

PAKISTAN INDUSTRIAL & COMMERCIAL LEASING LIMITED ANNUAL REPORT 2004

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Minhaj ul Haq Executive Chairman

Mr. Zaheerul Haq Chief Executive

Raja Hameed Asghar Kidwai

Barrister Rashid Munir Ahmed

Mr. Zain uddin Akhter

Mr. Farrukh Alavi

Mr. Raihan Alavi

SECRETARY

Mr. Minhaj Ahmed

AUDITORS

Khalid Majid Rahman Sarfaraz

Rahim Iqbal Rafiq

Chartered Accountants

LEGAL ADVISOR

Mohsin Tayebaly & Co.

Advocate & Legal Consultants

AUDIT COMMITTEE

Barrister Rashid Munir Ahmed

Chairman

Raja Hameed Asghar Kidwai

Member

Mr. Minhaj ul Haq Siddiqui

Member

BANKERS

Bank Al Habib Limited

Faysal Bank Limited

Standard Chartered Bank Limited

Bank Al Falah Limited

REGISTERED OFFICE

504, Park Avenue, Block-6,

PECHS, Shahrah-e-Faisal

Karachi. Tel : 021-4551045-4554285

Fax : 02.1-4520655

Website: www.picltd.com

BRANCHES

Lahore

First Floor, Al-Malik Building

19-Davis Road, Lahore

Tel : 042-6308062

Fax : 042-6308064

Islamabad

89 Bilal Plaza

Jinnah Avenue, Blue Area, Islamabad

Tel: 051-2829742

Fax:051-2829928

REGISTRAR OFFICE

Fortune Registrar & Corporate Services (Pvt.)Ltd.

504, Park Avenue, Block-6,

PECHS, Shahrah-e-Faisal

Karachi. Tel : 021-4551045-4554285

Fax : 021-4520655

	Rupees	Rupees
OPERATING LOSS BEFORE PROVISIONS	-46,979,587	-40,605,044
Reversal/(PROVISIONS) / OTHERS		
Doubtful lease receivables	26,772,193	1,794,271
Other receivables	89,408	-1,684,988
Gain on revaluation of investments held for trading	1,544,953	6,655,128
Gain on revaluation of investments available for sale	10,105,555	-520,018
	38,512,109	6,244,393
LOSS BEFORE TAXATION	-8,467,478	-34,360,651
PROVISION FOR TAXATION		
Current	-546,077	-1,211,051
NET LOSS FOR THE YEAR	-9,013,555	-35,571,702
Accumulated loss brought forward	-213,640,903	(178,069,201)
Accumulated loss carried forward	-222,654,458	-213,640,903

Explanation to Auditor's Observations

In terms of rule 5(2)(b)(ii) of NBFC rules 2003 leasing companies are required to raise minimum paid up capital to Rs. 200 million. Subsequent to the balance sheet date the company has for this purpose signed memorandum of understanding with two financial institutions for acquisition of controlling shares of a leasing company. Agreement to implement the MOU has been prepared by company's legal advisor which is expected to be signed by end of August 2004

Future outlook

With increased capital and more areas to explore business opportunities, the management of the company perceives a very promising year ahead and the years to follow. The management is determined in its efforts for recovering of bad loans and huge recoveries are in process.

The company has the potential to meet the challenges ahead and by implementing better strategy and introducing new products the company hopes to achieve a well-diversified portfolio minimizing the risk and maximizing the return.

Key Operating and Financial Data

A statement of Summarized Key Operating and Financial data of the Company for the last (6) six years is annexed , to the Annual Report.

DIRECTORS' REPORT

Economic Review

The economy of the country continues to follow a healthy trend since last year as is evident from the brilliant performance of many companies and an over all improvement in almost all the economic sectors. Companies have grown both in respect of profits and in respect of volume and after a long time we have seen a stream of new companies being listed on the stock exchanges of the country. Pakistan has also been the center of the newly shaping global atmosphere with Afghanistan's rebuilding process starting and developments in the Gulf. Pakistan would play a key role in the rebuilding process being a neighbour and providing all necessary assistance in this process. The political stability and induction of technocrats in the government would also boost the economic environment of the country restoring confidence among the investors.

Review of operations

By the grace of Allah Almighty the Board of your company has been approved by the Securities and Exchange Commission of Pakistan. The Board members of P1CL are thankful for the support and guidance extended to us by SECP.

We stand at a point from where we need to launch and the efforts made up till now though have been fruitful were only the first phase of the mission that the management has perceived. The greatest challenge faced by the management was to operate with all the restrictions that were there owing to no approval of the Board and we have managed to live through that phase by the grace of Allah Almighty and the trust vested in the management by the shareholders.

Now an all new challenge lies ahead of us, which is that of making up for what we have lost during the past three years and to bring the Company back to its place among the top most companies of the country. The first step is to raise the equity of the Company to the desired level. It gives me great pleasure to say that we have entered in to an agreement with the major shareholders of another leasing company to acquire the shares and control of the company and we have plans to similarly acquire another company, which will all be merged into one solid company with the requisite equity.

The management has also decided to issue right shares to the extent of 100% of issued, subscribed and paid-up capital

and the proceedings are underway for the issue. This will further strengthen the liquidity position of the company and would benefit the share holders.

The management has always been active in the area of recovering its stuck up leases and I am pleased to state that we have made efforts resulting in reversal of provisions on bad leases by Rs. 26.7 million I would particularly like to mention that people to whom leases were procured carelessly by the previous management and who have been untraceable have also been located and approached by our recovery teams and amounts considered dead have been recovered. Many other large amounts are in the process of being recovered and the management is extremely hopeful that these recoveries

will also be made very soon.

The company has procured an amount of Rs. 30 million in fresh leases during the year. Main focus of the company has been on leases with maximum return and minimum risk and hence the consumer-financing scheme has been introduced which has been very successful. Many new leases are in pipeline and with diminishing financial costs, the company will be in a position to offer better rates.

Pattern of Shareholding

The Pattern of Shareholding as on June 30, 2004 is annexed to this report.

Acknowledgement

Before concluding we wish to express our thanks to the authorities of State Bank of Pakistan and Securities and Exchange Commission of Pakistan for their continued guidance and support.

Corporate Governance

Complying with the requirements of the Securities and Exchange Commission of Pakistan (SECP) the following requisites have been duly met in the managing the Company in compliance of the best practices:

- a. The financial statement prepared by the management of Pakistan Industrial & Commercial Leasing Limited present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b. Proper books of account of Pakistan Industrial & Commercial Leasing Limited have been maintained.
- c. Appropriate accounting policies have been maintained.
- d. International Accounting Standard, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Company's ability to continue as a going concern.
- g. There has been no material departure from the best practice of Corporate Governance as detailed in the listing regulations.
- h. There has been no trading during the years in the shares of the Company carried out by the Directors, CEO and Company Secretary and their spouses and minor children.

During the year Ten meetings of the Board of Directors were held and attended as follows:

Name of Directors	Meetings held during tenure	Meetings Attended
Mr. Minhaj ul Haq Siddiqui	10	9
Mr. Abdul Sattar	6	5
Mr. Zia ur Rehman	6	5
Mr. Qazi Kamal Ahmed	6	6
Syed Izzat Yousuf	3-	
Mr. Mohammad Iqbal Khamisani	6	2
Mr. Zainuddin Akhter	10	3
Barrister Rashid Munir Ahmed	7	5
Mr. Raihan Alavi	5	4
Mr. Farrukh Alavi	4	3
Mr. Zaheerul Haque	4	4
Mr. Munir ul Haq	3	2

KEY FINANCIAL HIGHLIGHTS

2004	2003	2002	2001	2000	1999
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Operational Results

Total Disbursement	29,426,475	86,254,904	67,992,586	225,649,974	356,485,415	315,170,988
Revenue	33,442,516	56,568,047	108,518,489	95,391,586	167,511,005	138,228,572
Operating Profit/ (Loss)	-46,979,587	-40,605,044	-19,063,912	-31,473,442	41,448,020	36,622,548
Profit/(Loss) before tax	-8,467,478	-34,360,651	-120,778,733	-82,290,256	17,604,029	21,722,548
Profit/(Loss) after tax	-9,013,555	-35,571,702	-122,778,733	-86,624,757	15,604,020	20,125,921
Balance Sheet						
Shareholder's Equity	-27,421,120	-18,407,565	17,164,137	143,317,241	229,941,998	214,337,980
Net Investment in Lease Finance	174,561,023	194,343,082	273,993,349	250,040,599	507,301,714	461,599,791
Fixed Assets	11,277,238	10,633,839	14,712,369	6,929,213	5,927,812	6,077,533
Current Assets	232,131,382	306,495,847	424,621,419	712,489,673	601,771,509	464,670,285
Current Liabilities	194,116,322	201,212,871	221,181,596	197,375,800	242,718,057	220,000,351
Long Term Liabilities	353,028,826	421,193,310	559,733,240	661,667,704	673,325,734	531,827,013

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of PAKISTAN INDUSTRIAL & COMMERCIAL LEASING LIMITED as at June 30, 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 be the best of our knowledge and belief, were necessary for the purpose 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;

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Pakistan Industrial & Commercial Leasing Ltd., to comply with the Listing Regulations of respective stock exchanges, where the company is listed.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2004.

BALANCE SHEET

As at June 30, 2004

ASSETS

	Note	2004 Rupees	2003 Rupees
NON-CURRENT ASSETS			
Tangible fixed assets	3	11,277,238	10,633,839
Net investment in lease finances	4	174,561,023	194,343,082
Investments	5	101,754,385	92,525,848
Loan to Employees and Executives	6	6,065,258	4,641,705
CURRENT ASSETS			
Net investment in lease finances - current portion	4	106,581,865	162,404,086
Current maturity of loan to Employees and Executives	6	1,949,165	1,692,495
Investments - Held For Trading	7	16,344,718	22,332,484
Advances, deposits and prepayments	8	16,855,652	15,781,256
Other Receivables	9	80,882,452	68,331,222
Cash and bank balances	10	3,452,272	31,312,599
		226,066,124	301,854,142
TOTAL ASSETS		519,724,028	603,998,616
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
25,000,000 (2003 : 25,000,000) ordinary shares of Rs. 10/- each		250,000,000	250,000,000
Issued, subscribed and paid-up capital	11	164,162,220	164,162,220
Reserves	12		
Statutory reserve		31,071,118	31,071,118
Accumulated loss		-222,654,458	-213,640,903
		-27,421,120	-18,407,565
NON-CURRENT LIABILITIES			
Long term finances	13	333,693,728	392,286,282
Certificates of investment	14	500,000	500,000
Deposit on lease contracts	15	18,426,475	28,313,247
Obligation under finance lease	16	408,623	93,781
CURRENT LIABILITIES			
Current maturity of:			
Long term finances	13	73,723,307	75,384,734
Certificates of Investment	14	3,790,000	3,790,000
Deposits on lease contracts	15	68,359,218	91,047,202
Obligation under finance lease	16	730,514	2,079,976
Accrued and other liabilities	17	47,513,283	28,910,959

CONTINGENCIES AND COMMITMENTS	18	194,116,322	201,212,871
TOTAL EQUITY AND LIABILITIES		519,724,028	603,998,616

CASH FLOW STATEMENT
For the year ended June 30, 2004

	2004	2003
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit before taxation	-8,467,478	-34,360,651
Adjustments for:		
Depreciation	2,917,139	3,164,761
Gain on disposal of fixed assets	-159,082	-728,528
Reversal of Provision for doubtful lease receivables	-26,772,193	-1,794,271
(Reversal)/ Provision for other receivables	-89,408	1,684,988
Gain on revaluation of investments	-1,544,953	-6,655,128
(Gain)/Loss on revaluation investments	-10,105,555	520,018
Loss/(Gain) on sale of investments	-11,200,867	-7,100,810
Financial charges and return on certificates of investment	45,297,917	60,126,593
Dividend income	-1,169,101	-2,668,253
	-2,826,103	46,549,371
Operating profit before working capital changes	-11,293,581	12,188,720
(Increase) in operating assets	-7,079,309	-9,438,490
Increase/(decrease) in operating liabilities	-4,676,873	921,156
	-11,756,182	-8,517,334
	-23,049,763	3,671,386
Investments in lease finance - net of recoveries	102,376,473	175,280,591
Interest paid	-21,929,312	-55,595,231
Income tax paid	-362,880	-7,388,872
Net cash from operating activities	57,034,518	115,967,874
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible fixed assets	(4,463,956)	(335,453)
Proceeds on sale of operating fixed assets	1,062,500	1,977,750
Gain on sale of Investments	11,200,867	7,100,810
Dividend income	1,169,101	2,668,253
Net cash from/(used in) investing activities	8,968,512	11,411,360
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finances and deposits on lease contracts	-92,828,737	-148,372,570
Asset acquire under finance lease	739,000	-
Payment against finance lease	-1,773,620	-1,969,109
Certificates of investment	-	-2,785,767
Net cash used in financing activities	-93,863,357	-153,127,446
Net (decrease)/ increase in cash and cash equivalents	-27,860,327	-25,748,212
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	31,312,599	57,060,811
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,452,272	31,312,599

PROFIT & LOSS ACCOUNT
For the year ended June 30, 2004

	Note	2004	2003
		Rupees	Rupees
INCOME			
Income from leasing operations	19	20,525,815	42,522,555
Income from bank deposits		83,826	1,365,079
Return on short term finances		-	973,068
Return on additional financing to Pakland Cement Ltd.		166,077	55,359
Gain/(Loss) on sale of Investments		11,200,867	7,100,810
Profit on disposal of fixed assets		159,082	728,528
Dividend income		1,169,101	2,668,253

Other income		137,748	1,154,395
		33,442,516	56,568,047
EXPENDITURE			
Financial charges	20	45,053,218	59,635,020
Return on certificates of investment		244,699	491,574
Administrative and operating expenses	21	35,124,186	37,046,497
		-80,422,103	-97,173,091
OPERATING LOSS BEFORE PROVISIONS		-46,979,587	-40,605,044
REVERSAL/(PROVISIONS) / OTHERS			
Doubtful lease receivables		26,772,193	1,794,271
Other receivables		89,408	-1,684,988
Gain on revaluation of investments held for trading		1,544,953	6,655,128
Gain/(Loss) on revaluation of investments available for sale		10,105,555	-520,018
		38,512,109	6,244,393
LOSS BEFORE TAXATION		-8,467,478	-34,360,651
PROVISION FOR TAXATION			
Current	22	-546,077	-1,211,051
NET LOSS FOR THE YEAR		-9,013,555	-35,571,702
Accumulated loss brought forward		-213,640,903	-178,069,201
		-222,654,458	-213,640,903
Accumulated loss carried forward		-222,654,458	-213,640,903
BASIC EARNING PER SHARE	23	-0.55	-2.17

STATEMENT OF CHANGES IN EQUITY For the year ended June 30, 2004

	Share capital		Capital Reserves		Revenue Reserves		Shareholders Equity	
	Issued, subscribed & paid-up Rupees	Special reserve Rupees	Deferred taxation Rupees	Reserve for issue of bonus shares Rupees	General reserve Rupees	Unappropriated profit Rupees	Total Rupees	
Balance as at July 01, 2002	164,162,220	31,071,118	-	-	-	-178,069,201	17,164,137	
Transfer to/(from) general reserve	-	-	-	-	-	-	-	
Loss for the Year	-	-	-	-	-	-35,571,702	-35,571,702	
Balance as at 30th June, 2003	164,162,220	31,071,118	-	-	-	-213,640,903	-18,407,565	
Balance as at July, 01, 2003	164,162,220	31,071,118	-	-	-	-213,640,903	-18,407,565	
Loss for the year	-	-	-	-	-	-9,013,555	-9,013,555	
Balance as at 30th June, 2004	164,162,220	31,071,118	-	-	-	-222,654,458	-27,421,120	

Available for Sale

These are investments which are neither held for trading nor held to maturity. At subsequent reporting date, these are measure at fair value. Surplus / deficit arising from re- measurement of prior years are shown seperately in the share holders equity. Such surplus/ deficit can be taken to profit & loss account only to the extent it relates to the securities sold / disposed off during the respective period. The company has opted to include un-realised gains and losses in the profit & loss account for the year. Gains and losses on sale during the year are taken to profit & loss" account for the year.

Foreign currency translations

Assets and liabilities in foreign currencies are recorded at the exchange rates applicable on the transaction date (except where forward exchange contracts have been entered into, such amounts are stated at the contracted rates) and are translated into rupees at the exchange rates prevailing on the balance sheet date.

Gains and losses on translation are taken to income currently.

Employees' retirement benefits

Provident fund

The company operates a funded contributory provident fund for all its permanent employees and contributions are made both by the company and employees on equally @ 8.33 % of basic salary on monthly basis in accordance with the fund rules.

Revenue recognition

Lease Operations

The financing method is used in accounting for income on finance leases. Under this method the unearned finance income [i.e. the excess of aggregate lease rentals and the estimated residual value over the net investment (cost of leased assets)] is deferred and then recognized to income over the term of lease on a pattern reflecting a constant periodic rate of return, on the net investment in the lease. Front end fee, commitment fee and other commission are recognized as income when accrued. Lease income on classified investments in leases are suspended as per Prudential Regulations.

Dividend Income

Dividend income on investments is recognised when the right to receive is established.

Government Securities

Profit on Federal Investment Bonds is recognised on receipt basis.

Others

Profit on Musharika finance is accrued on time proportion basis.

Profit on bank deposits is recognized on accrual basis.

Deferred

The company accounts for deferred taxation, using the liability method on all major temporary differences.

The company recognizes a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the assets can be utilized.

Tangible fixed assets and depreciation

Owned

These are stated at cost less accumulated depreciation and impairment losses if any. Depreciation is charged to income applying the straight line method whereby the cost of the asset is written-off over its estimated useful life at the rates specified in note 3.

Full month's depreciation is charged in the month of acquisition and no depreciation is charged in the month of disposal.

Profit or loss on disposal of fixed asset is taken to profit and loss account currently.

Normal repairs and maintainance are charged to income as and when incurred and major repairs are capitalized.

Leased

Assets held under finance leases are stated at cost less accumulated depreciation and impairment losses if any.

Depreciation is charged at the same rate as company owned assets.

Investments

The investments of the company are classified as held for trading, held to maturity and available for sale.

All investments in securities are initially recognized at cost, being the fair value of the consideration given including acquisition charges associated with the investment. After initial recognition, investments which are classified as held for trading and available for sale are measured at fair value, unless fair value cannot be reliably measured

Held for Trading

These are securities which are either required for generating profit from short term fluctuation in prices or are securities included in a portfolio in which a pattern of short term profit taking exist.

Held for Trading investment are measured at subsequent reporting dates at fair value determined by reference to Stock Exchange quoted market prices at the close of business on the balance sheet date, adjusted by transaction cost necessary to realize the asset. Un-realized gains or losses are included in the net profit and loss account for the year.

Gain or loss on sale during the year are taken to profit and loss account.

Held to Maturity

These are investments which have fixed or determinable payments which are intended to be held to maturity are subsequently measured at amortized cost, less provision for non-temporary impairment in value, based on the net present value of future anticipated cash flows. Amortized cost is calculated by taking into account any discount or premium on acquisition.

Any gain or loss is recognized to profit and loss account when the investment is derecognized or impaired

Provision for potential lease losses

The company maintains provision for doubtful debts at a level that can be reasonably anticipated keeping in view the nature of its overall business activities, regulatory requirements and consider this to be adequate to meet potential losses.

Financial Assets

Financial assets comprise of net investment in leases net of related deposits, long term investments in securities, advance against assets subject to lease, short term investments, accrued income, advances, deposits, cash and bank balances. Net investment in leases are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amount, while other financial assets are stated at cost except for certain investments which are measured at fair value.

Financial Liabilities

Financial liabilities are classified according to the substance of contractual arrangements entered into. Significant financial liabilities are long term finances, certificates of investments, deposit on lease contracts, obligation under finance lease, redeemable capital, short term finances as well as accrued and other liabilities.

Offsetting of financial asset and financial liabilities

A financial asset and financial liability is offset and the net amount reported in the balance sheet only if there is a legal enforceable right to setoff the recognised amount and the company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Corresponding income on the asset and charge on the liability is also off setted.

Held to Maturity

Term Finance Certificates

	2004	2003
	Rupees	Rupees
a) Pakland Cement Limited		
TFC Series 'A'	51,400,000	51,400,000
TFC Series 'B'	3,003,077	3,145,000
	54,403,077	54,545,000
Provision	-4,236,372	-4,236,372
	50,166,705	50,308,628
b) Saadi Cement Limited		
TFC Series 'A'	11,063,000	11,063,000
TFC Series 'B'	1,868,000	1,868,000
	12,931,000	12,931,000
Provision	-1,499,788	-1,499,788
	11,431,212	11,431,212
Additional Financing	899,884	1,230,189
	62,497,801	62,970,029

ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

No. of Shares	2003	2004	2003
2004		Rupees	Rupees
6,950,000	6,950,000 Ordinary Shares of	69,500,000	69,500,000
	fully paid in cash		
9,466,222	9,466,222 Ordinary Shares of Rs. 107-each issued		
	as fully paid bonus	94,662,220	94,662,220
16,416,222	16,416,222	164,162,220	164,162,220

RESERVES

Capital Reserves	31,071,118	31,071,118
Statutory reserve		
Accumulated Loss	-213,640,903	(178,069,201)
Opening balance	-9,013,555	-35,571,702
Loss for the year	-222,654,458	-213,640,903
	-191,583,340	-182,569,785

Reserves at the end of the year

	Note	2004 Rupees	2003 Rupees
Accrued income			
Return on short term investments		59,508	140,364
Return on T.F.C'S			55,359
Dividend Receivable		93,815	-
		153,320	195,723
Pertains to Ex-Chairman			
Receivable against Leases	9.3.1	49,531,488	49,531,488
Payable against CO1 and Musharika		-12,443,929	(12,354,521)
		37,087,559	37,176,967
Less: Provision		-37,087,559	-37,176,967
CASH AND BANK BALANCES		15,000	-
Stamp papers in hands			
Withbanks		55,679	16,956
-Current accounts		2,156,593	30,070,643
-Deposit accounts		1,225,000	1,225,000
-Deposit with SBP		3,452,272	31,312,599

	Note	2004 Rupees	2003 Rupees
DEPOSITS ON LEASE CONTRACTS			
Total deposits-non interest bearing	15.1	86,785,693	119,360,449
Less: Current maturity		68,359,218	91,047,202
		18,426,475	28,313,247

OBLIGATION UNDER FINANCE LEASE

The rate of interest used as the discounting factor is 9% (2003-16%) per annum.

The amount of future payments and the period they will become due are:

	2004		2003	
	Minimum Present value lease payments	of minimum lease payments	Minimum Present value lease payments	of minimum lease payments
Within one year	813,824	730,514	2,303,490	2,079,976
After one year but not more than five years	440,690	408,623	95,030	93,781
	1,254,514	1,139,137	2,398,520	2,173,757
Less: Amount representing financial charges	-115,377	-	-224,763	
	1,139,137	1,139,137	2,173,757	2,173,757
Less: Shown under current maturity	-730,514	-730,514	-2,079,976	-2,079,976
	408,623	408,623	93,781	93,781

ACCRUED AND OTHER LIABILITIES	44,111,136	20,786,358
Markup on secured long term finances	324,820	28/,993
Markup on deposits and certificates of investment	672,182	2,819,926
Advance from lessees	185,377	185,377
Unclaimed dividend	600,000	600,000
Unclaimed Term Deposit Reciepts	1,288,175	
Insurance payable	235,000	-
Audit fee payable	96,593	4,238,305
Others	47,513,283	28,910,959

IFC has the option to convert upto US \$ 1 million of the loan amount into equity of the company subject to the maximum of 20% of the increased share capital at the break-up value of the shares at the time of exercising the option. The loans are secured by a first floating charge on all present and future assets of the company ranking pari passu with other lenders.

This represents balance amount of finance from International Bank for Reconstruction and Development (World Bank) Micro Enterprise loan of US\$ 26 million to Government of Pakistan for financing Micro Enterprise Projects.

The loans are secured by a first floating charge on all present and future assets of the company, ranking pari passu with other lenders and 1.0 million shares of Saudi Pak Commercial Bank Limited (formerly Prudential Commercial Bank Limited) pledged with Bankers Equity Limited (See note 5.1.1)

This represents balance amount of finance from Kreditanstalt Fur Wiederaufbau (KfW) through Government of Pakistan for financing small and micro enterprise project and for female entrepreneurs in Pakistan.

The rate of 14% per annum includes interest, administration charges and guarantee commission.

The loan is secured by a first floating charge on all present and future assets of the company ranking pari passu with other lenders.

This represents balance amount of finance from Asian Development Bank, Financial Sector Intermediation Loan (FSIL) of US\$ 100 million to Government of Pakistan for financing the lease investment and specific development projects in Pakistan.

Total long term finance includes Rs. 56,470 million (June 2003 Rs. 58,558 million) on account of difference between contracted rate and rate prevailing on the date of transaction covered with forward exchange cover contracts with SEP.

The loan is secured by a first floating charge on all present and future assets of the company ranking pari passu with other lenders.

	2004	2003
CERTIFICATES OF INVESTMENT	Rupees	Rupees
Certificate of investment	4,290,000	4,290,000
Less: Current maturity	3,790,000	3,790,000
	500,000	500,000

This represents Certificates of investment issued by the company in local currency. These are for terms of three months to five years and expected return is paid on a profit and loss sharing basis ranging from 14% to 16.5%.

Maturities falling within the next twelve months are included under current maturities.

On January 12, 2002 the credit rating agency downgraded the credit rating of the company in consequence of which SECP suspended the company's license to issue Certificate of Investments (COIs). However, existing COI deposits shall be encashed as and when they become due.

During the year the chair was occupied by two persons, out of which only one received remuneration for the

21.1.2 Staff retirement benefits - Provident Fund

These include Rs 452,681 (2003: Rs.328,084) for staff retirement benefits.

21.1.3 Employee benefits

It includes provision of Rs.35,780 for accumulated absences of employees which is 77% of the total liability, in accordance with circular 14 of 2000 of the Securities and Exchange Commission of Pakistan. Compensated , absences amounting to Rs. 10,859(2003: Rs. 47,068) remains unprovided for the year.

21.1.4 Directors' fee

This represents fee paid to 5(2003 : 5) directors for attending Board meetings of the company.

21.2 Auditors' remuneration

The charge for professional fee includes the following in respect of auditors' remuneration

	KMRSRIR & Co.		MYAS & Co.	
	2004	2003	2004	2003
Audit fee- Annual	235,000	235,000	-	-
Interim Review	100,000	-	-	100,000
Special assignments	-	-	-	10,000
Out-of-pocket expenses	10,000	-	-	10,000
	345,000	235,000	-	120,000

CONTINGENCIES AND COMMITMENTS	Note	2004	2003
		Rupees	Rupees

18.1 Refer to Note 22

18.1 Commitments for finance lease - -

INCOME FROM LEASING OPERATIONS

Income on lease contracts		20,508,783	41,828,204
Return on advance against purchase of assets subject to lease		17,032	694,351
		20,525,815	42,522,555

FINANCIAL CHARGES

Interest on long term loans		44,820,899	59,095,513
Profit on Musharika finance		-	7,838
Bank and other charges		232,319	531,669
		45,053,218	59,635,020

ADMINISTRATIVE AND OPERATING EXPENSES

Salaries, allowances and benefits	21.1	17,638,121	19,633,874
Directors'fee		10,000	20,500
Rent, rates and taxes		2,941,788	2,998,506
Repairs and maintenance		655,813	895,198
Insurance		674,931	764,847
Advertisement		61,256	107,605
Utilities		678,535	949,006
Postage and courier		78,663	102,032
Telephone and telefax		1,245,661	1,075,694
Printing, stationery and supplies		226,998	634,132
Fees and subscription		2,458,451	1,387,511
Travelling and conveyance		1,591,108	704,179
Auditor's remuneration	21.2	345,000	355,000
Legal and professional		1,728,865	2,981,577
Depreciation		2,917,139	3,164,761
Registrar services		190,000	112,693
General services		525,370	497,020
Business promotion		432,840	145,750
Entertainment expenses		95,163	133,950
Stamps and fees		63,500	44,100
Brokerage and commission		-	1,157
Other		564,984	337,406
		35,124,186	37,046,497

CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, collateral and guarantee requirements and continually assessing the credit worthiness of counterparties.

Concentration of credit risk arise when number of counterparties are engaged in similar business activities, or

have similar economic feature that would cause their ability to meet contractual obligation to be similarly affected by changes in economic, political or other conditions.

The company manages concentration of credit risk exposure through diversification of activities to avoid undue concentration of risk with individual, groups or specific industry segments.

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

INDUSTRY SECTOR

Industry Sector	2004		2003	
	Rs in '000'	Per.%	Rs. in '000'	Per.%
Food and Beverages Industry	17,926	3.86%	29,428	5.18%
Services	20,651	4.45%	71,871	12.65%
Textile Spinning and Weaving	67,480	14.53%	73,923	13.01%
Engineering and Automobiles	29,773	6.41%	28,442	5.00%
Chemical and Pharmaceutical	35,047	7.55%	42,147	7.42%
Cement	131	0.03%	131	0.02%
Hospitals and Clinics	10,651	2.29%	16,842	2.96%
Dyeing and Printing	38,100	8.20%	41,581	7.32%
Transport and Communications	34,368	7.40%	43,041	7.57%
Garments and Hosiery Manufacturing	13,892	2.99%	18,717	3.29%
Synthetic and Rayon	40,711	8.77%	41,154	7.24%
Edible Oil Industry	50,255	10.82%	51,196	9.01%
Others	105,412	22.70%	109,837	19.33%
	464,397	100%	568,310	100%

The effective interest rate/mark-up for the investment in lease finance has been computed by excluding non-performing leases.

The effective range of interest rate/mark-up for each of the monetary financial instrument is as follows:

	2004	2003
	%	%
Assets		
Net investment in lease finance	10-23	13-23
TFC's	16	16
Short term Musharika	20	20
Deposit with banks	2-4.5	2-4.5
Liabilities		
Obligation under finance lease	9	16
Long term finances	6.31-14	6.31-14
Certificates of investment	14-16	14-16

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all the financial instruments reflected in the financial statements approximate their fair values.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The company matches availability of liquid funds before committing for liabilities. Analysis of liquid funds with maturities of liabilities due is performed on periodic basis for this purpose.

NUMBER OF EMPLOYEES

Total number of permanent employees as at June 30, 2004 were 37 (2003:40).

DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on August 19, 2004 by the Board of Directors of the company.

GENERAL

34.1 Figures have been rounded off to the nearest Rupee.

34.2 Prior year figures given in note 6 and 8 have been rearranged to reflect long term and short term portion of loan to employees and executives.

MATURITIES OF ASSETS AND LIABILITIES

ASSETS	Total	Upto three months	Over 3 months to one year	Over one year to five years	Over five years
Tangible fixed assets	11,277,238	835,407	2,556,429	6,447,833	1,437,569
Net investment in lease finance	281,142,888	66,325,514	40,256,351	174,561,023	-
Investments	101,754,385	330,305	39,256,584	50,736,284	-
Investments held for trading	16,344,718	16,344,718	-	-	-
Advances, prepayments and other receivables	16,855,652	-	-	-	-
Other receivable	80,882,452	812,987	1,733,241	78,336,224	-
Cash and bank balances	3,452,272	3,452,272	-	-	-
	511,709,605	88,101,203	83,802,605	310,081,304	1,437,569
LIABILITIES					
Long term finances	407,417,035	18,430,827	55,292,480	209,803,248	123,890,480
Certificates of Investments	4,290,000	2,540,000	1,250,000	500,000	-
Deposits on lease contracts	86,785,693	64,312,930	4,046,288	18,426,475	-
Accrued and other liabilities	47,513,283	7,126,992	40,386,291	-	-
Liabilities against assets subject to finance lease	1,139,137	572,393	158,121	408,623	-
	547,145,148	92,983,142	101,133,180	229,138,346	123,890,480
Net Assets /(Liabilities)	-35,435,543	(4,881,939)	-17,330,575	80,943,018	-122,452,911

PATTERN OF SHARE HOLDING

As at 30.06.2004

NUMBER OF SHARE HOLDERS	SHARE HOLDING	SHARE HOLDING	TOTAL SHARES HELD
1,166	1	100	20,366
823	101	500	255,392
408	501	1000	320,157
703	1001	5000	1,352,456
250	5001	10000	1,855,099
52	10001	15000	556,959
7	15001	20000	117,419
8	0.20001	25000	169,913
1	25001	30000	16,945
4	30001	35000	125,443
2	65001	70000	42542
1	75001	80000	75,183
1	80001	85000	84,185
1	90001	95000	91,535
1	115001	120000	119,836
2	120001	125000	246,296
1	125001	130000	129,684
1	135001	140000	139,903
1	150001	155000	151,465
1	175001	180000	177,484
1	185001	190000	186,009
1	255001	260000	257,149
1	260001	265000	264,823
1	385001	390000	389,381
1	4000001	4005000	4,003,784
1	5160001	5165000	5,161,948
3,440			16,416,222