

**BALANCE SHEET  
AS AT JUNE 30, 2010**

	NOTE	2010	2009 (Restated)
		----- Rupees -----	
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and bank balances	4	6,233,344	22,921,743
Short term investments	5	1,529,631	1,457,955
Other receivables - net	6	28,452,633	24,736,450
Loans and advances	7	740,442	198,412
Accrued mark-up / return on investments		111,061	-
Deposits and prepayments		836,387	365,749
Current portion of net investment in lease finance	8	215,096,678	182,278,994
Taxation recoverable - net		-	651,994
<b>Total current assets</b>		<b>253,000,176</b>	<b>232,611,297</b>
<b>Non Current Assets</b>			
Net investment in lease finance	8	366,450,399	391,012,915
Long-term investments	9	2,914,640	-
Long-term loans and advances	7	-	14,547
Long-term deposits		206,500	206,500
Operating fixed assets	10	77,531,795	82,709,719
Total non-current assets		447,103,334	473,943,681
<b>Total assets</b>		<b>700,103,510</b>	<b>706,554,978</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	7,187,499	11,853,671
Profit / mark-up accrued	12	1,542,707	1,413,621
Certificates of investment - unsecured	13	17,089,649	13,509,086
Current portion of long term financing - secured	14	16,666,668	46,666,667
Current portion of Long term deposits	15	31,460,409	23,724,303
Provision for Taxation		17,559	-
<b>Total current liabilities</b>		<b>73,964,491</b>	<b>97,167,348</b>
<b>Non-current Liabilities</b>			
Long-term financing - secured	14	8,333,332	25,000,000
Long-term deposits	15	178,168,201	161,465,472
Deferred taxation - net	16	49,370,549	41,291,373
<b>Total non-current liabilities</b>		<b>235,872,082</b>	<b>227,756,845</b>
<b>Total Liabilities</b>		<b>309,836,573</b>	<b>324,924,193</b>
<b>NET ASSETS</b>			
<b>Financed by</b>			
Share capital	17	253,698,000	253,698,000
Reserves	18	92,419,010	81,245,418
		346,117,010	334,943,418
Surplus on revaluation of AFS investments	5	335,431	263,755
Total equity		346,452,441	335,207,173
Surplus on revaluation of operating fixed assets-net of tax	19	43,814,496	46,423,612
		390,266,937	381,630,785
<b>Contingencies and commitments</b>	20		

The annexed notes 1 to 37 form an integral part of these financial statements.

  
Chairman / Chief Executive

  
Director





## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	NOTE	2010	2009
----- Rupees -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		32,272,693	23,022,809
<b>Adjustment for:</b>			
Depreciation		4,995,230	4,427,646
Finance cost		9,650,487	9,621,569
Provision for potential lease losses / (reversal of provision)		1,372,054	(281,960)
Provision against terminated leases		6,133,644	7,660,263
Gain on disposal of fixed asset		(167,306)	-
		<u>21,984,109</u>	<u>21,427,518</u>
<b>Operating profit before working capital changes</b>		<b>54,256,802</b>	<b>44,450,327</b>
<b>Movement in working capital</b>			
<b>(Increase) / decrease in current assets</b>			
Loans and advances		(542,030)	-
Interest receivable		(111,061)	-
Other receivables		(9,849,827)	(6,171,855)
Prepayments		(470,638)	16,495
		<u>(10,973,556)</u>	<u>(6,155,360)</u>
<b>(Decrease) / increase in current liabilities</b>			
Trade and other payables		(4,666,172)	8,101,588
		<u>(4,666,172)</u>	<u>8,101,588</u>
<b>Cash generated from operations</b>		<b>38,617,074</b>	<b>46,396,555</b>
Finance cost paid		(7,940,838)	(12,430,047)
Tax paid		(2,274,556)	(1,017,724)
Deposits received from lessees		24,438,835	23,013,787
(Increase) in net investment in finance lease		(9,627,222)	(87,185,449)
Decrease / (increase) in long-term loans and advances to employees		14,547	(30,880)
		<u>4,610,766</u>	<u>(77,650,313)</u>
<b>Net cash inflow from / (outflow on) operating activities</b>		<b>43,227,840</b>	<b>(31,253,758)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		-	(186,400)
Investment in Pakistan Investment Bonds		(2,914,640)	-
Proceeds from disposal of asset		350,000	-
<b>Net cash (outflow on) investing activities</b>		<b>(2,564,640)</b>	<b>(186,400)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of right shares		-	60,000,000
Proceeds from / (repayment of) certificates of investment		2,000,000	(5,679,589)
Dividend paid		(12,684,932)	-
(Repayment) of Murabaha financing		-	(30,000,000)
(Repayment of) / proceeds from long-term financing		(46,666,667)	63,084,810
<b>Net cash (outflow on) / inflow from financing activities</b>		<b>(57,351,599)</b>	<b>87,405,221</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(16,688,399)</b>	<b>55,965,063</b>
Cash and cash equivalents at the beginning of the year		22,921,743	(33,043,320)
<b>Cash and cash equivalents at the end of the year</b>	29	<b>6,233,344</b>	<b>22,921,743</b>

The annexed notes 1 to 37 form an integral part of these financial statements.

  
 Chairman/Chief Executive

  
 Director

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010

	NOTE	2010 ----- Rupees -----	2009 (Restated) ----- Rupees -----
<b>INCOME</b>			
Income from leasing operations	21	64,157,818	53,666,448
<b>Other Operating Income</b>			
Profit on bank accounts / return on investments	22	4,738,307	5,183,639
Other income	23	487,195	348,789
		69,383,320	59,198,876
<b>OPERATING EXPENSES</b>			
Administrative and operating expenses	24	19,883,518	19,144,145
Finance cost	25	9,650,487	9,621,569
Other charges	26	70,924	32,050
		29,604,929	28,797,764
<b>Operating Profit before provision</b>		39,778,391	30,401,112
(Provision) for potential lease losses/ reversal of provision	8.2	(1,372,054)	281,960
Provision against terminated leases	6.3	(6,133,644)	(7,660,263)
<b>Profit before Taxation</b>		32,272,693	23,022,809
<b>Taxation</b>			
- Current	27	2,944,109	518,364
- Deferred	27	8,079,176	6,449,437
		11,023,285	6,967,801
<b>Profit after taxation</b>		21,249,408	16,055,008
<b>Earning per share-basic and diluted</b>	28	0.84	0.69

The annexed notes 1 to 37 form an integral part of these financial statements.

  
 Chairman/Chief Executive

  
 Director

**STATEMENT OF  
COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2010**

	NOTE	2010	2009 (Restated)
		----- Rupees -----	
Profit / (loss) for the period		21,249,408	16,055,008
<b>Other Comprehensive Income</b>			
Unrealized gain / (loss) on revaluation of available for sale investments	5	71,676	(1,384,650)
<b>Comprehensive income transferred to equity</b>		<u><u>21,321,084</u></u>	<u><u>14,670,358</u></u>

The annexed notes 1 to 37 form an integral part of these financial statements.

  
 Chairman / Chief Executive

  
 Director



**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), 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 at least Rs 350 million by 30 June 2011. As at 30 June 2010 the Company's equity was Rs 346.117 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****2.3.1 Starting 1 July 2009, the Company has changed its accounting policies in the following areas:**

- (a) IAS 1 (Revised) - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). The company has opted to present two statements; a profit and loss account (income statement) and a statement of comprehensive income. Comparative information has also been represented so that it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on the earnings per share.





- (b) IFRS 8 - Operating Segments (effective from 1 January 2009). This standard requires the Company to determine and present operating segments based on the information that is provided internally to the Company's Chief Operating Decision Maker.

As of 1 January 2009 the Company determines and presents operating segments based on the information that is internally provided to the Chief Executive Officer, which is the Company's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. The new accounting policy in respect of segment operating disclosures is presented as follows:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Chief Executive Officer reviews the Company's performance on overall basis. Therefore management has determined the Company as a whole to be a reportable segment.

### **2.3.2 Other accounting developments**

#### **Disclosures pertaining to fair values for financial instruments**

The Company has applied Improving Disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are required to be disclosed for each class of financial instruments.

Disclosures in respect of fair values of financial instruments are included in note 34.

- 2.3.3** There are other standards, amendments and interpretations that were mandatory for accounting periods beginning on or after 1 July 2009 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**

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2010:

- Improvements to IFRSs 2009 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5. These amendments are unlikely to have an impact on the Company's financial statements.



- Improvements to IFRSs 2009 – Amendments to IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker. The amendment is unlikely to have an impact on Company's financial statements.
- Improvements to IFRSs 2009 – Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments. These amendments are unlikely to have an impact on the Company's financial statements.
- Improvements to IFRSs 2009 – Amendments to IAS 7 Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities. These amendments are unlikely to have a significant impact on the Company's financial statements.
- Improvements to IFRSs 2009 – Amendments to IAS 17 Leases (effective for annual periods beginning on or after 1 January 2010). The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 – 13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. The amendment is unlikely to have an impact on Company's financial statements.
- Improvements to IFRSs 2009 – Amendments to IAS 36 Impairment of Assets (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively. The amendment is not relevant to the Company's operations.
- Improvements to IFRSs 2009 – Amendments to IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010). The amendments provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; clarify that the scope exemption in IAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss. The amendments apply prospectively to all unexpired contracts from the date of adoption. These amendments are unlikely to have an impact on the Company's financial statements.
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010). The IASB provided additional optional exemptions for first-time adopters of IFRSs that will permit entities not to reassess the determination of whether an arrangement contains a lease if the same assessment as that required by IFRIC 4 was made under previous GAAP; and allow entities in the oil and gas industry to use their previous GAAP carrying amounts as deemed cost at the date of transition for oil and gas assets. The amendment is not relevant to the Company's operations.



- Amendments to IFRS 2 - Share based Payment - Group Cash-settled share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Amendment provides guidance on the accounting for share based payment transactions among group entities. The amendments is not relevant to the Company's operations.
- Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 January 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. These amendments are unlikely to have an impact on the Company's financial statements.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for accounting periods beginning on or after 1 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. The amendment is not relevant to the Company's operations.
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for accounting periods beginning on or after 1 July 2010). The amendment provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the Amendments to IFRS 7. The amendment also clarifies the transitional provisions of the Amendments to IFRS 7. The amendment is not relevant to the Company's operations.

Improvements to IFRSs 2010 (effective for annual periods beginning on or after 1 July 2010). The IASB issued amendments to various standards effective. Below is a summary of the amendments that are effective for either annual periods beginning on or after 1 July 2010 or annual periods beginning on or after 1 January 2011.

- Improvements to IFRSs 2010 – Amendments to IFRS 3 Business Combinations (effective for accounting periods beginning on or after 1 July 2010). The amendments clarify that contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 (2004) that remains outstanding at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004); limit the accounting policy choice to measure non- controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards. These amendments are unlikely to have an impact on the Company's financial statements.
- Improvements to IFRSs 2010 – Amendments to IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2010). The amendments clarify that the consequential amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 and IAS 31 resulting from IAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering. These amendments are unlikely to have an impact on the Company's financial statements.
- IAS 24 Related Party Disclosures (revised 2009) (effective for accounting periods beginning on or after 1 January 2011). The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure



amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. These amendments are unlikely to have an impact on the Company's financial statements other than increase in disclosures.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for accounting 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 recognized as an asset rather than an expense. The amendment is not relevant to the Company's operations.
- Improvements to IFRSs 2010 – IFRS 1 First-time Adoption of IFRSs (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that IAS 8 is not applicable to changes in accounting policies occurring during the period covered by an entity's first IFRS financial statements; introduce guidance for entities that publish interim financial information under IAS 34 Interim Financial Reporting and change either their accounting policies or use of the IFRS 1 exemptions during the period covered by their first IFRS financial statements; extend the scope of paragraph D8 of IFRS 1 so that an entity is permitted to use an event-driven fair value measurement as deemed cost for some or all of its assets when such revaluation occurred during the reporting periods covered by its first IFRS financial statements; and introduce an additional optional deemed cost exemption for entities to use the carrying amounts under previous GAAP as deemed cost at the date of transition to IFRSs for items of property, plant and equipment or intangible assets used in certain rate-regulated activities. The amendment is not relevant to the Company's operations.
- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for accounting periods beginning on or after 1 January 2011). The amendments 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. In addition, the IASB amended and removed existing disclosure requirements. These amendments would result in increase in disclosures in the financial statements of the Company.
- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income is also required to be presented, but may be presented either in the statement of changes in equity or in the notes. The amendment is not likely to have an impact on Company's financial statements other than increase in disclosure.
- Improvements to IFRSs 2010 – IAS 34 Interim Financial Reporting (effective for accounting periods beginning on or after 1 January 2011). The amendments add examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality in IAS 34 that describes other minimum disclosures. The amendment is not likely to have an impact on Company's financial statements other than increase in disclosure.
- Improvements to IFRSs 2010 – IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. The amendment is not relevant for the Company's operation.



## 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.

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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)

## 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. There have been no changes in accounting policies except for the changes mentioned in note 2.3.1.

### 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 quote 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 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	2010	2009
			----- Rupees -----	
	Cash in hand		5,868	8,347
	Balance with banks:			
-	in current accounts		3,151,020	11,017,578
-	in saving accounts	4.1	<u>3,076,456</u>	<u>11,895,818</u>
			<u><u>6,233,344</u></u>	<u><u>22,921,743</u></u>

4.1 Return on these savings accounts is earned at rates ranging from 5 percent to 11.25 percent (2009: 5 percent to 17 percent) per annum.

**5 SHORT TERM INVESTMENT**

**Available for sale investments**

**Cost**

54,300 units of National Investment Trust (2009: 54,300) 1,194,200 1,194,200

**Revaluation surplus / (deficit)**

As at 1 July	263,755	1,648,405
Surplus / (deficit) for the year	71,676	(1,384,650)
As at 30 June	<u>335,431</u>	<u>263,755</u>
	<u><u>1,529,631</u></u>	<u><u>1,457,955</u></u>

**6 OTHER RECEIVABLES - NET**

Lease receivable held under litigation	6.1	59,181,173	45,375,118
Insurance premium receivable	6.2	4,754,708	8,436,314
Others		<u>393,200</u>	<u>667,822</u>
		<u><u>64,329,081</u></u>	<u><u>54,479,254</u></u>
Less: Provision against terminated leases	6.3	<u>(35,876,448)</u>	<u>(29,742,804)</u>
		<u><u>28,452,633</u></u>	<u><u>24,736,450</u></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.



6.3	Movement of provision against terminated leases	Note	2010	2009
		----- Rupees -----		
	Balance as at 1 July		29,742,804	21,568,595
	Add: Charge for the year		6,133,644	7,660,263
	Transfer of provision relating to lease receivables held under litigation		-	1,227,936
	Recoveries during the year		-	(713,990)
	Balance as at 30 June		<u>35,876,448</u>	<u>29,742,804</u>

**7. LOANS AND ADVANCES TO EMPLOYEES**

Due From employees				
-	Loans		443	212,959
-	Advances		739,999	-
	Less: receivable with in one year		<u>(740,442)</u>	<u>(198,412)</u>
			-	14,547

7.1 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.

**8. NET INVESTMENT IN FINANCE LEASES**

Net investment in finance leases	8.1	581,547,077	573,291,909
Less: Current portion shown under current assets	8.1	<u>(215,096,678)</u>	<u>(182,278,994)</u>
		<u>366,450,399</u>	<u>391,012,915</u>

**8.1 NET INVESTMENT IN FINANCE LEASE**

	2010			2009		
	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	241,470,650	215,592,351	457,063,001	211,767,220	268,917,194	480,684,414
Add: Residual value of leased assets	31,460,409	178,168,201	209,628,610	23,683,603	161,506,322	185,189,925
Gross investment in leases	<u>272,931,059</u>	<u>393,760,552</u>	<u>666,691,611</u>	<u>235,450,823</u>	<u>430,423,516</u>	<u>665,874,339</u>
Less: Unearned lease income	(49,556,795)	(24,825,253)	(74,382,048)	(46,872,147)	(38,297,755)	(85,169,902)
Less: Mark-up held in suspense	(8,277,586)	-	(8,277,586)	(6,299,682)	-	(6,299,682)
	<u>(57,834,381)</u>	<u>(24,825,253)</u>	<u>(82,659,634)</u>	<u>(53,171,829)</u>	<u>(38,297,755)</u>	<u>(91,469,584)</u>
	215,096,678	368,935,299	584,031,977	182,278,994	392,125,761	574,404,755
Less: Provision for potential lease losses (note 8.2)	-	(2,484,900)	(2,484,900)	-	(1,112,846)	(1,112,846)
Net investment in finance leases	<u>215,096,678</u>	<u>366,450,399</u>	<u>581,547,077</u>	<u>182,278,994</u>	<u>391,012,915</u>	<u>573,291,909</u>

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

<b>8.2</b>	<b>Provision for potential lease losses</b>	<b>Note</b>	<b>2010</b>	<b>2009</b>
			----- Rupees -----	
	Balance at beginning of the year		1,112,846	2,622,742
	Charge / (reversal) during the year		1,372,054	(281,960)
	Less: transfer of provision relating to lease receivable held under litigation		-	(1,227,936)
	Balance at end of the year		<u>2,484,900</u>	<u>1,112,846</u>

**8.3** The net investment in finance lease portfolio includes Rs 11.425 million (2009: Rs 25.269 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 (2009: two to five years). Security deposits ranging from 10 percent to 66 percent (2009: 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 24.69 percent (2009: 9 percent to 21.5 percent) per annum.

**9. LONG TERM INVESTMENT - Held to maturity**

**Government Security**

Pakistan Investment Bonds	<u>2,914,640</u>	<u>-</u>
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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% percent per annum and is due to mature on 03 September 2014.

**10. Operating fixed assets**

Fixed assets	10.1	<u>76,920,285</u>	82,098,209
Capital work-in-progress	10.3	<u>611,510</u>	611,510
		<u>77,531,795</u>	<u>82,709,719</u>

**10.1 Fixed Assets**

**2010**

	COST / REVALUED AMOUNT				ACCUMULATED DEPRECIATION				Net book value as at 30 June 2010	Depreciation rate % per annum
	As at 1 July 2009	Addition / (deletion)	Surplus on revaluation	As at 30 June 2010	As at 1 July 2009	Charge for the year / (accumulated depreciation on deletion)	Reversal due to revaluation	As at 30 June 2010		
Rupees										
<b>Owned</b>										
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
	<u>93,826,586</u>	<u>-</u>	<u>-</u>	<u>93,423,586</u>	<u>11,728,377</u>	<u>4,995,230</u>	<u>-</u>	<u>16,503,301</u>	<u>76,920,285</u>	
		(403,000)	-			(220,306)	-			





**Fixed Assets**

2009

	COST / REVALUED AMOUNT				ACCUMULATED DEPRECIATION				Net book value as at 30 June 2009	Depreciation rate % per annum
	As at 1 July 2008	Addition / (deletion)	Surplus on revaluation	As at 30 June 2009	Asset 1 July 2008	Charge for the year / (accumulated depreciation on deletion)	Reversal due to revaluation	As at 30 June 2009		
Rupees										
<b>Owned</b>										
Leasehold premises	50,954,241	-	31,413,763	82,368,004	6,793,900	3,594,837	(7,643,137)	2,745,600	79,622,404	5
Leasehold improvements	670,981	-	-	670,981	670,981	-	-	670,981	-	33.33
Furniture & fittings	1,627,056	5,000	-	1,632,056	1,325,214	74,946	-	1,400,160	231,896	10
Office equipment	1,467,549	32,400	-	1,499,949	1,164,778	104,019	-	1,268,797	231,152	20
Vehicles	5,232,085	31,500	-	5,263,585	3,153,497	329,612	-	3,483,109	1,780,476	20
Computer equipment	2,374,511	17,500	-	2,392,011	1,835,498	324,232	-	2,159,730	232,281	33
	62,326,423	86,400	31,413,763	93,826,586	14,943,868	4,427,646	(7,643,137)	11,728,377	82,098,209	

**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 67,406,917 remains undepreciated as at 30 June 2010 (2009: Rs 71,420,942). Had there been no revaluation, the book value of leasehold premises would have been Rs 6,872,247 (2009: Rs 7,484,760).

**10.3 Capital work-in-progress**

	2010	2009
	----- Rupees -----	
Balance as at 1 July	611,510	511,510
Additions	-	100,000
Balance as at 30 June	<u>611,510</u>	<u>611,510</u>

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

**10.4 Particular of disposal of fixed assets**

Particulars	cost	WDV	Sale proceeds	Gain on disposal	Mode of disposal	Particulars of buyers
	----- Rupees -----					
Suzuki Mehran	403,000	182,694	350,000	167,306	Auction	Mr. Waseem Mirza

<b>11.</b>	<b>TRADE AND OTHER PAYABLES</b>	<b>Note</b>	<b>2010</b>	<b>2009</b>
			-----	-----
			<b>Rupees</b>	
	Accrued liabilities		415,123	415,123
	Unclaimed Dividend		183,154	99,312
	Insurance payable		2,585,448	2,951,696
	Advance against termination of leases		3,448,728	7,545,018
	Other liabilities		555,046	842,522
			<u>7,187,499</u>	<u>11,853,671</u>

**12. PROFIT/MARKUP ACCRUED**

Long-term financing	-	100,094
Certificates of investment	1,542,707	1,313,527
	<u>1,542,707</u>	<u>1,413,621</u>

**13. CERTIFICATES OF INVESTMENT - unsecured**

Opening balance	13,509,086	19,188,675
Certificates issued during the year	2,000,000	-
Interest / principal rolled over in the current year	1,580,563	1,420,411
Payments made during the year	-	(7,100,000)
Closing balance	<u>17,089,649</u>	<u>13,509,086</u>

**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 (2009: three month to one year) carrying mark-up at rate of 13 percent per annum (2009: 11.5 percent to 13 percent per annum).

**14. LONG TERM FINANCING - secured**

Long-term loans from banking companies	14.1	25,000,000	71,666,667
Less: Current maturity shown under current liabilities	14.1	<u>(16,666,668)</u>	<u>(46,666,667)</u>
		<u>8,333,332</u>	<u>25,000,000</u>

**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		
				2010	2009	
-----Rupees-----						
National Bank of Pakistan	50,000,000	12 quarterly installments upto December 2011	3 months KIBOR ask rate + 1.65 percent	14.2	25,000,000	41,666,667
Bank Alfalah Limited	30,000,000	04 quarterly installments upto June 2010	6 months KIBOR ask rate + 1.75 percent	14.2	-	30,000,000
Less: Current portion shown under current liabilities					<u>25,000,000</u>	<u>71,666,667</u>
					<u>(16,666,668)</u>	<u>(46,666,667)</u>
					<u>8,333,332</u>	<u>25,000,000</u>

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



<b>15.</b>	<b>LONG TERM DEPOSITS</b>	<b>Note</b>	<b>2010</b>	<b>2009</b>
			----- Rupees -----	
	Long-term security deposits	15.1	209,628,610	185,189,775
	Less: Current portion shown under current liabilities	15.1	(31,460,409)	(23,724,303)
			<u>178,168,201</u>	<u>161,465,472</u>
<b>15.1</b>	These represent interest free security deposits received against lease contracts and are refundable / adjustable at the expiry / termination of the respective leases.			
<b>16.</b>	<b>DEFERRED TAXATION - Net</b>	<b>Note</b>	<b>2010</b>	<b>2009</b>
			----- Rupees -----	
	Deferred tax liability recognized in taxable temporary difference arising in respect of:			
	Surplus on revaluation of fixed assets arising during the year		23,592,421	24,997,330
	Excess of accounting WDV over Tax WDV		505,686	462,624
	Investment in lease finance and tax book value of assets given on finance lease		38,698,914	31,230,701
	Deferred tax assets recognized on deductible temporary difference arising in respect of:			
	Recognized tax losses		-	(4,599,805)
	Provision for potential lease losses		(869,715)	(389,496)
	Provision for doubtful receivable		(12,556,757)	(10,409,981)
			<u>49,370,549</u>	<u>41,291,373</u>
<b>17</b>	<b>SHARE CAPITAL</b>			
	<b>Authorised capital</b>			
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>(Number of shares)</b>		----- Rupees -----	
	<u>50,000,000</u>	<u>50,000,000</u>	500,000,000	500,000,000
			Ordinary shares of Rs. 10 each	
	<b>Issued, Subscribed and paid-up share capital</b>			
	10,000,000	10,000,000	100,000,000	100,000,000
			Ordinary shares of Rs. 10 each fully paid in cash	
	2,369,800	2,369,800	23,698,000	23,698,000
			Ordinary shares of Rs. 10 each issued as fully paid bonus shares	
	13,000,000	13,000,000	130,000,000	130,000,000
			Ordinary shares of Rs. 10 each issued as fully paid Right shares	
	<u>25,369,800</u>	<u>25,369,800</u>	<u>253,698,000</u>	<u>253,698,000</u>

17.1 As at 30 June 2010, 8,911,899 shares (2009: 9,817,543 shares) of the Company were held by related parties.

	Note	2010	2009 (Restated)
----- Rupees -----			
<b>18 RESERVES</b>			
<b>Capital reserves</b>			
Statutory reserve	18.1	32,639,294	28,389,412
Reserve for issue of bonus shares		4,402,000	4,402,000
<b>Revenue reserves</b>			
Unappropriated profit		55,377,716	48,454,006
		<u>92,419,010</u>	<u>81,245,418</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 4,249,882 (2009: Rs 3,211,002) to its statutory reserve.

	2010	2009 (Restated)
----- Rupees -----		
<b>19 SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF TAX</b>		
Surplus on revaluation of Operating Fixed Asset as at 1 July	71,420,942	35,727,119
Surplus arising on revaluation of operating fixed assets	-	39,056,900
Transferred to retained earnings in respect of incremental depreciation charged during the year -net of deferred tax	(2,609,116)	(2,186,000)
Related deferred tax liability	(1,404,909)	(1,177,077)
	<u>(4,014,025)</u>	<u>(3,363,077)</u>
Surplus on revaluation of Operating Fixed Asset as at 30 June	67,406,917	71,420,942
Less: Related deferred tax liability on:		
-Revaluation at the beginning of the year	24,997,330	12,504,492
-Surplus arising on revaluation of operating fixed assets	-	13,669,915
-Incremental depreciation charged during the year	(1,404,909)	(1,177,077)
	<u>23,592,421</u>	<u>24,997,330</u>
	<u>43,814,496</u>	<u>46,423,612</u>

## 20. CONTINGENCIES AND COMMITMENTS

20.1 There were no contingencies outstanding as at 30 June 2010 and 30 June 2009.

20.2 Leasing contracts committed but not executed at the balance sheet date amounted to Rs. nil. (2009: Rs 9.915 million).



	Note	2010	2009
		Rupees	
<b>21. INCOME FROM LEASING OPERATIONS</b>			
Income on lease contracts		58,704,942	53,639,362
(Loss) on lease termination		(231,777)	(2,004,745)
Late payment charges		1,221,567	864,604
Mark-up on termination of lease		3,760,586	634,005
Other income		702,500	533,222
		<u>64,157,818</u>	<u>53,666,448</u>
<b>22. PROFIT ON BANK ACCOUNTS/RETURN ON INVESTMENT</b>			
Profit on Bank Accounts		4,558,324	4,830,689
Income from Pakistan Investment Bonds		3,508	-
Dividend Income -NIT Unit		176,475	352,950
		<u>4,738,307</u>	<u>5,183,639</u>
<b>23. OTHER INCOME</b>			
<b>Income from financial assets</b>			
Markup on loans to employee		5,976	10,468
Others		150,442	-
<b>Income from non-financial assets</b>			
Commission income		11,871	15,920
Gain on disposal of fixed assets		167,306	-
Others		151,600	-
Liabilities no longer payable written back		-	322,401
		<u>487,195</u>	<u>348,789</u>
<b>24. ADMINISTRATIVE AND OPERATING EXPENSES</b>			
Directors' fee	30	76,000	54,000
Salaries, allowances and benefits	24.1	7,839,324	7,574,134
Depreciation	10.1	4,995,230	4,427,646
Office rent and utilities		1,036,658	916,035
Legal and professional		1,425,898	1,433,622
Auditors' remuneration	24.3	475,000	475,000
Postage, subscription, printing and stationary		861,897	1,310,809
Vehicle running and maintenance		1,070,682	1,045,043
Office repair and general maintenance		264,463	451,772
Insurance		357,455	200,955
Advertisement		142,810	119,300
Travelling and conveyance		59,284	1,583
Penalties		-	25,323
General		1,278,817	1,108,923
		<u>19,883,518</u>	<u>19,144,145</u>

24.1 Salaries and benefits include Rs. 232,060 (2009: Rs. 217,525) in respect of Company's contribution to provident fund.

24.2 The total number of employees at 30 June 2010 is 21 (2009: 22).

	2010	2009
	----- Rupees -----	
<b>24.3 Auditors' remuneration</b>		
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>

**25. FINANCE COST**

**Markup on:**

- Long term financing	7,601,791	5,482,847
- Short term running finance utilized under markup arrangement	-	2,221,813
- Certificate of investment - unsecured	1,985,360	1,820,371
Bank Charges	63,336	96,538
	<u>9,650,487</u>	<u>9,621,569</u>

**26. OTHER CHARGES**

CIB Reports Charges	<u>70,924</u>	<u>32,050</u>
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**27. TAXATION**

	2010	2009 (Restated)
	----- Rupees -----	
Current	2,944,109	518,364
Deferred	8,079,176	6,449,437
	<u>11,023,285</u>	<u>6,967,801</u>

**27.1 Relationship between tax expense and accounting profit**

The following is a reconciliation of relationship between tax expense and accounting profit.

Accounting profit before tax	<u>32,272,693</u>	<u>23,022,809</u>
Tax rate	35%	35%
Tax on accounting profit	11,295,442	8,057,983
Tax effect of income taxed at different rate	(44,119)	(1,250,744)
Others	(228,038)	160,562
<b>Total charge as per tax</b>	<u>11,023,285</u>	<u>6,967,801</u>

27.2 The income tax assessments of the Company have deemed to be finalized up to and including Tax year 2009.



28. EARNINGS PER SHARE - BASIC AND DILUTED	2010	2009
	Rupees (Restated)	
Profit after taxation attributable to ordinary shareholders	<u>21,249,408</u>	<u>16,055,008</u>
	(Number of shares)	
Weighted average number of outstanding ordinary shares	<u>25,369,800</u>	<u>23,123,568</u>
	(Rupees)	
Earning per share - basic	<u>0.84</u>	<u>0.69</u>

28.1 There were no convertible dilutive potential ordinary shares in issue as at 30 June 2010 and 30 June 2009.

### 29. CASH AND CASH EQUIVALENTS

Cash and bank balances	<u>6,233,344</u>	<u>22,921,743</u>
------------------------	------------------	-------------------

### 30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2010			2009		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees					
Managerial remuneration	-	76,000	1,858,484	-	54,000	1,819,356
Housing and utilities	-	-	1,118,160	-	-	1,096,644
Provident Fund contribution	-	-	75,792	-	-	74,194
	<u>-</u>	<u>76,000</u>	<u>3,052,436</u>	<u>-</u>	<u>54,000</u>	<u>2,990,194</u>
Number of persons	<u>1</u>	<u>7</u>	<u>2</u>	<u>1</u>	<u>8</u>	<u>2</u>

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 (2009: 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:

	2010	2009
	----- Rupees -----	
<b>Other than leasing</b>		
Certificates of investment issued to close relative of chairman and chief executive	15,089,649	13,509,086
Profit paid on certificates of investment	1,909,864	1,661,532
Contribution to the employees provident fund	232,060	217,525
Directors' meeting fee	76,000	54,000
<b>Leasing</b>		
Total financing provided	2,031,400	347,400
Rentals received	436,105	142,740
Implicit rate of return (IRR) percentage	15.66	15.00

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

**32. FINANCIAL RISK MANAGEMENT**

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

**32.1 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, interest rate risk and price risk.

**32.1.1 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.





**32.1.2 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.

At the balance sheet date the interest rate profile of the Company's interest-bearing financial instrument was as follows:

	<b>Carrying Amount</b>	
	<b>2010</b>	<b>2009</b>
	----- Rupees -----	
<b>Fixed rate instruments</b>		
Financial assets	223,902,972	280,982,662
Financial liabilities	<u>(17,089,649)</u>	<u>(13,509,086)</u>
	<u><b>206,813,323</b></u>	<u><b>267,473,576</b></u>
<b>Variable rate instruments</b>		
Financial assets	363,635,644	304,274,692
Financial liabilities	<u>(25,000,000)</u>	<u>(71,666,667)</u>
	<u><b>338,635,644</b></u>	<u><b>232,608,025</b></u>

**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.

**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 2009.

	<b>Profit and loss</b>	
	<b>100 bp increase</b>	<b>100 bp decrease</b>
	----- Rupees -----	
<b>As at 30 June 2010</b>		
Cash flow sensitivity - variable rate instruments	<u><b>3,386,356</b></u>	<u><b>(3,386,356)</b></u>
<b>As at 30 June 2009</b>		
Cash flow sensitivity - variable rate instruments	<u><b>2,326,080</b></u>	<u><b>(2,326,080)</b></u>

The sensitivity analysis prepared as of 30 June 2010 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:

		2010					Not exposed to mark-up / interest / profit rate risk
		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	Over five years		
<b>Percent</b>		<b>Rupees</b>					
<b>Financial assets</b>							
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
<b>Financial liabilities</b>							
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
<b>On balance sheet gap</b>		<b>361,286,863</b>	<b>37,196,952</b>	<b>147,220,308</b>	<b>358,117,067</b>	<b>2,914,640</b>	<b>(184,162,104)</b>
		2009					
		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	Over five years	Not exposed to mark-up / interest / profit rate risk	
<b>Percent</b>		<b>Rupees</b>					
<b>Financial assets</b>							
Cash and bank balances	5-17	22,921,743	11,895,818	-	-	-	11,025,925
Short term investments	-	1,457,955	-	-	-	-	1,457,955
Other receivables - net	-	24,736,450	-	-	-	-	24,736,450
Loans and advances to employees - considered good	12.5-16.5	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	137,888,614	391,027,462	-	37,570,162
<b>Financial liabilities</b>							
Trade and other payables	-	11,853,671	-	-	-	-	11,853,671
Accrued mark-up	-	1,413,621	-	-	-	-	1,413,621
Certificates of investment - unsecured	11.5-13	13,509,086	13,509,086	-	-	-	-
Long-term financing - secured	14.44-14.5	71,666,667	11,666,667	35,000,000	25,000,000	-	-
Long-term deposits	-	185,189,775	-	-	-	-	185,189,775
		283,632,820	25,175,753	35,000,000	25,000,000	-	198,457,067
<b>On balance sheet gap</b>		<b>339,194,696</b>	<b>31,165,525</b>	<b>102,888,614</b>	<b>366,027,462</b>	<b>-</b>	<b>(160,886,905)</b>

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



**32.2 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, 2010.

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 2010, 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. 15,296 (2009: Rs. 14,580).

**32.3 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. 621,735,328 (2009: Rs. 622,827,516) the financial assets which are subject to credit risk amounted to Rs. 621,729,460 (2009: Rs. 622,819,169). 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.

**32.3.1 Aging analysis of net investment in finance lease**

Past due	Carrying Amount	Amount on which no impairment recognised	Amount on which impairment recognised	Impairment recognised
	----- 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
Total	<u>584,031,977</u>	<u>572,130,731</u>	<u>11,901,246</u>	<u>2,484,900</u>

Impairment is recognised by the Company in accordance with Schedule X of NBFC Regulations, 2008.

**32.3.2 Description of Collateral held**

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

**32.3.3 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:

	2010		2009	
	Rupees	Percentage	Rupees	Percentage
Energy, oil and gas	12,534,757	1.88	8,438,268	1.27
Steel, engineering and auto	37,020,332	5.55	42,392,164	6.37
Electrical goods	15,739,434	2.36	27,999,212	4.20
Transport and communication	18,570,256	2.79	47,086,392	7.07
Chemical, fertilizer and pharmaceuticals	18,737,294	2.81	20,245,421	3.04
Textile	23,787,846	3.57	40,257,061	6.05
Leather footwear	46,239	0.01	44,926	0.01
Food, tobacco and beverage	21,052,233	3.16	35,048,935	5.26
Glass and ceramics	-	0.00	-	0.00
Construction	142,307,694	21.34	76,208,418	11.44
Health care	7,208,570	1.08	14,897,662	2.24
Advertisement	13,917,959	2.09	20,045,479	3.01
Publication	1,700,602	0.26	3,454,501	0.52
Services	78,956,849	11.84	100,253,092	15.06
Packing	607,641	0.09	1,062,699	0.16
Photo films	-	0.00	-	0.00
Banking and Financial Institutions	14,940,709	2.24	23,610,234	3.55
Dairy & poultry	55,040,052	8.26	39,220,747	5.89
Others	204,523,144	30.67	165,609,128	24.86
	<u>666,691,611</u>	<u>100.00</u>	<u>665,874,339</u>	<u>100.00</u>

**32.4 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.

**32.5 Maturities of financial liabilities**

	2010				
	Total	Upto three months	More than three months and up one year	More than One year	Over five years
----- Rupees -----					
<b>Liabilities</b>					
Trade and other payables	7,187,499	7,187,499	-	-	-
Accrued mark-up	1,542,707	1,542,707	-	-	-
Certificates of investment - unsecured	17,089,649	15,089,649	2,000,000	-	-
Long-term financing - secured	25,000,000	4,166,668	12,500,000	8,333,332	-
Long-term deposits	209,628,610	3,291,421	28,168,988	178,168,201	-
	<u>260,448,465</u>	<u>31,277,944</u>	<u>42,668,988</u>	<u>186,501,533</u>	<u>-</u>
-----					
	2009				
	Total	Upto three months	More than three months and up one year	More than One year	Over five years
----- Rupees -----					
<b>Liabilities</b>					
Trade and other payables	11,853,671	11,853,671	-	-	-
Accrued mark-up	1,413,621	1,413,621	-	-	-
Certificates of investment - unsecured	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	185,189,975	3,618,835	20,105,668	161,465,472	-
	<u>283,633,020</u>	<u>42,061,880</u>	<u>55,105,668</u>	<u>186,465,472</u>	<u>-</u>

**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.

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 September 2, 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:

	2010	2009
	----- Rupees -----	Restated
Total debt	42,089,649	85,175,753
Total equity	346,452,441	335,207,173
Total capital employed	<u>388,542,090</u>	<u>420,382,926</u>
<b>Gearing ratio</b>	<b>10.83%</b>	<b>20.26%</b>

### 33.1 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. 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 2010, all short term investments - available for sale were categorised in level 1.

### 35. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

During the year ended 30 June 2009, the deferred tax liability recorded in respect of revaluation of operating fixed assets carried out during the year was erroneously understated by Rs. 1.177 million resulting in overstatement of Surplus on revaluation of operating fixed assets and understatement of profit for the year ended 30 June 2009 by the said amount.



The said error has been corrected retrospectively in these financial statements in accordance with International Accounting Standard – 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (IAS – 8).

Three statements of financial position as required by paragraph 39 of IAS – 1 'Presentation of Financial Statements' has not been presented as the effect of the above adjustment, do not affect the financial statements beyond 30 June 2009.

Due to the above correction of error following adjustments and restatements have been made in the financial statements for the year ended 30 June 2009.

	Balance previously reported	Correction	Restated balance
	----- Rupees -----		
<b>Balance Sheet item</b>			
As at 30 June 2009			
Surplus on revaluation of asset-net of tax	47,600,689	(1,177,077)	46,423,612
<b>Profit and Loss Account</b>			
For the year ended 30 June 2009			
Taxation - deferred	(7,626,514)	1,177,077	(6,449,437)

20% of the increase in profit resulting from correction of error amounting to Rs. 0.235 million was transferred to statutory reserve as required by NBFC regulations.

### 36. GENERAL

36.1 Figures have been rounded off to the nearest Rupee.

36.2 Following corresponding figures have been reclassified for better presentation.

	From	To	Year ended 30 June	
			2010	2009 Restated
			Rupees	
Auditors remuneration	Other charges	Administrative and operating expenses	475,000	475,000

### 37. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 30, 2010 by the Board of Directors of the Company.



Chairman / Chief Executive



Director