1. STATUS AND NATURE OF BUSINESS

Pak-Gulf Leasing Company ("the company") was incorporated in Pakistan on 27 December 1994 as a public limited company under companies ordinance, 1984 and commenced its operations on 16 September 1996. The company is principally engaged in the business of leasing and is listed on all 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), 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, 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 directives issued by the SECP prevail.

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

During the year certain amendments to Standards and new interpretations became effective, however, they did not have any material effect on the financial statements of the Company.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2011.These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements, other than increased disclosures in certain cases:

- IAS 24 Related Party Disclosures (revised 2009) – (effective for annual periods beginning on or after 1 January 2011). The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered enttirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment has no impact on Company's financial statements.

- Improvements to IFRSs 2010 – In May 2010 the IASB issued improvements to IFRSs 2010 which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after 1 January 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements, add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of theCompany.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Company.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard.

- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

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, 5 and 9)

ii) Provision for current and deferred taxation (notes 3.10 and 27)

iii) Recognition and measurement of deferred tax assets and liabilities (note 3.10 and 16)

iv) Classification and provision of net investment in finance lease (notes 3.5, 3.6 and 8)

v) Determination and measurement of useful life and residual value of operating fixed assets (note 3.7 and 10)

vi) Measurement of leasehold premises carried at revalued amount. (note 3.7, 10 and 19)

2. 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.

3.1 Financial assets

3.1.1 Classification

The Company classifies its financial assets in the following categories: loans and receivables, held to maturity 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) **Held to maturity**

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

(c) **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 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 directly attributable to the acquisition.

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) **Held to maturity**

Subsequent to initial measurement, held to maturity investments are carried at amortised cost.

c) **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 10.1 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 alsorecognises deferred tax liability on the surplus on revaluation of tangible fixed assets which is adjusted against the related 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	2011	2010
		----------- Rupees	-----------
Cash in hand		4,944	5,868
Balance with banks:			
- in current accounts		2,223,959	3,151,020
- in saving accounts	4.1	8,052	3,076,456
		2,236,955	6,233,344

4.1 Return on these savings accounts is earned at rates ranging from 5 percent to 12.40 percent (2010: 5 percent to 11.25 percent) per annum.

5 SHORT TERM INVESTMENT

Available for sale investments

	2011	2010
Cost		
54,300 units of National Investment Trust (2010: 54,300)	1,194,200	1,194,200
Revaluation surplus / (deficit)		
As at 1 July	335,431	263,755
Surplus for the year	215,571	71,676
As at 30 June	551,002	335,431
	1,745,202	1,529,631

6 OTHER RECEIVABLES - NET

	Note	2011	2010
Lease receivable held under litigation	6.1	48,004,012	59,181,173
Insurance premium receivable	6.2	6,229,569	4,754,708
Others		485,000	393,200
		54,718,581	64,329,081
Provision against terminated leases	6.3	(35,025,146)	(35,876,448)
		19,693,435	28,452,633

6.1 This represents net investment in finance lease for cases terminated by the Company and where litigation has commenced.

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.

6.3 Movement of provision against terminated leases	Note	2011	2010
		---------- Rupees ----------	
Balance as at 1 July		35,876,448	29,742,804
Charge for the year		2,374,831	6,133,644
Reversal during the year		(4,343,342)	-
		(1,968,511)	6,133,644
Transfer of provision relating to lease receivables held under litigation	8.2	1,117,209	-
Balance as at 30 June		35,025,146	35,876,448

7. LOANS AND ADVANCES TO EMPLOYEES

	2011	2010
Due From employees		
- Loans	-	443
- Advances	225,000	739,999
	225,000	740,442

8. NET INVESTMENT IN FINANCE LEASES

	Note	2011	2010
Net investment in finance leases	8.1	713,213,608	581,547,077
Current portion shown under current assets	8.1	(262,537,530)	(215,096,678)
		450,676,078	366,450,399

8.1 NET INVESTMENT IN FINANCE LEASE

	2011			2010		
	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	289,261,872	299,144,312	588,406,184	241,470,650	215,592,351	457,063,001
Residual value of leased assets	45,485,139	198,579,521	244,064,660	31,460,409	178,168,201	209,628,610
Gross investment in leases	334,747,011	497,723,833	832,470,844	272,931,059	393,760,552	666,691,611
Unearned lease income	(64,810,622)	(46,056,865)	(110,867,487)	(49,556,795)	(24,825,253)	(74,382,048)
Mark-up held in suspense	(7,398,859)	-	(7,398,859)	(8,277,586)	-	(8,277,586)
	(72,209,481)	(46,056,865)	(118,266,346)	(57,834,381)	(24,825,253)	(82,659,634)
	262,537,530	451,666,968	714,204,498	215,096,678	368,935,299	584,031,977
Provision for potential lease losses (note 8.2)	-	(990,890)	(990,890)	-	(2,484,900)	(2,484,900)
Net investment in finance leases	262,537,530	450,676,078	713,213,608	215,096,678	366,450,399	581,547,077

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

8.2 Provision for potential lease losses

	Note	2011	2010
		Rupees	
Balance at beginning of the year		2,484,900	1,112,846
Charge during the year		175,779	1,372,054
Written off during the year		(552,580)	-
Transfer of provision relating to lease receiveble held under litigation	6.3	(1,117,209)	-
Balance at end of the year		990,890	2,484,900

8.3 The net investment in finance lease portfolio includes Rs 38.019 million (2010: Rs 11.425 million) which has been placed under non-performing status.

8.4 The Company has entered into various lease agreements for periods ranging from two to five years (2010: two to five years). Security deposits ranging from 5 percent to 78.84 percent (2010: 10 percent to 66 percent) are obtained at the time of entering into the lease arrangement. The rate of return implicit in the leases ranges from 9 percent to 24.68 percent (2010: 9 percent to 24.69 percent) per annum.

9. LONG TERM INVESTMENT - Held to maturity

Government Security

	Note	2011	2010
		Rupees	
Pakistan Investment Bonds		2,931,113	2,914,640

This investment has been made to comply with the requirements of Regulations 14(4)(i) of the Non Banking Finance Companies and Notified Entities Regulations, 2008 to maintain liquidity against certificates of investment. It carry's interest rate @ 11.5% per annum and is due to mature on 03 September 2014.

10. Operating fixed assets

	Note	2011	2010
		Rupees	
Fixed assets	10.1	73,228,495	76,920,285
Capital work-in-progress	10.3	749,010	611,510
		73,977,505	77,531,795

10.1 Fixed Assets

2011

	COST / REVALUED AMOUNT				ACCUMULATED DEPRECIATION					
	As at 1 July 2010	Addition / (deletion)	Surplus on revaluation	As at 30 June 2011	As at 1 July 2010	Charge for the year / (accomulated depreciation on deletion)	Reversal due to revaluation	As at 30 June 2011	Net book value as at 30 June 2011	Depreciation rate % per annum
	Rupees									
Owned										
Leasehold premises	82,368,004	-	-	82,368,004	6,864,000	4,118,400	-	10,982,400	71,385,604	5
Leasehold improvements	670,981	-	-	670,981	670,981	-	-	670,981	-	33.33
Furniture & fittings	1,632,056	133,481	-	1,765,537	1,474,227	87,415	-	1,561,642	203,895	10
Office equipment	1,499,949	71,795	-	1,571,744	1,358,876	75,840	-	1,434,716	137,028	20
Vehicles	4,860,585	-	-	4,860,585	3,783,510	315,869	-	4,099,379	761,206	20
Computer equipment	2,392,011	892,075	-	2,002,726	2,351,707	191,617	-	1,261,964	740,762	33
		(1,281,360)				(1,281,360)	-			
	93,423,586	1,097,351	-	93,239,577	16,503,301	4,789,141		20,011,082	73,228,495	
		(1,281,360)				(1,281,360)				

2010

	COST / REVALUED AMOUNT				ACCUMULATED DEPRECIATION					
	As at 1 July 2009	Addition / (deletion)	Surplus on revaluation	As at 30 June 2010	As at 1 July 2009	Charge for the year / (accomulated depreciation on deletion)	Reversal due to revaluation	As at 30 June 2010	Net book value as at 30 June 2010	Depreciation rate % per annum
	Rupees									
Owned										
Leasehold premises	82,368,004	-	-	82,368,004	2,745,600	4,118,400	-	6,864,000	75,504,004	5
Leasehold improvements	670,981	-	-	670,981	670,981	-	-	670,981	-	33.33
Furniture & fittings	1,632,056	-	-	1,632,056	1,400,160	74,067	-	1,474,227	157,829	10
Office equipment	1,499,949	-	-	1,499,949	1,268,797	90,079	-	1,358,876	141,073	20
Vehicles	5,263,585	-	-	4,860,585	3,483,109	520,707	-	3,783,510	1,077,075	20
		(403,000)				(220,306)				
Computer equipment	2,392,011	-	-	2,392,011	2,159,730	191,977	-	2,351,707	40,304	33
	93,826,586	-	-	93,423,586	11,728,377	4,995,230	-	16,503,301	76,920,285	
		(403,000)				(220,306)				

10.2 The Company follows the revaluation model for its leasehold premises. The leasehold premises of the Company were revalued as at 1 November 2005 and 27 October 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 30 June 2009. Out of the revaluation surplus, an amount of Rs 63,392,892 remains undepreciated as at 30 June 2011 (2010: Rs 67,406,917). Had there been no revaluation, the book value of leasehold premises would have been Rs 6,259,734 (2010: Rs 6,872,247).

10.3 Capital work-in-progress

	Note	2011	2010
		Rupees	
Balance as at 1 July		611,510	611,510
Additions		137,500	-
Balance as at 30 June		749,010	611,510

10.3.1 This amount represents payments made to a vendor for development of leasing software.

11. Trade and other payables

	2011	2010
	Rupees	
Accrued liabilities	1,102,137	415,123
Unclaimed Dividend	183,154	183,154
Insurance payable	9,133,385	2,585,448
Advance against termination of leases	-	3,448,728
Other liabilities	1,069,334	555,046
	11,488,010	7,187,499

12. Profit / Markup Accrued

	2011	2010
Long-term financing	41,892	-
Certificates of investment	1,980,935	1,542,707
	2,022,827	1,542,707

13. Certificates of Investment - unsecured

	2011	2010
Opening balance	17,089,649	13,509,086
Certificates issued during the year	27,230,138	2,000,000
Rolled over during the year	(13,000,000)	1,580,563
Payments made during the year	(2,089,649)	-
Closing balance	29,230,138	17,089,649

13.1 These represent certificates of investment issued by the Company with the permission of the SECP. The term of these certificates is one year (2010: One year) carrying mark-up at rate of 14 percent per annum (2010: 13 percent per annum).

14. Long-term financing - secured

	Note	2011	2010
Long-term loans from banking companies	14.1	58,333,332	25,000,000
Current maturity shown under current liabilities	14.1	(33,333,340)	(16,666,668)
		24,999,992	8,333,332

14.1 Long-term financing from banking companies - secured

Name of Financier	Amount borrowed (Rupees)	No. of instalments/ repayment period	Rate of Mark up		Principal Outstanding 2011	2010
					-------Rupees-------	
National Bank of Pakistan	50,000,000	12 quarterly installments upto December 2011	3 months KIBOR ask rate + 1.65 percent	14.2	8,333,332	25,000,000
Bank Alfalah Limited	50,000,000	08 quarterly installments upto June 2013	6 months KIBOR ask rate + 1.5 percent	14.2	50,000,000	-
					58,333,332	25,000,000
Current portion shown under current liabilities					(33,333,340)	(16,666,668)
					24,999,992	8,333,332

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

15. LONG TERM DEPOSITS

	Note	2011	2010
		----------- Rupees	-----------
Long-term security deposits	15.1	244,064,660	209,628,610
Current portion shown under current liabilites	15.1	(45,485,139)	(31,460,409)
		198,579,521	178,168,201)

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

16. DEFERRED TAXATION - Net

	2011	2010
Taxable temporary difference arising in respect of:		
Surplus on revaluation of fixed assets arising during the year	22,187,512	23,592,421
Excess of accounting WDV over Tax WDV	752,773	505,686
Investment in lease finance and tax book value of assets given on finance lease	71,515,908	38,698,914
Deductible temporary difference arising in respect of:		
Recognized tax losses	(14,083,045)	-
Provision for potential lease losses	(346,812)	(869,715)
Provision for doubtful receivable	(12,258,801)	(12,556,757)
Minimum tax	(2,738,052)	
Provision for leave encashment	(145,293)	-
	64,884,190	49,370,549

17 SHARE CAPITAL

Authorised capital

2011	2010		2011	2010
(Number of shares)			Rupees	
50,000,000	50,000,000	Ordinary shares of Rs. 10 each	500,000,000	500,000,000

Issued, Subscribed and paid-up share capital

2011	2010		2011	2010
10,000,000	10,000,000	Ordinary shares of Rs.10 each fully paid in cash	100,000,000	100,000,000
2,369,800	2,369,800	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	23,698,000	23,698,000
13,000,000	13,000,000	Ordinary shares of Rs. 10 each issued as fully paid Right shares	130,000,000	130,000,000
25,369,800	25,369,800		253,698,000	253,698,000

17.1 As at 30 June 2011, 8,911,899 shares (2010: 8,911,899 shares) of the Company were held by related parties.

18 RESERVES

	Note	2011	2010
Capital reserves			
Statutory reserve	18.1	35,745,045	32,639,294
Reserve for issue of bonus shares		4,402,000	4,402,000
Revenue reserves			
Unappropriated profit		70,409,838	55,377,716
		110,556,883	92,419,010

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 2,531,630 (2010: Rs 4,249,882) to its statutory reserve.

19. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF TAX

	2011	2010
	Rupees	
Surplus on revaluation of Operating Fixed Asset as at 1 July	67,406,917	71,420,942
Transferred to retained earnings in respect of incremental depreciation charged during the year -net of deferred tax	(2,609,116)	(2,609,116)
Related deferred tax liability	(1,404,909)	(1,404,909)
	(4,014,025)	(4,014,025)
Surplus on revaluation of Operating Fixed Asset as at 30 June	63,392,892	67,406,917
Related deferred tax liability on:		
-Revaluation at the beginning of the year	23,592,421	24,997,330
-Incremental depreciation charged during the year	(1,404,909)	(1,404,909)
	22,187,512	23,592,421
	41,205,380	43,814,496

20. CONTINGENCIES AND COMMITMENTS

20.1 There were no contingencies outstanding as at 30 June 2011 and 30 June 2010.

20.2 Leasing contracts committed but not executed at the balance sheet date amounted to Rs. 4.980,000 (2010: Rs Nil).

21. INCOME FROM LEASING OPERATIONS

	2011	2010
Income on lease contracts	61,301,583	58,704,942
Loss on lease termination	(4,001,812)	(231,777)
Late payment charges	4,438,949	1,221,567
Mark-up on termination of lease	1,792,195	3,760,586
Other income	943,254	702,500
	64,474,169	64,157,818

22. PROFIT ON BANK ACCOUNTS/RETURN ON INVESTMENT

	2011	2010
Profit on Bank Accounts	3,934,439	4,558,324
Income from Pakistan Investment Bonds	361,974	3,508
Dividend Income - NIT Unit	122,175	176,475
	4,418,588	4,738,307

23. OTHER INCOME	Note	2011	2010
		---------- Rupees ----------	
Income from financial assets			
Markup on loans to employee		-	5,976
Others		244,359	150,442
Income from non-financial assets			
Commission income		45,572	11,871
Gain on disposal of fixed assets		15,000	167,306
Others		-	151,600
		304,931	487,195

24. ADMINISTRATIVE AND OPERATING EXPENSES

	Note	2011	2010
Directors' fee	30	48,000	76,000
Salaries, allowances and benefits	24.1 & 24.2	17,911,224	7,839,324
Depreciation	10.1	4,789,141	4,995,230
Office rent and utilities		1,100,260	1,036,658
Legal and professional		2,052,921	1,425,898
Auditors' remuneration	24.4	475,000	475,000
Postage, subscription, printing and stationary		932,226	861,897
Vehicle running and maintenance		1,078,772	1,070,682
Office repair and general maintenance		627,624	264,463
Worker welfare fund		1,137,470	-
Insurance		201,107	357,455
Advertisement		132,600	142,810
Travelling and conveyance		142,543	59,284
General	24.5	826,357	1,278,817
		31,455,245	19,883,518

24.1 This includes salary of Rs.7.4 million (Rs. 5 million pertains to prior years) paid to the Chief Executive from the date of his joining as decided by the Board of Directors in their 120th meeting held on 29 October 2010.

24.2 Salaries and benefits include Rs. 229,076 (2010: Rs. 232,060) in respect of Company's contribution to provident fund.

24.3 The total number of employees at 30 June 2011 is 22 (2010: 21).

24.4 **Auditors' remuneration**

	2011	2010
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
	475,000	475,000

24.5 It includes an amount of Rs. 408,104 (2010: Rs.716,430) paid to Pearl Soft on account of outsourced information technology .

25. FINANCE COST

	2011	2010
	------------- Rupees	-------------
Markup on:		
- Long term financing	2,773,042	7,601,791
- Certificate of investment - unsecured	2,659,883	1,985,360
Bank Charges	115.338	63,336
	5,548.263	9,650,487

26. OTHER CHARGES

CIB Reports Charges	86,672	70,924

27. TAXATION

Current	2,857.841	2,944,109
Deferred	15,513,642	8,079,176
	18,371.483	11,023,285

27.1 Effective tax rate reconciliation

Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as provision for the current year income tax has been made under the provisions of minimum tax under Section 113 of the Income Tax Ordinance, 2001 (Ordinance). The movement in deferred taxation is mainly due to the availability of tax losses.

27.2 The income tax assessments of the Company have deemed to be finalized up to and including Tax year 2010

28. EARNINGS PER SHARE - BASIC AND DILUTED

	2011	2010
	------------- Rupees	-------------
Profit after taxation attributable to ordinary shareholders	15,528,757	21,249,408
	(Number of shares)	
Weighted average number of outstanding ordinary shares	25,369,800	25,369,800
	(Rupees)	
Earning per share - basic	0.61	0.84

28.1 There were no convertible dilutive potential ordinary shares in issue as at 30 June 2011 and 30 June 2010.

29. CASH AND CASH EQUIVALENTS

	2011	2010
	Rupees	
Cash and bank balances	2,236,955	6,233,344

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2011			2010		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees					
Managerial remuneration	4,070,000	48,000	2,900,957	-	76,000	1,858,484
Housing and utilities	3,330,000	-	1,812,531	-	-	1,118,160
Provident Fund contribution	-	-	80,256	-	-	75,792
	7,400,000	48,000	4,793,744	-	76,000	3,052,436
Number of persons	1	7	3	1	7	2

30.1 The executives of the Company are also entitled to free use of Company owned and maintained vehicles.

30.2 The amount charged in the financial statements for the fee of directors for attending a Board of Directors meeting was Rs 2,000 (2010: Rs 2,000) per meeting.

31. 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:

	2011	2010
	Rupees	
Other than leasing		
Certificate of investment issued to directors	5,500,000	-
Certificates of investment issued to close relative of chairman and chief executive	16,851,138	15,089,649
Profit paid on certificates of investment	2,135,528	1,909,864
Contribution to the employees provident fund	229,076	232,060
Directors' meeting fee	48,000	76,000
Leasing		
Opening balance	1,914,023	237,900
Leases disbursed during the year	-	2,112,228
Rental received	(799,236)	(436,105)
Closing balance	1,114.787	1,914,023

Particulars of remuneration to chief executive, directors and executives are disclosed in note 30 to these financial statements.

32. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Company has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing it.

32.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

32.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company. The risk is generally limited to principal amounts and accrued interest thereon, if any and arises principally from the Company's receivables from customers and balances with the banks.

32.2.1 Management of credit risk

The company's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the NBFC rules and regulations. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter parties, and continually assessing the credit worthiness of counter parties.

32.2.2 Exposure to credit risk

In summary, compared to the maximum amount included in the balance sheet, the maximum exposure to credit risk as at 30 June 2011 is as follows:

	30 June 2011		30 June 2010	
	Balance Sheet	Maximum exposure	Balance Sheet	Maximum exposure
	Rupees			
Bank balances	2,232,011	2,232,011	6,227,476	6,227,476
Investments	4,676,315	1,745,202	4,444,271	1,529,631
Loans and advances	225,500	225,500	740,442	740,442
Accrued markup / Return on investment	111,563	111,563	111,061	111,061
Net Investment in finance lease	713,213,608	469,148,948	581,547,077	371,918,467
Other receivable	19,693,435	19,693,435	28,452,633	28,452,633
Long term deposits	206,500	206,500	206,500	206,500
	740,358,932	493,363,159	621,729,460	409,186,210

Differences in the balances as per balance sheet and maximum exposures in investments and investment in finance lease were due to the fact that investments of Rs.2.931million (2010: Rs.2.914 million) relates to investments in government securities and investment in finance lease include Rs. 244 million relating to security deposit which are not considered to carry credit risk.

32.2.3 Credit ratings and collaterals

Details of the credit ratings of balances with the banks (including profit receivable) as at 30 June were as follows:

Ratings	2011	2010
AAA	1%	2%
AA	63%	95%
AA-	5%	3%
A	31%	1%
	100%	100%

32.2.4 Description of Collaterals held

The Company's leases are secured against assets leased out and post dated cheques. In a few leases additional collateral is also obtained.

32.2.5 Aging analysis of net investment in finance lease

	2011			
	Carrying Amount	Amount on which no impairment recognised	Amount on which impairment recognised	Impairment rcognised
Past due	Rupees			
0 - 90 days	656,009,544	656,009,544	-	-
90 days-1 year	50,156,268	50,156,268	-	-
1 year- 2 years	5,874,429	-	5,874,429	399,326
2 years- 3 years	1,297,719	-	1,297,719	123,860
More than 3 years	866,538	-	866,538	467,704
	714,204,498	706,165,812	8,038,686	990,890

	2010			
	Carrying Amount	Amount on which no impairment recognised	Amount on which impairment recognised	Impairment rcognised
Past due	Rupees			
0 - 90 days	560,820,161	560,820,161	-	-
90 days-1 year	11,310,570	11,310,570	-	-
1 year- 2 years	7,601,521	-	7,601,521	419,884
2 years- 3 years	3,351,918	-	3,351,918	1,117,209
More than 3 years	947,807	-	947,807	947,807
	584,031,977	572,130,731	11,901,246	2,484,900

32.2.6 Concentration of Credit Risk - gross investment in finance lease

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 composition of finance lease portfolio of the Company are given below:

	2011		2010	
	Rupees	Percentage	Rupees	Percentage
Energy, oil and gas	22,081,739	2.65	12,534,757	1.88
Steel, engineering and auto	79,295,841	9.53	37,020,332	5.55
Electrical goods	105,746,299	12.70	15,739,434	2.36
Transport and communication	6,198,260	0.74	18,570,256	2.79
Chemical, fertilizer and pharmaceuticals	49,460,266	5.94	18,737,294	2.81
Textile	9,833,663	1.18	23,787,846	3.57
Leather footwear	-	0.00	46,239	0.01
Food, tobacco and beverage	112,571,388	13.52	21,052,233	3.16
Hotels	100,700,293	12.10	-	-
Construction	87,112,079	10.46	142,307,694	21.34
Health care	108,671,322	13.05	7,208,570	1.08
Advertisement	3,830,222	0.46	13,917,959	2.09
Publication	1,538,503	0.18	1,700,602	0.26
Services	25,550,592	3.07	78,956,849	11.84
Packing	1,234,968	0.15	607,641	0.09
Banking and Financial Institutions	5,942,976	0.71	14,940,709	2.24
Communications	8,484,584	1.02	-	-
Logistics	9,473,975	1.14	-	-
Lubricants	3,901,776	0.47	-	-
Dairy & poultry	-	-	55,040,052	8.26
Others	90,842,098	10.93	204,523,144	30.67
	832,470,844	100.00	666,691,611	100.00

32.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Company.

32.3.1 Management of liquidity risk

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 the funds by maintaining flexibility in funding by keeping committed credit lines available.

32.3.2 Maturity analysis for financial liabilities

The table below summarizes the maturity profile of the Company's liabilities.

	2011					
	Total	Contractual cash flow	Upto three months	More than three months and upto one year	More than One year	Over five years
	Rupees					
Liabilities						
Trade and other payables	11,488,010	11,488,010	11,488,010	-	-	-
Accrued mark-up	2,022,827	2,022,827	2,022,827	-	-	-
Certificates of investment - unsecured	29,230,138	31,106,065	17,407,432	13,698,633	-	-
Long-term financing - secured	58,333,332	70,746,362	13,437,764	29,123,181	28,185,417	-
Long-term deposits	244,064,660	244,064,660	11,371,285	34,113,854	198,579,521	-
	345,138,967	359,427,924	55,727,318	76,935,668	226,764,938	-

	2010					
	Total	Contractual cash flow	Upto three months	More than three months and upto one year	More than One year	Over five years
	Rupees					
Liabilities						
Trade and other payables	7,187,499	7,187,499	7,187,499	-	-	-
Accrued mark-up	1,542,707	1,542,707	1,542,707	-	-	-
Certificates of investment - unsecured	17,089,649	17,768,586	15,584,093	2,184,493	-	-
Long-term financing - secured	25,000,000	31,103,858	5,183,976	15,551,929	10,367,953	-
Long-term deposits	209,628,610	209,628,610	3,291,421	28,168,988	178,168,201	-
	260,448,465	267,231,260	32,789,696	45,905,410	188,536,154	-

32.4 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Company's income or the value of its holdings of financial instruments.

32.4.1 Management of market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies and regulations laid down by the Securities and Exchange Commission of Pakistan.

The Company is exposed to interest rate and other price risk only.

32.4.2 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. Majority of the interest rate exposure arises on investment in finance lease, investment in government securities, bank balances and borrowing from banks. The Company carries a mix of fixed and floating rate financial instruments.

At 30 June, details of the interest rate profile of the Company's interest bearing financial instruments were as follows:

	Carrying Amount	
	2011	2010
	---------- Rupees ----------	
Fixed rate instruments		
Financial assets	159,838,107	223,902,972
Financial liabilities	29,230,138	17,089,649
Variable rate instruments		
Financial assets	556,314,667	363,635,644
Financial liabilities	(58,333,340)	(25,000,000)

32.4.2.1 Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

32.4.2.2 Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

	Profit and loss	
	100 bp increase	100 bp decrease
	---------- Rupees ----------	
As at 30 June 2011		
Cash flow sensitivity - variable rate instruments	4,979,813	(4,979,813)
As at 30 June 2010		
Cash flow sensitivity - variable rate instruments	3,386,356	(3,386,356)

The sensitivity analysis prepared as of 30 June 2011 is not necessarily indicative of the impact on the Company's net assets of future movements in interest rates and profit for the year and assets / liabilities of the Company.

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

2011

	Effective mark-up/ interest/ profit rate	Total	Exposed to mark-up / Interest / profit rate risk: Upto three months	More than three months and upto one year	More than One year	Over five years	Not exposed to mark-up Interest / profit rate risk
	Percent	Rupees					
Financial assets							
Cash and bank balances	0.42- 12.4	2,236,955	8,052	-	-	-	2,228,903
Short term investments	-	1,745,202	-	-	-	-	1,745,202
Other receivables - net	-	19,693,435	-	-	-	-	19,693,435
Loans and advances to employees - considered good	-	225,500	-	-	-	-	225,500
Accrued mark-up / return on investments	-	111,563	-	-	-	-	111,563
Net investment in finance lease	9 - 24.69	713,213,609	65,634,383	196,903,148	450,676,078	-	-
Long term Investments	11.5	2,931,113	-	-	2,931,113	-	
Long term deposits	-	206,500	-	-	-	-	206,500
		740,363,877	65,642,435	196,903,148	453,607,191	-	24,211,103
Financial liabilities							
Trade and other payables	-	11,488,010		-	-	-	11,488,010
Accrued mark-up	-	2,022,827	-	-	-	-	2,022,827
Certificates of investment - unsecured	13 - 14	29,230,138	16,855,138	12,375,000	-	-	-
Long-term financing - secured	13.9-15.2	58,333,340	8,333,335	25,000,005	25,000,000	-	-
Long-term deposits		244,064,660	-	-	-	-	244,064,660
		345,138,975	25,188,473	37,375,005	25,000,000	-	257,575,497
On balance sheet gap		395,224,902	40,453,962	159,528,143	428,607,191	-	(233,364,394)

2010

	Effective mark-up/ interest/ profit rate	Total	Exposed to mark-up / Interest / profit rate risk: Upto three months	More than three months and upto one year	More than One year	Over five years	Not exposed to mark-up Interest / profit rate risk
	Percent	Rupees					
Financial assets							
Cash and bank balances	5 - 11.25	6,233,344	3,076,456	-	-	-	3,156,888
Short term investments	-	1,529,631	-	-	-	-	1,529,631
Other receivables - net	-	28,452,633	-	-	-	-	28,452,633
Loans and advances to employees - considered good	12.5	740,442	443	-	-	-	739,999
Accrued mark-up / return on investments	-	111,061	-	-	-	-	111,061
Net investment in finance lease	9 - 24.68	581,547,077	53,376,370	161,720,308	366,450,399	-	-
Long term Investments	11.5	2,914,640	-	-	-	2,914,640	-
Long term deposits	-	206,500	-	-	-	-	206,500
		621,735,328	56,453,269	161,720,308	366,450,399	2,914,640	34,196,712
Financial liabilities							
Trade and other payables	-	7,187,499		-	-	-	7,187,499
Accrued mark-up	-	1,542,707	-	-	-	-	1,542,707
Certificates of investment - unsecured	11.5 - 13	17,089,649	15,089,649	2,000,000	-	-	-
Long-term financing - secured	13.94	25,000,000	4,166,668	12,500,000	8,333,332	-	-
Long-term deposits	-	209,628,610	-	-	-	-	209,628,610
		260,448,465	19,256,317	14,500,000	8,333,332	-	218,358,816
On balance sheet gap		361,286,863	37,196,952	147,220,308	358,117,067	2,914,640	(184,162,104)

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

32.5 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 30 June 2011.

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 30 June 2011, 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. 17,452 (2010: Rs. 15,296).

33. 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.

Capital requirements applicable to the company are set out and regulated by the Securities and Exchange Commission of Pakistan (SECP). These requirements are put in place to ensure sufficient solvency margins. The Company manages its capital requirements by assessing its capital structure against the required capital level on regular basis. SECP

extended the minimum equity requirement as per NBFC regulations 2008 vide SRO 764(I)/2009 dated 2 September, 2009 wherein the Company is required to meet the minimum equity requirements of Rs. 350 million, Rs. 500 million and Rs. 700 million by 2011, 2012 and 2013 respectively.

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:

	2011	2010
	----------- Rupees -----------	
Total debt	87,563,470	42,089,649
Total equity	364,805,885	346,452,441
Total capital employed	452,369,355	388,542,090
Gearing ratio	19.36%	10.83%

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of the financial assets and financial liabilities approximate their fair values except for investments held to maturity and leases at fixed rate of return.

The Company's accounting policy on fair value measurements is discussed in note 3.1.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at 30 June 2011, all short term investments - available for sale were categorised in level 1.

35. GENERAL

35.1 Figures have been rounded off to the nearest Rupee.

36. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 06, 2011 by the Board of Directors of the Company.

Statement under section 241(2) of the Companies Ordinance, 1984

The Chief Executive of the Company is presently out of the country, therefore these financial statements have been signed by two Directors of the Company duly authorised by the Board of Directors.

Director   Director