

Saudi Pak Leasing Company Limited

Annual Report 2001

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Corporate Mission

Saudi Pak Leasing shall maximize the net wealth of shareholders by operating in the Financial Services sector. The Company would seek market leadership in its core business of leasing by providing superior quality service, developing innovative customer oriented solutions, and valuing people as the greatest resource.

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.

Corporate Information

Board of Directors

Mr. Muhammad Rashid Zahir	Chairman
Senator Ihsanul Haq Piracha	Vice Chairman
Mr. Parvez Abbasi	Director
Mr. Abdul Jabbar Kasim	Chief Executive
Mr. Faridullah Khan	Director
Mr. Muhammad Tariq Masud	Director
Mr. Haroon Ihsan	Director

Company Secretary

Mr. Shakil Akhtar Qureshi, FCA

Auditors

A. F. Ferguson & Co.

Legal Advisors

Mohsin Tayebaly & Co.

Bankers

Standard Chartered Bank	Mashreq Bank psc
Askari Commercial Bank Ltd.	Faysal Bank Limited

Oman International Bank S.A.O.G.	ANZ Grindlays Bank
Bank of America NT & SA	The Bank of Khyber
Muslim Commercial Bank Limited	Habib Bank Limited
The Bank of Tokyo - Mitsubishi Ltd.	Bank Al Habib Limited
Credit Agricole Indosuez	

Registered Office

6th floor, Lakson Square,
Building # 1, Sarwar Shaheed Road,
Saddar, Karachi.
Tel: 5655181-85, 5655205-19

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, Sheikh Sultan Trust
Building # 2, Beaumont Road, Karachi.
Tel: 5689021, 5686658

Financial Highlights

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

(Rupees per Share)

* *Stock Dividend*

Notice of Annual General Meeting

Notice is hereby given that the Eleventh Annual General meeting of the members of Saudi Pak Leasing Company Limited will be held at Multipurpose Hall, 3rd Floor, Low Rise Building, Saudi Pak Tower, 61/A Jinnah Avenue, Blue Area, Islamabad, on December 24, 2001 at 11.30 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the 10th Annual General Meeting of the company held on November 22, 2000.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2001, together with the Directors' and Auditors' Report thereon.
3. To approve the payment of cash dividend. The Board of Directors has recommended cash dividend @ 12.5% i.e. Rs.1.25 per share of Rs.10 each for the year ended June 30, 2001.
4. To appoint auditors for the year 2001-2002 and to fix their remuneration. The present Auditors, Messrs. A.F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.
5. To consider any other business with the permission of the chair.

By Order of the Board

SHAKIL AKHTAR QURESHI
Company Secretary

Karachi: November 30, 2001

NOTES:

1. The Register of members of the Company will remain closed from December 12, 2001 to December 24, 2001 (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 notorially 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 Register, 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.
 - (iii) 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

Chairman's Review

It gives me great pleasure to present before you the eleventh Annual Report together with the audited accounts of Saudi Pak Leasing Company Limited for the year ended June 30, 2001.

The fiscal year 2000-01, witnessed an increase in fixed capital investment in the economy. The upturn in fixed capital investment enhanced investment opportunities for the financial sector. The competition in leasing sector remained intense, and led generally to strain the profit margins of the leasing companies.

Notwithstanding tough competition in the leasing sector, your Company performed well in terms of business volume. Maintaining its presence in

the corporate sector, as its core business, activities were diversified to the areas of Small and Medium Enterprises (SMEs) and Operating Leases.

The Company achieved total revenues of Rs.385.38 million for the year ended June 30, 2001, as compared to Rs.401.41 million in the previous year and realized profit after tax of Rs.34.36 million as against Rs.36.30 million in the previous year. The decline in revenue and net profit is due largely to the stress on profit margins. The Company maintained an upward growth in total assets which grew from Rs.2,444 million as on June 30, 2000 to Rs.2,981 million as on June 30, 2001, depicting an increase of 22 per cent.

New disbursements exceeded Rupees one billion mark for the first time and Investment in Leases went up by 15 per cent from Rs.1,823.92 million to Rs.2,111.97 million during the year under report. The positive impact of increased business turnover will trickle down to the subsequent period. Financial charges increased by 2.7 per cent while administrative and operating expenses were up by 16 per cent. Increase in financial, administrative and operating expenses is attributable mainly to the opening of new office premises owned by the Company and increase in business volume.

Investment in equities of listed companies did not produce the desired returns, owing to the bearish trend in the capital market.

Your Company has focused on improving the risk profile of the lease portfolio and reducing overall cost of borrowing through optimal utilization of funds. It is heartening to note that the Lease Investment Portfolio built during the recent years has performed significantly well.

As a conscious corporate strategy, the Company has chosen to take prudent sectoral exposure. Lease investment is spread over all key sectors of the economy. Energy, Oil and Gas sectors have seen the maximum exposure followed by Textile (including weaving, composite and garments). Highest exposure in any single sector has been 17.23 per cent of Total Net Investment in Lease.

The Company's strategy of diversifying revenue base Inshallah will bring incremental benefits.

During the period under review, lease financing of over Rs.200 million was extended to the SMEs and there was a substantial increase in income from operating leases. Forty five per cent of the total disbursements for the FY: 2000-01 were for leases upto Rs.5 million. These initiatives are expected to stall any further pressure on profitability. The positive results of the new strategy will be reflected in the ensuing years.

Plant and Machinery accounts for a major part of our lease financing, in line with our corporate objective to contribute to capital formation in the economy. Seventy per cent of our Net Investment in Lease is on account of lease financing of Plant

and Machinery. Leasing of passenger vehicles in both the corporate and consumer segments has shown uptrend.

The Company enjoys immense confidence of depositors and lenders. The deposits raised through Certificates of Investments (COIs) reached a figure of Rs.1,476.44million including, long-term deposits through COIs amounting to Rs.1,153.47 million as on June 30, 2001. The Company also arranged term financing of Rs.215 million. It helped in matching of the assets and liabilities, which is vital to the financial health of the leasing companies.

In order to further strengthen our resource base, the Company has planned a Term Finance Certificates (TFCs) issue before December 31, 2001. Rating of new TFCs is under process.

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.

In the coming year our efforts Inshallah, will be to maintain the momentum of growth and improve market share in the leasing business. The asset size of the Company will grow steadily through increased lease investment and business diversification, with special attention on quality of lease investment portfolio. The underlying objective is to earn sustainable return on investment and add to shareholders' value.

The growth and expansion of leasing sector depends on the improvement in the economic performance. Demand for lease financing is a derived demand. Investment activities and industrial expansion contribute to foster demand plans to the emerging developments and will move with due care.

The Board recommends a cash dividend of 12.5 per cent or Rs.1.25 per share, for the year ended June 30, 2001. This is the sixth consecutive year that the Company has distributed cash dividend to the shareholders.

The directors welcome Mr. Muhammad Tariq Masud on the board to replace Mr. Nauman A. Qureshi who resigned. The directors place on record their appreciation for his services.

We owe our gratitude to the banks and financial institutions and also our customers and depositors. The guidance and cooperation of Regulatory Authorities is appreciated with thanks. Finally, I would like to place on record the dedicated efforts and hard work of the management and employees in the smooth running of the affairs of the Company.

Muhammad Rashid Zahir
Chairman

Karachi: November 6, 2001

Director's Report

The Directors have pleasure in presenting the Audited Accounts for the year ended June 30, 2001.

Financial Results

Rupees

Net profit for the year after charging all expenses and provision for potential lease losses and diminution in value of investments	39,357,431
Provision for taxation	5,000,000
Profit after tax	34,357,431
Unappropriated profit brought forward	11,033
Transfer from general reserves	24,100,000
Profit available for appropriation	58,468,464

Appropriations:

Transfer to	
- statutory reserve	6,871,486
- reserve for deferred taxation	24,075,100
- proposed cash dividend	27,500,000
	58,446,586
Unappropriated profit carried forward	21,878
Earning per share	Rs. 1.56

Dividend

The Directors are pleased to recommend a cash dividend @ 12.5 % i.e. Rs. 1.25 per share of Rs. 10/- each.

Pattern of shareholding

The pattern of shareholding as on June 30, 2001 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**

**Muhammad Rashid Zahir
Chairman**

**Abdul Jabbar Kasim
Chief Executive**

Karachi: November 06, 2001

Financial Statements

Auditors' Report to the Members

We have audited the annexed Balance Sheet of Saudi Pak Leasing Company Limited as at June 30, 2001 and the related Profit and Loss Account, Cash Flow Statement and Statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

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

(b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

(iii) the business conducted, investments made and 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 and Loss Account, Cash Flow Statement and Statement of Changes in equity together with the notes forming part thereof confirm with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required, and respectively give a true and fair view of the state of the company's affairs as at June 30, 2001 and of the profit, its cash flows and changes in equity for the year then ended; and

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

Karachi
Dated: November 6, 2001

A.F. FERGUSON & CQ
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2001

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
SHARE CAPITAL & RESERVES			
Authorised capital 40,000,000 (2000: 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	139,873,586	133,027,000
Unappropriated profit		21,878	11,033
		359,895,464	353,038,033
REDEEMABLE CAPITAL	5	336,533,478	336,021,209
LONG - TERM DEPOSITS	6	234,719,590	154,772,068
LONG - TERM CERTIFICATES OF INVESTMENT	7	922,093,201	781,847,092
CURRENT LIABILITIES			
Current maturity of redeemable capital	5	213,946,655	178,117,025
Current maturity of long term deposits	6	36,605,206	35,814,341
Short-term certificates of investment	7	554,345,212	320,553,500
Finances under mark-up arrangements	8	219,757,373	196,393,114
Creditors, accrued and other liabilities	9	74,217,537	59,526,656
Dividend	10	28,495,591	28,381,650

		1,127,367,574	818,786,286
COMMITMENTS	11	--	--
		2,980,609,307	2,444,464,688

The annexed notes form an integral part of these accounts.

		Muhammad Rashid Zahir Chairman	Abdul Jabbar Kasim Chief Executive
FIXED ASSETS	12	53,372,497	27,795,221
CAPITAL WORK-IN-PROGRESS	13	144,063	15,439,797
NET INVESTMENT IN LEASES	14		
Minimum lease payments receivable		2,271,646,511	1,994,354,962
Add: Residual value of leased assets		317,704,087	287,807,263
		2,589,350,598	2,282,162,225
Lease contracts receivable			
Less: Unearned lease income		447,381,883	417,238,241
Provision for potential lease losses		30,000,000	41,000,000
		477,381,883	458,238,241
Net investment in leases		2,111,968,715	1,823,923,984
Less: Current portion of net investment in leases		914,343,361	736,119,510
		1,197,625,354	1,087,804,474
LONG - TERM INVESTMENT	15	60,641,256	17,452,826
LONG - TERM LOANS	16	1,160,883	2,993,818
LONG - TERM PREPAYMENTS		--	18,650
DEFERRED COST	17	1,907,005	3,463,419
CURRENT ASSETS			
Current portion of net investment in leases		914,343,361	736,119,510
Current portion of long-term loans	16	1,025,148	1,245,876
Short-term loans	18	50,180,077	61,512,055
Advances, deposits, prepayments and other receivables	19	37,624,758	38,515,662
Short-term investments	20	489,377,784	366,726,303
Taxation		65,082,963	64,737,415
Cash and bank balances	21	108,124,158	20,639,662
		1,665,758,249	1,289,496,483
		2,980,609,307	2,444,464,688

PROFIT AND LOSS ACCOUNT **for the year ended June 30, 2001**

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
REVENUES			
Income from finance lease operations	22	292,903,905	323,922,634
Income from operating lease operations		5,567,040	630,500
Income on investments	23	77,510,184	75,105,133
Other income	24	9,395,017	1,750,484
		385,376,146	401,408,751
EXPENSES			
Financial and other charges	25	308,211,575	300,188,425
Administrative and operating expenses	26	44,155,105	38,434,130

Direct cost of operating lease	27	4,131,619	487,438
		-----	-----
		356,498,299	339,109,993
		-----	-----
Operating profit before provisions		28,877,847	62,298,758
		-----	-----
Provision for potential lease losses - net		(11,000,000)	6,700,000
Provision for diminution in value of investments		520,416	8,300,000
		-----	-----
		(10,479,584)	15,000,000
		-----	-----
PROFIT BEFORE TAXATION		39,357,431	47,298,758
Taxation		5,000,000	11,000,000
		-----	-----
PROFIT AFTER TAXATION		34,357,431	36,296,758
Unappropriated profit brought forward		11,033	8,275
Transferred from general reserves		24,100,000	27,650,000
		-----	-----
PROFIT AVAILABLE FOR APPROPRIATION		58,468,464	63,957,033
APPROPRIATIONS:			
Transfer to:			
Statutory reserve		6,871,486	7,260,000
Reserve for deferred taxation		24,075,100	29,186,000
Proposed dividend @ 12.50% (2000: 12.5%)		27,500,000	27,500,000
		-----	-----
		58,446,586	63,946,000
		-----	-----
UNAPPROPRIATED PROFIT CARRIED FORWARD		21,878	11,033
		=====	=====
EARNINGS PER SHARE	31	1.56	1.65
		=====	=====

The annexed notes form an integral part of these accounts.

Muhammad Rashid Zahir
Chairman

Abdul Jabbar Kasim
Chief Executive

CASH FLOW STATEMENT for the year ended June 30, 2001

	<i>Note</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	32	(25,365,510)	99,574,973
Mark-up paid		(105,786,183)	(114,242,585)
Deposits received		80,738,387	11,959,162
Taxes paid		(5,345,548)	(29,047,031)
Refund of amount paid as deferred cost		351,991	--
Net investment in leases		(252,044,731)	13,432,422
Decrease in loans to employees		2,053,663	36,010
Decrease in long term prepayments		18,650	447,324
		-----	-----
		(280,013,771)	(117,414,698)
		-----	-----
Net cash used in operating activities		(305,379,281)	(17,839,725)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(18,760,138)	(37,465,452)
Proceeds from sale of fixed assets		1,385,000	867,000
Dividend received		3,880,995	802,931
		-----	-----
Net cash used in investing activities		(13,494,143)	(35,795,521)
CASH FLOW FROM FINANCING ACTIVITIES			

Proceeds of redeemable capital less repayments		36,341,899	77,528,380
Increase in certificates of investment less repayments		374,037,821	(31,340,492)
Dividend paid		(27,386,059)	(27,219,100)
		-----	-----
Net cash generated from financing activities		382,993,661	18,968,788
		-----	-----
Net increase/(decrease) in cash and cash equivalents		64,120,237	(34,666,458)
Cash and cash equivalents at July 1		(175,753,452)	(141,086,994)
		-----	-----
Cash and cash equivalents at June 30	33	(111,633,215)	(175,753,452)
		=====	=====

The annexed notes form an integral part of these accounts.

Muhammad Rashid Zahir
Chairman

Abdul Jabbar Kasim
Chief Executive

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

	<i>CAPITAL</i>				<i>REVENUE</i>		<i>Total</i>
	<i>Issued, subscribed and paid-up capital</i>	<i>Contingency reserve</i>	<i>Statutory reserve</i>	<i>Deferred Taxation</i>	<i>General Reserve</i>	<i>Unappropriated profit</i>	
	<i>Rupees</i>						
As at June 30, 1999	220,000,000	2,600,000	48,411,000	16,600,000	56,620,000	8,275	344,239,275
Profit after taxation for the year ended June 30, 2000	--	--	--	--	--	36,298,758	36,298,758
Transfer from/(to) profit and loss account	--	--	7,260,000	29,186,000	(27,650,000)	(8,796,000)	--
Dividends	--	--	--	--	--	(27,500,000)	(27,500,000)
	-----	-----	-----	-----	-----	-----	-----
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)	--
Proposed dividend	--	--	--	--	--	(27,500,000)	(27,500,000)
	-----	-----	-----	-----	-----	-----	-----
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
	=====	=====	=====	=====	=====	=====	=====

The annexed notes form an integral part of these accounts.

Muhammad Rashid Zahir
Chairman

Abdul Jabbar Kasim
Chief Executive

NOTES TO THE ACCOUNTS for the year ended June 30, 2001

1. THE COMPANY AND ITS OPERATIONS

The company is incorporated in Pakistan and is listed on all the Stock Exchanges in Pakistan. The main business activity of the company is leasing of assets.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Basis of preparation

These accounts have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards as applicable in Pakistan.

2.3 Staff retirement benefits

The company operates:

(i) approved funded gratuity scheme for all employees. Annual contribution are made to the scheme on the basis of actuarial recommendations. Actuarial gains and losses are amortized over the expected future service of members.

Gratuity is payable upon completion of prescribed qualifying period of service.

(ii) recognized provident fund for all confirmed employees.

2.4 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 over the lease period.

* Front-end fee, commitment fee and other commissions are taken to income when realised.

2.5 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.

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.

2.6 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.

2.7 Investments

* Long-term investments are stated at cost less provision for any permanent diminution in value.

* Short-term investments are stated at lower of cost and market value.

* Profit and loss on sale of investments is included in income currently.

2.8 Government securities- repurchase transactions

The company enters into transactions of re-purchase (repo) and re-sale (reverse repo) of securities at contracted rates for specified period of times. These are recorded as follows:

a) in case of sale under re-purchase obligations, the securities are deleted from the books and charges arising from the differential in sale and re-purchase values are accrued on prorata basis. Upon re-purchase the securities are re-instated at their respective face values; and

b) in case of purchases under re-sale obligations, the securities are booked at the contracted purchase price and the differential of the contracted purchase price and re-sale price is recognised over the period of the contract.

2.9 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 recognized in accordance with the requirements of the Circular No. 16 issued by the Securities and Exchange Commission of Pakistan as disclosed in note 4.

2.10 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 except for liabilities covered under forward foreign exchange contracts, in which case the rates contracted for are used.

3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs 10 each

<i>2000</i>	<i>2000</i>	<i>2000</i>	<i>2000</i>
		<i>Rupees</i>	<i>Rupees</i>
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
=====	=====	=====	=====

4. RESERVES

	<i>Contingency reserve</i>	<i>CAPITAL Statutory reserve</i>	<i>Deferred Taxation</i>	<i>REVENUE General</i>	<i>TOTAL 2001</i>	<i>TOTAL 2000</i>
			<i>Rupees</i>			
At the beginning of the year	2,600,000	55,671,000	45,786,000	28,970,000	133,027,000	124,231,000
Movement during the year						
- Transfer from/(to) profit and loss account	--	6,871,486	24,075,100	(24,100,000)	6,846,586	8,796,000
	-----	-----	-----	-----	-----	-----
	2,600,000	62,542,486	69,861,100	4,870,000	139,873,586	133,027,000
	=====	=====	=====	=====	=====	=====

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's appeal against this tax is currently pending with the Appellate Tribunal. The company has also filed a writ petition in the High Court of Sindh.

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, 2001 amounts to Rs. 32.568 million (2000: Rs 43.764 million).

5. REDEEMABLE CAPITAL - (NON-PARTICIPATORY)

Long-term finances utilised under mark-up arrangements

	<i>Repayment Period</i>	<i>Sale Price</i>	<i>Purchase Price</i>	<i>Prompt Payment rebate</i>	<i>Principal Outstanding 2001</i>	<i>Principal Outstanding 2000</i>
					<i>Rupees</i>	<i>Rupees</i>
					<i>(Rupees in million)</i>	
Commercial Bank	June 1998 - June 2001	9.718	12.246	--	--	4,575,132
Commercial Bank	Dec. 1998- Dec 2001	12.270	15.463	--	2,437,963	7,416,864
Commercial Bank	June 1999- June 2001	80.000	116.405	9.205	--	40,000,005
Commercial Bank	Dec 1998 - Dec 2001	75.000	*	--	12,500,000	37,500,000

Commercial Bank	Nov. 1999- Nov. 2001	35.000	46.550	--	35,000,000	35,000,000
Commercial Bank	Dec 1999- Dec 2002	6.958	8.683	--	3,866,285	6,957,928
Commercial Bank	Dec 1999- Dec 2003	24.492	32.719	--	16,965,180	24,492,189
Commercial Bank	Dec 1999 - Dec 2002	50.000	74.900	--	50,000,000	50,000,000
Commercial Bank	June 2001- June 2004	100.000	*	*	100,000,000	--
Commercial Bank	June 2001- June 2004	75.000	*	--	75,000,000	--
Financial Institution	Dec 1999 - Dec 2002	30.000	44.053	3.904	20,000,000	30,000,000
Financial Institution (an associated undertaking)	Dec 1999- Dec 2003	100.000	*	--	69,710,705	90,696,116
Unsecured						
Others	May 2001- Aug 2002	40.000	47.512	--	40,000,000	--
Term Finance Certificates						
Term Finance Certificates - note 5.2	January 1999- January 2003	250.000	352.658	--	125,000,000	187,500,000
					-----	-----
					550,480,133	514,138,234
Less: Current maturity shown under current liabilities:						
- Long-term finances utilised under mark-up arrangements					151,446,655	115,617,025
- Term Finance Certificates					62,500,000	62,500,000
					-----	-----
					213,946,655	178,117,025
					-----	-----
					336,533,478	336,021,209
					=====	=====

* 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.

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.

5.2 Term finance certificates are secured by a charge on specific leased assets and related lease rentals.

6. LONG-TERM DEPOSITS

	2001 Rupees	2000 Rupees
Security deposits on leases	271,324,796	190,586,409
Less: Current maturity shown under Current liabilities	36,605,206	35,814,341
	-----	-----
	234,719,590	154,772,068
	=====	=====

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 11.5 to 18.0 percent per annum. Current maturity of long-term certificates of investment amounting to Rs 231,378,000 (2000: Rs 160,624,000) is included under current liabilities in short-term certificates of investment.

8. FINANCES UNDER MARK-UP ARRANGEMENTS

Short-term running finance (secured) - note 8.1	20,757,373	76,393,114
Short-term finance (unsecured) - note 8.2	199,000,000	120,000,000
	-----	-----
	219,757,373	196,393,114
	=====	=====

8.1 The facilities for running finance available from commercial banks amounted to Rs 50 million (2000: Rs 105 million). The rates of mark-up on these finances range from Re 0.3973 to Re 0.4383 per Rs 1,000 per day. The purchase prices are payable on various dates by May 31, 2002.

These facilities are secured by hypothecation of specific leased assets and related lease rentals.

8.2 The facilities available for short-term finance amounted to Rs 199 million (2000: Rs 120 million) and carry mark-up ranging from Re 0.3219 to Re 0.4493 per Rs 1,000 per day. These facilities are repayable on various dates by September 25, 2001.

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
9. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Creditors	256,142	279,527
Accrued liabilities	1,609,461	1,579,520
Mark-up on:		
- redeemable capital	11,035,619	18,153,059
- running finance	809,859	965,170
- short-term finances	3,538,006	2,805,696
Accrued return on certificates of investment	23,595,140	15,013,836
Rentals received in advance	4,383,222	6,729,529
Tax deducted at source	1,342,568	747,594
Contractors' retention money	22,706	9,114
Zakat payable	--	627,681
Others	27,624,814	12,615,930
	-----	-----
	74,217,537	59,526,656
	=====	=====

9.1 Amount due to Saudi Pak Industrial & Agricultural Investment Company (Private) Limited an associated undertaking at the year end amounted to Rs 1,017,366 (2000: Rs 1,544,352).

10. DIVIDEND

Proposed dividend	27,500,000	27,500,000
Unclaimed dividend	995,591	881,650
	-----	-----
	28,495,591	28,381,650
	=====	=====

11. COMMITMENTS

Commitments for lease disbursements	45,000,000	11,578,940
Commitments in respect of "Repo" transactions:		
- Sale and repurchase agreements	90,000,000	95,000,000
- Purchase and resale agreements	69,000,000	--
Commitments in respect of underwriting of the offer of shares of Al-Meezan Investment Bank Limited	--	11,500,000

12. FIXED ASSETS**12.1 The following is a statement of operating assets:**

<i>Cost at July 1, 2000</i>	<i>Additions/ (deletions) during the year</i>	<i>Cost at June 30, 2001</i>	<i>Accumulated depreciation at July 1, 2000</i>	<i>Depreciation charge for the year/ (accumulated depreciation on deletions)</i>	<i>Accumulated depreciation at June 30, 2001</i>	<i>Written down value at June 30, 2001</i>	<i>Rate % per annum</i>
<i>Rupees</i>							

Assets - own use

Building improvements	2,750,097	--	2,750,097	2,750,097	--	2,750,097	--	20
Office premises	18,540,389	5,874,745	24,415,134	231,755	1,121,979	231,755	23,061,400	5
Furniture, fixtures & fittings	1,610,909	3,136,991	4,747,900	1,318,368	553,377	1,318,368	2,876,155	20
Vehicles	9,948,057	2,533,245	10,455,088	6,743,673	1,423,488	6,743,673	3,696,125	20
		(2,026,214)			(1,408,198)			
Office equipment & appliances	12,508,695	5,506,675	18,008,620	8,723,825	2,066,544	10,783,620	7,225,000	20
		(6,750)			(6,749)			
Operating lease assets								
Plant and machinery	2,431,360	17,004,216	19,435,576	226,568	2,695,191	2,921,759	16,513,817	20
	47,789,507	34,055,872	79,812,415	19,994,286	7,860,58	26,439,918	53,372,497	
		(2,032,964)			(1,414,947)			
2000	27,019,780	23,294,018	47,789,507	17,311,560	4,116,580	19,994,286	27,795,221	
		(2,524,291)			(1,433,854)			

12.2 The following assets were disposed off during the year:

<i>Description</i>	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Written Down Value</i>	<i>Disposal Proceeds</i>	<i>Mode of Disposal</i>	<i>Particulars of purchaser</i>
Vehicles	545,200	545,199	1	75,000	As per terms of appointment	Chief Executive Officer
	599,000	598,999	1	510,000	Negotiation	Antar Enterprises Karachi
	399,814	239,889	159,925	310,000	Negotiation	Muhammad Saleem Karachi
	419,000	20,952	398,048	419,000	Negotiation	Dr. Ghazala Parveen Karachi
	63,200	3,159	60,041	66,000	Insurance Claim	New Jubilee Insurance Co. Karachi
	2,026,214	1,408,196	616,016	1,380,000		
Office Equipment & Appliances	6,750	6,749	1	5,000	Insurance Claim	New Jubilee Insurance Co. Karachi
	2,032,964	1,414,947	618,017	1,385,000		

2001
Rupees

2000
Rupees

13. CAPITAL WORK-IN-PROGRESS

Cost of civil works, furniture and fittings	--	3,669,323
Advances - for civil works	144,063	1,419,018
- for furniture and fixtures	--	464,951
- against assets to be leased out	--	9,886,505
	144,063	15,439,797

14. NET INVESTMENT IN LEASES

(i) This includes lease contracts receivable of Rs 158,472,705 (2000: Rs. 180,331,743) outstanding from Sui Southern Gas Company Limited.

(ii) The rentals due from National General Insurance Company Limited, an associated undertakings as at June 30, 2001 amounted to Rs NIL (2000: Rs 343,980) including unearned lease income of Rs NIL (2000: Rs 17,690).

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

(iv) The maximum aggregate amount of rentals due from National General Insurance Company Limited an associated undertaking at the end of any month during the year was Rs 343,980 (2000: Rs726,180) including unearned lease income of Rs 16,189 (2000: Rs 102,296).

15. LONG-TERM INVESTMENT

Shares of listed company - note 15.1	68,188,430	25,000,000
Less: Provision for diminution in the value of investments	7,547,174	7,547,174
	-----	-----
	60,641,256	17,452,826
	=====	=====

15.1 Last year, the company acquired 1,886,179 shares of Dandot Cement Limited as part of the settlement of the lease amount receivable by the company from Dandot Cement Limited. Subsequent to June 30, 2001, the company has acquired 1,257,861 additional shares to compensate for the decline in market value between June 30, 2000 and June 30, 2001 of the shares originally acquired. Under the terms of the Memorandum of Understanding between the company and Dandot Cement Limited, the company can sell these shares only as per the following terms.

- * 10% of the original holding can be sold after expiry of each year from the date of the agreement
- * The remaining share holding can be sold after the expiry of 5 years from the date of the agreement

15.2 The aggregate market value of the above investments at June 30, 2001 including the market value of the 1,257,861 additional shares of Dandot Cement Limited amounted to Rs 51,510,325 (2000: 17,452,826).

16. LONG-TERM LOANS - considered good**Secured**

Due from - chief executive	1,800,200	2,664,200
- executives	281,230	1,310,844
- employees	104,601	264,650
	-----	-----
	2,186,031	4,239,694
Less: Recoverable within one year shown as current portion of long-term loans	1,025,148	1,245,876
	-----	-----
	1,160,883	2,993,818
	=====	=====

The above loans include an amount of Rs 1,800,200 (2000: Nil) outstanding for a period more than 3 years. The 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.

Maximum amount due from chief executive and executives at the end of any month during the year was Rs 2,592,200 (2000: Rs 3,232,000) and Rs 1,436,069 (2000: Rs 1,663,355) respectively.

17. DEFERRED COST

Balance at the beginning of the year	3,463,419	5,831,563
Less: Amortisation during the year	1,204,423	2,368,144
Reversal during the year	351,991	--
	-----	-----
Balance at the end of the year	1,907,005	3,463,419
	=====	=====

The above amount mainly include cost incurred on issue of Term Finance Certificates. This cost is being amortised over the term of these certificates as the economic benefits associated with these certificates will accrue throughout the period of their issue.

18. SHORT-TERM LOANS

Loans to customers - Considered good	50,180,077	61,512,055
- Considered doubtful	17,431,000	17,431,000
	-----	-----
	67,611,077	78,943,055
Less: Provision for doubtful loan	17,431,000	17,431,000
	-----	-----
	50,180,077	61,512,055
	=====	=====

These represent loans to customers for a period up to one year on mark-up basis under sale and repurchase agreements. The rate of mark-up ranges from 17% to 22% per annum.

19. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advances		
- against assets to be leased out	525,000	4,828,000
- to executives - note 19.1	56,196	47,731
- to employees	9,066	55,090
- to others	136,438	--
Trade deposits	1,458,620	1,322,020
Prepayments	1,090,042	1,132,082
Accrued income on operating leases	1,759,066	210,000
Accrued return on investments	10,730,135	12,641,495
Accrued mark-up on short-term loans and advances	1,941,405	2,058,055
Corporate asset tax recoverable	2,057,589	2,057,589
Receivable from gratuity fund	--	231,755
Residual value receivable	5,717,138	11,657,747
Cost of assets repossessed	3,339,741	--
Others	8,804,322	2,274.10
	-----	-----
	37,624,758	38,515,662
	=====	=====

19.1 The maximum amount due from executives at the end of any month during the year was Rs 150,264 (2000: Rs 427,053).

20. SHORT-TERM INVESTMENTS

LISTED

Shares and certificates of listed companies and modarabas - note 20.1	17,405,090	56,684,768
40,000 units of National Investment Trust (NIT)	568,000	568,000
Investment in Term Finance Certificates	35,073,725	6,373,725
	-----	-----
	53,046,815	63,626,493

UNLISTED

Federal Government Securities	121,578,968	145,182,636
Placement under certificates of investment/ deposits and musharika arrangement	1,325,000,000	172,500,000
	-----	-----
	446,578,968	317,682,636
	-----	-----
	499,625,783	381,309,129
Provision for diminution in the value of investments	(10,247,999)	(14,582,826)
	-----	-----
	489,377,784	366,726,303
	=====	=====

Aggregate market value of above quoted investments as at June 30, 2001 was Rs 42,798,816 (2000: Rs 49,043,667).

The return on these investments ranges from

- Federal Government Securities	12.5% to 15% per annum
- Placement under certificates of investments/ deposits and musharika arrangements	17% to 20% per annum
- Term Finance Certificates	14.15% to 18% per annum

20.1 Details of investment in listed companies/modarabas:

	<i>June 30, 2001</i>		<i>June 30, 2000</i>	
	<i>Number of modaraba certificates/ ordinary shares</i>	<i>Cost Rupees</i>	<i>Number of Modaraba certificates/ ordinary shares</i>	<i>Cost Rupees</i>
First Grindlays Modaraba	128,482	4,303,875	128,482	4,303,875
Modaraba Al-Mali	159,207	3,128,640	159,207	3,128,640
Modaraba Al-Tijarah	149,806	2,111,930	149,806	2,111,930
Sajjad Textile Mills Limited	30,700	654,555	30,700	654,555
First Hajveri Modaraba	160	365	160	365
Ibrahim Fibre Limited	--	--	25,000	391,000

Al-Ata Leasing Modaraba	55,671	414,014	55,671	414,014
Dandot Cement Limited	10,000	83,100	10,000	83,100
D.G. Khan Cement Limited	10,000	165,800	10,000	165,800
Fauji Fertilizer Limited	38,000	2,227,971	38,000	2,227,971
Pakistan State Oil	--	--	133,000	25,452,128
PTCL	--	--	436,000	12,807,565
Hub Power Limited	30,000	559,490	80,000	1,491,975
ICI Pakistan Limited	80,000	1,331,500	60,000	1,028,000
ICP SEMF	30,000	699,000	30,000	699,000
Karachi Electric Supply Corporatio	50,000	852,350	50,000	852,350
Lucky Cement Limited	20,000	242,000	20,000	242,000
Sui Northern Gas Pipelines Limited	28,750	405,500	25,000	405,500
Sui Southern Gas Company Limited	5,750	113,750	5,000	113,750
Sunflo Citruss	25,000	111,250	25,000	111,250
		-----		-----
		17,405,090		56,684,768
		=====		=====

21. CASH AND BANK BALANCES

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
With State Bank of Pakistan in current account	13,302,953	11,539,585
With banks:		
- in current accounts - local currency	89,810,047	8,996,841
- foreign currency	29,723	25,740
- in saving accounts - note 21.1	2,413	2,746
Cash in transit	4,852,811	
Cash in hand	126,211	74,750
	-----	-----
	108,124,158	20,639,662
	=====	=====

21.1 Return on these saving accounts is earned at rates ranging from 5% to 9%.

22. INCOME FROM FINANCE LEASE OPERATIONS

Income on lease contracts	292,865,948	313,505,815
Gain on cancellation of lease contracts	37,957	10,416,819
	-----	-----
	292,903,905	323,922,634
	=====	=====

23. INCOME ON INVESTMENTS

Income from:		
- Federal Investment Bonds	22,474,007	26,084,633
- Shod-term loans	14,274,887	11,289,500
Income on Term Finance Certificates	1,263,207	1,772,227
Return on certificates of investment/deposits and musharika placements	33,336,180	27,636,704
Income from saving accounts	858,442	1,041,114
Dividend income	4,824,136	1,030,931
Gain on sale of investments	479,325	6,250,024
	-----	-----
	77,510,184	75,105,133
	=====	=====

24. OTHER INCOME

Mark-up, commission and fee income	7,347,497	1,421,732
Gain on disposal of fixed assets	766,983	328,752
Others	1,280,537	--
	-----	-----
	9,395,017	1,750,484
	=====	=====

25. FINANCIAL AND OTHER CHARGES

Mark-up on:

- redeemable capital	71,937,789	84,273,736
- running finance	3,969,883	2,562,817
- short-term finance	23,338,070	25,395,040
Return on certificates of investment	206,388,356	183,398,898
Arrangement fee	401,388	310,798
Amortisation of deferred cost	1,204,423	2,368,144
Others	971,666	1,878,992
	-----	-----
	308,211,575	300,188,425
	=====	=====

26. ADMINISTRATIVE AND OPERATING EXPENSES

Salaries, allowances and benefits- note 26.1	22,471,909	17,893,443
Rent	1,555,459	2,874,661
Repairs and maintenance	991,175	608,766
Electricity, gas and water	1,172,065	1,107,483
Depreciation	5,165,388	3,890,012
Insurance	1,021,750	985,741
Vehicle running expenses	1,416,557	1,245,742
Printing and stationery	1,643,970	1,145,747
Telephone and postage expenses	1,634,594	1,690,315
Travelling, conveyance and entertainment	821,508	956,954
Fees and subscriptions	646,890	1,167,464
Legal and professional charges	4,169,267	2,167,042
Training and development	35,064	57,650
Advertising expenses	264,309	433,614
Fixed assets written off	--	552,189
Auditors' remuneration:		
Audit fee	180,000	180,000
Special certifications	--	120,000
Out of pocket expenses	28,335	22,690
	-----	-----
	208,335	322,690
Zakat	32,963	12,265
Sundry expenses	903,902	1,322,352
	-----	-----
	44,155,105	38,434,130
	=====	=====

26.1 Salaries, allowances and benefits include Rs 1,269,962 (2000: Rs 1,120,974) in respect of staff retirement benefits.

27. DIRECT COST OF OPERATING LEASE

Management Fee	405,112	159,650
Depreciation	2,695,191	226,568
Business Promotion	24,350	44,720
Insurance	51,529	40,500
Others	955,437	16,000
	-----	-----
	4,131,619	487,438
	=====	=====

28. 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:

Rs in million

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
	=====

The following amounts have been charged to the profit and loss account during the current year

in respect of the gratuity fund.

Rs in million

Current service cost	0.528
Interest cost	0.187
Expected return on plan assets	(0.305)

	0.410
Less: Excess amount charged last year	(0.089)

	0.321
	=====

The movement in the net liabilities/(assets) recognized in the balance sheet in respect of the gratuity fund is as follows:

Rs in million

Opening balance as at July 1	(0.232)
Add: Charge for the year	0.321
Payments made during the year	(0.100)

Closing balance as at June 30	(0.011)
	=====

Projected Unit Credit Method using the following significant assumptions was used for the valuation of the fund:

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

29. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	2001	2000
	Rupees	Rupees
Term Finance Certificates		
- repaid during the year	6,250,000	6,250,000
- mark-up charged for the year	3,136,738	3,817,188
Long Term Finances		
- borrowed during the year	--	100,000,000
- repaid during the year	20,985,411	16,803,884
- mark-up charged for the year	13,560,752	8,458,054
Certificates of investment		
- encashed during the year	--	1,000,000
- mark-up charged for the year	--	36,548

30. 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	
	2001	2000	2001	2000	2001	2000
	Rupees					
Managerial remuneration	2,665,450	2,075,307	5,411,640	5,109,684	8,077,090	7,184,991
House rent, utilities etc	914,825	1,076,977	2,629,933	2,736,896	3,544,758	3,813,873
Retirement benefits	291,321	311,139	676,702	795,539	968,023	1,106,678
Leave passage	1,127,650*	132,960	224,000	180,667	1,351,650	313,627
	-----	-----	-----	-----	-----	-----
	4,999,246	3,596,383	8,942,275	8,822,786	13,941,521	12,419,169
	=====	=====	=====	=====	=====	=====
Number of persons	1	1	28	23	29	24
	=====	=====	=====	=====	=====	=====

* 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.

31. EARNINGS PER SHARE

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
Net profit after tax for the year	34,357,431	36,298,758
	<i>Number of shares</i>	
Average ordinary shares in issue during the year	22,000,000	22,000,000
	<i>Rupees</i>	
Earnings per share	1.56	1.65
	=====	=====

32. CASH GENERATED FROM OPERATIONS

Profit for the year before taxation	39,357,431	47,298,758
Add/(less): Adjustment for non cash charges and other items		
Depreciation	7,860,579	4,116,580
Amortisation of deferred cost	1,204,423	2,368,144
Provision for potential lease losses	(11,000,000)	6,700,000
Provision for diminution in value of investments	520,416	8,300,000
Mark-up expenses	99,245,742	112,231,593
Fixed assets written-off	--	552,189
Dividend income	(4,824,136)	(1,030,931)
Gain on disposal of fixed assets	(766,983)	(328,752)
	-----	-----
	92,240,041	132,908,823
	-----	-----
Operating profit before working capital changes	131,597,472	180,207,581
	MOVEMENT IN WORKING CAPITAL	
(Increase)/decrease in current assets		
Advances, deposits, prepayments and other receivables	1,834,045	(2,795,038)
Short-term investments	(191,360,327)	(67,791,557)
Short-term loans	11,331,978	(19,499,812)
	-----	-----
	178,194,304	(90,086,407)
(Decrease)/increase in creditors, accrued and other liabilities	21,231,322	9,453,799
	-----	-----
	(156,962,982)	(80,632,608)
	-----	-----
	(25,365,510)	99,574,973
	=====	=====

33. CASH AND CASH EQUIVALENTS

Cash and bank balances	108,124,158	20,639,662
Finances under mark-up arrangements	(219,757,373)	(196,393,114)
	-----	-----
	(111,633,215)	(175,753,452)
	=====	=====

34. FINANCIAL ASSETS AND LIABILITIES

	<i>Interest/Mark-up bearing</i>			<i>Non-Interest Bearing</i>			<i>Total</i>
	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	<i>Maturity upto one year</i>	<i>Maturity after one year</i>	<i>Sub-total</i>	
	<i>Rupees</i>						
Financial Assets							

Net Investment in leases	9,143,431,361	11,971,625,354	2,111,968,715	--	--	--	2,111,968,715
Long term investment	--	--	--	--	60,641,256	60,641,256	60,641,256
Loans to employees	1,025,148	1,160,883	2,186,031	--	--	--	2,186,031
Short term loans	50,180,077	--	50,180,077	--	--	--	50,180,077
Advances ,deposits prepayments and other receivables	201,700	--	201,700	34,275,427	--	34,275,427	34,477,127
Short term investments	481,652,693	--	481,652,693	71,725,091	--	7,725,091	489,377,784
Cash and bank balances	2,413	--	2,413	108,121,745	--	108,121,745	108,124,158
	-----	-----	-----	-----	-----	-----	-----
	1,447,405,392	1,198,786,237	2,646,191,629	150,122,263	60,641,256	210,763,519	2,856,955,148
	=====	=====	=====	=====	=====	=====	=====
Financial Liabilities							
Redeemable capital	213,946,655	336,533,478	550,480,133	--	--	--	550,480,133
Deposits	--	--	--	36,605,206	234,719,590	271,324,796	271,324,796
Certificates of investment	554,345,212	922,093,201	1,476,438,413	--	--	--	1,476,438,413
Finances under mark-up arrangements	219,757,373	--	219,757,373	--	--	--	219,757,373
Creditors, accrued and other liabilities	--	--	--	69,834,315	--	69,834,315	69,834,315
Dividend payable	--	--	--	28,495,591	--	28,495,591	28,495,591
	-----	-----	-----	-----	-----	-----	-----
	988,049,240	1,258,626,679	2,246,675,919	134,935,112	234,719,590	3,691,654,702	2,616,330,621
	-----	-----	-----	-----	-----	-----	-----
	459,356,152	(59,840,144)	399,515,710	15,187,151	(174,078,334)	(158,891,183)	240,624,527
	=====	=====	=====	=====	=====	=====	=====

35. CONCENTRATION OF CREDIT RISK

Out of the total financial assets of Rs 2,856.956 million the financial assets which were subject to credit risk amounted to Rs 2,843.525 million. The company's major credit risk is concentrated in the Fuel and Energy, Pharmaceutical and Textile sectors. To manage credit risk the company applies credit limits to its customers. Investment in Federal Government Securities amounting to Rs 121.579 million is guaranteed by the Government of Pakistan.

36. 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.

37. 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.

38. NUMBER OF EMPLOYEES

Total number of employees as at end of the year was 79 (2000: 46).

39. CORRESPONDING FIGURES

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

Muhammad Rashid Zahir
Chairman

Abdul Jabbar Kasim
Chief Executive

Pattern of Shareholding as of 30 June 2001

Number of Shareholders	Shareholding		Total Shares held
	From	To	
408	1	100	13,233
340	101	500	93,799
177	501	1000	142,242
553	1001	5000	1,188,833
64	5001	10000	468,196
30	10001	15000	335,830

9	15001	20000	167,464
13	20001	25000	293,624
3	25001	30000	79,500
2	30001	35000	63,250
5	40001	45000	205,581
2	45001	50000	91,320
2	55001	60000	116,282
1	75001	80000	75,200
1	85001	90000	86,460
2	95001	100000	196,800
2	100001	105000	207,532
2	105001	110000	220,000
1	115001	120000	120,000
3	120001	125000	366,300
2	125001	130000	253,732
1	135001	140000	136,866
1	145001	150000	146,665
1	150001	155000	154,592
1	205001	210000	208,486
1	215001	220000	220,000
1	300001	305000	300,300
1	315001	320000	316,872
1	745001	750000	746,424
2	875001	880000	1,760,000
1	915001	920000	917,400
1	1500001	1505000	1,504,102
1	2000001	2005000	2,003,115
1	2195001	2200000	2,200,000
1	6595001	6600000	6,600,000

1637-----
22,000,000
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Categories of Shareholders As of 30 June 2001

<i>Categories of Shareholders</i>	<i>Number of Shareholders</i>	<i>Shares held</i>	<i>Percentage</i>
1. Individuals	1,586	7,086,716	32.21
2. Investment Companies	2	32,900	0.15
3. Insurance Companies	3	1,833,974	8.34
4. Joint stock Companies	25	2,651,581	12.05
5. Financial Institutions	13	10,054,269	45.70
6. Modaraba Companies	3	33,260	0.15
7. Leasing Companies	2	5,500	0.03
8. Others	2	300,800	1.37
9. Non-resident (U.S. \$)	1	1,000	0.0045
	-----	-----	-----
	1,637	22,000,000	100.00
	=====	=====	=====