sale and have valued them at fair value. This change has been accounted for by adjusting the opening balance of retained earnings by an amount of Rs. 30,745. Further, the company has classified its investment in FIBs as held to maturity and have carried them at cost.

Had there been no change in policy, investments would have been lower by Rs. 33,605 with corresponding effect on equity.

Investments held to maturity and available for sale are initially recognized at cost.

Notes to the Accounts
For the year ended June 30, 2002

Investments that could not be classified as held for trading or held to maturity are classified as available for sale and are stated at fair value, with any resultant gain or loss being recognized directly in the profit and loss account. Fair value is determined on the basis of year-end quoted prices.

2.5 Tangible Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged applying the straight line method at the rates specified in note 9. In respect of additions during the year, depreciation is charged from the month of acquisition while no depreciation is charged in the month of disposal.

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

2.6 Deferred Cost

Deferred costs representing discount on issue of shares are amortized over a period of sixty months from the date of allotment of shares.

2.7 Assets Subject to Finance Lease

Asset subject to finance lease is accounted for by recording the asset at the lower of present value of minimum lease payments under the lease agreements and the fair value of asset acquired. The related obligation under the lease is accounted for as liability. Financial charges are allocated to accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability.

2.8 Net Investment in Lease Finance

These are stated at present value of minimum lease payments under the lease agreements. Impairment losses on non-performing leases are recognized at the higher of provision required in accordance with Leasing Companies (Establishment and Regulation) Rules, 2000 and the difference between carrying amount of receivable and present value of expected cash flows discounted at the rate implicit in the lease agreement.

2.9 Employees' Retirement Benefits

The Company operates a defined contributory provident fund for all its regular permanent employees and contributions are made monthly to the fund equally by the Company and the employees in accordance with the fund's rules to cover the obligations.

2.10 Taxation
Current

The charge for current taxation is based on higher of taxable income at the current rate of taxation after taking into account tax credits and tax rebates available, if any and minimum tax liability @ 0.5 % of turnover.

Notes to the Accounts
For the year ended June 30, 2002

Deferred

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

3. LONG TERM LOAN

This represents long-term finance facility of Rs. 10 million obtained from a Commercial Bank for a period of three years. The facility is secured by hypothecation charge over specific leased assets and related receivables of the company. The facility carries mark-up of approximately 16.5% per annum. The loan is repayable in 36 equal monthly installments commencing from 27 November 2000.

4. LIABILITY AGAINST ASSETS SUBJECT
TO FINANCE LEASE - secured

	2002			2001		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial Charges for future periods	Principal outstanding
Not later than one year	434,316	65,727	368,589	527,040	64,689	462,351
Later than one year and not later than five years	422,221	32,230	389,991	242,160	11,127	231,033
Rupees	856,537	97,957	758,580	769,200	75,816	693,384

This represents vehicles acquired under lease agreements from leasing companies. Lease rentals include financial charges ranging between 17.25 percent to 17.9 percent per annum which have been used as discounting factor and are payable on monthly basis. The Company has an option to purchase the assets upon completion of lease period by adjusting the security deposits and has intention to exercise the option.

5. LONG TERM DEPOSITS

These represent interest free security deposits received against lease contracts and are refundable/

adjustable at the expiry/termination of the respective leases.

		Note	2002 Rupees	2001 Rupees
6. SHORT TERM LOAN				
Short term loan 1	- unsecured			5,000,000
Short term loan 2	- unsecured		-	5,000,000
Short term loan 3	- secured		-	10,000,000
Short term loan 4	- secured	6.1	10,000,000	-
Short term loan 5	- secured	6.1	5,000,000	
Short term loan 6	- unsecured	6.2	5,000,000	-
Short term loan 7	- unsecured	6.2	5,000,000	-
			25,000,000	**20,000,000**

6.1 This represent discounting facilities obtained from a Non Banking Finance Company. The facilities are secured by first charge on specific leased assets and the related lease rental receivables. These facilities carries discounting rate of 12.57% per annum payable quarterly. The facilities are repayable in 4 installments by 21 June 2003 and 28 June 2003 respectively.

6.2 This represent unsecured facilities obtained from the directors of the Company. These facilities carry mark-up of 13% per annum payable quarterly. These facilities are repayable by 31 March 2003 and 30 June 2003 respectively.

7. SHORT TERM FINANCES UNDER MARK-UP ARRANGEMENTS - Secured

This represent a running finance facility of Rs. 10 million obtained from a Commercial bank. The facility is secured by first charge on specific leased assets. The facility carries a mark-up of 13% per annum payable quarterly. The facility is maturing on 31, October 2002.

	Note	2002 Rupees	2001 Rupees
8. ACCRUED EXPENSES AND OTHER LIABILITIES			
Accrued expenses		319,182	309,403
Advance rentals		269,315	493,619
Accrued financial charges		322,180	712,681
Other liabilities		4,162,849	920,106
		5,073,526	**2,435,809**

	C OST				**D EPRICIATION**				**Written down value**	
	As at 1 July 2001	**Additions/ (Deletions) during the year**	**Adjustments**	**As at 30 June 2002**	**As at 1 July 2001**	**Charge for the year/ (deletions)**	**Adjustments**	**As at 30 June 2002**	**as at 30 June 2002**	**Depreciation rate %**
Owned										
Leasehold premises	7,516,400	4,733,862	-	12,250,262	62,636	415,266	-	477,902	11,772,360	5
Leasehold improvement	548,846	-	-	548,846	30,488	182,928	-	213,416	335,43033,33	
Furniture and fixtures	1,389,240	3,200	-	1,392,440	464,112	125,100	-	589,212	803,228	10
Equipments	2,031,737	76,250	-	2,107,987	1,292,049	251,853	-	1,543,902	564,085	20
Vehicles	990,298	(311,525)	992,000	1,670,773	544,147	184,008 (233,643)	458,800	953,312	717,461	20
Leased Assets										
Vehicles	1,672,000	604,000	(992,000)	1,284,000	520,400	221,700	(458,800)	283,300	1,000,700	20
2002 Rupees	**14,148,521**	**5,417,312** **(311,525)**	**-**	**19,254,308**	**2,913,832**	**1,380,855** **(233,643)**	**-**	**4,061,044**	**15,193,264**	
2001 Rupees	**5,761,061**	**8,643,870** **(256,410)**		**14,148,521**	**2,295,110**	**875,132** **(256,410)**		**2,913,832**	**11,234,689**	

9.1 Details of deletions during the year

Description	**Cost**	**Accumulated Depreciation**	**Book Value**	**Sale Proceeds**	**Mode of disposal**	**Particulars of Purchasers**
Vehicles	311,525	233,643	77,882	169,000	Tender	Mr. Mohammad Tariq, Karachi.

2002 Rupees	**311,525**	**233,643**	**77,882**	**169,000**	
2001 Rupees	**256,410**	**256,410**	**-**	-	Scrap

Notes to the Accounts
For the year ended June 30, 2002

	Note	2002 Rupees	2001 Rupees
10. INVESTMENTS			
Held to maturity investments:			
- Federal Investment Bonds - 10 years		1,000,000	1,000,000
Available for sale:			
- National Investment Trust Units		173,030	200,200
Provision for diminution in value of investments		-	(91,520)
		173,030	108,680
		1,173,030	**1,108,680**
11. DEFERRED COST			
Discount on issue of right shares		12,000,000	
Amortisation of discount on issue of right shares		(400,000)	-
		11,600,000	**-**

12. NET INVESTMENT IN LEASE FINANCE - secured

	2002			2001		
	Not later than one year	**Later than one year and less than five years**	**Total**	**Not later than one year**	**Later than one year and less than five years**	**Total**
Lease rentals receivables	80,386,228	120,876,006	201,262,234	74,788,132	91,652,671	166,440,803
Estimated residual value of leased assets	10,893,364	37,940,835	48,834	8,543,040	23,640,790	32.183,830
Minimum lease payments	91,279,592	158,816,841	250,096,433	83,331,172	115,293,461	198,624,633
Unearned lease income	(23,805,931)	(16,765,254)	(40,571,185)	(20,256,205)	(16,388,839)	(36,645,044)
Provision for potential lease losses	-	(1,047,020)	(1,047,020)	-	-	-
Rupees	**67,473,661**	**141,004,567**	**208,478,228**	**63,075**	**98,904,622**	**161,979,589**

The company has entered into various lease agreements with mark-up rates ranging from 25.35 percent to 15.75 percent per annum. The agreements usually are for a three years period.

In certain leases, the company has security, in addition to leased assets, in the form of corporate / personal guarantee of associated companies / directors.

	Note	2002 Rupees	2001 Rupees
13. LONG TERM LOANS AND DEPOSITS			
Deposits		485,000	424,200
Loans to employees - considered good		37,625	31,133
		522,625	455,333
14. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advance income tax (net of provision)		6,774,694	6,471,087
Advance against lease		12,526,000	-
Prepayments		316,084	296,270
Accrued return on investments		173,297	127,978
Net receivable against terminated leases		2,148,795	1,856,653
Other receivables		2,759,474	1,384,679
Advances others		60,000	129,920
		24,758,344	10,266,587
15. CASH AND BANK BALANCES			
Cash in hand		25,815	8,180
Cash at bank - deposit account 15.1		2,901,802	2,721,969
		2,927,617	**2,730,149**

15.1 It includes Rs. 74,570 (2001: Rs. 74,570) deposited with the State Bank of Pakistan

16. INCOME FROM LEASING OPERATIONS

Income on lease contracts	23,449,272	22,115,593
Front end fee	166,771	331,340
Documentation income	190,180	167,426
Gain on lease termination	36,297	242,682
Other income	467,724	60,742
	24,310,244	**22,917,783**

	Note	2002 Rupees	2001 Rupees
17. OTHER INCOME			
Profit on bank accounts		515,715	1,069,846
Return on other investments		163,942	175,025
Profit on disposal of fixed assets		91,118	-
Miscellaneous income		523,602	694,385
		1,294,377	**1,939,256**
18. ADMINISTRATIVE AND OPERATING EXPENSES			
Directors' fee		28,500	15,000
Salaries, allowances and benefits	18.1	**3,583,081**	**3,472,339**
[including provident contribution Rs. 122,107 (2001: Rs.104,175)]			
Office maintenance		235,088	151,510
Insurance expenses		137,315	121,405
Office rent and utilities		456,927	1,035,503
Vehicle running expenses		540,183	646,820
Traveling and conveyance		40,928	24,857
Advertisement expenses		80,990	157,848
Subscriptions, printing and stationery		515,929	416,493
Entertainment expenses		20,762	25,737
Postage and courier		45,513	30,745
Internet expenses		1,500	1,350
Legal and professional charges		635,238	575,003
Auditors' remuneration	18.2	76,575	56,250
Depreciation		1,380,855	875,132
Amortization of deferred costs		400,000	—
Commission and brokerage		128,502	18,055
Computerization expenses		100,225	148,725
General meeting expenses		117,349	145,511
Security vault fee		11,087	10,002
Bank charges		30,495	57,668
Repair and maintenance		53,033	20,585
Kitchen and canteen expenses		59,222	52,825
Security guard fee		46,000	-
Zakat		3,324	-
Miscellaneous		31,440	18,441
		8,760,061	**8,077,804**

Total number of employees as at 30 June 2002 were 16 (2001: 14).

18.1 Remuneration of Directors, Chief Executive and Executives

	Directors		**Chief Executives**		**Executives**		**Total**	
	2002	**2001**	**2002**	**2001**	**2002**	**2001**	**2002**	**2001**
Managerial remuneration	-	-	587,957	503,220	733,811	852,396	1,321,768	1,355,616
Housing and utilities	-	-	323,378	276,780	183,589	476,004	506,967	752,784
Provident fund contribution	-	-	81,250	-	27,817	71,033	109,067	71,033
Meeting fee	28,500	15,000	-	-	-	-	28,500	15,000
Rupees	**28,500**	**15,000**	**992,585**	**780,000**	**945,217**	**1,399,433**	**1,966,302**	**2,194,433**
Number of persons	**8**	**8**	**1**	**1**	**4**	**5**	**13**	**14**

The chief executive and certain executives of the company are also entitled to free use of company maintained vehicles.

	Note	2002 Rupees	2001 Rupees
18.2 Auditors' Remuneration			

Annual audit fee	75,000	50,000
Out of pocket expenses	1,575	6,250
	76,575	**56,250**

19. FINANCIAL CHARGES

Mark-up on:		
- Long term finance	1,046,735	1,076,103
- Short term finance	1,181,455	1,534,930
Mark-up on lease financing	100,327	162,761
	2,328,517	**2,773,794**

20. TAXATION

Current

The income tax assessments of the company have been finalised upto and including the assessment year 2001-2002. Further, various appeals have been filed by the company and the tax department in respect of certain disallowances for assessment years 1997-98 to 1999-2000 which are pending before the appellate authorities.

In case of adverse decision in appeals described above, further tax liability amounting to Rs. 3.8 million may arise, for which no provision has been made in these accounts as management expects favorable outcome of such appeals.

Deferred

Deferred tax arising due to timing differences computed under the liability method is estimated at Rs. 8.5 million (2001: Rs. 7.711 million). The unprovided liability as on 30 June 2002 amounts to Rs. 0.511 million (2001: Rs. 1.022 million).

As per International Accounting Standard (IAS) 12 "Accounting for taxes on income (revised)", full liability against deferred tax should be provided in the year to which it relates. The Securities and Exchange Commission of Pakistan vide circular No. 16 dated 9 September 1999 has directed that in order to achieve compliance with the revised IAS 12, all leasing companies, during each of the five financial years beginning 1 July 1998 and ending 30 June 2003 shall provide deferred tax liability arising in that year together with a further amount equal to one-fifth of the unprovided deferred tax liability as at the beginning of the financial year ending 30 June 2000. Compliance with the above directive shall also be deemed where the company may appropriate equivalent amount as a capital reserve out of profits available for appropriation. Consequently the company has made full provision for deferred tax liability for the year and one fifth of the unprovided liability as on 1 July 1998.

	Note	**2002 Rupees**	**2001 Rupees**
21. EARNINGS PER SHARE • basic and diluted			
Net profit after tax		11,767,265	11,681,241
Weighted average number of ordinary shares		10,825,181	10,190,217
Earnings per share		**1**	**1**

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises of the following items as included in the balance sheet:

Short term running finance	(2,760,706)-	
Cash and bank balances	2,927,617	2,730,149
	166,911	**2,730,149**

23. CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK

The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter parties, and continuously assessing the credit worthiness of counter parties.

Pak Gulf Leasing Company Limited (PGL) 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 regulations issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan. The operating policy defines the extent of fund and non-fund based exposures with reference to a particular sector or group of leases. The Management also classifies a particular lease on the basis of the Leasing Companies (Establishment and Regulations) Rules, 2000.

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

	2002	**%**	**2001**	**%**

Sugar and allied	7,626,719	3.64	7,266,493	4.49
Cement	544,766	0.26	2,160,475	1.33
Energy, oils and gas	9,407,684	4.49	-	-
Steel, engineering and auto	6,579,093	3.14	6,998,955	4.32
Electrical goods	4,274,315	2.04	111,428	0.07
Transport and communications	12,990,565	6.20	22,111,885	13.65
Chemical, fertilizer and pharmaceuticals	13,535,330	6.46	11,780,603	7.27
Textile	23,320,160	11.13	37,192,524	22.96
Paper and boards	3,184,784	1.52	-	-
Construction	230,478	0.11	-	-
Leather and footwear	1,969,537	0.94	936,451	0.58
Food, tobacco and beverages	6,851,476	3.27	4,473,635	2.76
Glass and ceramics	4,295,268	2.05	-	-
Healthcare	7,626,719	3.64	12,392,484	7.65
Banks and financial institutions	-	-	4,607,651	2.85
Others	107,088,354	51.11	51,947,005	32.07
	209,525,248	**100.00**	**161,979,589**	**100.00**

In addition the company has invested certain funds in Government Securities. For details refer note 10.

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments are not significantly different from their carrying values.

25. INTEREST RATE RISK MANAGEMENT

The company manages this risk by matching the repricing of assets and liabilities. The company's interest rate sensitivity position, based on the earlier of contractual repricing or maturity dates, is a? ' "

			2002		
	Less than one month	**One month To one year**	**Over one year**	**Not exposed to interest/ mark-up rate risk**	**Total**
Financial assets					
Investments	1,000,000	-	-	173,030	
Net investment in lease finance	6,726,816	60,746,845	95,109,361	46,942,226	209,525,248
Long term loans and deposits	-	37,625	-	485,000	
Cash and bank balances	2,827,232	-	-	100,385	
	10,554,048	60,784,470	95,109,361		
Financial liabilities					
Long term deposits	-	-	-	46,942,226	46,942,226
Long term loans	277,778	3,055,558	1,388,882	-	
Liability against assets subject to finance tease	29,823	338,766	389,991	-	
Short term loan	-	25,000,000	-	-	25,000,000
Short term running finances under mark-up arrangements	-	2,760,706	-	-	2,760,706
Accrued expenses and other liabilities	-	-	-	5,073,526	5,073,526
Unclaimed dividend	-	-	-	380,109	380,109
	307,601	31,155,030	1,778,873	52,395,861	85,637,365
Net financial assets	**10,246,447**	**29,629,440**	**93,330,488**	**(4,695,220)**	**128,511,155**

			2001		
	Less than one month	**One month To one year**	**Over one year**	**Not exposed to interest/ mark-up rate risk**	**Total**
Financial assets					
Investments	-	-	1,108,680	-	1,108,680
Net investment in lease finance	4,869,152	58,205,815	68,654,136	30,250,486	161,979,589
Long term loans and deposits	-	31,133	-	424,200	455,333
Cash and bank balances	2,655,579	-	-	74,570	2,730,149

		7,524,731	58,236,948	69,762,816	30,749,256	166,273,751
Financial liabilities						
Long term deposits	-	-	-		30,250,486	30,250,486
Long term loans		277,778	3,055,558 .	4,722,218 -		8,055,554
Liability against assets subject to finance lease		45,704	416,647	231,033 -		693,384
Other liabilities		5,000,000	15,000,000 -	-		20,000,000
Accrued expenses and other liabilities	-	-	-		2,435,809	2,435,809
Unclaimed dividend	-	-	-		408,819	408,819
		5,323,482	18,472,205	4,953,251	33,095,114	61,844,052
Net financial assets Rupees		**2,201,249**	**39,764,743**	**64,809,565**	**(2,345,858)**	**104,429,699**

The effective interest rate for each of the monetary financial instrument is as follows:

	2002	**2001**
	Effective interest/mark-up	
	Rate	**(%)**
Assets		
Net investment in lease finance	19.36	20.86
Investments	15	15
Cash and bank balance	1 to 9.5	9.5 to 11.75
Liability		
Liability against assets subject to finance lease	17.25 to 17.90	17.90 to 22.50
Long term loans	16.5	16.5
Short term loans	12.57 to 14	14.75 to 16.5

26. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES

These comprise of the following:

Lease Transactions		
Pak Denim Limited		
Lease income received during the year	-	7,897
Cox & Kings (Agents) Limited		
Lease income received during the year	-	2,478
Mr. Sheikh Mohammad Jawed		
Net investment outstanding 30 June	422,515	634,813
Lease income received during the year	47,142	84,982
Loan from Directors		
Mr. Fawad S. Malik	5,000,000	-
Mr. Sohail Inam Ellahi	5,000,000	-
Office Rent		
Unibro House		
Office rent for the year	**-**	**495,000**

27. GENERAL

27.1 Figures have been rounded off to the nearest rupee.

27.2 These financial statements were authorised for issue by Board of Directors of the company on September 21, 2002

A. B. Shahid

Managing Director &
Chief Executive Officer

Fawad S. Malik

Vice Chairman

Sohail Inam Ellahi

Chairman

Pattern of Shareholding
As at June 30, 2002

No. of Share Holders	**Having From**	**shares To**	**Shares Held**	**Percentage %**

1	1	100	100	0.0007
22	101	500	11,000	0.0785
5	501	1000	4,500	0.0321
8	1001	5000	18,700	0.1335
7	5001	10000	60,855	0.4346
2	10001	15000	28,000	0.2
5	15001	20000	88,710	0.6336
5	20001	25000	111,500	0.7964
3	25001	30000	86,860	0.6204
25	35001	40000	996,000	7.1124
2	40001	45000	86,000	0.6142
1	45001	50000	46,500	0.3321
1	50001	55000	50,500	0.3607
1	90001	95000	94,080	0.672
1	95001	100000	99,000	0.7071
2	100001	105000	204,500	1.4607
2	105001	110000	217,200	1.5514
2	135001	140000	274,455	1.9603
1	195001	200000	200,000	1.4285
1	210001	215000	214,105	1.5293
1	230001	235000	234,930	1.678
1	240001	245000	243,515	1.7393
1	245001	250000	247,500	1.7678
1	250001	255000	255,000	1.8214
3	270001	275000	814,500	5.8178
1	345001	350000	346,000	2.4714
1	460001	465000	463,645	3.3117
1	495001	500000	500,000	3.5714
1	505001	510000	505,400	3.61
1	510001	515000	514,145	3.6724
2	520001	525000	1,049,275	7.4948
1	655001	660000	658,490	4.7035
1	985001	990000	988,400	7.06
1	990001	995000	994,185	7.1013
1	2390001	3295000	3,292,450	25.5175
115			**14,000,000**	**100**

CATEGORIES OF SHAREHOLDERS
As at June 30, 2002

Categories of shareholders	Number	Shares held		Percentage %
Associated companies, Undertakings and Related Parties	6		1,867,390	13.339
Unibro Industries Ltd.		658,490		
Unibro Industries Ltd.		99,000		
Unibro Industries Ltd.		247,500		
Mid East Agencies (Pvt.) Ltd.		505,400		
Mid East Agencies (Pvt.) Ltd.		255,000		
Mid East Agencies (Pvt.) Ltd.		102,000		
NIT and ICP		-	- -	
Directors, Chief Executive & their spouse and minor Children	12		2,638,185	18.844
Mr. Sohail Inam Ellahi		994,185		
Mr. Azfar Bin Shahid		6,485		
Mr. Inam Ellahi Shaikh		531,485		
Mrs. Rasila Begum S";:-		70,700		
Mr. Yousuf Jan Moh..., .		84,885		
Mrs. Faryal		40,000		
Mr. Fawad S. Malik		623,615		
Mrs. Ateeqa Fawad		23,100		
Mr. Sheikh Mohammad Jawed		49,360		
Mrs. Foqia Jawed		200,000		
Mr. Shaheed H. Gaylani		7		
Mr. Shaikh Aftab Ahmed				
Executive	1		2,800	0.02
Mr. S. Azfar Ali Baqvi			2,800	
Chief Acct. Officer & Co. Secretary				
Public Sector Companies and Corporaiions	-	-	-	-
Banks, Development Finance Institutions,	-	-	-	-

Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds				
Foreign Companies	3		3,776,850	26978
Kraftex Limited		3,292,450		
Kraftex Limited		138,400		
Kraftex Limited		346,000		
Individuals	91	5,714,175	5,714,175	40.815
Others	2	600	600	0.004
Total	**115**	**14,000,000**	**14,000,000**	**100**

Holding 10% or above				
Kraftex Limited			377	26.98