

## CAPITAL ASSETS LEASING CORPORATION LIMITED ANNUAL REPORT - 2003

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### COMPANY INFORMATION

Board of Directors	Mr. Salman Qureshi (Chairman) Mr. Mohammad Kalim Mr. I.M. Mohsin Mr. Anwar Shafi Mr. Aamir Qureshi Col (retd.) Abid Saeed Khan Mr. Jehangir Shah
Audit Committee	Mr. Salman Qureshi (Chairman) Mr. Aamir Qureshi Mr. Anwar Shafi
Managing Director & CEO	Mr. Jehangir Shah
Company Secretary	Mr. Shahzad Ismail
Auditors	M/s. Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq Chartered Accountants Plot No. 180, Block-A, S.M.C.H.S., Karachi-74400.
<b>Registrars &amp; Share Transfer Office</b>	Corplink (Pvt) Limited Wings Arcade, 1 -K (Commercial) Model Town, Lahore. Tel: 5839182-5887262, Fax: 5869037
Legal Advisors	M/s Mohsin Tayebally & Co., Advocates
Main Bankers	Faysal Bank Limited National Bank of Pakistan PICIC Commercial Bank Limited
<b>Registered Office</b>	10/11-B, 3rd Floor, LDA Flats, Lawrence Road, Lahore. Tel: 6311604-5, Fax: 6370017 Email: calcorp@nexlinx.net.pk
<b>Principal Branch Office</b>	Hiltop Arcade Suite 4 & 5, Plot # 4-D/II Gizri Boulevard, Phase IV, DHA, Karachi. Tel: 5863234 & 5863235 Fax: 5863351 E-mail: calcorp@cyber.net.pk

### VISION / MISSION STATEMENTS OF CAPITAL ASSETS LEASING CORPORATION LIMITED

#### Vision Statement

To become a leading Leasing services Company by making a sizeable contribution to the development and growth of the Country's economy, by providing financial and technical assistance to our customers, combined with innovative ideas and services, thus enabling the customers and the Company to achieve their objectives.

#### Mission Statement

To achieve the role of a leading Leasing services Company by delivering quality service at competitive rates to its customers whilst maintaining the highest levels of professionalism, ethical standards and corporate individuality, thereby also rewarding the Shareholders, Employees, and other Stakeholders.

#### NOTICE OF 11<sup>TH</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the eleventh (11<sup>th</sup>) Annual General Meeting of the Shareholders of CAPITAL ASSETS LEASING CORPORATION LIMITED will be held at the Registered Office of the Company located at 10/11-B, 3rd Floor, LDA Flats, Lawrence Road, Lahore on Monday, 29th September 2003 11:00 a.m. to transact the following business:-

1. To confirm the minutes of fourth (4<sup>th</sup>) Extra Ordinary General Meeting of the Shareholders held on October 25, 2002.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2003 together with the Director's and Auditor's Reports thereon.
3. To appoint Auditors of the Company and to fix their remuneration. The present Auditors M/s Khalid, Majid, Rahman, Sarfaraz, Rahim, Iqbal, Rafiq, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
4. To review the progress on Paid-up Capital.
5. To transact any other business with the permission of the chair.

By Order of the Board

Lahore  
August 30, 2003

Shahzad Ismail  
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from 27th September 2003 to 3rd October 2003 (both days inclusive)
2. A member eligible to attend and vote at this meeting is entitled to appoint another member as his/her proxy to attend and vote instead of him/her. A proxy must be a member of the Company. Proxies in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the time of holding the meeting.
3. CDC account holders will in addition have to follow the under mentioned guidelines as laid down in Circular No. 1 dated 26 January 2000 of the Securities and Exchange Commission of Pakistan for attending the meeting.:
  - i) In case of individual, the account holders or sub account holders and/or the person whose securities are in group account and their registration details are unloaded 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 ID numbers and account numbers in CDS.
  - ii) In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature of nominee shall be produced (unless it has been provided earlier) at the time of meeting.
4. Members are requested to notify any change in their address, to the Company's Share Registrars M/s Corplink (Pvt.) Ltd., Wings Arcade, 1-K (Commercial) Model Town, Lahore, immediately.

#### DIRECTORS' REPORT

The Board of Directors takes pleasure in presenting the 11th Annual Report along with the Audited Financial Statements for the year ended June 30, 2003:

Financial Results:	2003 Rupees	2002 Rupees
Gross revenues	38,376,583	32,063,613
Administrative expenses	19,760,546	18,854,645
Financial and other Charges	21,457,951	14,394,796
Provision / (Reversals) for potential losses	-1,594,183	-3,046,926
Operating Profit / (Loss) for the year	-1,247,731	1,861,098
Provision / (Reversals) for taxation	600,000	550,000
Profit / (Loss) after tax	-1,847,731	1,311,098
Un appropriated profits (Brought Forward)	17,521,622	14,397,544
Prior years adjustment	-	2,990,000
Un-appropriated profits (B/F) Restated	17,521,622	17,387,544
Appropriations :		
Transfer to Statutory Reserve	-	-781,020
Transfer to Deferred Tax Reserve	1,104,428	-396,000
Un-appropriated Profit (Carried Forward)	16,778,319	17,521,622

#### Review of Operations:

The Balance Sheet size of the Company grew to Rs. 358.892 mln. (2002: Rs. 284.163 mln.) registering a 26 % increase. The attention of the Management remained centered on Leasing business and required extra efforts to be made due to the competitive rates environment which has resulted in substantial decrease of leasing rates in the market. Efforts continued to find new sources for resource mobilization at low rates to enable the Company to pass-on the benefits to its lessees. The main focus of financing remained the education sector, which is very viable, and the Company has had encouraging experience leasing to educational institutions. SME's is another sector to which lease financing has been extended and in the short period that we have been financing such businesses, the relationships have been very satisfactory.

The leased-assets portfolio of the Company remains well - diversified, though vehicles, both private and commercial, are the major part of the portfolio. In the SME's sector machinery & equipment are the main assets leased-out. The reducing rates in the Market, but in comparison the slower decline in our borrowing rates, besides other factors, played a role resulting in an operational loss during the year, and efforts are afoot to convert the loss into profit during the new financial year. We continued to be on the rating watch list of our rating company and therefore there has been no change in our Ratings during the period under review.

The paid-up capital of the Company has increased to Rs. 104,431,6807- from Rs. 77,831,410/- due to the Right Issue of Shares at 30% discount, which were issued in three tranches beginning October 2002. The discount is to be amortized over a period of 5 years. The total Shareholders Equity has increased as on June 30, 2003 to Rs. 131,435,185/- . Inspite of the increase in the Paid-up Capital, the Company has been unable to comply with the requirements of the Securities & Exchange Commission of Pakistan, which set the minimum amount for Paid-up Capital at Rs. 200 million. The main reason for this short fall has unfortunately been International Multi Leasing Corporation (IML), whose Management has refused to cooperate with us for perfecting the Merger between the two companies as per the undertakings and decisions of the respective Shareholders; Lahore High Court; main Sponsors and respective Managements of both Companies. All these formalities were completed as per requirements. The Major Sponsor of IML has also not honoured his commitments with regard to the Right Shares of the Company and undertakings he had committed to provide.

IML filed an Application before the Merger sanctioning Bench of the Lahore High Court for withdrawal of the Merger Orders. The Honourable Judge dismissed the Application and directed IML to abide by the Merger conditionalities. However IML has now filed an Appeal before a Division Bench of the Lahore High Court, which is to be heard in September. As a result of these circumstances the Merger between the two companies is presently not perfected. We are hopeful, however, for a positive outcome of the hearing, because of our faith and confidence in the honorable Court, and also our belief that the Merger is in the common interests and benefit of all the Share holders of both Companies.

#### Statement in Compliance With Code of Corporate Governance:

With the introduction of the Code of Corporate Governance, stronger controls and transparency will come into the corporate culture of the Company and we welcome the SECP's initiative in introducing this Code which will be helpful for the Shareholders, Directors & the Management of the Company.

The Directors of your Company are pleased to state, in compliance of the best practices under the Code of Corporate Governance, that:-

1. The annexed financial statements, prepared by the management of your Company, present fairly its state of affairs, result of its operation, cash flow and changes in its equity.
2. The Company has maintained proper books of accounts.
3. Appropriate accounting policies have been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements & any departure there from has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored. It is being continuously reviewed and weaknesses, if any, will be removed.
6. There are no significant doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance as detailed in the Listing Regulations.
8. Summary of key operating and financial data of last six years is annexed to this report.
9. The Company has issued 2,660,027 Right Shares at Discount of 30%.
10. During the year under review six meetings of the Board of Directors were held. Attendance by each director is as follows:-

Name of Director	Number of Meetings Attended
i) Mr. Salman Qureshi	6
ii) Mr. Jehangir Shah	6
iii) Mr. Aamir Qureshi	6
iv) Mr. Anwar Shafi	6
v) Col. (retd) Abid Saeed Khan	5
vi) Mr. I.M. Mohsin	4
vii) Mr. Mohammad Kalim	1

11. During the fiscal year the trading in shares of the company by the Directors, CEO, Company Secretary and Employees and their spouses and minor children is none.

Auditors:

The Company's Auditors M/s Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, retire and being eligible offer themselves for reappointment.

Pattern of Shareholding:

Pattern of shareholding as on June 30, 2003 is annexed to this report.

Acknowledgements:

We thank our valued customers, shareholders, creditor financial institutions, the Securities & Exchange Commission of Pakistan, State Bank of Pakistan, Leasing Association of Pakistan, and all three Stock Exchanges of Pakistan, for their continued support and guidance.

The Board expresses its appreciation for the efforts of the management and staff of the Company. It is due to their dedication that we have been able to present these results to you.

On behalf of the Board of Directors

Jehangir Shah

Salman Qureshi

Managing Director & CEO

Chairman

Lahore  
August 30, 2003

#### 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 Capital Assets Leasing Corporation Limited, to comply with the Listing Regulation No. 37, 40, and 36 of the Karachi stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited respectively, where the Company is listed.

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

As part of 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, 2003.

Karachi

**Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq**

August 29, 2003

Chartered Accountants

#### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of CAPITAL ASSETS LEASING CORPORATION

LIMITED as at June 30, 2003, and the related profit & 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 standard and the requirements of the Companies Ordinance, 1984, and Rule 7 of the Non Banking Finance Companies (Establishment & Regulations) Rule, 2003. 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 included 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 accounts have been kept by the company as required by the Companies Ordinance, 1984 and Rule 7 (l)(a) of the Non Banking Finance Companies (Establishment & Regulations) Rules 2003.

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes there on 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;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit & 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 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, 2003, and of the loss, its cash flows and changes in equity for the year then ended; and

(d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

The accounts of the company for the year ended June 30, 2002 were audited by another auditor who expressed an unqualified opinion thereon.

Without qualifying our opinion, we draw attention to Note: 1.2 to the financial statements relating to the requirement of raising minimum paid up capital to Rs. 200 millions and the current status of the measures being taken to meet the said requirement.

August 30 2003

**Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq**

Chartered Accountants

#### BALANCE SHEET

		2003 Rupees	2002 Rupees (Restated)
SHARE CAPITAL & RESERVES	Note		
Authorised Capital			
20,000,000 (2002: 20,000,00 ordinary Shares of Rs. 107- each		200,000,000	200,000,000
Issued, subscribed and paid-up capital	3	104,431,680	77,831,410
Reserves	4	27,002,259	28,849,990
Share Application Money	5	1,246	-
		131,435,185	106,681,400
LONG TERM LOANS	6	5,000,000	1,250,006
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	7	2,045,018	2,718,558
CERTIFICATES OF INVESTMENT	8	19,040,000	19,040,000
DEFERRED LIABILITY		57,887	67,770
LONG TERM DEPOSITS	9	40,002,053	26,223,552
CURRENT LIABILITIES:			
Current portion of long term liabilities	10	43,871,698	43,106,457
Short term loans and running finances	11	107,658,058	76,323,639
Creditors, accrued and other liabilities	12	6,191,244	5,604,509
Provision for taxation		3,058,000	2,608,000
Unclaimed Dividends		532,890	539,098
		161,311,890	128,181,703
CONTINGENCIES AND COMMITMENTS	13		
		358,892,033	284,162,989

AS AT JUNE 30, 2003

	2003 Rupees	2002 Rupees
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	Note		(Restated)
TANGIBLE FIXED ASSETS	14	9,214,725	6,560,863
INVESTMENT IN LEASE AND HIRE			
PURCHASE FINANCES	15	128,781,218	110,805,388
INVESTMENTS	16	451,436	133,000
LONG TERM ADVANCES	17	1,388,800	4,112,083
LONG TERM DEPOSITS	18	803,540	893,860
DEFERRED COST	19	7,084,517	-
CURRENT ASSETS:			
Current portion of long term investment in lease and advances	20	150,658,335	136,177,466
Morabaha and short term finances	21	26,873,073	9,810,156
Investment held for trading	22	2,588,880	-
Advances, deposits, prepayments and other receivables	23	17,865,819	9,972,800
Cash & bank balances	24	13,181,690	5,697,373
		211,167,797	161,657,795
		358,892,033	284,162,989

PROFIT & LOSS ACCOUT  
FOR THE YEAR ENDED JUNE 30, 2003

		2003	2002
	Note	Rupees	Rupees (Restated)
REVENUES			
Income from Leasing operations	25	35,071,115	28,532,665
Other Income	26	3,305,468	3,530,948
		38,376,583	32,063,613
EXPENSES			
Administrative & operating expenses	27	19,760,546	18,854,645
Financial charges	28	19,861,935	14,394,796
Other charges	29	1,596,016	-
Provision/(reversal) for doubtful debts	30	-1,594,183	-3,046,926
		39,624,314	30,202,515
Operating profit for the period		-1,247,731	1,861,098
Provision for taxation - current		600,000	550,000
Net profit after tax for the period		-1,847,731	1,311,098
Profit reported in previous financial statements		17,521,622	14,397,544
Prior year adjustment		-	2,990,000
Restated Balance		17,521,622	17,387,544
		15,673,891	18,698,642
Appropriations			
Statutory Reserve		-	-781,020
Capital Reserve for Deferred Tax		1,104,428	-396,000
		1,104,428	-1,177,020
Profit Carried Forward		16,778,319	17,521,622
Earning per share - basic		-0.18	0.17

CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2003

		2003	2002
		Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		(1,247,731)	1,861,098
Adjustments for:			
Depreciation		2,898,842	2,326,119
Financial Charges		21,457,951	14,394,796
Provision against losses (net reversal)		(1,559,841)	(3,048,926)
Provision for diminution in value of investment-net reversal		(34,342)	2,000
Gain on disposal of fixed assets		(270,221)	(537,327)
		21,244,658	14,997,760
(Increase) in current assets			
Advances, deposits, prepayments and other receivables		(8,332,145)	459,547
(Decrease) in current liabilities			
Accrued and other liabilities		(377,256)	307,462

Cash generated from operations	12,535,257	15,764,769
Financial charges paid	(18,789,743)	(14,362,957)
Tax paid	(1,450,050)	(851,770)
Gratuity Paid		-9,884
Net investment in lease and hire purchase finances	(28,032,398)	(23,714,239)
Morabaha and short term finances	(16,984,157)	2,193,134
Lease security deposits	13,686,108	6,841,943
Certificate of investment	-	8,488,000
Net Cash used in operating activities	(39,044,867)	(5,641,120)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to fixed assets	-3,643,285	-2,082,007
Proceeds from sale of fixed assets	717,301	2,367,095
Long term advances	462,000	900,000
Long term deposits	-119,150	-54,590
Proceeds from Investments matured	-	100,000
Investments in PIB's / FIB's / DMMF	-2,872,974	-
Net cash from investing activities	(5,456,108)	1,230,498
	2003	2002
	Rupees	Rupees
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of liabilities against assets subject to fin. lease	-1,430,569	-2,441,604
Dividend Paid	-6,208	-152,631
Short term loans and running finances	31,334,419	10,381,821
Expenses on merger arrangements	-700,452	-
Share Application Money	1,246	-
Proceeds form issue of Right Shares	18,620,189	-
Long term loans	4,166,667	-8,749,996
Net cash from financing activities	51,985,292	-962,410
Net increase in cash and cash equivalents	7,484,317	-5,373,032
Cash and cash equivalents at the beginning of the period	5,697,373	11,070,405
Cash and cash equivalents at the end of the period	13,181,690	5,697,373

	Issued Subscribed and paid up Capital	Statutory Reserves	Capital Reserve for Deferred Tax	Reserve for Proposed Issue of Bonus Shares ----- Rupees -----	Share Application Money	Un Appropriated Profits	Total
Balance Reported in previous financial statements as at June 30, 2001	66,239,500	8,567,348	-	11,591,910	-	14,397,544	100,796,302
Prior year adjustment	-	-	1,584,000	-	-	2,990,000	4,574,000
Restated Balance as at July 01, 2001	66,239,500	8,567,348	1,584,000	11,591,910	-	17,387,544	105,370,302
Transfer from reserve for issue of bonus shares	11,591,910	-	-	-11,591,910	-	-	-
profit after taxation	-	-	-	-	-	1,311,098	1,311,098
Capital reserve for deferred tax liability	-	-	396,000	-	-	-396,000	-
Transfer to statutory reserves	-	781,020	-	-	-	-781,020	-
	11,591,910	781,020	396,000	11,591,910	-	134,078	1,311,098
Balance as at June 30, 2002	77,831,410	9,348,368	1,980,000	-	-	17,521,622	106,681,400
Issue of Right Shares	26,600,270	-	-	-	-	-	26,600,270
Profit / (loss) after taxation	-	-	-	-	-	-1,847,731	-1,847,731
Capital reserve for deferred tax liability	-	-	-1,104,428	-	-	1,104,428	-
Share application money	-	-	-	-	1,246	-	1,246
	26,600,270	-	-1,104,428	-	1,246	-743,303	24,753,785
Balance at June 30, 2003	104,431,680	9,348,368	875,572	-	1,246	16,778,319	131,435,185

NOTES TO THE ACCOUNTS  
FOR THE PERIOD ENDED JUNE 30, 2003

1. NATURE AND STATUS OF BUSINESS

1.1 The Company was incorporated on April 1, 1992 in Pakistan as a public limited company and its shares are quoted on all Stock Exchanges in Pakistan. The principal activity of the Company is to carry on leasing business. The registered office of the Company is situated at 10/11-B 3rd Floor, LDA Flats, Lawrence Road, Lahore and the principal office is located at Hilltop Arcade, Suite 4 & 5 Plot No. 4-D/II Gizri Boulevard, Phase IV, DMA, Karachi.

1.2 The minimum paid up capital is required to be raised to Rs. 200 million latest by



December 31, 2003 under the Non Banking Finance Companies (establishment and Regulation) Rules, 2003 dated April 01, 2003. Both CALCORP and IML decided to merge in order to meet the said requirement. All legal formalities for the amalgamation were completed and the scheme was approved by Honourable Lahore High Court on March 4, 2003 and relevant documents filed with the Registrar of Companies, Lahore on March 17, 2003. Implementation of the scheme is, however, pending owing to petition filed by IML subsequently seeking to set aside the amalgamation. IML's petition was dismissed by High Court of Lahore on June 12, 2003 in favor of CALCORP. IML's Intra Court appeal before the Division Bench of Lahore High Court in this respect is pending, while status quo has been ordered to be maintained till the final judgment.

During the year, the company issued right shares at a discount of 30% and raised its paid up capital to Rs. 104.431 million. The company expects that it shall be able to comply with the minimum capital requirement (MCR) of Rs. 200 million as soon as implementation of above scheme of arrangement is completed. In case any foreseeable delay, it shall seek suitable extension from SECP for such compliance in terms of Sub Rule (3) of Rule 7 of NBFC's Rules, 2003.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

### 2.2 Basis of measurement

These accounts have been prepared under the historical cost convention except for investments which are measured on fair value basis as mentioned in note 2.11.

### 2.3 **Staff retirement benefits**

Effective July 01, 1998, the company operates an approved defined contribution provident fund covering all its permanent employees. Contribution to the fund are made @8.33% per month of basic salary of employees. Contribution for the year amounted to Rs. 218,3557- (2002: Rs. 134,1557-). Till June 30, 1998 the company operated a gratuity scheme for its employees. Gratuity is paid at the time of retirement.

### 2.4 Compensated absences and Leave fare assistance

Liability in respect of accumulated compensated absences of employees is accounted for in the period in which these absences are earned. Amount provided for compensated absences at year end amounted to Rs.95,524 (2002: Rs.95,524). Company also provides for non accumulating leave fare assistance payable on actual basis. Amount provided for LFA for the year amounted to Rs. 145,986 (2002: Rs.558,766) to permanent employees.

### 2.5 Revenue Recognition

The Company recognizes all direct leases, sale and lease back and hire purchase contracts of financing nature as finance leases. The total unearned income which consists of excess of aggregate lease rentals over the cost of the leased asset is deferred and amortized to income over the lease term using annuity method so as to produce a systematic return on net investment in lease finance. Front-end fees, lease document fees, commitment and other charges are taken to income on receipt basis. Other income is accounted for when it becomes receivable.

Profit on morabaha and short-term finances is recognized on prorata basis taking into account relevant buy-back date.

Front end fee, project examination fee and other commissions are recognized as income on receipt.

### Taxation

## 2.6 Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account allowances and credits available, if any, or minimum tax on the basis of turnover.

### Deferred

The Company accounts for deferred taxation using the liability method on all significant timing differences according to SECP Circular No. 16 dated September 09, 1999.

## 2.7 Tangible Fixed Assets

These 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 at the rates given in relevant note. The Company during the year has changed its accounting policy in relation to additions and disposal of fixed assets to comply with the requirements of the circular No. 10/2002 November 11, 2002 issued by the Institute of Chartered Accountant of Pakistan and started to charge depreciation on fixed assets on half yearly basis.

Normal repairs and maintenance are charged to revenue. Major repairs, renewals and improvements are capitalized. Gains and losses on disposal of fixed assets are charged to income.

## 2.8 Accounting for leases

The Company accounts for assets acquired under financial leases by recording the assets and related liabilities. The amounts are determined on the basis of discounted value of total minimum lease payments and residual value of the assets at the end of the lease period to be paid by the Company.

Financial charges are allocated to accounting periods in a manner so as to provide constant periodic rate of charge on the outstanding liability.

Depreciation is charged at rates specified in the related note to write off the assets over its estimated useful life in view of certainty of the ownership of the assets at the end of the lease.

## 2.9 Provision for potential losses

Provision for losses against leases, morabaha finances, short term finances, long term advances is made according to the Prudential Regulations of Leasing Rules, 2000 and other receivables is made on the best judgement of the management represents provision which in the opinion of the management, is required to cover potential losses that can be reasonably anticipated. The allowance is increased by provision charged to income and decreased by charge-off and net of recoveries. The amounts are shown under respective heads as a deduction from gross amounts of receivables.

## 2.10 Deferred Cost

The company has policy to amortize all deferred costs over the period of five years.

## 2.11 Investments

The Company classifies its investments as follows and are measured at fair value.

### Held for Trading

These are investments, which are acquired principally for the purpose of generating profit from short-term fluctuations in price.

### Held to maturity

These are securities with fixed or determinable payments and fixed maturity and company has the positive intent and ability to hold it to maturity.

## Available for sale

These are investments that do not fall under the trading or held to maturity categories. Adjustment to fair value of these investments is charged to profit and loss account.

## 2.12 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalent consists of cash in hand and balances with banks net of borrowing not considered to be in the nature of financing activities.

## 2.13 Financial Instruments

## a) Financial assets

Financial assets are cash and bank balances, net investment in lease and hire purchase, long term advances, investments, morabaha and short term finances, advances, deposits and other receivables. These are stated at their nominal value as reduced by appropriate provision for doubtful amounts.

## b) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangement entered into. Significant financial liabilities include loans, liabilities against assets subject to finance lease, security deposits, certificates of investment, running finances, creditors, accrued expenses and other payables. Interest bearing loans and finances are recorded at gross proceeds received. Other liabilities are stated at their nominal value. Financial charges are accounted for on accrual basis. Any gain or loss on the de-recognition of the financial assets and liabilities is included in the net profit and loss for the period in which it arises.

c) **Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has legally enforceable right to setoff the recognized amount and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL	2003 Rupees	2002 Rupees
7,783,141(2002: 6,623,950) ordinary share of Rs. 10/= each issued for cash	77,831,410	66,239,500
1,159,191 ordinary share of Rs. 10/= each issued as bonus shares	-	11,591,910
2,660,027 ordinary shares of Rs. 10/= each issued as right shares	26,600,270	-
	104,431,680	77,831,410
4. RESERVE		
Statutory Reserve 4.1	9,348,368	9,348,368
Capital Reserve for Deferred Taxation 4.2	875,572	1,980,000
Unappropriated Profit	16,778,319	17,521,622
	27,002,259	28,849,990

4.1 This represents statutory reserve created by transferring 20% of the after tax profit till the amount of reserves equals the paid up capital.

## 4.2 Correction of Fundamental Error-Capital Reserve for Deferred Taxation

Till June 30, 2003 company had been making provision for deferred tax directly as charge to the profit and loss account as against the directions contained in the SECP circular 16 dated September 19, 1999 to create capital reserve against it and transfer the amount appropriated as reserve through profit and loss appropriation account.

Necessary correction has been made to reflect the amount of deferred tax liability of Rs.875,572/- (2002: Rs. 1,980,000/-) as capital reserve appropriation of profit and loss

account and comparative figures restated accordingly.

Adjustment of Rs.2.990 million has also been made in deferred tax liabilities balance of Rs.4,574,000/- (2001) to reflect it correctly at Rs. 1,980,000/- as at June 30, 2002.

#### 5. SHARE APPLICATION MONEY

This represents the amount received against right shares pending allotment of 178 Ordinary Shares of Rs. 10 each.

6. LONG TERM LOANS			
Financial Institution - Secured			
Morabaha financing	6.1	10,416,673	6,250,006
Less: Current portion shown under current liabilities		5,416,673	5,000,000
		5,000,000	1,250,006

6.1 These loans are secured against first pari passu charge on leased assets and related receivables. These loans carry mark-up ranging 14 to 17.50 percent per annum and are repayable in equal quarterly installment.

#### 7. LIABILITIES AGAINST ASSETS

##### SUBJECT TO FINANCE LEASE

	2003			2002		
	within one year	More than one year and <b>upto five</b> year	Total	within one year	More than one year and <b>upto five</b> year	Total
Minimum lease payments	3,440,620	2,240,152	5,680,772	3,203,146	3,040,425	6,243,571
Less: Financial charges allocated to future periods	456,844	195,134	651,978	660,331	321,867	982,198
Present value of minimum lease payments	2,983,776	2,045,018	5,028,794	2,542,815	2,718,558	5,261,373

The above liability represents assets acquired under Lease agreements from Leasing Companies. Lease rentals include financial charges ranging between 10.49 percent to 19.00 percent per annum which have been used as discounting factor, rentals are repayable on monthly basis. The cost of operating and maintaining the leased assets is borne by the company. The company has an option to purchase the assets at the end of lease period on payment of residual value and has intention to exercise the option.

No restriction placed on the company under the agreement.

#### 8. CERTIFICATE OF INVESTMENT

These represent COIs maturing at various dates in the year 2004 at a profit reduced from 15 % to 8.75% per annum payable on six monthly basis. Last year these were classified as short-term COI's despite written request for renewal till the year 2004 from the depositors received by the company prior to suspension of company's licence by SECP to issue/ rollover COI's. The management expects to succeed in its efforts for restoring its licence as its credit rating is likely to be upgraded as soon as the amalgamation scheme is implemented (refer note 1.2).

9. LONG TERM DEPOSITS	2003	2002
Lease security deposits	Rupees 75,473,302	Rupees 61,787,194
Less: Current portion shown under current liabilities	35,471,249	35,563,642
	40,002,053	26,223,552

These represent interest free security deposits received from lessees under lease contracts and are adjustable at the expiry of the respective lease period.

#### 10. CURRENT PORTION OF LONG TERM LIABILITIES

Long term loans		5,416,673	5,000,000
Liabilities against assets subject to finance lease		2,983,776	2,542,815
Long term deposits		35,471,249	35,563,642
		43,871,698	43,106,457
<b>SHORT TERM LOANS AND RUNNING FINANCES</b>			
Short term loans			
Unsecured			
Non Banking Financial Companies	11.1	71,500,000	39,500,000
Running finances under markup arrangements			
Secured			
Banking Company	11.2	36,158,058	36,823,639
		107,658,058	76,323,639

11.1 These facilities carry mark up rates ranging from 8.75 to 13.75 percent per annum. These balances are repayable on various dates.

11.2 Represents running finance facilities Rs. 37 million (2002: Rs. 37.0 million) and carry mark-up @ Paisa 43.836 Per Thousand Daily Product (PTDP) or @ Paisa 43 PTDP on timely payment of mark-up. These facilities are secured by first pari passu charge on Company's leased assets, fixed assets and receivables.

		2003	2002
12 CREDITORS, ACCRUED AND OTHER LIABILITIES		Rupees	Rupees
Accrued expenses		343,851	916,976
Mark-up on short term loans and running finance		4,873,505	3,733,402
Mark-up on assets subject to finance lease		25,211	25,211
Accrued return on Certificates of Investment		672,451	740,362
Gratuity Payable		-	108,201
Others		276,226	80,357
		6,191,244	5,604,509

### 13. CONTINGENCIES AND COMMITMENTS

#### Contingencies

a) Special Officer of Income/Wealth Tax of Salary Circle has passed orders u/s 52/86 of the Income Tax Ordinance 1979 creating demand of Rs.356,3547- for the assessment years 1997-1998 to 2000-01. Appeals have been filed against the orders with the Commissioner of Income Tax (Appeals). In the opinion of the company's legal counsel, orders of the special officer were passed without jurisdiction and hence liable to be set aside. No provision in the financial statement have been made in view of expected favorable outcome.

b) Company's appeals against assessment year 1997-98 to 1999-2000 completed by taxing lease key money were upheld by the CIT (Appeals) and the orders of DCIT set aside. The company, however, filed appeals in this respect with the Income Tax Appellate Tribunal for deletion of lease key money from its taxable income. Company's appeal has been heard and in the opinion of the legal counsel a favorable decision is expected

No provision has hence been made in the financial statement against the demand of Rs. 13.17 million created. In addition to above, company's appeal against assessment completed for the year 2001 by taxing lease key money is pending before CIT (Appeals) which is expected to be set aside on similar grounds by CIT (Appeals).

### 14. TANGIBLE FIXED ASSETS

Particulars	COST			DEPRECIATION				WRITTEN DOWN VALUE AS AT 30-JUN-03	RATE	
	AS AT I-JUL-02	ADDITIONS	DISPOSALS	AS AT 30-JUN-03	AS AT I-JUL-02	DISPOSALS	FOR THE YEAR			
<b>OWNED ASSETS</b>										
Air-conditioners & Refrigerator	584,805	481,560	-82,900	983,465	380,339	-80,746	109,575	409,168	574,297	15%
Electric Fittings & Installations	32,040	102,303	-18,400	115,943	29,411	-17,943	9,081	20,549	95,394	15%
Motor Vehicles	1,079,593	-	-	1,079,593	256,952	-	215,610	472,562	607,031	20%
Office Machines & Equipments	1,115,434	380,951	-180,445	1,315,940	722,838	-168,476	158,032	712,395	603,546	15%
Furniture & Fixtures	1,018,567	1,337,913	-287,444	2,069,036	708,005	-229,634	156,507	634,878	1,434,158	10%
Computer & Allied Equipments	1,824,288	261,558	-	2,085,846	1,308,498	-	301,197	1,609,695	476,151	30%
<b>TOTAL A</b>	<b>5,654,727</b>	<b>2,564,285</b>	<b>-569,189</b>	<b>7,649,823</b>	<b>3,406,043</b>	<b>-496,799</b>	<b>950,002</b>	<b>3,859,247</b>	<b>3,790,577</b>	
<b>LEASED ASSETS</b>										

Vehicles	6,579,240	4,036,010	-1,964,000	8,651,250	2,452,496	-933,800	1,811,230	3,329,926	5,321,324	20%
Office Equipments	75,000	55,000	-	130,000	33,750	-	39,000	72,750	57,250	15%
Computer & Allied Equipment	328,700	-	-	328,700	184,515	-	98,610	283,125	45,575	30%
TOTAL B	6,982,940	4,091,010	-1,964,000	9,109,950	2,670,761	-933,800	1,948,840	3,685,801	5,424,149	
GRAND TOTAL A + B	12,637,667	6,655,295	-2,533,189	16,759,773	6,076,804	-1,430,599	2,898,842	7,545,048	9,214,726	
Total 2002	13,110,141	4,540,020	-5,012,494	12,637,667	6,581,186	-2,830,501	2,326,119	6,076,804	6,560,863	

## DETAIL OF DISPOSAL PARTICULARS

PARTICULARS	COST	ACCUMULATED DEPRECIATION	BOOK VALUE	SALE PROCEEDS /TRANSFER	PROFIT / (LOSS)	MODE OF DISPOSAL	SOLD TO / TRANSFER TO
<b>OWNED ASSETS</b>							
Xerox Photo Copier	77,800	77,799	1	10,000	9,999	Tender	M/s Residency
Mobile Phone	8,100	2,430	5,670	6,000	330	Loss	New Jubilee Insurance
Air-conditioner & Refregreation	82,900	80,746	2,154	17,700	15,546	Tender	Mr. Ilyas
Electrical Fitting & Installation	18,400	17,943	457	340	-117	Tender	Mr. Aamir
Office Machines & Equipments	94,545	88,247	6,298	3,240	-3,058	Tender	Mr. Himmat Khan
Furniture & Fixture	287,444	229,634	57,810	51,257	-6,553	Tender	Mr. Himmat Khan
TOTAL -A	569,189	496,799	72,390	88,537	16,147		
<b>Leased Assets</b>							
Toyota Corrola	741,000	444,600	296,400	450,000	153,600	Tender	Mr. Jamil
Honda VTI	1,223,000	489,200	733,800	834,274	100,474	Terminate	M/s Paramount Leasing
TOTAL -B	1,964,000	933,800	1,030,200	1,284,274	254,074		
GRAND TOTAL -A + B	2,533,189	1,430,599	1,102,590	1,372,811	270,221		

## 15. INVESTMENT IN LEASE AND HIRE PURCHASE FINANCES

	within one year	2003 More than one year and upto five year	Total	within one year	2002 More than one year and upto five year	Total	
Minimum lease and hire purchase rentals receivable		131,187,39:	107,877,930	239,065,323	114,971,671	119,459,612	234,431,283
Add: Residual value		35,471,245	43,679,795	79,151,044	35,563,642	26,223,552	61,787,194
Gross investment in lease and hire purchase finances		166,658,642	151,557,725	318,216,367	150,535,313	145,683,164	296,218,477
Less: Unearned finance income		(25,076,488)	-22,776,507	-47,852,995	-22,907,694	-32,058,809	-54,966,503
Net investment in lease and hire purchase finances		141,582,154	128,781,218	270,363,372	127,627,619	113,624,355	241,251,974
Less: Provision for lease losses (15.1)		-1,819,949	-	-1,819,949	-	-2,818,967	-2,818,967
Present value of minimum lease payments		139,762,205	128,781,218	268,543,423	127,627,619	110,805,388	238,433,007

These represent investment in lease finance and hire purchase under various lease agreements with mark-up rates ranging from 13.00 percent to 32.5 percent per annum. These agreements usually are for a three years period. In certain cases the company has security, in addition to leased assets, in the form of corporate/personal guarantee.

	2003 Rupees	2002 Rupees
15.1 Provision for Lease Losses		
Opening Balance	2,818,967	5,665,655
Reversal during the year	-999,018	-2,119,688
Written off during the year	-	-727,000
	1,819,949	2,818,967

## 16. INVESTMENTS

	2003	2002
Held to Maturity		
Federal Investment Bonds	16.1	100,000
Available for Sale		
5,000 ordinary shares of Commercial Union life Assurance Company Limited at the cost of Rs. 50,000/-	-	33,000
Pakistan Investment Bonds	-	-
Dawood Money Market Mutual Funds	16.2	351,436
	451,436	133

16.1 Federal Investment Bonds have been issued by Government of Pakistan and carry profit at the rate of 15 percent per annum.

16.2 This represents the breake up value (cost Rs.350,0007-) of the funds at the balance sheet date.

#### 17. LONG TERM ADVANCES

	2003 Rupees	2002 Rupees
Secured		
Advances to custo 17.1	13,121,130	13,583,130
Less: Current portion	-10,896,130	-8,549,847
	2,225,000	5,033,283
Less: Provision for doubtful advance	-836,200	-921,200
	1,388,800	4,112,083

17.1 These advances are secured by equitable mortgage of immovable properties and carry mark-up at 17.50 percent per annum. These are repayable in equal quarterly installments by November, 2004.

#### 18. LONG TERM DEPOSITS

Security deposits	1,221,310	1,102,160
Less: Current portion shown under current assets	-417,770	-208,300
	803,540	893,860

#### 19. DEFERRED COST

Unallocated <del>open</del>	700,452	-
Discount on <del>Right</del>	7,980,161	-
Amortised during the year	-1,596,096	-
	6,384,065	-
	7,084,517	-

19.1 These expenses are incurred for the purpose of merger arrangements and will be allocated after implementation of the scheme.

19.2 The amount represents discount of 30% on right shares issued during the period being amortized over the period of five years in the effect from current year.

#### 20. CURRENT PORTION OF INVESTMENT IN LEASE, ADVANCES AND INVESTMENTS

Investment in leases and hire purchase	139,762,205	127,627,619
Long term advances	10,896,130	8,549,847
	150,658,335	136,177,466

#### 21. MORAHABA AND SHORT TERM FINANCES

Secured		
Morabaha finances	21.1	1,923,073
Short term finances	21.2	24,967,500
		7,746,260
		26,890,573
Less: Provision for doubtful receivables		-17,500
		9,906,416
		26,873,073
		9,810,156

21.1 These represent amounts receivables against morabaha transactions i.e. sale of goods on deferred payment basis at specified profit margin. These are secured against equitable mortgage of property.

21.2 These finances are secured against by equitable mortgage of property and first charge on machinery and carry mark-up rates ranging from 10 to 18 percent per annum.

#### 22. INVESTMENTS HELD FOR TRADING

	2003 Rupees	2002 Rupees
Government bonds		
Pakistan Investment Bonds	22.1	2,495,880
Share in listed company		-
5,000 ordinary shares of Commercial Union Life Assurance Company Limited at cost of Rs. 50,000	22.2	93,000
		-
	2,588,880	-

22.1 Fair value of PIB's has been ascertained by discounting the expected future cash flows at market yield.

22.2 Classification of these securities has been changed from available for sale to held for trading

as these were sold subsequent to the balance sheet date.

23	ADVANCES, DEPOSIT, PREPAYMENTS AND OTHER RECEIVABLES		
	Advances Unsecured - considered good		
	Against salary		
	Chief Executive	795,000	992,000
	Executives	63,000	74,400
	Staff	99,339	79,618
		957,339	1,146,018
	Against expenses		
	Executives	542,000	537,431
	Staff	37,883	89,399
		579,883	626,830
	Against supplies and services	2,638,620	1,039,000
	Income tax	7,020,529	5,295,511
		11,196,371	8,107,359
	Security deposits	417,770	208,300
	Prepayments	596,715	321,563
	Other receivables - considered good		
	Accrued return on bank deposits and short term finances	1,407,983	571,048
	Income tax refundable	248,680	274,968
	Others	3,998,300	489,562
		5,654,963	1,335,578
		2003	2002
		Rupees	Rupees
	Others considered doubtful	1,738,064	1,907,317
	Less: Provisions for doubtful receivables	-1,738,064	-1,907,317
		5,654,963	1,335,578
		17,865,819	9,972,800
23.1	The maximum amount due from Chief Executive at the end of any month during the year was Rs.0.595 million .		
23.2	The maximum amount due from an Executives at the end of any month during the year was Rs. 1.022 million.		
24.	CASH AND BANK BALANCES		
	Cash in hand	701,180	446,860
	Cash at banks		
	- in current accounts	548,594	602,136
	- in deposit accounts	11,931,916	4,648,377
		12,480,510	5,250,513
		13,181,690	5,697,373
25.	INCOME FROM LEASING OPERATIONS		
	Income on lease contracts	34,238,552	27,397,110
	Income from hire purchase contracts	51,704	56,855
	Front-end fee	330,433	358,942
	Documentation charges	200,486	113,280
	Late payment and other charges	249,940	606,478
		35,071,115	28,532,665
26.	OTHER INCOME		
	Profit on morabaha and term finances	1,835,967	1,746,003
	Return on bank deposits	961,617	1,213,780
	Gain on sale of fixed assets	270,221	537,327
	Profit on Govt. Securities	49,863	15,000
	Miscellaneous	187,800	18,838
		3,305,468	3,530,948
		2003	2002
		Rupees	Rupees
27.	ADMINISTRATIVE AND OPERATING EXPENSES		
	Salaries, allowances and benefits	7,394,445	7,214,390
	Traveling and conveyance charges	977,905	698,209
	Training and seminars	15,500	10,350
	Rent, rates and taxes	1,213,116	1,015,938
	Electricity, gas and water	975,338	947,639



Repairs and maintenance	330,049	550,610
Printing and stationery	342,623	392,993
Telephone and postage expenses	1,467,834	1,310,038
Advertising expenses	235,137	122,940
Legal and professional charges	1,454,503	1,790,700
Vehicle running expenses	981,108	1,123,707
Insurance expenses	554,326	530,246
Entertainment expenses	206,976	271,093
Computer consultancy and maintenance	3,550	3,220
Donation	27.1	3,000
Auditor's Remuneration		11,000
Audit Fee	118,500	75,000
Special Audit Fee	-	65,625
Out of Pocket Expenses	24,385	12,523
	142,885	153,148
Sundry expenses	563,409	382,305
Depreciation	2,898,842	2,326,119
	19,760,546	18,854,645
27.1 Directors, their spouses and dependents have no interest in it.		
28. FINANCIAL CHARGES		
Mark-up/return on:		
Long term loans	1,382,404	1,909,233
Short term loans and running finances	15,273,512	9,553,522
Liabilities for finance leases	766,806	632,973
Certificates of investment	2,407,708	2,247,401
Bank charges	31,505	51,667
	19,861,935	14,394,796
29. OTHER CHARGES		
Discount on Right Shares	1,596,016	-
30. PROVISION FOR DOUBTFUL DEBTS		
Leases finances & Hire Purchases	-999,018	-2,119,688
Morabaha, Short and Long term finances	-163,760	-903,740
Other receivables	-397,063	-25,498
Diminution in value of investment	-34,342	2,000
	1,594,183)	-3,046,926
	2003	2002
31. EARNING PER SHARE	Rupees	Rupees
Net profit / (loss) for the year after taxation	-1,847,731	1,311,098
	Number	of Shares
Average Ordinary Shares	10,443,168	7,783,141
Earning per share-Basic	-0.18	0.17
32. TRANSACTION WITH RELATED PARTY		
Lease Transaction		
Net Investment outstanding as on June 30, 2003	654,176	-
Lease payments received during the year	20,654	-
Lease Income received during the year	1,084	-
Short Term Loans		
Short Term Loans Provided	100,000	-
Markup on short terms loan received during the year	3,375	-
33. REMUNERATION OF CHIEF EXECUTIVE DIRECTORS AND EXECUTIVES		

The aggregate amount charged in the accounts for remuneration, including certain benefits to the Chairman, Chief Executive, Directors and Executives of the company were as follows:

Particular	Chairman		Chief Executive		Directors		Executive	
	2003	2002	2003	2002	2003	2002	2003	2002
Managerial Remuneration	176,000	100,000	1,440,000	1,199,053	12,000	11,500	738,668	1,127,255
Contract with advisor to the Board	-	-	-	-	-	-	1,116,000	1,368,810
Leave En-cashment	-	-	-	18,000	-	-	-	105,517
Provident Fund Contribution	-	-	80,004	59,566	-	-	44,682	60,432
Total	176,000	100,000	1,520,004	L ,276,619	12,000	11,500	1,899,350	2,662,014

The Chairman, Chief Executive, Advisor to the Board and two Executives are provided use of

company maintained cars and other benefits as per company policy.

### 34. FINANCIAL INSTRUMENTS RELATED DISCLOSURES

#### Liquidity risk

Liquidity risk is the risk that the company will encounter difficulties in raising funds to meet commitments associated with Financial instruments. The Company is not exposed to any significance level of liquidity risk.

#### Interest rate risk

Interest rate risk and sensitivity of the Company's financial assets and financial liabilities as at June 30, 2003 can be evaluated from the following:

	Interest / Markup bearing			Non Interest bearing			Total
	Maturity up to one Year	Maturity after one Year	Subtotal	Maturity up to one Year	Maturity after one Year	Subtotal	
	-- RUPEES -						
<b>FINANCIAL ASSETS</b>							
Net Investment in Lease and hire purchase	139,762,205	128,781,218	268,543,423	-	-	-	268,543,423
long Term Advance	10,896,130	2,225,000	13,121,130	-	-	-	13,121,130
Investment	451,361	2,495,880	2,947,241	93,000	-	93,000	3,040,241
Security Deposit	417,770	803,540	1,221,310	-	-	-	1,221,310
Morabaha and Short Term Finances	26,873,073	-	26,873,073	-	-	-	26,873,073
Other receivable	-	-	-	10,596,610	-	10,596,610	10,596,610
Cash and Bank balances	11,931,914	-	11,931,914	1,249,776	-	1,249,776	13,181,690
2003	190,332,453	134,305,638	324,638,091	11,939,386	-	11,939,386	336,577,477
2002	146,304,132	120,451,498	266,755,630	5,484,317	-	5,484,317	272,239,947
<b>FINANCIAL LIABILITIES</b>							
Long Term Loans	5,416,673	5,000,000	10,416,673	-	-	-	10,416,673
Liabilities against assets subject to finance lease	2,983,776	2,045,018	5,028,794	-	-	-	5,028,794
Deferred liabilities	-	-	-	-	57,887	57,887	57,887
Security Deposit	-	-	-	35,471,249	40,002,053	75,473,302	75,473,302
Short Term Loan and running Finance	107,658,058	-	107,658,058	-	-	-	107,658,058
Certificate of investment	-	19,040,000	19,040,000	-	-	-	19,040,000
Accrued and other Liabilities	-	-	-	6,191,244	-	6,191,244	6,191,244
Dividends	-	-	-	532,890	-	532,890	532,890
2003	116,058,507	26,085,018	142,143,525	42,195,383	40,059,940	82,255,323	224,398,848
2002	102,906,454	3,968,564	106,875,018	41,707,249	26,291,322	67,998,571	174,873,589
Net Financial Assets / (Liabilities) 2003	74,273,946	108,220,620	182,494,566	-30,255,997	-40,059,940	-70,315,937	112,178,629
Net Financial Assets / (Liabilities) 2002	43,397,678	116,482,934	159,880,612	-36,222,932	-26,291,322	-62,514,254	97,366,358

#### Credit risk

The Company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits Company's exposure to credit risk through monitoring of clients' credit exposure, review and conservative estimates of provisions for potential lease losses and doubtful receivables and by obtaining securities/collateral for large amounts of credits. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in different avenues. Breakdown of credit risk exposure by class of business as at June 30, 2003 are follows:

Class of Business	Certification of Investment	Lease and Hire Purchase Finance	Morabaha and Short Term Finance
	%	%	%
Steel & engineering	-	9.67	2
Electrical & electric goods	-	3.09	10
Transport & Communication	-	1.34	-

Chemical / Fertilizer & Pharmaceutical	-	2.49	-
Textiles	-	5.18	-
Paper & Boards	-	0.48	-
Banaspati & allied Industries	-	0.81	-
Trading	-	4.95	3.3
Construction	-	0.04	-
Food & Tobacco	-	2.97	-
Educational Institution / Trust	89.29	32.38	40
Glass & Ceramics	-	0.06	-
Information & Technology	-	17.65	-
Hotels	-	0.64	-
Health Care	-	4.09	-
Miscellaneous	10.71	14.16	44.7
	100	100	100

## 35. NUMBER OF EMPLOYEES

Total number of employe^ at the year end was 30 (2002: 24)

## 36. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on August 30, 2003 by the Board of Directors of the Company.

## 37. GENERAL

- i) Figures have been rounded off to the nearest rupee.
- ii) Corresponding figures have been rearranged wherever necessary for the purpose of comparison.

## SIX YEARS AT GLANCE

PARTICULARS	2003	2002	2001	2000	1999	1998
<b>FINANCIAL POSITION</b>						
Balance Sheet Size	358,892,033	284,162,989	264,895,058	260,723,437	213,725,424	193,163,226
Paid-up Capital	104,431,680	77,831,410	66,239,500	66,239,500	66,239,500	66,239,500
Reserve for Bonus Shares	-	-	11,591,910	-	-	-
Statutory Reserves	9,348,368	9,348,368	8,567,340	8,120,448	7,612,407	6,928,786
Un-appropriated Profits	15,673,891	17,521,622	14,397,546	24,201,855	22,169,693	22,747,182
Fixed Assets (Net)	9,214,725	-	-	-	-	-
Net Investment in Lease & Hire Purchase Fin.	128,781,218	110,805,388	128,675.47	102,577,245	76,622,351	87,710,623
Long Term Advances	1,388,800	4,112,083	4,167.66	8,366,568	-	-
Long Term Loans	5,000,000	1,250.01	6,050.006	10,416,668	-	-
Lease Obligations	2,045,018	2,718,558	2,658,125	3,078,729	659,831	282,725
Long Term Deposits	40,002,053	26,223,552	30,266,979	25,796,929	25,252.42	24,988,455
Current Assets	211,167,797	161,657,795	124,415,911	141,685,184	113,340,747	101,159,780
Current Liabilities	161,311,890	147,221,703	120,281,874	119,948,538	88,594,402	69,973,719
<b>INCOME AND EXPENSES</b>						
Income from Lease	35,071,115	28,532,665	37,298,044	28,759,942	25,651,892	22,399,699
Other Income	3,305,468	3,530,948	5,402,386	817,267	5,859,068	4,425,498
<b>Administrative &amp; Operating Expenses</b>						
Operating Expenses	19,760,546	18,854,645	18,560,359	15,374,308	13,108,210	9,931,545
Financial & Other Charges	21,457,951	14,394,796	19,477,040	10,461,691	9,003,344	4,617,532
Provision/frevcrsal for losses	-1,594,183	-3,046,926	116,530	889,870	2,286,200	750,000
Profit / (Loss) before Tax	-1,247,731	1,861,098	4,546.50	2,851,340	7,113,206	11,526,120
Taxation/(Reversal)	550,000	-2,044,000	2,312,000	311,137	3,695,099	355,000
Profit / (Loss) after Tax	-1,847,731	3,905,098	2,234.50	2,540,203	3,418,107	11,171,120
<b>STATISTICS AND RATIOS</b>						
Net working Capital (Rs. in million)	49.86	14.43	4.15	21.74	43.53	31.19
Current Ratio (X)	1.31	1.1	1.03	1.18	1.62	1.45
Total Assets/Net Worth (X)	2.73	2.71	2.63	2.64	2.23	2.01
Debt Leverage (X)	1.73	1.71	1.63	1.65	1.23	0.5
Break-up Value (Rs.)	12.59	13.45	15.22	14.88	14.5	14.48
Times Interest Earned (X)	0.94	0.92	1.24	1.66	2.04	3.66

Net profit Margin (%)	-4.81	12.16	5.23	8.59	10.85	41.64
Earning per Share (Rs.)	-0.18	0.5	0.34	0.38	0.52	1.69
Earning per Face Value (%)	-1.77	5.01	3.37	3.83	5.16	16.9
Return on Equity (%)	-1.41	3.72	2.22	2.58	0.56	11.6
Dividend/Bonus per shar (Rs.)	0	0	1.75	0	0.5	0
BUSINESS DONE						
Lease & Hire Purchase (Gross)	127,923,176	105,345,737	103,314,000	120,650,000	75,594,000	81,500,000
Short Term & Morabaha	37,545,000	39,273,965	8,450,000	10,485,000	8,439,000	11,200,000

PATTERN OF HOLDING OF SHARES (INCLUDING CDC)  
HELD BY THE SHAREHOLDERS AS AT 30TH JUNE, 2003

No. of Sharehold	Shareholding		To Total Shares Held
	From	To	
86	1	100	6682
121	101	500	36931
289	501	1000	184887
206	1001	5000	424725
27	5001	10000	197350
7	10001	15000	83662
5	15001	20000	89816
5	20001	25000	112897
3	25001	30000	85497
1	30001	35000	35000
2	35001	40000	73815
2	55001	60000	117,500
	60001	65000	63920
	115001	120000	117500
	120001	125000	121000
	140001	145000	143850
	145001	150000	148400
	150001	155000	151575
1	160001	165000	163037
1	165001	170000	166850
1	175001	180000	176250
	200001	205000	203800
	230001	235000	230804
	340001	345000	344497
	345001	350000	348305
	390001	395000	393990
4	440001	445000	1766357
2	445001	450000	893682
2	450001	455000	905272
3	510001	515000	1533780
1	530001	535000	534625
1	585001	590000	586912
781	-	-	10443168

Categories of Shareholders (including CDC)	Number	Shares Held	Percentage
Individuals	745	7773150	74.433
Investment Companies	2	21610	0.207
Insurance Companies	3	240640	2.305
Joint Stock Companies	22	250145	2.395
Financial Institutions	6	1035999	9.92
Modaraba Companies	1	87	0.001
Leasing Companies			
Others	2	1121537	10.739
Total	781	10443168	100
Others			
Association			
Abandoned Property			
Government Authority			
Modaraba Managements			
Non-Resident			
Foreign Company	2	1121537	10.739
Trust			
Total	2	1121537	10.739

## CATEGORIES OF SHAREHOLDERS REQUIRED UNDER C.D.C

AS ON 30TH JUNE, 2003

	No. of Shares	% Holding
<b>Directors</b>		
1. Mr. Mohammad Kalim	11,750	0.113
2. Mr. Jehangir Shah	587	0.006
3. Mr. Salman Qureshi	587	0.006
4. Mr. Muhammad Anwar Shafi	587	0.006
5. Mr. Aamir Qureshi	587	0.006
6. Mr. I. M. Mohsin	587	0.006
7. Col. (Retd.) Abid Saeed Khan	500	0.005
	15,185	0.148
<b>Joint Stock Companies</b>		
1. Sarfraz Mahmood (pvt.) Ltd.	117	0.001
2. Corporate Solution (pvt.) Ltd. (cdc)	1,762	0.017
3. Moosa, Noor, Mohammad, Shahzada And Co. (pvt) Limited, (cdc)	500	0.005
4. Rabat Securities Limited, (cdc)	1,175	0.011
5. Prudential Securities Limited (cdc)	750	0.007
6. Moosani Securities (pvt) Ltd. (cdc)	15,000	0.144
7. Y.s. Securities & Services (pvt) Ltd. (cdc)	3,524	0.034
8. S.h. Bukhari Securities (pvt) Ltd. (cdc)	587	0.006
9. Premier Capital Management (pvt) Ltd. (cdc)	875	0.008
10. Time Securities (pvt) Ltd. (cdc)	1,000	0.01
11. Darsan Securities (pvt) Ltd (cdc)	6,500	0.062
12. Ace Securities (pvt) Ltd. (cdc)	250	0.002
13. Salim Chamdia Securities (pvt) Ltd. (cdc)	3,025	0.029
14. Jamshaid & Hassan Securities (pvt) Ltd. (cdc)	1,175	0.011
15. Munaf Sattar Securities (pvt) Ltd. (cdc)	1,175	0.011
16. M.S. Securities (pvt.) Ltd. (cdc)	5,850	0.056
17. Bawa Securities (pvt) Limited (cdc)	143,850	1.378
18. N.h. Securities (pvt) Ltd. (cdc)	38,150	0.365
19. Pyramid Investments (pvt) Ltd. (cdc)	22,912	0.219
20. Oriental Securities (pvt) Ltd. (cdc)	500	0.005
21. A. Sattar Motiwala Securities (pvt) Ltd. (cdc)	587	0.006
22. Zahid Latif Khan Securities (pvt) Ltd. (cdc)	881	0.008
	250,145	2.395
<b>Financial Institution</b>		
Bankers Equity Limited	587	0.006
Habib Bank Limited	440,625	4.219
Industrial Development Bank of pak. (cdc)	440,625	4.219
National Bank of Pakistan trustee deptt. (cdc)	151,575	1.451
Prime Commercial Bank Limited (cdc)	2,000	0.019
Bankers Equity Limited (cdc)	587	0.006
	1,035,999	9.92
<b>Insurance Companies</b>		
Gulf Insurance Company Ltd.	1,175	0.011
State Life Insurance Corp. of Pakistan Ltd.	203,800	1.952
State Life Insurance Corp. of Pakistan Ltd. (cdc)	35,665	0.342
<b>Investment Companies</b>		
Investment Corp. of Pakistan	240,640	2.305
Investment Corp. of Pakistan (cdc)	800	0.008
	20,810	0.199
	21,610	0.207
<b>Modaraba Management</b>		
Trust Modaraba (cdc)	87	0.001
	87	0.001
<b>Foreign Companies</b>		
Etheridge Company Limited	534,625	5.119
Ace Investment Group	586,912	5.62
	1,121,537	10.739
<b>Shares Held By The General Public</b>		
	7,757,965	74.285
	7,757,965	74.285
<b>TOTAL:</b>	<b>10,443,168</b>	<b>100</b>