

DAWOOD LEASING COMPANY LIMITED

(ANNUAL REPORT 1997)

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CORPORATE INFORMATION

Board of Directors

Mr. Rafique Dawood	Chairman & Chief Executive
Mr. Mehboob G. Rawjee	
Mr. Ayaz Dawood	
Mr. Asadullah Khawaja	(Nominee of ICP)
Mr. A.K.M. Sayeed	(Nominee of NIT)
Mr. Bashir A. Sheikh	(Nominee of Al-Faysal Inv. Bank)
Mr. Muizuddin Ahmed	(Nominee of SLIC)
Mr. Muzafar Ali Shah	(Alternate Nominee of SLIC)

Company Secretary

Mr. Salman Rasheed

Auditors

M. Yousuf Adil & Co.,
Chartered Accountants

Legal Advisors

Sattar & Sattar Associates
Mohsin Tayebaly & Co.

Bankers

ANZ Grindlays Bank plc.
Faysal Bank Ltd.
Habib Bank Ltd.
Muslim Commercial Bank Ltd.
Oman International Bank S.A.O.G.
Prudential Commercial Bank Ltd.
Societe Generale, The French & International Bank

Registered Office

and Head Office 5-B, Lakson Square Building # 1,
Sarwar Shaheed Road, Karachi - 74200
Tel: (021) 568 7778-9
Fax: (021) 568 5830
E-Mail: dlc @ khi.compul.com

Branch Office 2nd Floor, Gulberg Heights, 6-H, Gulberg, Lahore
Tel: (042) 571 1308
Fax: (042) 571 0296

Shares Department 513, Clifton Centre, Khayaban-e-Roomi,
Clifton Karachi - 75600.
Tel: (021) 575 714

NOTICE OF THE THIRD ANNUAL GENERAL MEETING

Notice is hereby given that the Third Annual General Meeting of the Company will be held in the Auditorium of The Institute of Chartered Accountants of Pakistan, G-31, Block 8, Clifton, Karachi on December 12, 1997 at 11 A.M. to transact the following business:

Ordinary business

1. To confirm the Minutes of the Second Annual General Meeting held on November 14, 1996.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 1997 together with the Directors' and Auditors' Report thereon.
3. To approve payment of Cash Dividend to the Shareholders @ Rs. 1.25 per share of Rs. 10/- each for the year ended June 30, 1997 as recommended by the Board of Directors.
4. To appoint Auditors for the year 1997-98 and to fix their remuneration. The retiring Auditors being eligible offer themselves for re-appointment.

Special business

1. To consider and approve, if deemed fit, changes in the Object Clause of the Memorandum of Association of the Company.
2. To consider and approve, increase in Authorised Capital of the Company from Rs. 300 million to Rs. 500 million. As such, Capital Clause of the Memorandum of Association and Article 5 of the Articles of Association. be accordingly amended to give affect to the proposed increase in the Authorized Capital of the Company.
3. To consider and approve, the remuneration of Chief Executive and whole time Working Director.

Any other business

1. To transact any other business as may be placed before the meeting with the permission of the Chair.

Statements required under section 160 of the Companies Ordinance, 1984 and draft Resolutions pertaining to

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the Special business are being sent to the shareholders alongwith this notice.

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November 20, 1997
Karachi.

Notes

1. The Register of Members of the Company will remain closed from December 3, 1997 to December 12, 1997 (both days inclusive).
2. A member entitled to attend and vote at a General Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. No person other than a member shall act as a Proxy.
3. An instrument appointing a Proxy and the Power-of-Attorney or other Authority (if any) under which it is signed or a notarially certified copy of the Power or Authority, in order to be valid, must be deposited at the Registered Office of the Company, at the latest by 11 A.M. on December 10, 1997 and must be duly stamped, signed and witnessed.
4. The Shareholders are requested to notify any change in their address immediately.

STATEMENTS IN REGARD TO SPECIAL BUSINESS AS REQUIRED UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984.

The following three statements set out the material facts concerning the special business to be transacted at the Third Annual General Meeting of Dawood Leasing Company Limited to be held on December 12, 1997. These statements include the draft resolutions.

Statement pertaining to special business # 1 and draft resolutions:

Approval of the shareholders is sought for amending the Object Clause of the Memorandum of Association of the Company.

The directors of the Company are of the opinion that the alteration in the Object Clause of the Memorandum of Association as proposed was necessitated to bring it in line with the requirements of the NBFI Rules of Business and to undertake such other businesses which could conveniently be undertaken by the Company with its main object, i.e. leasing business and arc also permissible under the Rules.

None of the director has any special interest in this special business other than to the extent of his interest in the Company.

For this purpose it is intended that the following Resolutions be passed, with or without modification, as Special Resolutions.

"Resolved that the following addition be made in Sub Clauses 1.5 and 1.7 of clause 1 (a) of the Object Clause of the Company's Memorandum of Association:

In sub clause 1.5 after the word "years" following be added. "or any other shorter period prescribed from time to time by the Competent Authority responsible for regulating the conduct of leasing companies in the country."

In sub clause 1.7 at the end of the sentence, after full stop the following new sentence be added. "The company however, may be entitled to provide funds to construction companies, builders, developers,

companies dealing in real-estate and to any other businesses, provided that the Competent Authority responsible for regulating the conduct of leasing companies in the country permits leasing companies to fund and finance such activities."

Further Resolved that the sub clauses 1.2 and 1.6 of clause 1(a) be and are hereby deleted from the Object Clause of the Memorandum of Association of the Company, and subsequent sub clauses be renumbered.

Further Resolved that the following five clauses be and are hereby inserted after clause 9 in the Object Clause of the Memorandum of Association of the Company and subsequent clauses be renumbered.

- Clause 10 To solicit, mobilize, accept local and foreign currency capital and/or funds and credit lines for leasing and establishing operations thereof.
- Clause 11 To issue certificates of investment in local and foreign currencies after obtaining permission from the Corporate Law Authority and/or the State Bank of Pakistan.
- Clause 12 To draw, make, accept, endorse, establish, discount, execute and issue bills of exchange, guarantees, foreign or inland letters of credit, leases and other negotiable instruments for itself or on behalf of its clients, subject to any permission required by the law.
- Clause 13 To invest funds in Federal Investment Bonds, Certificate of Investments, Term Finance Certificates, Treasury Bills, Securities, Shares, Portfolio Management, Modaraba Certificates, Bonds and in any other instrument of similar nature and to sponsor, participate and underwrite the issue or conversion of shares and securities including Term Finance Certificates, debentures and bonds issued or being issued by the bodies corporate or -otherwise, either in Pakistan or abroad subject to restrictions applicable to leasing companies.
- Clause 14 To provide and/or assist in acquiring general assistance and consultancy services in the identification, development, promotion, re-organization and financing of the projects in the industrial, agricultural, commercial and other sectors of the economy.

Further Resolved that the Chairman & Chief Executive and/or Company Secretary be and is hereby authorized to take all steps necessary to give effect to the above resolutions, including the formalities of the Corporate Law Authority and the Registrar, Company Registration Office."

The Shareholders hereby confirm and ratify and shall be bound to confirm and ratify all acts, deeds and things of the Chairman & Chief Executive and/or Company Secretary that they may be required to do in order to give effect to the above Resolutions.

Statement pertaining to special business # 2 and draft resolutions:

In order to provide for increase in capital for future growth, the Board of Directors proposes that the Authorised Capital be increased from Rs. 300,000,000/- to Rs. 500,000,000/-.

None of the director has any special interest in this special business other than to the extent of his interest in the Company.

For this purpose it is intended that the following Resolutions be passed, with or without modification, as Special Resolution.

"Resolved that the Authorized Capital of the Company be and is hereby increased from

Rs. 300,000,000/- (Rupees three hundred million) divided into 30,000,000 (thirty million) Ordinary Shares of Rs. 10/- each to Rs. 500,000,000/- (Rupees five hundred million) divided into 50,000,000 (fifty million) Ordinary Shares of Rs. 10/- each, and as such, the Capital Clause of the Memorandum of Association and Article 5 of the Articles of Association of the Company be amended accordingly to affect the changes proposed and approved in the Capital of the Company.

Further Resolved that the Chairman & Chief Executive and/or Company Secretary be and is hereby authorized to take all steps necessary to give effect to the above resolutions, including the formalities of the Corporate Law Authority and the Registrar, Company Registration Office."

The Shareholders hereby confirm and ratify and shall be bound to confirm and ratify all acts, deeds and things of the Chairman & Chief Executive and/or Company Secretary that they may be required to do in order to give effect to the above Resolutions.

Statement pertaining to special business # 3 and draft resolution:

The Shareholders of the Company in the First Annual General Meeting held on December 6, 1995 had approved an aggregate amount of remuneration of Rs. 1.56 million per annum to the Chief Executive and Rs. 1.94 million per annum to the two Working Directors. The Shareholders further approved that these remuneration are exclusive of perquisites and retirement benefits to which they are entitled under the terms of employment approved by the Board. The Board, after considering the factors such as devaluation, inflation and the remuneration package provided by other leasing companies is of the opinion that present remuneration package requires revision.

With this background, approval of the Shareholders is sought for the remuneration payable to the Chairman & Chief Executive and whole time Working Director in accordance with the terms and conditions of service approved by the Board. For this purpose it is intended to propose that the following Resolution be passed as an Ordinary Resolution, namely:

"Resolved that the Company hereby approves and authorized the holding of office of profit and payment as remuneration consisting of salary and allowances to:

a) Mr. Rafique Dawood, Chairman & Chief Executive in an aggregate amount not exceeding Rs. 2 million (two million) per annum exclusive of bonuses, perquisites and retirement benefits to which he is entitled under the terms of employment and policy of the Company approved by the Board.

b) Mr. Ayaz Dawood, Working Director in an aggregate amount not exceeding Rs. 1 million (one million) per annum exclusive of bonuses, perquisites and retirement benefits to which he is entitled under the terms of employment and policy of the Company approved by the Board."

Mr. Rafique Dawood, Chairman and Chief Executive and Mr. Ayaz Dawood, Working Director of the Company are interested in the business of the Company to the extent of their shareholding in the Company and their remuneration.

DIRECTORS' REPORT

We are pleased to present your Company's Third Annual Report for the year ended June 30, 1997. You will note that the performance and growth of your company has gained momentum.

Operating Results	1997	1996
	Rupees	Rupees
Lease Income	121,291,858	84,664,664
Other Income	670,720	4,452,231
	121,962,578	89,116,895
	=====	=====
Allowance for Potential Lease Losses	11,500,000	5,000,000
	=====	=====
Profit Before Taxation	46,406,524	46,210,588
Provision for Taxation	1,243,016	1,273,702
	-----	-----
Profit After Taxation	45,163,508	44,936,886
Unappropriated Profit Brought Forward	1,533,416	4,333,907
Profit Available for Appropriation	46,696,924	49,270,793
Appropriations		
Transfer to Statutory Reserve	9,032,702	8,987,377
Transfer to General Reserve'	5,000,000	7,500,000
Proposed Cash Dividend	31,250,000	31,250,000
	45,282,702	47,737,377
	-----	-----
Unappropriated Profit Carried Forward	1,414,222	1,533,416
	=====	=====
Proposed Cash Dividend Per Share	1.25	1.25
Book Value Per Share	11.82	11.26

Review of Operations

The fiscal 1996-97 was a tough year for the country. GDP growth slowed down with a sharp decline in the output of agricultural and manufacturing sector. The textile sector, the backbone of our economy, continued to languish. There was a noticeable decline in other sectors as well. Frequent devaluation, political uncertainty, imposition of heavy taxes, overnight increase of 3% in State Bank discount rate in October 1996, resulted in higher cost of funds. Utility tariffs and support prices of agricultural commodities were increased, further augmenting the inflation rate and depressing the economic activity in our country.

The performance of stock market has also been adversely affected on account of economic conditions and lackluster interest of foreign fund managers. Only fourteen new companies were listed on the Karachi Stock Exchange out of which twelve companies were significantly under subscribed. Investment climate was extremely negative and very little new capital investment had taken place. Additionally, the differences with IMF over the management of the economy had shied away investors. However, with the new elected government in place, and with its swift and timely initiation of reforms in various fields, a ray of hope on the horizon has emerged.

We are pleased to report that despite depressed economic conditions, the lease income of your company has jumped from Rs. 84.66 million to Rs. 121.29 million showing a significant increase of 43.3% over the past year. New leases worth Rs. 248.68 million were written during the year under review. The net investment in lease finance has gone-up from Rs. 510.57 million to Rs. 620.50 million showing an increase of 21.5%.

In continuation of our prudent accounting approach, after writing off the entire pre-operational expenditure of Rs. 2.34 million in June 1995 accounts, the company has continued to build-up a non-specific reserve as Allowance for Potential Lease Losses. This year, an amount of Rs. 11.50 million has been added to increase the Allowance for Potential Lease Losses to Rs. 16.50 million, which is around 2.7% of net investment in lease finance. The total of mandatory Statutory Reserve, General Reserve and Allowance for Potential Lease Losses has grown from 6.8% to 9.8% of net investment in lease finance. The philosophy of building reserves will strengthen your Company's ability to mitigate any negative eventuality, which is a significant part of its business strategies.

Dawood Leasing has continued to follow a cautious policy of writing leases. We have always maintained a fairly diversified portfolio. This year, the energy and natural gas sector is at the top of the list with an exposure of 18%.

Your company's target market has been and will continue to be the infrastructure related projects, small businesses and consumer lease financing. We encourage leasing computers to technical training institutions and individuals. As of June 30, 1997, our total customer base has risen to 838 leases written to 821 clients.

We are pleased to report that this year too, despite bearish stock market conditions, we were able to realize a modest capital gain and achieve a 23.1% value increase in our stock portfolio.

Future Business Prospects

The new Government has announced a host of packages to address the issue of economic stagnation prevalent in the country. These packages address the following:

- Replacement of demand management economic policies with supply-side economic policies,
- Tighter control on government borrowings,
- Allowing private sector greater access to credit,
- Rightsizing in government departments and state owned enterprises,
- Preparing public sector financial institutions for privatization through rightsizing and debt recovery process,
- Reduction in tax rates, mark-up rates and State Bank of Pakistan's discount rate in two steps from 20% to 18.5%,
- Limiting increase in Utility prices and privatization plan of utility companies,
- Elimination of Central Excise duty on bank borrowings and lease financing, and
- Negotiation of \$ 1.6 billion ESAF/EFF while terminating SBA with IMF.

We hope and pray that these initiatives of the present government should assist the economy in its revival, although some economists have a rather different view on the possibility of success of supply-side economic policies.

With this perspective, your Company has adopted a more cautious and prudent approach to assess new lease proposals, select viable sectors and continue to maintain a well-diversified portfolio of leases. We strongly support the initiative of the government in the field of Information Technology and Computer Education, and hence are already providing lease financing to a number of educational institutions and individuals. Your company shall continue to serve promising, feasible, environmentally friendly and socio-economically beneficial entities.

Resource mobilization

Your Company has been extremely successful and is continuing the process of negotiating a number of

additional credit lines from both local and multilateral institutions. Your Company on September 18, 1997 signed an agreement with the Asian Development Bank, to participate in the \$100 million Financial Sector Intermediation Loan Project (FSIL). This line is available on a first come first serve basis to a selected group of financial institutions. This is a long-term fifteen year line including a three year grace period. We expect to draw down against this line some time early next year, after completion of all related formalities.

We are applying to the Corporate Law Authority for their permission to issue Certificate of Investments (COI's). We expect to issue COI's early next year to enhance our competitive position in the leasing industry.

Your Company also expects to be chosen by at least one other multilateral agency within the next twelve months for long-term funding. Our bankers have demonstrated their confidence in Dawood Leasing by enhancing our existing credit lines.

Your Company believes in borrowing from a wide range of selected financial institutions, and we have been successful in establishing a relationship with nineteen different financial institutions.

Pattern of Share Holding

The pattern of Share-holding appears on page 29.

Auditors

The retiring auditors, being eligible, offer themselves for re-appointment.

Board of Directors

During the year under report, Mr. Muizuddin Ahmed, Chairman State Life Insurance Corporation has joined the Board in place of Mr. S. Gulrez Yazdani. The Board wishes to place on record its appreciation for the valuable services rendered to the company by Mr. S. Gulrez Yazdani.

The Directors are pleased to welcome Mr. Muizuddin Ahmed on the Board and Mr. Muzafar Ali Shah, as his alternate Director.

Acknowledgement

We would like to endorse our appreciation for the confidence and support of our valuable customers and shareholders in making this year a success. The support and guidance provided by the Ministry of Finance, the Corporate Law Authority and the State Bank of Pakistan is highly appreciated. We are also grateful to our various lease syndicate partners, lending institutions for their support and confidence and above all, the dedication and hard work of our team members that has made it all possible.

We reiterate our mission to work with dedication and dynamism for the benefit of all the stakeholders.

October 14, 1997
Karachi.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Dawood Leasing Company Limited as at June 30,

1997 and the related profit and loss account and the statement of changes in financial position (cash flow statement) together with the notes forming part thereof, for the year ended on that date 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 and, after due verification thereof, we report that:

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

b) in our opinion .

(i) the balance sheet and profit and loss account together with the notes forming part thereof 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 and the statement of changes in financial position (cash flow statement), together with the notes thereon, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 1997 and of the profit and the changes in financial position for the year then ended; and

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

October 14, 1997
Karachi.

M. Yousuf Adil & Co.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 1997

	Note	1997 Rupees	1996 Rupees
SHARE CAPITAL AND RESERVES			
Authorized			
30,000,000 Ordinary Shares of Rs. 10/- each		300,000,000	300,000,000
		=====	=====
Issued, Subscribed and Paid-up			
25,000,000 Ordinary Shares of Rs. 10/- each.			
Fully Paid in Cash		250,000,000	250,000,000
Statutory Reserve	3	21,603,556	12,570,854

General Reserve	4	22,500,000	17,500,000
Unappropriated Profit		1,414,222	1,533,416
		295,517,778	281,604,270
ALLOWANCE FOR POTENTIAL LEASE LOSSES		16,500,000	5,000,000
REDEEMABLE CAPITAL	5	82,014,234	59,890,256
LONG TERM LOANS	6	55,000,000	--
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	7	283,980	165,424
LONG TERM LEASE DEPOSITS	8	62,157,679	40,605,063
CURRENT LIABILITIES			
Short Term Borrowings	9	65,984,771	42,325,635
Current Maturity of Redeemable Capital		50,317,202	61,733,662
Current Maturity of Lease Liabilities		209,377	95,228
Current Maturity of Lease Deposits		4,998,876	
Accrued and Other Liabilities	10	14,031,459	15,635,987
Proposed Cash Dividend		31,250,000	31,250,000
Taxation		1,831,850	1,142,790
		168,623,535	152,183,302
CONTINGENCY AND COMMITMENT	11		
		-----	-----
		680,097,206	539,448,315
		=====	=====

The annexed notes from 1 to 23 form an integral part of these accounts.

FIXED ASSETS - TANGIBLE	12	11,497,216	11,221,240
NET INVESTMENT IN LEASE FINANCE			
Minimum Lease Payments Receivable		740,402,106	655,910,575
Residual Value of Lease Assets		81,982,870	51,324,880
		-----	-----
		822,384,976	707,235,455
Unearned Income		(201,881,334)	-196,659,686
		-----	-----
Net Investment in Lease Finance		620,503,642	510,575,769
Current Portion of Net Investment in Lease Finance		(212,364,724)	(121,544,593)
		-----	-----
		408,138,918	389,031,176
LONG TERM LOANS - STAFF	13	1,650,427	--
CURRENT ASSETS			
Current Portion of Net Investment in Lease Finance		212,364,724	121,544,593
Short Term Investments	14	29,456,702	7,188,400
Advances Against Lease Commitment			3,750,000
Advances, Deposits and Prepayments	15	3,311,333	1,438,887
Other Receivables	16	521,590	1,237,871
Cash and Bank Balances	17	13,156,296	4,036,148
		258,810,645	139,195,899
		-----	-----
		680,097,206	539,448,315

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PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1997

	Note	1997 Rupees	1996 Rupees
Income			
Lease Income		121,291,858	84,664,664
Return on Deposits and Investments	18	461,924	2,164,772
Gain on Sale of Investments		143,663	2,227,421
Other Income		65,133	60,038
		121,962,578	89,116,895
Expenditure			
Administration and Operating Expenses	19	18,822,394	14,448,630
Financial Charges	20	45,233,660	23,457,677
Allowance for Potential Lease Losses		11,500,000	5,000,000[
		-----	-----
		75,556,054	42,906,307
		-----	-----
Profit Before Taxation		46,406,524	46,210,588
Provision for Taxation			
Current Year		10,360,001	546,042
Prior Year		207,016	727,660
		-----	-----
		1,243,016	1,273,702
Profit After Taxation		45,163,508	44,936,886
Unappropriated Profit Brought Forward		1,533,416	4,333,907
		-----	-----
Profit Available for Appropriation		46,696,924	49,270,793
Appropriations			
Transferred to Statutory Reserve		9,032,702	8,987,377
Transferred to General Reserve		5,000,000	7,500,000
Proposed Cash Dividend @ 12.5% (1996 : 12.5%)		31,250,000	31,250,000
		-----	-----
		45,282,702	47,737,377
		-----	-----
Unappropriated Profit Carried Forward		1,414,222	1,533,416
		=====	=====

The annexed notes from 1 to 23 form an integral part of these accounts.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1997

	1997	1996
	Rupees	Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit After Taxation	45,163,508	44,936,886
Adjustment to Determine Net Cash Flows:		
Depreciation	2,712,529	2,021,468
Gain on Sale of Investment	(143,663)	(2,227,421)
Financial Charges	45,233,660	23,457,677
Loss / (Gain) on Sale of Assets	6,712	(60,038)
Allowance for Potential Lease Losses	11,500,000	5,000,000
	59,309,238	28,191,686
	-----	-----
Operating Profit Before Working Capital Changes	104,472,746	73,128,572
Working Capital Changes:		
Advances, Deposits and Prepayments	(1,705,721)	(888,404)
Other Receivables	716,281	(442,313)
Accrued and Other Liabilities	(2,616,830)	3,525,230
Taxation	689,060	972,790
	-----	-----
	(2,917,210)	3,167,303
	-----	-----
	101,555,536	76,295,875
Less : Financial Charges Paid	(44,522,588)	(16,280,248)
	-----	-----
Net Cash Provided By Operating Activities	57,032,948	60,015,627
B. CASH FLOW FROM FINANCING ACTIVITIES		
Redeemable Capital Obtained	75,000,000	105,000,000
Long Term Loans Obtained	55,000,000	--
Lease Finance Obtained	1,186,000	349,000
Redemption of Redeemable Capital	(64,292,482)	(13,376,082)
Repayment of Lease Liability	(914,595)	(365,418)
Security Deposit	(38,7001)	(550)
Long Term Lease Deposits	26,551,492	13,450,943
Short Term Borrowings	23,659,136	32,325,635
Dividend Paid	(30,948,770)	--
Net Cash Provided By Financing Activities	85,202,081	137,383,528
C. CASH FLOW USED IN INVESTING ACTIVITIES		
Investment in Leases (Net)	(109,927,873)	(257,200,752)
Capital Expenditure	(3,815,705)	(1,076,262)
Proceeds from Sale of Fixed Assets	820,488	334,838
Long Term Loans - Staff	(1,817,152)	--
Investment in Marketable Securities	(25,801,889)	(15,348,500)
Sale Proceeds of Marketable Securities	3,677,250	41,035,381
Advance Against Lease Commitment	3,750,000	33,250,000

Net Cash Used in Investing Activities	(133,114,881)	(199,005,295)
Net Increase/(Decrease) in Cash and Cash Equivalent	9,120,148	(1,606,140)
Cash and Cash Equivalent at the Beginning of the Year	4,036,148	5,642,288
Cash and Cash Equivalent at the End of the Year	13,156,296	4,036,148

NOTES TO THE ACCOUNTS - JUNE 30, 1997

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated on June 22, 1994 as a public limited company and is listed on the Karachi and Islamabad Stock Exchanges. The Company primarily carries on the business of leasing.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These financial statements have been prepared under the "historical cost convention".

2.2 Revenue Recognition

The company follows the finance method in recognizing income on lease contracts. Under this method the unearned income i.e., the excess of aggregate lease rentals and the estimated residual value over the cost of the leased asset is deferred and then amortized over the terms of the lease, so as to produce a constant rate of return on net investment in the lease.

Front end fee, commitment fee and other commissions are taken to income when realized.

The transaction of purchase and resale obligation of Government Securities at contracted rates for specified period of time are recorded at the contracted purchase price and the differential of the contracted purchase and resale prices is taken to income.

Return on securities is recognized on accrual basis.

Dividend income is recognized at the time of closure of the shares transfer book of the company declaring the dividend.

2.3 Staff Retirement Benefits

The Company operates a funded contributory Provident Fund Scheme for its employees. The employees are also entitled to gratuity after completion of 3 years continuous service in accordance with the service rules of the Company.

2.4 Allowance for Potential Lease Losses

The Company, as a prudent policy, makes a general provision at a reasonable level, which in the judgement of management is adequate to provide for potential losses on lease portfolio that can be reasonably anticipated. The allowance is created by charge to income.

2.5 Taxation

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

The tax effect for deferred taxation is calculated using the liability method on all major timing differences which are expected to reverse in foreseeable future. As a measure of prudence deferred tax debits are not accounted for.

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## 2.6 Tangible Fixed Assets and Depreciation

These are stated at cost less accumulated depreciation. Depreciation is charged to income, applying the straight line method whereby cost of an asset is written-off over its estimated useful life. A full year's depreciation is charged on all assets acquired during the year while no depreciation is charged on assets disposed off during the year.

Normal repairs and maintenance are charged to income as and when incurred. Gains and losses on disposal, if any, are taken to profit and loss account.

## 2.7 Investments

Short term investments are stated at lower of moving average cost and market/break-up value on aggregate portfolio basis.

|                             | 1997       | 1996       |
|-----------------------------|------------|------------|
|                             | Rupees     | Rupees     |
| <b>3. STATUTORY RESERVE</b> |            |            |
| Opening Balance             | 12,570,854 | 3,583,477  |
| Transferred During the Year | 9,032,702  | 8,987,377  |
|                             | -----      | -----      |
|                             | 21,603,556 | 12,570,854 |
|                             | =====      | =====      |

The reserve is created by transferring 20% of the after tax profit for the year which is required under Rule-3 of the State Bank of Pakistan's Prudential Regulations for Non-Banking Financial Institutions.

|                             | 1997       | 1996       |
|-----------------------------|------------|------------|
|                             | Rupees     | Rupees     |
| <b>4. GENERAL RESERVE</b>   |            |            |
| Opening Balance             | 17,500,000 | 10,000,000 |
| Transferred During the Year | 5,000,000  | 7,500,000  |
|                             | -----      | -----      |
|                             | 22,500,000 | 17,500,000 |
|                             | =====      | =====      |

## 5. REDEEMABLE CAPITAL - SECURED (NON-PARTICIPATORY)

| Morabaha | Morabaha | Finance Under | 1997 | 1996 |
|----------|----------|---------------|------|------|
|----------|----------|---------------|------|------|

|                                                               | Term<br>I    | Finance<br>II | Certificates<br>III | Finance      | Mark-up<br>I | Arrangement<br>II | Rupees       | Rupees       |
|---------------------------------------------------------------|--------------|---------------|---------------------|--------------|--------------|-------------------|--------------|--------------|
| Opening Balance                                               | 43,311,959   | 43,311,959    |                     | 30,000,000   | *5,000,000   | --                | 121,623,918  | 30,000,000   |
| Obtained During the Year                                      | --           | --            | 25,000,000          | 30,000,000   | --           | 20,000,000        | 75,000,000   | 105,000,000  |
|                                                               | 43,311,959   | 43,311,959    | 25,000,000          | 60,000,000   | 5,000,000    | 20,000,000        | 196,623,918  | 135,000,000  |
| Paid During the Year                                          | (15,182,899) | (15,182,899)  | --                  | (30,000,000) | (1,367,864)  | (2,558,820)       | (64,292,482) | (13,376,082) |
|                                                               | 28,129,060   | 28,129,060    | 25,000,000          | 30,000,000   | 3,632,136    | 17,441,180        | 132,331,436  | 121,623,918  |
| Payable Within one Year<br>Shown Under Current<br>Liabilities | (17,956,149) | (17,956,149)  | (6,804,386)         | --           | (1,647,600)  | (5,952,918)       | (50,317,202) | (61,733,662) |
| Rupees                                                        | 10,172,911   | 10,172,911    | 18,195,614          | 30,000,000   | 1,984,536    | 11,488,262        | 82,014,234   | 59,890,256   |
|                                                               | =====        | =====         | =====               | =====        | =====        | =====             | =====        | =====        |

|                     | Term<br>I                    | Finance<br>II                 | Certificates<br>III            | Morabaha<br>Finance         | Morabaha<br>Mark-up<br>I      | Finance Under<br>Arrangement<br>II |
|---------------------|------------------------------|-------------------------------|--------------------------------|-----------------------------|-------------------------------|------------------------------------|
| Repayment<br>Period | Jan 17, 1996<br>Aug 17, 1998 | Mar.03, 1996<br>Sept 03, 1998 | Sept 27, 1997<br>Mar. 27, 2000 | Lumpsum on<br>Dec. 30, 1998 | Nov. 06, 1996<br>May 06, 1999 | Mar. 14, 1997<br>Dec. 14, 1999     |

|                         | ------(Rupees)'----- |            |            |            |            |             |
|-------------------------|----------------------|------------|------------|------------|------------|-------------|
| Sale Price              | 50,000,000           | 50,000,000 | 25,000,000 | 30,000,000 | 20,000,000 | 20,000,000  |
| Purchase Price          | 68,882,214           | 68,882,214 | 35,712,210 | 42,000,000 | 31,708,440 | 277,690,214 |
| Prompt Payment<br>Bonus | 2,503,968            | 2,503,968  | 1,271,106  | --         | 4,357,080  | --          |

These are secured against hypothecation of all properties and assets including book debts of the Company ranking pari passu with each other and with the charge created to secure long term loans (Refer Note 6) and short term borrowings (Refer Note 9).

\* The sanctioned amount of finance under mark-up arrangement is Rs. 20 million out of which Rs.5 million was received on May 07, 1996.

| 6. LONG TERM LOANS                     | Limit in<br>Rs. million | 1997<br>Rupees | 1996<br>Rupees |
|----------------------------------------|-------------------------|----------------|----------------|
| Secured                                |                         |                |                |
| From Investment Bank (6.1)             | 20                      | 20,000,000     | --             |
| Unsecured                              |                         |                |                |
| From Development Financial Institution | 35                      | 35,000,000     | --             |
|                                        |                         | 55,000,000     | --             |
|                                        |                         | =====          | =====          |

6.1 It is secured against hypothecation of all properties and assets including book debts of the Company ranking pari passu with each other and with charge created to secure redeemable capital (Refer Note 5) and short term borrowings (Refer Note 9). The loan has been provided on roll over basis for two years term.

These are subject to markup of Rs. 0.5479 per Rs. 1,000/- per day.

| <b>7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b> | 1997      | 1996      |
|---------------------------------------------------------------|-----------|-----------|
|                                                               | Rupees    | Rupees    |
| Opening Balance                                               | 295,552   | 311,970   |
| Acquired During the Year                                      | 1,186,000 | 349,000   |
|                                                               | -----     | -----     |
|                                                               | 1,481,552 | 660,970   |
| Paid During the Year                                          | (914,595) | (365,418) |
|                                                               | -----     | -----     |
|                                                               | 566,957   | 295,552   |
| Security Deposit                                              | (73,600)  | (34,900)  |
|                                                               | -----     | -----     |
|                                                               | 493,357   | 260,652   |
| Payable Within One Year                                       |           |           |
| Shown Under Current Liabilities                               | (209,377) | (95,228)  |
|                                                               | -----     | -----     |
|                                                               | 283,980   | 165,424   |
|                                                               | =====     | =====     |

These represents vehicles acquired under finance lease agreements from a leasing company.

The cost plus financial charges are payable in 36 monthly instalments of Rs. 11,501/- and Rs. 13,082/- . Implicit rate of return is ranging between 17 to 18% per annum.

The future minimum lease payments to which the Company is committed at June 30, 1997 are as under:

| <b>Year ended June 30,</b>                   | <b>Rupees</b> |
|----------------------------------------------|---------------|
| 1998                                         | 294,996       |
| 1999                                         | 214,489       |
| 2000                                         | 130,820       |
|                                              | -----         |
|                                              | 640,305       |
| Financial Charges Allocated to Future Period | (146,948)     |
|                                              | -----         |
|                                              | 493,357       |
|                                              | =====         |

**8. LONG TERM LEASE DEPOSITS**

These represent the security deposits (lease key money) received from lessees under lease contracts and are repayable at the expiry of their respective lease period.



| <b>9. SHORT TERM BORROWINGS</b>        | Limit in<br>Rs. million | 1997<br>Rupees | 1996<br>Rupees |
|----------------------------------------|-------------------------|----------------|----------------|
| <b>Secured (9.1)</b>                   |                         |                |                |
| From Commercial Banks                  |                         |                |                |
| Morabaha Finance                       | 25                      | 25,000,000     | 15,000,000     |
| Running Finance                        | 60                      | 15,984,771     | 17,325,635     |
| From Investment Bank                   |                         |                |                |
| Finance Against Bills                  |                         | --             | 10,000,000     |
| <b>Unsecured</b>                       |                         |                |                |
| From Investment Bank                   | 20                      | 20,000,000     | --             |
| From Development Financial Institution | 5                       | 5,000,000      | --             |
|                                        |                         | -----          | -----          |
|                                        |                         | 65,984,771     | 42,325,635     |
|                                        |                         | =====          | =====          |

**9.1** These facilities are secured against hypothecation of all properties and assets including book debts of the Company ranking pari passu with each other and with the charge created to secure redeemable capital (Refer Note 5) and long term loans (Refer Note 6).

**9.2** The Repurchase price of Morabaha finance is Rs. 27.355 (million). The mark-up rate of other borrowings ranges between Rs. 0.4932 to Rs. 0.5479 per Rs. 1,000/- per day.

| <b>10. ACCRUED AND OTHER LIABILITIES</b> | 1997<br>Rupees | 1996<br>Rupees |
|------------------------------------------|----------------|----------------|
| Mark-up on:                              |                |                |
| Redeemable Capital                       | 5,282,823      | 7,048,668      |
| Long-term Loans                          | 791,781        | --             |
| Short-term Borrowings                    | 2,842,984      | 1,160,747      |
| Financial Charges on Lease Assets        | 2,899          | --             |
| Advance, from Clients                    | 3,031,064      | 6,108,086      |
| Withholding Tax                          | 423,235        | 51,616         |
| Accrued Expenses                         | 590,823        | 660,477        |
| Unclaimed Dividend                       | 301,230        | --             |
| Others                                   | 764,620        | 606,393        |
|                                          | -----          | -----          |
|                                          | 14,031,459     | 15,635,987     |
|                                          | =====          | =====          |

**11. CONTINGENCY AND COMMITMENT**

**CONTINGENCY**

The portion of tax demand amounting to Rs. 1.2 million in respect of assessment year 1995-96 was not acknowledged. The Company has filed appeal before Income Tax Appellate Commissioner, and the assessment order has been set aside for fresh decision.

**COMMITMENT**

Lease financing contracts committed but not executed at the Balance Sheet date were Rs. 67 million (1996 - Rs. 126.8 million)

**12. FIXED ASSETS - TANGIBLE**

| Particulars              | Cost at July 01, 1996 | Additions (Disposals) during the year | Cost at June 30, 1997 | Accumulated Depreciation at June 30, 1997 | Book Value at June 30, 1997 | Depreciation for the year | Rate % |
|--------------------------|-----------------------|---------------------------------------|-----------------------|-------------------------------------------|-----------------------------|---------------------------|--------|
| <b>Company Owned</b>     |                       |                                       |                       |                                           |                             |                           |        |
| Lease-hold Improvements  | 5,528,864             | --                                    | 5,528,864             | 1,627,146                                 | 3,901,718                   | 552,886                   | 10     |
| Furniture & Fixtures     | 2,895,613             | 73,714                                | 2,969,327             | 876,055                                   | 2,093,272                   | 296,933                   | 10     |
| Equipment and Appliances | 1,604,145             | 1,557,621                             | 3,161,766             | 856,046                                   | 2,305,720                   | 576,430                   | 20     |
| Vehicles                 | 4,744,028             | 998,370<br>(47,000)                   | 5,695,398             | 3,017,892                                 | 2,677,506                   | 1,139,080                 | 20     |
|                          | -----                 | -----                                 | -----                 | -----                                     | -----                       | -----                     |        |
|                          | 14,772,650            | 2,629,705<br>(47,000)                 | 17,355,355            | 6,377,139                                 | 10,978,216                  | 2,565,329                 |        |
| Under Lease Vehicles     | 349,000               | 1,186,000<br>(799,000)                | 736,000               | 217,000                                   | 519,000                     | 147,200                   | 20     |
|                          | -----                 | -----                                 | -----                 | -----                                     | -----                       | -----                     |        |
| Rupees                   | 15,121,650            | 3,815,705<br>(846,000)                | 18,091,355            | 6,594,139                                 | 11,497,216                  | 2,712,529                 |        |
|                          | =====                 | =====                                 | =====                 | =====                                     | =====                       | =====                     |        |
| Rupees (1996)            | 14,388,888            | 1,076,262<br>(343,500)                | 15,121,650            | 3,900,410                                 | 11,221,240                  | 2,021,468                 |        |
|                          | =====                 | =====                                 | =====                 | =====                                     | =====                       | =====                     |        |

**12.1 Disposal of Assets**

| Particulars                                       | Mode of disposal | Sold to       | Cost    | Accumulated depreciation | Book Value | Sale Proceeds |
|---------------------------------------------------|------------------|---------------|---------|--------------------------|------------|---------------|
| Vehicle Insurance Claim Orient Insurance Co. Ltd. |                  |               | 799,000 | --                       | 799,000    | 773,488       |
| Vehicle insurance Claim Orient Insurance Co. Ltd. |                  |               | 47,000  | 18,800                   | 28,200     | 47,000        |
|                                                   |                  |               | -----   | -----                    | -----      | -----         |
|                                                   |                  | Rupees        | 846,000 | 18,800                   | 827,200    | 820,488       |
|                                                   |                  |               | =====   | =====                    | =====      | =====         |
|                                                   |                  | Rupees (1996) | 343,500 | 68,700                   | 274,800    | 334,838       |
|                                                   |                  |               | =====   | =====                    | =====      | =====         |

**12.2** The rate of depreciation on equipment and appliances has been increased from 10% to 20%. Profit for the year would have been higher by Rs. 260,253/- if there had been no change in the depreciation rate.

|        |        |
|--------|--------|
| 1997   | 1996   |
| Rupees | Rupees |

**13. LONG TERM LOANS - STAFF  
CONSIDERED GOOD**

|                             |           |       |
|-----------------------------|-----------|-------|
|                             | 1,817,152 | --    |
| Staff Loan                  | (166,725) | --    |
|                             | -----     | ----- |
| Recoverable Within One Year | 1,650,427 | --    |
|                             | =====     | ===== |

The loans under the scheme have been provided to executives of the Company to facilitate construction or purchase of house, which are repayable over a period of 10 years with a service charge @ 5% per annum.

Maximum amount, due from executives at the end of any month during the year was Rs. 1,817,152 (1996 - Nil) and amount outstanding for period exceeding three years is Rs. 1,405,236.

#### 14. SHORT TERM INVESTMENTS

|                                     | No. of<br>Shares | Market<br>Value | 1997<br>Rupees | 1996<br>Rupees |
|-------------------------------------|------------------|-----------------|----------------|----------------|
| <b>Quoted</b>                       |                  |                 |                |                |
| Adamjee Insurance Company Ltd.      | 26,366           | 2,399,306       | 2,578,500      | 2,578,500      |
| Hub Power Company Ltd.              | 5,000            | 204,500         | 190,500        | --             |
| ICI Pakistan Ltd.                   | 6,250            | 151,563         | 139,650        | 343,500        |
| 25th I.C.P. Mutual Fund             | 500              | 2,750           | 5,000          | 5,000          |
| KASB Premier Fund Ltd.              | 50,000           | 180,000         | 500,000        | 500,000        |
| Pakistan State Oil Company Ltd.     | 980              | 318,990         | 215,562        | 162,400        |
| Pakistan Telecommunication Co. Ltd. | 5,000            | 153,250         | 155,750        | --             |
| Pakland Cement Ltd.                 | 1,788,554        | 17,170,118      | 12,072,740     | --             |
| Paramount Leasing Company Ltd.      | 9,900            | 86,130          | 99,000         | 99,000         |
| Saadi Cement Ltd.                   | 2,500,000        | 14,375,000      | 12,500,000     | --             |
|                                     |                  | -----           | -----          | -----          |
|                                     |                  | 35,041,607      | 28,456,702     | 3,688,400      |
| <b>Unquoted</b>                     |                  |                 |                |                |
| Fidelity Mutual Fund Ltd.           |                  |                 | --             | 2,500,000      |
| <b>Government Securities</b>        |                  |                 |                |                |
| Federal Investment Bonds - 10 years |                  |                 | 1,000,000      | 1,000,000      |
|                                     |                  |                 | -----          | -----          |
|                                     |                  |                 | 29,456,702     | 7,188,400      |
|                                     |                  |                 | =====          | =====          |

#### 15. ADVANCES, DEPOSITS AND PREPAYMENTS

|                                   |           |           |
|-----------------------------------|-----------|-----------|
| Current Portion of Long Term Loan | 166,725   | --        |
| Advance Income Tax                | 2,329,144 | 198,408   |
| Deposits                          | 41,000    | 41,000    |
| Prepayments                       | 761,464   | 1,187,479 |
| Other Advances                    | 13,000    | 12,000    |
|                                   | -----     | -----     |
|                                   | 3,311,333 | 1,438,887 |
|                                   | =====     | =====     |

#### 16. OTHER RECEIVABLES

##### Considered Good

|                           |        |         |
|---------------------------|--------|---------|
| Accrued Profit / Interest | 30,000 | 381,996 |
| Dividend                  | 42,211 | 33,845  |

|                                                                                                                                                    |            |            |
|----------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| Others                                                                                                                                             | 449,379    | 822,030    |
|                                                                                                                                                    | -----      | -----      |
|                                                                                                                                                    | 521,590    | 1,237,871  |
|                                                                                                                                                    | =====      | =====      |
| <b>17. CASH AND BANK BALANCES</b>                                                                                                                  |            |            |
|                                                                                                                                                    | 1997       | 1996       |
|                                                                                                                                                    | Rupees     | Rupees     |
| Cash in Hand                                                                                                                                       | 23,526     | 19,857     |
| Cash with Banks                                                                                                                                    |            |            |
| In Deposit Accounts ( 17.1 )                                                                                                                       | 13,027,727 | 3,970,370  |
| In Current Accounts                                                                                                                                | 105,043    | 45,921     |
|                                                                                                                                                    | -----      | -----      |
|                                                                                                                                                    | 13,156,296 | 4,036,148  |
|                                                                                                                                                    | =====      | =====      |
| <b>17.1</b> This includes Rs. 50,000/- deposited with the State Bank of Pakistan, to maintain liquidity requirements under Prudential Regulations. |            |            |
| <b>18. RETURN ON DEPOSITS AND INVESTMENTS</b>                                                                                                      |            |            |
|                                                                                                                                                    | 1997       | 1996       |
|                                                                                                                                                    | Rupees     | Rupees     |
| Profit on PLS Accounts / Bank Deposits (Net of Zakat)                                                                                              | 153,472    | 1,616,798  |
| Interest on Securities                                                                                                                             | 209,602    | 335,677    |
| Dividend                                                                                                                                           | 98,850     | 212,297    |
|                                                                                                                                                    | -----      | -----      |
|                                                                                                                                                    | 461,924    | 2,164,772  |
|                                                                                                                                                    | =====      | =====      |
| <b>19. ADMINISTRATION AND OPERATING EXPENSES</b>                                                                                                   |            |            |
| Salaries and Benefits                                                                                                                              | 6,674,744  | 6,111,920  |
| Directors' Meeting Fees                                                                                                                            | 3,000      | 1,500      |
| Rent, Rates and Taxes                                                                                                                              | 225,439    | 179,471    |
| Insurance                                                                                                                                          | 563,754    | 431,206    |
| Legal and Professional                                                                                                                             | 689,239    | 411,921    |
| Travelling and Conveyance                                                                                                                          | 1,356,829  | 1,047,896  |
| Postage and Telephone                                                                                                                              | 1,468,634  | 877,004    |
| Utilities                                                                                                                                          | 267,095    | 213,461    |
| Printing and Stationery                                                                                                                            | 599,915    | 582,158    |
| Vehicles Running and Maintenance                                                                                                                   | 797,950    | 426,169    |
| Computerisation                                                                                                                                    | 255,554    | 71,750     |
| Entertainment                                                                                                                                      | 509,085    | 436,145    |
| Advertisement                                                                                                                                      | 526,117    | 548,150    |
| Repairs and Maintenance                                                                                                                            | 344,459    | 194,188    |
| Auditors' Remuneration ( 19.1 )                                                                                                                    | 145,126    | 112,625    |
| Shares Department                                                                                                                                  | 514,281    | 497,330    |
| Credit Rating                                                                                                                                      | 269,725    | --         |
| Depreciation                                                                                                                                       | 2,712,529  | 2,021,468  |
| Fees and Subscription                                                                                                                              | 735,140    | 186,261    |
| Donation (19.2)                                                                                                                                    | 66,145     | 18,500     |
| Others                                                                                                                                             | 97,634     | 79,507     |
|                                                                                                                                                    | -----      | -----      |
|                                                                                                                                                    | 18,822,394 | 14,448,630 |

**19.1 Auditors' Remuneration**

|                           | 1997<br>Rupees | 1996<br>Rupees |
|---------------------------|----------------|----------------|
| Statutory Audit Fee       | 50,000         | 50,000         |
| Special Audit Fee         | 34,000         | 28,000         |
| Tax and Other Consultancy | 56,000         | 24,000         |
| Out of Pocket Expenses    | 5,126          | 10,625         |
|                           | -----          | -----          |
|                           | 145,126        | 112,625        |
|                           | =====          | =====          |

19.2 None of the Directors or their spouse had any interest in the donees fund.

**20. FINANCIAL CHARGES**

Mark-up on:

|                                      | 1997<br>Rupees | 1996<br>Rupees |
|--------------------------------------|----------------|----------------|
| Redeemable Capital                   | 20,736,734     | 20,251,819     |
| Long Term Loans                      | 5,940,563      | --             |
| Short Term Borrowings                | 17,476,481     | 2,828,350      |
| Financial Charges on Lease Liability | 156,289        | 53,523         |
| Documentation and Bank Charges       | 923,593        | 323,985        |
|                                      | -----          | -----          |
|                                      | 45,233,660     | 23,457,677     |
|                                      | =====          | =====          |

**21. TAXATION**

The assessment of the Company has been finalized upto accounting year ended June 30, 1996 (Assessment Year 1996-97).

In view of the tax loss for the year, minimum tax @ 0.5% of total turnover has been provided in these accounts.

Deferred taxation arising out of timing differences between accounting and income tax revenue or charges is estimated at Rs. 36.9 million (1996 - Rs. 36.7 million). Provision has not been made in these accounts for deferred taxation as these timing differences are not expected to reverse in the foreseeable future.

**22. REMUNERATION TO DIRECTORS AND EXECUTIVES**

|                       | 1997            |          |            | 1996            |          |            |
|-----------------------|-----------------|----------|------------|-----------------|----------|------------|
|                       | Chief Executive | Director | Executives | Chief Executive | Director | Executives |
| Remuneration          | 838,710         | 335,484  | 2,205,806  | 866,329         | 532,258  | 1,653,226  |
| Housing and Utilities | 461,290         | 184,516  | 1,213,194  | 476,481         | 292,742  | 909,274    |
|                       | -----           | -----    | -----      | -----           | -----    | -----      |
| Rupees                | 1,300,000       | 520,000  | 3,419,000  | 1,342,810       | 825,000  | 2,562,500  |

|                   |   |   |   |   |   |   |
|-------------------|---|---|---|---|---|---|
| Number of Persons | 1 | 1 | 8 | 1 | 2 | 6 |
|-------------------|---|---|---|---|---|---|

22.1 The Chief Executive, Directors and Executives are also provided with free use of company owned cars, medical insurance cover, provident fund contribution and travelling. The monetary value of these are Rs. 1,052,738/- (1996 - Rs. 916,945/-) approximately.

22.2 Fees of Rs. 3,000/- were paid to three non-executive directors for attending Board meetings.

**23. GENERAL**

23.1 Figures have been rounded off to the nearest Rupee.

23.2 Corresponding figures have been re-arranged wherever necessary for the purpose of comparison.

|                                       |                          |
|---------------------------------------|--------------------------|
| <b>Rafique Dawood</b>                 | <b>Asadullah Khawaja</b> |
| <b>Chairman &amp; Chief Executive</b> | <b>Director</b>          |

**PATTERN OF SHARE HOLDING AS AT JUNE 30, 1997**

| No. of Shareholders | SHARE From | HOLDING To | Shares Held |
|---------------------|------------|------------|-------------|
| 30                  | 1          | --         | 100         |
| 2,462               | 101        | --         | 500         |
| 154                 | 501        | --         | 1000        |
| 133                 | 1001       | --         | 5000        |
| 50                  | 5001       | --         | 10000       |
| 12                  | 10001      | --         | 15000       |
| 14                  | 15001      | --         | 20000       |
| 10                  | 20001      | --         | 25000       |
| 13                  | 25001      | --         | 30000       |
| 2                   | 30001      | --         | 35000       |
| 4                   | 35001      | --         | 40000       |
| 4                   | 40001      | --         | 45000       |
| 8                   | 45001      | --         | 50000       |
| 1                   | 55001      | --         | 60000       |
| 3                   | 60001      | --         | 65000       |
| 1                   | 75001      | --         | 80000       |
| 9                   | 95001      | --         | 100000      |
| 1                   | 100001     | --         | 105000      |
| 1                   | 120001     | --         | 125000      |
| 1                   | 125001     | --         | 130000      |
| 1                   | 140001     | --         | 145000      |
| 1                   | 150001     | --         | 155000      |
| 1                   | 215001     | --         | 220000      |
| 1                   | 235001     | --         | 240000      |
| 4                   | 245001     | --         | 250000      |
| 1                   | 285001     | --         | 290000      |
| 1                   | 390001     | --         | 395000      |
| 4                   | 495001     | --         | 500000      |
| 1                   | 540001     | --         | 545000      |
| 2                   | 995001     | --         | 1000000     |

|       |         |       |         |            |
|-------|---------|-------|---------|------------|
| 1     | 1185001 | --    | 1190000 | 1,188,400  |
| 1     | 1370001 | --    | 1375000 | 1,375,000  |
| 1     | 1505001 | --    | 1510000 | 1,506,000  |
| 1     | 2045001 | --    | 2050000 | 2,050,000  |
| 1     | 2090001 | --    | 2095000 | 2,093,900  |
| 1     | 4210001 | --    | 4215000 | 4,212,500  |
| ----- | -----   | ----- | -----   | -----      |
| 2,936 |         |       |         | 25,000,000 |
| ===== | =====   | ===== | =====   | =====      |

The slabs representing NIL holding have been omitted.

**Categories of Shareholders**

| <b>Particulars</b>     | <b>Number of Shareholders</b> | <b>Shares Held</b> | <b>Percentage</b> |
|------------------------|-------------------------------|--------------------|-------------------|
| Joint Stock Companies  | 21                            | 1,352,400          | 5.41              |
| Financial Institutions | 8                             | 2,940,200          | 11.76             |
| Modaraba Companies     | 3                             | 606,700            | 2.43              |
| Insurance Companies    | 7                             | 4,411,600          | 17.65             |
| Investment Companies   | 9                             | 6,212,900          | 24.85             |
| Individuals            | 2886                          | 7,708,500          | 30.83             |
| Foreign Investors      | 2                             | 1,767,700          | 7.07              |
|                        | -----                         | -----              | -----             |
| <b>Total</b>           | <b>2936</b>                   | <b>25,000,000</b>  | <b>100.00</b>     |
|                        | =====                         | =====              | =====             |