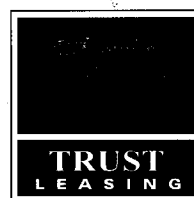


ANNUAL REPORT 2003



TRUST LEASING CORPORATION LIMITED



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COMPANY INFORMATION

CHAIRMAN

Mr. S. Amjad Ali

BOARD OF DIRECTORS

Mr. Tajammal Hussain
Mr. Imtiaz Ahmad Pervez
Lt. Gen. (Retd.) Ghulam Safdar Butt
Mr. Shafiq A. Khan
Mr. Zameer M. Chaudrey
Mr. Ch. Sajjad Ali
Mr. Ihsan Ullah Khan

MANAGING DIRECTOR / CHIEF EXECUTIVE

Mr. Ihsan Ullah Khan

COMPANY SECRETARY

Mr. Rahat Saleem

AUDITORS

Aslam Malik & Company
Chartered Accountants

LEGAL ADVISOR

Malik & Maliks
Law Office

REGISTERED & HEAD OFFICE

35-A/II, Aziz Avenue, Canal Bank, Lahore.
Tel: (042) 571-0988, 571-0946
Fax: (042) 571-3453, E-mail: tlcl786@hotmail.com

BRANCH OFFICES:

Kashmir Plaza, Ram Talai Road, Gujarat.
Tel: (0433) 510-223
Data Plaza, G.T. Road, Opp. Trust Plaza, Gujranwala.
Tel: (0431) 733-617
60/A, Railway Road, Civil Lines, (Opp. Solo Hotel), Sargodha.
Tel: (0451) 213-836

BANKERS TO THE COMPANY

The Bank of Punjab
Metropolitan Bank Ltd.
Faysal Bank Ltd.
The Bank of Khyber
Muslim Commercial Bank Ltd.
AlBaraka Islamic Bank
National Bank of Pakistan
United Bank Ltd.

REGISTRARS

Trust Leasing Corporation Ltd.
Shares Department, 35-A/II, Aziz Avenue,
Canal Bank, Lahore.

NOTICE OF ANNUAL GENERAL MEETING



NOTICE is hereby given that the 12th Annual General Meeting of the shareholders of Trust Leasing Corporation Limited, will be held on Saturday, October 11, 2003 at 4.00 p.m. at Hotel Holiday Inn, Lahore to transact the following business:-

ORDINARY BUSINESS

1. To confirm the minutes of the 11th Annual General Meeting held on November 28, 2002.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2003 together with Directors' and Auditors' Reports thereon.
3. To issue Bonus Shares. The Directors have recommended the issue of Bonus Shares in the proportion of One and Half share for every Ten shares held i.e. 15% out of the profits for the year under consideration.
4. To appoint Auditors for the year 2003-2004 and fix their remuneration. The present auditors M/s. Aslam Malik & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

5. To consider and pass the following resolution as Special Resolution:
"Resolved that the Authorized Capital of the Company be increased from Rs.250,000,000 to Rs.500,000,000 divided into 50,000,000 ordinary shares of Rs.10/- each. That respective clauses of Memorandum and Articles of Association of the Company be amended to the extent of increased Authorized Capital and division thereof and give effect accordingly".

Statement Under Section 160(1) (b) of the Companies Ordinance, 1984

It has been decided by the Board of Directors to increase the Authorized Capital of the Company. The purpose to increase the authorized Share Capital is to meet Capital Adequacy Requirements and to provide opportunities for growth in the Company's Business in order to increase the profitability and return to shareholders.

6. To transact any other ordinary business which may be placed before the meeting with the permission of the Chair.

By Order of the Board

Lahore
September 18, 2003

(RAHAT SALEEM)
COMPANY SECRETARY

REGISTERED OFFICE:

Trust Leasing Corporation Limited,
35-A/II, Aziz Avenue,
Canal Bank, Lahore.
Phone Nos. : (042) 5710988-5710946
Fax No. : (042) 5713453
Email : tlcl786@hotmail.com

NOTICE OF ANNUAL GENERAL MEETING



NOTE:

1. The Members Register will remain closed from October 02, 2003 to October 11, 2003 (both days inclusive). Transfer received in order at the Registered Office by the close of business hours on October 01, 2003 will be treated in time for the entitlement of Bonus Shares.
2. A member eligible to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the company at the Registered Office not later than 48 hours before the time of holding the meeting.
3. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular No.1 dated January 26, 2000 of the Securities and Exchange Commission of Pakistan for attending the meeting.
 - 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 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 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.
 - iii) Shareholders are requested to immediately notify the Company of any change in their addresses.

We feel pleasure to present 12th Annual Report of your Company for the year ended June 30, 2003 together with the Audited Accounts of the Company and Auditors Report thereon.

OPERATING RESULTS

The financial results of the Company are as under:-

	<u>2003</u>	<u>2002</u>
Revenues	157,300,582	98,135,146
Expenditures	67,260,570	62,796,287
Profit before provisions	90,040,012	35,338,859
Provisions	38,674,233	20,000,000
Profit before taxation	53,022,354	15,338,859
Provision for taxation	5,000,000	5,000,000
Profit after taxation	48,022,354	10,338,859



Earning per share **Rs.2.15** (2002: Rs.0.46)

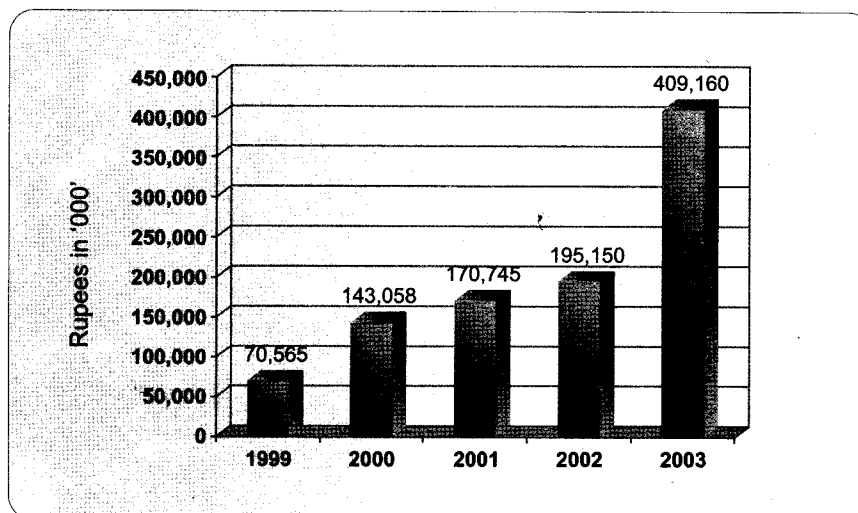
DIVIDEND

The Board of Directors is pleased to recommend Bonus Shares in the proportion of one and half share for every ten shares held i.e., 15% out of the profits of the Company. This would increase the paid-up capital of the Company to Rs. 257.15 million.

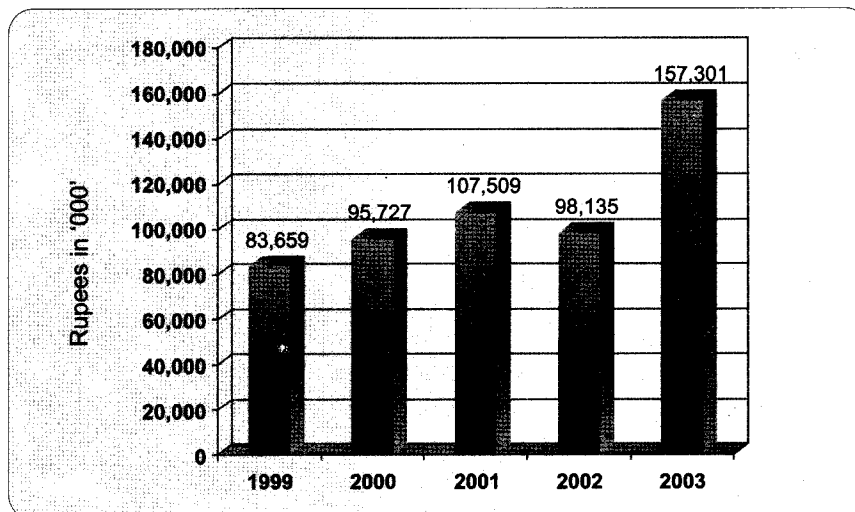
REVIEW OF OPERATIONS

Your Company showed considerable improvement during the year ended June 30, 2003 by the grace of Allah. With focused and aggressive marketing efforts leases of Rs. 409.16 million were written as against that of Rs. 195.15 million in the previous year showing an overall growth of 109 %. The net investment in lease finance at the year end stood at Rs. 515.14 million as against Rs. 315.88 million on June 30, 2002.

FRESH LEASES

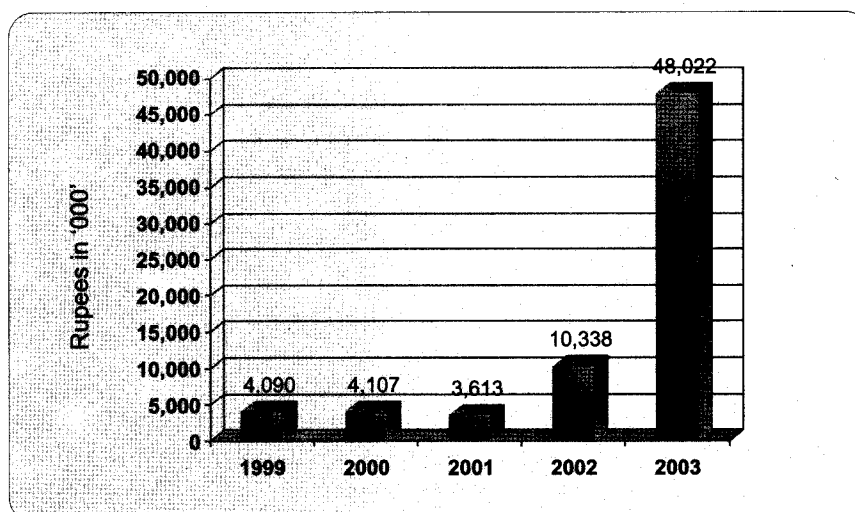


INCOME



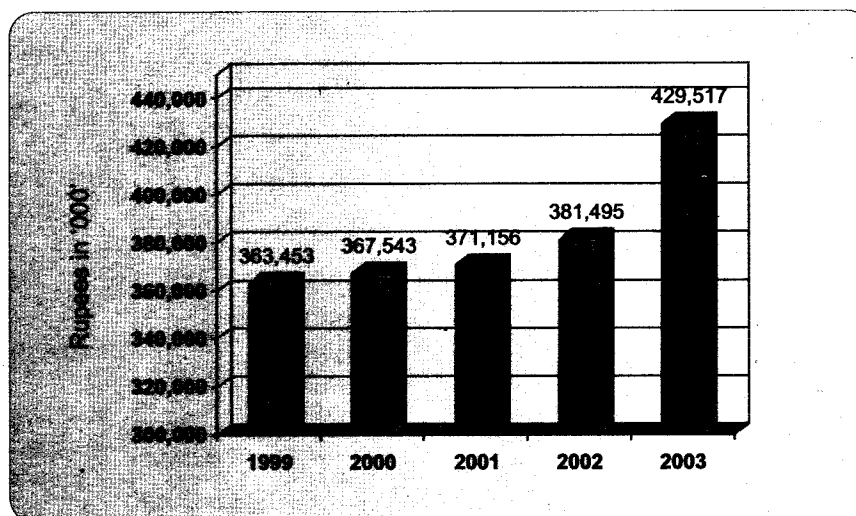
Lease income registered increase of 21 % to Rs. 110.50 million as compared with Rs. 91.68 million in the previous year. The overall income was up 60 % from Rs.98.13 million to Rs.157.30 million. The Company posted net profit after tax of Rs.48.02 million against Rs.10.34 million in the last year. Earning per share increased from Rs.0.46 to Rs.2.15 showing remarkable improvement. The balance sheet footing increased by 60% with total assets at Rs.1.11 billion as against 687.74 million. Although overall utilization of borrowed funds increased during the year, financial cost showed nominal increase of 6%. The contributing factor to this reduction in cost was decrease in mark-up rates on existing borrowing. Besides, new credit lines were obtained at lower rates of mark-up. Despite growth in the business, overall administrative costs were kept under control. Like the previous year, overall recovery position remained very satisfactory.

PROFIT AFTER TAX



The Company's equity further strengthened and rose to Rs.429.52 million which kept debt leverage position of the company quite favourable.

EQUITY



CREDIT RATING

We are pleased to inform that Pakistan Credit Rating Agency (Pvt.) Ltd. (PACRA) upgraded the long term entity rating of your Company from **BBB⁺ (triple B plus)** to **A-(single A minus)** and maintained short term rating of **A2 (A two)**. PACRA also assigned instrument rating of **A (single A)** to Term Finance Certificates of the Company. The ratings indicate good credit quality and satisfactory capacity of the Company for timely repayment of its obligations. We are confident of further up-gradation in entity ratings in the near future.

FUNDS MOBILIZATION

The Company successfully raised funds from its first Term Finance Certificates Issue of Rs.250.00 million. The public offering of Rs.50.00 million was heavily oversubscribed which evidenced the public confidence in the Company.

Besides, the Company successfully negotiated fresh credit lines of nearly Rs.200.00 million during the year from different banks ranging from Rs.18.00 million to Rs.100.00 million. Presently, the Company is availing credit facilities from 10 different banks/financial institutions. The Securities & Exchange Commission of Pakistan and State Bank of Pakistan have issued guidelines for issuance of short term Commercial Papers (CPs). The Company has planned to issue Commercial Papers of a sizable amount in the next year.

FUTURE OUTLOOK

The Government in the Finance Ordinance 2003 took a beneficial step from the viewpoint of leasing sector and allowed initial depreciation allowance on second hand imported machinery. The Government should also consider allowing initial depreciation allowance on local second hand machinery in order to revive sick industrial units. The financial sector is facing problem of surplus liquidity. Lack of industrial growth and more and more financial institutions entering into the leasing business is posing serious threat to the survival of small and weak leasing companies. Leasing companies will have to be more focussed, efficient and at the same time cautious in the assessment of their credit risks.

Your Company has fixed a moderate target of lease business for the financial year 2004. The Company's

decision to open branch at Gujrat proved very successful, as the branch played a pivotal role in mobilizing deposits and generating sizable lease business. The Company has opened offices at Gujranwala and Sargodha to secure leasing business at these stations. The Company has also devised a strategy to raise matching funds for the business. Close monitoring of the leases will be given the prime importance in order to avoid lease losses.

CODE OF CORPORATE GOVERNANCE

It is confirmed on behalf of the directors that compliance has been made with all stipulations listed under clause (xix) of the code of Corporate Governance.

- a. The financial statements, prepared by the management present fairly the Company's state of affairs, the results of its operations, cash flows and changes in equity.
- b. Proper books of account have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- d. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Company's ability to continue as a going concern.
- g. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h. During the year four Board meetings were held. Attendance by each director was as under:-

<u>Name of Director</u>	<u>Meetings Attended</u>
- Mr. S. Amjad Ali	4
- Mr. Tajammal Hussain	4
- Mr. Imtiaz Ahmad Pervez	4
- Lt. Gen. (Retd.) Ghulam Safdar Butt	2
- Mr. Shafiq A. Khan	4
- Mr. Ch. Sajjad Ali	1
- Mr. Zameer M. Chaudrey	-
- Mr. Masuad A. Shaikh	1
- Mr. Ihsan Ullah Khan	4

- i. During the year, trading in the shares of the Company by the directors was as under :

- Mr. Tajammal Hussain	140,871 shares (Purchased)
- Mr. Imtiaz Ahmad Pervez	92,560 shares (Purchased)
- Mr. Shafiq A. Khan	5,000 shares (Purchased)
- Mr. Ihsan Ullah Khan	101,363 shares (Purchased)

- j. Key operating and financial data of last six years is annexed (Annexure A).

k. Pattern of shareholding as at June 30, 2003 is annexed (Annexure B).

AUDITORS

The present Auditors, M/s Aslam Malik & Company, Chartered Accountants retire and being eligible have offered themselves for re-appointment.

ACKNOWLEDGEMENT

We take this opportunity to thank Securities & Exchange Commission of Pakistan, State Bank of Pakistan, Leasing Association of Pakistan and our auditors M/s Aslam Malik & Company, Chartered Accountants for their guidance and support. We thank our depositors and shareholders for reposing confidence in the Company. Special thanks are also due to those banks and financial institutions providing credit lines to the Company. We also appreciate the efforts and dedication of the management and staff.

For and On Behalf of the Board

(S. AMJAD ALI)
Chairman

SIX YEARS FINANCIAL SUMMARY						(Rupees)
	2003	2002	2001	2000	1999	1998
Operational Results						
Total Lease Business	409,160,545	195,152,547	170,745,000	141,705,888	69,518,294	64,835,654
Revenues	157,300,582	98,135,146	107,509,307	95,727,135	83,658,806	95,391,107
Financial Expenses	42,859,395	40,354,874	42,283,279	48,137,343	55,202,575	55,322,393
Total Expenses	67,260,570	62,796,287	64,896,041	71,595,767	75,227,016	74,331,005
Profit Before tax & Provisions	90,040,012	36,716,819	46,520,100	24,131,368	8,431,791	21,060,102
Profit after tax	48,022,354	10,338,859	3,613,266	4,107,508	4,090,384	21,060,102
Balance Sheet						
Total Assets	1,112,803,912	683,338,570	678,895,124	688,554,195	684,751,317	785,057,565
Paid-up Capital	223,608,000	203,280,000	184,800,000	168,000,000	168,000,000	168,000,000
Reserves & Un-appropriated Profits	205,909,184	178,214,830	186,355,971	199,542,705	195,435,197	191,344,813
Total Equity	429,517,184	381,494,830	371,155,971	367,542,705	363,435,197	359,344,813
Earning per Share	2.15	0.46	0.18	0.24	0.24	1.25
Book Value per Share	19.21	18.77	20.08	21.88	21.63	21.39
Dividend	15% Stock Dividend	10% Stock Dividend	10% Stock Dividend	10% Stock Dividend	-	12% Cash Dividend

PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2003

Number of Shareholders	Shareholding		Total Number of Shares Held	Percentage
	From	To		
414	1	100	20,512	0.09
650	101	500	172,320	0.77
427	501	1,000	307,836	1.38
929	1,001	5,000	1,646,965	7.37
113	5,001	10,000	790,429	3.53
45	10,001	15,000	554,529	2.48
14	15,001	20,000	244,674	1.09
16	20,001	25,000	356,954	1.60
12	25,001	30,000	323,518	1.45
3	30,001	35,000	98,855	0.44
2	35,001	40,000	76,583	0.34
4	40,001	45,000	175,131	0.78
3	50,001	55,000	156,979	0.70
2	60,001	65,000	126,139	0.56
4	65,001	70,000	267,248	1.20
1	85,001	90,000	87,503	0.39
4	110,001	115,000	449,830	2.01
1	120,001	125,000	121,000	0.54
1	130,001	135,000	133,100	0.60
1	145,001	150,000	148,595	0.66
1	150,001	155,000	150,500	0.67
1	165,001	170,000	168,151	0.75
2	220,001	225,000	443,761	1.98
1	240,001	245,000	243,992	1.09
1	245,001	250,000	249,675	1.12
1	255,001	260,000	255,878	1.14
1	455,001	460,000	455,500	2.04
1	620,001	625,000	621,050	2.78
1	635,001	700,000	697,165	3.12
1	715,001	720,000	715,545	3.20
1	735,001	740,000	737,140	3.30
1	825,001	830,000	827,349	3.70
1	1,595,001	1,600,000	1,600,000	7.16
1	2,415,001	2,420,000	2,416,000	10.80
1	2,500,001	3,000,000	2,734,601	12.23
1	3,785,001	3,790,000	3,785,793	16.93
2,663			22,360,800	100.00

**CATEGORY OF SHAREHOLDERS
AS AT JUNE 30, 2003**

Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
Charitable Trust	1	2,734,601	12.229
Financial Institutions	19	923,304	4.129
Individuals	2,553	12,532,356	56.046
Insurance Companies	7	1,012,546	4.528
Investment Companies	4	14,500	0.065
Joint Stock Companies	57	3,654,009	16.341
Modarabas	6	28,123	0.126
ICP	1	12,598	0.056
Others	7	67,434	0.302
Directors			
Mr. S. Amjad Ali	1	1,117	0.005
Mr. Tajammal Hussain	1	697,165	3.118
Mr. Imtiaz Ahmad Pervez	1	455,500	2.037
Lt. Gen. (Retd.) Ghulam Safdar Butt	1	550	0.002
Mr. Shafiq A. Khan	1	5,744	0.026
Mr. Ch. Sajjad Ali	1	550	0.002
Mr. Zameer M. Chaudrey	1	550	0.002
Mr. Ihsan Ullah Khan	1	220,153	0.985
TOTAL	2,663	22,360,800	100.00

SHARE-HOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE COMPANY

Total Paid up Capital of the Company			22,360,800 Shares
10% of the Paid up Capital of the Company			2,236,080 Shares
NAMES OF THE SHAREHOLDERS	No. of Shares Held	Percentage	
Mr. Rizwan Pervez	3,785,793	16.93	
Kaukab Mir Memorial Welfare Trust	2,734,601	12.23	
Switch Securities (Pvt.) Limited	2,416,000	10.80	
TOTAL	8,936,394	39.96	

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance for the purpose of establishing a framework 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 directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
2. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
3. A casual vacancy occurring in the Board on 29th August, 2002 was filled up by the directors within 30 days thereof.
4. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
5. The Board has developed a vision/mission statement.
6. 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 the CEO and other executive directors, have been taken by the Board.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
8. The Board has arranged orientation courses for its directors to apprise them of their duties and responsibilities.
9. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
10. The directors' report for this year has been prepared in compliance with requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statement of the Company were duly endorsed by CEO and CFO before approval of the Board.
12. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an audit committee. It comprises three members, of whom two are non-executive directors including the chairman of the committee.
15. The meetings 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.

16. The Board has set-up an effective internal audit function.
17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review programme 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 its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
18. The statutory auditors or the persons 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 regard.

On Behalf of the Board

Ihsan ullah Khan
Chief Executive

BALANCE SHEET AS AT JUNE 30, 2003



	NOTE	2003 Rupees	2002 Rupees
ASSETS			
Balance with State Bank of Pakistan		41,734	9,533
Cash and other bank balances	3	63,317,481	951,528
Investments held for trading	4	67,174,025	6,739,552
Short term finances	5	69,721,015	26,143,766
Short term placements	6	40,000,000	10,000,000
Advances, prepayments and other receivables	7	161,180,206	163,662,487
Net investment in lease finance			
- Current portion		181,594,722	116,452,092
Investments available for sale	8	2,250,000	35,484,480
Investments held-to-maturity	9	3,300,000	4,164,000
Long term deposits and deferred costs	10	1,420,239	1,686,961
Net investment in lease finance	11	515,135,759	315,875,309
Operating fixed assets	12	7,668,732	6,573,517
		1,112,803,912	687,743,225
LIABILITIES			
Creditors, accrued & other liabilities	13	23,788,631	16,773,591
Current maturities of long term liabilities	14	33,302,443	45,621,421
Borrowing from financial institutions	15	210,420,831	117,814,236
Liabilities against assets subject to finance lease	16	1,507,994	1,168,205
Certificates of investment	17	104,976,253	92,706,815
Marginal deposits on lease arrangements	18	63,199,651	30,979,243
Redeemable capital	19	242,495,761	-
Deferred liabilities	20	3,595,164	1,184,884
		683,286,728	306,248,395
NET ASSETS			
		429,517,184	381,494,830
REPRESENTED BY			
Share capital	21	223,608,000	203,280,000
Reserves	22	186,196,695	163,379,024
Unappropriated profit		19,712,489	14,835,806
Contingencies and commitments	23	-	-
		429,517,184	381,494,830

The annexed notes form an integral part of these accounts.

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2003



	NOTE	2003 Rupees	2002 Rupees
REVENUE			
Income from lease operations	24	110,500,455	91,677,194
Income from investments	25	18,053,006	5,454,867
Other income	26	28,747,121	1,003,085
		157,300,582	98,135,146
EXPENDITURE			
Financial charges	27	42,859,395	40,354,874
Administrative and operating expenses	28	21,905,208	18,655,504
Depreciation	12	1,732,247	1,744,764
Amortization of deferred costs	10	509,172	663,185
Written off lease receivables		254,547	1,377,960
		67,260,570	62,796,287
		90,040,012	35,338,859
Provision for doubtful receivables		15,000,000	20,000,000
Provision against diminution in value of shares	29	23,674,233	-
Adjustment for remeasurement of investment to fair value	4.3	(1,656,575)	-
		37,017,658	20,000,000
Profit before taxation		53,022,354	15,338,859
Provision for taxation	30	5,000,000	5,000,000
Profit after taxation		48,022,354	10,338,859
Unappropriated profit brought forward		14,835,806	6,892,719
		62,858,160	17,231,578
Transfer to special reserve		9,604,471	2,067,772
Transfer to reserve for issuance of bonus shares		33,541,200	328,000
		43,145,671	2,395,772
Unappropriated profit carried forward		19,712,489	14,835,806
Earning per share - Basic (Rs.)	31	2.15	0.46

The annexed notes form an integral part of these accounts.

Chief Executive

Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2003**



	2003 Rupees	2002 Rupees
Cash flow from operating activities		
Net profit before taxation	53,022,354	15,338,859
Adjustment for:		
Depreciation	1,732,247	1,744,764
Amortization of deferred costs	509,172	663,185
Provision for gratuity	560,280	343,171
(Gain)/loss on disposal of fixed assets	29,972	309,366
Written off lease receivables	254,547	1,377,960
Provision for doubtful receivables	15,000,000	20,000,000
Provision against diminution in value of shares	23,674,233	-
Adjustment for remeasurement of investment to fair value	(1,656,575)	-
Financial charges	42,859,395	40,354,874
	82,963,272	64,793,320
Operating profit before working capital changes	135,985,626	80,132,179
(Increase)/Decrease in current assets		
Investments held for trading	(58,777,898)	1,633,438
Short term finances	(43,577,249)	29,022,451
Short term placements	(30,000,000)	(10,000,000)
Advances, prepayments and other receivables	(5,645,636)	7,445,123
	(138,000,783)	28,101,013
Increase/(Decrease) in creditors, accrued and other liabilities	2,726,726	(66,610,067)
Gratuity paid	(1,150,000)	(323,600)
Taxes paid	(7,126,630)	(4,831,230)
Financial charges paid	(40,547,919)	(44,030,503)
Net cash used in operating activities	(48,112,980)	(7,562,208)

	2003 Rupees	2002 Rupees
Brought Forward	(48,112,980)	(7,562,208)
Cash flow from investing activities		
Purchase of operating fixed assets	(1,949,213)	(2,213,479)
Investment in lease finance	(409,160,546)	(195,152,547)
Repayment of investment in lease finance	144,757,466	134,329,934
Long term deposits	(157,450)	(299,800)
Deferred costs	(85,000)	(209,316)
Sale proceeds of operating fixed assets	2,051,277	696,933
Sale proceeds of investments available for sale	9,560,247	1,888,983
Proceeds from investment held-to-maturity	864,000	-
Net cash used in investing activities	(254,119,219)	(60,959,292)
Cash flow from financing activities		
Borrowing from financial institutions	181,701,203	70,600,000
Repayment of borrowings	(111,419,604)	(25,833,331)
Redeemable capital	250,000,000	-
Initial issue cost of Redeemable Capital	(4,379,239)	-
Repayment against assets subject to finance lease	(2,077,999)	(674,944)
Marginal deposits on lease arrangements	35,310,566	3,612,246
Certificates of investment	15,518,586	14,367,948
Dividend paid	(23,159)	(5,977)
Net cash from financing activities	364,630,354	62,065,942
Net increase/(decrease) in cash and cash equivalents	62,398,154	(6,455,558)
Cash and cash equivalents at the beginning of the year	961,061	7,416,619
Cash and cash equivalents at the end of the year	63,359,215	961,061

Chief Executive

Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2003**



	Share Capital (Rupees)	Capital Reserve (Rupees)	Special Reserve (Rupees)	General Reserve (Rupees)	Reserve for issue of bonus shares (Rupees)	Profit for the year and appropriation (Rupees)	Total (Rupees)
Balance as at June 30, 2001	184,800,000	65,000,000	34,983,252	61,000,000	18,480,000	6,892,719	371,155,971
Net profit for the year	-	-	-	-	-	10,338,859	10,338,859
Appropriations:						-	
Statutory reserve	-	-	2,067,772	-	-	(2,067,772)	-
Bonus shares issued	18,480,000	-	-	-	(18,480,000)	-	-
Proposed bonus issue	-	(20,000,000)	-	-	20,328,000	(328,000)	-
Balance as at June 30, 2002	203,280,000	45,000,000	37,051,024	61,000,000	20,328,000	14,835,806	381,494,830
Net profit for the year	-	-	-	-	-	48,022,354	48,022,354
Appropriations:							
Statutory reserve	-	-	9,604,471	-	-	(9,604,471)	-
Bonus shares issued	20,328,000	-	-	-	(20,328,000)	-	-
Proposed bonus issue	-	-	-	-	33,541,200	(33,541,200)	-
Balance as at June 30, 2003	223,608,000	45,000,000	46,655,495	61,000,000	33,541,200	19,712,489	429,517,184

Chief Executive

Director



1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in 1992 as a public limited company under the Companies Ordinance, 1984 and is listed on Lahore, Karachi and Islamabad Stock Exchanges. The company is mainly engaged in the business of leasing. It is classified as a non-banking finance company (NBFC) and is regulated by the Securities and Exchange Commission of Pakistan.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These accounts have been prepared in accordance with the Companies Ordinance, 1984 and International Accounting Standards as applicable in Pakistan. The Company has adopted International Accounting Standard IAS-30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the financial statements have been presented accordingly.

2.2 Accounting convention

Historical costs are used as the basis for valuing transaction except for certain financial assets and liabilities which are stated at fair value or amortised cost as applicable.

2.3 Taxation

Current

The charge for current taxation for the year, if required, is based on taxable income at the current rates of taxation which is computed as if all leases are operating leases, after taking into account allowance for the year available for depreciation in respect of fixed assets under lease finance.

Deferred

The company determines deferred tax on all major temporary differences using the liability method at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purpose.

2.4 Tangible fixed assets and depreciation

Own

These are stated at historical cost less accumulated depreciation.

Depreciation is calculated using the diminishing balance method, except vehicles for which straight line method is used, at the rates specified in the fixed assets schedule, which are considered appropriate to write off the cost of the assets over their estimated useful lives.

In respect of additions during the year, depreciation is charged for full year, however, no depreciation is charged in the year of disposal.

Repairs and maintenance are charged to revenue. Material betterments are, however, capitalized.

Profit or loss on disposal of fixed assets is recognized in the profit and loss account in the year of disposal.

Leased

Assets subject to finance lease are stated at lower of present value of minimum lease payments under the lease agreement and fair value of assets acquired on lease. The related obligations under the lease are accounted for at net present value of liabilities. Depreciation is charged on basis and rates similar to those for company owned assets.

2.5 Deferred Costs

These are written off over a period of three to five years from the year of incurrence.

2.6 Financial instruments

Financial assets and liabilities are recognized by the company only when it becomes party to a contract constituting financial assets/liabilities.

2.7 Investments

Initial measurement

Investments in securities are recognized on a trade date basis and are initially measured at cost.

Subsequent measurement

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity that the company has the positive intent and ability to hold to maturity and are measured at amortised cost, less any impairment loss recognized to reflect irrecoverable amounts.

Held-for-trading

These are securities which are acquired for generating a profit from short-term fluctuations in prices or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Held-for-trading investments are measured at subsequent reporting dates at fair value. Unrealised gains and losses are included in the net profit or loss for the period.

Available-for-sale

These are investments that do not fall under held-for-trading or held-to-maturity.

Available-for-sale investments are measured at subsequent reporting dates at fair value. The unrealized gains and losses are recognized directly in equity, until the security is disposed off or is determined to be impaired.

2.8 Revenue Recognition

The financing method is used in accounting for income on finance leases. Under this method, the unearned finance income i.e. the excess of aggregate lease rentals and the estimated residual value over the net investment is deferred and then amortised to income over the term of the lease, applying the annuity method to produce a constant rate of return on the net investment in the lease.

Mark-up/profit earned on finance under morabaha agreement and finance under buy-back agreement is recognized on a time proportion basis taking account of, where applicable, the relevant buy-back dates and prices, or where a specific schedule of recoveries is prescribed in the agreement, the respective dates when mark-up is required to be paid to the Company.

Front-end fee and other lease related income is recognized as income when realized.

Income from bank deposits, investments, loans and advances is recognized on accrual basis.

Dividend income is recognized when right to receive dividend is established.

2.9 Staff retirement benefits

The Company operates a funded gratuity scheme covering all its permanent employees who have completed the minimum qualifying period of six months.

2.10 Foreign currencies

Transactions in foreign currencies are converted into Pak rupees at the rates prevailing on the dates of transactions. Assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange prevailing at the date of balance sheet, except where forward exchange contracts have been made under the exchange risk cover scheme of the Government of Pakistan for repayment of liability in which case the contracted rates are applied.

Profit or loss arising on transaction and exchange risk cover fee are recognized in the profit and loss account currently.

2.11 Provision for doubtful debts

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and 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.

The recognition of annual charge / income of such amount is taken to the profit and loss account.

3. CASH AND BANK BALANCES

	2003 Rupees	2002 Rupees
With other banks in:		
Deposit accounts	62,514,831	21,700
Current accounts	784,490	922,872
Cash in hand	18,160	6,956
	63,317,481	951,528

4. INVESTMENTS HELD FOR TRADING

Name of investee company	Shares / Certificates		Cost	Fair Value	Cost
	2003 No.	2002 No.	2003 Rupees	2003 Rupees	2002 Rupees
Golden Arrow	-	500	-	-	2,300
Haseeb Waqas Sugar Mills Ltd.	-	218,000	-	-	2,419,578
Japan Power Generation Ltd.	-	100,000	-	-	886,950
25th ICP	-	50,000	-	-	343,800
Pakistan Telecommunication Corporation Ltd.	1,000,000	290,000	27,470,000	28,450,000	5,002,500
Kohinoor Textile Mills Ltd.	-	1,417	-	-	30,250
Pakistan PTA Ltd.	-	75,000	-	-	2,047,240
FFC Jordan	200,000	-	2,865,000	2,690,000	-
Union Leasing Ltd.	122,500	-	1,475,000	1,476,125	-
Dewan Salman Fibres Ltd.	100,000	-	1,960,000	1,755,000	-
Muslim Commercial Bank	100,000	-	3,781,700	3,755,000	-
Faysal Bank Ltd.	298,000	-	6,490,000	7,017,900	-
National Bank of Pakistan	750,000	-	19,790,875	20,475,000	-
Baluchistan Glass Ltd.	100,000	-	1,684,875	1,555,000	-
			65,517,450	67,174,025	10,732,618

Quoted shares
Less: Provision held against diminution in market value

67,174,025	10,732,618
-	3,993,066
67,174,025	6,739,552

- 4.1 Fair value of quoted investments in previous year amounted to Rs.6,739,552.
- 4.2 The Company's shareholding does not exceed 10% of the equity of any investee company.
- 4.3 Difference of Rs.1,656,575 between cost and fair value has been taken to profit and loss account.

	2003 Rupees	2002 Rupees
5. SHORT TERM FINANCES - SECURED		
Finance under morabaha agreement (Note 5.1)	21,581,551	21,581,551
Others (Note 5.2)	1,073,594	1,188,215
	<u>22,655,145</u>	<u>22,769,766</u>
Advances against leases	47,065,870	3,374,000
	<u>69,721,015</u>	<u>26,143,766</u>

5.1 The Company's terms of financing under morabaha agreements were for a period of one year. The aggregate resale price for morabaha was agreed at Rs.25,242,706 (2002: Rs.25,242,706). These are secured by demand promissory notes and personal guarantees of the directors of the respective loanee companies and hypothecation of stores and spares.

5.2 Others include short term finances provided to individuals against their certificates of investment. These carry mark-up ranging from 18% to 19% (2002 : 18% to 22%) per annum.

6. SHORT TERM PLACEMENTS

Short term placements	<u>40,000,000</u>	<u>10,000,000</u>
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These represent placements with financial institutions. The mark-up rate ranges between 10% to 13% (2002: 18%) per annum.

7. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advance to employees - considered good (Note: 7.1)	842,537	425,172
Other advances - considered good	351,622	1,648,970
Short term deposit	20,000,000	-
Prepayments	648,677	1,153,196
Advance tax	11,531,285	4,404,655
Lease rentals receivable (Note: 7.2)	43,817,614	48,286,360
Mark-up accrued on finances	2,059,605	1,523,345
Other receivables (Note: 7.3)	76,392,635	73,113,932
Other assets (Note: 7.4)	5,536,232	33,106,857
	<u>161,180,206</u>	<u>163,662,487</u>

7.1 Maximum amount due from employees at the end of any month during the year aggregated Rs.915,361 (2002 : Rs. 462,984).

	2003	2002
	Rupees	Rupees
7.2 Lease rentals receivable	53,670,811	51,560,047
Less: Provision for doubtful receivables	9,853,197	3,273,687
	43,817,614	48,286,360
7.3 Other receivables	126,154,795	115,057,642
Less: Provision against doubtful receivables	49,762,160	41,341,670
	76,392,635	73,715,972

The provisioning requirement for bad and doubtful receivables of the company has been determined after taking into consideration the realizable value of collateral available with the company against the classified portfolio. The movement in provision is given as under:

Opening balance

Provision against lease rentals receivable	3,273,687	16,398,638
Provision against other receivables	41,341,670	49,699,074
	44,615,357	66,097,712

Charge for the year	15,000,000	20,000,000
Total Provision	59,615,357	86,097,712

Less: Written off	-	41,482,355
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Closing balance

Provision against lease rentals receivable	9,853,197	3,273,687
Provision against other receivables	49,762,160	41,341,670
	59,615,357	44,615,357

7.4 Other assets

Land and building (Note 7.4.1)	5,536,232	5,342,857
Land (Note 7.4.2)	-	27,764,000
	5,536,232	33,106,857

7.4.1 These assets were purchased in public auction with the permission of the Banking Court, Lahore in the recovery suit filed by the Company.

7.4.2 This property was acquired through auction by the orders of the Lahore High Court in execution of decree against M/s Regent Dyeing & Finishing Mills (Pvt) Ltd. The property was sold during the year resulting in gain as mentioned in Note 26.1



	<u>2003</u> Rupees	<u>2002</u> Rupees
8. INVESTMENTS AVAILABLE FOR SALE		
Investment in shares- quoted (Note: 8.1)	-	33,234,480
Investment in shares- unquoted (Note: 8.2)	2,250,000	2,250,000
	<u>2,250,000</u>	<u>35,484,480</u>

	<u>Shares/Certificates</u>		<u>Average Cost</u>	
	<u>2003</u> No.	<u>2002</u> No.	<u>2003</u> Rupees	<u>2002</u> Rupees
8.1 Quoted shares				
Trust Modaraba	-	1,382,912	-	26,196,400
Others				
Legler Nafees Denim Mills Limited	-	234,583	-	4,937,973
Kohinoor Power Limited	-	37,500	-	2,093,750
Kohinoor Textile Mills Limited	-	199,783	-	4,266,330
			-	37,494,453
Less: Provision held against diminution in market value			-	4,259,973
			-	<u>33,234,480</u>

These investments were sold during the year at aggregate amount of Rs. 9,560,247 and the net loss of Rs. 27,934,206 has been included in adjustment of loss on sale of investment against provision as mentioned in Note 29.

8.2 Unquoted shares, at average cost

Trust Management Services (Pvt.) Ltd.	<u>2,250,000</u>	<u>2,250,000</u>
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The name of chief executive is Mr. Asif Hafeez Shaikh and equity held is 15% (2002: 15%). The value of shares is Rs. 126,498 (2002 : Rs. 908,081) taking into account the value of net assets of investee company based on its last audited accounts.

	2003	2002
	Rupees	Rupees
9. INVESTMENTS HELD-TO-MATURITY		
Federal Investment Bonds (Note 9.1)	3,000,000	3,864,000
Wapda Bonds (Note 9.2)	300,000	300,000
	3,300,000	4,164,000

9.1 Federal Investment Bonds

The FIB's have face value of Rs. 3,000,000 (2002: Rs.3,864,000) and carry a profit rate of 15% (2002: 15%) per annum receivable semi-annually.

9.2 Wapda Bonds

These have a face value of Rs. 300,000 (2002: Rs. 300,000) and carry a profit rate of 19% (2002: 19%) per annum receivable semi-annually.

10. LONG TERM DEPOSITS AND DEFERRED COSTS

Deposits	1,101,050	943,600
Deferred costs (Note: 10.1)	319,189	743,361
	1,420,239	1,686,961

10.1 Deferred costs

	(R u p e e s)			
	Others	Renovation	Total	2002
Opening balance	568,931	174,430	743,361	1,197,230
Add: Incurred during the year	85,000	-	85,000	209,316
	653,931	174,430	828,361	1,406,546
Less: Amortised during the year	404,208	104,964	509,172	663,185
	249,723	69,466	319,189	743,361

11. NET INVESTMENT IN LEASE FINANCE

	2003			2002		
	Not later than one year	Later than one year and not later than five years	Total	Not later than one year	Later than one year and not later than five years	Total
Lease payments receivable	265,228,366	554,944,277	820,172,643	174,301,185	369,504,061	543,805,246
Add: Residual value	7,726,106	67,271,235	74,997,341	4,472,957	33,671,897	38,144,854
Gross investment in leases	272,954,472	622,215,512	895,169,984	178,774,142	403,175,958	581,950,100
Less: Un-earned finance income	91,359,750	107,079,753	198,439,503	62,322,050	87,300,649	149,622,699
Present value of minimum lease payments receivable	181,594,722	515,135,759	696,730,481	116,452,092	315,875,309	432,327,401

- 11.1 The company has entered into various lease agreements with internal rate of return ranging from 14% to 23% (2002: 17% to 25%) per annum. The lease agreements are for period three to five years.
- 11.2 All the leases are secured against demand promissory notes of the lessees and personal guarantees of the directors / partners. Whereas, certain leases are additionally secured by mortgage of immovable properties.
- 11.3 The above leases include Rs. 13,147,000 provided to M/s The United Insurance Company of Pakistan Limited which became an associated undertaking during the year on the basis of common directorship. These facilities were given against leases of vehicles and an amount of Rs.9,494,500 is outstanding against these leases. The internal rate of return charged ranges from 16% to 23%. No special terms were offered to the said company.

12. OPERATING FIXED ASSETS

	C O S T			D E P R E C I A T I O N						
	As at July 1, 2002	Addition /Transfer during the year	(Deletion) /Transfer during the year	As at June 30, 2003	As at July 1, 2002	(Adjustment)/ Transfer	Charge for the year	As at June 30, 2003	Book Value As at June 30, 2003	Rate %
	(R U P E E S)									
Office machines and equipment	2,600,616	368,885	(40,310)	2,929,191	1,286,868	(14,512)	331,367	1,603,723	1,325,468	20
Furniture & fixtures	3,032,905	278,023	(447,026)	2,863,902	975,140	(84,935)	197,370	1,087,575	1,776,327	10
Air-conditioning equipment	490,417	49,900	(52,000)	488,317	87,870	(9,880)	41,033	119,023	369,294	10
Vehicles	3,597,960	1,252,405	(2,015,915)	2,834,450	2,507,304	(1,417,074)	406,478	1,496,708	1,337,742	20
	9,721,898	1,949,213	(2,555,251)	9,115,860	4,857,182	(1,526,401)	976,247	4,307,028	4,808,832	
Assets subject to finance lease										
Vehicles	2,136,000	2,959,500	(1,315,500)	3,780,000	427,200	(263,100)	756,000	920,100	2,859,900	20
2003	11,857,898	4,908,713	(3,870,751)	12,895,860	5,284,382	(1,789,501)	1,732,247	5,227,128	7,668,732	
2002	10,303,068	5,337,479	(3,782,649)	11,857,898	5,327,967	(1,788,350)	1,744,764	5,284,381	6,573,517	

12.1 Gain/(Loss) on disposal of fixed assets

Description	Cost	Book value	Sale Proceeds	Gain/(Loss)	Mode of disposal	Purchaser
	Rs.	Rs.	Rs.	Rs.		
Television	26,839	17,177	17,177	-	Loss by fire	Claim settled by insurance company
Refrigerator	13,471	8,621	8,621	-	Loss by fire	Claim settled by insurance company
Air conditioner	26,000	21,060	21,060	-	Loss by fire	Claim settled by insurance company
Air conditioner	26,000	21,060	21,060	-	Loss by fire	Claim settled by insurance company
Furniture & fixture	447,026	362,091	362,091	-	Loss by fire	Claim settled by insurance company
Motor cycle	53,000	-	1,000	1,000	Company policy	Abdul Rehman - Employee
Vehicle	289,950	70,372	70,372	-	Company policy	Abdul Rauf Ghani - Employee
Vehicle	373,000	41,776	41,776	-	Company policy	Rahat Saleem - Employee
Vehicle	988,000	237,120	237,120	-	Company policy	Aziz-ul-Hameed - Former Chief Executive
Vehicle	311,965	249,572	196,000	(53,572)	Negotiation	Javed Akhtar
Vehicle - Leasehold (Note 12.1.1)	1,315,500	1,052,400	1,075,000	22,600	Negotiation	Anis A. Shaikh
2003	3,870,751	2,081,249	2,051,277	(29,972)		
2002	2,794,649	1,006,299	696,933	(309,366)		

12.1.1 This vehicle was acquired by the company on lease. The lease was terminated and the outstanding liability was paid. Afterwards, the vehicle was leased to Mr. Anis A. Shaikh.

	2003 Rupees	2002 Rupees
13. CREDITORS, ACCRUED & OTHER LIABILITIES		
Accrued liabilities	2,026,600	270,541
Other liabilities	4,404,049	3,433,385
Accrued mark-up on :		
Certificates of investment	2,046,364	1,868,224
Secured borrowings	2,509,200	2,240,466
Redeemable capital	1,864,603	-
Provision for taxation	10,662,993	8,662,993
Unclaimed dividend	274,823	297,982
	23,788,631	16,773,591
14. CURRENT MATURITIES OF LONG TERM LIABILITIES		
Long term loans	15,791,668	38,116,664
Redeemable capital	3,125,000	-
Obligation under finance lease	1,092,957	551,245
Marginal deposits on lease arrangements	7,244,670	4,154,512
Certificates of investment	6,048,148	2,799,000
	33,302,443	45,621,421
15. BORROWING FROM FINANCIAL INSTITUTIONS		
Finances under mark-up arrangement - secured (Note 15.1)	189,087,499	76,789,231
Long Term Loans - secured (Note 15.2)	21,333,332	41,025,005
	210,420,831	117,814,236
15.1 Finances under mark-up arrangement - secured		
Short term loans (Note 15.1.1)	5,000,000	63,335,000
Running finances (Note 15.1.2)	149,087,499	13,454,231
Placements from financial institutions (Note 15.1.3)	35,000,000	-
	189,087,499	76,789,231

15.1.1 These represent short term finances from financial institutions carrying mark-up ranging from 8% to 11% (2002 : 14% to 18%) per annum payable on quarterly basis.

These represent running finances utilised from commercial banks. The total limits against running finances amount to Rs. 172.50 million (2002: Rs. 75 million). These carry mark-up ranging from 6 % to 10 % (2002: 13% to 17%) per annum payable on quarterly basis.

15.1.2 The above facilities have been obtained for a period of one year and are secured against promissory notes, first charge on specific leased assets and related receivables.

15.1.3 These represent unsecured short term placements of three months obtained from financial institutions carrying mark-up rate ranging from 9% to 10%.

15.2 Long Term Loans - secured

	2003 Rupees	2002 Rupees
Muslim Commercial Bank Ltd.	-	11,666,669
Allied Bank of Pakistan Ltd.	-	5,000,000
Faysal Bank Ltd.(Note 15.2.1)	34,000,000	12,000,000
United Bank Ltd.	-	22,500,000
National Bank of Pakistan	-	18,600,000
Pak Libya Holding Company (Pvt.) Ltd.(Note 15.2.2)	3,125,000	9,375,000
	37,125,000	79,141,669
Less: Current maturity	15,791,668	38,116,664
	21,333,332	41,025,005

15.2.1 This represents two facilities of Rs.12 million and Rs.26 million. The facilities are secured against first charge on specific leased assets/receivables and carry mark-up rate of 11% and 7.5% per annum respectively. These are repayable in twelve equal quarterly instalments starting from August 9, 2002 and August 12, 2003 respectively.

15.2.2 This represents facility of Rs.25 million. The facility is secured against first charge on specific leased assets/ receivables. It carries mark-up rate of 20.25 % per annum payable quarterly. The principal portion is repayable in eight equal semi annual instalments, starting from March 31, 2000.

16. LIABILITIES UNDER FINANCE LEASE

	2003			2002		
	Not later than one year	Later than one year and not later than five years	Total	Not later than one year	Later than one year and not later than five years	Total
Minimum lease payments	1,388,736	1,611,322	3,000,058	772,956	1,309,973	2,082,929
Less: finance charges allocated to future period	295,779	103,328	399,107	221,711	141,768	363,479
Present value of minimum lease payments	1,092,957	1,507,994	2,600,951	551,245	1,168,205	1,719,450

The rate of mark-up used as the discounting factor (i.e. implicit in the lease) ranges from 14.60 % to 17.00 % (2002: 16.5% to 17%) per annum. The amount of future payments and the periods during which they will fall due are:

	2003 Rupees	2002 Rupees
2003	-	772,956
2004	1,388,736	772,956
2005	1,240,457	537,017
2006	370,865	-
	3,000,058	2,082,929
Less: Unamortized finance charges	399,107	363,479
	2,600,951	1,719,450
Less: Current portion	1,092,957	551,245
	1,507,994	1,168,205

The lease rentals are payable in monthly installments. The amount of minimum lease payment includes the amount of residual value adjustable at the end of the lease period. The company has the right to exercise purchase option at the end of lease period.

17. CERTIFICATES OF INVESTMENT

Long term certificates of investment	50,068,948	53,732,948
Less: Current maturity	6,048,148	2,799,000
	44,020,800	50,933,948
Short term certificates of investment	60,955,453	41,772,867
	104,976,253	92,706,815

These represent deposits accepted by the company from lessees, employees of the company and others as per permission granted by the Securities and Exchange Commission of Pakistan. These are issued for a period of 3 months to 5 years under profit and loss sharing basis at rate of profit ranging from 6% to 18% (2002: 10% to 18 %) per annum.

18. MARGINAL DEPOSITS ON LEASE ARRANGEMENTS

These represent the interest free security deposits (lease key money) received on lease contracts and are repayable / adjustable at the expiry of their respective lease periods.

	2003 Rupees	2002 Rupees
Marginal deposits on lease arrangements	70,444,321	35,133,755
Less: Current maturity	7,244,670	4,154,512
	<u>63,199,651</u>	<u>30,979,243</u>

19. NON-PARTICIPATORY REDEEMABLE CAPITAL - Secured

Principal amount received	250,000,000	-
Less: Floatation expenses (Note 19.1)	4,379,239	-
	<u>245,620,761</u>	<u>-</u>
Less: Current maturity	3,125,000	-
	<u>242,495,761</u>	<u>-</u>

These represent secured, rated and listed Term Finance Certificates (TFCs), being instrument of redeemable capital under the Companies Ordinance, 1984. The TFCs have a tenure of five (5) years and consist of Rs.250 million of which Rs.200 million was offered to institutional investors for Pre-IPO placements and Rs. 50 million to the general public. The TFCs are secured by way of first exclusive charge on the specific leased assets and associated lease rentals receivable with a margin of 25% and are issued in set of ten (10) TFCs, each set having an aggregate face value of Rs. 5,000.

The principal is repayable in ten un-equal semi-annual installments in arrears starting from December 02, 2003. Each TFC will be redeemed on its due date through the dispatch of a crossed cheque to the registered holders of the TFC.

The profit is payable semi annually at State Bank of Pakistan Discount rate + 2.0% with a floor of 9.00% and a cap of 14.00%. The profit rate will be set three days before the public subscription for the TFCs due on the first redemption date and subsequently three working days prior to the beginning of each semi-annual period for the profit due at the end of that semi-annual period.

- 19.1 The floatation expenses will be amortized over a period of five years in conjunction with the term of TFCs.

20. DEFERRED LIABILITIES

Deferred tax	3,000,000	-
Provision for staff gratuity	595,164	1,184,884
	<u>3,595,164</u>	<u>1,184,884</u>

21. SHARE CAPITAL

Authorised -

25,000,000 (2002: 25,000,000)
ordinary shares of Rs.10/- each

2003
Rupees

2002
Rupees

250,000,000

250,000,000

Issued, subscribed and paid-up

15,000,000 (2002: 15,000,000)
ordinary shares of Rs.10/- each
fully paid-up in cash

150,000,000

150,000,000

7,360,800 (2002: 5,328,000)
ordinary shares of Rs.10/- each
issued as fully paid bonus shares

73,608,000

53,280,000

223,608,000

203,280,000

22. RESERVES

Share premium reserve (Note 22.1)

45,000,000

45,000,000

Special reserve (Note 22.2)

46,655,495

37,051,024

General reserve

61,000,000

61,000,000

Reserve for issue of bonus shares

33,541,200

20,328,000

186,196,695

163,379,024

22.1 Share premium reserve

Opening balance

45,000,000

65,000,000

Transfer to reserve for issue of bonus shares

-

(20,000,000)

45,000,000

45,000,000

22.2 Special reserve

Opening balance

37,051,024

34,983,252

Transfer from Profit and Loss Account

9,604,471

2,067,772

46,655,495

37,051,024

This represents special reserve created under Prudential Regulations for Non-Banking Finance Companies.

23. CONTINGENCIES AND COMMITMENTS

23.1 Lease commitments approved but not disbursed as on balance sheet date amount to Rs.108,050,000.

23.2 The contingent liability of the company amounts to Rs.8,442,807 which may arise due to litigation pending in the Lahore High Court for ratable distribution of sale proceeds of property auctioned by the orders of the court. The Company's management is confident that the Company has a strong case.

	2003 Rupees	2002 Rupees
24. INCOME FROM LEASE OPERATIONS		
Finance income	84,222,963	70,158,849
Front end fee	3,902,721	2,220,886
Commitment and other fees	426,121	211,123
Miscellaneous lease income (Note 24.1)	21,948,650	19,086,336
	110,500,455	91,677,194
24.1 Miscellaneous Lease Income		
Mark-up on lease advance	10,480,248	6,679,623
Additional lease rentals	11,468,402	12,406,713
	21,948,650	19,086,336
25. INCOME FROM INVESTMENTS		
Profit/(loss) on disposal of quoted investments	11,765,787	3,504,952
Profit on bank deposits and investments	2,135,442	143,719
Dividend income	4,151,777	1,806,196
	18,053,006	5,454,867
26. OTHER INCOME		
Profit on morabaha and short term financing	3,758,778	1,144,474
Gain/(loss) on sale of operating fixed assets (Note 12.1)	(29,972)	(309,366)
Other income (Note 26.1)	25,018,315	167,977
	28,747,121	1,003,085
26.1 Other income includes gain amounting to Rs.13,913,387 (2002: Rs. Nil) on sale of property. The said property was acquired through auction by the orders of the Lahore High Court in execution of decree in favour of the company. Other income also includes Rs.9,505,482 (2002: Rs. Nil) on account of decretal settlement of lease accounts.		
27. FINANCIAL CHARGES		
Mark-up on long term loans	10,184,214	12,550,195
Mark-up on redeemable capital	2,304,726	-
Mark-up on short term loans	11,433,688	14,457,559
Mark-up on certificates of investment	15,099,382	10,746,495
Mark-up on running finance	2,723,778	2,185,342
Commitment and other processing fee	150,000	50,000
Financial charges on finance lease	549,198	127,721
Bank charges and commission	414,409	237,563
	42,859,395	40,354,874

	2003 Rupees	2002 Rupees
28. ADMINISTRATIVE AND OPERATING EXPENSES		
Salaries and other benefits	11,595,520	9,541,680
Printing and stationery	619,037	479,300
Vehicles running and maintenance expenses	911,356	1,029,779
Postage, telephone and telex	923,232	800,317
Travelling and conveyance	530,301	441,567
Boarding and lodging	68,452	92,918
Entertainment expenses	391,169	387,504
Advertisement	144,909	222,525
Electricity, gas & water expenses	898,014	928,564
Newspapers and periodicals	80,820	70,980
Auditors' remuneration (Note: 28.1)	194,850	135,000
Fee and subscription	495,798	337,512
Corporate expenses	415,891	170,991
Gratuity	560,280	343,171
Software development expenses	81,126	100,211
Rent, rates and taxes	1,211,689	962,186
Miscellaneous expenses	328,867	391,203
Insurance	552,920	420,467
Donation (Note 28.2)	241,819	101,700
Office maintenance	743,228	568,421
Legal and professional charges	736,322	851,562
Security charges	168,858	236,996
Staff training	10,750	40,950
	21,905,208	18,655,504

28.1 Auditors' remuneration

Audit fee	152,000	100,000
Out of pocket expenses	42,850	35,000
	194,850	135,000

28.2 None of the directors or their spouses had any interest in the donees.

	2003 Rupees	2002 Rupees
29. PROVISION AGAINST DIMINUTION IN VALUE OF SHARES		
Opening balance	8,253,039	8,253,039
Charge for the year	25,000,000	-
Reversals	(1,325,767)	-
	23,674,233	-
	31,927,272	-
Adjustment of loss on sale of shares	(31,927,272)	-
	-	8,253,039

30. PROVISION FOR TAXATION

Current	2,000,000	5,000,000
Deferred	3,000,000	-
	5,000,000	5,000,000

31. EARNING PER SHARE-BASIC

	2003 Numerator Rupees A	2003 Denominator No. of shares B	2002 Numerator Rupees A	2002 Denominator No. of shares B
Profit attributable to shareholders	48,022,354	-	10,338,859	-
Ordinary shares	-	22,360,800	-	22,360,800
	48,022,354	22,360,800	10,338,859	22,360,800
Earning per shares (A/B) Rs.	2.15		0.46	

There is no dilutive effect on the basic earning per share.

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

Number of persons	Chief Executive		Directors		Executives	
	2003 1 Rupees	2002 1 Rupees	2003 2 Rupees	2002 1 Rupees	2003 8 Rupees	2002 4 Rupees
Managerial Remuneration	800,000	1,014,448	3,337,932	1,600,000	1,899,277	1,078,800
Housing and utilities	654,570	768,749	432,456	1,015,362	826,186	447,492
Medical	-	191,989	-	-	223,808	135,600
Others	-	836,376	951,014	344,604	216,189	124,548
Gratuity	50,000	113,116	300,000	110,004	140,550	92,336
	1,504,570	2,924,678	5,021,402	3,069,970	3,306,010	1,878,776

32.1 In addition, chairman, chief executive, directors and some executives are provided with free use of company maintained vehicles.

32.2 No fee was paid to directors for attending the board meetings (2002: Rs. Nil).

32.3 Total number of employees at year end was 33 (2002: 25).

33. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

33.1 Credit Risk

The Company's credit risk is primarily attributable to its lease receivables. The amount shown in financial statements are net of allowance for doubtful receivables estimated by the management.

The company has no significant concentration of credit risk, with exposure spread over a large number of lessees.

INDUSTRIAL SECTOR	2003		2002	
	Rupees	%	Rupees	%
Textile Spinning	153,745,017	22.07	125,158,783	28.95
Textile Knitwear	8,151,313	1.17	-	-
Textile Composite	74,257,191	10.66	109,335,600	25.29
Sugar & Allied	141,059,595	20.25	114,696,459	26.53
Chemical & Fertilizer	2,134,553	0.31	5,404,093	1.25
Construction	5,595,309	0.80	12,105,167	2.80
Education	3,599,646	0.52	-	-
Health Care	18,001,634	2.58	10,116,461	2.34
Hotels	3,139,445	0.45	-	-
Insurance Companies	10,172,481	1.46	4,506,409	1.04
Miscellaneous	122,854,867	17.63	46,075,897	10.66
Miscellaneous Manufacturing	37,200,601	5.34	-	-
Natural Gas & LPG	12,130,836	1.74	-	-
Poultry	6,223,378	0.89	-	-
Rubber & Tyres	7,747,771	1.11	-	-
Steel & Engineering	8,810,736	1.26	4,928,532	1.14
Telecommunications	6,468,128	0.93	-	-
Transport	75,437,980	10.83	-	-
	<u>696,730,481</u>	<u>100.00</u>	<u>432,327,401</u>	<u>100.00</u>

33.2 Fair Value of Financial Assets

The fair value of all financial assets and financial liabilities is estimated to approximate their carrying value.

33.3 Interest Rate Risk Exposure

The Company's exposure to risks associated with mark-up rates on its financial assets and liabilities are summarized as follows:

Financial Assets	Mark-up rate	Interest / Mark - up bearing			Noninterest bearing			Total
	per annum %	Maturity Upto one year	Maturity After one year	Maturity Sub-total	Maturity Upto one year	Maturity After one year	Maturity Sub-total	
Net Investment in leases	14.00 to 23.00	174,350,052	451,936,108	626,286,160	7,244,670	63,199,651	70,444,321	696,730,481
Held -to-maturity investments	15.00 to 19.00	-	3,300,000	3,300,000	-	-	-	3,300,000
Available for sale investments	-	-	-	-	-	2,250,000	2,250,000	2,250,000
Long term deposits	-	-	-	-	-	1,101,050	1,101,050	1,101,050
Short term finances	14.00 to 19.00	69,721,015	-	69,721,015	-	-	-	69,721,015
Short term placements	10.00 to 13.00	40,000,000	-	40,000,000	-	-	-	40,000,000
Advances, prepayments and other receivables	3.00	20,000,000	-	20,000,000	129,000,244	-	129,000,244	149,000,244
Held for trading investments	-	-	-	-	67,174,025	-	67,174,025	67,174,025
Cash & bank balances	2.50	62,514,831	-	62,514,831	844,384	-	844,384	63,359,215
		366,585,898	455,236,108	821,822,006	204,263,323	66,550,701	270,814,024	1,092,636,030
Financial Liabilities								
Marginal deposits on lease arrangements	-	-	-	-	7,244,670	63,199,651	70,444,321	70,444,321
Certificates of investment	8.00 to 18.00	67,003,601	44,020,800	111,024,401	-	-	-	111,024,401
Liabilities under finance lease	14.60 to 17.00	1,092,957	1,507,994	2,600,951	-	-	-	2,600,951
Redeemable capital	9.50	3,125,000	246,875,000	250,000,000	-	-	-	250,000,000
Borrowing from financial institutions	6.00 to 20.25	204,879,167	21,333,332	226,212,499	-	-	-	226,212,499
Creditors, accrued and other liabilities	-	-	-	-	13,125,638	-	13,125,638	13,125,638
		276,100,725	313,737,126	589,837,851	20,370,308	63,199,651	83,569,959	673,407,810
On balance sheet gap - 2003		90,485,173	141,498,982	231,984,155	183,893,015	3,351,050	187,244,065	419,228,220
On balance sheet gap - 2002		(3,247,449)	222,748,151	219,500,702	116,153,244	5,448,837	121,602,081	341,102,783

34. GENERAL

34.1 Previous year's figures have been re-arranged in order to conform to current year's presentation.

34.2 Figures are rounded off to the nearest of rupee.

Chief Executive

Director