

Pakistan Industrial Leasing Corporation Limited

Annual Report 2001

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COMPANY INFORMATION

BOARD OF DIRECTORS

(in alphabetical order)

Mr. Anjum M. Saleem
Mr. Jared Omer Vohra
Mr. Khalid Bashir
Mr. Mazhar Karim (Chairman)
Mr. Muhammad Rafi
Mr. Nasir Shafi
Mr. Rashid Ahmed (Chief Executive Officer & Managing Director)
Mr. Saifullah Khan (Nominee of PICIC)
Mr. S. Hashim Ishaque (Nominee of NIT)

AUDITORS

Riaz Ahmad & Company, Chartered Accountants

CORPORATE SECRETARY

Mr. Naveed Ali

LEGAL ADVISORS

Hassan & Hassan, Advocates

RATING AGENCY

Pakistan Credit Rating Agency (Private) Limited

REGISTERED/HEAD OFFICE

4th & 5th floors, PAAF Building,
7-D Kashmir/Egerton Road, Lahore.
Tel: 92-42-111-666-333, 6366067-8, 6311178-80
Fax: 92-42-6369272-6311184 Telex: 47154 PILC PK
E-mail: info@pilcorp.com
Web site: www.pilcorp.com

BAUKERS

Bank of Khyber
Habib Bank Limited
National Bank Of Pakistan
Oman International Bank S.A.O.G
Prime Commercial Bank Limited
Soneri Bank Limited
Standard Chartered Grindlays Bank
Platinum Commercial Bank Limited
Union Bank Limited

LENDERS

Foreign
Asian Development Bank (ADB), Manila, Philippines
Commonwealth Development Corporation (CDC), London, UK
German Investment & Development Company (DEG), Germany
International Finance Corporation (IFC), Washington, USA
Netherlands Development Finance Corporation (FMO), Netherlands

Local

Al-Baraka Islamic Bank B.S.C. (E.C.)
Pakistan Kuwait Investment Company (Private) Limited
Pak Libya Holding Company (Private) Limited

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 14th Annual General Meeting of the shareholders of Pakistan Industrial Leasing Corporation Limited will be held on Wednesday, December 26, 2001 at 11:00 a.m. at Holiday Inn. Kashmir/Egerton Road, Lahore to transact the following business: ~"i~

1. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2001 together with Directors' and Auditors' Reports thereon.
2. To approve, as recommended by the Directors, the payment of Cash Dividend @ 10% i.e. Rs. 1.00 per share for the year ended June 30, 2001.
3. To appoint Auditors and fix their remuneration.

By Order Of The Board

NAVEED ALI
Corporate Secretary

Lahore: November 22, 2001

NOTES:

1. The Members' Register will remain closed from December 20, 2001 to December 26, 2001 (both days inclusive). Transfer received in order at the Registered Office by the close of business hours on December 19, 2001 will be treated in time for entitlement of dividend.
2. A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the company at the Registered Office not later than 48 hours before the time of holding the meeting.
3. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular No. 1 dated January 26, 2000 of the Securities and Exchange Commission of Pakistan for attending the meeting:
 - i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account; and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original National Identity Card (NIC) or original passport at the time of attending the meeting. The shareholders registered on CDS are also requested to bring their Participant I.D. numbers and account numbers in CDS.
 - ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

FINANCIAL HIGHLIGHTS (1997-2001)

(Rupees in thousand)

BALANCE SHEET	June-97	June-98	June-99	June-00	June-01
Paid-up Capital	181,578	181,578	217,893	217,693	217,893
Reserves and Retained Earnings	346,129	388,673	358,188	363,325	366,372
Net Worth	527,707	570,251	576,081	581,218	584,265
Long Term Loans-Foreign	1,901,954	1,740,982	1,461,931	1,029,125	761,304
Long Term Loans-Local	13,241	35,029	177,226	610,210	948,848
Liabilities Against Assets subject to					
Finance Lease	--	--	6,415	5,400	2,820
Long Term Deposits -Against Le	371,592	395,810	392,335	485,789	558,482
Certificates Of Investment	555,154	856,915	630,891	605,399	774,627
Current Liabilities	563,533	550,077	738,421	739,111	751,167
Total Liabilities	3,405,474	3,578,813	3,407,219	3,475,034	3,797,248
Operating Fixed Assets	20,740	17,368	16,253	23,769	32,597
Long Term Investments	64,457	64,457	59,457	147,061	155,210
Net Lease Receivables	3,007,121	3,079,470	2,746,520	2,821,124	3,299,774
Long Term Loan and Deferred Co	55,148	42,625	29,618	23,698	14,648
Long Term Deposits	52,232	191,454	226,457	252,044	311,189
Non Lease Current Assets	733,483	753,690	904,995	788,556	568,095

Total Assets	3,933,181	4,149,064	3,983,300	4,056,252	4,381,513
INCOME STATEMENT					
Gross Income From Lease Financi	535,253	581,854	536,967	504,353	529,727
Return on Placements and Advan	75,579	101,932	114,771	85,898	125,265
Income From Investments and Ot	3,004	2,527	1,623	6,592	3,675
Total Income	613,836	686,313	653,361	596,843	658,667
Financial Expenses	446,294	488,697	484,699	430,497	480,232
Operating Expenses	45,313	51,094	46,595	49,601	62,747
Total Expenses	491,607	539,791	531,294	480,098	542,979
Profit Before Provisions	122,229	146,522	122,067	116,745	115,688
Provision for Doubtful Receivabl	37,386	98,878	95,095	88,749	83,903
Provision for Taxation	4,400	5,100	4,800	6,517	6,948
Net Income	80,443	42,544	22,172	21,479	24,837

DIRECTORS' REPORT

The Directors of your Company are pleased to present the annual report with audited financial statements for the year ended June 30, 2001,

FINANCIAL RESULTS:

The results of operations of the Company for the year under review are summarized below:

(Rupees in thousands)

Revenue	658,666
Expenditure	(542,979)
Provision for doubtful receivables	(75,800)
Provision for diminution in value of equity investments	(8,103)
Profit before taxation	31,784
Provision for taxation	(6,948)
Profit after taxation	24,836
Un-appropriated profit brought forward	288
Transferred from revenue reserves	10,000
Profit available for appropriation	35,124
Appropriations:	
Proposed cash dividend @ 10%	(21,789)
Reserve for contingencies	(5,000)
Transferred to reserves for deferred tax	(8,000)
Un-appropriated profit carried forward	335

DIVIDEND:

The Board of Directors recommended a cash dividend @ 10% for the year ended June 30, 2001.

FINANCIAL REVIEW:

Despite difficult business and economic conditions, Company's performance remained positive and showed an improvement over the last year figures. During the period under review, your Company disbursed an amount of Rs. 1,309 million, the highest since its inception in a year, as against Rs. 725 million last year. Consequently, net investment in leases increased from Rs. 3,181 million to Rs. 3,732 million i.e. an increase of 17.33%.

PILCORP's car-financing scheme has received an enthusiastic market response as quantum of auto leasing in the year under review has been 86.88% (Rs. 1,136.84 million) of the total disbursements. Disbursements for industrial machinery & equipment accounted for 10.14 % (Rs. 132.67 million) and office equipment 2.98% (Rs. 38.95 million).

During the year Company's total revenue increased to Rs. 659 million as compared to Rs. 597 million in the last year, which represents an increase of 10.36%. Total expenditure increased by Rs. 63 million representing an increase of 13%. Financial charges increased by 12.34% and administrative expenses increased by 26.50%, which is a consequence of inflationary pressure and increased business volume during the year. The Company also recognizes the need for continuing with the prudent policy of providing for doubtful debts, hence an amount of Rs. 75.8 million was provided for doubtful debts. In addition, Rs. 8.102 for diminution in value of equity investments has also been provided.

During this period, the Company established two additional branches, one at Karachi (second branch) and the other one at Rawalpindi, thereby bringing total branch strength to eight in addition to its head office at Lahore. Representative offices have also been set-up in Sahiwal and Okara.

CREDIT RATING:

Pakistan Credit Rating Agency (Private) Limited (PACRA) assigned to PILCORP entity rating of 'BBB+' (Triple B Plus) for long term and A2 (A Two) for short term. Both ratings signify "good credit quality", hence confirming the ability of the Company to withstand the pressure of difficult economic situations. The rating for already issued secured 5-year TFCs of Rs. 287.50 million and 3-year TFCs of Rs. 334.13 million has been 'A-' (A minus).

EARNINGS PER SHARE:

The after tax earnings attributable to each share work out to be Rs. 1.14 on the outstanding shares as on June 30, 2001.

FUNDS MOBILIZATION:

The liquidity position during the period remained stable and the Company financed its lease portfolio through 2ND Term Finance Certificates issue of Rs. 334.13 million, long-term local currency loans, certificates of investment (COI's) and funds raised from the financial sector.

Your Company is the only leasing company in Pakistan, which has successfully raised long-term funds through two separate issues of Term Finance Certificates. The Company plans to raise additional long-term funds through another TFC issue of Rs. 600.00 million to meet its future funding requirements. Messrs Aqeel Karim Dhedhi Securities (Private) Limited have already been appointed as advisors to our proposed issue. We anticipate placement of TFCs in the market for subscription by January 2002.

ECONOMY AND FUTURE OUTLOOK:

The year under review witnessed significant efforts of the Government to revitalize the economy and to make investment climate conducive for foreign investment. The Government's commitment to improve the functioning of financial sector is also expected to result in setting a direction and pace for a balanced economic growth.

With the strenuous efforts of Leasing Association of Pakistan, the Government, through Finance Ordinance 2001, allowed following incentives to the leasing sector:

- * First year depreciation allowance/initial depreciation allowance was restored.
- * Cost of vehicles for the purpose of claiming tax depreciation was increased from Rs. 600,000/- to Rs. 750,000/-.

All this was possible with the support of the Minister of Finance, Chairman Securities and Exchange Commission of Pakistan and Chairman Central Board of Revenue.

It is expected that the above incentives would positively help the leasing industry, being the sole provider of medium term funds, to contribute its share of obligation for economic and social development of the country.

Consequent to September 11 events in America, various initiatives have been taken by the international community and institutions to provide relief to Pakistan. The steps taken so far include lifting of sanctions, liberal rescheduling of loans, increased access to markets, besides commitments of grants and soft term loans. This will give boost to the economic activities in the country.

The recent fall in lending rates and Government's continuous interaction with the business community auger well for the country, which is already on the path of economic revival.

Your Company is well positioned to meet the future challenges. We need to harness innovative funding sources and develop a formidable human resource. We wish to establish norms of good professional behavior, prudent business practices, responsible organizational conduct, fair market competition and effective risk management at all levels so that an overall culture of professionalism and competence is created.

ACKNOWLEDGMENT:

We express our heartfelt gratitude to our valuable clients, banks, financial institutions, multilateral credit agencies and our shareholders who continued their support and patronage to your Company.

We also like to thank the Ministry of Finance, Securities and Exchange Commission of Pakistan, Central Board of Revenue and State Bank of Pakistan for their continuous support and guidance.

We equally appreciate the efforts put in and dedication shown by officers and staff of the Company for managing Company's affairs successfully.

AUDITORS:

The auditors, M/S Riaz Ahmed & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

PATTERN OF SHAREHOLDING:

The pattern of shareholding as on June 30, 2001 is presented on page 45.

On behalf of the Board

RASHID AHMED

Lahore:
November 22, 2001

**Chief Executive Officer &
Managing Director**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **PAKISTAN INDUSTRIAL LEASING CORPORATION LIMITED** as at 30 June, 2001 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 expenditure incurred during 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 confirm 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, 2001 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Cental Zakat Fund established under section 7 of that ordinance.

RIAZ AHMED & COMPANY
Chartered Accountants

LAHORE: 24 November, 2001

BALANCE SHEET AS AT JUNE 30, 2001

	<i>NOTE</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
50,000,000 ordinary shares of Rupees 10 each		500,000,000	500,000,000
		=====	=====
Issued, subscribed and paid up share capital			
21,789,306 ordinary shares of Rupees 10 each	3	217,893,060	217,893,060
Reserves			
Capital reserves		351,736,903	338,736,903
Revenue reserves		14,635,174	24,587,783
		-----	-----
		366,372,077	363,324,686
		-----	-----
		584,265,137	581,217,746
NON-CURRENT LIABILITIES			
Redeemable capital	4	755,251,689	455,271,257

Long term loans	5	446,811,077	666,813,301
Certificates of investment	6	431,344,427	224,232,465
Liabilities against assets subject to finance lease	7	1,225,342	2,862,106
Long term deposits	8	419,117,334	359,602,358
		-----	-----
		2,053,749,869	1,708,781,487
CURRENT LIABILITIES			
Current portion of long term liabilities	9	649,047,430	645,975,128
Short term finances	10	610,055,000	612,440,100
Certificates of investment	6	343,282,653	381,166,325
Creditors, accrued and other liabilities	11	100,097,494	98,122,844
Provision for taxation		18,619,880	11,672,310
Dividend payable	12	22,395,318	16,875,751
		-----	-----
		1,743,497,775	1,766,252,458
CONTINGENCIES AND COMMITMENTS			
	13		
		-----	-----
		4,381,512,781	4,056,251,691
		=====	=====

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

RASHID AHMED
Chief Executive Officer &
Managing Director

NON-CURRENT ASSETS

Tangible fixed assets	14	32,596,670	23,769,048
Net investment in finance leases	15	1,836,473,285	1,804,090,923
Equity investments	16	155,210,074	147,061,410
Long term loans	17	2,682,838	5,675,572
Long term deposits	18	233,501,050	200,480,792
Deferred cost	19	11,965,605	18,022,272
		-----	-----
		2,272,429,522	2,199,100,017

CURRENT ASSETS

Current portion of net investment in finance leases	20	1,463,300,375	1,017,032,857
Current portion of long term deposits	21	77,687,628	51,563,060
Short term investments	22	67,468,300	82,334,095
Advances, deposits, prepayments and other receivables	23	430,822,222	560,139,911
Cash and bank balances	24	69,804,734	146,081,751
		-----	-----
		2,109,083,259	1,857,151,674
		-----	-----
		4,381,512,781	4,056,251,691
		=====	=====

MAZHAR KARIM
Chairman

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2001

	NOTE	2001 Rupees	2000 Rupees
REVENUE			
Income from lease financing	25	529,726,636	504,353,253
Return on investment, short term placements, loans and other advances	26	125,264,952	85,897,880
Other income	27	3,674,776	6,591,487
		-----	-----
		658,666,364	596,842,620
EXPENDITURE			
Financial and other charges	28	469,642,349	418,047,269
Administrative and other operating expenses	29	62,747,347	49,600,921
Amortization of deferred cost		10,589,706	12,449,838
		-----	-----
		542,979,402	480,098,028
		-----	-----
Profit before provisions		115,686,962	116,744,592
Provision for doubtful receivables		75,800,000	88,430,765
Provision for diminution in value of equity investments		8,102,695	317,846

		83,902,695	88,748,611
PROFIT BEFORE TAXATION		31,784,267	27,995,981
PROVISION FOR TAXATION	30	6,947,570	6,517,355
PROFIT AFTER TAXATION		24,836,697	21,478,626
UNAPPROPRIATED PROFIT BROUGHT FORWARD		287,783	400,498
		25,124,480	21,879,124
APPROPRIATIONS			
Transfer from general reserve		10,000,000	41,500,000
Transfer to reserve for contingencies		(5,000,000)	(5,000,000)
Transfer to reserve for deferred tax		(8,000,000)	(41,749,361)
Proposed dividend @ Rupees 1.00 Per share (2000: Rupees 0.75 per share)		(21,789,306)	(16,341,980)
		(24,789,306)	(21,591,341)
UNAPPROPRIATED PROFIT		335,174	287,783
EARNINGS PER SHARE	31	1.14	0.99

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

RASHID AHMED
Chief Executive Officer &
Managing Director

MAZHAR KARIM
Chairman

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2001

	2001 Rupees	2000 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	31,784,267	27,995,981
Adjustments to reconcile profit with net cash provided by operating activities		
Provision for diminution in value of equity investments	8,102,695	317,846
Provision for gratuity	3,954,587	3,652,466
Provision for doubtful receivables	75,800,000	88,430,765
Depreciation	5,481,179	3,354,922
Amortization of deferred cost	10,589,706	12,449,838
Financial charges	469,642,349	418,047,269
Gain on sale of equity investments	(394,353)	(5,013,641)
Gain on sale of tangible fixed assets	(38,366)	(197,421)
	573,137,797	521,042,044
Cash flows from operating activities before adjustment of working capital	604,922,064	549,038,025
(Increase)/decrease in advances, deposits, prepayments and other receivables	133,815,463	(59,518,810)
Increase/(decrease) in creditors, accrued and other liabilities	1,874,459	(3,821,949)
Cash flows from operating activities	740,611,986	485,697,266
Financial charges paid	(466,600,623)	(481,210,847)
Gratuity paid	(6,941,553)	(710,931)
Income tax paid	(7,840,333)	(7,345,664)
Net cash generated from/(used in) operating activities	259,229,477	(3,570,176)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in finance leases-Net	(551,449,880)	(156,303,306)
Investments made	(81,373,164)	(119,715,324)
Sale proceeds of investments	80,381,953	20,013,641
Assets purchased for own use	(14,909,646)	(10,967,601)
Loans to employees	3,380,723	694,635
Sale proceeds of fixed assets	639,211	1,824,679
Deferred cost	(4,533,038)	(6,809,646)
Long term deposits	(59,144,826)	(25,586,987)
Net cash used in investing activities	(627,008,667)	(296,849,909)
CASH FLOWS FROM FINANCING ACTIVITIES		

Redeemable capital		
Obtained	489,752,102	466,517,032
Redeemed	(151,114,924)	(62,261,084)
Long term loans	(267,820,835)	(432,806,907)
Payment of lease principal amount	(2,580,487)	(2,545,557)
Certificates of investment	169,228,290	(25,492,078)
Deposits from lessees-Net	72,692,866	93,454,253
Short term finances	(2,385,100)	86,899,758
Dividend paid	(16,269,739)	(16,221,104)
	-----	-----
Net cash generated from financing activities	291,502,173	107,544,313
Net decrease in cash and cash equivalents	(76,277,017)	(192,875,772)
Cash and cash equivalents at the beginning of the year	146,081,751	338,957,523
	-----	-----
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 24)	69,804,734	146,081,751
	=====	=====

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

RASHID AHMED
Chief Executive Officer &
Managing Director

MAZHAR KARIM
Chairman

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2001

	(AMOUNT IN RUPEES)								
	SHARE CAPITAL	CAPITAL RESERVES				REVENUE RESERVES			TOTAL
		Premium on Issue of Right shares (Note 3)	Reserve for Contingencies (Note 3.3)	Reserve for Deferred Tax (Note 3.2)	Sub-Total	General Reserve	Unappropriated Profit	Sub-Total	
Balance as on July 01, 1999	217,893,060	86,976,671	167,010,871	38,000,000	291,987,542	65,800,000	400,498	66,200,498	576,081,100
Net profit for the year	--	--	--	--	--	--	21,478,626	21,478,626	21,478,626
Transfer from general reserve	--	--	--	--	--	(41,500,000)	41,500,000	--	--
Transfer to reserve for contingen	--	--	5,000,000	--	5,000,000	--	(5,000,000)	(5,000,000)	--
Transfer to reserve for deferred ta	--	--	--	41,749,361	41,749,361	--	(41,749,361)	(41,749,361)	--
Proposed dividend	--	--	--	--	--	--	(16,341,980)	(16,341,980)	(16,341,980)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Balance as on June 30, 2000	217,893,060	86,976,671	172,010,871	79,749,361	338,736,903	24,300,000	287,783	24,587,783	581,217,746
Net profit for the year	--	--	--	--	--	--	24,836,697	24,836,697	24,836,697
Transfer from general reserve	--	--	--	--	--	(10,000,000)	10,000,000	--	--
Transfer to reserve for contingen	--	--	5,000,000	--	5,000,000	--	(5,000,000)	(5,000,000)	--
Transfer to reserve for deferred ta	--	--	--	8,000,000	8,000,000	--	(8,000,000)	(8,000,000)	--
Proposed dividend	--	--	--	--	--	--	(21,789,306)	(21,789,306)	(21,789,306)
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Balance as on June 30, 2001	217,893,060	86,976,671	177,010,871	87,749,361	351,736,903	14,300,000	335,174	14,635,174	584,265,137
	=====	=====	=====	=====	=====	=====	=====	=====	=====

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

RASHID AHMED
Chief Executive Officer &
Managing Director

MAZHAR KARIM
Chairman

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2001

1. THE COMPANY AND ITS ACTIVITIES

The company was incorporated as a public limited company on January 28, 1987 and its shares are quoted on all the stock exchanges of Pakistan. It is mainly engaged in the business of leasing in accordance with the permission granted by Federal Government. It is classified as a non-banking financial institution (NBFI) and is regulated by the Securities and Exchange Commission of Pakistan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

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

2.2 Post employment benefits

Defined contribution plan

The Company operates a provident fund scheme covering all its permanent employees. Equal monthly contributions are made to the fund both by the Company and the employees at the rate of 10 percent of the basic salary.

Defined benefit plan

The company also operates funded gratuity scheme for its employees under the terms of their appointments. Contributions are made annually to this fund on the basis of actuarial valuation. The benefits are payable to the employees on completion of prescribed qualifying period of service. In measuring its defined benefit liability, the company recognizes a portion of its actuarial gains and losses determined by dividing the excess actuarial gains/losses by the expected average remaining lives of employees as income or expense if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10 percent value of the defined benefit obligation and 10 percent of the fair value of any plan assets at that date (Refer to note 29.1)

The above schemes are recognized by the Commissioner of Income Tax and are administered by the respective board of trustees.

2.3 Foreign currency transactions

Transactions in foreign currencies are accounted for in Rupees at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Rupees at the rate of exchange ruling at the balance sheet date except where exchange risk cover has been obtained. Foreign currency loans registered under the exchange risk coverage scheme of The State Bank of Pakistan are translated into Rupees at the rates prevailing on the dates of disbursements. Exchange risk fee, exchange gains and losses are charged to the current year's income.

2.4 Provision for doubtful receivables

Provision for doubtful receivables is made/adjusted after a review of the outstanding portfolio at year end on the basis of Leasing Companies (Establishment and Regulation) Rules, 2000 issued by Securities and Exchange Commission of Pakistan (SECP) and management's own judgement.

2.5 Tangible fixed assets and depreciation

Owned assets

Tangible fixed assets are stated at cost less accumulated depreciation except land which is stated at cost. Cost of these assets consists of historical cost and directly attributable costs of bringing the assets to working conditions. Depreciation is charged to income applying the reducing balance method to write off the cost over the expected remaining useful life of the assets at the rates given in note 14. Full year's depreciation is charged on additions, while no depreciation is charged on assets deleted during the year. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Leased assets

These are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired on lease. Aggregate amount of obligations relating to assets subject to finance lease is accounted for at net present value of liabilities. Assets so acquired are depreciated over the useful life of the assets on the reducing balance method at the rates given in note 14. Depreciation of leased assets is charged to income.

2.6 Taxation

Current

The charge for current taxation is based on the taxable income at the current tax rates after taking into account the tax credits and tax rebates available, if any.

Deferred

Deferred tax is accounted for by using the liability method on all major timing differences excluding tax effect on those timing differences which are not likely to reverse in the foreseeable future. As a measure of prudence, deferred tax debits are not accounted for (Refer to note No. 3.2).

2.7 Investments

Long term investments are stated at cost. Provision for diminution in the value of investments is made if considered permanent. Short term investments are stated at the lower of cost and market value, determined on aggregate portfolio basis. Investments under purchase and resale agreements are stated at purchase price.

2.8 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet, if the company has a legal enforceable right to set-off the recognized amounts and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Corresponding income on the asset and charge on the liability is also offsetted.

2.9 Deferred cost

Exchange differences arising due to conversion of foreign currency loan receipts for acquisition of lease assets, into Rupees at the buying rates and re-conversion at the market rates for placement of foreign currency deposits with financial institutions as hedging to secure the future loan repayments and other loan originating costs such as negotiation and front end fees are treated as deferred cost. These are amortized over the loan period or five years from the year of occurrence, whichever is

shorter. Term finance certificate issue expenses have deferred and will be amortized over a period of five years from the year of occurrence.

2.10 Revenue recognition

The company follows the "Finance Method" to recognize the income on finance leases. The unearned finance income i.e. the excess of aggregate lease payments and the residual value over the cost of leased assets is amortized to income over the lease term by applying the annuity method to produce a constant rate of return on the net investment in the lease. Income on bank deposits, loans, advances and other investments is recognized on a time proportion basis taking into account the principal/net investment outstanding and applicable rates of mark-up/profit thereon. The difference between purchase price and resale value of investments under purchase and resale agreements is charged to income on a time proportion basis. Fees, commissions and commitment charges etc. are recognized on accrual basis. Dividend on equity investments is recognized as income if declared on or before the balance sheet date.

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

<i>NUMBER OF SHARES</i>		<i>RUPEES</i>	
<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
16,052,585	16,052,585	160,525,850	160,525,850
	Ordinary shares of Rupees 10 each fully paid in cash		
1,004,700	1,004,700	10,047,000	10,047,000
	Ordinary Shares of Rupees 10 each issued to International Finance Corporation against their right of option to convert 10 percent of their outstanding loan into fully paid up shares		
4,732,021	4,732,021	47,320,210	47,320,210
	Ordinary shares of Rupees 10 each issued as fully paid bonus shares		
-----	-----	-----	-----
21,789,306	21,789,306	217,893,060	217,893,060
=====	=====	=====	=====

3.1 Included there in is 7,931,541 (2000: 8,365,455) ordinary shares of Rupees 10 each held by the associated undertakings.

3.2 RESERVE FOR DEFERRED TAX

The reserve has been created to comply with the requirements of Securities and Exchange Commission of Pakistan's circular No. 16 dated September 09, 1999 (Note 30.1). This capital reserve shall not be available for utilization for any purpose other than to provide for deferred tax.

3.3 RESERVE FOR CONTINGENCIES

This represents the amount set-aside to strengthen the financial soundness of the company. The reserve has been earmarked by the board of directors for meeting unforeseeable future losses against leases, advances and investments. This reserve also fulfills the requirement to create special reserve under the Leasing Companies (Establishment and Regulation) Rules, 2000 issued by Securities and Exchange Commission of Pakistan.

4. REDEEMABLE CAPITAL

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
Term Finance Certificates (Note 4.1)	621,457,500	287,442,500
Saudi Pak Industrial and Agricultural Investment Company (Pvt) Li	--	9,217,549
Habib Bank Limited	--	100,000,000
Pak Libya Holding Company (Private) Limited (Note 4.2)	4,245,133	5,747,017
Pak Kuwait Investment Company (Private) Limited (Note 4.3)	126,144,967	109,074,532
Al-Baraka Islamic Bank B.S.C. (E.C.) (Note 4.4)	58,333,333	70,000,000
Al-Faysal Investment Bank Limited (Note 4.5)	41,666,667	--
Standard Chartered Bank (Note 4.6)	97,000,000	--
Others	--	28,728,824
	-----	-----
	948,847,600	610,210,422
Less: Current portion (Note 9)	193,595,911	154,939,165
	-----	-----
	755,251,689	455,271,257
	=====	=====

4.1 The company has issued non-participatory and registered Term Finance Certificates (TFC's) to commercial banks, financial institutions and general public for financing leasing arrangements. First issue carries profit at the rate of 18 percent payable semi-annually. It is repayable in 10 semi-annual installments commenced from June 2000. Aggregate face value of each set of ten TFC's offered to general public and institutional investors is Rupees 5,000 each and Rupees 100,000 each respectively. Second issue carries profit at the rate of 15.60 percent payable semi-annually. It is repayable in six semi-annual installments commenced from September 2001. Aggregate face value

of each set of six TFC's offered to general public and institutional investors is Rupees 5,000, Rupees 25,000, Rupees 50,000 and Rupees 100,000 each respectively.

4.2 The credit facilities of Rupees 8.353 million and Rupees 1.590 million obtained under mark-up arrangements for finance lease operations. These carry mark-up at the rate of 18 percent per annum. These are repayable in 12 equal quarterly installments commenced from August 1999 and November 2000 respectively and are secured against assets given on lease.

4.3 The credit facilities of Rupees 125 million and Rupees 55 million obtained under mark-up arrangements for financing lease operations. These carry mark-up rates of 16.50 and 16.65 percent per annum. and are repayable in 8 and 6 semi-annual installments commenced from March 15, 2000 and February 2001 respectively. These are secured against second charge on moveable assets of the company.

4.4 The credit facility of Rupees 70 million obtained under mark-up arrangements for financing lease operations. It consists of two tranches of Rupees 35 million each. First tranche carries mark-up rate of 19 percent per annum. It is repayable in September 2002. Second tranche carries mark-up at the rate of 17 percent per annum and is repayable in 3 equal annual installments commencing from March 2001. This facility is secured by pari passu charge over the leased assets with other lenders.

4.5 The credit facility of Rupees 50 million obtained under mark-up arrangements for financing lease operations. It carries mark-up at the rate of 18 percent in first year and thereafter variable based on State Bank of Pakistan's discount rate plus 4 percent with the floor of 17 percent per annum and cap of 20 percent per annum. It is repayable in 6 semi-annual installments commenced from June 2001 and is secured by way of first pari passu charge on leased assets.

4.6 The Credit facility of Rupees 97 million obtained under mark-up arrangements for financing lease operations. It carries mark-up at the rate of 13.24 percent per annum. It is repayable on September 2003 and is secured against second charge by way of hypothecation of company's present and future assets.

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
5. LONG TERM LOANS-SECURED		
In foreign currency		
Asian Development Bank		
U.S. Dollars 7,500,000 (2000: 10,500,000) (Note 5.2)	483,000,000	549,150,000
Commonwealth Development Corporation		
U.S. Dollars 543,750 (2000: 1,631,250) (Note 5.3)	13,598,915	40,796,747
International Finance Corporation		
U.S. Dollars 3,125,000 (2000: 4,375,000) (Note 5.4)	96,758,750	135,462,250
German Investment and Development Company		
Deutsche Marks 312,500 (2000: 937,500) (Note 5.5)	5,279,156	15,837,469
Deutsche Marks 937,500 (2000: 1,562,500) (Note 5.6)	15,493,500	25,822,500
Deutsche Marks NIL (2000: 2,500,000)	--	63,918,250
	-----	-----
	20,772,656	105,578,219
Netherlands Development Finance Company		
Deutsche Marks 444,000 (2000: 1,332,000) (Note 5.7)	12,435,873	34,055,643
Deutsche Marks 888,000 (2000: 1,776,000) (Note 5.8)	24,871,746	45,407,525
	-----	-----
	37,307,619	79,463,168
	-----	-----
	651,437,940	910,450,384
In local currency - World Bank (Note 5.9)	109,865,769	118,674,160
	-----	-----
	761,303,709	1,029,124,544
Current portion (Note 9)	314,492,632	362,311,243
	-----	-----
	446,811,077	666,813,301
	=====	=====

5.1 The loans stated in note No. 5 above are secured by way of floating and hypothecation charges on all the company's assets (present and future) including assets leased by the company and demand promissory notes ranking pari passu with the charges stated in note No. 4.4.

5.2 The interest is charged at six months LIBOR plus 2.125 percent per annum. The loan is repayable in 10 equal semi-annual installments commenced from March 15, 1999. The loan has been hedged by placing a deposit of U.S. Dollars 7.5 million (2000: US\$ 10.5 million) with Pak Kuwait Investment Company (Private) Limited and a Rupee credit has been obtained thereagainst (Note 18.1).

5.3 The outstanding balance of foreign currency loan has been converted into Rupees at the average rate of exchange ruling on December 18, 1991, December 27, 1991 and April 18, 1992 i.e. the dates on which exchange risk cover was obtained from the State Bank of Pakistan. The interest and exchange risk fee rates are 10.25 percent and 5 percent per annum respectively. The loan is repayable in sixteen semi annual equal installments commenced from March 15 1994.

5.4 The outstanding balance of foreign currency loan has been converted into Rupees at the rate of exchange ruling on July 03, 1994 and June 01, 1995 i.e. the dates on which exchange risk cover was obtained from the state Bank of Pakistan. The interest and exchange risk fee rates are 8.50 percent and 6.66 percent per annum respectively. The loan is repayable in sixteen semi annual equal installments commenced from June 15, 1996.

5.5 The outstanding balance of the foreign currency loan has been converted into Rupees at the rate on October 21, 1992 i.e. the date on which the exchange risk cover was obtained from the State Bank of Pakistan. The interest and exchange risk fee rates are 10.5 percent and 5.17 percent per annum respectively. The loan is repayable in sixteen semi annual equal installments commenced from April 30, 1994.

5.6 The foreign currency loan balance has been converted into Rupees at the rate of exchange ruling on March 31, 1993 i.e. the date on which the exchange risk cover was obtained from the State Bank of Pakistan. The interest and exchange risk fee rates are 10.5 percent and 5.17 percent per annum

respectively. The loan is repayable in sixteen semi annual equal installments commenced from April 30, 1995.

5.7 The interest rate is 10.50 percent per annum. The loan is repayable in ten equal semi annual installments commenced from May 01 1997. This loan has been hedged by placing equivalent foreign currency in special US Dollar Bonds of 0.754 million registered in the name of Pakistan Industrial Leasing Corporation Limited and availed a Rupee facility thereagainst (Note 18.1).

5.8 The interest is charged at the rate of 9.75 percent per annum. The loan is repayable in ten equal semi annual installments commenced from November 01, 1997. This loan has been hedged by placing equivalent foreign currency in special US Dollar Bonds of 1.76 million registered in the name of Pakistan Industrial Leasing Corporation Limited and availed a Rupee facility thereagainst (Note 18.1).

5.10 This represents the credit line obtained from the World Bank through Bankers Equity Limited for financing small and micro enterprises shared amongst three leasing companies in Pakistan on a first come first served basis. It carries interest at the rate of 14 percent per annum and repayment commenced for February 2000 in semi annual installments over a period of ten years including a grace period of three years.

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
6. CERTIFICATES OF INVESTMENT		
Local currency (Net 6.1)	774,627,080	605,398,790
Less: Due Within one Year	343,282,653	381,166,325
	-----	-----
	431,344,427	224,232,465
	=====	=====

6.1 The company has a scheme of Registered Certificates of Investment as per permission granted by the Securities and Exchange Commission of Pakistan, Government of Pakistan for raising funds directly from the local/foreign resources. These certificates have been issued for maturity periods of three months to five years. The return on certificates is ranging from 11 to 20 percent.

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The rate of interest used as the discounting factor, implicit in leases, ranges from 18.00 to 21.25 percent per annum. The amount of future payments and periods during which they fall due are:

<i>Year ended June 30</i>	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
2001	--	3,253,435
2002	2,385,818	2,425,254
2003	692,980	692,980
	-----	-----
	3,078,798	6,371,669
Less: Unamortized finance charges	259,287	971,671
	-----	-----
	2,819,511	5,399,998
	-----	-----
Less: Current portion (Note 9)	1,594,169	2,537,892
	-----	-----
	1,225,342	2,862,106
	=====	=====

7.1 The lease rentals are payable in monthly installments. The lease agreements carry renewal and purchase option at the end of lease period. There are no financial restrictions in lease agreements. These are secured by deposits of Rupees 731,066 (2000: 756,374) included in long term security deposits (Note 18).

7.2 Minimum lease payments and their present value are regrouped as below:

	2001		2000	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	Rupees	Rupees	Rupees	Rupees
Due not later than one year	2,385,818	2,172,127	3,253,435	2,967,941
Due later than one year but not later than five years	692,980	647,384	3,118,234	2,432,057
	-----	-----	-----	-----
	3,078,798	2,819,511	6,371,669	5,399,998
	=====	=====	=====	=====

	2001	2000
	Rupees	Rupees

8. LONG TERM DEPOSITS

Balance at the end of the year (Note 8.1)	558,482,052	485,789,186
Less: Current Portion (Note 9)	139,364,718	126,186,828
	-----	-----
	49,117,334	359,602,358
	=====	=====

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

9. CURRENT PORTION OF LONG TERM LIABILITIES

Redeemable capital (Note 4)	193,595,911	154,939,165
Long term loans (Note 5)	314,492,632	362,311,243
Liabilities against assets subject to finance lease (Note 7)	1,594,169	2,537,892
Long term deposits (Note 8)	139,364,718	126,186,828
	-----	-----
	649,047,430	645,975,128
	=====	=====

10. SHORT TERM FINANCES

Under Musharika/mark-up arrangements		
From financial institutions (Note 10.1)	610,000,000	570,340,100
From others (Note 10.2)	55,000	42,100,000
	-----	-----
	610,055,000	612,440,100
	=====	=====

10.1 These unsecured facilities carry mark-up at the rates ranging from 33.56 to 60.27 paisas per Rupees thousand per day.

10.2 These unsecured facilities have been obtained from individuals and carry profit at the rate of 36.99 paisas per Rupees thousand per day.

11. CREDITORS, ACCRUED AND OTHER LIABILITIES

Interest accrued on secured loans	18,155,726	24,822,506
Profit/mark-up on unsecured short term finances	9,035,797	22,015,475
Profit/mark-up on redeemable capital (Note 11.1)	26,466,401	13,796,758
Lease financial charges payable	--	27,454
	-----	-----
Mark-up on credit facilities availed (Note 18)	9,220,625	19,027,075
Less: Interest accrued on foreign currency deposits (Note 18)	8,083,798	14,839,702
	-----	-----
	1,136,827	4,187,373
	-----	-----
Profit on certificates of investment	33,989,782	24,045,843
Exchange risk fee payable	3,774,193	621,591
Advance lease rentals	1,582,941	530,390
Payable to gratuity fund trust	--	2,941,535
Due to provident fund trust	--	1,098,747
Accrued liabilities	4,506,537	3,837,225
Due to lessees	1,449,290	197,947
	-----	-----
	100,097,494	98,122,844
	=====	=====

11.1 PROFIT/MARK-UP ON REDEEMABLE CAPITAL

Representing		
Term finance certificates	18,521,819	1,437,213
Funds on mark-up basis	7,944,582	11,084,349
Funds on musharika basis	--	1,275,196
	-----	-----

26,466,401 13,796,758
=====

12. DIVIDEND PAYABLE

Proposed dividend	21,789,306	16,341,980
Unclaimed	606,012	533,771
	-----	-----
	22,395,318	16,875,751
	=====	=====

13. CONTINGENCIES AND COMMITMENTS

Lease contracts approved but not disbursed amounting to Rupees 17.206 million as on June 30, 2001 (2000: Rupees 15.222 million)

14. TANGIBLE FIXED ASSETS

	COST		ACCUMULATED DEPRECIATION			BOOK VALUE		DEPRECIATION	
	As at July 01, 2000	Additions/ (Deletions)	As at June 30, 2001	As at July 01, 2000	Adjustments	As at June 30, 2001	As at June 30, 2001	Charge for the year	Rate %
OWNED									
Freehold land	8,525,000	--	8,525,000	--	--	--	8,525,000	--	--
Buildings (Note 14.1)	3,213,340	--	3,213,340	1,127,915	--	1,232,186	1,981,154	104,271	5
Furniture and fixtures	2,893,038	243,450	3,136,488	1,479,570	--	1,645,262	1,491,226	165,692	10
Vehicles	6,535,923	10,486,095 (226,021)	16,795,997	4,635,166	(23,040)	7,048,900	9,747,097	2,436,774	20
Office and electric equipments	1,940,644	270,749	2,211,393	906,773	--	1,037,235	1,174,158	130,462	10
Computers	3,804,130	3,126,033 (1,566,165)	5,363,998	2,568,343	(1,298,512)	2,088,664	3,275,334	818,833	20
Air-conditioning plant	1,048,543	277,000	1,325,543	618,295	--	689,020	636,523	70,725	10
Electric and other installations	8,857,815	668,340 (280,000)	9,246,155	7,168,634	(149,789)	7,753,858	1,492,297	735,013	33
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	36,818,433	15,071,667 (2,072,186)	49,817,914	18,504,696	(1,471,341)	21,495,125	28,322,789	4,461,770	
LEASED									
Vehicles	4,874,070	(253,157)	4,620,913	1,509,705	(91,136)	2,059,038	2,561,875	640,469	20
Computers	2,653,837	--	2,653,837	955,381	--	1,295,072	1,358,765	339,691	20
Air-conditioning plant	484,554	--	484,554	92,064	--	131,313	353,241	39,249	10
	-----	-----	-----	-----	-----	-----	-----	-----	-----
June 30, 2001 (Rupees)	44,830,894	15,071,667 (2,325,343)	57,577,218	21,061,846	(1,562,477)	24,980,548	32,596,670	5,481,179	
	=====	=====	=====	=====	=====	=====	=====	=====	=====
June 30, 2000 (Rupees)	34,395,352	12,498,601 (2,063,059)	44,830,894	18,142,725	(435,801)	21,061,846	23,769,048	3,354,922	
	=====	=====	=====	=====	=====	=====	=====	=====	=====

14.1 This represents office building acquired at 5th Floor of SIDCO Avenue Centre, Karachi.

14.2 Details of fixed assets disposed off during the year are as follows:

Description	Cost	Accumulated Depreciation	Book value	Sale Proceeds	Mode of Disposal	Particulars of Purchasers
	Rupees	Rupees	Rupees	Rupees		
OWNED						
Vehicles						
Honda Civic	253,157	91,136	162,021	276,000	Negotiation	Ghoshi Motors, Jail Road, Lahore
Motor Cycle	64,000	23,040	40,960	58,000	Insurance Claim	Premier Insurance Company, State Life Building, Karachi
25 Computers	1,566,165	1,298,512	267,653	175,000	Negotiation	Ocean office Automation, 3-Floor, Cricket House 20-Shadman, Lahore
House Furnishing Allowance						
Air-conditioner	20,000	15,970	4,030	4,030	As per company's policy	Mr. Shehzad Hussain -Employee
Air-conditioner	20,000	15,970	4,030	4,030	As per company's policy	Mr. Hassan Sheikh, Ex-employee
Air-conditioner	30,000	16,533	13,467	13,467	Final Settlement	Mr. Tariq Masood, Ex-employee
Air-conditioner	20,000	6,600	13,400	13,400	As per company's policy	Mr. Mehmood Siddique- Employee
Air-conditioner	20,000	6,600	13,400	13,400	Final Settlement	Mr. Zubair Ali Abbasi, Ex-employee
Air-conditioner	20,000	17,300	2,700	2,700	As per company's policy	Mr. Tahir Abbas -Employee
Air-conditioner	20,000	13,985	6,015	6,015	As per company's policy	Mr. Asif Fazal-Employee
Television	25,000	22,181	2,819	2,819	As per company's policy	Mr. Mudassar Naqvi Employee
Deck	25,000	8,250	16,750	16,750	As per company's policy	Mr. Muhammad Shahid Pervaiz-Employee
Furniture	30,000	9,900	20,100	20,100	Final Settlement	Mr. Moazzam A. Khan, Ex-employee
Furniture	30,000	9,900	20,100	20,100	Final Settlement	Mr. Zaeem A. Chughtai, Ex-employee
Refrigerator	20,000	6,600	13,400	13,400	As per company's policy	Mr. Javed Siddique -Employee

LEASED**Vehicles**

Honda Civic	253,157	91,136	162,021	162,021	Negotiation	Al-Zamin leasing Modaraba, Karachi
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	2001	2000
	Rupees	Rupees

15. NET INVESTMENT IN FINANCE LEASES

Lease payments receivable	3,995,539,078	3,519,321,946
Guaranteed residual value of leased assets	561,129,616	509,105,627
	-----	-----
Gross investment in leases	4,556,668,694	4,028,427,573
Less: Unearned finance income	824,182,680	847,391,439
	-----	-----
Net investment in finance leases (Note 15.1)	3,732,486,014	3,181,036,134
Less: Current portion including overdue rentals of net investment in lease finance (Note 15.3)	1,896,012,729	1,376,945,211
	-----	-----
	1,836,473,285	1,804,090,923
	=====	=====

15.1 Included therein are finance leases to following associated undertakings:

Crescent Greenwood Limited	440,860	372,433
Crescent Greenwood Energy Limited	340,091	393,904
	-----	-----
	780,951	766,337
	=====	=====

15.2 Maximum aggregate balance of finance leases to associated undertakings at the end of any month during the year was Rupees 0.955 million.

15.3 Lease payments and guaranteed residual value due within next twelve months ending on June 30, 2002 are Rupees 2,350.44 million (June 30, 2001: Rupees 1,770.41 million).

15.4 Gross investment in the leases and present value of minimum lease payments are regrouped as under:

	2001		2000	
	<i>Gross Investment in lease</i>	<i>Present value of minimum lease payments</i>	<i>Gross Investment in lease</i>	<i>Present value of minimum lease payments</i>
	Rupees	Rupees	Rupees	Rupees
Due not later than one year	2,350,440,789	2,178,656,042	1,770,407,428	1,649,751,897
Due later than one year but not later than five years	2,206,227,905	1,553,829,972	2,258,020,145	1,531,284,237
	-----	-----	-----	-----
	4,556,668,694	3,732,486,014	4,028,427,573	3,181,036,134
	=====	=====	=====	=====

15.5 It includes leases to Pakland Cement Limited (PCL) and Saadi Cement Limited (SCL) amounting to Rupees 75.05 million and Rupees 154.19 million respectively outstanding as on June 30, 2001.

According to the schemes of arrangements prepared by PCL and SCL, the lessees will issue term finance certificates valuing Rupees 72.48 million and Rupees 148.86 million respectively carrying profit at the rate of 16 percent with effect from January 01 2001 and will be fully redeemed in year 2010 in settlement of aforesaid lease receivables. The schemes were approved by the majority of creditors under section 284 of the Companies Ordinance, 1984 in their meeting held on September 04, 2001 and submitted in the Hon'orable High Court of Sindh for sanction which are still pending. However, provisions for doubtful receivables made thereagainst amounting to Rupees 14.06 million and Rupees 33.12 million respectively have been carried in the accounts as advised by the Securities and Exchange Commission of Pakistan vide letter No. SC/LES/ED(SC)533/2001 dated October 12, 2001.

	2001	2000
	Rupees	Rupees

16. EQUITY INVESTMENTS**Quoted****Associated undertakings****Shakarganj Mills Limited**

221,444 ordinary shares of Rupees 10 each	4,730,000	4,730,000
---	-----------	-----------

Crescent Steel and Allied Products Limited

152,087 ordinary shares of Rupees 10 each	7,675,000	7,675,000
---	-----------	-----------

Others**Trust Investment Bank Limited**

100,000 ordinary shares of Rupees 10 each	1,000,000	1,000,000
---	-----------	-----------

BSJS Balanced Funds Limited

560,406 ordinary certificates of Rupees 10 each	5,604,060	5,604,060
---	-----------	-----------

Pakistan Industrial Credit and Investment Corporation Limited

565,175 ordinary shares of Rupees 10 each	19,822,700	19,822,700
---	------------	------------

Nimir Industrial Chemicals Limited

4,037,166 ordinary shares of Rupees 10 each (Note 16.2)	16,148,664	--
Hamid Textile Mills Limited		
1,434,956 ordinary shares of Rupees 10 each (Note 16.3)	11,479,650	11,479,650
	-----	-----
	66,460,074	50,311,410
Unquoted		
Associated undertakings		
Crescent Greenwood Limited		
1,000,000 ordinary shares of Rupees 10 each (Chief Executive: Mr. Nasir Shafi)	10,000,000	10,000,000
Crescent Industrial Chemicals Limited		
1,000,000 ordinary shares of Rupees 10 each (Chief Executive: Mr. Tariq Shafi)	10,000,000	10,000,000
Others		
Crescent Powertec Limited		
250,000 ordinary shares of Rupees 10 each (Chief Executive: Mr. Ahsan Bashir)	2,500,000	2,500,000
Crescent Ujala Limited		
7,500,000 ordinary shares of Rupees 10 each (Equity held 29.8%, Break up value Rupees 10.01 per share based on audited accounts of 1999-2000) (Rupees 6.66 per share based on audited accounts of 1998-99) (Chief Executive: Mr. Anjum M. Saleem)	76,125,000	76,125,000
International Housing Finance Limited		
312,500 ordinary certificates of Rupees 10 each (Chief Executive: Mr. Nessar Ahmad)	3,125,000	3,125,000
	-----	-----
	168,210,074	152,061,410
Less: Provision for diminution in value of investment	13,000,000	5,000,000
	-----	-----
	155,210,074	147,061,410
	=====	=====

16.1 Aggregate Market value of quoted investments was Rupees 27.59 million as on June 30, 2001 (2000 Rupees 15.665 million).

16.2 4,037,166 ordinary shares of Nimir Industrial Chemicals Limited were acquired in partial settlement of outstanding lease amounts.

16.3 1,434,956 ordinary shares of Hamid Textile Mills Limited (HTML) were acquired in partial settlement of outstanding lease amount. Included therein are 309,550 shares covered under the terms of sale and buy back agreement which shall be sold back at the rate of Rupees 8 per share on or before March 2003. HTML has option of repurchasing the remaining shares at the rate of Rupees 8 per share on or before March 2003 which is the period of maturity of lease facility availed.

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
17. LONG TERM LOANS-Considered good		
Vehicles loan-Staff (Note 17.1)	3,465,490	6,846,213
Less: Current portion (Note 23)	782,652	1,170,641
	-----	-----
	2,682,838	5,675,572
	=====	=====

17.1 This represents the secured loans given to the company's employees and repayable in 6 to 7 years Rates of interest range from 5.25 to 6 percent per annum and are outstanding for a period not exceeding three years.

18. LONG TERM DEPOSITS

Foreign currency deposits (Note 18.1)	232,527,346	198,843,114
Security deposits (Note 18.2)	973,704	1,637,678
	-----	-----
	233,501,050	200,480,792
	=====	=====

18.1 FOREIGN CURRENCY DEPOSITS

First International Company (Private) Limited		
Deutsche Marks NIL (2000: 2,500,000)	--	63,255,000
Pakistan Kuwait Investment Company (Private) Limited		
U.S. Dollars 7,500,000 (2000: 10,500,000)	477,192,000	549,141,600
	-----	-----
	477,192,000	612,396,600
Less: Credit facilities availed (Note 18.4)	285,453,484	454,218,518
	-----	-----
	191,738,516	158,178,082
Special U.S. Dollar Bonds 1,760,000	117,480,000	92,046,592
	-----	-----
Balance at the end of year	309,218,516	250,224,674

Less: Current Portion (Note 21)		
Foreign currency deposits	190,876,800	220,152,600
Credit facilities availed	(114,185,630)	(168,771,040)
	-----	-----
	76,691,170	51,381,560
	-----	-----
	232,527,346	198,843,114
	=====	=====

18.2 SECURITY DEPOSITS

Security Deposits	1,970,162	1,819,178
Less: Current Portion (Note 21)	996,458	181,500
	-----	-----
	973,704	1,637,678
	=====	=====

18.3 The deposits stated in note 18.1 above are placed under lien for hedging against foreign currency loans mentioned in note No. 5. The rates of return on above mentioned deposits are ranging from 4.68 to 7.91 percent per annum. The deposits will mature during the period from December 22, 2002 to September 15, 2003. Registered special U.S. Dollar Bonds have been issued by the Government of Pakistan for a period of three years maturing on December 22, 2002.

18.4 The total sanctioned amount by financial institution of Rupees 285.453 million (2000: Rupees 454.219 million) has been availed on a matching facility basis. This facility carry mark-up rate of paisas 39.78 per Rupees thousand per day and is secured against foreign currency deposits mentioned in note 18.1. The repayment will be made during the period from September 13, 2001 to September 15, 2003.

19. DEFERRED COST

Exchange differences	58,123,903	58,123,903
Negotiation fee	16,412,908	16,412,908
Front end fee	5,244,390	5,244,390
Expenses on issue of term finance certificates	11,342,685	6,809,646
	-----	-----
	91,123,886	86,590,847
Less: Amortization to-date	79,158,281	68,568,575
	-----	-----
	11,965,605	18,022,272
	=====	=====

20. CURRENT PORTION OF NET INVESTMENT IN FINANCE LEASES

Current portion including overdue rentals of net investment in finance leases	1,896,012,729	1,376,945,211
Less: Provision for doubtful receivable (Note 33)	432,712,354	359,912,354
	-----	-----
	1,463,300,375	1,017,032,857
	=====	=====

21. CURRENT PORTION OF LONG TERM DEPOSITS

Foreign currency deposits (Note 18.1)	76,691,170	51,381,560
Security deposits (Note 18.2)	996,458	181,500
	-----	-----
	77,687,628	51,563,060
	=====	=====

22. SHORT TERM INVESTMENTS**Quoted****Shares of joint stock companies****Dhan Fibres Limited**

33,800 ordinary shares of Rupees 10 each	294,020	294,020
--	---------	---------

Sui Northern Gas Pipelines Limited

1,417 (2000,177,544) Shares of Rupees 10 each	13,941	2,831,441
---	--------	-----------

Dewan Salman Fibres Limited

619,000 ordinary Shares of Rupees 10 each	--	17,182,500
---	----	------------

Pakistan State Oil Company Limited

61,500 ordinary Shares of Rupees 10 each	--	9,987,600
--	----	-----------

Al-Faysal Investment Bank Limited

20,000 ordinary Shares of Rupees 10 each	288,400	288,400
--	---------	---------

Fauji Fertilizers Company Limited

2,000 ordinary shares of Rupees 10 each	107,400	107,400
---	---------	---------

Ibrahim Fibres Limited

95,000 ordinary Shares of Rupees 10 Each	1,727,274	1,727,274
--	-----------	-----------

	-----	-----
	2,431,035	32,418,635
	=====	=====

Modaraba and other certificates**First Hajveri Modaraba**

9,500 ordinary certificates of Rupees 10 each	43,784	43,784
---	--------	--------

First Elite Capital Modaraba		
20,600 ordinary certificates of Rupees 10 each	144,769	144,769
Trust Modaraba		
14,000 ordinary certificates of Rupees 10 each	152,500	152,500
22nd ICP Mutual Fund		
10,000 ordinary certificates of Rupees 10 each	362,400	362,400
23rd ICP Mutual Fund		
56,200 ordinary certificates of Rupees 10 each	562,000	562,000
24th ICP Mutual Fund		
124,700 ordinary certificates of Rupees 10 each	1,247,000	1,247,000
	-----	-----
	2,512,453	2,512,453
	-----	-----
	4,943,488	34,931,088
Less: Provision for diminution in value of investments	(2,699,688)	(2,596,993)
	-----	-----
Market value	2,243,800	32,334,095
Other Investments		
Federal Investment Bonds-Unquoted (Note 22.2)	50,000,000	--
National Investment (Unit) Trust-Quoted		
4,608,393 Units	--	50,000,000
Term Finance Certificates-Quoted		
Orix Leasing Pakistan Limited	2,000,000	--
Paramount Leasing Corporation Limited	7,374,500	--
	-----	-----
	9,374,500	--
Certificates of Investment		
Trust Leasing Corporation Limited	3,000,000	--
Al-Faisal Investment Bank Limited	500,000	--
	-----	-----
	3,500,000	--
	-----	-----
	67,468,300	82,334,095
	=====	=====

22.1 Market value of other quoted investments was Rupees 9.375 million (2000: Rupees 48.8 million of NIT Units purchased under resale arrangements).

22.2 These investment have been made to meet the statutory liquidity requirements of the Leasing Companies (Establishment and Regulation) Rules, 2000.

23. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Short term advances and profit accrued thereon (Notes 23.1 and 23.2)	366,073,385	464,655,843
Less: Provision against doubtful advances (Note 33)	11,231,198	8,231,198
	-----	-----
Considered good	354,842,187	456,424,645
Advances against assets to be lease out	1,147,147	9,747,496
Income tax in advance	20,186,083	12,345,751
Current portion of long term loans to employees (Note 17)	782,652	1,170,641
Profit accrued on bank deposits and loans (Note 23.2)	6,029,242	4,914,156
Short term prepayments	2,506,029	3,251,890
Exchange rate differences recoverable from State Bank of Pakistan	27,689,575	30,282,946
Deposits for term finance certificates of Paramount Leasing Limited	--	25,000,000
Due from lessees	25,885,117	25,248,196
Less: provision against doubtful receivables (Note 33)	(8,245,810)	(8,245,810)
	-----	-----
Considered good	17,639,307	17,002,386
	-----	-----
	430,822,222	560,139,911
	=====	=====

23.1 These represent the funds provided for short periods to corporate companies, financial institutions and individuals under mark-up/musharika arrangements. These are secured against demand promissory notes, hypothecation of stocks, pledge of shares and directors' personal guarantees. In case of individuals, these are secured against demand promissory notes and lien on certificates of investment with the company. These carry mark-up from paisas 3603 to paisas 65.76 per Rupees thousand per day. These include advances / placements and mark-up / profit accrued thereon provided to following associated undertakings:

Crescent Jute Products Limited	14,617,204	191,107,014
Crescent Leasing Limited	--	25,042,740
Crescent Investment Bank Limited	--	403,425
	-----	-----
	14,617,204	216,553,179
	=====	=====

23.2 The maximum aggregate balance due from associated undertakings at the end of any month during the year was Rupees 260.083 million (2000: Rupees 282.324 million).

24. CASH AND BANK BALANCES

Cash in hand	83,978	33,046
Cash with banks		
On current accounts (Note 24.1)	65,361,493	93,113,763
On foreign currency account US\$ 3,463 and Pounds Sterlings 4,745 (2000: US\$ 3,463 and Pound Sterlings 4,770)	647,014	561,419
On dividend accounts	1,603,153	121,254
	-----	-----
On deposit accounts	67,611,660	93,796,436
Local currency (Note 24.2)	2,109,096	52,252,269
	-----	-----
	69,804,734	146,081,751
	=====	=====

24.1 This includes interest free deposit of Rupees 1.043 million (2000: Rupees 5.043 million) with the State Bank of Pakistan.

24.2 This represents the deposit with bank at profit rate of 11 percent per annum.

25. INCOME FROM LEASE FINANCING

Income on finance leases (Note 25.1)	522,510,593	500,023,616
Documentation and handling charges	4,472,994	2,049,397
Income from termination of leases	1,821,507	783,797
Fee, commission and other charges	921,542	1,496,443
	-----	-----
	529,726,636	504,353,253
	=====	=====

25.1 Included therein is income on finance leases to following associated undertakings:

Crescent Greenwood Limited	69,075	80,633
Crescent Greenwood Energy Limited	63,348	67,504
	-----	-----
	132,423	148,137
	=====	=====

26. RETURN ON INVESTMENT, SHORT TERM PLACEMENTS, LOANS AND OTHER ADVANCES

Return on bank deposits/placements (Note 26.1)	15,062,851	17,479,763
Exchange gain on foreign currency deposit	25,433,310	705,134
Profit/mark-up on short term advances (Note 26.1)	76,358,557	61,030,913
Profit on Federal Investment Bonds	8,214,712	6,318,719
Mark-up on loans to employees	195,522	363,351
	-----	-----
	125,264,952	85,897,880
	=====	=====

26.1 Included therein is profit/mark-up on short term advances given to following associated undertakings:

Crescent Leasing Limited	277,808	42,740
Crescent Jute Products Limited	12,025,666	27,782,892
Crescent Investment Bank Limited	--	1,317,124
	-----	-----
	12,303,474	29,142,756
	=====	=====

27. OTHER INCOME

Dividend income		
Crescent Steel and Allied Products Limited-Associated undertaking	273,756	76,043
Other companies	2,968,301	1,304,382
	-----	-----
	3,242,057	1,380,425
Gain on sale of equity investments	394,353	5,013,641
Gain on disposal of tangible fixed assets	38,366	197,421

	3,674,776	6,591,487
	=====	=====

28. FINANCIAL AND OTHER CHARGES

Interest on long term loans	90,906,987	119,678,370
Mark-up on credit facilities offset	50,149,266	91,358,623
Return including net exchange gain on foreign currency deposits	(27,466,511)	(64,545,242)
	-----	-----
Profit/mark-up on redeemable capital (Note 28.1)	22,682,755	26,813,381
Lease financial charges	119,403,787	84,247,302
Mark-up on short term finances	666,939	928,812
Exchange risk fee	107,842,955	68,392,996
Return on certificates of Investment	11,338,918	22,475,039
Commission, commitment / processing fee and bank charges	115,174,596	87,311,994
Penalties levied by State Bank of Pakistan on late payment of exchange risk fee	1,625,412	1,127,212
	--	7,072,163
	-----	-----
	469,642,349	418,047,269
	=====	=====

28.1 PROFIT/MARK-UP ON REDEEMABLE CAPITAL**Representing**

Term finance certificates	69,066,971	27,312,213
Funds on mark-up basis	50,336,816	51,712,175
Funds on musharika basis	--	5,222,914
	-----	-----
	119,403,787	84,247,302
	=====	=====

29. ADMINISTRATIVE AND OTHER OPERATING

Staff salaries and other benefits (Note 29.1)	32,150,218	25,587,387
Legal and professional charges	4,595,363	3,343,644
Rent, rates and taxes	3,926,783	2,982,683
Travelling and conveyance	1,348,420	1,337,095
Postage, telephone and telex	2,943,555	2,161,615
Insurance	2,013,050	1,968,791
Electricity and water	2,446,464	1,694,392
Stationery and other supplies	1,412,835	927,352
Advertisement	1,937,933	1,712,948
Business promotion and entertainment	740,155	587,932
Repair and maintenance	1,811,129	2,325,082
Fee and subscriptions	697,229	536,586
Vehicles' running	840,555	661,461
	-----	-----
Auditors' remuneration	185,000	160,000
Audit fee	--	75,000
Special audit fee	650,001	49,800
Other certification	15,000	13,710
Out of pocket expenses	265,000	298,510
	-----	-----
Newspapers and periodicals	100,589	86,721
Donations (Note 29.8)	36,890	33,800
Depreciation	5,481,179	3,354,922
	-----	-----
	62,747,347	49,600,921
	=====	=====

29.1 STAFF SALARIES AND OTHER BENEFITS

These include the following amounts contributed towards post employment benefits during the year:

Gratuity fund (Notes 29.2to 29.5)	3,954,587	3,652,466
Pension fund	--	261,397
Provident fund (Note 29.6)	684,020	774,558
	-----	-----
	4,638,607	4,688,421
	=====	=====

29.2 GRATUITY FUND EXPENSE

Current service cost	764,736	498,750
Interest cost	787,296	457,926
Expected return on plan assets	(402,525)	(349,160)
Past service cost - Non-vested	191,950	191,950
Increase in past service cost - Vested due to change in benefits	2,613,130	2,460,000

	3,954,587	3,259,466
Recognition of transitional liability	--	393,000
	3,954,587	3,652,466

29.3 GRATUITY FUND LIABILITY

Present value of defined benefit obligations (Funded)	2,154,600	6,560,800
Fair value of plan assets	(2,505,198)	(3,354,374)
Unrecognized past service cost-Non-vested	--	(191,950)
Unrecognized actuarial gains	429,824	51,698
	79,226	3,066,174

29.4 MOVEMENT IN THE NET LIABILITY

Net liability as on June 30, 2000	3,066,174	--
Transitional liability recognized as on July 01, 2000	3,954,587	393,000
Expense recognized (Note 29.2)	(6,941,535)	3,259,466
Total contributions made during the year	--	(586,292)
	79,226	3,066,174

29.5 Gratuity expenses for the year have been recorded on the basis of actuarial valuation carried out as on June 30, 2001 by an independent consulting actuary using the Projected Unit Credit Method. Actual return on plan assets was Rupees 555,229. The contributions were made at the rate of 7.80 percent per annum of basic salaries.

The principal actuarial assumptions used are as under:

Discount rate	12 percent	12 percent
Expected rate of return on plan assets	12 percent	14 percent
Expected rate of salary increase in Future years	10 percent	10 percent

29.6 The assets and liabilities of the provident fund trust as on June 30, 2001 was Rupees 10.00 million (2000: Rupees 8.00 million).

29.7 Number of employees at the end of year were 119 (2000: 92).

29.8 Included therein is Rupees 30,000 paid to Lahore University of Management Sciences (LUMS). Mr. Rashid Ahmed, Chief Executive Officer and Managing Director of the company is also member of Board of Governors of LUMS.

	2001	2000
	Rupees	Rupees

30. PROVISION FOR TAXATION

Current year	6,925,063	6,000,000
Prior year's	22,507	517,355
	6,947,570	6,517,355

30.1 The provision for taxation represents the minimum tax due under the Income Tax Ordinance, 1979. However, after considering the available tax losses, no provision for current taxation except minimum tax is required. The estimated tax losses available for carry forward are Rupees 1,130 million as on June 30, 2001 (2000: Rupees 959 million).

Deferred tax computed under the liability method is estimated at Rupees 119 million (2000: Rupees 186 million). No provision for deferred tax has been made as it is not likely to reverse in the foreseeable future. According to Securities and Exchange Commission of Pakistan's circular number 16 dated September 09, 1999, capital reserve equivalent to deferred tax liability amounting to Rupees 87.749 million (2000: Rupees 79.749 million) has been provided.

31. EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share which is based on:

Profit attributable to ordinary shareholders	Rupees	24,836,697	21,478,626
Weighted average number of ordinary shares outstanding during the year		21,789,306	21,789,306
Earnings per share (Basic)		1.14	0.99

32. CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES REMUNERATION

The aggregate amount charged in the accounts for the year for remuneration, including all benefits to

the chief executive and executives of the company is as follows:

	<i>CHIEF EXECUTIVE</i>		<i>EXECUTIVES</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Managerial remuneration	2,436,300	2,370,000	3,293,916	2,727,600
House rent	1,096,335	1,066,500	1,435,661	1,227,420
Post employment benefits	942,173	848,118	653,904	703,871
Utilities	243,630	237,000	319,036	272,760
Bonus	591,300	615,000	582,075	688,800
	5,309,738	5,136,618	6,284,592	5,620,451
Number of person	1	1	21	18

32.1 In addition, the chief executive has also been provided free use of two company's vehicles and residential telephones. The company has also provided club membership fee to three executives including Chief Executive of the company.

32.2 The aggregate amount charged in the accounts for the year for fees to 6 directors for 4 meetings are Rupees 40,000 (2000: Rupees 50,000 to 6 directors for 4 meetings).

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
33. PARTICULARS OF SPECIFIC PROVISIONS AGAINST NON-PERFORMING ADVANCES/RECEIVABLES		
Opening balance	376,389,362	287,958,597
charge for the year	75,800,000	88,430,765
Amount written off during the year	--	--
Closing balance	452,189,362	376,389,362
Provision against:		
Advances to banks	--	--
Advances to others	452,189,362	376,389,362

Provisions have been reflected in the accounts as follows:

	<i>2001</i>	<i>2000</i>
Net investment in finance leases (Note 20)	432,712,354	359,912,354
Short term advances (Note 23)	11,231,198	8,231,198
Due from lessees (Note 23)	8,245,810	8,245,810
	452,189,362	376,389,362

33.1 The break up of provision between principal and mark-up is as under:

	<i>2001</i>		<i>2000</i>	
	<i>Principal</i>	<i>Mark-up</i>	<i>Principal</i>	<i>Mark-up</i>
	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>	<i>Rupees</i>
Net Investment in finance lease	158,291,388	274,420,966	91,598,363	268,313,991
Short term advances	7,516,613	3,714,585	4,516,613	3,714,585
Due from lessees	6,205,155	2,040,655	6,205,155	2,040,655
	172,013,156	280,176,206	102,320,131	274,069,231

34. INTEREST/MARK-UP RATE RISK

Interest/mark-up rate and sensitivity of the company's financial liabilities and financial assets as at June 30, 2001 can be evaluated from the following:

<i>FINANCIAL INSTRUMENTS</i>	<i>Rupees</i>	<i>Rupees</i>	<i>EXPOSED TO INTEREST/MARK-UP RATE PRICE RISK</i>		<i>EXPOSED TO INTEREST/MARK-UP NOT RATE CASH FLOW RISK</i>		<i>EXPOSED TO INTEREST MARK-UP RATE RISK</i>	<i>Rupees</i>
			<i>More Than One Year and Upto Five Years</i>	<i>Above Five Years</i>	<i>Within One Year</i>	<i>More Than One Year and Upto Five Years</i>		
LIABILITIES								
Redeemable capital	948,847,600	193,595,911	755,251,689	--	--	--	--	--
Long term loans	761,303,709	121,292,631	131,933,511	25,017,567	193,200,000	289,800,000	--	--
Certificates of Investment	774,627,080	343,282,653	431,344,427	--	--	--	--	--

Liabilities against assets subject t	2,819,511	1,594,169	1,225,342	--	--	--	--	--
Long term deposits	558,482,053	--	--	--	--	--	--	558,482,053
Short term finances	610,055,000	610,055,000	--	--	--	--	--	--
Creditors, accrued and other liabil	98,514,553	--	--	--	--	--	--	98,514,553
	3,754,506	1,269,820,364	1,319,814,969	25,017,567	193,200,000	289,800,000	--	656,996,606
ASSETS								
Net Investment in finance leases	3,299,773,660	1,463,300,375	1,836,473,285	--	--	--	--	--
Equity Investments	59,680,075	--	--	--	--	--	--	56,680,075
Long term loans	3,465,490	782,652	2,682,838	--	--	--	--	--
Long term deposits	311,188,678	76,691,170	115,047,346	--	--	117,480,000	--	1,970,162
Short term equity and other inves	67,468,300	--	--	--	--	--	--	67,468,300
Advances and deposits	394,969,116	337,555,133	--	--	--	--	--	57,413,983
Cash and bank balances	69,804,734	67,470,590	--	--	--	--	--	2,334,144
	4,206,350,053	1,945,799,920	1,954,203,469	--	--	117,480,000	--	188,866,664
Total Interest/mark-up rate sensit	451,700,547	675,979,556	634,388,500	--	--	(172,320,000)	--	(468,129,942)
Unrecognized financial assets (N	17,205,700	17,205,700	--	--	--	--	--	--

34.1 INTEREST/MARK-UP RATE RISK

Interest/mark-up rate risk and sensitivity of the company's financial liabilities and financial assets as at June 30, 2000 can be evaluated from the following:

FINANCIAL INSTRUMENTS	EXPOSED TO INTEREST/MARK-UP RATE PRICE RISK				EXPOSED TO INTEREST/MARK-UP NOT RATE CASH FLOW RISK			EXPOSED TO INTEREST MARK-UP RATE RISK
	Within One year	More Than One Year and Upto Five Years	Above Five Years	Within One Year	More Than One Year and Upto Five Years	Above Five Years		
							Rupees	
LIABILITIES								
Redeemable capital	610,210,422	154,939,165	455,271,257	--	--	--	--	--
Long term loans	1,029,124,544	205,411,243	232,541,902	42,021,399	156,900,000	392,250,000	--	--
Certificates of Investment	605,398,790	381,166,325	224,232,465	--	--	--	--	--
Liabilities against assets subject t	5,399,998	2,537,892	2,862,106	--	--	--	--	--
Long term deposits	485,789,186	--	--	--	--	--	--	485,789,186
Short term finances	612,440,100	612,440,100	--	--	--	--	--	--
Creditors, accrued and other liabil	93,552,172	--	--	--	--	--	--	93,552,172
	3,441,915,212	1,356,494,725	914,907,730	42,021,399	156,900,000	392,250,000	--	579,341,358
ASSETS								
Net Investment in finance leases	2,821,123,780	1,017,023,857	1,804,090,923	--	--	--	--	--
Equity Investments	1,191,656,410	--	--	--	--	--	--	119,656,410
Long term loans	6,846,213	1,170,641	5,675,572	--	--	--	--	--
Long term deposits	252,043,852	51,381,560	106,796,522	--	--	92,046,592	--	1,819,178
Short term equity and other inves	82,334,095	50,000,000	--	--	--	--	--	32,334,095
Advances and deposits	525,392,935	411,804,009	--	--	--	--	--	113,588,926
Cash and bank balances	146,081,751	145,366,032	--	--	--	--	--	715,719
	3,953,479,036	1,676,755,099	1,916,563,017	--	--	92,046,592	--	268,114,328
Total Interest/mark-up rate sensit	511,563,824	320,260,374	1,001,655,287	(42,021,399)	(156,900,000)	(300,203,408)	--	(311,227,030)
Unrecognized financial assets (N	15,222,000	15,222,000	--	--	--	--	--	--

34.2 Effective interest/mark-up rates by currencies for financial assets and financial liabilities are given below:

LIABILITIES	2001		
	LOCAL CURRENCY RUPEES	FOREIGN CURRENCY	
		U.S. DOLLARS	DEUTSCHE MARKS
	PERCENTAGE (FROM-TO)		
Long term loans	14.00	7.06-10.25	9.75-10.95
Redeemable capital	13.24-20.00	--	--
Certificates of investment	11.00-20.00	--	--
Liabilities against assets		--	--

subject to finance lease	18.00-21.25	--	--
Loans against foreign currency deposits	14.52	--	--
Short term finances	12.25-22.00	--	--

ASSETS

Net investment in finance leases	18.00-28.00	--	--
Long term loans	5.25-6.00	--	--
Foreign currency deposits	--	7.40	4.69-5.31
Federal investment bonds	12.00-15.00	--	--
Short term advances	13.15-25.00	--	--
Cash with banks			
On current account	12.5-14.37	--	--
On deposit account	11.00	--	--

2000

	LOCAL	FOREIGN CURRENCY	
	CURRENCY		
	RUPEES	U.S.	DEUTSCHE
		DOLLARS	MARKS
		PERCENTAGE (FROM-TO)	

LIABILITIES:

Long term loans	14.00	8.50-10.25	9.75-10.95
Redeemable capital	16.50-20.00	--	--
Certificates of investment	13.00-21.00	--	--
Liabilities against assets subject to finance lease	18.00-21.25	--	--
Loans against foreign currency deposits	14.00-14.25	--	--
Short term finances	11.60-20.40	--	--

ASSETS

Net investment in finance leases	18.00-28.00	--	--
Long term loans	5.25-6.00	--	--
Foreign currency deposits	--	7.40-7.94	5.31
Other investments	11.65-14.20	--	--
Short term advances	15.60-25.00	--	--
Cash with banks			
On current account	11.00-12.50	--	--
On deposit account	13.75-23.50	--	--

35. CREDIT RISK

The company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits company's exposure to credit risk through monitoring of client's credit exposure, conservative estimates of provisions for doubtful receivables and the prudent use of collateral policy. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in organizations of sound financial standing covering various industrial sectors and segments.

36. FOREIGN EXCHANGE RISK MANAGEMENT

Foreign exchange risk is managed by the company through State Bank of Pakistan's forward covers and hedging arrangements.

37. LIQUIDITY RISK

The company's management closely monitor liquidity and cash flows positions and taking necessary steps to minimize the risks.

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial assets and liabilities approximates their fair values as reflected in the financial statements except that of long term quoted investments referred to in note 16.

39. SEGMENT ANALYSIS**39.1 SEGMENT BY CLASS OF BUSINESS (ASSETS)****2001**

TYPE OF INDUSTRY	CERTIFICATES OF INVESTMENT		NET INVESTMENT IN LEASES, DEPOSITS AND SHORT TERM ADVANCES		INVESTMENTS		NON-FUNDED FACILITIES
	Rupees	%	Rupees	%	Rupees	%	Rupees
SPINNING	--	--	336,953,513	7.69	76,125,000	32.41	--
WEAVING	--	--	22,712,358	0.52	11,479,651	4.89	--
PROCESSING	--	--	14,763,569	0.34	--	--	--
KNITWEAR	--	--	69,646,031	1.59	--	--	--

GARMENTS	--	--	88,326,558	2.02	--	--	--
CEMENT	--	--	358,194,870	8.18	--	--	--
ENGINEERING	--	--	301,329,648	6.88	7,675,000	3.27	--
CHEMICAL/PHARMACEUTICA	--	--	226,949,913	5.18	26,256,064	11.18	--
FUEL AND ENERGY	--	--	242,539,464	5.54	12,513,941	5.33	--
POLYESTER	--	--	152,380,053	3.48	2,021,294	0.86	--
GLASS & CERAMICS	--	--	88,292,814	2.02	--	--	--
PAPER & BOARD	--	--	75,485,173	1.72	--	--	--
SUGAR	--	--	67,979,644	1.55	4,730,000	2.01	--
CABLES & WIRE	--	--	45,176,770	1.03	--	--	--
LEATHER TANNING, LEATHER	--	--	--	--	--	--	--
GARMENTS & FOOTWEAR	--	--	40,412,182	0.92	--	--	--
FOOD & BEVERAGE	--	--	28,272,787	0.65	--	--	--
TRANSPORT & COMMUNICAT	--	--	23,107,582	0.53	--	--	--
FINANCIAL INSTITUTIONS	3,500,000	100.00	534,138,801	12.19	41,727,112	17.77	--
PRINTING & PUBLISHING	--	--	7,286,755	0.17	--	--	--
CARPETS	--	--	1,237,327	0.03	--	--	--
INBIVIBUALS	--	--	1,190,744,263	27.18	--	--	--
OTHERS	--	--	465,299,750	10.62	52,350,000	22.29	--
	3,500,000	100.00	4,381,229,825	100.00	234,878,062	100.00	--

39.2 SEGMENT BY SECTOR

Public/Government	--	--	24,336,832	0.56	72,172,700	30.73	--
Private	3,500,000	100.00	4,356,892,993	99.44	162,705,362	69.27	--
	3,500,000	100.00	4,381,229,825	100.00	234,878,062	100.00	--

39.3 SEGMENT BY CLASS OF BUSINESS (LIABILITIES)

2001

TYPE OF INDUSTRY	SECURITY DEPOSITS		CERTIFICATES OF INVESTMENT		LEASES, LOANS AND SHORT TERM ADVANCES		NON-FUNDED FACILITIES	
	Rupees	%	Rupees	%	Rupees	%	Rupees	%
SPINNING	17,386,739	3.11	800,000	0.10	--	--	--	--
WEAVING	1,604,039	0.29	5,400,000	0.70	--	--	--	--
PROCESSING	4,526,109	0.81	38,800,000	5.01	--	--	--	--
KNITWEAR	5,865,829	1.05	--	--	--	--	--	--
GARMENTS	3,572,241	0.64	--	--	--	--	--	--
CEMENT	5,710,736	1.02	--	--	--	--	--	--
ENGINEERING	14,477,018	2.59	318,000	0.04	--	--	--	--
CHEMICAL / PHARMACEUTIC	22,416,868	4.01	25,000	--	--	--	--	--
FUEL AND ENERGY	18,661,178	3.34	148,550,000	19.18	100,925,439	4.34	--	--
POLYESTER	8,539,400	1.53	--	--	--	--	--	--
GLASS & CERAMICS	1,200,000	0.21	--	--	--	--	--	--
PAPER & BOARD	1,209,400	0.22	--	--	--	--	--	--
SUGAR	8,191,990	1.47	--	--	--	--	--	--
CABLES & WIRE	454,375	0.08	--	--	--	--	--	--
LEATHER TANNING, LEATHER	--	--	--	--	--	--	--	--
GARMENTS & FOOTWEAR	8,998,472	1.61	--	--	--	--	--	--
FOOD & BEVERAGE	8,781,739	1.57	--	--	--	--	--	--
TRANSPORT & COMMUNICAT	8,724,945	1.56	--	--	--	--	--	--
FINANCIAL INSTITUTIONS	1,481,761	0.27	427,486,773	55.19	2,121,912,802	91.34	--	--
PRINTING & PUBLISHING	4,989,302	0.89	--	--	--	--	--	--
CARPETS	945,000	0.17	--	--	--	--	--	--
INDIVIDUALS	298,992,972	53.54	63,383,101	8.18	24,676,583	1.06	--	--
OTHERS	111,751,939	20.01	89,864,206	11.60	75,510,996	3.25	--	--
	558,482,052	100.00	774,627,080	100.00	2,323,025,820	100.00	--	--

39.4 SEGMENT BY SECTOR

Public/Government	2,178,567	0.39	287,486,773	37.11	350,910,439	15.11	--	--
Private	556,303,485	99.61	487,140,307	62.89	1,972,115,381	84.89	--	--
	558,482,052	100.00	774,627,080	100.00	2,323,025,820	100.00	--	--

39.5 GEOGRAPHICAL SEGMENT

(AMOUNT IN RUPEES)

2001

PROFIT	TOTAL	NET ASSETS	NON-
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	<i>BEFORE TAXATION</i>	<i>ASSETS EMPLOYED</i>	<i>EMPLOYED</i>	<i>FUNDED FACILITIES</i>
Pakistan	31,784,267	4,381,512,781	606,054,443	--

39.6 CURRENCY BREAKDOWN OF ASSETS AND LIABILITIES

	2001			
	ASSETS		LIABILITIES	
	<i>Amount in Rupees</i>	<i>Percentage</i>	<i>Amount in Rupees</i>	<i>Percentage</i>
Pak Rupees	4,148,338,421	94.68	3,620,209,072	82.63
U.S. Dollars	232,747,681	5.31	703,223,434	16.04
Pound Sterling	426,679	0.01	--	--
Deutsche Marks	--	--	58,080,275	1.33
	4,381,512,781	100.00	4,381,512,781	100.00

40. MATURITIES OF ASSETS AND LIABILITIES

ASSETS	(AMOUNT IN RUPEES)				
	TOTAL	2001			
		UPTO ONE MONTH	OVER ONE MONTH TO ONE YEAR	OVER ONE YEAR TO FIVE YEARS	OVER FIVE YEARS
Cash and bank balances	69,804,734	69,804,734	--	--	--
Advances, deposits, Prepayments and other receivables	430,039,570	9,483,254	420,556,316	--	--
Equity and other investments	67,468,300	--	67,468,300	--	--
Deferred cost	11,965,605	503,536	5,538,890	5,923,179	--
Long term deposits	311,188,678	--	77,687,626	233,501,052	--
Long term loans	3,465,490	72,354	710,298	2,348,592	334,246
Equity investments	155,210,074	--	--	155,210,074	--
Net investment in finance leases	3,299,773,660	155,965,976	1,668,598,140	1,475,209,544	--
Tangible fixed assets	32,596,670	362,136	3,983,508	11,159,212	17,091,814
	4,381,512,781	236,191,990	2,244,543,078	1,883,351,683	17,426,060
LIABILITIES					
Redeemable capital	948,847,600	767,218	192,689,682	755,390,700	--
Long term loans	761,303,709	1,008,412	216,884,219	518,393,511	25,017,567
Certificates of investment	774,627,080	68,384,169	274,898,484	431,344,427	--
Liabilities against assets subject to finance lease	2,819,511	132,847	1,461,322	1,225,342	--
Long term deposits	558,482,052	80,925,513	58,439,204	419,117,335	--
Short term finance	610,055,000	75,000,000	535,055,000	--	--
Provision for taxation	18,619,880	--	18,619,880	--	--
Dividend payable	22,395,318	--	22,395,318	--	--
Creditors, accrued and other liabil	100,097,494	7,498,768	92,598,726	--	--
	3,797,247,644	233,716,927	1,413,041,835	2,125,471,315	25,017,567
Net balance	(584,265,137)	2,475,063	831,501,243	(242,119,662)	(7,591,507)
Shareholders' equity	584,265,137				

41. CORRESPONDING FIGURES

Corresponding figures have been re-arranged and re-grouped wherever necessary for the purpose of comparison.

RASHID AHMED
Chief Executive Officer &
Managing Director

MAZHAR KARIM
Chairman

FORM '34' PATTERN OF HOLDING OF SHARES HELD BY THE SHAREHOLDERS AS AT JUNE 30, 2001

<i>Number of shareholders</i>	<i>Shareholding From To</i>	<i>Total Shares Held</i>
-----------------------------------	-------------------------------------	------------------------------

170	1	100	8909
312	101	500	86627
178	501	1000	136980
354	1001	5000	917823
96	5001	10000	709045
45	10001	15000	560054
24	15001	20000	427967
9	20001	25000	201617
6	25001	30000	169187
4	30001	35000	128209
2	35001	40000	77220
1	40001	45000	45000
3	45001	50000	142521
1	50001	55000	53500
4	55001	60000	234679
5	60001	65000	309149
1	75001	80000	76600
1	80001	85000	83621
1	85001	90000	90000
1	90001	95000	91000
2	95001	100000	193500
1	110001	115000	112860
3	115001	120000	357624
1	120001	125000	124114
1	125001	130000	128700
1	130001	135000	133563
1	195001	200000	197900
1	320001	325000	324652
1	355001	360000	356520
1	385001	390000	387000
1	525001	530000	528054
1	540001	545000	543000
1	700001	705000	702384
1	745001	750000	748500
1	1110001	1115000	1111900
1	1275001	1280000	1276960
1	1405001	1410000	1408405
1	1905001	1910000	1906840
1	1985001	1990000	1989306
1	4705001	4710000	4707816
-----			-----
1241			21789306
=====			=====

Categories of Shareholders

	<i>Numbers</i>	<i>Numbers</i>	<i>Percentage</i>
Individuals	1157	4175129	19.16
Investment Companies	3	120200	0.55
Insurance Companies	5	1416008	6.50
Joint stock companies	44	9711061	44.57
Financial Institutions	25	3967202	18.21
Others	7	2399706	11.01
-----			-----
Total	1241	21789306	100.00
=====			=====
Others			
Modarabas	4	409514	1.88
Non-Residents	2	1989906	9.13
Others	1	286	0.00
-----			-----
Total	7	2399706	11.01
=====			=====

BRANCHES**KARACHI**

5th Floor, Sidco Avenue Centre, 264 R.A. Lines,
Stratchen Road
Ph: 92-21-111-666-333, 5687770, 5687780, 5687783-4
Fax: 92-21-5687866

KARACHI

Suit No.1, Mezzanine Floor, Park View B-30, Block-13/A,
Gulshan-e-Iqbal
Ph: 92-21-111-666-333, 4976667 Fax: 92-21-498430

FAISALABAD

59, Iqbal Stadium
Ph: 92-41-111-666-333, 626787, 626789 & 621230
Fax: 92-41-626789

SIALKOT

Suit No. 2, Uberio Co-operative Sports Building, Paris Road
Ph: 92-432-111-666-333, 587702-01
Fax: 92-432-587703

ISLAMABAD**MULTAN**

14. First Floor, Beverly Centre, 56-G, Jinnah Avenue, Blue Area
Ph: 92-51-111-666-333, 2826286, 2826387, 2826392
Fax: 92-51-2826220

G-8 Hotel Holiday Inn Abdali Road
Ph: 92-61-111-666-333, 586682-586583
Fax: 92-61-586583

PESHAWAR

2nd Floor, AYS Centre Arbab Road
Ph: 92-91-111-666-333, 285672-74
Fax: 92-91-285671

RAWALPINDI

Office No. 3, First Floor Royal Center, D-86, 6th Road
Ph: 92-51-111-666-333, 4456372