

Grays Leasing Limited

Annual Report 1999

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COMPANY INFORMATION

BOARD OF DIRECTORS

| | |
|----------------------------|-----------------|
| Mr. William Gray | Chairman |
| Mr. Khawar Anwar Khawaja | Vice Chairman |
| Mr. Abdul Rashid Mir | Chief Executive |
| Mr. Harold John Gray | |
| Mr. Ronald George Blake | |
| Mr. Muhammad Tahir Butt | |
| Mr. Khurram Anwar Khawaja | |
| Mr. Saeed Ahmad Jabal | |
| Mr. Muhammad Farooq | |
| Mrs. Nuzhat Khawar Khawaja | |

AUDITORS

Riaz Ahmad & Company
Chartered Accountants
8-Mall Mansion, 30 Shahrah-e-Quaid-e-Azam,
Lahore - 54000 - Pakistan
Tel: (042) 7233324-26
Fax: (042) 7235762
E-mail: sarfrazm@paknet4.ptc.pk.

MANAGEMENT CONSULTANT

Sarfraz Mahmood (Pvt) Ltd,

CORPORATE SECRETARY

Mr. Abdul Ghaffar

LEGAL ADVISOR

International Legal Services

REGISTERED AND HEAD OFFICE

41-A, Lawrence Road, Lahore,
Tel: (042) 6372159-61
Fax: (042) 6371898
E-mail: _gl@ms.netpk.

BANKERS

ANZ Grindlays
Bank Alfalah Ltd.
The Bank of Punjab.
The Bank of Khyber
Askari Commercial Bank Ltd.
Muslim Commercial Bank Ltd.
Faysal Bank Ltd.
First Women Bank Ltd.
Prime Commercial Bank Ltd.
Habib Bank Ltd.

NOTICE OF THE 4TH ANNUAL GENERAL MEETING

Notice is hereby given that the 4th Annual General Meeting of the Company will be held on November 02, 1999 at 11.00 a.m. at the Registered Office of the Company located at 41-A, Lawrence Road, Lahore to transact the following business:

1. to confirm the minutes of 3rd Annual General Meeting held on December 17, 1998,
2. to receive, consider and adopt the audited accounts of the company for the year ended June 30, 1999 together with Directors and Auditors' report thereon.
3. to approve the payment of cash dividend @ 15% (Rs. 1.5 per share) as recommended by the directors for the year ended June 30, 1999.

4. to appoint Auditors and to fix their remuneration. The present Auditors Messers. Riaz Ahmad & Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

5. to elect 10 directors of the company for a period of three years as fixed by the Board of Directors under section 178(1) of the Companies Ordinance, 1984. Following are the names of retiring directors:

- | | |
|-----------------------------|--------------------------------|
| 1. Mr. William Gray | 6. Mr. Muhammad Tahir Butt |
| 2. Mr. Khawar Anwar Khawaja | 7. Mr. Khurram Anwar Khawaja |
| 3. Mr. Abdul Rashid Mir | 8. Mr. Saeed Abroad Jabal |
| 4. Mr. Harold John Gray | 9. Mr. Muhammad Farooq |
| 5. Mr. Ronald George Blake | 10. Mrs. Nuzhat Khawar Khawaja |

6. to transact any other business with the permission of the chair.

BY THE ORDER OF THE BOARD

**ABDUL GHAFAR
(COMPANY SECRETARY)**

Lahore: October 11, 1999

NOTES:

1. Any person who seeks to contest election of the office of the directors shall file with the company not later than 14 days before the date of the meeting notice of his intention to offer himself for election as director in terms of section 178(3) of the Companies Ordinance, 1984;

2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend, speak and vote at the meeting. The instrument of proxy in order to be effective must be received at the Registered Office of the Company not later than 48 hours before the meeting;

3. Members are requested to immediately notify the change in address, if any;

4. Account holders and sub-account holders holding book entry securities of the Company in Central Depository System of Central Depository Company of Pakistan Limited are requested to bring original I.D. Card or attested copy of I.D. Card for identification purpose.

DIRECTORS' REPORT

With profound gratitude to the Almighty Allah, I, on behalf of the board, present before you the fourth annual report of your company for the year ended 30th June, 1999.

FINANCIAL RESULTS

The financial results of the Company for the year are as under:

| | <i>RUPEES</i> |
|--|---------------|
| Total revenue | 46 923 931 |
| Total expenditure | 24 423 404 |
| | ----- |
| Profit before tax | 22 500 527 |
| Provision for taxation | 2 100 000 |
| | ----- |
| Profit after tax | 20 400 527 |
| Un-appropriated profit brought forward | 53 903 |
| | ----- |
| Profit available for appropriation | 20 454 430 |
| Appropriations | |
| Transfer to statutory reserve | 4 000 000 |
| Proposed dividend @ 15% | 15 000 000 |
| | ----- |
| | 19 000 000 |
| | ----- |
| Un-appropriated Profit | 1 454 430 |
| | ===== |
| Earning Per Share | 2.04 |
| | ===== |

REVIEW OF OPERATIONS

The fiscal 1998-99 has again been quite difficult for Pakistan as the expected turnaround in economy could not materialize due to the numerous reasons - mainly the adversities of severe economic turmoil in the South East Asian region coupled with the aftermath of nuclear tests in May, 1998. However, amidst an extremely unfavorable business, industrial and economic atmosphere, your company has performed well in every area of its operations and succeeded in attaining the pre-determined objectives.

During the year, the company transacted business worth Rs.179.361 million generating a respectable lease portfolio comprising 164 leases (including 14 cases consisting of 397 contracts with corporate consumers) as against Rs. 142.809 million placed in 126 leases in 1998 - growth being 25.60 percent. These lessees were very carefully selected after in depth scrutiny of their operations; most of them have a past record of demonstrated successful performance which has again been substantiated through their excellent rental payment behaviour.

The gross revenue from operations Was Rs. 46.924 million (Rs. 28.682 million in 1998) and net profit before and after tax were Re, 22.501 million and Rs. 20.401 million respectively as compared to Rs. 16.852 million and Rs. 16.392 million during 1998, You will surely appreciate that income from lease operations has increased from 90 percent of the total revenue in 1998 to 99 percent in 1999 which reflects sheer dedication to our very basic objective.

Dear shareholders, our major emphasis still remains on small to medium size leases and a blend of assets with high degree of concentration on productive assets financing. The analysis of the portfolio shows that over 66 percent of the leased assets represent our support to the industrial sector to finance its requirements of balancing, modernization and replacement of plant and machinery.

A nominal decrease in the ratio of assets comprising plant and machinery financed during the current year as compared to the previous year's figure is visible from the above but it does not represent any change in our policy. This is just a reflection of the persistent recession in the market, which has slowed down the industrial activity for some considerable time.

At the same time, we have also been quite vigilant about risk diversification and have endeavoured to maintain a balanced sectoral exposure. The sector wise analysis of our lease portfolio shows that 20-25 percent is the maximum investment in any single sector.

CREDIT RATING

You are surely aware that last year DCR-VIS Credit Rating Company Limited awarded your company with a respectable medium to long-term entity rating of Triple-B Minus which reflects "adequate credit quality with reasonable and sufficient protection factors" and Short-term entity rating of D-3 which indicates "satisfactory liquidity and other protection factors" qualifying your company for the investment grade. At the same time, the company was the first in the leasing sector which offered itself to DCR-VIS for equity rating and was rated at PE-3 which signifies high quality returns to the shareholders.

This year, the Rating Agency has upgraded the medium to long-term entity rating from Triple. B minus to Triple B and short-term rating from D-3 to D-2. The equity rating has also been maintained at PE-3. According to the rating company's standards, the medium to long-term entity rating of Triple B means "adequate credit quality, protection factors are reasonable and sufficient, risk factors are considered variable if changes occur in the economy. The short-term entity rating of B-2 means good certainty of timely payment, liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small. The equity rating of PE-3 means that returns are sensitive to changing market conditions. While displaying variability of returns to shareholders, these possess adequate stability over long period of holding,

Dear shareholders, this upgrading by DCR-VIS are obviously based on our financial performance during 1998-99 when the company, despite the economic downturn, depicted significant growth in net investment in leases and profit after tax. Besides improving efficiency and maintaining asset quality, the management has also demonstrated ability to enhance credit facilities.

RESOURCE MOBILIZATION

During the year under review, we utilised credit lines of Rupees 90 million. It comprises of Rupees 18.5 million drawn against the credit line of Rupees 50 million from ANZ Grindlays Bank Limited, Rupees 15 million from Bank Alfiah Limited and remaining from Investment Banks. We are further negotiating with different financial institutions for raising long term funds to the tune of 150 million rupees to finance our planned future activities.

Further, we have fulfilled the criteria of obtaining permission for issuance of Certificates of Investment. After getting this permission, we will have another important avenue of resource mobilization, which has never lost sight of the management of your company for furtherance of business in future.

Human resource development is also an important area where we have concentrated all along to develop a team of dedicated and devoted persons in the marketing as well as administration departments according to the specific requirements of the company.

THE ECONOMY AND LEASING SECTOR

The Economy

The overall economy has witnessed a significant deceleration in growth and a severe strain on all major macro-economic indicators. There is little to cheer about as the chances for revival are very bleak. The fiscal accounts are under strain because of the severe downturn in the domestic economy. At the same time, there has been no significant new investment, particularly, the direct foreign investment which plummeted to \$ 376 million against the preceding year's inflow of \$ 601.3 million.

Certainly, the direct foreign investment can contribute a lot to economic growth and development - it is not a panacea; it can complement and catalyze economic activities and the performance of domestic enterprise but in some circumstances it may also hinder them, Hence, we should first of all restore the confidence of the domestic investors which is more important for economic revival. Once we succeed to mobilize our domestic investment, the overseas investors would surely be allured and the international investment would automatically come to Pakistan.

Public policy does matter at the national and international levels. It is important in creating the conditions that attract foreign direct investment and enhance its benefits. The government should maximize the positive contribution that foreign direct investment can make to the development and minimize any negative effects it may have.

Another factor that continues to impede economic progress and deter foreign private investment and external aid is widespread civil conflict and political unrest in the country. Every government in Pakistan might be thinking liberally on the economic front. On the social and political fronts, it demonstrates a conservative emotion,

Last but not the least is the change in our approach. While the primary responsibility for development rests with the government, corporations also have a responsibility, not only to their shareholders but to the society at large. They must be encouraged and motivated to assume this responsibility more forcefully.

The Leasing Sector

Leasing industry having demonstrated a significant role in acceleration of local economy during early 1990's is in dire strait. The challenge being faced by the industry are two folds; one is to sustain the required growth rate against depressed economic situations and second is the dearth of long term resources.

Though Government has bestowed the leasing industry with incentives like exemption of withholding tax on sale and lease back transaction and acceptance of residual value as transfer value but in order to bring it back on "Road to Recovery" following issues demands an immediate patronage by the competent authorities:

- 1- Revamping of legal infrastructure
- 2- Long term funds
- 3- Convenient and economically viable foreign exchange risk coverage
- 4- Depreciation Allowances

FUTURE OUTLOOK

GLL has undertaken profound Successful operations during last two financial years now focus is on two main areas; first to attain our targeted growth in terms of size and secondly, to produce safe investment portfolio. With a view to accomplish this goal, special emphasis will be given on the following:

Extra cautious evaluation policy(s) will be adopted.

A vigilant approach will be followed to assess changing trends in the economy and their impact on commercial & Industrial sectors.

New product development - credit will be made available to corporate consumers.

Geographical diversification - New offices in areas enriched with business potential

Human resource development to increase efficiency

No compromise on internal as well as external rules and regulations

YEAR 2K COMPLIANCE

All the computer system of your company including hardware and software are duly Y2K complaint.

AUDITORS

The present auditors Messrs, Riaz Ahmad and Company, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

PATTERN OF SHAREHOLDING

A statement showing pattern of shareholdings in the company as on June 30, 1999 appears on page 30 of the report.

ACKNOWLEDGMENT

I would like to thank the banks and financial institutions for their support, the clients who provided us opportunity to serve them and extend a very special thanks and appreciation to company employees for their noteworthy, tireless and dedicated efforts which enabled the company to produce these good results.

FOR AND ON BEHALF OF THE BOARD

ABDUL RASHID MIR
Chief Executive

Lahore: September 07, 1999

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of GRAYS LEASING LIMITED as at June 30, 1999 and the related profit and loss account and statement of sources and application of funds, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit 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 thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with 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 sources and application of funds, together with the notes forming part thereof, 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, 1999 and of the profit and the changes in sources and application of funds for the year then ended; and

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

Lahore: 07 September, 1999

RIAZ AHMAD & COMPANY
Chartered Accountants

BALANCE SHEET AS AT 30 JUNE 1999

| | <i>NOTE</i> | <i>1999</i> <i>Rupees</i> | <i>1998</i> <i>Rupees</i> |
|---|-------------|------------------------------|------------------------------|
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorized capital | | | |
| 20,000,000 ordinary shares of Rupees 10 each | | 200 000 000 | 200 000 000 |
| Issued, subscribed and paid up capital | 3 | 100 000 000 | 100 000 000 |
| Capital reserve | 4 | 8 700 000 | 4 700 |
| General reserve | | 15 000 000 | 15 000 000 |
| Unappropriated profit | | 1 454 430 | 53 903 |
| | | 125 154 430 | 119 753 903 |
| NON-CURRENT LIABILITIES | | | |
| Redeemable capital | 5 | 43 392 362 | 20 384 615 |
| Liabilities against assets subject to finance lease | 6 | 746 338 | 1 320 642 |
| Long term security deposits | 7 | 34 599 114 | 26 748 306 |
| Deferred taxation | | 1 500 000 | -- |
| Employees' retirement gratuity | | 486 166 | 396 001 |
| | | 80 723 980 | 48 849 564 |
| CURRENT LIABILITIES | | | |
| Current portion of long term liabilities | 8 | 31 092 593 | 10 553 793 |
| Short term financies | 9 | 49 650 009 | 19 000 000 |
| Accrued and other liabilities | 10 | 3 718 379 | 3 740 221 |
| Proposed dividend | | 15 000 000 | -- |
| Provision for taxation | | 1 201 840 | 601 840 |
| | | 100 662 821 | 33 895 854 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | | -- | -- |
| | | 306 541 231 | 202 499 321 |

ASSETS

NON-CURRENT ASSETS

| | | | |
|---|----|-------------|-------------|
| Tangible operating fixed assets | 11 | 3 353 603 | 3 130 194 |
| Investment in finance leases | | | |
| Lease rentals receivable | | 323 239 555 | 208 597 827 |
| Guaranteed residual value of leased assets | | 46 639 664 | 28 817 236 |
| Gross investment in leases | | 369 879 219 | 237 415 063 |
| Less: Unearned finance income | | 76 239 016 | 50 224 798 |
| Net investment in finance leases | | 293 640 203 | 187 190 265 |
| Less: Current portion | | 118 234 042 | 61 243 337 |
| Provision for doubtful receivables | | 137 331 | 9 608 |
| | | 118 371 373 | 61 252 945 |
| | | 175 268 830 | 125 937 320 |
| Long term investment | 12 | 600 247 | 98 508 |
| Long term deposits and deferred cost | 13 | 955 414 | 1 358 346 |
| | | 180 178 094 | 130 524 368 |
| CURRENT ASSETS | | | |
| Current portion of investment in finance leases | | 118 234 042 | 61 243 337 |
| Advances, deposits, prepayments and other receivables | 14 | 3 606 404 | 1 986 341 |
| Short term investment | 15 | 50 214 | -- |
| Cash and bank balances | 16 | 4 472 477 | 8 745 275 |
| | | 126 363 137 | 71 974 953 |
| | | 306 541 231 | 202 499 321 |

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE

DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1999

| | <i>NOTE</i> | <i>1999 Rupees</i> | <i>1998 Rupees</i> |
|---|-------------|------------------------|------------------------|
| REVENUE | | | |
| Income from lease financing | | 46 243 884 | 25 712 755 |
| Other income | 17 | 680 047 | 2 969 120 |
| | | 46 923 931 | 28 681 875 |
| EXPENDITURE | | | |
| Administrative and other operating expenses | 18 | 9 949 856 | 9 306 605 |
| Financial and other charges | 19 | 14 473 548 | 2 523 120 |
| | | 24 423 404 | 11 829 725 |
| PROFIT BEFORE TAXATION | | 22 500 527 | 16 852 150 |
| PROVISION FOR TAXATION | 20 | 2 100 000 | 460 000 |
| PROFIT AFTER TAXATION | | 20 400 527 | 16 392 150 |
| UNAPPROPRIATED PROFIT BROUGHT FORWARD | | 53 903 | 2 661 753 |
| PROFIT AVAILABLE FOR APPROPRIATION | | 20 454 430 | 19 053 903 |
| APPROPRIATIONS | | | |
| Capital reserve | | 4 000 000 | 4 000 000 |
| General reserve | | -- | 15 000 000 |
| Proposed dividend per share Rupees 1.50 (1998: NIL) | | 15 000 000 | -- |

| | | | |
|------------------------------|----|------------|------------|
| | | 19 000 000 | 19 000 000 |
| | | ----- | ----- |
| UNAPPROPRIATED PROFIT | | 1 454 430 | 53 903 |
| | | ===== | ===== |
| EARNINGS PER SHARE | 21 | 2.04 | 1.64 |

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE**DIRECTOR****STATEMENT OF SOURCES AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30 JUNE 1999**

| | 1999 | 1998 |
|--|----------------------|----------------------|
| | Rupees | Rupees |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 22 500 527 | 16 852 150 |
| Adjustments to reconcile profit with net cash provided by operating activities | | |
| Depreciation | 768 792 | 697 511 |
| Deferred cost amortized | 280 307 | 280 307 |
| Provision for gratuity | 319 515 | 243 335 |
| Financial charges | 13 998 841 | 2 231 455 |
| Provision for doubtful receivables | 127 723 | 9 608 |
| Loss on disposal of fixed assets | 68 677 | 1 750 |
| Profit on placement of funds, bank deposits and term finance certificates | (680 047) | (2 989 120) |
| | ----- | ----- |
| | 14 881 808 | 494 846 |
| | ----- | ----- |
| Operating profit before working capital changes | 37 382 335 | 17 346 996 |
| Increase in advances, deposits, prepayments and other receivables | (250 025) | (273 480) |
| Increase/(decrease) in accrued and other liabilities | (1 067 015) | 1 216 366 |
| | ----- | ----- |
| Cash generated from operations | 36 065 295 | 18 289 882 |
| Financial charges paid | (12 951 668) | (513 751) |
| income tax paid | (1 435 584) | (910 609) |
| Gratuity paid | (229 350) | (5 334) |
| | ----- | ----- |
| Net cash from operating activities | 21 448 693 | 16 860 188 |
| | | |
| | 1999 | 1998 |
| | Rupees | Rupees |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net Investment in finance leases | (106 449 938) | (112 090 360) |
| Assets purchased for own use | (542 871) | (235 145) |
| Long term deposits | 122 625 | (299 813) |
| Sale proceeds of fixed assets | 254 941 | 5 500 |
| Long term investments | (501 739) | (48 084) |
| Short term investment | (50 214) | -- |
| Profit on placement of funds, bank deposits and term finance certificates | 745 593 | 3 652 070 |
| | ----- | ----- |
| Net cash used in investing activities | (106 421 603) | (109 015 832) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Redeemable capital | 33 392 362 | 30 000 000 |
| Short term finances | 30 650 009 | 19 000 000 |
| Long term security deposits | 17 685 598 | 16 580 041 |
| Liabilities against assets subject to finance lease | (1 027 857) | (702 010) |
| | ----- | ----- |
| Net cash from financing activities | 80 700 112 | 64 878 031 |

| | | |
|---|-------------|-----------------|
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (4 272 798) | (27 277 613) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | 8 745 275 | 36 022 888 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 4 472 477 | 8 745 275 |
| | ===== | ===== |
| CHIEF EXECUTIVE | | DIRECTOR |

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1999

1. LEGAL STATUS AND NATURE OF BUSINESS

The company was incorporated in Pakistan as public limited company on 31 August 1995. The company is listed on Karachi and Lahore Stock Exchanges. The company is principally engaged in the leasing business and also provides financial and advisory services. It is classified as a non-banking financial institution (NBFI) by the State Bank of Pakistan and is regulated by the Securities and Exchange Commission of Pakistan.

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' to recognize the income on finance leases, The unearned finance income i.e. the excess of aggregate lease rentals and the residual value over the cost of leased assets is amortized to income over the lease term by applying the annuity method to produce a constant rate of return on the net cash investment in the lease.

Income on bank deposits and other investments is recognized on time proportion basis taking into account the principal outstanding and applicable rate of mark-up/profit thereon. Dividend income, fees, commissions and commitment charges etc; are accounted for on receipt basis.

2.3 Tangible operating fixed assets

Owned

These are stated at cost less accumulated depreciation. Depreciation is charged to income applying the diminishing balance method to write off the cost of assets over their expected useful life. No depreciation is charged on assets deleted during the year. Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalized.

Leased

These are stated at lower of present value of minimum lease payments under the lease agreements and fair value of assets acquired on lease. The related obligations under the lease agreements are accounted for as liabilities. Depreciation is charged on the basis and rates similar to those applied for owned assets.

2.4 Accounts receivables

Provision for doubtful receivables is made/adjusted after a review of the outstanding portfolio at year end on the basis of Prudential Regulations as applicable to leasing companies and management's own judgement.

2.5 Deferred cost

These costs are amortized over a period of five years commencing from the year in which they are incurred.

2.6 Investments

Long term investments are stated at cost. Provision for diminution in value of investments is made if considered permanent. Short term investments are stated at lower of cost and market value determined on an aggregate portfolio basis.

2.7 Employees retirement benefits

The company operates an unfunded gratuity scheme covering all its permanent employees who have completed the minimum qualifying period of six months, Provision is made annually to cover the obligation.

2.8 Taxation

The charge for current taxation is based on taxable income at the current tax rates after taking into account the tax credits and tax rebates available, if any. Deferred tax is accounted for by using the liability method on all major timing differences excluding tax effect on those timing differences which are not likely to reverse in the foreseeable future. As a measure of prudence, deferred tax debits are not accounted for.

2.9 Foreign currency transactions

Transactions in foreign currency are accounted for in Pak Rupees at the rates of exchange ruling at the date of the transactions. Assets and liabilities in foreign currency are translated into Pak Rupees at the rate of exchange ruling at the balance sheet date. Exchange gain/loss is charged to current year's income.

| | 1999 Rupees | 1998 Rupees |
|--|------------------------------|------------------------------|
| 3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL | | |
| 10 000 000 ordinary shares of Rupees 10 each fully paid up in cash (Note 3.1) | 100 000 000 | 100 000 000 |

3.1 This includes 3,000,000 (1998: 3 000 000) ordinary shares held by the associated undertakings.

4. CAPITAL RESERVE

This represents the statutory reserve created to comply with rules of business for non-banking financial institutions (NBFIs).

5. REDEEMABLE CAPITAL

| | | |
|---|------------|------------|
| Trust Investment Bank Limited (Note 5.1) | 30 392 362 | 15 000 000 |
| Askari Commercial Bank Limited (Note 5.2) | 5 000 000 | 10 000 000 |
| Escort Investment Bank Limited (Note 5.3) | 28 000 000 | -- |
| Islamic Investment Bank Limited | -- | 5 000 000 |
| | ----- | ----- |
| | 63 392 362 | 30 000 000 |
| Less: Current portion | 20 000 000 | 9 615 385 |
| | ----- | ----- |
| | 43 392 362 | 20 384 615 |
| | ===== | ===== |

5.1 These represent two placement facilities of Rupees 15 million and Rupees 15.392 million obtained for financing lease operations. These are unsecured and carry mark-up at the rate of 21 percent and 16 percent per annum and repayable on 30 August 1999 and 30 September 2000 respectively. Profit is payable annually and six months basis respectively.

5.2 This represents the balance of the facility of Rupees 10 million obtained for financing the lease operations. It carries mark-up at the rate of 18.25 percent per annum. This facility is secured against pari passu charge over leased assets and assignment of lease rentals upto Rupees 13.34 million and repayable in 8 equal quarterly installments commenced from 30 September 1996.

5.3 This represents placement facility utilized for financing of lease operations. This is unsecured and carries mark-up at the rate of 17 percent per annum payable on half yearly basis. The placement will mature on 22 June 2001.

6. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The rate of interest used as the discounting factor, implicit in leases, ranges from 21 percent to 24 percent per annum. The amount of future payments and periods during which they fall due are:

| | 1999 Rupees | 1998 Rupees |
|-----------------------------------|------------------------------|------------------------------|
| Year ended 30 June | | |
| 1999 | -- | 1 276 356 |
| 2000 | 1 492 745 | 1 212 033 |
| 2001 | 602 968 | 233 921 |
| 2002 | 215 304 | -- |
| | ----- | ----- |
| | 2 311 017 | 2 722 310 |
| Less: Unamortized finance charges | 306 876 | 463 260 |
| | ----- | ----- |
| | 2 004 141 | 2 259 050 |
| Less: Current portion | 1 257 803 | 938 408 |
| | ----- | ----- |
| | 746 338 | 1 320 642 |
| | ===== | ===== |

6.1 The lease rentals are payable in monthly installments. The amount of rentals payable in the years 2000, 2001 and 2002 includes the amount of salvage value of Rupees 185,713, Rupees 99,812 and Rupees 92,288 respectively adjustable at the end of the lease term. The lease agreements carry renewal and purchase option at the end of lease period. There are no financial restrictions in lease agreements. These are secured by deposits of Rupees 192,100 and Rupees 185,713 included in long term security deposits and short term security deposits respectively and demand promissory notes.

7. LONG TERM SECURITY DEPOSITS

| | | |
|--|------------|------------|
| Security deposits on leases (Note 7.1) | 44 433 904 | 26 748 306 |
| Less: Current portion | 9 834 790 | -- |
| | ----- | ----- |
| | 34 599 114 | 26 748 306 |
| | ===== | ===== |

7.1 These represent the interest free security deposits received against lease contracts and are repayable/adjustable at the expiry/termination of the respective leases.

| | <i>1999</i> <i>Rupees</i> | <i>1998</i> <i>Rupees</i> |
|---|------------------------------|------------------------------|
| 8. CURRENT PORTION OF LONG TERM LIABILITIES | | |
| Redeemable capital | 20 000 000 | 9 615 385 |
| Liabilities against assets subject to finance lease | 1 257 803 | 938 408 |
| Long term security deposits | 9 834 790 | -- |
| | ----- | ----- |
| | 31 092 593 | 10 553 793 |
| | ===== | ===== |
| 9. SHORT TERM FINANCES | | |
| From banking companies | | |
| ANZ Grindlays Bank Limited (Note 9.1) | 18 500 000 | -- |
| Bank Alfalah Limited (Note 9.2) | 6 250 000 | -- |
| | ----- | ----- |
| | 24 750 000 | -- |
| From financial institutions (Note 9.3) | 24 900 009 | 19 000 000 |
| | ----- | ----- |
| | 49 650 009 | 19 000 000 |
| | ===== | ===== |

9.1 This represents the balance drawn against the facility of Rupees 50 million. This carries mark-up at the rate of 17 percent per annum payable quarterly and is secured against pari passu charge over leased assets and lease rentals for Rupees 68 million. Each draw-down will be repaid in full within six months and is eligible for redrawing.

9.2 This represents balance of the aggregate credit facility of Rupees 15 million. Mark-up rate is 19 percent per annum and is secured by specific first charge on the leased assets of Rupees 26 million, assignment of lease rentals and personal guarantees of two directors.

9.3 These represent unsecured placement facilities carry mark-up ranging from 15.5 to 17.25 percent per annum.

10. ACCRUED AND OTHER LIABILITIES

Mark-up on redeemable capital

| | | |
|--|-----------|-----------|
| Secured | -- | 8 016 |
| Unsecured | 2 304 221 | 1 672 068 |
| Mark-up on secured short term finances | 209 178 | -- |
| Mark-up on unsecured short term finances | 258 427 | 46 569 |
| Lease rentals in advance | 197 962 | 335 188 |
| Income tax withheld | 2 462 | 1 015 855 |
| Accrued liabilities | 324 689 | 607 525 |
| Lessees' accounts payable | 421 440 | 55 000 |
| | ----- | ----- |
| | 3 718 379 | 3 740 221 |
| | ===== | ===== |

11. TANGIBLE OPERATING FIXED ASSETS

| | <i>COST</i> | | | <i>ACCUMULATED DEPRECIATION</i> | | | <i>DEPRECIATION</i> | | |
|------------------------|----------------|----------------------|----------------|---------------------------------|-------------------|-------------------|---------------------|-------------------|-------------|
| | <i>As at</i> | <i>Additions/</i> | <i>As at</i> | <i>As at</i> | <i>Adjustment</i> | <i>BOOK VALUE</i> | | <i>Charge for</i> | <i>Rate</i> |
| | <i>01 July</i> | <i>(Deletions)</i> | <i>30 June</i> | <i>30 June</i> | <i>As at</i> | <i>AS AT</i> | <i>the year</i> | | |
| <i>1998</i> | | <i>1999</i> | <i>1998</i> | <i>1999</i> | <i>30 June</i> | <i>30 JUNE</i> | | | |
| Owned | | | | | | | | | |
| Furniture and fixtures | 454 557 | 27 700 | 482 257 | 57 559 | -- | 100 029 | 382 228 | 42 470 | 10 |
| Office equipments | 379 774 | 512 471 (253 747) | 638 498 | 73 001 | (37 275) | 139 514 | 498 984 | 103 788 | 10-30 |
| Vehicles | 4 750 | 2 700 (2 375) | 5 075 | 1 204 | (601) | 1 497 | 3 578 | 894 | 20 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- | |
| | 839 081 | 542 871 (256 122) | 1 125 830 | 131 764 | (37 876) | 241 040 | 884 790 | 147 152 | |
| Leased | | | | | | | | | |
| Vehicles (Note 11.2) | 2 563 325 | 669 130 (292 000) | 2 940 455 | 596 143 | (73 974) | 1 005 826 | 1 934 629 | 483 657 | 20 |
| Office equipments | 583 935 | 216 472 | 800 407 | 128 240 | -- | 266 223 | 534 184 | 137 983 | 10-30 |

| | | | | | | | | |
|---------------------|-----------|------------------------|-----------|---------|-----------|-----------|-----------|---------|
| 30 June 1999 Rupees | 3 986 341 | 1 428 473 (584 122) | 4 866 692 | 856 147 | (111 850) | 1 513 089 | 3 353 603 | 768 792 |
| 30 June 1998 Rupees | 2 760 571 | 1 233 270 (7 500) | 3 986 341 | 158 886 | (250) | 856 147 | 3 130 194 | 697 511 |

11.1 Detail of fixed assets disposed of during the year under reference.

| <i>DESCRIPTION</i> | <i>COST</i> | <i>ACCUMULATED DEPRECIATION</i> | <i>BOOK VALUE</i> | <i>SALE PROCEEDS</i> | <i>MODE OF DISPOSAL</i> | <i>PARTICULARS OF PURCHASER</i> |
|--------------------------|---------------|---------------------------------|-------------------|----------------------|-------------------------|--|
| | <i>Rupees</i> | <i>Rupees</i> | <i>Rupees</i> | <i>Rupees</i> | | |
| OFFICE EQUIPMENTS | | | | | | |
| Computers | 253 747 | 37 275 | 216 472 | 253 747 | Sale and lease back | Al-Zamin Leasing Modaraba, Clifton, Karachi, |
| VEHICLES | | | | | | |
| Bi-cycle | 2 375 | 601 | 1 774 | 1 194 | Negotiation | Mr. Waheed, Ex-employee, Gulberg, Lahore. |

11.2 Deletion represents the termination/transfer of lease facility to ex-chief executive at price of Rupees 149 929 against book valuing Rupees 218 026.

| | <i>1999</i> | <i>1998</i> |
|---|---------------|---------------|
| | <i>Rupees</i> | <i>Rupees</i> |
| 12. LONG TERM INVESTMENT | | |
| Quoted | | |
| National Investment Trust | | |
| 51,347 units of Rupees 10 each (Market value on :30 June 1999 Rupees 390 237) | 600 247 | -- |
| Packages Limited | | |
| 29 term finance certificates of Rupees 5,000 each (Note 15.1) (Market value on 30 June 1998 Rupees 97,555) | -- | 98 508 |
| | 600 247 | 98 508 |

13. LONG TERM DEPOSITS AND DEFERRED COST

| | | |
|---------------------------------|---------|-----------|
| Long term security deposits | 394 801 | 517 426 |
| Deferred cost (Note 13.1) | 840 920 | 1 121 227 |
| Less: Amortized during the year | 280 307 | 280 307 |
| | 560 613 | 840 920 |
| | 955 414 | 1 358 346 |

13.1 This represents the unamortized portion of preliminary, share issue and other pro-operating expenses.

14. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | | |
|--|-----------|-----------|
| Advance income tax | 2 777 293 | 1 341 709 |
| Advances- Considered good | | |
| To company's executives (Note 14.1) | 56 500 | 21 500 |
| To company's staff | 32 522 | -- |
| To consultants | 234 000 | 298 725 |
| | 323 022 | 320 225 |
| Profit accrued on placement of funds, deposits and investments | 43 709 | 109 255 |
| Short term security deposits | 185 713 | -- |
| Short term prepayments | 156 323 | 146 171 |
| Insurance claims receivable | 98 687 | 68 981 |
| Due from lessees | 21 657 | -- |
| | 3 606 404 | 1 986 341 |

14.1 Maximum balance due from executives at the end of any month during the year was Rupees 74,500 (1998: Rupees 21,500).

| | 1999 | 1998 |
|--|---------------|---------------|
| | Rupees | Rupees |

15. SHORT TERM INVESTMENT**Quoted****Packages Limited**

| | | |
|---|--------|-------|
| 29 term finance certificates of Rupees 5,000 each (Note 15.1) | 50 214 | -- |
| | ===== | ===== |

15.1 These term finance certificates are being redeemed over a period of five years ending on 19 February 2000. The rate of profit is 18.50 percent per annum payable semi annually. Market value of these certificates as on 30 June 1999 was Rupees 89,552.

16. CASH AND BANK BALANCES

| | | |
|---------------------------------|-----------|-----------|
| Cash in hand | -- | 45 885 |
| Cash with banks | | |
| On current accounts (Note 16.1) | 1 831 096 | 803 480 |
| On deposit accounts | 2 641 381 | 7 895 910 |
| | ----- | ----- |
| | 4 472 477 | 8 699 390 |
| | ----- | ----- |
| | 4 472 477 | 8 745 275 |
| | ===== | ===== |

16.1 It includes Rupees 20,000 kept with State Bank of Pakistan as required by rules of business for non-banking financial institutions (NBFIs). It is an interest free deposit.

17. OTHER INCOME

| | | |
|---|---------|-----------|
| Profit on placement of funds with NBFIs | 30 297 | 2 565 913 |
| Profit on term finance certificates | 14 644 | 15 659 |
| Profit on bank deposits | 635 106 | 387 548 |
| | ----- | ----- |
| | 680 047 | 2 969 120 |
| | ===== | ===== |

| | 1999 | 1998 |
|--|---------------|---------------|
| | Rupees | Rupees |

18. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

| | | |
|--|-----------|-----------|
| Staff salaries and other benefits inclusive of employees' retirement gratuity Rupees 319,515 (1998: 243,335) (Note 18.1) | 5 386 002 | 5 109 489 |
| Repair and office maintenance | 192 945 | 161 325 |
| Rent, rates and taxes | 628 551 | 656 884 |
| Postage and telephone | 423 132 | 397 666 |
| Vehicles' running | 551 260 | 393 535 |
| Electricity, water and gas | 207 253 | 217 483 |
| Legal and professional | 274 360 | 197 223 |
| Insurance | 353 043 | 317 404 |
| Fee and subscription | 377 900 | 461 777 |
| Travelling and conveyance | 229 312 | 238 226 |
| Printing and stationery | 300 016 | 222 995 |
| Auditors' remuneration | | |
| Audit fee | 75 000 | 50 000 |
| Out of pocket expenses | 5 460 | 2 476 |
| | ----- | ----- |
| | 80 460 | 52 476 |
| Entertainment | 102 256 | 72 802 |
| Advertisement | 57 070 | 39 200 |
| Newspapers and periodicals | 14 251 | 13 005 |
| Miscellaneous | 3 253 | 57 604 |
| Depreciation | 168 192 | 697 511 |
| | ----- | ----- |
| | 9 949 856 | 9 306 605 |
| | ===== | ===== |

18.1 Number of employees, including chief executive and 4 executives as on 30 June 1999 were 17 (1998: 15).

19. FINANCIAL AND OTHER CHARGES**Financial**

| | | |
|---|---------------|---------------|
| Mark up on: | | |
| Redeemable capital | 5 396 055 | 1 675 084 |
| Short term finances | 8 002 681 | 51 569 |
| Financial charges on liabilities against assets subject to finance lease | 415 685 | 450 219 |
| Commission and other bank charges | 182 420 | 54 583 |
| | ----- | ----- |
| | 13 996 841 | 2 231 455 |
| Others | | |
| Amortization of deferred cost | 280 307 | 280 307 |
| Loss on disposal of fixed assets | 68 677 | 1 750 |
| Provision for doubtful receivables | 127 723 | 9 608 |
| | ----- | ----- |
| | 14 473 548 | 2 523 120 |
| | ===== | ===== |
| | 1999 | 1998 |
| | Rupees | Rupees |

20. PROVISION FOR TAXATION

| | | |
|--------------------------|-----------|---------|
| Current year (Note 20.1) | 600 000 | 460 000 |
| Deferred (Note 20.2) | 1 500 000 | -- |
| | ----- | ----- |
| | 2 100 000 | 460 000 |
| | ===== | ===== |

20.1 This represents the provision for minimum tax as required under section 80D of the Income Tax Ordinance, 1979. In view of tax losses of Rupees 29.3 million (1998: Rupees 9 million), no provision for current taxation except minimum tax is required.

20.2 The revised International Accounting Standard IAS-12 "Accounting for Taxes on Income", effective for financial statements beginning on or after 01 January 2002, requires full recognition of deferred tax balances in the relevant period. The management has decided to progressively provide for its deferred tax liability for the mandatory compliance of the IAS-12 by 01 January 2002, in spite it may not reverse in foreseeable future. The total amount of deferred tax liability as at 30 June 1999 is estimated at Rupees 10.9 million (1998: Rupees 4 million). Rupees 1.5 million have been provided in the current year for deferred tax liability.

20.3 The company has filed appeal with Commissioner of Income Tax (Appeals) against the order of Deputy Commissioner of Income Tax for levying tax amounting to Rupees 1.588 million on other income for the pro-operating period. Due to pending outcome of the appeal, no provision has been made in the accounts thereagainst.

21. EARNINGS PER SHARE

There is no dilutive effect on the basic earnings per share of the company, which is based on:

| | | |
|---------------------------|------------|------------|
| Profit after taxation | 20 400 527 | 16 392 150 |
| Number of ordinary shares | 10 000 000 | 10 000 000 |
| Earnings per share | 2.04 | 1.64 |

22. STATEMENT OF CHANGES IN EQUITY

| | <i>Share Capital Rupees</i> | <i>Capital Reserve Rupees</i> | <i>General Reserve Rupees</i> | <i>Unappropriated Profit Rupees</i> | <i>Total Rupees</i> |
|-----------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|---|-------------------------|
| Balance as at 01 July 1997 | 100 000 000 | 700 000 | -- | 2 661 753 | 103 361 753 |
| Net profit for the year | -- | -- | -- | 16 392 150 | 16 392 150 |
| Appropriations | | | | | |
| Capital reserve | -- | 4 000 000 | -- | (4 000 000) | -- |
| General reserve | -- | -- | 15 000 000 | (15 000 000) | -- |
| | ----- | ----- | ----- | ----- | ----- |
| Balance as at 30 June 1998 | 100 000 000 | 4 700 000 | 15 000 000 | 53 903 | 119 753 903 |
| Net profit for the year | -- | -- | -- | 20 400 527 | 20 400 527 |
| Appropriations | | | | | |
| Capital reserve | -- | 4 000 000 | -- | (4 000 000) | -- |
| General reserve | -- | -- | -- | -- | -- |
| Proposed dividend | -- | -- | -- | (15 000 000) | (15 000 000) |
| | ----- | ----- | ----- | ----- | ----- |
| Balance as at 30 June 1999 | 100 000 000 | 8 700 000 | 15 000 000 | 1 454 430 | 125 154 430 |
| | ===== | ===== | ===== | ===== | ===== |

23. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**23.1 INTEREST/MARK-UP RATE**

The company's exposure to interest/mark-up rate risk and effective rates on its financial assets and financial liabilities are summarized as follows:

| | 1999 | | | |
|---|----------------------------------|--------------------------------------|---------------------------------------|---|
| | FINANCIAL INSTRUMENTS | INTEREST/MARK. UP BEARING | | NON- INTEREST/ MARK-UP BEARING |
| | | <i>Within One Year</i> | <i>One Year To Five Years</i> | |
| | Rupees | Rupees | Rupees | Rupees |
| ASSETS | | | | |
| Net investment in finance leases | 293 640 203 | 118 234 042 | 175 406 161 | -- |
| Long term investment | 600 247 | -- | -- | 600 247 |
| Long term deposits | 394 801 | -- | -- | 394 801 |
| Advances, deposits and other receivables | 672 788 | -- | -- | 672 788 |
| Short term investment | 50 214 | 50 214 | -- | -- |
| Bank balances | 4 472 477 | 2 641 381 | -- | 1 831 096 |
| | ----- | ----- | ----- | ----- |
| | 299 830 730 | 120 925 637 | 175 406 161 | 3 498 932 |
| | ===== | ===== | ===== | ===== |
| LIABILITIES | | | | |
| Redeemable capital | 63 392 362 | 20 000 000 | 43 392 362 | -- |
| Liabilities against assets subject to finance lease | 2 004 141 | 1 257 803 | 746 338 | -- |
| Long term security deposits | 44 433 904 | -- | -- | 44 433 904 |
| Short term finances | 49 650 009 | 49 650 009 | -- | -- |
| Accrued and other liabilities | 3 517 955 | -- | -- | 3 517 955 |
| Proposed dividend | 15 000 000 | -- | -- | 15 000 000 |
| | ----- | ----- | ----- | ----- |
| | 177 998 371 | 70 907 812 | 44 138 700 | 62 951 859 |
| | ===== | ===== | ===== | ===== |
| Total interest/mark-up rate sensitivity gap | 121 832 359 | 50 017 825 | 131 267 461 | (59 452 927) |
| | ===== | ===== | ===== | ===== |
| Cumulative interest/mark-up rate sensitivity gap | -- | 50 017 825 | 181 285 286 | 121 832 359 |
| | ===== | ===== | ===== | ===== |

23.2 EFFECTIVE INTEREST/MARK-UP RATES**Financial assets**

| | |
|-----------------------------------|----------------------------------|
| Net investments in finance leases | 20.25 to 30.50 percent per annum |
| Short term investment | 18.50 percent per annum |
| Deposits with banks | 9.00 to 12.50 percent per annum |

Financial liabilities

| | |
|--------------------|----------------------------|
| Redeemable capital | 16 to 21 percent per annum |
|--------------------|----------------------------|

Liabilities against assets subject to

| | |
|---------------------|-------------------------------|
| Finance lease | 21 to 24 percent per annum |
| Short term finances | 15.50 to 19 percent per annum |

23.3 INTEREST/MARK-UP RATE

The company's exposure to interest/mark-up rate risk and effective rates on its financial assets and financial liabilities are summarized as follows:

| | 1998 | | | |
|--|----------------------------------|--------------------------------------|---------------------------------------|---|
| | FINANCIAL INSTRUMENTS | INTEREST/MARK. UP BEARING | | NON- INTEREST/ MARK-UP BEARING |
| | | <i>Within One Year</i> | <i>One Year To Five Years</i> | |
| | Rupees | Rupees | Rupees | Rupees |
| ASSETS | | | | |
| Net investment in finance leases | 187 190 265 | 61 243 337 | 125 946 928 | -- |
| Long term investment | 98 508 | -- | 98 508 | -- |
| Long term deposits | 517 426 | -- | -- | 517 426 |
| Advances, deposits and other receivables | 498 461 | -- | -- | 498 461 |
| Cash and bank balances | 8 745 275 | 7 895 910 | -- | 849 365 |
| | ----- | ----- | ----- | ----- |
| | 197 049 935 | 69 139 247 | 126 045 436 | 1 865 252 |
| | ===== | ===== | ===== | ===== |

LIABILITIES

| | | | | |
|---|-------------|------------|-------------|--------------|
| Redeemable capital | 30 000 000 | 9 615 385 | 20 384 615 | -- |
| Liabilities against assets subject to finance lease | 2 259 050 | 938 408 | 1 320 642 | -- |
| Long term security deposits | 26 748 306 | -- | -- | 26 748 306 |
| Short term finances | 19 000 000 | 19 000 000 | -- | -- |
| Accrued and other liabilities | 2 389 178 | -- | -- | 2 389 178 |
| | ----- | ----- | ----- | ----- |
| | 80 396 534 | 29 553 793 | 21 705 257 | 29 137 484 |
| | ===== | ===== | ===== | ===== |
| Total interest/mark-up rate sensitivity gap | 116 653 401 | 39 585 454 | 104 340 179 | (27 272 232) |
| | ===== | ===== | ===== | ===== |
| Cumulative interest/mark-up rate sensitivity gap | -- | 39 585 454 | 143 925 633 | 116 653 401 |
| | ===== | ===== | ===== | ===== |

23.4 EFFECTIVE INTEREST/MARK-UP RATES**Financial assets**

| | |
|-----------------------------------|----------------------------------|
| Net investments in finance leases | 21.16 to 30.50 percent per annum |
| Long term investment | 18.50 percent per annum |
| Deposits with banks | 9.00 to 12.50 percent per annum |

Financial liabilities

| | |
|--|-------------------------------|
| Redeemable capital | 18.25 to 22 percent per annum |
| Liabilities against assets subject to Finance lease | 22 to 24 percent per annum |
| Short term finances | 17.75 to 22 percent per annum |

23.5 CREDIT RISK EXPOSURE

The management of the company controls the credit risk exposure by obtaining sufficient collateral, monitoring and limiting the further exposure to its clients, review of their cash flows and making reasonable provisions for doubtful receivables. The management is also doing its best endeavour to diversify its investment in different sectors of the economy so as to avoid concentration of credit risk.

23.6 FAIR VALUE OF FINANCIAL INSTRUMENTS

The management is of the opinion that fair value of financial instruments, as on the balance sheet date was not significantly different from their carrying amounts except for long term investment (Note 12).

24. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amounts charged in the accounts for remuneration, including all benefits to Chief Executive and Executives of the company are as follows:

| | 1999 | | | 1998 | | |
|-------------------------|----------------------------|-------------------|---------------|----------------------------|-------------------|---------------|
| | <i>Chief Executive</i> | <i>Executives</i> | <i>Total</i> | <i>Chief Executive</i> | <i>Executives</i> | <i>Total</i> |
| | <i>Rupees</i> | <i>Rupees</i> | <i>Rupees</i> | <i>Rupees</i> | <i>Rupees</i> | <i>Rupees</i> |
| Managerial remuneration | 1 446 667 | 1 036 000 | 2 482 667 | 800 000 | 1 502 000 | 2 302 000 |
| Bonus | -- | 129 500 | 129 500 | -- | -- | -- |
| House rent | 651 000 | 466 200 | 1 117 200 | 360 000 | 675 900 | 1 035 900 |
| Utilities | 72 333 | 51 800 | 124 133 | 40 000 | 75 100 | 115 100 |
| Leave fare assistance | 140 833 | -- | 140 833 | -- | -- | -- |
| Leave encashment | 211 250 | -- | 211 250 | -- | -- | -- |
| Gratuity | 343 333 | 132 667 | 476 000 | 96 667 | 126 334 | 223 001 |
| | ----- | ----- | ----- | ----- | ----- | ----- |
| | 2 865 416 | 1 816 167 | 4 681 583 | 1 296 667 | 2 379 334 | 3 676 001 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| Number of persons | 1 | 4 | | 1 | 5 | |

24.1 No meeting fees were paid to directors during the year under reference.

24.2 The chief executive has been provided company's maintained vehicle. Free group medical insurance has been provided to chief executive and all executives of the company.

25. CORRESPONDING FIGURES

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

CHIEF EXECUTIVE**DIRECTOR****FORM 34****PATTERN OF HOLDING OF THE SHARES HELD BY THE
SHAREHOLDERS OF GRAYS LEASING LIMITED**

AS AT JUNE 30, 1999

| <i>No. of Shareholders</i> | <i>Shareholding</i> | | <i>Total Shares Held</i> |
|--------------------------------|---------------------|-----------|------------------------------|
| | <i>From</i> | <i>To</i> | |
| 1075 | 101 | 500 | 54400 |
| 20 | 501 | 1000 | 19371 |
| 30 | 1001 | 5000 | 104649 |
| 21 | 5001 | 10000 | 200357 |
| 7 | 10001 | 15000 | 95150 |
| 18 | 15001 | 20000 | 368121 |
| 8 | 20001 | 25000 | 185000 |
| 2 | 30001 | 35000 | 60000 |
| 1 | 35501 | 40000 | 40000 |
| 11 | 45001 | 50000 | 544144 |
| 1 | 55001 | 60000 | 57777 |
| 1 | 65001 | 70000 | 70000 |
| 1 | 75001 | 80000 | 77036 |
| 5 | 90001 | 100000 | 500000 |
| 1 | 185001 | 190000 | 186284 |
| 2 | 525001 | 530000 | 1059246 |
| 2 | 720001 | 725000 | 1444432 |
| 1 | 995001 | 1000000 | 1000000 |
| 1 | 1440001 | 1445000 | 1444433 |
| 1 | 1995001 | 2000000 | 2000000 |
| ----- | | | ----- |
| 1209 | | | 10000000 |
| ===== | | | ===== |

| <i>Categories of Shareholders</i> | <i>Number of Shareholders</i> | <i>Shares Held</i> | <i>Percentage</i> |
|---------------------------------------|-----------------------------------|------------------------|-------------------|
| Individual | 1196 | 3 909 135 | 39.09 |
| Investment Companies | 2 | 1 444 432 | 14.44 |
| Joint Stock Companies | 11 | 4 646 433 | 46.46 |
| ----- | | | ----- |
| Total | 1209 | 10 000 000 | 100.00 |
| ===== | | | ===== |

**ABDUL GHAFFAR
(COMPANY)**