

1 LEGAL STATUS AND NATURE OF BUSINESS

Pak-Gulf Leasing Company Limited (the Company) was incorporated in Pakistan on December 27, 1994 as a public limited company under the Companies Ordinance, 1984 and commenced its operations on September 16, 1996. The company is principally engaged in the business of leasing and is listed on all the three Stock Exchanges of Pakistan, namely, the Karachi Stock Exchange (Guarantee) Limited, the Lahore Stock Exchange (Guarantee) Limited and the Islamabad Stock Exchange (Guarantee) Limited. The registered office of the company is situated at the Forum, Rooms 125 - 127, First floor, main Khayaban-e-Jami, Clifton, Karachi.

2 BASIS OF PREPARATION**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984 (the Ordinance), the requirements of the Ordinance, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), Prudential Regulations for Non-Banking Finance Companies (the Prudential Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (the SECP). Wherever the requirements of the Ordinance, the NBFC Rules, the NBFC Regulations, the Prudential Regulations or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Ordinance, the NBFC Rules, the NBFC Regulations, the Prudential Regulations or the directives issued by the SECP prevail.

As per the requirements of NBFC Regulations, existing leasing companies are required to maintain an equity of atleast Rs 350 million by June 30, 2011. As at June 30, 2009 the Company's equity was Rs 333.766 million.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that certain operating fixed assets are stated at revalued amount and investments classified as 'available for sale' are marked to market and carried at fair value.

2.3 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

- (a) During the year ended June 30, 2009, International Financial Reporting Standard 7 (IFRS 7) 'Financial Instruments: Disclosures' became effective. IFRS 7 has superseded IAS 30 and the disclosure requirements of IAS 32. Adoption of this standard has only resulted in additional disclosures which have been set out in the note 20 and note 33 to these financial statements.
- (b) There are other standards, amendments and interpretations that were mandatory for accounting periods beginning on or after July 1, 2008 but were considered not to be relevant or did not have any significant effect on the Company's operations.

2.4 Standards, interpretations and amendments to published accounting standards that are not yet effective

- (a) IAS 1(Revised), 'Presentation of Financial Statements' (effective for annual periods beginning on or after January 1, 2009), was issued in September 2007.

The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented separately from owner changes in equity, either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). When the entity applies an accounting policy retrospectively or makes retrospective statement or reclassifies items in the financial statements, they will be required to present a restated financial position (balance sheet) as at beginning of comparative period in addition to the current requirement to present the balance sheet as at the end of the current and the comparative period. The adoption of this standard will only impact the presentation of the financial statements.

(b) IAS 19 (Amendment), 'Employee Benefits' (effective from January 1, 2009)

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. Adoption of the amendment is not expected to have any effect on the Company's financial statements.
- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. Adoption of the amendment is not expected to have any effect on the Company's financial statements.
- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered. The adoption of this amendment will only impact the presentation of the financial statements.
- IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', requires those contingent liabilities to be disclosed, which are not recognised. IAS 19 has been amended to be consistent with IAS 37.

(c) IAS 36 (Amendment), 'Impairment of Assets' (effective from January 1, 2009)

As per the new requirements, disclosures equivalent to those for value-in-use calculation should be made where fair value less costs to sell is calculated on the basis of discounted cash flows. Adoption of the amendment is not expected to have significant effect on the Company's financial statements.

(d) IAS 38 (Amendment), 'Intangible Assets' (effective from January 1, 2009)

The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access of goods or receipt of services. This amendment is not expected to have a significant effect on the Company's financial statements.

(e) IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective from January 1, 2009)

There are a number of minor amendments to IFRS 7 in respect of enhanced disclosures about liquidity risk and fair value measurements. These amendments are unlikely to have an impact on the Company's financial statements and have therefore not been analysed in detail.

(f) There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 but



are considered not to be relevant or do not have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires management to exercise judgment in application of the Company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) Classification and valuation of investments (notes 3.1 and 5)
- ii) Provision for current and deferred taxation (notes 3.10 and 28)
- iii) Recognition and measurement of deferred tax assets and liabilities (note 16)
- iv) Classification and provision of net investment in finance lease (notes 3.5, 3.6 and 7)
- v) Determination and measurement of useful life and residual value of operating fixed assets (note 9)

2.6 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the Company's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Financial assets

3.1.1 Classification

The Company classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

(a) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(b) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

3.1.2 Initial recognition and measurement

Financial assets are initially recognised at fair value plus any related transaction costs.

3.1.3 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as loans and receivables and available for sale are valued as follows:

a) Loans and receivables

Loans and receivables are carried at amortised cost.

b) Available for sale

Subsequent to initial measurement, available for sale investments are revalued and are remeasured to fair value.

Net gains and losses arising on changes in fair value of available for sale financial assets are taken to equity until these are derecognised. At this time, the cumulative gain or loss previously recognised directly in equity is transferred to the profit and loss account.

3.1.4 Impairment

The carrying value of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

3.1.5 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership attached to such financial assets.

3.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

3.3 Offsetting of financial assets and liabilities

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

3.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cheques in hand, deposits held at call with banks, short-term running finance facilities and other short-term highly liquid investments with original maturities of three months or less.

3.5 Net investment in lease finance

Leases where the company transfers substantially all the risks and rewards incidental to ownership



of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognised on the balance sheet. The difference between the gross lease receivables and the present value of the lease receivables is recognised as unearned finance income.

A receivable is recognised at an amount equal to the present value of the minimum lease payments under the lease agreements, including guaranteed residual value, if any.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in the profit and loss account on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivables.

Initial direct costs incurred by the company in negotiating and arranging finance leases are added to finance lease receivables and are recognised as an expense in the profit and loss account over the lease term on the same basis as the finance lease income.

3.6 Provision for potential lease losses and provision for terminated leases

Specific provision for potential lease losses and doubtful receivables are made on the basis of the requirements of the NBFC Regulations.

Such allowance is increased by provision charged to income and is decreased by charge offs, net of recoveries and related legal charges.

3.7 Operating fixed assets

These are stated at cost less accumulated depreciation and impairment losses, if any, except for leasehold premises which is stated at revalued amount less accumulated depreciation and impairment losses, if any, and capital work-in-progress which is stated at cost less impairment losses, if any. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when the assets are available for use.

Subsequent costs are included in the assets' carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other subsequent costs including repairs and maintenance are charged to the profit and loss account as and when incurred.

Depreciation is charged using the straight line method, whereby the depreciable amount of an asset is written off over its estimated useful life at the rates specified in note 9.1 after taking into account residual value, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the month the assets are put to use while no depreciation is charged in the month in which the assets are disposed off.

Any surplus arising on revaluation of operating fixed assets is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amounts of assets do not differ materially from the fair value of such assets. To the extent of the incremental depreciation charged on the revalued assets, the surplus on revaluation of operating fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

Gains or losses on sale of assets are charged to the profit and loss account in the period in which they arise, except that the related surplus on revaluation of assets (net of deferred taxation) is

transferred directly to accumulated profit.

3.8 Other receivables

Other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

3.9 Other provisions

Provisions are recognised when the company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

3.10 Taxation

3.10.1 Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for current taxation also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

Taxable income for the purpose of computing current taxation is determined under the provisions of the tax laws whereby lease rentals received and receivable are deemed to be the income of the Company. Provision for taxation is thus based on taxable income determined in accordance with the requirements of such laws, and is made at the current rates of taxation in the Income Tax Ordinance, 2001.

3.10.2 Deferred

Deferred tax is recognised, using the balance sheet liability method, on all temporary differences arising between the tax base of assets and liabilities and their carrying amount. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on the tax rates that have been enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, whereas deferred tax assets are recognised for all deductible temporary differences. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits or taxable temporary differences will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. In addition, the company also recognises deferred tax asset / liability on the deficit / surplus on revaluation of tangible fixed assets which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard 12 (IAS 12), 'Income Taxes'.

3.11 Trade and other payables

Liabilities for trade and other payables are recognised initially at fair value and subsequently carried at amortised cost.

3.12 Staff retirement benefits

Defined contribution plan

The Company operates an approved defined contributory provident fund for all its permanent employees. Monthly contributions are made to the fund equally by the company and the employees



in accordance with the rules of the fund. The contributions are recognised as employee benefit expense when they become due.

Staff retirement benefits are payable to employees on completion of the prescribed qualifying period of service under the scheme.

3.13 Employees' compensated absences

The Company accounts for the liability in respect of employees' compensated absences in the year in which these are earned. Provision to cover the obligations under the scheme is made based on the current leave entitlements of the employees and by using the current salary level of the employees.

3.14 Currency translation

Foreign currency transactions

Items included in financial statements are measured using the currency of the primary economic environment in which the Company operates.

Transactions in foreign currencies are translated to Pakistani Rupees at the foreign exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange approximating those prevailing on the balance sheet date. Exchange differences are taken to the profit and loss account.

3.15 Revenue recognition

The Company follows the finance lease method in accounting for the recognition of lease income. Under this method, the unearned lease income i.e. the excess of gross lease rentals and the estimated residual value over the cost of the leased assets is deferred and taken to income over the term of the lease contract, so as to produce a systematic return on the net investment in finance lease. Unrealised lease income is held in suspense account, where necessary, in accordance with the requirements of the NBFC Regulations.

- Documentation charges are taken to income when realised.
- Income on investments is accounted for on accrual basis.
- Dividend income is recognised when the right to receive the dividend is established.

3.16 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary share holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares, if any.

3.17 Dividend distribution and transfer between reserves

Dividend distribution (including stock dividend) to the Company's shareholders and transfer between reserves, except appropriations which are required under law, are recognised in the financial statements in the period in which such dividends are declared or such transfers between reserves are made.

4	CASH AND BANK BALANCES	Note	2009	2008
			----- Rupees -----	
	Balance with banks:			
	- in current accounts		11,017,578	53,845
	- in saving accounts	3.1	11,895,818	105,152
	Cash in hand		8,347	12,414
			<u>22,921,743</u>	<u>171,411</u>
4.1	Return on these savings accounts is earned at rates ranging from 5 percent to 17 percent (2008: 0.08 percent to 2.77 percent) per annum.			
		Note	2009	2008
5	INVESTMENTS		----- Rupees -----	
	Available for sale investments			
	Cost			
	54,300 units of National Investment Trust (2008: 54,300)		1,194,200	1,194,200
	Revaluation surplus / (deficit)			
	As at July 1		1,648,405	2,153,395
	Deficit for the year		(1,384,650)	(504,990)
	As at June 30		263,755	1,648,405
			<u>1,457,955</u>	<u>2,842,605</u>
6	OTHER RECEIVABLES - NET			
	Lease receivables held under litigation	6.1	45,375,118	39,777,857
	Insurance premium receivable	6.2	8,436,314	7,470,607
	Others		667,822	1,058,935
			54,479,254	48,307,399
	Less: Provision against terminated leases	6.3	29,742,804	21,568,595
			<u>24,736,450</u>	<u>26,738,804</u>
6.1	The net investment in finance lease for cases terminated by the Company, and where litigation has commenced, is transferred to other receivables.			
6.2	This represents insurance premium receivable from lessees for leased assets insured on their behalf by the Company. These amounts are recovered either during the lease period or on termination / maturity of the lease contracts.			
		Note	2009	2008
6.3	Movement of provision against terminated lease		----- Rupees -----	
	Balance as at July 1		21,568,595	6,853,630
	Add: Charge for the year		7,660,263	9,650,107
	Transfer of provision relating to lease receivables held under litigation	7.1	1,227,936	5,064,858
	Recoveries during the year		(713,990)	-
	Balance as at June 30		<u>29,742,804</u>	<u>21,568,595</u>

7 NET INVESTMENT IN FINANCE LEASE

	2009			2008		
	Not later than one year	Later than one year and less than five years	Total	Not later than one year	Later than one year and less than five years	Total
	----- Rupees -----					
Minimum lease payments	211,767,220	268,917,194	480,684,414	200,415,934	199,625,173	400,041,107
Add: Residual value of leased assets	23,683,603	161,506,322	185,189,925	32,914,145	129,941,183	162,855,328
Lease contract receivable	235,450,823	430,423,516	665,874,339	233,330,079	329,566,356	562,896,435
Less: Unearned lease income	(53,171,829)	(38,297,755)	(91,469,584)	(51,832,604)	(23,130,535)	(74,963,139)
	182,278,994	392,125,761	574,404,755	181,497,475	306,435,821	487,933,296
Less: Provision for potential lease losses (note 7.1)	-	(1,112,846)	(1,112,846)	-	(2,622,742)	(2,622,742)
Net investment in finance leases	182,278,994	391,012,915	573,291,909	181,497,475	303,813,079	485,310,554

In certain leases, the company has security, in addition to leased assets, in the form of mortgages / corporate / personal guarantees of associated companies / directors.

	2009			2008		
	Specific	General	Total	Specific	General	Total
	----- Rupees -----					
7.1 Particulars of provision for potential lease losses						
Opening balance	2,622,742	-	2,622,742	5,196,363	2,486,838	7,683,201
Charge for the period	-	-	-	772,571	-	772,571
Reversals for the period	(281,960)	-	(281,960)	-	(60,285)	(60,285)
Net (reversals) / charge	(281,960)	-	(281,960)	772,571	(60,285)	712,286
Less: Amount written off	-	-	-	(707,887)	-	(707,887)
Less: Transfer of provision relating to lease receivables held under litigation	6.3	(1,227,936)	(1,227,936)	(2,638,305)	(2,426,553)	(5,064,858)
Closing balance	1,112,846	-	1,112,846	2,622,742	-	2,622,742

7.2 The net investment in finance lease portfolio includes Rs 25.269 million (2008: Rs 60.799 million) which has been placed under non-performing status.

7.3 The Company has entered into various lease agreements for periods ranging from two to five years (2008: two to five years). Security deposits ranging from 10 percent to 66 percent (2008: 10 percent to 60 percent) are obtained at the time of entering into the lease arrangement. The rate of return implicit in the leases ranges from 9.44 percent to 24.68 percent (2008: 9.0 percent to 21.5 percent) per annum.

8	LONG-TERM LOANS AND ADVANCES TO EMPLOYEES - considered good	2009	2008
		----- Rupees -----	
	Due from employees	212,959	182,079
	Less: Receivable within one year	198,412	150,821
		<u>14,547</u>	<u>31,258</u>

8.1 Loans to employees represent loans provided for the purchase of motorcycles or are general purpose loans. Interest on such loans is charged using the prevailing market rate while advances to employees are interest free. These loans are recoverable through deduction from salaries over varying periods up to a maximum period of three years.

9	OPERATING FIXED ASSETS	Note	2009	2008
		----- Rupees -----		
	Operating fixed assets	9.1	82,098,209	47,382,555
	Capital work-in-progress	9.4	611,510	511,510
			<u>82,709,719</u>	<u>47,894,065</u>

9.1 The following is a statement of operating fixed assets

	Leasehold premises	Leasehold Improvements	Furniture & Fittings	Computer Equipment	Office Equipment	Vehicles	Total
----- Rupees -----							
At July 1, 2008							
Cost / revalued amount	50,954,241	670,981	1,627,056	2,374,511	1,467,549	5,232,085	62,326,423
Accumulated depreciation	6,793,900	670,981	1,325,214	1,835,498	1,164,778	3,153,497	14,943,868
Net book value	44,160,341	-	301,842	539,013	302,771	2,078,588	47,382,555
Year ended June 30, 2009							
Additions	-	-	5,000	17,500	32,400	31,500	86,400
Changes in cost							
Revaluation surplus	39,056,900	-	-	-	-	-	39,056,900
Revaluation surplus adjusted from accumulated depreciation	(7,643,137)	-	-	-	-	-	(7,643,137)
	31,413,763	-	-	-	-	-	31,413,763
Changes in depreciation							
Revaluation surplus adjusted from accumulated depreciation	(7,643,137)	-	-	-	-	-	(7,643,137)
Depreciation charge for the year	3,594,837	-	74,846	324,232	104,019	329,612	4,427,646
Closing net book value	79,822,404	-	231,896	232,281	231,152	1,780,476	82,098,209
At June 30, 2009							
Cost / revalued amount	82,368,004	670,981	1,632,056	2,392,011	1,499,949	5,263,585	93,826,586
Accumulated depreciation	2,745,600	670,981	1,400,160	2,159,730	1,268,797	3,483,109	11,728,377
Net book value	79,622,404	-	231,896	232,281	231,152	1,780,476	82,098,209
Depreciation rate % per annum	5	33.33	10	33.33	20	20	
At July 1, 2007							
Cost / revalued amount	50,954,241	670,981	1,606,056	2,292,611	1,433,639	5,232,085	62,189,615
Accumulated depreciation	4,246,187	670,981	1,247,967	1,628,471	1,036,766	2,340,529	11,170,901
Net book value	46,708,054	-	358,091	664,140	396,873	2,891,556	51,018,714
Year ended June 30, 2008							
Additions	-	-	20,998	81,900	33,910	-	136,808
Depreciation charge for the year	2,547,713	-	77,247	207,027	128,012	812,968	3,772,967
Closing net book value	44,160,341	-	301,842	539,013	302,771	2,078,588	47,382,555
At June 30, 2008							
Cost / revalued amount	50,954,241	670,981	1,627,056	2,374,511	1,467,549	5,232,085	62,326,423
Accumulated depreciation	6,793,900	670,981	1,325,214	1,835,498	1,164,778	3,153,497	14,943,868
Net book value	44,160,341	-	301,842	539,013	302,771	2,078,588	47,382,555
Depreciation rate % per annum	5	33.33	10	20	20	20	

9.2 No assets were disposed off during the current and prior year:

9.3 The Company follows the revaluation model for its leasehold premises. The leasehold premises of the Company were revalued as at November 1, 2005 and October 27, 2008 by M/s. Akbani & Javed Associates, independent valuation consultants, based on factors such as need of the buyers, the overall prevailing market situation and other considerations associated with these. The revaluation resulted in a net surplus of Rs 41,223,600 and Rs 39,056,900 over the written down value of Rs 9,730,641 and Rs 43,311,100 respectively which was incorporated in the books of the Company during the year ended June 30, 2009. Out of the revaluation surplus, an amount of Rs 71,420,942 remains undepreciated as at June 30, 2009 (2008: Rs 35,727,119). Had there been no revaluation, the book value of leasehold premises would have been Rs 7,484,760 (2008: Rs 8,097,273).

During the current year the management has decided to consider 'computer equipment' (which had previously been included in 'office equipment') as a separate class of asset and has, therefore, applied a depreciation rate of 33.33 percent per annum on the same.

The above change has been accounted for as a change in accounting estimate in accordance with the requirements of International Accounting Standard (IAS) 8, 'Accounting Policies, Change in Accounting Estimates and Errors' and has been recognised prospectively in the profit and loss account of the Company in the current year. Had there been no change in accounting estimate, the profit before taxation for the year ended June 30, 2009 would have been higher and the depreciation charge for the year ended June 30, 2009 would have been lower by Rs 128,545.

	Note	2009	2008
		Rupees	
9.4 Capital work-in-progress			
Balance as at July 1		511,510	511,510
Additions		100,000	-
Balance as at June 30		<u>611,510</u>	<u>511,510</u>
9.4.1	This amount represents payments made to a vendor for development of leasing software. During the current year, a further payment of Rs 100,000 was made in this respect.		
10 TRADE AND OTHER PAYABLES	Note	2009	2008
		Rupees	
Accrued liabilities		415,123	434,833
Unclaimed dividends		99,312	99,312
Insurance payable		10,496,714	2,246,976
Other liabilities		842,522	970,962
		<u>11,853,671</u>	<u>3,752,083</u>
11 ACCRUED MARK-UP			
Short-term financing		-	2,565,722
Long-term financing		100,094	214,547
Certificates of investment		1,313,527	1,441,830
		<u>1,413,621</u>	<u>4,222,099</u>
12 SHORT-TERM FINANCING			
Murabaha financing		-	30,000,000
Short term running finance utilised under mark-up arrangements - secured		-	33,214,731
		<u>-</u>	<u>63,214,731</u>
13 CERTIFICATES OF INVESTMENT - UNSECURED			
Opening balance		19,188,675	13,550,000
Certificates issued during the year		-	7,100,000
Interest / principal rolled over in the current year		1,420,411	1,038,675
Payments made during the year		(7,100,000)	(2,500,000)
Closing balance	13.1	<u>13,509,086</u>	<u>19,188,675</u>

- 13.1 These represent certificates of investment issued by the Company with the permission of the SECP. The term of these certificates range from three months to one year (2008: three month to one year). And carry mark-up at rates ranging from 11.5 percent to 13 percent per annum (2008: 10 percent to 11.5 percent per annum).

14	LONG-TERM FINANCING - Secured	Note	2009	2008
			----- Rupees -----	----- Rupees -----
	Long-term loans from banking companies and other financial institutions	14.1	71,666,667	8,581,857
	Less: Current portion shown under current liabilities	14.1	(46,666,667)	(8,581,857)
			<u>25,000,000</u>	<u>-</u>

14.1 Long-term financing from banking companies and other financial institutions - secured

Name of Financier	Amount borrowed	No. of instalments/ repayment period	Rate of Mark up	Principal Outstanding 2009	2008
	Rupees			-----Rupees-----	
National Bank of Pakistan	50,000,000	12 quarterly installments upto December 2012	3 months KIBOR ask rate + 1.65 percent	41,666,667	-
Bank Alfalah Limited	30,000,000	04 quarterly installments upto June 2010	6 months KIBOR ask rate + 1.75 percent	30,000,000	-
NBP Capital Limited	10,000,000	19 quarterly installments upto September 2008	4% + last 1 year T-Bill cut-off rate	-	526,313
Bank Al-Falah Limited	30,000,000	12 quarterly installments upto September 2008	1.5% + 6 months KIBOR ask rate	-	2,500,000
Askari Bank Limited	20,000,000	36 quarterly installments upto March 2009	3.5% + 1 months KIBOR ask rate	-	5,555,544
	<u>140,000,000</u>			<u>71,666,667</u>	<u>8,581,857</u>
Less: Current portion				(46,666,667)	(8,581,857)
				<u>25,000,000</u>	<u>-</u>

- 14.2 The above facilities are secured by hypothecation charge over specific leased assets and related receivables of the company.

		Note	2009	2008
			----- Rupees -----	
15	LONG-TERM DEPOSITS			
	Long-term security deposits	15.1	185,189,775	162,175,988
	Less: Current portion shown under current liabilities		<u>23,724,303</u>	<u>32,204,145</u>
			<u>161,465,472</u>	<u>129,971,843</u>

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

		2009	2008
		----- Rupees -----	
16	DEFERRED TAXATION - Net		
	Deferred tax liability recognised on taxable temporary differences arising in respect of:		
	- Surplus on revaluation of operating fixed assets	24,997,330	12,504,492
	- Depreciation on fixed assets	462,624	380,825
	- Investment in lease finance and tax book value of assets given on lease	31,230,701	24,170,955

Deferred tax asset recognised on deductible temporary differences arising in respect of:

- Recognised tax losses	(4,599,805)	(3,244,112)
- Minimum tax	-	(4,173,171)
- Provision for potential lease losses	(389,496)	(1,767,253)
- Provision for doubtful receivables	(10,409,981)	(6,699,715)

<u>41,291,373</u>	<u>21,172,021</u>
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17 SHARE CAPITAL

Authorised capital

Number of shares				2009	2008
				----- Rupees -----	
2009	2008			500,000,000	300,000,000
<u>50,000,000</u>	<u>30,000,000</u>	Ordinary shares of Rs. 10 each		<u>500,000,000</u>	<u>300,000,000</u>

Issued, Subscribed and paid-up capital

2009			2008				
Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		
----- Number of shares -----							
17,000,000	2,369,800	19,369,800	17,000,000	2,369,800	19,369,800	Opening balance	193,698,000
6,000,000	-	6,000,000	-	-	-	Shares issued during the year as right shares	60,000,000
<u>23,000,000</u>	<u>2,369,800</u>	<u>25,369,800</u>	<u>17,000,000</u>	<u>2,369,800</u>	<u>19,369,800</u>	Closing balance	<u>253,698,000</u>
							<u>193,698,000</u>

17.1 As at June 30, 2009, 9,817,543 shares (2008: 6,399,806 shares) of the Company were held by related parties.

- 17.2 During the current year, the management of the Company has increased the paid-up capital from 19,369,800 shares to 25,369,800 shares through fully paid-up right shares. The right issue was approved by the Company's Board of Directors in their meeting held on May 22, 2008.

18	RESERVES	Note	2009 ----- Rupees -----	2008 ----- Rupees -----
	Capital reserves			
	Statutory reserve	18.1	28,153,996	25,178,410
	Reserve for issue of bonus shares		4,402,000	4,402,000
	Revenue reserves			
	Unappropriated profit		<u>47,512,345</u>	<u>33,424,000</u>
			<u>80,068,341</u>	<u>63,004,410</u>

- 18.1 In accordance with the requirements of the NBFC Regulations, an amount of not less than 20 percent of after tax profits shall be transferred to statutory reserve till such time when the reserve equals the amount of paid-up capital, and thereafter a sum of not less than 5 percent shall be transferred. Consequently, during the current year the Company has transferred an amount of Rs 2,975,586 (2008: Rs 2,169,734) to its statutory reserve.

19	SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF TAX	2009 ----- Rupees -----	2008 ----- Rupees -----
	Surplus on revaluation of operating fixed assets as at July 1	35,727,119	37,788,299
	Surplus arising on revaluation of operating fixed assets during the year	39,056,900	-
	Transferred to retained earnings in respect of incremental depreciation charged during the year - net of deferred tax	(2,186,000)	(1,339,767)
	Related deferred tax liability	(1,177,077)	(721,413)
		<u>(3,363,077)</u>	<u>(2,061,180)</u>
	Surplus on revaluation of operating fixed assets as at June 30	<u>71,420,942</u>	<u>35,727,119</u>
	Less: Related deferred tax liability on:		
	Revaluation as at July 1	12,504,492	13,225,905
	Deferred tax liability recognised during the year	12,492,838	-
	Incremental depreciation charged during the year transferred to profit and loss account	(1,177,077)	(721,413)
		<u>23,820,253</u>	<u>12,504,492</u>
	Surplus on revaluation of operating fixed assets as at June 30 - net of deferred tax	<u>47,600,689</u>	<u>23,222,627</u>

20 FINANCIAL INSTRUMENTS BY CATEGORY

----- As at June 30, 2009 -----			
Financial assets at fair value through profit or loss	Assets classified as available for sale	Loans and Receivables	Total
----- Rupees -----			
Assets			
Current assets			
Cash and bank balances	-	22,921,743	22,921,743
Investments	1,457,955	-	1,457,955
Other receivables - net	-	24,736,450	24,736,450
Current portion of net investment in finance lease	-	182,278,994	182,278,994
Current portion of loans and advances to employees - considered good	-	198,412	198,412
Non-current assets			
Net investment in finance lease	-	391,012,915	391,012,915
Long-term loans and advances to employees - considered good	-	14,547	14,547
Long-term deposits	-	206,500	206,500
	<u>1,457,955</u>	<u>621,369,561</u>	<u>622,827,516</u>
----- As at June 30, 2009 -----			
Liabilities at fair value through profit or loss	Other financial liabilities	Total	
----- Rupees -----			
Liabilities			
Current liabilities			
Trade and other payables	-	11,853,671	11,853,671
Accrued mark-up	-	1,413,621	1,413,621
Short-term financing	-	-	-
Certificates of investment - unsecured	-	13,509,086	13,509,086
Current portion of long-term financing - secured	-	46,666,667	46,666,667
Current portion of long-term deposits	-	23,724,303	23,724,303
Non-current liabilities			
Long-term financing - secured	-	25,000,000	25,000,000
Long-term deposits	-	161,465,472	161,465,472
	<u>283,632,820</u>	<u>283,632,820</u>	<u>283,632,820</u>

----- As at June 30, 2008 -----

	Financial assets at fair value through profit or loss	Assets classified as available for sale	Loans and Receivables	Total
	----- Rupees -----			
Assets				
Current assets				
Cash and bank balances	-	-	171,411	171,411
Investments	-	2,842,605	-	2,842,605
Other receivables - net	-	-	26,738,804	26,738,804
Current portion of net investment in finance lease	-	-	181,497,475	181,497,475
Current portion of loans and advances to employees - considered good	-	-	150,821	150,821
Non-current assets				
Net investment in finance lease	-	-	303,813,079	303,813,079
Long-term loans and advances to employees - considered good	-	-	31,258	31,258
Long-term deposits	-	-	206,500	206,500
	<u>-</u>	<u>2,842,605</u>	<u>512,609,348</u>	<u>515,451,953</u>

----- As at June 30, 2008 -----

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- Rupees -----		
Liabilities			
Current liabilities			
Trade and other payables	-	3,752,083	3,752,083
Accrued mark-up	-	4,222,099	4,222,099
Short-term financing	-	63,214,731	63,214,731
Certificates of investment - unsecured	-	19,188,675	19,188,675
Current portion of long-term financing - secured	-	8,581,857	8,581,857
Current portion of long-term deposits	-	32,204,145	32,204,145
Non-current liabilities			
Long-term financing - secured	-	-	-
Long-term deposits	-	129,971,843	129,971,843
	<u>-</u>	<u>261,135,433</u>	<u>261,135,433</u>

21 CONTINGENCIES AND COMMITMENTS

- 21.1 There were no contingencies outstanding as at June 30, 2009 and June 30, 2008.
- 21.2 Leasing contracts committed but not executed at the balance sheet date amounted to Rs 9.915 million (2008: Rs 2.601 million).

22	INCOME FROM LEASING OPERATIONS	Note	2009	2008
			----- Rupees -----	
	Income on lease contracts		53,639,362	40,338,031
	(Loss) / gain on lease termination		(2,004,745)	55,618
	Late payment charges		864,604	6,935,198
	Mark-up on termination of leases		634,005	1,392,040
	Other income		533,222	1,046,560
			<u>53,666,448</u>	<u>49,767,447</u>
23	PROFIT ON BANK ACCOUNTS / RETURN ON INVESTMENTS			
	Profit on bank accounts		4,830,689	8,992
	Dividend income - NIT units		352,950	336,660
	Income from WAPDA bonds		-	357,771
			<u>5,183,639</u>	<u>703,423</u>
24	OTHER INCOME			
	Income from financial assets			
	Mark-up on loans to employees		10,468	7,840
	Others		-	107,766
	Income from non-financial assets			
	Commission income		15,920	34,041
	Liabilities no longer payable written back		322,401	-
			<u>348,789</u>	<u>149,647</u>
25	ADMINISTRATIVE AND OPERATING EXPENSES			
	Directors' fee	31	54,000	52,000
	Salaries, allowances and benefits [including provident fund contribution Rs 217,525 (2008: Rs 234,579)]		7,574,134	8,502,160
	Amortisation of deferred costs		-	650,000
	Depreciation	9.1	4,427,646	3,772,967
	Office rent and utilities		916,035	884,192
	Legal and professional		1,433,622	823,051
	Postage, subscriptions, printing and stationery		1,310,809	756,329
	Vehicle running and maintenance		1,045,043	990,335
	Office repairs and general maintenance		451,772	417,789
	Insurance		200,955	336,032
	Advertisement		119,300	162,040
	Travelling and conveyance		1,583	68,528
	Penalties		25,323	-
	General		1,108,923	565,130
			<u>18,669,145</u>	<u>17,980,553</u>

	Note	2009	2008
		----- Rupees -----	
26 FINANCIAL CHARGES			
Mark-up on:			
- Long-term financing		5,482,847	3,719,524
- Short-term running finances utilised under mark-up arrangements		2,221,813	3,778,130
- Certificates of investment		1,820,371	1,990,073
Bank charges		96,538	103,430
		<u>9,621,569</u>	<u>9,591,157</u>
27 OTHER CHARGES			
Credit information report charges		32,050	47,636
Auditors' remuneration	27.1	475,000	475,000
		<u>507,050</u>	<u>522,636</u>
27.1 Auditors' remuneration			
Audit fee		300,000	300,000
Review report on the statement of compliance with the Code of Corporate Governance		50,000	50,000
Half yearly review fee		100,000	100,000
Out of pocket expenses		25,000	25,000
		<u>475,000</u>	<u>475,000</u>
28 TAXATION			
Current		518,364	906,524
Deferred		7,626,514	408,586
		<u>8,144,878</u>	<u>1,315,110</u>
28.1 Relationship between tax expense and accounting profit			
The following is a reconciliation of relationship between tax expense and accounting profit.			
		2009	2008
		----- Rupees -----	
Accounting profit before tax		<u>23,022,809</u>	<u>12,163,778</u>
Tax rate		35%	35%
Tax on accounting profit		8,057,983	4,257,322
Permanent differences		(1,250,744)	(246,198)
Others		1,337,639	(11,966)
Prior year deferred tax adjustment			
- mark-up held in suspense		-	(2,684,048)
Tax charge for the year		<u>8,144,878</u>	<u>1,315,110</u>

		2009	2008
		----- Rupees -----	
29	EARNINGS PER SHARE - BASIC		
	Profit after taxation attributable to ordinary shareholders	<u>14,877,931</u>	<u>10,848,668</u>
	Weighted average number of ordinary shares outstanding	<u>23,123,568</u>	<u>19,369,800</u>
	Earnings per share - basic	<u>0.64</u>	<u>0.56</u>
29.1	There were no convertible dilutive potential ordinary shares in issue as at June 30, 2009 and June 30, 2008.		

		2009	2008
		----- Rupees -----	
30	CASH AND CASH EQUIVALENTS		
	Short-term running finance utilised under mark-up arrangements	-	(33,214,731)
	Cash and bank balances	<u>22,921,743</u>	<u>141,411</u>
		<u>22,921,743</u>	<u>(33,073,320)</u>

31 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive Officer		Directors		Executives		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
----- Rupees -----								
Managerial remuneration	-	963,437	54,000	52,000	1,819,356	1,436,137	1,873,356	2,451,574
Housing and utilities	-	529,896	-	-	1,096,644	770,863	1,096,644	1,300,759
Provident Fund contribution	-	-	-	-	74,194	58,336	74,194	58,336
	<u>-</u>	<u>1,493,333</u>	<u>54,000</u>	<u>52,000</u>	<u>2,990,194</u>	<u>2,265,336</u>	<u>3,044,194</u>	<u>3,810,669</u>
Number of persons	<u>1</u>	<u>1</u>	<u>7</u>	<u>8</u>	<u>2</u>	<u>2</u>	<u>10</u>	<u>11</u>

- 31.1** The executives of the Company are also entitled to free use of Company owned and maintained vehicles.
- 31.2** The amount charged in the financial statements for the fee of directors for attending a Board of Directors meeting was Rs 2,000 (2008: Rs 2,000) per meeting.

32 TRANSACTIONS WITH RELATED PARTIES

The Company has related party relationships with its associated companies, directors, senior executives and employee provident fund plan. Transactions with related parties essentially entail certificates of investment issued to a close relative of chairman and chief executive.

Transactions with related parties comprise of the following:

	2009	2008
	----- Rupees -----	
Certificates of investment issued to close relative of chairman and chief executive	13,509,086	12,088,675
Profit paid on certificates of investment	1,661,532	1,376,453
Contribution to the employees provident fund	217,525	234,579
Directors' meeting fee	54,000	52,000

Particulars of remuneration to chief executive, directors and executives are disclosed in note 31 to these financial statements.

33 FINANCIAL RISK MANAGEMENT

The activities of the Company are exposed to a variety of financial risks which include: market risk, price risk, credit risk and liquidity risk.

33.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. The Company is exposed to market risk as a result of mismatches or gaps in the amounts of financial assets and financial liabilities that mature or reprice in a given period. The Company manages this risk by matching the repricing of financial assets and liabilities through risk management strategies.

Market risk mainly comprises of currency risk and interest rate risk.

33.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

33.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Presently, the Company holds certain KIBOR based variable rate investment in finance leases exposing the Company to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on the last repricing date of these leases, with all other variables held constant, the net assets of the Company and net income for the year would have been higher / lower by Rs 362,493 (2008: Rs 91,712).

The composition of the Company's investment in finance lease portfolio and KIBOR rates are expected to change over time. Further, the sensitivity analysis has been done from the last repricing date. Accordingly, the sensitivity analysis prepared as of June 30, 2009 is not necessarily indicative of the impact on the Company's net assets of future movements in interest rates.

33.2 Yield / interest rate sensitivity position for on balance sheet financial instruments based on the earlier of contractual repricing or maturity date is as follows:

		2009				
		Exposed to mark-up / Interest / profit rate risk				Not exposed to mark-up / interest / profit rate risk
Effective mark-up/ interest/ profit rate	Total	Upto three months	More than three months and upto one year	More than One year		
Percent	Rupees					
Financial assets						
Cash and bank balances	5-17	22,921,743	11,895,818	-	-	11,025,925
Investments	-	1,457,955	-	-	-	1,457,955
Other receivables - net	-	24,736,450	-	-	-	24,736,450
Loans and advances to employees - considered good	12.50-16.50	212,959	13,364	41,716	14,547	143,332
Net investment in finance lease	9.44-24.68	573,291,909	44,432,096	137,846,898	391,012,915	-
Long term deposits	-	206,500	-	-	-	206,500
		622,827,516	56,341,278	137,868,614	391,027,462	37,570,162
Financial liabilities						
Trade and other payables	-	11,853,671	-	-	-	11,853,671
Accrued mark-up	-	1,413,621	-	-	-	1,413,621
Short-term financing	16.70-18.64	-	-	-	-	-
Certificates of investment	11.5-13	13,509,086	13,509,086	-	-	-
Long-term financing - secured	14.44-14.51	71,686,867	11,666,867	35,000,000	25,000,000	-
Long-term deposits	-	185,189,775	-	-	-	185,189,775
		263,632,820	25,175,753	35,000,000	25,000,000	199,457,067
On balance sheet gap		339,194,696	31,165,525	102,868,614	366,027,462	(160,886,905)
		2008				
		Exposed to mark-up / Interest / profit rate risk				Not exposed to mark-up / interest / profit rate risk
Effective mark-up/ interest/ profit rate	Total	Upto three months	More than three months and upto one year	More than One year		
Percent	Rupees					
Financial assets						
Cash and bank balances	0.08-2.77	171,411	105,152	-	-	66,259
Investments	-	2,842,605	-	-	-	2,842,605
Other receivables - net	-	26,738,804	-	-	-	26,738,804
Loans and advances to employees - considered good	12.50	182,079	50,988	99,833	31,258	-
Net investment in finance lease	9.0-21.5	485,310,554	45,374,369	136,123,106	303,813,079	-
Long term deposits	-	206,500	-	-	-	206,500
		515,451,953	45,530,509	136,222,939	303,844,337	29,854,168
Financial liabilities						
Trade and other payables	-	3,752,083	-	-	-	3,752,083
Accrued mark-up	-	4,222,099	-	-	-	4,222,099
Short-term financing	11.88-14.38	63,214,731	42,295,735	20,916,996	-	-
Certificates of investment	10.0-11.5	19,188,675	17,568,675	1,600,000	-	-
Long-term financing - secured	11.47-16.26	8,581,857	4,692,981	3,888,876	-	-
Long-term deposits	-	162,175,988	-	-	-	162,175,988
		261,135,433	64,577,391	26,407,872	-	170,150,170
On balance sheet gap		254,316,520	(19,046,882)	109,815,067	303,844,337	(140,296,002)

The effective mark-up / interest / profit rate for each of the monetary financial instrument is as indicated above.

33.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Company is not exposed to equity securities price risk as the Company does not hold any equity securities as at June 30, 2009.

However, the Company holds National Investment Trust (NIT) units, exposing the Company to cash flow market risk. In case of one percent increase / decrease in the net assets value of such units as on June 30, 2009, with all other variables held constant, the net assets of the Company and net income for the year would have been higher / lower by Rs 14,580 (2008: Rs 28,426).

33.4 Credit risk and concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions to specific counterparties and continually assessing the credit worthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of an entity's performance to developments affecting a particular industry.

Out of the total financial assets of Rs 622,827,516 (2008: Rs 515,451,953) the financial assets which are subject to credit risk amounted to Rs 622,819,169 (2008: Rs 515,428,813). Credit risk represents the accounting loss that would be recognised at the reporting date if counter-parties failed completely to perform as contracted. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continuously assessing the credit worthiness of counterparties.

The Company seeks to manage its credit risk through diversification of financing activities to avoid undue concentration of credit risk with individuals or groups of customers in specific locations or business sectors. It also obtains collaterals when appropriate.

The management of the Company follows two sets of guidelines. Internally, it has its own operating policy duly approved by the Board of Directors whereas externally it adheres to the regulations issued by the SECP. The operating policy defines the extent of fund and non-fund based exposures with reference to a particular sector or group of leases.

Details of the industry sector analysis of gross lease portfolio is given below:

	2009		2008	
	Rupees	Percentage	Rupees	Percentage
Energy, oil and gas	8,438,268	1.27	15,658,644	2.78
Steel, engineering and auto	42,392,164	6.37	67,183,804	11.94
Electrical goods	27,999,212	4.20	24,558,498	4.36
Transport and communication	47,086,392	7.07	76,897,299	13.63
Chemical, fertilizer and pharmaceuticals	20,245,421	3.04	24,930,869	4.43
Textile	40,257,061	6.05	74,842,550	13.30
Leather footwear	44,926	0.01	44,605	0.01
Food, tobacco and beverage	35,048,935	5.26	22,862,786	4.06
Glass and ceramics	-	0.00	12,551	0.00
Construction	76,208,418	11.44	-	0.00
Health care	14,897,662	2.24	72,036	0.01
Advertisement	20,045,479	3.01	32,826,746	5.83
Publication	3,454,501	0.52	5,146,430	0.91
Services	100,253,092	15.06	33,598,311	5.97
Packing	1,062,699	0.16	-	0.00
Photo films	-	0.00	13,170,423	2.34
Banking and Financial Institutions	23,610,234	3.55	-	0.00
Dairy & poultry	39,220,747	5.89	-	0.00
Others	165,609,128	24.86	171,290,883	30.43
	<u>665,874,339</u>	<u>100.00</u>	<u>562,896,435</u>	<u>100.00</u>

33.5 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet the commitments associated with financial instruments. The Company manages liquidity risk by following the internal guidelines of the management such as monitoring maturities of financial liabilities, continuously monitoring its liquidity position and ensuring availability of funds by maintaining flexibility in funding by keeping committed credit lines available.

The table below summarises the maturity profile of the Company's financial liabilities. The contractual maturities of liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the Company's history and the availability of liquid funds. Liabilities not having a contractual maturity are assumed to mature on the expected date on which the liabilities will be settled.

33.6 Maturities of financial liabilities

	2009			
	Total	Upto three months	More than three months and up one year	More than One year
	----- Rupees -----			
Liabilities				
Trade and other payables	11,853,671	11,853,671	-	-
Accrued mark-up	1,413,621	1,413,621	-	-
Short-term financing	-	-	-	-
Certificates of investment	13,509,086	13,509,086	-	-
Long-term financing - secured	71,666,667	11,666,667	35,000,000	25,000,000
Long-term deposits	185,189,775	3,618,635	20,105,668	161,465,472
	<u>283,632,820</u>	<u>42,061,680</u>	<u>55,105,668</u>	<u>186,465,472</u>

	2008			
	Total	Upto three months	More than three months and up one year	More than One year
	----- Rupees -----			
Liabilities				
Trade and other payables	3,752,083	2,996,567	755,516	-
Accrued mark-up	4,222,099	2,769,995	1,452,104	-
Short-term financing	63,214,731	42,295,735	20,918,996	-
Certificates of investment	19,188,675	17,588,675	1,600,000	-
Long-term financing - secured	8,581,857	4,692,981	3,888,876	-
Long-term deposits	162,175,988	8,051,036	24,153,109	129,971,843
	<u>261,135,433</u>	<u>78,394,989</u>	<u>52,768,601</u>	<u>129,971,843</u>

34 CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce its cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce outstanding debts.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital employed:

	2009	2008
	----- Rupees -----	
Total Debt	85,175,753	90,985,263
Total Equity	334,030,096	258,350,815
Total Capital Employed	419,205,849	349,336,078
Gearing Ratio	20.32%	26.05%

34.1 Financial risk management objectives and policies

The Company finances its operations through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimise liquidity risk. Taken as a whole, the Company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

34.2 Fair value of financial instruments

The carrying value of financial instruments reflected in the financial statements approximate their fair values.

35 GENERAL

35.1 Figures have been rounded off to the nearest Rupee.

35.2 For better presentation the following significant reclassification in the corresponding figures has been made:

Description	Head of accounts of the financial statements for the year ended June 30,2009	Head of accounts of the financial statements for the year ended June 30,2008	(Rupees)
Category of operating fixed assets	Computer Equipment (note 9.1)	Office Equipment (note 9.1)	
	- cost	- cost	2,292,611
	- accumulated depreciation	- accumulated depreciation	1,628,471
	- additions	- additions	81,900
	- depreciation charge for the year	- depreciation charge for the year	207,027
Credit information report charges	Other charges (note 27)	Administrative and operating expenses - general (note 25)	47,636

36 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 28,2009 by the Board of Directors of the Company.



Chairman/Chief Executive



Vice Chairman



Director