

## PAK GULF LEASING COMPANY LIMITED ANNUAL REPORT 2004

### Board of Directors

Mr. Sohail Inam Ellahi	Chairman
Mr. Fawad S. Malik	Vice Chairman
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
Mr. S. Azfar Ali Baqvi	Chief Executive
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 Jawed	Member

### Senior Management

Mr. S. Azfar Ali Baqvi  
Chief Executive

Mr. Sheikh M. Asghar  
Chief Manager Marketing  
Mr. Muhammad Aamir Imtiaz Khan  
Chief Financial Officer

Mr. Tehseen Ahmad  
Internal Auditor

Mr. Abdul Sattar Dakhan  
Manager Administration  
& Legal Affairs

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

### Auditors

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

### 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

Askari Commercial Bank  
Bank Al-Falah Ltd.  
Muslim Commercial Bank Ltd.  
National Bank of Pakistan.  
PICIC Commercial Bank Ltd.  
Standard Chartered Grindlays Bank pic  
Union Bank

### Registered / Share Transfer Office

Pak-Gulf Leasing Company Limited  
THE FORUM:  
Room # 125-127, First Floor,  
G-20, Block # 9, P. O. Box # 12215,  
Main Khayaban-e-Jami, Clifton,  
Karachi-75600.  
Tel #: 5820301, 5375985-87, 5824401  
Fax #: 5820302  
E-mail: pgl@cyber.net.pk

To comply with the requirement of the 'Code', requiring that the existing auditors cannot be appointed for more than five continuous years, the Audit committee have recommended to the Board the appointment of M/s. A.F. Ferguson & Co., Chartered Accountants, as auditor of the company for the year 2004 - 2005. This proposal was approved by the Board for presentation in the AGM for final approval by the shareholders.

The Board appreciates the services of the retiring auditor on reporting to the shareholders of the Company on its financial statements.

### Acknowledgments

The Board would like to place on record its appreciation for the management team of the Company and each and every member of its staff for the hard work and dedication in turning out a good performance in a difficult year. We, the Members of the Board, as representatives of shareholders, assure the management

and staff of the Company of our continued support in strengthening the Company. We are sure that the management and the staff will continue to serve the customers of the Company with the same zeal as demonstrate last year and will be able to improve the reputation of the Company in financial services sector. Last but not the least, we would like to thank our valued shareholders, customers, bankers, and financiers and other stakeholders for their valuable support and look forward to reinforce and build further an excellent relationship with you in coming years.

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:

Financial statements prepared by the management of the Pak Gulf Leasing Company Limited, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

Proper books of account of the listed company have been maintained.

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. International Accounting Standards (IAS), as applicable in Pakistan, have been followed in preparation of the financial statements, and any departure there from has been adequately disclosed.

The system of internal control is sound in design, and has been effectively implemented and monitored.

There is no significant doubt upon the company's ability to continue as a going concern.

There was no trade in shares of the company, carried out by its directors, CEO, CFO, Company Secretary and their spouses and minor children, other than mentioned below.

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

Pattern of shareholding (name-wise as per the categories specified in the code of Corporate Governance) as on 30th June 2004 is attached at the end of this Report.

Significant deviations from last year in operating results have been highlighted in the Directors' Report to the Shareholders along with the reasons thereof.

	2004	2003
Revenue	45.598	38.626
Expenditure	24.452	20.527
Provision for possible lease losses	1.007	0.536
Profit before taxation	20.139	17.563
Provision for taxation	3.352	2.035
Profit after taxation	16.787	15.528
Un-appropriated profit brought forward	0.199	0.527
Profit available for appropriation	16.986	16.055
Appropriations:		
Transfer to statutory reserves	3.357	3.106
Proposed cash dividend	-	12.75
Total appropriations	3.357	15.856
Un-appropriated profit carried forward	13.629	0.199
Appropriations:		
Transfer to statutory reserves	3.357	3.106
Proposed cash dividend	-	12.75
Total appropriations	3.357	15.856
Un-appropriated profit carried forward	13.629	0.199

#### Auditors' Report to the Members

We have audited the annexed balance sheet of Pak-Gulf Leasing Company Limited as at 30 June 2004 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;
  - 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;

#### Board Of Directors

In July 2004, Mr.A.B. Shahid resigned from the position of Chief Executive Officer of the Company, and in September 2004 as a Director of the Company.

The Board appointed Syed Azfar Ali Baqvi as the Chief Executive of the Company. The incoming CEO has been associated with the Company for more than 7 years in a key managerial position. The Board of Directors, on behalf of shareholders, welcome the incoming CEO and express absolute confidence in his capabilities to take the Company to new heights.

Mr. Syed Masood Hatif (Retd. Air Marshal) have joined the board in place of Mr. Shahid for the remaining term. The board welcomed Mr. Hatif and hopes that the Board and the Management team will continue to benefit from his contributions.

#### Corporate Governance

The company has implemented the "The Code of Corporate Governance" (the 'Code') in its letter & spirit. The review report of the external auditor to the members on statement of compliance with best practices of code of corporate governance is enclosed in this report.

#### Social Responsibility

Your company is conscious of being a part of the society it operates in. This is reflected in its policy of sharing the benefits of changing market and regulatory scenario with its stakeholders. This year, as a part of the policy, it offered few scholarships to the Karachi and NED university students who achieved good academic results in the first year of their Master's Degree course but are financially hard put to continue their education.

#### Audit Committee

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee consisting of the following directors: Audit committee comprises of the Following;

- |                          |                 |
|--------------------------|-----------------|
| Mr.Sohail Inam Ellahi    | - Chairman      |
| Mr.Fawad S. Malik        | - Vice Chairman |
| Mr.Shaikh Aftab Ahmed    | - Member        |
| Mr.Sheikh Mohammad Jawed | - Member        |

#### Credit Rating

On September 6, 2003 JCR-VIS had upgraded the entity rating to BBB+ for medium to long-term, and A-2 for the short-term. The outlook of company was rated as stable.

#### Auditor

The appointment of auditors M/s. Taseer Hadi Khalid & Co., Chartered Accountants, was approved by the shareholders in the last Annual General Meeting. The assignment being completed the auditors would stand retire at the end of the coming AGM.

	NOTE	2004 Rupees	2003 Rupees
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>	3	1,565,787	1,216,748
Cash and bank balances	4	10,225,486	10,430,883
Advances, prepayments and other receivables	5	175,509,662	96,750,283
Net investment in lease finance - current portion		187,300,935	108,397,914
	6	1,451,165	982,774
<b>LONG-TERM LOANS AND DEPOSITS</b>	5	315,545,035	218,194,190
<b>NET INVESTMENT IN LEASE FINANCE</b>	7	6,996,669	5,580,773
<b>INVESTMENTS</b>	8	13,250,000	17,450,000
<b>DEFERRED COST</b>	9	13,548,390	15,161,706
<b>TANGIBLE FIXED ASSETS</b>		538,092,194	365,767,357
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>	10	7,533,298	4,806,627
Accrued expenses and other liabilities	11	41,412,156	1,041,886
Short-term finances under markup arrangements	12	28,333,335	20,000,000
Short-term loans	13	16,736,675	26,443,274
Certificates of investments		99,987	50,109
Dividend payable	14	805,697	555,442
Current portion of liabilities against assets subject to fina	15	32,105,272	3,333,336
Current portion of long term loan	16	15,661,436	11,243,844
Current portion of long term deposits			12,750,000
Proposed dividend		142,687,856	80,224,518
<b>LIABILITIES AGAINST ASSETS SUBJECT TO</b>			
<b>FINANCE LEASE</b>	14	682,328	1,067,899
<b>LONG-TERM LOAN</b>	15	55,168,754	4,444,440
<b>LONG-TERM DEPOSITS</b>	16	110,017,885	69,352,246
<b>DEFERRED TAXATION</b>	17	9,441,817	7,371,819
		317,998,640	162,460,922
<b>NET ASSETS</b>		220,093,554	203,306,435
<b>REPRESENTED BY</b>			
Share capital		13,628,792	199,097
Statutory reserve		220,093,554	203,306,435
Reserve for bonus shares			
Unappropriated profit			

	2004	2003	2001	2000	1999
Total Assets					
Inv. Leases	538,092,194	365,767,357	264,653,108	187,775,027	143,336,155
Pre-tax Inc.	491,054,697	314,944,473	208,478,228	161,979,589	121,495,070
Net Income	20,139,441	17,563,069	13,469,023	14,005,441	13,805,897
Total Equity	16,787,119	15,527,950	12,278,265	11,681,241	11,564,897
Cash Div.	220,093,554	203,306,435	170,528,485	119,241,475	107,560,234
Right Share	-	7.50%	-	-	9.00%
	-	-	30%	40%	-

**Board Meetings:**

Eight Board Meetings were held during the year under review. Details of Board Meetings and attendance by each Director is detailed below:

No.	Directors	Meetings attended
1	Mr. A. B. Shahid	7
2	Mr. Shaikh Aftab Ahmed	7
3	Mr. Sohail Inam Ellahi	8
4	Mr. Inam Ellahi Shaikh	6
5	Mr. Fawad S. Malik	7
6	Mr. Sheikh M. Jawed	5
7.	Mr. Shaheed H. Gaylani	5
		3

8. Mr. Yousuf Jan Muhammad

Review report to the members on statement of compliance with best practices of code of corporate governance

## THE COMPANY AND ITS OPERATIONS

Pak-Gulf Leasing Company Limited ("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.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of compliance

These accounts have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

### 2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except for revaluation of available for sale securities.

### 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 constant periodic rate of return on net investment in leases.

Unrealised income is suspended where necessary in accordance with the requirements of the Prudential Regulations for Non-Banking Finance Companies undertaking the business of leasing.

Front-end fee is taken to income on receipt basis.

Profit on investments are accounted for on accrual basis at rate of return implicit in the instrument.

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

### 2.4 Investments

Investments held by the Company are classified as held to maturity and available for sale.

Held to maturity investments are securities with fixed payments that the Company has positive intent and ability to hold to maturity and are stated at amortized cost less provision for impairment in value, if any.

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.

Investments classified as either held to maturity or available for sale are initially recognized at cost.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### Financial instruments

At the time of initial recognition, all financial assets and liabilities are measured at cost, which

is the fair value of the consideration given or received for it. Subsequent to initial recognition financial assets which are tradable in open market are revalued at the market prices prevailing on the balance sheet date. Gains or losses on derecognition are taken to profit and loss account.

#### Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has the enforceable legal right to set off the transaction and also intends either to settle on net basis or to realize the asset and settle the liability simultaneously.

#### Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### Impairment

The carrying amount of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the assets' recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment loss is recognized in profit and loss account.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. Bank borrowings that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

	NOTE	2004	2003
CASH AND BANK BALANCES		Rupees	Rupees
Cash in hand	3.1	1,555,787	1,212,061
Cash at bank - deposit account		1,565,787	1,216,748

	NOTE	2004	2003
INCOME		Rupees	Rupees
Income from leasing operations	21	44,080,033	36,356,568
Mark-up on placements / deposits and return on investm	22	1,028,385	737,865
Other income	23	490,109	1,531,215
		45,598,527	38,625,648

EXPENSES			
Administrative and operating expenses	24	-15,941,652	-14,720,593
Financial charges	25	-8,510,439	-5,806,356
Provision for potential lease losses		-1,006,995	-535,630
PROFIT BEFORE TAXATION		20,139,441	17,563,069
Taxation	26		
- Current - Prior years - Deferred		-2,069,998	1,115,439
		83,807,411	74,867,225

#### NET PROFIT FOR THE YEAR AFTER TAXATION

	NOTE	2004	2003
EARNINGS PER SHARE		Rupees	Rupees
5.1 Provision for potential lease losses		884,961	535,630
Balance as at 01 July		2,467,611	1,582,650
Provision made during the year			
Balance as of 30 June			
LONG TERM LOANS AND DEPOSITS		851,965	444,874
Deposits		1,451,165	982,774
Loans to employees - considered good			

INVESTMENTS		5,204,769	5,258,308
Held to maturity investments WAPDA Bonds		1,791,900	322,465
Available for sale National Investment Trust Units		6,996,669	5,580,773

		2004	2003
		Rupees	Rupees
ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advance income tax (net of provision) Advance against lease Prepayments		725 201,952	87,514
Net receivable against terminated leases Provision	4.1	787,397	166,906
Other receivables Others		788,588	115,000
		10,225,486	10,430,883
4.1 Movement of provision against terminated leases			
Opening balance Provision made during the year		122,034	
Balance as of 30 June		122,034	-

#### SHORT-TERM FINANCES UNDER MARK-UP ARRANGEMENTS - secured

This represents running finance facilities aggregating to Rs.55 million obtained from commercial banks. The facilities are secured by first hypothecation charge on specific leased assets and related lease rentals receivable. The facilities carry mark-up ranging from 6.0 percent to 6.5 percent (2003: 8.5 percent) per annum payable quarterly. The facilities are maturing on 31 October 2004 and 05 March 2005.

		2004	2003
		Rupees	Rupees
SHORT-TERM LOANS			
Short-term loan 1 - unsecured		-	10,000,000
Short-term loan 2 - unsecured		-	5,000,000
Short-term loan 3 - unsecured		-	5,000,000
Short-term loan 4 - unsecured	12.1	20,000,000	-
Short-term loan 5 - secured	12.2	833,335	-
Short-term loan 6 - secured	12.3	7,500,000	-
		28,333,335	20,000,000
ACCRUED EXPENSES AND OTHER LIABILITIES			
Accrued expenses Advance rentals Accrued financial charges		4,473,342	2,841,128
		7,533,298	4,806,627

This represents long-term finance facility of Rs.10 million obtained from a commercial bank for a period of 3 years. The facility is secured by bank's charge over specific leased assets and receivables therefrom. The facility carries mark-up at six-months treasury bill cut off rate plus 4.50 percent with a floor of 6.5 percent (30 June 2003: Nil) per annum. The loan is repayable in 12 equal quarterly installments commencing from 26 March 2004.

This represents long-term finance facility of Rs.30 million obtained from a commercial bank for a period of 3 years. The facility is secured by first registered charge over specific leased assets and receivables therefrom. The facility carries mark-up at six-months treasury bill cut off rate plus 4.00 percent with a floor of 6.0 percent and a cap of 9.5 percent (30 June 2003: Nil) per annum. The loan is repayable in 6 equal bi-annual installments commencing from 20 July 2004.

This represents long-term finance facility of Rs.20 million obtained from a commercial bank for a period of 3 years. The facility is secured by first hypothecation charge over specific leased assets and receivables therefrom. The facility carries mark-up at six-months treasury bill cut off rate plus 4.50 percent (30 June 2003: Nil) per annum. The loan is repayable in 36 equal monthly installments commencing from 31 October 2003.

This represents long-term finance facility of Rs.20 million obtained from a Non Banking Finance Company for a period of 3 years. The facility is secured by first charge on specific leased assets, receivables therefrom and undertaking from sponsoring directors. The facility carries mark-up at six-months treasury bill cut off rate plus 4.00 percent with a floor of 6.25 percent (30 June 2003: Nil) per annum. The loan is repayable in 12 equal quarterly installments

commencing from 21 September 2004.

Notes to the Financial Statements  
For the year ended June 30, 2004

		2004 Rupees	2003 Rupees
<b>LONG TERM DEPOSITS</b>			
Long term deposits Maturity within one year	16.1	-15,661,436	-11,243,844
		110,017,885	69,352,246

		2004 Rupees	2003 Rupees
<b>LONG -TERM LOANS - secured</b>			
Long-term loan 1	15.1	4,444,440	7,777,776
Long-term loan 2	15.2	8,947,368	-
Long-term loan 3	15.3	8,326,666	-
Long-term loan 4	15.4	30,000,000	-
Long-term loan 5	15.5	15,555,552	-
Long-term loan 6	15.6	20,000,000	-
Current portion of long term loans		-32,105,272	-3,333,336
		55,168,754	4,444,440

		2004 Rupees	2003 Rupees
<b>ADMINISTRATIVE AND OPERATING EXPENSES</b>			
Directors' fee		9,000	12,000
Salaries, allowances and benefits	24.2	5,685,244	4,846,800
[including Provident Fund contribution Rs. 215,726 (2003: Rs.1 77,954)]			
Amortization of deferred costs	8	4,200,000	3,150,000
Depreciation	9	1,751,954	1,694,958
Office rent and utilities		806,622	1,086,992
Professional charges		566,296	838,945
Subscriptions, printing and stationery		550,749	673,600
Vehicle running expenses		713,679	637,028
Repair and maintenance		36,553	209,913
Office maintenance		203,047	193,190
Auditors' remunera	24.3	164,865	169,675
Insurance expenses		191,813	161,459
Advertisement expenses		145,214	105,045
Commission and brokerage		21,277	104,733
Computerization expenses		246,656	97,425
Bank charges		76,505	94,829
Cantonment taxes		-	86,291
Credit Information Bureau Report charges		35,174	78,625
Kitchen and canteen expenses		80,377	72,422
General meeting expenses		48,955	65,425
Postage and courier		68,848	64,073
Traveling and conveyance		75,952	60,680
Security guard fee		60,000	55,500
Legal charges		30,000	30,000
Charge registration fee		-	17,212
Entertainment expenses		18,672	14,726



Security vault fee		10,000	10,000
Internet expenses		18,300	2,250
Donation	24.4	101,000	-
Miscellaneous		24,900	86,797
		15,941,652	14,720,593

#### SHARE CAPITAL

	2004	2003	2004	2003
	Rupess	Rupess	Rupess	Rupess
	20,000,000	20,000,000	200,000,000	200,000,000
	17,000,000	17,000,000	170,000,000	170,000,000

#### STATUTORY RESERVE

In accordance with the Prudential Regulations For Non-Banking Finance Companies undertaking the business of lease only, the Company is required to transfer twenty percent of its after tax profit to statutory reserve until the reserve equals its paid-up capital. Thereafter, five percent of after tax profit is required to be transferred to reserve.

#### COMMITMENTS

Leasing contracts committed but not executed at the balance sheet date amounted to Rs. 22 million (2003: Rs. 4.02 million).

#### INCOME FROM LEASING OPERATIONS

Income on lease contracts Front end fee Documentation income	462,870	679,483
	44,080,033	36,356,568

#### MARK-UP ON PLACEMENTS / DEPOSITS AND RETURN ON INVESTMENTS

Profit on bank accounts Return on investments	1,001,941	387,271
	1,028,385	737,865

#### OTHER INCOME

(Loss) / gain on disposal of fixed assets Miscellaneous income	502,411	1,017,968
	490,109	1,531,215

#### TAXATION

##### Current

In view of taxable loss incurred for the year ended 30 June 2004, the Company is liable to pay minimum tax required under section 113 of the Income Tax Ordinance, 2001 at the rate of one-half of one percent of turnover. The following is a reconciliation of relationship between tax expense and accounting profit.

	2004	2003
	Rupees	Rupees
Accounting profit for the current year	20,139,441	17,563,069
Income tax at statutory rate	7,048,804	6,147,074
Inadmissible income and expenses-net	66,810,857	35,222,775
Tax benefit of depreciation on assets on finance lease	-67,586,314	-34,929,360
Tax benefit of assessed losses	-6,277,653	-6,277,653
Loss/(Gain) on sale of fixed assets	4,306	-162,836
Charge/(Reversal) of deferred tax liability relating to origination	2,069,998	-1,115,439
Tax arising due to finalization of prior years assessments	482,324	2,550,558
Minimum tax	800,000	600,000
Charge for the year	3,352,322	2,035,119

## Status of assessment

The income tax assessments of the Company have been finalized up to and including the assessment year 2002-2003. However, income tax for the assessment year 2003-2004 has not been finalized yet and has been selected for tax audit purposes. 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.1 million may arise, for which no provision has been made in these accounts as management expects favorable outcome of such appeals.

## 24.2 Remuneration of Directors, Chief Executive and Executives

	Directors		Chief Executive		Executive		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
Managerial remuneration	-	-	769,443	619,356	1,254,748	944,352	2,024,191	1,563,708
Housing and utility	-	-	490,025	340,644	690,110	534,557	1,180,135	875,201
Provident Fund contribution	-	-	66,960	51,612	78,267	76,570	145,227	128,182
Meeting fee	9,000	12,000	-	-	-	-	9,000	12,000
Rupees	9,000	12,000	1,326,428	1,011,612	2,023,125	1,555,479	3,358,553	2,579,091
Number of persons	8	8	1	1	5	6	14	15

	2004	2003
Auditors' remuneration		
Annual audit fee	100,000	75,000
Fee for special certification	25,000	50,000
Half yearly review fee	25,000	25,000
Out-of-pocket expenses	14,865	19,675
	164,865	169,675

## MATURITIES OF ASSETS AND LIABILITIES

	Total	Up to three month	3 months to one year	1 year to 5 years	Over 5 years
<b>ASSETS</b>					
Cash and bank balances	1,565,787	1,465,702	22,977	77,108	-
Advances, prepayments and other receivables	10,225,486	4,444,801	1,845,676	3,935,009	-
Long-term loans and deposits	1,451,165	56,757	169,297	1,225,111	-
Net investment in lease finance	491,054,697	42,994,564	132,515,098	315,545,035	-
Investments	6,996,669	1,791,900	-	5,204,769	-
Deferred cost	13,250,000	1,050,000	3,150,000	9,050,000	-
Tangible fixed assets	13,548,390	437,989	1,313,965	7,007,816	4,788,620
	538,092,194	52,241,713	139,017,013	342,044,848	4,788,620
<b>LIABILITIES</b>					
Accrued expenses and other liabilities	7,533,298	6,670,226	863,072	-	-
Short-term finances under mark-up arrangements	41,412,156	-	41,412,156	-	-
Short-term loan	28,333,335	24,583,335	3,750,000	-	-
Unclaimed dividend	99,987	99,987	-	-	-
Proposed dividend	-	-	-	-	-
	16,736,675	3,000,000	13,736,675	-	-

Certificates of investments					
Liabilities against assets	1,488,025	183,277	622,420	682,328	-
subject to finance lease	87,274,026	10,526,318	21,578,954	55,168,754	-
Long-term loans	125,679,321	2,111,784	13,549,652	110,017,885	-
Long-term deposits	9,441,817	-	-	9,441,817	-
Deferred taxation	317,998,640	47,174,927	95,512,929	175,310,784	-
NET ASSETS /	220,093,554	5,066,786	43,504,084	166,734,064	4,788,620
(LIABILITIES) Rupees	170,000,000				
Share capital	18,364,762				
Statutory reserve	18,100,000				
Reserve for bonus shares	13,628,792				
Unappropriated profit	220,093,554				
NET EQUITY Rupees					

		2004	2003
CASH AND CASH EQUIVALENTS	Rupees		
Short-term finances under mark-up arrangements		-41,412,156	-1,041,886
Cash and bank balances		1,565,787	1,216,748
		-39,846,369	174,862

#### CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK

Credit risk represents the accounting loss that would be recognised at the reporting date if counter-parties failed completely to perform as contracted. 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.

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 regulations issued by 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 Prudential Regulations for Non-Banking Finance Companies Undertaking the Business of Leasing.

#### FAIR VALUE OF FINANCIAL INSTRUMENTS

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

#### TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS / RELATED PARTIES

The related parties comprise directors, entities over which the directors are able to exercise significant influence, senior executives and employees fund. The Company has a policy whereby all transactions with related parties are entered into at arms length prices using the uncontrolled price valuation methods, except for transactions with employees and employees fund those are undertaken in accordance with employment contracts and service rules of the company

Transactions with related parties comprise of the following:

	2004	2003
Lease transactions	Rupees	Rupees
Lease income received during the year	-	7,825
Certificate of investment		
Unibro Textile Mills	-	5,000,000
Mr. Sohail Inam Ellahi, Director	5,175,475	10,043,274
Profit paid	892,435	-
Office rent Unibro House	-	409,056

Adjustments in fixed assets

Unibro House	-	49,100
Provident fund contribution Employees	215,726	177,954

CATEGORIES OF SHAREHOLDERS

As at June 30, 2004

Categories of shareholders	Number	Shares held		Percentage %
Associated companies, Undertakings	6		1,867,390	10.985
Related Parties				
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 minor Children	11		4,573,537	26.903
Mr. Sohail Inam Ellahi		1,210,775		
Mr. Azfar Bin Shahid		11,424		
Mr. Inam Ellahi Shaikh		1,932,286		
Mrs. Rasila Begum Shaikh		86,149		
Mr. Yousuf Jan Mohammad		106,623		
Mr. Fawad S. Malik		903,731		
Mrs. Ateeqa Fawad		28,050		
Mr. Sheikh Mohammad Jawed		267,510		
Mr. Shaheed H. Gaylani		12,274		
Mr. Shaikh Aftab Ahmed		12,274		
Mr. S. Azfar Ali Baqvi		2,441		
Executive	-	-	-	-
Public Sector Companies and Corporations	-	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds	-	-	-	-
Foreign Companies	3		3,776,850	22.217
Kraftex Limited		3,292,450		
Kraftex Limited		138,400		
Kraftex Limited		346,000		
Individuals	58	6,781,623	6,781,623	39.892
Others	2	600	600	0.003
Total	80	17,000,000	17,000,000	100
Holding 10% or above				
Kraftex Limited			3,776,850	22.217

Pattern of Shareholding

As at June 30, 2004

No. of Share Holders	Having shares		Shares Held	Percentage %
	From	To		
2		1	100	142
14		101	500	7000
6		501	1000	5700
				0.0008
				0.0412
				0.0335

9	1001	5000	17791	0.1047
2	5001	10000	15785	0.0929
3	10001	15000	35972	0.2116
7	15001	20000	125275	0.7369
2	25001	30000	56100	0.33
1	35001	40000	35649	0.2097
1	40001	45000	43000	0.2529
4	45001	50000	199800	1.1753
1	50001	55000	50500	0.2971
2	95001	100000	194575	1.1446
2	100001	105000	204500	1.2029
3	105001	110000	323823	1.9048
1	110001	115000	114240	0.672
1	135001	140000	138400	0.8141
1	245001	250000	247500	1.4559
1	250001	255000	255000	1.5000
1	260001	265000	261725	1.5396
2	270001	275000	543000	3.1941
1	345001	350000	346000	2.0353
2	505001	510000	1015056	5.9709
1	520001	525000	523631	3.0802
1	560001	565000	562997	3.3117
1	635001	640000	637245	3.7485
1	655001	660000	658490	3.8735
1	800001	805000	802231	4.719
1	860001	865000	864090	5.0829
1	1095001	1100000	1099000	6.4647
1	1200001	1205000	1200200	7.06
1	1210001	1215000	1210775	7.1222
1	1910001	1915000	1912358	11.2492
1	3290001	3295000	3292450	19.3673
80			17000000	100