

SAUDIPAK LEASING COMPANY LIMITED
Annual Reports 2002

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Financial Highlights

	2002	2001	2000	1999	1998	1997
Authorised Capital	400	400	400	400	400	400
Paid up Capital	220	220	220	220	220	200
Total Reserves	73	140	133	124	117	129
Net Investment in Leases	1,775	2,112	1,824	1,870	1,702	1,516
Income from Leasing						
Operations	282	299	325	320	280	292
Profit before taxation	18	39	47	44	49	74
Taxation	4	5	11	9	8	19
Profit after taxation	14	34	36	35	41	55
Dividends	—	12.50%	12.50%	12.50%	15%	15%, 10%
Total Assets	2,807	2,981	2,444	2,342	2,076	1,816
Current Ratio	1.33	1.48	1.58	1.08	0.96	1.21
Return on average Equity	4.20%	9.63%	10.41%	10.28%	12.17%	17.35%
Book Value of Share (Rupees per Share)	13.3	16.36	16.05	15.65	15.31	16.46

Corporate Objectives

- Extend lease finance to businesses which are expected to contribute positively to economic development;
- Support enterprises that create value; and

- Provide lease finance in areas that offer compatible risk and returns.

Chairman's Review

It gives me great pleasure to present before you the 12th Annual Report together with the audited accounts of Saudi Pak Leasing Company Limited for the year ended June 30, 2002

Leasing companies witnessed intense interest of commercial banks and DFIs in lease financing. Gradually the competition has come full circle with the banks and DFIs having made inroads even in consumer items, let alone the corporate sector. This has severely affected the business of leasing companies. Your company made lease disbursements of Rs. 615 million in the year 2001-02, as compared to Rs. 1,033 million in the previous year. Total revenues amounted to Rs. 390.53 million for the year ended June 30, 2002, as against Rs. 385.38 million, in the previous year. There has been an increase in income on investments, as the surplus funds were utilized in an effective manner in business avenues, permissible under the regulations, so as to make an optimum utilization of the resources.

Registered Office

6th floor, Lakson Square,
Building # 1, Sarwar Shaheed Road,
Saddar, Karachi.
Tel : 5655181-85, 5655215-19
Fax:5210607-9

Branches

Lahore

131-A-E/1, Main Boulevard,
Gulberg-III, Lahore.
Tel : 5762644-47, 5762634
Fax : 5762633

Islamabad

2nd Floor, High-Rise Block, Saudi Pak Tower
61-A, Jinnah Avenue, Blue Area, Islamabad.
Tel : 2272652 Fax : 2272657

Faisalabad

Standard Chartered Bank Building Railway Road, Faisalabad
Tel: 619056, 618056,642013 Fax: 642012
Universal Access Number : 111-888-999
Karachi, Lahore and Islamabad

Registrars and Share Transfer Office

THK Associates (Pvt.) Ltd.

Ground Floor, Shiekh Sultan Trust
Building # 2, Beaumont Road, Karachi.
Tel : 5689021,5686658

During the year under review, the highest disbursements were made to textile sector, followed by transport and communication. Net Investment in Lease Finance stood at Rs. 1,775 million as on June 30, 2002, compared to Rs. 2,112 million on the same date in the last year. Total assets amounted to Rs. 2,807 million as on June 30, 2002. The decline in Net Investment in Lease Finance was the outcome of relatively lower disbursements during theyear.

The company enjoys the confidence of the lenders and depositors. As reported in the last annual report the new issue of TFCs, was made in June 2002, for Rs. 400 million. It was oversubscribed, and green shoe option to the extent of Rs. 30 million was exercised. The resource position of your company is strong and the matching of the asset and liabilities is adequately ensured.

The company does not foresee any unusual risk factor that may impact its performance significantly. JCR - VIS Credit Rating Company has assigned medium to long-term entity rating of A+ (Single A plus) and short-term rating A-1 (A-one) to the Company. The outlook of these ratings is stable. The company has the resources to continue its business in the normal way and avail emerging business opportunities.

Notice of Annual General Meeting

Notice is hereby given that the 12th Annual General meeting of the members of Saudi Pak Leasing Company Limited will be held at Dinshaw Mahal, Avari Tower Hotel, 87 Shahrah-e-Quaid-e-Azam, Lahore, on October 23, 2002 at 10:30 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the 11th Annual General Meeting of the company held on December 24, 2001.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2002, together with the Directors' and Auditors' Report thereon.
3. To appoint auditors for the year 2002-2003 and to fix their remuneration. The present Auditors, Messrs A.F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.
4. To consider any other business with the permission of the chair.

By Order of the Board

SHAKIL AKHTAR QURESHI

Karachi: September 30, 2002

Company Secretary

NOTES:

1. The Register of members of the Company will remain closed from October 15, 2002 to October 23, 2002 (both days inclusive).
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her. A proxy must be a member of the Company.
3. An instrument of Proxy and the power of attorney or other authority (if any) under which it is signed, or notarially certified copy of such power of attorney, in order to be valid must be deposited at the registered office of the Company not less than 48 hours before the time of the meeting.
4. Members are advised to lodge shares for transfer at the office of our Registrar, THK Associates (Pvt) Ltd., Ground Floor, Sheikh Sultan Trust Building # 2, Beaumont Road, Karachi.

5. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:

(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 participants I.D. numbers and account numbers in CDS.

(ii) In case of a 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.

Directors' Report

The Directors have pleasure in presenting the Audited Accounts for the year ended June 30, 2002.

Financial Results

Rupees

Net Profit for the year after charging all expenses	
And provision for potential lease losses and diminution in Value of investment	17,443,137
Provision for taxation - current	73,518,064
Provision for taxation - deferred	-69,770,939
	3,747,125
Profit after tax	13,696,012
Unappropriated profit brought forward	21,878
Transfer from general reserves	4,870,000
Profit available for appropriation	18,587,890
APPROPRIATIONS :	
Transfer to	
- statutory reserve	2,739,202
- reserve for deferred taxation	15,744,623
- proposed cash dividend	—
	18,483,825
Unappropriated profit carried forward	104,065
Earning per share	0.62

Operating profit dropped to Rs. 17.63 million from Rs. 28.88 million in the previous year.

The decline in operating profit is attributable to the non-performing accounts, depressed return on equity investments and slow recoveries in the aftermath of September 11, 2001 events. The rise in financial and other charges was owing mainly to increased borrowing. Administrative and operating expenses remained under control.

During the period under review, the company made concerted efforts to reduce its cost of funds. Important steps in this regard include issue of Term Finance Certificates at variable rates and re-negotiation of the mark-up rates on term loans, in the wake of falling discount rate. As a result, financial cost is expected to record decrease in the next year.

The company adheres to a well-defined strategy of sectoral exposure to ensure diversification of risk. The maximum exposure to any sector as a percentage of Net Investment in Lease Finance is below 25 percent. Exposure to Textile sector was 22 percent, followed by Energy, Oil

and Gas of 10 percent. Exposure to the Small and Medium Enterprises including consumer finance was 33 percent of Net investment in Lease Finance. As to the type of asset the maximum disbursements were accounted for by plant and machinery at 68 percent, followed by motor vehicles 16 percent and commercial vehicles of 9 percent.

BOARD MEETINGS: During the period July 01, 2001 to June 30, 2002, five meetings were held. Attendance was as follows:

	No. of meetings attended
Mr. Muhammad Rashid Zahir Chairman	5
Mr. Ihsanul Haq Piracha Vice Chairman	3
Mr. Parvez Abbasi	4
Mr. Abdul Jabbar Kasim Chief Executive	5
Mr. Faridullah Khan	5
Mr. Haroon Ihsan	4
Mr. Muhammad Tariq Masud	5

Pattern of shareholding

The pattern of shareholding as on June 30, 2002 is annexed to this report.

Auditors

The present auditors, Messrs. A. F. Ferguson & Co., Chartered Accountants, retire and being eligible offer themselves for reappointment.

For and on behalf of the
Board of Directors

Abdul Jabbar Kasim

Chief Executive

Muhammad Rashid Zahir

Chairman

Islamabad September 24, 2002

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 Saudi Pak Leasing Company Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement

of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the 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, 2002.

A.F. Ferguson & Co.
Chartered Accountants

Karachi
Dated: September 25, 2002

Corporate Governance

Proper books of account have been maintained by the company, and the financial statements, present fairly the state of affairs of the company, the result of its operations, cash flows and changes in equity.

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment except for change as stated in note 2.10 with which auditors have concurred.

- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and there is no departure.
- The system of internal control is sound in design and has been effectively implemented and monitored. There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, and the company fully subscribes to the requirements.

Key operating and financial rate of last six years has been summarized on page 6 of this annual report.

The value of investments in provident and gratuity funds are Rs. 2.868 million and Rs. 2.332 million respectively as per the last audited accounts for provident fund and actuarial valuation report for gratuity fund. The audit of gratuity fund is in process.

- There was no trading in company shares by directors, chief executive, chief financial officers and company secretary and their spouses and

minor children during the year.

BALANCE SHEET AS AT JUNE 30, 2002

	Note	2002 Rupees	2001 Rupees
SHARE CAPITAL & RESERVES			
Authorised capital			
40,000,000 (2001: 40,000,000)			
ordinary shares of Rs 10 each		400,000,000	400,000,000
Issued, subscribed and paid-up capital	3	220,000,000	220,000,000
Reserves	4	83,716,472	139,873,586
Deficit on revaluation of investments		(11,254,398)	-
Unappropriated profit		104,065	21,878
		292,566,139	359,895,464
REDEEMABLE CAPITAL	5	501,251,649	334,626,473
LONG-TERM DEPOSITS	6	207,078,116	234,719,590
LONG-TERM CERTIFICATES OF INVESTMENT	7	949,390,369	922,093,201
CURRENT LIABILITIES			
Current maturity of redeemable capital	5	318,208,697	213,946,655
Current maturity of long term deposits	6	73,106,343	36,605,206
Short-term certificates of investment	7	276,153,500	554,345,212
Finances under mark-up arrangements	8	75,000,000	204,185,321
Borrowings from financial institutions	9	40,000,000	-
Taxation:		3,320,822	-
Creditors, accrued and other liabilities	10	69,863,285	74,217,537
Dividend	11	1,183,454	28,495,591
		856,836,101	1,111,795,522
COMMITMENTS	12		
	2	807,122,374	2,963,130,250

The annexed notes fo S.

**Statement of Compliance with the Code
of Corporate Governance**

The Company is in the process of implementing the requirements of the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan and adopted by the Karachi Stock Exchange. The provisions of the Code, relevant for the year ended June 30, 2002 have been duly complied with by the company.

For and on behalf of the
Board of Directors

Muhammad Rashid Zahir

Chairman

Abdul Jabbar Kasim

Chief Executive

Islamabad September 24, 2002

PROFIT AND LOSS ACCOUNT
for the year ended June 30, 2002

	Note	2002 Rupees	2001 Rupees
REVENUES			
Income from finance lease operations	21	276,618,304	292,903,905
Income from operating lease operations		5,002,862	5,567,040
Income on investments	22	103,716,145	77,510,184
Other income	23	5,189,304	9,395,017
		390,526,615	385,376,146
EXPENSES			
Financial and other charges	24	326,991,727	308,211,575
Administrative and operating expenses	25	42,405,537	44,155,105
Direct cost of operating lease	26	3,501,436	4,131,619
		372,898,700	356,498,299
Operating profit before provisions		17,627,915	28,877,847
Provision for potential lease losses		(2,101,417)	11,000,000
Unrealized gain / (loss) in the market value of investments held for trading - net		1,916,639	(520,416)
PROFIT BEFORE TAXATION		17,443,137	39,357,431
Taxation - Current		73,518,064	5,000,000
- Deferred		(69,770,939)	-
		3,747,125	5,000,000
PROFIT AFTER TAXATION		13,696,012	34,357,431
Unappropriated profit brought forward		21,878	11,033
Transferred from general reserves		4,870,000	24,100,000
PROFIT AVAILABLE FOR APPROPRIATION		18,587,890	58,468,464
APPROPRIATIONS:			
Transfer to:			
Statutory reserve		2,739,202	6,871,486
Reserve for deferred taxation		15,744,623	24,075,100
Proposed dividend @ Nil (2001:12.5%)		-	27,500,000
		18,483,825	58,446,586
UNAPPROPRIATED PROFIT CARRIED FORWARD		104,065	21,878
EARNINGS PER SHARE	30	0.62	1.56

Auditors' Report to the Members

We have audited the annexed balance sheet of Saudi Pak Leasing Company Limited as at June 30, 2002 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An

audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 2.10 with which we concur;

(ii) the expenditure incurred during the year was for the purpose of the company's business:

and

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

(c) in our opinion, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required, and respectively give a true and fair view of the state of the company's affairs as at June 30, 2002 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 Central Zakat Fund established under section 7 of that Ordinance.

Karachi

Dated: September 25, 2002

A. F. FERGUSON & CO.

Chartered Accountants

STATEMENT OF CHANGES IN EQUITY

for the year ended June 30, 2002

	Issued, subscribed and paid-up capital	CAPITAL Contmgency reserve	Statutory reserve	Deferred Taxation	Surplus/ (deficit) on revaluation of investments classified as available for sale	REVENUE General	Unappropriated profit	Total
	Rupees							
Balance as at June 30,2000	220,000,000	2,600,000	55,671,000	45,786,000	-	28,970,000	11,033	353,038,033
Profit after taxation for the year ended June 30, 2001	-	-	-	-	-	-	34,357,431	34,357,431
Transfer from / (to) profit								

and loss account	-	-	6,871,486	24,075,100	-	(24,100,000)	(6,846,586)	-
Dividends	-	-	-	-	-	-	(27,500,000)	(27,500,000)
Balance as at June 30, 2001	220,000,000	2,600,000	62,542,486	69,861,100	-	4,870,000	21,878	359,895,464
Effect on equity arising due to change in accounting policy as a result of adoption of IAS 39	-	-	-	-	(9,130,930)	-	-	(9,130,930)
	220,000,000	2,600,000	62,542,486	69,861,100	(9,130,930)	4,870,000	21,878	350,764,534
Profit after taxation for the year ended June 30, 2002	-	-	-	-	-	-	13,696,012	13,696,012
Transfer from/(to) profit and loss account	-	-	2,739,202	(54,026,316)	-	(4,870,000)	(13,613,825)	(69,770,939)
Unrealized loss in market value of investments classified as available for sale	-	-	-	-	(2,123,468)	-	-	(2,123,468)
As at June 30, 2002	220,000,000	2,600,000	65,281,688	15,834,784	(11,254,398)	-	104,065	292,566,139

The annexed notes form an integral part of these accounts.

BALANCE SHEET AS AT JUNE 30, 2002

	Note	2002 Rupees	2001 Rupees
FIXED ASSETS	13	46,382,841	53,372,497
CAPITAL WORK-IN-PROGRESS	14	-	144,063
NET INVESTMENT IN LEASES	15		
Minimum lease payments receivable		1,805,665,379	2,271,646,511
Add: Residual value of leased assets		317,182,498	317,704,087
Lease contracts receivable		2,122,847,877	2,589,350,598
Less: Unearned lease income		315,715,467	447,381,883
Provision for potential lease losses		32,101,417	30,000,000
		347,816,884	477,381,883
Net investment in leases		1,775,030,993	2,111,968,715
Less: Current portion of net investment in leases		805,943,912	914,343,361
		969,087,081	1,197,625,354
INVESTMENTS	16	653,293,065	550,019,040
LONG-TERM LOANS	17	227,288	1,160,883
CURRENT ASSETS			
Current portion of net investment in leases		805,943,912	914,343,361
Current portion of long-term loans	17	938,022	1,025,148
Short-term loans	18	44,549,268	50,180,077
Advances, deposits, prepayments and other receivables	19	63,547,148	37,624,758
Taxation recoverable		-	65,082,963
Cash and bank balances	20	223,153,749	92,552,106
		1,138,132,099	1,160,808,413
		2,807,122,374	2,963,130,250

2.4 Other payables

Short-term liabilities are carried at amortised cost.

2.5 Provision for potential lease losses

The provision for potential lease losses is based on the higher of the requirements laid down in the Leasing Rules 2000 and the management's estimate of potential lease losses.

2.6 Other provisions

Provisions are recognised when the company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

2.7 Taxation

- Current

Income for the purpose of computing current taxation is determined under the provisions of the tax law whereby lease rentals received or receivable are deemed to be income. Provision for taxation is thus based on taxable income determined in accordance with the requirements of the law.

- Deferred

The company accounts for deferred taxation using the liability method on timing differences arising from using the different method in the recognition of lease income for tax purposes and accounting purposes, as well as for all other significant timing differences. The deferred tax is currently being recognised in accordance with the requirements of the Circular No. 16 issued by the Securities and Exchange Commission of Pakistan.

2.8 Revenue recognition

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

The company recognises dividend income when the right to receive the dividend is established.

Rental income from assets given on operating lease is recognised on accrual basis. Front-end fee, commitment fee and other commissions are taken to income when realised.

2.9 Fixed assets and depreciation

Fixed assets (including assets given under operating lease arrangements) are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. In respect of additions and deletions of assets during the year, depreciation is charged proportionately from the quarter of acquisition and up to deletion respectively.

CASH FLOW STATEMENT for the year ended June 30, 2002

	Note	2002 Rupees	2001 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	31	87,823,467	165,994,817
Mark-up paid		(92,474,996)	(105,786,183)

Deposits received	8,859,663	80,738,387
Taxes paid	(5,114,279)	(5,345,548)
Refund of amount paid as deferred cost	-	351,991
Net investment in leases	334,836,305	(252,044,731)
Decrease in loans to employees	1,020,721	2,053,663
Decrease in long-term prepayments	-	18,650
	247,127,414	(280,013,771)
Net cash generated from / (used in) operating activities	334,950,881	(114,018,954)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(5,163,956)	(18,760,138)
Proceeds from sale of fixed assets	3,752,966	1,385,000
Increase in investments	(112,611,784)	(191,360,327)
Dividend received	7,484,893	3,880,995
Net cash used in investing activities	(106,537,881)	(204,854,470)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds of redeemable capital less repayments and transaction costs	269,580,645	36,341,899
Increase in certificates of investment less repayments	(250,894,544)	374,037,821
Borrowings from financial institutions	40,000,000 -	
Dividend paid	(27,312,137)	(27,386,059)
Net cash generated from financing activities	31,373,964	382,993,661
Net increase in cash and cash equivalents	259,786,964	64,120,237
Cash and cash equivalents at July 1	(111,633,215)	(175,753,452)
Cash and cash equivalents at June 30	32 148,153,749	(111,633,215)

2.11 Re- purchase and Re-sale transactions

The company enters into transactions of re-purchase (repo) and re-sale (reverse repo) of securities at contracted rates for a specified period of time. Consequent to the adoption of IAS 39, these transactions are recorded as follows:

- in case of sale under re-purchase obligations, the securities remain on the balance sheet and a liability is recorded in respect of the consideration received as 'Borrowings from financial institutions'. Charges arising from the differential in sale and re-purchase values are accrued on a prorata basis ; and
- in case of purchases under re-sale obligations, the securities are not recognised on the balance sheet and the consideration paid is recorded as 'Lendings to financial institutions' and the differential of the purchase price and contracted re-sale price is recognised over the period of the contract.

2.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost.

2.13 Foreign currencies

Transactions in foreign currencies are accounted for in rupees at the rate prevailing on the date of the transaction. Assets and liabilities in foreign currencies are translated into rupees at the rate of exchange prevailing at the balance sheet date.

2.14 Financial assets and financial liabilities

Financial assets carried on the balance sheet include net investment in leases, operating lease

rental receivables, investments in securities, loans to employees, cash and bank balances and certain other receivables. Financial liabilities carried on the balance sheet include redeemable capital, security deposits, certificates of investment, and certain other liabilities.

At the time of initial recognition, all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Transaction costs are included in the initial measurement of all financial assets and liabilities. The particular recognition method adopted for measurement of financial assets and financial liabilities subsequent to initial recognition are disclosed in the policy statements associated with each item.

2.15 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

NOTES TO THE ACCOUNTS for the year ended June 30, 2002

1. THE COMPANY AND ITS OPERATIONS

The company is incorporated in Pakistan and is listed on all the Stock Exchanges in Pakistan. The address of its registered office is 6th floor, Lakson square building #1, Sarwar Shaheed Road, Saddar-Karachi. The main business activity of the company is leasing of assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

(a) These accounts have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee (IASC) and interpretations issued by the Standards Interpretations Committee of the IASC, as applicable in Pakistan and the requirements of the Companies Ordinance 1984 and the Leasing Rules 2000, along with the requirements of the Securities and Exchange Commission of Pakistan (SECP). As explained in note 4.3 to the accounts, the company has followed the requirements of Circular No. 16 issued by the SECP in accounting for deferred taxation.

(b) The company provides for impairment in the carrying value of its net investment in finance lease and operating lease receivable based on the higher of the requirements laid down in the Leasing Rules 2000 and the management's estimate of impairment in the portfolio.

The requirements of International Accounting Standard 39, 'Financial Instruments: Recognition and Measurement', relating to the assessment of impairment loss on these assets have not been followed in the preparation of these financial statements based on a clarification received from SECP specifying that the requirements of IAS 39 should only be followed by leasing companies so far as it relates to investments made by them. The management is also of the view that the provisioning made in accordance with the requirements of the Leasing Rules 2000 is adequate to meet the impairment loss arising on these assets.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention except that certain investments have been marked to market and are included at their market values.

2.3 Staff retirement benefits

The company operates:

(i) an approved funded gratuity scheme for all employees. Annual contributions are made to the scheme on the basis of actuarial recommendations. Unrecognised actuarial gains and losses arising at each valuation date are amortized over the expected future service life of employees. Gratuity is payable upon completion of prescribed qualifying period of service; and

(ii) recognised provident fund for all employees.

5. REDEEMABLE CAPITAL - (NON-PARTICIPATORY)

Long-term finances utilised under mark-up arrangements

	Repayment Period	Sale Price	Purchase Price	Prompt Payment rebate	Principal 2002 Rupees	Outstanding 2001 Rupees
Rupees in millions						
Secured						
Commercial Bank	Dec.1999- Dec.2002	6.958	8.683 -		1,385,888	3,866,285
Commercial Bank	Dec.1999- Dec.2003	24.492	32.719 -		10,926,315	16,965,180
Commercial Bank	Dec.1999- Dec.2002	50	73.75 -		50,000,000	50,000,000
Commercial Bank	June 2001- June 2004	100 *	*		66,666,666	100,000,000
Commercial Bank	June 2001- June 2004	75 *	*		50,000,004	75,000,000
Financial Institution	Dec. 1999- Dec.2002	30	44.053	3.904	10,000,000	20,000,000
Financial Institution (an associated undertaking)	Dec.1999- Dec.2003	100 *	*		44,711,102	69,710,705
Commercial Bank	Dec.1998- Dec.2001	12.27	15.463 -	-		2,437,963
Commercial Bank	Dec.1998- Dec.2001	75 *	-	-		12,500,000
Commercial Bank	Nov. 1999- Nov. 2001	35	46.55 -	-		35,000,000
Unsecured						
Others	May 2001- Aug.2002	40	47.512 -		40,000,000	40,000,000
	Nov. 2001- Dec.2002	60	68.766 -		60,000,000 -	
Term Finance Certificates						
Term Finance Certificates 1 -note 5.2 and 5.3	Jan.1999- Jan.2003	250	352.658 -		61,797,417	123,092,995
Term Finance Certificates 11 -note 5.2 and 5.4	June 2002- June 2007	430 ^	^		423,972,954 -	
					819,460,346	548,573,128

Less: Current maturity shown under current liabilities:

- Long-term finances utilised under mark-up arrangements	255,536,697	151,446,655
- Term Finance Certificates I	62,500,000	62,500,000
- Term Finance Certificates II	172,000 -	
	501,251,649	334,626,473
	501,251,649	334,626,473

*The mark-up rates on these finances are based on the yield on treasury bills / SBP discount rates and are adjusted on half-yearly basis.

rt The mark-up rates on these finances are based on the weighted average of the last three cut-off rates of the five year Pakistan Investment Bonds (PIBs), and are adjusted on half-yearly basis.

Maintenance and normal repairs are charged to income as and when incurred. Major extensions, renewals and improvements are capitalised.

Gains and losses on disposal of assets, if any, are included in income currently.

2.10 Investments

During the current year the Securities and Exchange Commission of Pakistan (SECP) has approved the adoption of International Accounting Standard 39 (IAS 39)" Financial Instruments;

Recognition and Measurement" and has made it applicable for the financial statements covering periods beginning on or after July 1, 2001. Accordingly, this IAS has been adopted by the company during the year and the investments of the company have been categorised according to the requirements of the IAS as follows:

Held for trading

Held for trading financial assets are those that were acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin.

Held to maturity

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that the company has the positive intent and ability to hold to maturity.

Available for sale

Available for sale financial assets are those that are not (a) loans and receivables originated by the company, (b) held-to-maturity investments, or (c) financial assets held for trading.

The company had previously bifurcated its investment portfolio into long-term and short-term. As per the previous accounting policy of the company long-term investments were carried at cost less provision for any permanent diminution in value. Subsequent to the adoption of IAS 39, the company has changed the accounting policy for these investments which are now classified as available for sale and are stated at market value. Any surplus / deficit arising on revaluation of these investments is taken to equity. As per the requirements of IAS 39 the change in accounting policy has been made by adjusting the opening balance of shareholders' equity and the comparative information has not been restated. This change of policy did not have any effect on the profit for the year.

The company has also changed its accounting policy in respect of short-term investments which are now classified as held for trading and are stated at market value. These investments were previously recorded at the lower of cost and market value. Any surplus or deficit on their

revaluation is taken to the profit and loss account. Had the accounting policy not been changed the profit for the year would have been lower by Rs 0.207 million.

Investments in delisted / unquoted investments are carried at cost less impairment in value, if any.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs. 10 each

2002	2001		2002 Rupees	2001 Rupees
10,000,000	10,000,000	Shares fully paid in cash	100,000,000	100,000,000
12,000,000	12,000,000	Shares issued as fully paid bonus shares	120,000,000	120,000,000
22,000,000	22,000,000		220,000,000	220,000,000

	CAPITAL		REVENUE		TOTAL	
	Contingency reserve	Statutory reserve	Rupees Deferred Taxation	General	2002	2001
At the beginning of the year	2,600,000	62,542,486	69,861,100	4,870,000	139,873,586	133,027,000
Movement during the year						
- Transfer to profit and loss account	-	-	(69,770,939)	(4,870,000)	(74,640,939)	-
- Appropriated from profit and loss account	-	2,739,202	15,744,623	-	18,483,825	6,846,586
	2,600,000	65,281,688	15,834,784	-	83,716,472	139,873,586

4.1 The contingency reserve has been created in respect of the demand raised by the Wealth Tax Officer for Corporate Asset Tax of Rs 2,000,000 along with the additional tax of Rs 557,589-The company has filed a writ petition in the High Court of Sindh against this demand.

4.2 Statutory reserve represents profits set aside to comply with the Leasing Rules 2000.

4.3 The reserve for deferred taxation has been created as per the requirements of the Circular No. 16 issued by the Securities and Exchange Commission of Pakistan on September 9, 1999. The unrecognised liability of the company for deferred taxation as at June 30, 2002 amounts to Rs 16.284 million (2001: Rs 32.568 million).

8. FINANCES UNDER MARK-UP ARRANGEMENTS	2002 Rupees	2001 Rupees
Short-term running finance (secured)	-	5,185,321
Short-term finance (unsecured) - note 8.1	75,000,000	199,000,000
	75,000,000	204,185,321

8.1 The facilities available for short-term finance amounted to Rs 75 million (2001:

Rs 199 million) and carry mark-up ranging from Re 0.2466 to Re 0.2644 per Rs 1,000 per day. These facilities are repayable on various dates by August 27, 2002.

9. BORROWING FROM FINANCIAL INSTITUTION

The borrowing carries mark-up @ 6.5% per annum and is repayable by July 8, 2002.

	2002	2001
	Rupees	Rupees
10. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Creditors	377,142	256,142
Accrued liabilities	3,280,781	1,609,461
Mark-up on:		
- redeemable capital	20,774,968	11,035,619
- running finance	419	809,859
• - short-term finances	2,020,054	3,538,006
Accrued return on certificates of investment	24,292,834	23,595,140
Rentals received in advance	4,655,140	4,383,222
Tax deducted at source	1,042,406	1,342,568
Contractors' retention money	5,000	22,706
Others	13,414,541	27,624,814
	69,863,285	74,217,537

10.1 Amount due to Saudi Pak Industrial and Agricultural Investment Company (Private) Limited, an associated undertaking, at the year end amounted to Rs 514,783 (2001: Rs 1,017,366).

	2002	2001
	Rupees	Rupees
11. DIVIDEND		
Proposed dividend	-	27,500,000
Unclaimed dividend	1,183,454	995,591
	1,183,454	28,495,591
12. COMMITMENTS		
Commitments for lease disbursements	50,594,000	45,000,000

5.1 The facilities are secured by hypothecation of specific leased assets and related lease rentals. The facilities were utilised for disbursement against leasing contracts executed by the company.

	TFCI	TFCII	2002	2001
	Rupees			
5.2 Liability in respect of term finance certificates issued by the company	62,500,000	430,000,000	492,500,000	125,000,000
Less: unamortised portion of the transaction cost incurred on the issue of above TFCs	(702,583)	(6,027,046)	(6,729,629)	(1,907,005)
	61,797,417	423,972,954	485,770,371	123,092,995

Transaction cost incurred on issue of Term Finance Certificates II has been adjusted from the related liability in accordance with the criteria for initial recognition of financial liabilities specified in International Accounting Standard 39, 'Financial Instruments: Recognition and Measurement'. The cost incurred on issue of Term Finance Certificates I which was previously being shown as deferred cost and amortised over the period of issue of these certificates has also been reclassified and adjusted from the remaining liability of the TFCs in order to facilitate comparison.

5.3 Term Finance Certificates I are secured by a charge on specific leased assets and related lease rentals.

5.4 Term Finance Certificates II are secured by a first and exclusive charge over specific present and future leased assets and their associated receivables.

6. LONG-TERM DEPOSITS	2002	2001
	Rupees	Rupees
Security deposits on leases	280,184,459	271,324,796
Less: Current maturity shown under current liabilities	73,106,343	36,605,206
	207,078,116	234,719,590

These represent security deposits received from lessees under lease contracts and are repayable on expiry of the respective lease periods.

7. CERTIFICATES OF INVESTMENT

The company has issued certificates of investment under the permission granted by the Federal Government. These certificates of investment are for periods ranging from 3 months to 5 years and return on these certificates ranges from 10.00 to 13.50 percent per annum. Current maturity of long-term certificates of investment amounting to Rs. 88,163,000 (2001: Rs 231,378,000) is included under current liabilities in short-term certificates of investment.

14. CAPITAL WORK-IN-PROGRESS	2002	2001
	Rupees	Rupees
Advances for civil works	-	144,063

15. NET INVESTMENT IN LEASES

(i) This includes lease contracts receivable of Rs. 89,000,000 (2001 :Rs. 158,472,705) outstanding from Sui Southern Gas Company Limited.

(ii) The internal rate of return on lease contracts receivable mainly range from 15.89% to 20% per annum.

(iii) "The maximum aggregate amount of rental due from National General Insurance Company Limited, an associated undertaking, at the end of any month during the year was Rs Nil (2001: Rs 343,980) including unearned lease income of Rs Nil (2001: Rs 16,189).

16. INVESTMENTS

16. INVESTMENTS	2002	2001
	Rupees	Rupees
Available for sale		
Listed securities- note 16.1	48,047,369	60,641,256
Held for trading		
Shares and certificates of listed companies and modarabas - note 16.1	9,076,739	7,725,091
Held to Maturity		
Investment in listed Term Finance Certificates	78,682,214	35,073,725
Investment in Federal Government Securities	157,486,743	121,578,968
Placements under certificates of investment/ deposit and musharika arrangements	360,000,000	325,000,000
	653,293,065	550,019,040

The return on these i % per annum
 Federal Government 12.5 to 15
 Placements under certificates of investment
 /deposits and mushar 11.25to17.25
 Term Finance Certific 12 to 18

13. FIXED ASSETS

The following is a statement of operating assets:

	Cost at July 1, 2001	Additions/ (deletions) during the year	Cost at June 30, 2002	Accumulated depreciation at July 1, 2001	Depreciation charge for the year/ (accumulated depreciation on deletions)	Accumulated depreciation at June 30, 2002	Written down value at June 30, 2002	Rate % per annum
Rupees								
Assets • Own use								
Building improvements	2,750,097	.	2,750,097	2,750,097		2,750,097		20
Office premises	24,415,134		24,415,134	1,353,734	1,220,758	2,574,492	21,840,642	5
Furniture, fixtures & fittings	4,747,900	415,530 (36,800)	5,126,630	1,871,745	714,913 (7,050)	2,579,608	2,547,022	20
Vehicles	10,455,088	3,618,524 (2,036,911)	12,036,701	6,758,963	1,666,349 (1,332,721)	7,092,591	4,944,110	20
Office equipment & appliances	18,008,620	1,273,965 (890,170)	18,392,415	10,783,620	2,104,241 (559,390)	12,328,471	6,063,944	20
Operating lease assets								
Plant and machinery	19,435,576	- (3,098,700)	16,336,876	2,921,759	2,739,934 (311,940)	5,349,753	10,987,123	20
	2002	5,308,019 (6,062,581)	79,057,853	26,439,918	8,446,195 (2,211,101)	32,675,012	46,382,841	
	2001	34,055,872 (2,032,964)	79,812,415	19,994,286	7,860,579 (1,414,947)	26,439,918	53,372,497	

13.1 The following assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Written Down Value	Disposal Proceeds	Mode of Disposal	Particulars of purchaser
Rupees						
Furniture, Fixture and fittings	35,000	5,250	29,750	35,000	Final Settlement	Mr.Abbas Ismail (ex-employee), Islamabad
	1,800	1,800	-	1,800	Negotiation	Raziuddin Zuberi (employee), Karachi
	36,800	7,050	29,750	36,800		
Vehicles	1,307,461	750,637	556,824	1,115,000	Negotiation	Ideal Cars, Karachi
	660,450	561,384	99,066	99,066	as per service rules	Shakil A Qureshi (executive), Karachi
	69,000	20,700	48,300	65,000	Insurance Claim	New Jubilee Insurance Company, Karachi
	2,036,911	1,332,721	704,190	1,279,066		
Office Equipment & Appliances	46,800	23,238	23,562	39,100	Insurance Claim	New Jubilee Insurance Company, Karachi
	400,000	399,999	1	60,000	Trade in	Jaffer Brothers, Karachi

	239,442	57,239	182,203	126,000	Negotiation	New Jubilee Insurance Company, Karachi
	44,300	40,375	3,925	3,000	Negotiation	Zahir Kazi (employee), Karachi
	159,628	38,539	121,089	84,000	Negotiation	New Jubilee Insurance Company Karachi
	890,170	559,390	330,780	312,100		
Operating Lease Assets						
Plant and machinery	1,559,700	311,940	1,247,760	925,000	Negotiation	Zenith Enterprises, Karachi
	769,500	-	769,500	600,000	Negotiation	Power tech (Pvt) Ltd., Karachi
	769,500		769,500	600,000	Negotiation	Power tech (Pvt) Ltd., Karachi
	3,098,700	311,940	2,786,760	2,125,000		
	6,062,581	2,211,101	3,851,480	3,752,966		

The maximum amount due from the chief executive and executives at the end of any month during the year was Rs 1,728,200 (2001: Rs 2,592,200) and Rs 172,538 (2001: Rs 1,436,069) respectively.

18. SHORT-TERM LOANS	2002	2001
	Rupees	Rupees
Loans to customers - considered good	44,549,268	50,180,077
- considered doubtful	17,431,000	17,431,000
	61,980,268	67,611,077
Less: Impairment loss	17,431,000	17,431,000
	44,549,268	50,180,077

These represent loans to customers for a period of up to one year on mark-up basis under sale and repurchase agreements. The rate of mark-up ranges from 13.5% to 23% per annum.

19. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	2002	2001
	Rupees	Rupees
Advances		
- against assets to be leased out	14,250,000	525,000
- to chief executive- note 19.1	473,685	-
- to executives - note 19.1	30,918	56,196
- to employees	-	9,066
- to others	165,938	136,438
Trade deposits	1,572,915	1,458,620
Prepayments	866,154	1,090,042
Accrued income on operating leases	2,031,520	1,759,066
Accrued return on investments	17,325,446	10,730,135
Accrued mark-up on short-term loans and advances	5,180,162	1,941,405
Corporate asset tax recoverable	2,057,589	2,057,589
Residual value receivable	1,745,818	5,717,138
Cost of assets repossessed	2,481,381	3,339,741
Others	15,365,622	8,804,322
	63,547,148	37,624,758

The maximum amount due from the chief executive and executives at the end of any month during the year was Rs 623,685 (2001: Rs Nil) and Rs 229,232 (2001: Rs 150,264) respectively.

20. CASH AND BANK BALANCES	2002	2001
	Rupees	Rupees
With State Bank of Pakistan in current account	767,911	13,302,953

With banks:

- in current accounts - local currency	8,541,953	69,015,856
- foreign currency	29,723	29,723
- in savings accounts - note 20.1	213,727,951	5,224,552
Cash in transit		4,852,811
Cash in hand	86,211	126,211
	223,153,749	92,552,106

20.1 Return on these savings accounts is earned at rates ranging from 4.95% to 7%.

16.1 Details of investments in shares/certificates of listed companies / modarabas:

	June 30, Number of modaraba certificates/ ordinary shares	2002 Fair value Rupees	June 30 Number of modaraba certificates/ ordinary shares	,2001 Fair value Rupees
Available for sale				
Pakistan State Oil Company Limited	126,000	17,640,000	133,000	21,632,450
PTCL	446,000	7,648,900	446,000	12,046,400
Al Meezan Investment Bank	826,920	9,550,926	826,920	9,509,580
Dandot Cement	3,144,653	13,207,543	3,144,653	17,452,826
		48,047,369		60,641,256
Held for Trading				
NIT Units	40,000	496,000	40,000	390,000
First Grindlays Modaraba	128,482	3,096,416	128,482	2,447,582
Modaraba AI-Mali	159,207	939,321	159,207	798,300
Modaraba AI-Tijarah	149,806	262,161	149,806	134,825
Sajjad Textile Mills Limited	30,700	153,500	30,700	-
First Hajveri Modaraba	160	257	160	896
AI-Ata Leasing Modaraba	-	-	55,671	-
Dandot Cement	10,000	42,000	10,000	52,000
DG Khan Cement Limited	10,000	93,000	10,000	58,000
Fauji Fertilizer Limited	38,000	1,725,200	38,000	1,369,900
PTCL	50,000	857,500	-	-
Hub Power Limited	-	-	30,000	577,500
ICI Pakistan	8,800	353,760	80,000	732,000
ICP SEMF	20,000	377,000	30,000	402,000
Karachi Electric Supply Corporation Limited	50,000	260,000	50,000	260,000
Lucky Cement Limited	-	-	20,000	140,000
Sui Northern Gas Pipelines Limited	-	-	28,750	293,250
Sui Southern Gas Company Limited	5,750	69,000	5,750	60,088
Sunflow Citruss	25,000	-	25,000	8,750
Pakistan PTA Limited	24,000	128,400	-	-
First Crescent Modaraba	53,789	223,224	-	-
		9,076,739		7,725,091

17. LONG-TERM LOANS - considered good

Secured	2002 Rupees	2001 Rupees
Due from - chief executive	936,200	1,800,200
- executives	162,498	281,230

-employees	66,612	104,601
	1,165,310	2,186,031
Less: Recoverable within one year shown as current portion of long - term loans	938,022	1,025,148
	227,288	1,160,883

The above loans include an amount of Rs 936,200 (2001: Rs 1,800,200) outstanding for a period of more than 3 years. These loans have been provided to employees for purchase of motor vehicles and purchase of house and are repayable between three to ten years. Mark-up on these loans is charged at rates ranging from 2 % to 10% per annum.

25. ADMINISTRATIVE AND OPERATING EXPENSES	2002 Rupees	2001 Rupees
Salaries, allowances and benefits - note 25.1	22,501,940	22,471,909
Rent	1,008,700	1,555,459
Repairs and maintenance	1,180,137	991,175
Electricity, gas and water	1,412,070	1,172,065
Depreciation	5,706,261	5,165,388
Insurance	1,088,090	1,021,750
Vehicle running expenses	1,634,657	1,416,557
Printing and stationery	1,374,428	1,643,970
Telephone and postage expenses	1,487,819	1,634,594
Travelling, conveyance and entertainment	763,115	821,508
Fees and subscriptions	923,069	646,890
Legal and professional charges	1,964,197	4,169,267
Training and development	68,500	35,064
Advertising expenses	207,967	264,309
Auditors' remuneration:		
Audit fee	180,000	180,000
Special certifications	50,003	-
Out of pocket expenses	63,879	28,335
	293,882	208,335
Zakat	1,869	32,963
Sundry expenses	788,836	903,902
	42,405,537	44,155,105

25.1 Salaries, allowances and benefits include Rs. 1,230,807 (2001: Rs 1,269,962) in respect of staff retirement benefits.

26. DIRECT COST OF OPERATING LEASE	2002 Rupees	2001 Rupees
Management Fee	141,421	405,112
Depreciation	2,739,934	2,695,191
Business Promotion	-	24,350
Insurance	79,289	51,529
Others	540,792	955,437
	3,501,436	4,131,619

21. INCOME FROM FINANCE LEASE OPERATIONS	2002 Rupees	2001 Rupees
Income on finance lease contracts	280,238,806	292,865,948
Gain / (loss) on cancellation of lease contracts	(3,620,502)	37,957

	276,618,304	292,903,905
22. INCOME ON INVESTMENTS		
Mark-up on:		
- Federal Government Securities	19,016,290	22,474,007
- Short-term loans	10,259,739	14,274,887
Income on Term Finance Certificates	7,033,563	1,263,207
Return on certificates of investment / deposits and musharika placements	58,135,695	33,336,180
Income from savings accounts	3,046,606	858,442
Dividend income	6,313,752	4,824,136
Gain / (loss) on sale of investments	(89,500)	479,325
	103,716,145	77,510,184
23. OTHER INCOME		
Mark-up, commission and fee income	3,818,082	7,347,497
Gain on disposal of fixed assets	-	766,983
Exchange gain	-	1,280,537
Liabilities no longer payable written back	1,371,222	-
	5,189,304	9,395,017
24. FINANCIAL AND OTHER CHARGES		
Mark-up on:		
- redeemable capita!	60,134,856	73,142,212
- running finance	539,459	3,969,883
- term finance certificates	19,468,247	-
- short-term finance	21,050,964	23,338,070
Loss on disposal of fixed assets	98,514	-
Return on certificates of investment	223,908,269	206,388,356
Arrangement fee	252,969	401,388
Others	1,538,449	971,666
	326,991,727	308,211,575
	2002	2001
	Rupees	Rupees
25. ADMINISTRATIVE AND OPERATING EXPENSES		
Salaries, allowances and benefits - note 25.1	22,501,940	22,471,909
Rent	1,008,700	1,555,459
Repairs and maintenance	1,180,137	991,175
Electricity, gas and water	1,412,070	1,172,065
Depreciation	5,706,261	5,165,388
Insurance	1,088,090	1,021,750
Vehicle running expenses	1,634,657	1,416,557
Printing and stationery	1,374,428	1,643,970
Telephone and postage expenses	1,487,819	1,634,594
Travelling, conveyance and entertainment	763,115	821,508
Fees and subscriptions	923,069	646,890
Legal and professional charges	1,964,197	4,169,267
Training and development	68,500	35,064
Advertising expenses	207,967	264,309
Auditors' remuneration:		
Audit fee	180,000	180,000
Special certifications	50,003	-
Out of pocket expenses	63,879	28,335
	293,882	208,335
Zakat	1,869	32,963
Sundry expenses	788,836	903,902

42,405,537 **44,155,105**

25.1 Salaries, allowances and benefits include Rs. 1,230,807 (2001: Rs 1,269,962) in respect of staff retirement benefits.

26. DIRECT COST OF OPERATING LEASE	2002	2001
	Rupees	Rupees
Management Fee	141,421	405,112
Depreciation	2,739,934	2,695,191
Business Promotion	-	24,350
Insurance	79,289	51,529
Others	540,792	955,437
	3,501,436	4,131,619

21. INCOME FROM FINANCE LEASE OPERATIONS	2002	2001
	Rupees	Rupees
Income on finance lease contracts	280,238,806	292,865,948
Gain / (loss) on cancellation of lease contracts	(3,620,502)	37,957
	276,618,304	292,903,905

22. INCOME ON INVESTMENTS	2002	2001
Mark-up on:		
- Federal Government Securities	19,016,290	22,474,007
- Short-term loans	10,259,739	14,274,887
Income on Term Finance Certificates	7,033,563	1,263,207
Return on certificates of investment / deposits and musharika placements	58,135,695	33,336,180
Income from savings accounts	3,046,606	858,442
Dividend income	6,313,752	4,824,136
Gain / (loss) on sale of investments	(89,500)	479,325
	103,716,145	77,510,184

23. OTHER INCOME	2002	2001
Mark-up, commission and fee income	3,818,082	7,347,497
Gain on disposal of fixed assets	•	766,983
Exchange gain	-	1,280,537
Liabilities no longer payable written back	1,371,222	-
	5,189,304	9,395,017

24. FINANCIAL AND OTHER CHARGES	2002	2001
Mark-up on:		
- redeemable capital	60,134,856	73,142,212
- running finance	539,459	3,969,883
- term finance certificates	19,468,247	-
- short-term finance	21,050,964	23,338,070
Loss on disposal of fixed assets	98,514	-
Return on certificates of investment	223,908,269	206,388,356
Arrangement fee	252,969	401,388
Others	1,538,449	971,666
	326,991,727	308,211,575

30. EARNINGS PER SHARE	2002	2001
	Rupees	Rupees
Profit after taxation for the year	13,696,012	34,357,431

Number of shares

Average ordinary shares in issue during the year	22,000,000	22,000,000
	Rupees	
Earnings per share	0.62	1.56

31. CASH GENERATED FROM OPERATIONS

	2002	2001
	Rupees	Rupees
Profit for the year before taxation	17,443,137	39,357,431
Add/(less): Adjustment for non cash charges and other items		
Depreciation - owned assets	5,706,261	5,165,388
- assets under operating lease	2,739,934	2,695,191
Mark-up expenses	101,193,526	100,450,165
Provision for potential lease losses	2,101,417	(11,000,000)
Unrealised gain in the market value of investments held for trading	(1,916,639)	520,416
Dividend income	(6,313,752)	(4,824,136)
Loss / (Gain) on disposal of fixed assets	98,514	(766,983)
	103,609,261	92,240,041
Operating profit before working capital changes	121,052,398	131,597,472
MOVEMENT IN WORKING CAPITAL		
(Increase)/decrease in current assets		
Advances, deposits, prepayments and other receivables	(27,093,531)	1,834,045
Short-term loans	5,630,809	11,331,978
	(21,462,722)	13,166,023
(Decrease)/increase in creditors, accrued and other liabilities	(11,766,209)	21,231,322
	(33,228,931)	34,397,345
	87,823,767	165,994,817
32. CASH AND CASH EQUIVALENTS		
Cash and bank balances	223,153,749	92,552,106
Finances under mark-up arrangements	(75,000,000)	(204,185,321)
	148,153,749	(111,633,215)

27. STAFF RETIREMENT GRATUITY

The latest actuarial valuation of the gratuity fund was carried out as at June 30, 2001. The fair value of the fund's assets and liabilities at the latest valuation date were as follows:

Rupees in millions

Present value of defined benefit obligation	1.288
Less: fair value of plan assets	2.332
Surplus	1.044
Less: Unrecognised net actuarial gain	-1.033
Surplus	0.011

An amount of Rs. 0.196 million has been charged in the profit and loss account during the current year in respect of staff gratuity.

Projected Unit Credit Method using the following significant assumptions was used for the

valuation of the Fund:

	% per annum
- Discount rate	14
- Expected long-term rate of increase in salary level	11.83
- Expected long-term rate of interest	14

	2002 Rupees	2001 Rupees
28. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS		
Term Finance Certificates		
- repaid during the year	6,250,000	6,250,000
- mark-up charged for the year	1,512,500	3,136,738
Long Term Finances		
- repaid during the year	24,999,603	20,985,411
- mark-up charged for the year	8,705,937	13,560,752

29. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in these accounts for remuneration including all benefits, to the Chief Executive and Executives is as follows"

	Chief Executive		Executives		Total	
	2002	2001	2002	2001	2002	2001
				Rupees		
Managerial remuneration	3,118,415	2,665,450	6,210,073	5,411,640	9,328,488	8,077,090
House rent, utilities etc	1,078,350	914,825	2,864,725	2,629,933	3,943,075	3,544,758
Retirement benefits	59,703	291,321	136,808	676,702	196,511	968,023
Leave passage	-	1,127,650	245,720	224,000	245,720	1,351,650
	4,256,468	4,999,246	9,457,326	8,942,275	13,713,794	13,941,521
Number of persons	1	1	32	28	33	29

* The Chief Executive is paid leave passage once in two years.

The Chief Executive and certain executives are provided with free use of company maintained cars.

37. NUMBER OF EMPLOYEES

Total number of employees as at the end of the year was 48 (2001: 79).

38. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, to facilitate comparison.

39. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 24, 2002 by the Board of Directors of the company.

33. FINANCIAL ASSETS AND LIABILITIES

Interest/Mark-up Bearing			Non-Interest /Mark-up Bearing			Total
Maturity	Maturity	Sub-total	Maturity	Maturity	Sub-total	

	upto one year	after one year	upto one year	after one year			
			Rupees				
Financial Assets							
Net investment in leases	805,943,912	969,087,081	1,775,030,993				1,775,030,993
Investments	596,168,957	-	596,168,957	9,076,739	48,047,369	57,124,108	653,293,065
Loans to employees	938,022	227,288	1,165,310	-	-	-	1,165,310
Short-term loans	44,549,268	-	44,549,268	-	-	-	44,549,268
Advances, deposits prepayments and other receivables	670,541	-	670,541	58,403,864	-	58,403,864	59,074,405
Cash and bank balances	213,727,951	-	213,727,951	9,425,798	-	9,425,798	223,153,749
	1,661,998,651	969,314,369	2,631,313,020	76,906,401	48,047,369	124,953,770	2,756,266,790
Financial Liabilities							
Redeemable capital (net of transaction cost)	318,208,697	501,251,649	819,460,346				819,460,346
Deposits	-	-	-	73,106,343	207,078,116	280,184,459	280,184,459
Certificates of investment	276,153,500	949,390,369	1,225,543,869	-	-	-	1,225,543,869
Finances under mark-up arrangements	75,000,000	-	75,000,000	-	-	-	75,000,000
Borrowings from financial institutions	40,000,000	-	40,000,000	-	-	-	40,000,000
Creditors, accrued and other liabilities	.	-	-	65,208,145	-	65,208,145	65,208,145
Dividend payable	.	-	-	1,183,454	-	1,183,454	1,183,454
	709,362,197	1,450,642,018	2,160,004,215	139,497,942	207,078,116	346,576,058	2,506,580,273
	952,636,454	-481,327,649	471,308,805	-62,591,541	-159,030,747	-221,622,288	249,686,517

34. CONCENTRATION OF CREDIT RISK

Out of the total financial assets of Rs.2,756.267 million the financial assets which were subject to credit risk amounted to Rs.2,756.180 million including balance with SBP amounting to Rs.767,911. The company's major credit risk is concentrated in the Fuel and Energy, Cement and Textile sectors. To manage credit risk the company applies credit limits to its customers. Investment in Federal Government Securities amounting to Rs 157.486 million is guaranteed by the Government of Pakistan.

35. FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. Liabilities exposed to foreign currency risks are usually covered through foreign exchange forward cover contracts on the basis of management's assessment of fluctuation in rates.

36. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

PATTERN OF SHAREHOLDING as of 30 June, 2002_____

No. of Shareholders	Having From	Shares To	Shares held	Percentage
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416	1	100	13178	0.06
331	101	500	90610	0.41
166	501	1000	134914	0.61
496	1001	5000	1041059	4.73
64	5001	10000	462839	2.1
28	10001	15000	316766	1.44
9	15001	20000	161755	0.74
13	20001	25000	291903	1.33
4	25001	30000	105626	0.48
3	30001	35000	97050	0.44
4	40001	45000	165452	0.75
2	45001	50000	91320	0.42
2	55001	60000	116282	0.53
1	75001	80000	75200	0.34
1	85001	90000	86460	0.39
2	95001	100000	196800	0.89
2	100001	105000	207532	0.94
2	105001	110000	220000	1
1	115001	120000	120000	0.55
3	120001	125000	366300	1.67
2	125001	130000	253732	1.15
1	135001	140000	136866	0.62
1	145001	150000	146665	0.67
1	150001	155000	154592	0.7
1	205001	210000	208486	0.95
1	215001	220000	220000	1
1	300001	305000	300300	1.37
1	315001	320000	316872	1.44
2	875001	880000	1760000	8
1	915001	920000	917400	4.17
1	1500001	1505000	1504102	6.84
1	2195001	2200000	2200000	10
1	2915001	2920000	2919939	13.27
1	6595001	6600000	6600000	30
1566			22000000	100

Categories of Share Holders

	Share holders	Shareholding	Percentage
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1. INDIVIDUALS

	1,514	3,950,404	17.95
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2. SHARES HELD BY ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES:

Saudi Pak Industrial & Agricultural Investment Co. (Pvt.) Ltd.	2	6,600,000	30
Premier Mercantile Services (Pvt.) Ltd.		2,200,000	10

3. INVESTMENT CORPORATION OF PAKISTAN

	1	193,883	0.88
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4. DIRECTORS, CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDREN

Mr. Ihsanul Haq Piracha	3	990,000	4.5
Mr. Haroon Ihsan		1,041,700	4.74
Mrs. Khurshid Ihsan Piracha		990,000	4.5

5. INSURANCE COMPANIES

	3	1,833,974	8.34
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6. JOINT STOCK COMPANIES	28	491,387	2.23
7. FINANCIAL INSTITUTIONS	12	3,399,216	15.45
8. MODARABAS	2	9,136	0.04
9. OTHERS	1	300,300	1.37
	1,566	22,000,000	100

Shareholders holding ten percent or more voting interest in the Company:

Saudi Pak Industrial & Agricultural Investment Co. (Pvt.) Ltd.		6,600,000	30
Premier Mercantile Services (Pvt.) Ltd.		2,200,000	10
National Bank of Pakistan, Trustee Deptt.		2,919,939	13.27