

SAUDI-PAK LEASING CORPORATION LIMITED.

Annual Reports 2003

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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
Mr. Ihsanul Haq Piracha	Vice Chairman
Mr. Aasim Azim Siddiqui	Director
Mr. Farrukh Shaukat Ansari	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.

AUDIT COMMITTEE
Mr. Muhammad Rashid Zahir Chairman
Mr. Ihsanul Haq Piracha
Mr. Aasim Azim Siddiqui

BANKERS
Standard Chartered Bank
Askari Commercial Bank Ltd. Mashreq Bank psc
Oman International Bank S.A.O.G. Faysal Bank Limited
Standard Chartered Grindlays Bank Union Bank Limited
Muslim Commercial Bank Limited The Bank of Khyber
The Bank of Tokyo - Mitsubishi Ltd. Habib Bank Limited
Credit Agricole Indosuez Bank Al Habib Limited
Saudi Pak Commercial Bank Limited ABN AMRO Bank N.V.

REGISTERED OFFICE
6th Floor, Lakson Square, Building # 1 ,
Sarwar Shaheed Road, Saddar, Karachi.
Tel: 56551 81 -85, 565521 5-1 9
Fax : 5210607-9

BRANCHES

Lahore
1 31 -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
Kotwali Road (Allama Iqbal Road), Faisalabad.
Tel: 041 -61 9891 ,619973
Fax:041-619984

Multan
Abdali Road, Multan.
Tel: 061 -589087, 589723, 587355
Fax:061-589801

Universal Access Number : 111-888-999

Karachi, Lahore and Islamabad

Website : www.saudipakleasing.com

Registrar and Share Transfer Office

THK Associates (Pvt.) Ltd.

Ground Floor, Sheikh Sultan Trust Building # 2,

Beaumont Road, Karachi.

Tel : 5689021 , 5686658

FINANCIAL HIGHLIGHTS	2003	2002	2001	2000	1999	1998
Authorised Capital	400	400	400	400	400	400
Paid up Capital	220	220	220	220	220	220
Total Reserves	138	73	140	133	124	117
Net Investment in Leases	1,947	1,775	2,112	1,824	1,870	1,702
Income from Leasing						
Operations	208	282	299	325	320	280
Profit before taxation	66	18	39	47	44	49
Taxation	5	4	5	11	9	8
Profit after taxation	61	14	34	36	35	41
Dividends	7.50%	-	12.50%	12.50%	12.50%	15%
Total Assets	2,823	2,807	2,981	2,444	2,342	2,076
Current Ratio	1.37	2.09	1.48	1.58	1.08	0.96
Return on average Equity	18.26%	4.20%	9.63%	10.41%	10.28%	12.17%
Book Value of Share (Rupees per Share)	16.28	13.3	16.36	16.05	15.65	15.31
Earnings per Share	2.77	0.62	1.56	1.65	1.59	1.84

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 13th Annual General Meeting of the members of Saudi Pak Leasing Company Limited will be held at 19th Floor, Saudi Pak Tower, 61/A Jinnah Avenue, Blue Area, Islamabad, on Friday, October 31, 2003, at 10:00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the 12th Annual General Meeting of the Company held on October 23, 2003.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2003 together with the Directors' and Auditors' Report thereon.
3. To approve the payment of cash dividend. The Board of Directors has recommended payment of cash dividend @ 7.5% i.e. Re. 0.75 per share of Rs. 10/- each for the year ended June 30, 2003.
4. To appoint Auditors for the year 2003-2004 and to fix their remuneration. The Board of Directors has recommended appointment of M/s. Anjum Asim Shahid Rahman, Chartered Accountants as Auditors for the year 2003-2004.
5. To elect 7 (seven) Directors of the company as fixed by the Board of Directors in accordance with the provisions of section 178 of the Companies Ordinance, 1984 for a term of three years commencing from December 15, 2003. The retiring Directors are i) Mr. Muhammad Rashid Zahir ii) Mr. Ihsanul Haq Piracha iii) Mr. Aasim Azim Siddiqui iv) Mr. Farrukh S. Ansari v) Mr. Muhammad Tariq Masud vi) Mr. Faridullah Khan vii) Mr. Haroon Ihsan

6. To consider any other business with the permission of the Chair.

By Order of the Board

SHAKILAKHTARQURESHI

Karachi: October 10,2003

Company Secretary

NOTES:

1. The Register of members of the Company will remain closed from October 21, 2003 to October 31, 2003 (both days inclusive)
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her. A proxy must be a member of the Company.
3. An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or notarially certified copy of such power of attorney, in order to be valid must be deposited at the registered office of the Company not less than 48 hours before the time of the meeting.
4. Nomination from members for the office of director must be received at least 14 days before the time of the meeting at the Registered office of the Company.
5. Members are advised to lodge shares for transfer at the office of our Registrar, THK Associates (Pvt) Ltd., Ground Floor, Sheikh Sultan Trust Building # 2, Beaumont Road, Karachi.
6. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 dated January 26,2000 issued by the Securities and Exchange Commission of Pakistan:
 - i) In case of individuals, the account holder or sub-account holder and/or the person, whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original National Identity Card (NIC) or original passport at the time of attending the meeting. The shareholders registered on CDS are also requested to bring their participants I.D. numbers and account numbers in CDS.
 - ii) In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

CHAIRMAN'S REVIEW

It gives me immense pleasure to present before you the 13th Annual Report along with the audited financial statements of Saudi Pak Leasing Company Limited for the year ended June 30, 2003.

In the year 2002 - 03, the economy performed very well. Gross Domestic Product rose by 4.6 percent. Agriculture, Industrial and services sector posted gains. The macro economic management in particular was superb. While the foreign currency reserves and the remittances of overseas Pakistanis rose unprecedently high, inflation and markup rate remained pitched at low levels.

The leasing business was spurred by the fast growth in demand for consumer products and the modest pick up in demand for industrial machinery. The leasing sector was however, beset with severe

competitive pressures from commercial banks who were flush with liquidity.

Your company was able to achieve lease disbursements of Rs. 1,012 million in 2002-03, up 65 percent over Rs. 614 million in the previous year. Plant and machinery accounted for major portion of the disbursements.

Total revenues amounted to Rs. 352 million in 2002-03, which is 10 percent lower than the previous year. The reduction in revenues is attributable primarily to the lower Internal Rate of Return charged on new leases because of falling cost of funds in the economy. The decline in income from lease operations was offset by higher income on investments.

The efforts aimed at reducing the cost of funding resulted in decrease of Rs. 98.209 million or 30.0 percent in financial charges. This was made possible by re-negotiation with existing lenders, contracting fresh borrowings at competitive rates and rationalization of expected return on Certificates of Investment. At the same time, a balance was maintained between long-term and short-term borrowings so as to avail the benefit of lower rates on short-term borrowings. The term finance certificates (TFCs) issued in 1998 were fully redeemed during 2002-03.

Your company has followed a prudent approach on the sectoral exposure in lease financing. Accordingly exposure to any sector has not exceeded 25 percent. As on June 30, 2003, exposure to textile sector, being the single most important sector in the economy, stood at 21 percent followed by transport and communication of 12 percent. Asset wise, the highest disbursement was made in plant and machinery, which approximates 56 percent of the lease disbursements during the current year followed by commercial vehicles at 25 percent and motor vehicles at 12 percent.

The entity rating of A (single A) for long term and A-1 (A one) for short term assigned by JCR-VIS have been maintained. The rating assigned for TFC-2isA+(Aplus).

FUTURE OUTLOOK

The year 2003-04 is expected to be better in terms of growth in business and financial results. As the economy continues to do well, and the company is being tuned up, we would make our best efforts to increase our share of leasing market, and improve

the quality of lease portfolio. The full financial impact of increased disbursements accomplished in 2002-03 will be realized in 2003-04.

On behalf of the Board of Directors, I avail the opportunity to acknowledge with thanks the guidance and support of the regulatory authorities and the patronage of customers, COIs holders, banks and lending institutions. I would also like to place on record the dedicated efforts and hard work of the management and the employees.

Muhammad Rashid Zahir

Chairman

Dated : October 8, 2003

The Directors have pleasure in presenting the Audited Accounts for the year ended June 30, 2003.

FINANCIAL RESULTS

	2003 Rupees
Net Profit for the year after charging all expenses and provision for potential lease losses	66,209,548
Provision for taxation - current	5,360,446
Provision for taxation - deferred	-
Profit after tax	5,360,446
Unappropriated profit brought forward	60,849,102
Profit available for appropriation	104,065
APPROPRIATIONS:	60,953,167
Transfer to:	
- statutory reserve	
- reserve for deferred taxation	12,169,820
- proposed dividend @ 7.50% (2002: Nil)	31,000,000
	16,500,000
Unappropriated profit carried forward	59,669,820
Earning per share (Rs.)	1,283,347
	2.77

CORPORATE GOVERNANCE

- Proper books of account have been maintained by the company, and the financial statements, present fairly the state of affairs of the company, the result of its operations, cash flows and changes in equity.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and there is no departure.
- The system of internal control is sound in design and has been effectively implemented and monitored.

- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, and the company fully subscribes to the requirements.
- Key operating and financial ratio of last six years has been summarized on page 6 of this annual report.
- The value of investments in provident and gratuity funds are Rs. 4.212 million and Rs. 0.423 million respectively as per the audited accounts for provident fund and gratuity fund for the year ended June 30,2003.
- There was no trading in company shares by directors, chief executive, chief financial officers & company secretary and their spouses and minor children during the year.

DIVIDEND

The Board of Directors has recommended 7.5% Cash Dividend.

BOARD OF DIRECTORS

Mr. Pervez Abbasi representing Premier Mercantile Services (Pvt.) Limited has resigned during the year and Mr. Aasim Azim Siddiqui has joined the Board. Ex-CEO Mr. Abdul Jabbar Kasim has also resigned during the year and the Chairman held the responsibility of CEO for the interim period as allowed by SECP and new CEO Mr. Farrukh Shaukat Ansari has joined the company as director and CEO on September 23,2003.

The Board held seven meetings during the year and the attendance of each director was as follows:

Name of Directors	No. of Meetings held During the year	No. of meetings attended
Mr. Muhammad Rashid Zahir	7	7
Mr. Ihsanul Haq Piracha	7	6
Mr. Muhammad Tariq Masud	7	7
Mr. Abdul Jabbar Kasim	6	6
Mr. Faridullah Khan	7	7
Mr. Haroon Ihsan	7	5
Mr. Aasim Azim Siddiqui	2	1
Mr. Pervez Abbasi	5	2

AUDIT COMMITTEE

The Audit Committee comprised of three non-executive directors namely Mr. Muhammad Rashid Zahir, Mr. Ihsanul Haq Piracha and Mr. Aasim Azim Siddiqui who joined as member in place of Mr. Pervez Abbasi with effect from April 7, 2003.

PATTERN OF SHAREHOLDING

The pattern of shareholding as on June 30, 2003 is annexed with this report.

AUDITORS

The auditors M/s A.F. Ferguson and Co. Chartered Accountants have retired. On the recommendation of

Audit Committee, the Board of Directors has recommended appointment of M/s. Anjum Asim Shahid Rahman, Chartered Accountants as auditors of the company for the year 2003-2004.

Muhammad Rashid Zahir

Farrukh S. Ansari

Chairman

Chief Executive

Dated : October 8, 2003

STATEMENT OF COMPLIANCE

WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 of listing regulations of the Karachi Stock Exchange, Regulation No. 36 of the Islamabad Stock Exchange and CHAPTER XIII of the Lahore Stock Exchange for the purpose of establishing a frame work of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes 6 non-executive directors and no directors representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DPI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. The Chief Executive Officer of the company resigned on April 30, 2003, and the casual vacancy was filled up by one of the directors with the approval of Securities and Exchange Commission of Pakistan. During 1st May 2003 to September 22, 2003 the Board comprised of 6 directors.
5. The Company has prepared a 'Statement of Ethics and Business Practice's which has been signed by all the directors and is in the process of being signed by the employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of the particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors are well conversant with their responsibilities and Code of Corporate Governance and accordingly any orientation course was not arranged.

10. The Board has approved the appointment of the Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment as determined by the CEO.
11. The director's report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before the approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of the shareholdings.
14. The company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises of 3 members, all of whom are non-executive directors including the chairman of the committee.
16. The meeting of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function with employees who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all his partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or any person associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regards.
20. We confirm that all other material principles contained in the Code have been complied with.

Muhammad Rashid Zahir

Farrukh S. Ansari

Chairman

Chief Executive Officer

Dated : October 8,2003

REVIEW REPORT TO THE MEMBERS

ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Saudi Pak Leasing Company Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange where the Company is listed.

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

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

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

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30,2003.

Karachi

A.F. Ferguson & Co.

Dated : October 8, 2003

Chartered Accountants

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Saudi Pak Leasing Company Limited as at June 30, 2003 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 accounts 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 conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1 984, 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 profit, its cash flows and changes in equity for the year then ended; and

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

Karachi A.F. Ferguson & Co.

Dated : October 8, 2003 Chartered Accountants

BALANCE SHEET

AS AT JUNE 30,2003

	Notes	2003 Rupees	2002 Rupees
ASSETS			
Cash and bank balances	3	312,521,280	223,153,749
Short-term loans	4	216,820,739	404,549,268
Investments	5	167,815,915	214,610,851
Originated loans and receivables - Term Finance Certificates	6	82,035,882	78,682,214
Advances, deposits, prepayments and other receivables	7	26,145,281	63,547,148
Taxation recoverable		32,552,906	-
Current maturity of long-term loans	8	81,977	938,022
Current maturity of net investment in leases	9	788,088,036	805,943,912
Total current assets		1,626,062,016	1,791,425,164
Long-term loans - due after one year	8	164,035	227,288
Net investment in leases - due after one year	9	1,159,286,117	969,087,081
Fixed assets	10	37,444,113	46,382,841
Total Assets		2,822,956,281	2,807,122,374
LIABILITIES			
Finances under mark-up arrangements	11	85,000,000	75,000,000
Borrowings from financial institutions		-	40,000,000
Creditors, accrued and other liabilities	12	75,168,719	71,046,739
Current maturity of long-term deposits	13	77,948,702	73,106,343
Current maturity of redeemable capital	14	485,495,627	318,208,697
Short-term certificates of investment	15	443,504,000	276,153,500
Taxation		-	3,320,822
Proposed dividend		16,500,000	-
Total current liabilities		1,183,617,048	856,836,101
Long-term deposits - due after one year	13	296,912,530	207,078,116
Redeemable capital - due after one year	14	484,209,075	501,251,649
Long-term certificates of investment	15	499,941,000	949,390,369
Total Liabilities		2,464,679,653	2,514,556,235
NET ASSETS		358,276,628	292,566,139
FINANCED BY			
Issued, subscribed and paid-up capital	16	220,000,000	220,000,000
Reserves	17	126,886,292	83,716,472
Surplus / (deficit) on revaluation of investments classified as available for sale		10,106,989	-11,254,398
Unappropriated profit		1,283,347	104,065
Commitments	18		
		358,276,628	292,566,139

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

Muhammad Rashid Zahir

Farrukh S. Ansari

Chairman

Chief Executive Officer

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30,2003

	Notes	2003 Rupees	2002 Rupees
Income from finance lease operations	19	204,132,575	276,618,304
Income from operating lease operations		4,363,708	5,002,862
Income on investments	20	127,413,440	103,716,145
Unrealized gain in the market value of investments held for trading - net		13,926,639	1,916,639
Other income	21	2,634,506	5,189,304
		352,470,868	392,443,254
Financial and other charges	22	228,782,624	326,991,727
Administrative and operating expenses	23	47,920,177	42,405,537
Direct cost of operating leases	24	4,213,479	3,501,436
		280,916,280	372,898,700
Operating profit before provisions		71,554,588	19,544,554
Provision for potential lease losses		-5,345,040	-2,101,417
Profit before taxation		66,209,548	17,443,137
Taxation - Current	25	5,360,446	73,518,064
Taxation - Deferred		-	-69,770,939
		5,360,446	3,747,125
Profit after taxation		60,849,102	13,696,012
Unappropriated profit brought forward		104,065	21,878
Transferred from general reserves		-	4,870,000
Profit available for appropriation		60,953,167	18,587,890
Appropriations:			
Transfer to:			
Statutory reserve		12,169,820	2,739,202
Reserve for deferred taxation		31,000,000	15,744,623
Proposed dividend @ Re. 0.75 per share (2002: Nil)		16,500,000	-
		59,669,820	18,483,825
Unappropriated profit carried forward		1,283,347	104,065
Earnings per share	29	2.77	0.62

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30,2003

	Notes	2003 Rupees	2002 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	30	394,796,872	52,823,467
Mark-up paid		-100,801,447	-92,474,996
Deposits received		94,676,773	8,859,663
Taxes paid		-41,234,174	-5,114,279
(Increase) / decrease in net investment in leases		-177,688,200	334,836,305
Decrease in loans to employees		919,298	1,020,721
		-224,127,750	247,127,414
Net cash generated from operating activities		170,669,122	299,950,881
CASH FLOW FROM INVESTING ACTIVITIES			

Capital expenditure		-1,830,766	-5,163,956
Proceeds from sale of fixed assets		3,722,299	3,752,966
(Increase) in originated loans and receivables		-3,353,668	-43,608,489
Decrease / (increase) in investments		82,082,962	-34,003,295
Dividend received		1,919,619	7,484,893
Net cash from / (used in) investing activities		82,540,446	-71,537,881
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds of redeemable capital less repayments and transaction costs		148,315,933	269,580,645
Decrease in certificates of investment less repayments		-282,098,869	-250,894,544
(Decrease) / increase in borrowings from financial institutions		-40,000,000	40,000,000
Dividend paid		-59,101	-27,312,137
Net cash (used in) / from financing activities		-173,842,037	31,373,964
Net increase in cash and cash equivalents		79,367,531	259,786,964
Cash and cash equivalents at July 1		148,153,749	-111,633,215
Cash and cash equivalents at June 30	31	227,521,280	148,153,749

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2003

	Issued, subscribed and paid-up capital	CAPITAL Contingency reserve	Statutory reserve	Deferred taxation	Surplus/(deficit) on revaluation of investments classified as available for sale	REVE General	NUE Unappropriated profit	Total
					----- Rupees -----			
Balance as at June 30, 2001	220,000,000	2,600,000	62,542,486	69,861,100	-9,130,930	4,870,000	21,878	350,764,534
Profit after taxation for the year ended June 30, 2002	-	-	-	-	-	-	13,696,012	13,696,012
Transfer from / (to) profit and loss account	-	-	2,739,202	-54,026,316	-	-4,870,000	-13,613,825	-69,770,939
Unrealized loss in market value of investments classified as available for sale	"	"	"	"	-2,123,468	"	"	-2,123,468
Balance as at June 30, 2002	220,000,000	2,600,000	65,281,688	15,834,784	-11,254,398	-	104,065	292,566,139
Profit after taxation for the year ended June 30, 2003	-	-	-	-	-	-	60,849,102	60,849,102
Transfer from/(to) profit and loss account	-	-	12,169,820	31,000,000	-	-	-43,169,820	-
Loss realized on disposal of investments classified as available for sale	-	-	-	-	2,652,860	-	-	2,652,860
Unrealized gain in market value of investments classified as available for sale	-	-	-	-	18,708,527	-	-	18,708,527
Final proposed dividend for the year ended June 30, 2003	-	-	-	-	-	-	-16,500,000	-16,500,000
As at June 30, 2003	220,000,000	2,600,000	77,451,508	46,834,784	10,106,989	-	1,283,347	358,276,628

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

* Muhammad
Rashid Zahir
Chairman

Farrukh S. Ansari
Chief Executive Officer

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30,2003

1. THE COMPANY AND ITS OPERATIONS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

(a) These accounts have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee (IASC) and interpretations issued by the Standards Interpretations Committee of the IASC, as applicable in Pakistan and the requirements of the Companies Ordinance 1984, the Non-Banking Finance Companies (NBFCs) Rules 2003 and the Prudential Regulations for NBFCs undertaking the business of leasing, along with the requirements of the Securities and Exchange Commission of Pakistan (SECP). As explained in note 17.3 to the accounts, the company has followed the requirements of Circular No. 16 issued by the SECP in accounting for deferred taxation. The requirements contained in the Prudential Regulations for NBFCs undertaking the business of leasing, have been introduced by the SECP vide its circular no. SC/NBFC-C/691/2003 dated August 25,2003 and are the same as were earlier prescribed in the repealed Leasing Rules 2000.

(b) The company provides for impairment in the carrying value of its net investment in finance lease and operating lease receivable based on the higher of the requirements laid down in the Prudential Regulations for NBFCs undertaking the business of leasing and the management's estimate of impairment in the portfolio.

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

(c) The SECP has directed vide SRO 245(I)/2002 dated May 3, 2002 that the requirements of International Accounting Standard 30 (IAS 30), "Disclosures in the Financial Statements of Banks" shall be followed by leasing companies for the preparation of their financial statements, for the periods beginning on or after July 1,2002. Accordingly IAS 30 has been adopted by the company during the year and adequate disclosures have been made in these financial statements as required by the said IAS.

2.2 Accounting convention

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

2.3 **Staff retirement benefits**

The company operates:

(i) an approved funded gratuity scheme for all permanent employees. Annual contributions are

made to the scheme on the basis of actuarial recommendations. Unrecognised actuarial gains and losses arising at each valuation date are amortized over the expected future service lives of the employees. Gratuity is payable upon completion of prescribed qualifying period of service; and

(ii) a recognised provident fund for all permanent employees.

2.4 Other payables

Short-term liabilities are carried at amortised cost.

2.5 Provision for potential lease losses

The provision for potential lease losses is based on the higher of the requirements laid down in the Prudential Regulations for NBFCs undertaking the business of leasing and the management's estimate of potential lease losses.

2.6 Other provisions

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

2.7 Taxation

- Current

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

- Deferred

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

2.8 Revenue recognition

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

The company recognises dividend income when the right to receive the dividend is established. Rental income from assets given on operating lease is recognised on accrual basis. Front-end fee, commitment fee and other commissions are taken to income when realised.

2.9 Fixed assets and depreciation

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

up to deletion respectively.

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

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

2.10 Investments

The investments of the company have been categorised according to the requirements of IAS 39 as follows:

Held for trading

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

Held to maturity

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

Available for sale

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

Investments classified as available for sale are stated at market value. Any surplus or deficit arising on revaluation of these investments is taken to equity.

Investments classified as held for trading are stated at market value. Any surplus or deficit arising on their revaluation is taken to the profit and loss account.

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

2.11 Re- purchase and Re-sale transactions

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

a) in case of sale under re-purchase obligations, the securities remain on the balance sheet and a liability is recorded in respect of the consideration received as 'Borrowings from financial institutions'. Charges arising from the differential in sale and re-purchase values are accrued on a prorata basis; and

b) in case of purchases under re-sale obligations, the securities are not recognised on the balance sheet and the consideration paid is recorded as 'tendings to financial institutions' and the differential of the purchase price and contracted re-sale price is recognised over the period of the contract.

2.12 Cash and cash equivalents

Cash comprises of cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are not subject to significant changes in value.

2.13 Foreign currencies

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

2.14 Financial assets and financial liabilities

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

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

2.15 Offsetting financial assets and financial liabilities

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

	Notes	2003 Rupees	2002 Rupees
3. CASH AND BANK BALANCES			
With State Bank of Pakistan in current account		1,003,693	767,911
With banks:			
- in current accounts - local currency		4,770,501	8,541,953
- in current accounts - foreign currency		29,723	29,723
- in savings accounts	3.1	306,667,705	213,727,951
Cash in hand		49,658	86,211
		312,521,280	223,153,749
3.1 Return on these savings accounts is earned at rates ranging from 2 % to 5 %.			
4. SHORT-TERM LOANS			
Secured:			
Loans to customers - considered good		4,012,000	44,549,268
Un-secured:			
Loans to customers - considered good		808,739	-
Loans to customers - considered doubtful		17,431,000	17,431,000
		18,239,739	17,431,000
		22,251,739	61,980,268
Less: Impairment loss		17,431,000	17,431,000
Short-term loans *	4.1	4,820,739	44,549,268
Un-secured:			
Placements with banks and other financial institutions	4.2	212,000,000	360,000,000
		216,820,739	404,549,268

4.1 These represent loans to customers for a period of up to one year on mark-up basis and are secured by way of lien on Certificates of Investment. The rate of mark-up ranges from 14% to 21.5% per annum.

4.2 These include money market placements with various banks and other financial institutions. Return on these placements ranges from 5% to 13%.

5. INVESTMENTS			
Available for sale			
Listed securities	5.1	43,209,979	48,047,369
Investment in WAPDA Bond		55,905,874	-
Held for trading			
Shares and certificates of listed companies and modarabas	5.1	3,119,384	9,076,739
Investment in Federal Government Securities		65,580,678	157,486,743
		167,815,915	214,610,851

The return on these investments ranges from:

- WAPDA Bond	7.25%
- Federal Government Securities	15%

During the current year, the company sold four government securities for Rs 182.288 million. The amortised cost of these government securities was Rs 159.394 million and the profit on the disposal of these securities amounted to Rs 22.894 million. The management decided to sell these securities in order to realise the gain arising on these securities under the reduced interest rate environment. As at June 30, 2003 the remaining investment of the company in government securities amounted to Rs 52.634 million. This investment has now been reclassified as 'held for trading' and is measured at fair value. A gain of Rs 12.946 million has been credited to the profit and loss account in respect of this investment. There are no financial assets classified as 'held to maturity' at June 30, 2003.

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

	June 30, 2003		June 30, 2002	
	Number of modaraba	Fair value Rupees	Number of modaraba	Fair value Rupees
	certificates/		certificates/	
	ordinary shares		ordinary shares	
Available for sale				
Pakistan State Oil Company Limited	-	-	126,000	17,640,000
PTCL	446,000	12,688,700	446,000	7,648,900
Al Meezan Investment Bank	857,920	11,496,128	826,920	9,550,926
Dandot Cement	3,144,653	19,025,151	3,144,653	13,207,543
		43,209,979		48,047,369
Held for Trading				
NIT Units	-	-	40,000	496,000
First Grindlays Modaraba	-	-	128,482	3,096,416
Modaraba Al-Mali	159,207	1,456,744	159,207	939,321
Modaraba Al-Tijarah	149,806	464,399	149,806	262,161
Sajjad Textile Mills Limited	30,700	115,125	30,700	153,500
First Hajveri Modaraba	160	456	160	257
Dandot Cement	10,000	60,500	10,000	42,000
DG Khan Cement Limited	-	-	10,000	93,000
Fauji Fertilizer Limited	-	-	38,000	1,725,200
PTCL	-	-	50,000	857,500
ICI Pakistan	8,800	472,560	8,800	353,760
ICPSEMF	-	-	20,000	377,000
Karachi Electric Supply Corporation Limited	50,000	330,000	50,000	260,000
Sui Southern Gas Company Limited	-	-	5,750	69,000
Sunflow Citruss	25,000	-	25,000	-
Pakistan PTA Limited	24,000	219,600	24,000	128,400
First Crescent Modaraba	-	-	53,789	223,224
		3,119,384		9,076,739

6. The return on listed Term Finance Certificates ranges from 12 % to 18 %.

	Notes	2003 Rupees	2002 Rupees
7. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances			
- against assets to be leased out		-	14,250,000
- to ex-chief executive	7.1	-	473,685
- to executives	7.1	38,460	30,918
- to employees		4,875	-
- to others		-	165,938
Receivable from ex-Chief Executive Officer		330,454	-
Trade deposits		558,145	1,572,915
Prepayments		2,166,692	866,154
Accrued income on operating leases		3,729,079	2,031,520
Accrued return on investments		13,464,808	17,325,446
Accrued mark-up on short-term loans and advances		15,825,905	19,944,935
Corporate asset tax recoverable		2,057,589	2,057,589
Residual value receivable		312,798	1,745,818
Cost of assets repossessed		1,736,381	2,481,381
Others		3,839,928	16,490,645
Less: Provision for other receivables	7.2	-17,919,833	-15,889,796
		26,145,281	63,547,148

7.1 The maximum aggregate amount due from the chief executive and executives at the end of any month during the year was Rs 873,685 (2002: Rs 623,685) and Rs 81,302 (2002: Rs 229,232) respectively.

7.2 Provision for other receivables			
Balance at July 1		15,889,796	11,609,028
Charge for the year		1,685,660	533,103
Mark-up income suspended		3,747,665	3,747,665
Reversal of suspended income		-3,012,105	-
Provision written back		-391,183	-
		17,919,833	15,889,796

	Notes	2003 Rupees	2002 Rupees
8. LONG-TERM LOANS • considered good			
Secured			
Due from - ex-chief executive		-	936,200
Due from - executives		234,986	162,498
Due from - employees		11,026	66,612
		246,012	1,165,310
Less: Recoverable within one year shown as current portion of long - term loans		81,977	938,022
		164,035	227,288

The above loans include an amount of Rs 6,668 (2002: Rs 936,200) outstanding for a period of more than 3 years. These loans have been provided to employees for purchase of motor vehicles and purchase of house and are repayable between three to ten years. Mark-up on these loans is charged at rates ranging from 2 % to 6 % per annum.

The maximum aggregate amount due from the chief executive and executives at the end of any month during the year was Rs 864,200 (2002: Rs 1,728,200) and Rs 398,847 (2002: Rs 172,538) respectively.

9. NET INVESTMENT IN LEASES

Minimum lease payments receivable	9.3	1,929,261,383	1,805,665,379
Add: Residual value of leased assets		398,552,495	317,182,498
Lease contracts receivable		2,327,813,878	2,122,847,877
Less : Unearned lease income		343,338,293	315,715,467
Provision for potential lease losses	9.4	37,101,432	32,101,417
		380,439,725	347,816,884
Net investment in leases		1,947,374,153	1,775,030,993
Less : Current portion of net investment in leases		788,088,036	805,943,912
		1,159,286,117	969,087,081

9.1 The above includes the following Term Finance Certificates issued by Pakland Cement Limited (PCL) under a scheme of arrangement sanctioned by the High Court of Sindh against lease facilities granted by the company:

	Amount in Rupees	Repayment period
TFCs issued		
Series 1 (including profit capitalised amounting to Rs 8.805 million)	33,240,344	Jun-03 - Jun-09
Series 2	18,453,231	Jun-03 - Jun-09
	51,693,575	

9.2 The internal rate of return on lease contracts receivable mainly range from 9% to 20% per annum.

	Notes	2003 Rupees	2002 Rupees
9.3 Minimum lease payments receivable			
Less than one year		947,565,580	984,167,644
More than one year and less than five years		981,695,803	821,497,735
		1,929,261,383	1,805,665,379
Net investment in leases			
Less than one year		788,088,036	805,943,912
More than one year and less than five years		1,159,286,117	969,087,081
		1,947,374,153	1,775,030,993
9.4 Provision for potential lease losses			
Balance at July 1		32,101,417	30,000,000
Charge for the year		5,345,040	2,101,417
Reversals during the year		-	-
Write offs against provision		-345,025	-
		37,101,432	32,101,417

10. FIXED ASSETS

The following is a statement of operating assets:

	Cost at July 1, 2002	Additions/ (deletions) during the year	Cost at June 30, 2003	Accumulated depreciation at July, 2002	Depreciation charge for the year/ (accumulated depreciation on deletions)	Accumulated depreciation at June 30, 2003	Written down value at June 30, 2003	Rate % per annum
----- Rupees -----								
Assets - Own use								
Building improvements	2,750,097	-	2,750,097	2,750,097	-	2,750,097	-	20
Office premises	24,415,134	-	24,415,134	2,574,492	1,220,760	3,795,252	20,619,882	5

Furniture, fixtures & fittings	5,126,630	81,631	5,208,261	2,579,608	743,637	3,323,245	1,885,016	20
Vehicles	12,036,701	1,607,500	8,223,222	7,092,591	1,504,902	5,605,945	2,617,277	20
		-5,420,979			-2,991,548			
Office equipment & appliances	18,392,415	141,635	18,475,177	12,328,471	2,126,274	14,400,428	4,074,749	20
		-58,873			-54,317			
Operating lease assets								
Plant and machinery	16,336,876	-	16,336,876	5,349,753	2,739,934	8,089,687	8,247,189	20
2003	79,057,853	1,830,766	75,408,767	32,675,012	8,335,507	37,964,654	37,444,113	
		-5,479,852			-3,045,865			
2002	79,812,415	5,308,019	79,057,853	26,439,918	8,446,195	32,675,012	46,382,841	
		-6,062,581			-2,211,101			

10.1 The following assets were disposed of during the year:

Description	Cost	Accumulated depreciation	Written down value	Disposal proceeds	Mode of Disposal	Particulars of purchaser
		----- Rupees -----				
Vehicles	408,200	408,199	1	394,999	Negotiation	Mr. Muhammad Shahid, Karachi
	286,000	285,999	1	201,000	Negotiation	Mr. Amir Haroon, Karachi
	1,549,000	154,900	1,394,100	1,549,000	Insurance Claim	New Jubilee Insurance Company, Karachi
	660,450	660,449	1	15,000	As per service rule	Mr. Abdul Jabbar Kassim (ex-CEO)
	1,584,129	548,804	1,035,325	1,025,000	Negotiation	Master Motors, Karachi
	529,000	528,999	1	265,000	Negotiation	AI-Yousuf Car Dealers, Karachi
	358,500	358,499	1	236,500	Negotiation	AI-Yousuf Car Dealers, Karachi
	45,700	45,699	1	22,000	Negotiation	Mr. Khalid, Lahore
	5,420,979	2,991,548	2,429,431	3,708,499		
Office equipment & appliances	11,373	6,819	4,554	2,800	Negotiation	Advance Business Network, Karachi
	30,000	29,999	1	5,000	Negotiation	Advance Business Network, Karachi
	17,500	17,499	1	6,000	Negotiation	Advance Business Network, Karachi
	58,873	54,317	4,556	13,800		
	5,479,852	3,045,865	2,433,987	3,722,299		
			Notes	2003	2002	
				Rupees	Rupees	
11. FINANCES UNDER MARK-UP ARRANGEMENTS						
Short-term finance (unsecured)			11.1	85,000,000	75,000,000	
				85,000,000	75,000,000	

11.1 The facilities available for short-term finance amounted to Rs 85 million (2002: Rs 75 million) and carry mark-up ranging from Re 0.0890 to Re 0.0945 per Rs 1,000 per day. These facilities are repayable on various dates by August 15, 2003.

In addition to this an un-utilised facility for running finance available from a commercial bank amounted to Rs 50 million (2002: Nil). The rate of mark-up on this finance is Re 0.3014 per Rs 1,000 per day. The purchase price is payable by June 30, 2003.

12. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	-	377,142
Accrued liabilities	2,681,952	3,280,781
Mark-up on:		
- redeemable capital	4,607,638	20,774,968
- running finance	-	419
- short-term finances	410,233	2,020,054
Accrued return on certificates of investment		

Rentals received in advance	15,639,530	24,292,834
Tax deducted at source	7,004,248	4,655,140
Contractors' retention money	797,409	1,042,406
Zakat payable	-	5,000
Unclaimed dividend	48,593	-
Payable on termination / maturity of leases	1,124,353	1,183,454
Payable in respect of undisbursed leases	24,436,841	7,011,583
Others	8,833,939	1,413,612
	9,583,983	4,989,346
	75,168,719	71,046,739

12.1 Amount due to Saudi Pak Industrial and Agricultural Investment Company (Private) Limited, an associated undertaking, at the year end amounted to Rs 3,940 (2002: Rs 514,783).

13. LONG-TERM DEPOSITS

Security deposits on leases	374,861,232	280,184,459
Less: Current maturity shown under current liabilities	77,948,702	73,106,343
	296,912,530	207,078,116

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

14. REDEEMABLE CAPITAL - (NON-PARTICIPATORY)

Long-term finances utilised under mark-up arrangements

	Repayment period	Sale price	Purchase price	Prompt payment rebate	Principal outstanding 2003 Rupees	Principal outstanding 2002 Rupees
		(Rupees in million) -----				
Secured						
Commercial Bank	Dec 99 - Dec 02	6.958	8.683	-	-	1,385,888
Commercial Bank	Dec 99 - Dec 03	24.492	32.719	-	3,916,685	10,926,315
Commercial Bank	Dec 99 - Dec 02	50	73.75	-	-	50,000,000
Commercial Bank	Jun01 -Jun04	100	*	*	-	66,666,666
Commercial Bank	Jun01 -June 04	75	*	*	25,000,008	50,000,004
Commercial Bank	Jun 03 - Dec 04	500	539.932	*	500,000,000	-
Financial Institution	Dec 99 - Dec 02	30	44.053	3.904	-	10,000,000
Financial Institution (an associated undertaking)	Dec 99 - Dec 03	100	*	*	15,761,216	44,711,102
Unsecured						
Others	May 01 - Aug 02	40	47.512	-	-	40,000,000
	Nov 01 - Dec 02	60	68.766	-	-	60,000,000
Term Finance Certificates						
Term Finance Certificates I	Jan 99 - Jan 03	250	352.658	-	-	61,797,417
Term Finance Certificates II - note 14.2 and 14.3	Jun 02 -Jun 07	430			425,026,793 969,704,702	423,972,954 819,460,346
Less: Current maturity shown under current liabilities:						
- Long-term finances utilised under mark-up arrangements				378,038,627	255,536,697	
- Term Finance Certificates I				-	62,500,000	
- Term Finance Certificates II				107,457,000	172,000	
				485,495,627	318,208,697	
				484,209,075	501,251,649	

* 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.

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

14.1 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.

	Notes	2003 Rupees	2002 Rupees
14.2 Liability in respect of term finance certificates issued by the company		429,828,000	492,500,000
Less: unamortised portion of the transaction cost incurred on the issue of above TFCs		-4,801,207	-6,729,629
		425,026,793	485,770,371

Transaction cost incurred on issue of Term Finance Certificates II has been adjusted from the related liability in accordance with the criteria for initial recognition of financial liabilities specified in International Accounting Standard 39, 'Financial Instruments: Recognition and Measurement'.

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

15. 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 5.00 to 7.50 percent per annum. Current maturity of long-term certificates of investment amounting to Rs. 110,732,000 (2002: Rs 88,163,000) is included under current liabilities in short-term certificates of investment.

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Ordinary shares of Rs 10 each

	2003	2002		
	10,000,000	10,000,000	Shares fully paid in cash	100,000,000
	12,000,000	12,000,000	Share issued as fully paid bonus shares	120,000,000
	22,000,000	22,000,000		220,000,000

17. RESERVES	CAPITAL			REVENUE		TOTAL	
	Contingency reserve	Statutory reserve	Deferred Taxation	General	•EIHEHI	2002	
At the beginning of the year	2,600,000	65,281,688	15,834,784	-	83,716,472	139,873,586	
Movement during the year							
- Transfer to profit and loss account	-	-	-	-	-	-	-74,640,939
- Appropriated from profit and loss account	-	12,169,820	31,000,000	-	43,169,820	18,483,825	
	2,600,000	77,451,508	46,834,784	-	126,886,292	83,716,472	

17.1 The contingency reserve has been created in respect of the demand raised by the Wealth Tax Officer for Corporate Asset Tax of Rs 2,000,000 along with the additional tax of Rs 557,589. The company has

filed a writ petition in the High Court of Sindh against this demand.

17.2 Statutory reserve represents profits set aside to comply with the Prudential Regulations for NBFCs undertaking the business of Leasing.

17.3 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, 2003 amounts to Rs Nil (2002: Rs 16.284 million).

	Notes	2003 Rupees	2002 Rupees
18. COMMITMENTS			
Commitments for lease disbursements		206,995,000	50,594,000
19. INCOME FROM FINANCE LEASE OPERATIONS			
Income on finance lease contracts		207,392,837	280,238,806
Gain / (loss) on cancellation of lease contracts		-3,260,262	-3,620,502
		204,132,575	276,618,304
20. INCOME ON INVESTMENTS			
Mark-up on:			
- Federal Government Securities		21,096,912	19,016,290
- Short-term loans		9,144,486	10,259,739
Income on Term Finance Certificates		10,738,147	7,033,563
Income on WAPDA bonds		968,046	-
Return on certificates of investment / deposits and musharika placements		49,190,729	58,135,695
Income from savings accounts		3,651,552	3,046,606
Dividend income		1,919,619	6,313,752
Gain / (loss) on sale of investments - net		30,703,949	-89,500
		127,413,440	103,716,145
	Notes	2003 Rupees	2002 Rupees
21. OTHER INCOME			
Mark-up, commission and fee income		1,346,194	3,818,082
Gain on disposal of fixed assets		1,288,312	-
Liabilities no longer payable written back		-	1,371,222
		2,634,506	5,189,304
22. FINANCIAL AND OTHER CHARGES			
Mark-up on:			
- redeemable capital		20,789,711	60,134,856
- running finance		6,525	539,459
- term finance certificates		55,274,733	19,468,247
- short-term finance		8,881,331	21,050,964
Loss on disposal of fixed assets		-	98,514
Return on certificates of investment		141,559,967	223,908,269
Arrangement fee		750,000	252,969
Others		1,520,357	1,538,449
		228,782,624	326,991,727
23. ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries, allowances and benefits	23.1	21,028,576	22,501,940
Rent		1,029,674	1,008,700
Repairs and maintenance		1,135,068	1,180,137
Electricity, gas and water		1,279,728	1,412,070
Depreciation		5,595,573	5,706,261
Insurance		834,445	1,088,090
Vehicle running expenses			

	1,697,854	1,634,657
Printing and stationery	1,142,435	1,374,428
Telephone and postage expenses	1,619,885	1,487,819
Travelling, conveyance and entertainment	1,023,584	763,115
Fees and subscriptions	2,988,789	923,069
Legal and professional charges	3,182,804	1,964,197
Training and development	35,000	68,500
Advertising expenses	241,168	207,967
Auditors' remuneration:		
Audit fee (including fees for half yearly review: Rs 75,000; 2002: Rs Nil)	255,000	180,000
Special certifications	75,000	50,003
Out of pocket expenses	71,542	63,879
	401,542	293,882
Zakat	-	1,869
Provision against other receivables	1,685,660	533,103
Miscellaneous expenses	2,998,392	255,733
	47,920,177	42,405,537

23.1 Salaries, allowances and benefits include Rs. 1,533,473 (2002: Rs 1,230,807) in respect of staff retirement benefits.

	Notes	2003	2002
		Rupees	Rupees
24. DIRECT COST OF OPERATING LEASES			
Management Fee		125,583	141,421
Depreciation		2,739,934	2,739,934
Insurance		152,864	79,289
Others		1,195,098	540,792
		4,213,479	3,501,436

25. TAXATION

The tax charge for the current year represents minimum charge at 0.5 % of gross income.

26. STAFF RETIREMENT GRATUITY

The latest actuarial valuation of the gratuity fund was carried out as at June 30, 2003. 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	1.408
Less: fair value of plan assets	-2.847
Surplus	-1.439
Less: benefit due but not paid to those employees who left during the year	0.797
Less: unrecognised net actuarial gain	0.82
	0.178

The following amounts have been charged to the profit and loss account during the current year in respect of the gratuity fund.

Current service cost	0.601
Interest cost	0.264
Expected return on plan assets	-0.226
	0.639
Less: excess amount charged last year	-0.098
	0.541

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

Opening balance as at July 1	0.417
Add: Charge for the year	0.541
Payments made during the year	-0.78
Closing balance as at June 30	0.178

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

	% per annum
- Discount rate	8
- Expected long-term rate of increase in salary level	7
- Expected long-term rate of interest	10

26.1 The cost of investments made by the staff retirement funds operated by the company as per their audited accounts as at June 30, 2003 is as follows:

			Rupees	Rupees
			2003	2002
	Notes		Rupees	Rupees
Saudi Pak Leasing Company Limited Gratuity Fund				423,332
Saudi Pak Leasing Company Limited Employees' Provident Fund				4,211,563
I				
27. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS				
Term Finance Certificates				
- repaid during the year		6,250,000	6,250,000	
- mark-up charged for the year		855,500	1,512,500	
Long Term Finances				
- repaid during the year		28,949,886	24,999,603	
- mark-up charged for the year		4,021,097	8,705,937	
Rent				
- paid during the year		406,040	-	
Leases				
- lease money disbursed during the year		25,200,000	-	
- rentals received during the year		5,546,646	-	
- delayed payment charges received during the year		76,920	-	
- lease key money received during the year		120,900		

28. 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	
	2003	2002	2003	2002	2003	2002
	Rupees					
Managerial remuneration	2,051,200	3,118,415	5,625,580	6,210,073	7,676,780	9,328,488
House rent, utilities etc	1,025,590	1,078,350	2,655,864	2,864,725	3,681,454	3,943,075
Retirement benefits	346,648	314,853	892,122	787,634	1,238,770	1,102,487
Leave passage	-	-	320,556	245,720	320,556	245,720
Leave encashment	1,384,556	-	-	-	1,384,556	-
	4,807,994	4,511,618	9,494,122	10,108,152	14,302,116	14,619,770
Number of persons	1	1	26	32	27	33

Certain executives are provided with free use of company maintained cars.

The above remuneration of Chief Executive pertains to the ex-Chief Executive Officer of the company who ceased to hold office w.e.f. April 30,2003.

Leave encashment is also payable to him as per the terms of his employment contract.

	Notes	2003 Rupees	2002 Rupees		
29. EARNINGS PER SHARE					
Profit after taxation for the year		60,849,102	13,696,012		
			Number of shares		
Average ordinary shares in issue during the year		22,000,000	22,000,000		
			Rupees		
Earnings per share		2.77	0.62		
	Notes	2003	2002		
		Rupees	Rupees		
30. CASH GENERATED FROM OPERATIONS					
Profit for the year before taxation		66,209,548	17,443,137		
Add/(less): Adjustment for non cash charges and other items					
Depreciation - owned assets		5,595,573	5,706,261		
Depreciation - assets under operating lease		2,739,934	2,739,934		
Mark-up expenses		84,952,300	101,193,526		
Provision for potential lease losses		5,345,040	2,101,417		
Unrealised gain in the market value of investments held for trading		-13,926,639	-1,916,639		
Dividend income		-1,919,619	-6,313,752		
(Gain) / Loss on disposal of fixed assets		-1,288,312	98,514		
		81,498,277	103,609,261		
Operating profit before working capital changes		147,707,825	121,052,398		
MOVEMENT IN WORKING CAPITAL					
(Increase)/decrease in current assets					
Advances, deposits, prepayments and other receivables		37,401,867	-27,093,531		
Short-term loans		187,728,529	-29,369,191		
		225,130,396	-56,462,722		
(Decrease)/increase in creditors, accrued and other liabilities		21,958,651	-11,766,209		
		247,089,047	-68,228,931		
		394,796,872	52,823,467		
31. CASH AND CASH EQUIVALENTS					
Cash and bank balances		312,521,280	223,153,749		
Finances under mark-up arrangements		-85,000,000	-75,000,000		
		227,521,280	148,153,749		
32. MATURITIES OF ASSETS AND LIABILITIES					
	Total	Upto 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years
Assets					
Cash and bank balances	312,521,280	312,521,280	-	-	-
Short-term loans	216,820,739	212,275,000	4,545,739	-	-
Investments	167,815,915	46,329,363	-	121,486,552	-
Originated loans and receivables	82,035,882	1,591,838	16,431,902	60,013,742	3,998,400
Advances, deposits, prepayments and	26,145,281	18,942,060	7,203,221	-	-
Taxation recoverable	32,552,906	-	32,552,906	-	-
Loans to employees	246,012	-	81,977	164,035	-
Net investment in leases	1,947,374,153	384,331,960	403,756,076	1,159,286,117	-
Fixed assets	37,444,113	1,915,328	5,465,298	12,910,187	17,153,300

	2,822,956,281	977,906,829	470,037,119	1,353,860,633	21,151,700
Liabilities					
Finances under mark-up arrangement	85,000,000	85,000,000	-	-	-
Creditors, accrued and other liabilities	75,168,719	57,080,920	18,087,799	-	-
Long term deposits	374,861,232	16,569,685	61,379,017	296,912,530	-
Redeemable capital	969,704,702	15,954,291	469,541,336	484,209,075	-
Certificates of investment	943,445,000	138,239,500	305,264,500	499,941,000	-
Proposed dividend	16,500,000	16,500,000	-	-	-
	2,464,679,653	329,344,396	854,272,652	1,281,062,605	-
Net assets	358,276,628	648,562,433	-384,235,533	72,798,028	21,151,700

33. FINANCIAL INSTRUMENTS

	Effective Yield/ Interest rate	Total	Upto 3 months	Exposed to Yield / Interest risk Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Not exposed to Yield/ Interest Risk
Assets							
Cash and bank balances	2% - 5%	312,521,280	306,667,705	-	-	-	5,853,575
Short term loans	5% -21. 5%	216,820,739	212,275,000	4,545,739	-	-	-
Investments	7.25% -15%	167,815,915	-	-	121,486,552	-	46,329,363
Originated loans and receivables Advances, deposits, prepayments and other receivables	12% -18%	82,035,882	1,591,838	16,431,902	60,013,742	3,998,400	-
	2% -6%	21,921,000	30,185	13,150	-	-	21,877,665
Loans to employees	2% -6%	246,012	-	81,977	164,035	-	-
Net investment in leases	9% - 20%	1,947,374,153	384,331,960	403,756,076	1,159,286,117	-	-
		2,748,734,981	904,896,688	424,828,844	1,340,950,446	3,998,400	74,060,603
Liabilities							
Finances under mark-up arrangements	2.75% - 9.5%	85,000,000	85,000,000	-	-	-	-
Creditors, accrued and other liabilities	-	74,322,717	-	-	-	-	74,322,717
Long term deposits	-	374,861,232	-	-	-	-	374,861,232
Redeemable capital	5.3% -18.25%	969,704,702	15,954,291	469,541,336	484,209,075	-	-
Certificates of investment	5% - 7.5%	943,445,000	138,239,500	305,264,500	499,941,000	-	-
Proposed dividend	-	16,500,000	-	-	-	-	16,500,000
		2,463,833,651	239,193,791	774,805,836	984,150,075	-	465,683,949
Total Financial Assets as on June 30, 2003		2,748,734,981	904,896,688	424,828,844	1,340,950,446	3,998,400	74,060,603
Total Financial Liabilities as on June 30, 2003		2,463,833,651	239,193,791	774,805,836	984,150,075	-	465,683,949
On balance sheet gap		284,901,330	665,702,897	-349,976,992	356,800,371	3,998,400	-391,623,346
Off balance sheet items							
Financial liabilities							
Commitments for lease disbursements	9% -16. 16%	206,995,000	206,995,000	-	-	-	-

34. FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the financial assets and liabilities approximate their fair values.

35. RISK MANAGEMENT

The company is primarily subject to market risk, yield rate risk, credit risk and liquidity risk. The company has designed and implemented a framework of controls to identify, monitor and manage these risks as follows:

35.1 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The company's market risk is managed by following the internal guidelines established

by the management.

35.2 Yield risk

Yield rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market yield. The company has adopted appropriate policies to minimise its exposure to this risk.

35.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company controls credit risk by monitoring credit exposure, limiting transactions with specific counter party and continually assessing the credit worthiness of counter parties.

35.4 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The company manages liquidity risk by following internal guidelines of the management such as monitoring maturities of financial assets and financial liabilities.

36. NUMBER OF EMPLOYEES

Total number of employees as at the end of the year was 46 (2002:48).

37. CORRESPONDING FIGURES

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

38. DATE OF AUTHORISATION

These financial statements were authorised for issue on October 8,2003 by the Board of Directors of the company.

* Muhammad
Rashid Zahir
Chairman

Farrukh S. Ansari
Chief Executive Officer

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AS OF 30 JUNE 2003

No. of Shareholders	Having Shares		Shares held	Percentage
	From	To		
423	1	100	13024	0.0592
337	101	500	92192	0.419
158	501	1000	131908	0.5995
479	1001	5000	1038317	4.7196
66	5001	10000	476218	2.1646
25	10001	15000	284600	1.2936
7	15001	20000	126248	0.5738
9	20001	25000	204934	0.9315
2	25001	30000	54450	0.2475
3	30001	35000	97050	0.4411
4	40001	45000	165452	0.752
2	45001	50000	91320	0.415
3	55001	60000	174093	0.7913
2	65001	70000	131500	0.5977

1	75001	80000	75200	0.3418
2	95001	100000	196800	0.8945
2	100001	105000	207532	0.9433
2	105001	110000	220000	1
1	115001	120000	120000	0.5454
3	120001	125000	366300	1.665
2	125001	130000	253732	1.1533
1	145001	150000	146665	0.6666
1	205001	210000	208486	0.9476
1	215001	220000	220000	1
1	230001	235000	233866	1.063
1	300001	305000	300300	1.365
1	315001	320000	316872	1.4403
2	875001	880000	1760000	8
1	915001	920000	917400	4.17
1	1500001	1505000	1504102	6.8368
1	2195001	2200000	2200000	10
1	3070001	3075000	3071439	13.961
1	6595001	6600000	6600000	30
1546			22000000	100

Categories of Share Holders	Shareholders	Shareholding	Percentage
1 INDIVIDUALS	1499	3,991,993	18.15
2 SHAERS HELD BY ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES:	2		
Saudi Pak Industrial & Agricultural Investment Co.(Pvt) Ltd.		6,600,000	30
Premier Mercantile Services (Pvt) Ltd.		2,200,000	10
3 INVESTMENT CORPORATION OF PAKISTAN	1	10,288	0.05
4 DIRECTORS, CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDREN	3		
Senator(R) Ihsanul Haq Piracha		990,000	4.5
Mr. Haroon Ihsan		1,041,700	4.74
Mrs. Khurshid Ihsan Piracha		990,000	4.5
5 INSURANCE COMPANIES	3	1,866,974	8.49
6 JOINT STOCK COMPANIES	25	522,353	2.37
7 FINANCIAL INSTITUTION	9	3,464,256	15.75
8 MODARABAS	2	9,136	0.04
9 OTHERS	1	300,300	1.37
10 . NONRESIDENT	1	13,000	0.06
	1546	22,000,000	100

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

Saudi Pak Industrial & Agricultural Investment Co. (Pvt) Ltd.	6,600,000	30
Premier Mercantile Services (Pvt) Ltd.	2,200,000	10
National Bank of Pakistan, Trustee Deptt.	3,071,439	13.96