

Annual Report

June 30, 2008



Standard
Chartered
Leasing Limited

(Formerly Union Leasing Limited)
Member Standard Chartered Group



Vision

To be the preferred provider
of Leasing Products
in the market.

Mission

To create exceptional value
for our clients, investors and
staff; through market leadership
in providing innovative
Leasing Products & Solutions,
and by adopting and living our
core values.

Our Values

Courageous

Stand up for what we believe to be right. We accept accountability and take calculated risks.

Responsive

We listen to our customers and colleagues and build strong relationships based on mutual respect. We work quickly, thoughtfully and effectively to deliver the best solution.

International

We value our diversity. We share standards and best practice. We work together, as one team across the organization for the benefit of our customers.

Creative

We are innovative and imaginative in working with opportunities and challenges. We continuously improve the way we work, making it simpler, better and faster.

Trustworthy

We do what is best for the organization and our customers. We deliver on our promises and work to high standards. We are reliable, open and honest.



Badar Kazmi - Chairman

Badar Kazmi is the Chief Executive Officer of Standard Chartered Bank (Pakistan) Limited since 2003. He joined Standard Chartered in 1991 as Head of Treasury in Pakistan. During his tenure, Badar has held various senior positions with the bank in Pakistan and in the U.A.E. Whilst in U.A.E his last assignment was as Regional Head of Global Markets, Middle East, South Asia and Africa. Badar started his Banking Career as a Graduate Management Trainee at BCCI in 1980. He is an active member of various organizations in Pakistan. He is also member of the Council of the Institute of Bankers' Pakistan and represents Standard Chartered on the 'Executive Committee of Pakistan Banking Council. In recognition of his services to Banking in Pakistan, he has been awarded 'Sitara-e-Imtiaz' by the Government of Pakistan. Badar has a B.Sc Degree from the University of Karachi.



Rafi Ahmed Shariff - Managing Director/Chief Executive

Rafi Ahmed Shariff is the Managing Director/CEO of Standard Chartered Leasing Limited. Prior to his current assignment, he joined SCLL as Head of Remedial and Recovery Department along with Business Development. Rafi is an MBA from the Institute of Business Administration, Karachi with dual majors. He also has a BBA (Hons) & BSc from the University of Karachi. He started his career in banking as a Graduate Management Trainee Officer with BCCI and served in Europe, Africa, South Asia and Middle East in various managerial capacities. In 1998 he joined the Telecom Sector General Management / Project Management and worked for Telips International and Warid Telecom Pvt Ltd. He is an active member of various leading 'Alumni' fora and professional associations.



Arjumand Ahmed Minai - Director

Arjumand Minai is the Head of Islamic Banking & Strategic Projects, Standard Chartered Bank (Pakistan) Limited. He has over 28 years of management and entrepreneurial experience with leading multinational companies and the financial services industry. Prior to his current assignment, Arjumand was the Managing Director of Standard Chartered Services of Pakistan (Pvt.) Limited, the management company of Standard Chartered Modaraba. He has the experience both in local and international markets. He has worked for blue chip companies like Exxon Chemicals Pakistan and Welcome Pakistan Limited during his career. Arjumand Minai was appointed as Chief Financial Officer of Union Bank in August 2003. He is a Fellow of Chartered Association of Certified Accountant, UK.



Cyrus J. Masani - Director

Cyrus Masani is the Chief Financial Officer of Standard Chartered Bank (Pakistan) Limited. Cyrus joined Standard Chartered Modarba in December 1994 as Chief Financial Officer and Company Secretary. Cyrus is a Chartered Accountant. He joined the company from Bristol Myers & Squibb where he was the Finance Manager. His prior experience includes working at A.F.Ferguson, a member firm of Price Waterhouse Coopers, as Manager Audit. He is a member of The Finance Committee of the Kidney Centre. (A Leading Private Hospital for Kidney Ailments).



Imran Ahad - Director

As Co-Head of Wholesale Bank and Head of Origination and Client Coverage, Imran Ahad is responsible for the development and delivery of the Client Relationships strategy in Pakistan as well as determining and aligning the strategic direction of Wholesale Bank in line with the rest of the Group. Imran joined Standard Chartered Group in 1992 in UAE Treasury and has a total banking experience of 22 years. He has worked with the bank across a number of geographies in the Middle East and Pakistan and in different functions within the Wholesale Bank. Imran was part of the Leadership Team that oversaw the successful integration of Union Bank post acquisition and was also involved with the integration of ANZ Grindlays Bank in Pakistan in his capacity as the Head of Global Markets at the time. He has extensive experience of managing different functions within the Wholesale Bank. In his previous role he was responsible for re-strategizing the Global Markets business as Head of Global Markets, Northern Gulf based out of Bahrain. Imran has a Bachelors' degrees in Economics and Accounting.



Monis Mirza - Director

Monis Mirza is the Head of Human Resources, Standard Chartered Bank (Pakistan) Limited. Monis joined Standard Chartered in January 1999 as Assistant Manager, Recruitment and Resourcing. He joined the bank from P&G where he worked for four years. Prior to P&G, Monis worked for a brief period at KPMG Peat Marwick as Network Engineer. He has been working as Head of Human Resources for Standard Chartered Bank since September 2004. Monis is a Founding Member of Pakistan Society of Human Resource Management, a member of the Training and Development Subcommittee of Pakistan Bankers Association and represents the bank on various HR Committees formed by the Governor, State Bank of Pakistan. Monis has a MBA in Human Resources and an Undergraduate Degree in Electrical and Computer Engineering from State University of New York at Buffalo.



Tufail J. Ahmad - Director

Tufail J.Ahmad is the Chief Risk Officer, Standard Chartered Bank (Pakistan) Limited. Tufail has over 28 years of banking experience with major multinational banking groups and diverse markets like the Middle East & South Asia. He started his banking career with Grindlays Bank in 1980 as management trainee. Tufail has worked in corporate & consumer banking and credit roles in Pakistan, Audit in London, Corporate Banking in Bahrain and four different risk roles in the Middle-east. Tufail is an MBA from the Institute of Business Administration, Karachi with major in Finance. He also has BBA (Hons) & B.SC (Hon) Degrees from the University of Karachi.

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Board of Directors

Mr. Badar Kazmi	-	Chairman
Mr. Rafi Ahmed Shariff	-	Chief Executive
Mr. Arjumand Ahmed Minai		
Mr. Cyrus J. Masani		
Mr. Imran Ahad		
Mr. Monis Mirza		
Mr. Tufail J. Ahmad		

Company Secretary

Mr. Rehan Anjum

Audit & Risk Committee

Mr. Cyrus J. Masani	-	Chairman
Mr. Monis Mirza	-	Member
Mr. Imran Ahad	-	Member
Mr. Tufail J. Ahmad	-	Member

Bankers/Financial Institutions

Allied Bank Limited
The Bank of Punjab
Faysal Bank Limited
United Bank Limited
Standard Chartered Bank (Pakistan) Limited

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road,
Karachi-75530

Legal Advisor

Mansoor Ahmad Khan & Company
F/2-3, Block 8, Kehkashan, K.D.A. Scheme 5
Clifton, Karachi 75600

Registrar and Share Transfer Office

Hameed Majeed Associates (Pvt) Limited
H.M. House, 7 Bank Square
Lahore
Tel : (042) 7235081, 7235082
Fax : (042) 7358817

Registered Office/Principal Office Karachi Branch

6th Floor, New Jubilee Insurance House
I.I. Chundrigar Road, Karachi-74000
Tel: (021) 2452000 Fax: (021) 2436131

Lahore Branch

2nd Floor, LDA Plaza, Egerton Road,
Lahore-54000
Tel : (042) 6312638, 6372767, 6375112
Fax : (042) 6372778

Islamabad Branch

2nd Floor, Union Arcade
6A, F/7 Markaz, Islamabad
Tel : (051) 2651711
Fax : (051) 2653909

Faisalabad Branch

P-69, Kotwali Road
Faisalabad
Tel : (041) 2620686
Fax : (041) 2610446

Sialkot Branch

109/2, Aziz Shaheed Road
Sialkot Cantt.
Tel : (052) 4296968
Fax : (052) 4294430

Hyderabad Branch

D-3, Block D, Railway Employees Co.
Main Auto Bhan Road, Hyderabad
Tel : (022) 3813908
Fax : (022) 3813918

Peshawar Branch

2, Islamia Road, Peshawar
Tel : (091) 5261138

On behalf of the Board of Directors, I am pleased to present the fifteenth Directors' Report of Standard Chartered Leasing Limited (SCLL) along with audited financial statements and Auditors report for the year ended June 30, 2008.

	2008	2007
	(Rupees)	
Operating Results		
Lease Income	150,714,524	267,348,718
Interest / Mark up /return earned	23,087,987	34,013,976
Gain on sale of Investments	7,493,382	102,090
Other Income	209,231	3,326,913
	181,505,124	304,791,697
Loss before taxation	(56,737,789)	(349,650,650)
Provision for taxation	(6,523,966)	115,041,219
Loss	(63,261,755)	(234,609,431)
Earnings per Share- basic and diluted	(1.62)	(5.99)

The Corporate strategy for the year was implemented in two stages. Firstly, consolidating the existing portfolio followed with a robust Recovery and Collection exercise. Secondly, focusing on quality marketing and fresh portfolio building. During the year 2007-08, SCLL Collection and Recovery yielded Rs.760.7 Million of Rentals from the clients. The management has dedicated exclusive resources to realize maximum recoveries from classified portfolio.

During the year under review, SCLL reduced its loss to Rs.63.26 Million from Rs.234.61 Million in 2007. The main reasons for the reduction were efficient financial management to reduce the financial

charges, effective control on administrative costs and utilization of resources. While managing prudently, SCLL divested long term investments and paid off the high cost COIs and bank borrowings. As compared to last year, financial charges decreased by Rs. 118.8 Million and administrative costs were reduced by Rs.22.9 Million.

Economy

The economic indices have moved in consonance with the political and international events. Pakistan's projected economic outlook for the year was impacted by several unforeseen factors- the continuous rise in international oil prices and the rising interest rates. The overall response to so many changes is reflected in the dull performance of major businesses. We are optimistic that in the medium to long term the economy will turn around. Notwithstanding these extraordinary developments, Pakistan's economy posted a robust growth of 5.8 percent in 2007-08, as against 6.8 percent last year.

Corporate Governance and System Upgrade

To strengthen the over all process of corporate governance, the function of internal Audit of SCLL has been outsourced to an independent firm of professional accountants namely Anjum Asim Shahid Rahman Chartered Accountants, a member of Grant Thornton International. The Internal Auditors assist the Board of Directors and management of SCLL in maintaining and constantly improving internal controls in accordance with the type of business and operational risks. They have the defined scope and Audit plan to accomplish the objectives. The audit findings in the shape of Internal Audit Report are reported directly to the Audit & Risk Committee of the Board of Directors of SCLL on quarterly basis.

SCLL continued its efforts to modernize and strengthen company's IT infrastructure and services during the year. The company has invested in new Servers for the database and computers. As part of a comprehensive disaster recovery plan for company's information system, Disaster Recovery and Business Continuity Sites have been arranged.

Credit Rating

The Pakistan Credit Rating Agency Limited (PACRA) is currently conducting review of the Ratings, and the present long term Rating is A+ (single A1 (one)).

These Credit Ratings denote a low expectation of Credit risk emanating from a strong capacity for timely payments of financial commitments and are applicable to senior unsecured creditors of the company.

The JCR-VIS Credit Rating Company Limited has reaffirmed the unsolicited rating of 'A(p)' (Single A rating category) assigned to SCLL.

The rating reaffirmation takes into account the strong backing available from Standard Chartered Bank (Pakistan) Limited as the parent entity, also manifested in the recent decision of the Board of Directors regarding right share issue. JCR-VIS has also noted the reorganization and consolidation of business by the management and recent recoveries from the lease portfolio.

Future Outlook

SCLL has a strong vision and passion to play its effective role towards socio-economic development of the country. With the institution of systems and procedures, increased due diligence and assessment of risks, the company is better placed to face challenges and build up a sound lease portfolio.

The Board of Directors of SCLL has approved the issuance of 150% right shares for the company. The requisite steps have already been initiated and with the issuance of right shares, the paid-up capital of company would reach the required level by December 2008, as directed by the Securities and Exchange Commission of Pakistan.

Auditors

The present auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment.

Pattern of Shareholding

The pattern of Shareholding as on June 30, 2008 is annexed to these statements.

Directors Statement in Compliance to the Code of Corporate Governance

This part of the Directors' report to shareholders is given as required under section 236 of the Companies Ordinance 1984:

1. The financial statements prepared by the management of Standard Chartered Leasing Limited present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of Standard Chartered Leasing Limited have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.

4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the ability of Standard Chartered Leasing Limited to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. The value of the funded provident fund of Standard Chartered Leasing Limited as on June 30, 2008 was Rs. 1.25 million (2007 : Rs. 4.35 million) The provident fund has been audited up to June 30, 2006.
9. No trading in shares was carried out by other directors, Chief Executive, Chief Financial Officer/Company Secretary and their spouses and minor children during the year.
10. The Board of Directors of Standard Chartered Leasing Limited held Five meetings (2007: Five) during the period under review. The attendance of directors is appended below:

S. No.	Names of Directors	Attendances
1	Mr. Badar Kazmi	5
2	Mr. Rafi Ahmed Shariff	2
3	Mr. Cyrus J. Masani	5
4	Mr. Arjumand Minai	5
5	Mr. Imran Ahad	4
6	Mr. Tufail J Ahmad	4
7	Mr. Monis Mirza	5
8	Mr. Azhar Naqvi (ex-director)	2

Date of appointment Mr. Rafi Ahmed Shariff November 07, 2007.

Date of resignation of Mr. Azhar Naqvi November 07, 2007.

Acknowledgement

The Board takes this opportunity to thank its valued shareholders and customers for their confidence and patronage. It would like to place on record its appreciation for the help and guidance provided by the Securities & Exchange Commission of Pakistan and the State Bank of Pakistan. The Board also wishes to place on record its appreciation of the hard work and dedication shown by the staff.

On behalf of the Board



Badar Kazmi
Chairman

September 25, 2008

The Board of Directors of Standard Chartered Leasing Limited (Formerly: Union Leasing Limited) (the Company) has always supported and reconfirms its commitments to continue support and implementation of the highest standards of Corporate Governance at all times.

This statement is being presented to comply with Code of Corporate Governance contained in Regulations No. 37, Chapter XIII and Chapter XI of listing regulations of Karachi, Lahore and Islamabad Stock Exchanges respectively, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of non-executive directors representing minority interests on its Board of Directors. However, at present the Board comprises of six executives of the holding Company and Chief Executive of the Company.
2. None of the directors of the Company is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The directors filled up casual vacancies occurring in the Board within thirty days thereof.
5. The Company has prepared a statement of Ethic and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant polices along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose.
9. The Board of Directors have met five times in the year and notices of meetings, agendas and related papers are always circulated at least seven days before the meeting except in case where an emergent meeting is to be held. The minutes of the meetings were appropriately recorded and circulated.
10. The company is planning to arrange an orientation course for the directors to apprise them of their duties and responsibilities.
11. The Board has approved the appointment of CFO and Company Secretary including his remuneration and terms and conditions of employment, as determined by CEO.

Statement of Compliance with the Code of Corporate Governance

12. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
14. The directors, CEO and executives do not hold any interest in the shares of the Company except for qualification shares and as mentioned in Pattern of Shareholding as at June 30, 2008.
15. The Company has complied with all the corporate and financial reporting requirements.
16. The meetings of the Audit Committee were held prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The internal audit function has been outsourced to a firm of Chartered Accountants whose reports are regularly received and presented to the audit committee.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. All material information, as described in clause (xxii) of the Code is disseminated to the stock exchange and Securities and Exchange Commission of Pakistan in a timely fashion.
21. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board



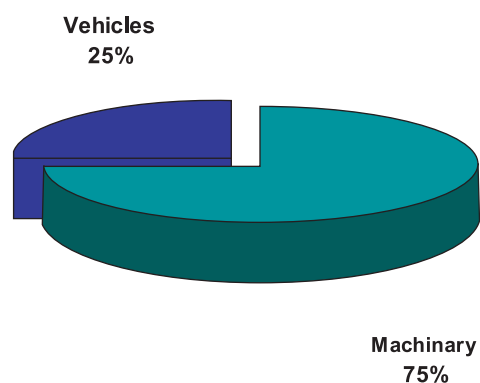
Rafi Ahmed Shariff
CEO/Managing Director

September 25, 2008

Rs. in million

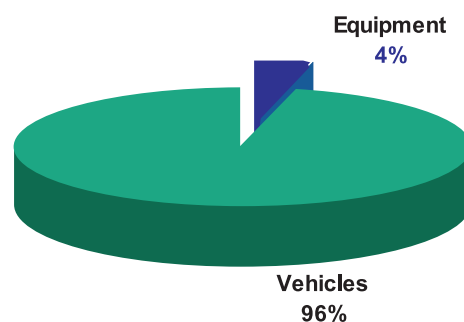
	2003	2004	2005	2006	2007	2008
Operating Results						
Gross Revenues	342.37	376.61	366.01	399.25	304.79	181.51
Financial Charges	203.34	214.81	233.60	291.64	256.39	137.59
Gross Margin	139.03	161.80	132.41	107.60	48.40	43.92
Profit/(Loss) Before Taxation	80.35	100.33	74.13	(12.02)	(349.65)	(56.74)
Profit/(Loss) After Taxation	70.59	76.33	84.13	0.35	(234.61)	(63.26)
Operating Profit/(Loss) - (before Provisions and Taxes)	91.00	116.97	75.96	38.14	(23.06)	(14.06)
Balance Sheet						
Net Investment in Lease	2,478.11	3,299.60	3,859.98	3,674.17	2,120.42	1,440.41
Shareholders' Equity	292.49	447.78	505.61	499.79	277.42	208.24
Working Capital	451.71	366.35	(118.52)	401.89	18.56	940.56
Total Assets	3,060.93	3,808.70	4,455.45	4,262.18	2,795.86	1,751.96
Financial Ratios						
Earning Per Share	2.29	2.34	2.18	0.01	(5.99)	(1.62)
Dividend Payout	1.75	2.00	2.00	-	-	
Book Value	14.13	14.84	14.21	12.77	7.09	5.32
Market Value	7.50	14.05	11.65	11.25	11.10	5.00
Return on Assets	2.31%	2.00%	1.89%	0.01%	(8.39%)	(3.61%)
Return on Equity	24.13%	17.05%	16.64%	0.07%	(84.57%)	(30.38%)
Current Ratio	2.11 : 1	6.05 : 1	1.87 : 1	4.26 : 1	(8.83 : 1)	(4.18 : 1)
Gearing Ratio (Total Debts/Equity)	7.26 : 1	5.62 : 1	5.81 : 1	5.49 : 1	6.50 : 1	5.29 : 1

Category-wise Disbursements Rs. 203 Million

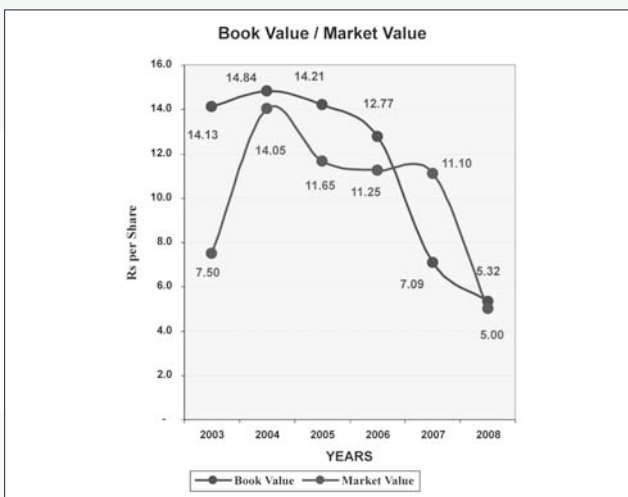
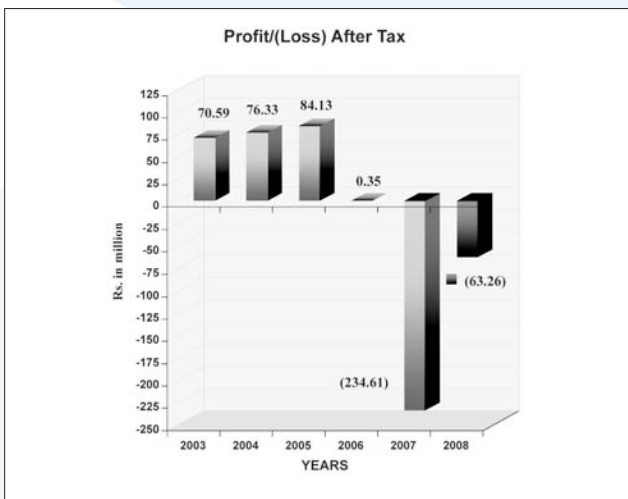
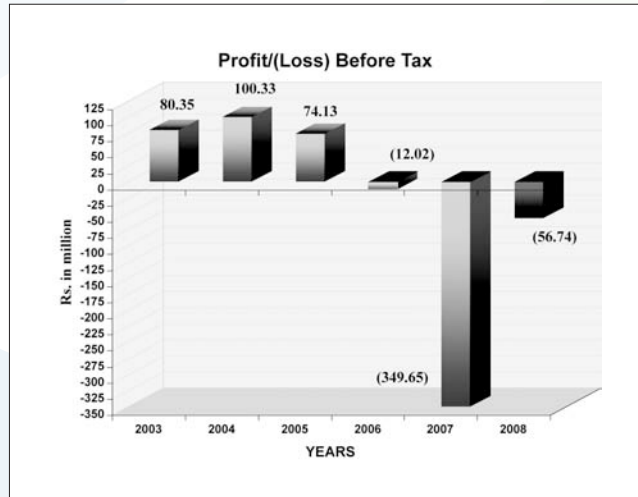
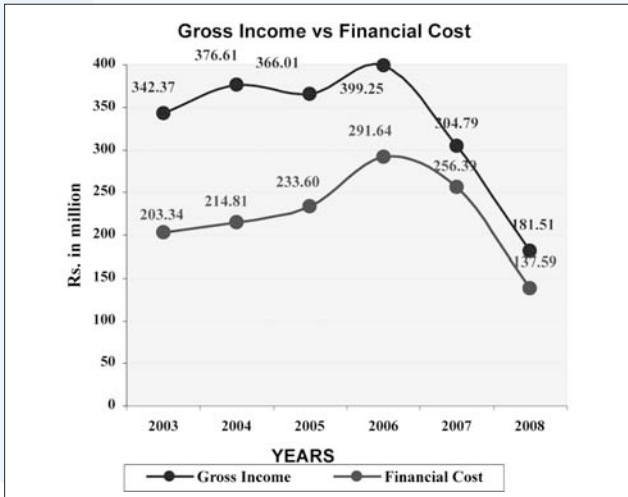


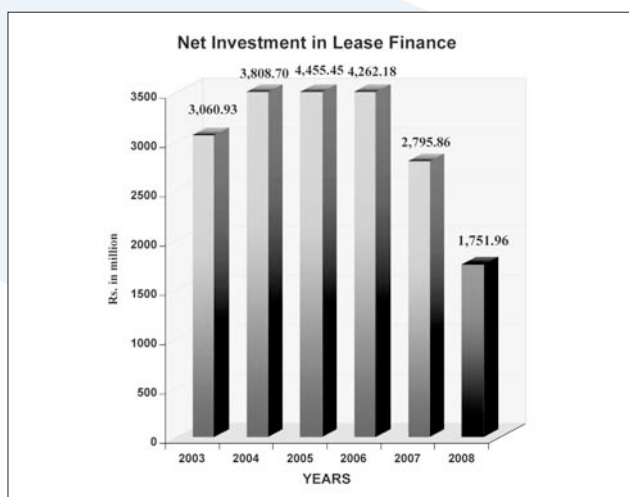
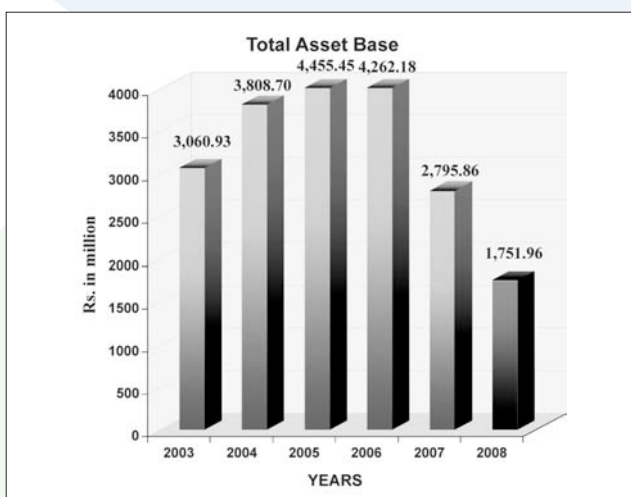
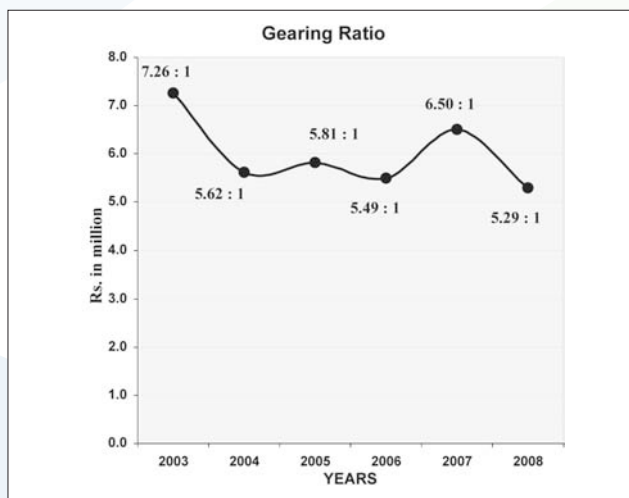
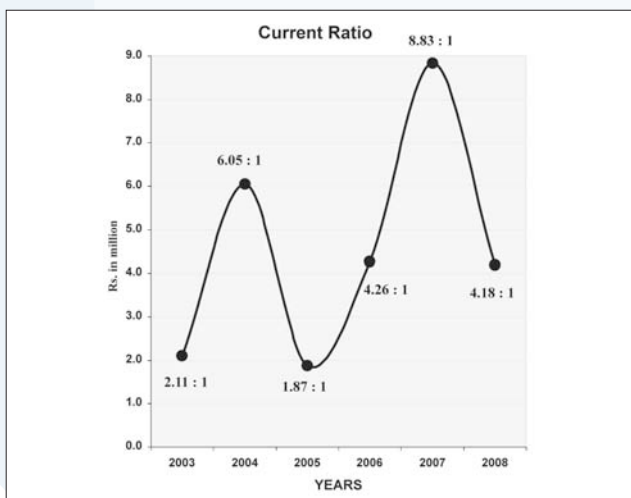
YEAR 2007-08

Category-wise Disbursements Rs. 86 Million



YEAR 2006-07





Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT **15th Annual General Meeting** of Standard Chartered Leasing Limited will be held on Thursday October 30, 2008 at 10:00 a.m. at the Institute of Bankers of Pakistan, Karachi.

1. To Confirm the Minutes of 7th Extra Ordinary General Meeting held on September 05, 2008 at Karachi.
2. To receive and adopt the Audited Accounts for the year ended June 30, 2008, together with Auditors' Directors' reports thereon.
3. To appoint Auditors for the year 2008-2009 and fix their remuneration. The present Auditors KPMG Taseer Hadi & Co., Chartered Accountants, retire and being eligible offer themselves for re-appointment.
4. Any other business with the permission of the Chair.

September 25, 2008
Karachi

By Order of the Board
Rehan Anjum
(Company Secretary)

Notes:

- a) The Share Transfer Books of the Company shall remain closed from **October 24, 2008 to October 30, 2008** (both days inclusive).
- b) A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received at the Share Registrar Office not less than 48 hours before the time for holding the Meeting.
- c) CDC account holders will in addition have to follow the under mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for attending the meeting.
 - (i) **In case of individuals**, the account holder or sub account holder and / or the person whose securities are in group account; and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original National Identity Card (NIC) or original passport at the time of attending the meeting. The shareholders registered on CDS are also requested to bring their Participant I.D. numbers and account numbers in CDS.
 - (ii) **In case of corporate entity**, the Board of Directors resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
- d) Shareholders are requested to notify the change of their addresses, if any, to Share Registrars, **M/s Hameed Majeed Associates (Pvt.) Limited, H.M. House, 7-Bank Square, Lahore. Tele No. 7235081-2**

Review Report To The Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Standard Chartered Leasing Limited (formerly Union Leasing Limited) to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed. The Responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquires of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal controls system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Date: September 25, 2008
Karachi.

KPMG Taseer Hadi & Co.
Chartered Accountants

We have audited the annexed balance sheet of Standard Chartered Leasing Limited (formerly Union Leasing Limited) as at 30th June 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also include assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting polices consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof confirm with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30th June 2008 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the central Zakat Fund established under section 7 of that ordinance.

Date: September 25, 2008
Karachi.

KPMG Taseer Hadi & Co.
Chartered Accountants

Balance Sheet

As at 30 June 2008

ASSETS

	Note	2008	2007
(Rupees)			
Current assets			
Cash and bank balances	4	5,121,909	11,245,335
Accrued mark-up / return	5	3,333,165	6,678,331
Advances, prepayments and other receivables	6	10,892,710	2,646,445
Short term investments	7	14,698,035	54,951,480
Short term loans and fund placements	8	42,105	223,042,105
Current portion of non-current assets	9	879,722,328	940,865,957
Taxation recoverable - net		26,749,502	25,260,674
Total current assets		940,559,754	1,264,690,327
Non-current assets			
Long term investments	10	159,041,892	188,961,898
Net investment in finance leases	11	567,723,700	1,237,141,946
Long term loans	12	4,375,236	26,314,988
Long term deposits and deferred cost	13	642,067	1,012,009
Deferred tax asset	14	70,000,000	70,000,000
Fixed assets	15	9,617,970	7,735,264
Total non-current assets		811,400,865	1,531,166,105
Total assets		1,751,960,619	2,795,856,432

LIABILITIES

Current liabilities			
Accrued mark-up / return	16	22,507,322	38,074,437
Accrued and other liabilities	17	34,316,442	25,457,418
Short term borrowings	18	99,626,475	-
Short term certificates of investment	19	68,428,114	79,675,620
Current portion of non-current liabilities	20	857,966,793	1,102,926,431
Total current liabilities		1,082,845,146	1,246,133,906
Non-current liabilities			
Long term finances	21	66,666,668	386,666,669
Long term deposits	22	285,129,059	445,553,579
Long term certificates of investment	23	108,787,163	438,868,296
Deferred liabilities	24	288,065	1,211,821
Total non-current liabilities		460,870,955	1,272,300,365
Total liabilities		1,543,716,101	2,518,434,271
NET ASSETS		208,244,518	277,422,161
FINANCED BY			
Share capital	25	391,341,920	391,341,920
Reserves	26	(183,097,402)	(113,919,759)
		208,244,518	277,422,161
COMMITMENTS	27		

The annexed notes 1 to 44 form an integral part of these financial statements.



Chairman



Chief Executive

Profit and Loss Account

For the year ended 30 June 2008

	Note	2008 (Rupees)	2007
INCOME			
Income from lease operations			
Finance leases	28	150,714,524	264,060,369
Operating leases		-	3,288,349
		150,714,524	267,348,718
Interest / mark-up / return earned	29	23,087,987	34,013,976
Gain on sale of investments		7,493,382	102,090
Other income	30	209,231	3,326,913
		181,505,124	304,791,697
EXPENSES			
Finance cost	31	137,590,000	256,389,730
Administrative and operating expenses	32	48,560,871	71,458,601
Provision against net investment in finance leases	11.1	43,217,283	298,772,066
Provision against other receivables		1,130,222	24,462,279
Impairment of available-for-sale securities		5,531,220	3,746,138
Leases written off		1,890,657	-
Discount on settlement of TFCs		2,201,271	-
Reversal of provision for diminution in value of investments		(1,878,611)	(386,467)
		238,242,913	654,442,347
Loss before taxation		(56,737,789)	(349,650,650)
Taxation	33	(6,523,966)	115,041,219
Loss after taxation		(63,261,755)	(234,609,431)
Loss per share - basic and diluted	34	(1.62)	(5.99)

The annexed notes 1 to 44 form an integral part of these financial statements.



Chairman



Chief Executive

Cash Flow Statement

For the year ended 30 June 2008

	Note	2008	2007
		(Rupees)	
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(56,737,789)	(349,650,650)
Adjustment for:			
- Depreciation		2,377,433	3,991,654
- Provision for gratuity		1,960,170	1,118,195
- Loss on sale of fixed assets		268,592	886,487
- Gain on sale of operating lease asset		-	(3,272,445)
- Gain on sale of available-for-sale investments		(7,493,382)	(102,090)
- Amortisation of deferred cost		444,473	710,001
- Finance cost		137,590,000	256,389,730
- Provision against net investment in finance leases		43,217,283	298,772,066
- Discount on settlement of TFCs		2,201,271	-
- Provision against other receivables		1,130,222	24,462,279
- Direct write off of lease		1,890,657	-
- Impairment of available-for-sale securities		5,531,220	3,746,138
- Reversal of provision for diminution in value of investments		(1,878,611)	(386,467)
- Dividend income		(1,100,750)	(520,000)
Operating profit before working capital changes		129,400,789	236,144,898
Movement in working capital			
(Increase) / decrease in operating assets			
- Short term loans		-	80,500,000
- Advances, prepayments and other receivables		(9,376,487)	(18,935,966)
- Accrued mark-up / return		3,345,166	1,617,832
- Investment in finance leases		634,905,334	1,254,974,490
- Long term loans		27,481,985	2,552,532
- Long term deposits		-	187,500
Increase / (decrease) in operating liabilities			
- Accrued and other liabilities		8,865,001	(3,700,586)
- Short term borrowings		99,626,475	-
- Long term deposits (lease key money)		(124,825,828)	(232,923,251)
- Gratuity paid		(2,883,926)	(3,494,753)
Cash generated from operations		766,538,509	1,316,922,696
Taxes paid		(8,012,795)	(5,130,868)
Interest / mark-up paid		(153,157,115)	(269,829,455)
Net cash inflow from operating activities		605,368,599	1,041,962,373
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(8,812,143)	(3,963,048)
Proceeds from disposal of fixed assets		4,283,409	16,508,508
Long term investments - net		74,603,717	27,948,555
Short term investments - net		36,299,720	1,295,753
Dividend received		1,100,750	1,300,000
Net cash inflow from investing activities		107,475,453	43,089,768
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finances - net		(597,202,384)	(590,952,714)
Certificates of investment - net		(344,759,117)	(348,924,696)
Dividend paid		(5,977)	(299,064)
Net cash outflow on financing activities		(941,967,478)	(940,176,474)
Net (decrease) / increase in cash and cash equivalents		(229,123,426)	144,875,667
Cash and cash equivalents at beginning of the period		234,245,335	89,369,668
Cash and cash equivalents at end of the period	35	5,121,909	234,245,335

The annexed notes 1 to 44 form an integral part of these financial statements.



Chairman



Chief Executive

Statement of Changes in Equity

For the year ended 30 June 2008

	Reserves				Total	Share holders' equity
	Share capital	Statutory reserve	Unappropriated Profit / (accumulated loss)	Suprlus / (deficit) on revaluation of available-for-sale investments		
	(Rupees)					
Balance as at 30 June 2006	391,341,920	94,407,485	21,219,744	(7,175,258)	108,451,971	499,793,891
Loss after taxation for the year ended 30 June 2007	-	-	(234,609,431)	-	(234,609,431)	(234,609,431)
Surplus on revaluation of available for-sale investments	-	-	-	12,237,701	12,237,701	12,237,701
Total recognized income and expenses	-	-	(234,609,431)	12,237,701	(222,371,730)	(222,371,730)
Balance as at 30 June 2007	391,341,920	94,407,485	(213,389,687)	5,062,443	(113,919,759)	277,422,161
Loss after taxation for the year ended 30 June 2008	-	-	(63,261,755)	-	(63,261,755)	(63,261,755)
Deficit on revaluation of available-for-sale securities	-	-	-	(5,915,888)	(5,915,888)	(5,915,888)
Total recognized income and expenses	-	-	(63,261,755)	(5,915,888)	(69,177,643)	(69,177,643)
Balance as at 30 June 2008	391,341,920	94,407,485	(276,651,442)	(853,445)	(183,097,402)	208,244,518

The annexed notes 1 to 44 form an integral part of these financial statements.



Chairman



Chief Executive

1. STATUS AND NATURE OF BUSINESS

Standard Chartered Leasing Limited ('the Company') was incorporated in Pakistan on 2nd October 1993 under the Companies Ordinance, 1984. Name of the Company was changed from Union Leasing Limited to Standard Chartered Leasing Limited effective 27 August 2007. The Company is a subsidiary of Standard Chartered Bank (Pakistan) Limited. The Company is principally engaged in the business of leasing and is listed on all the three stock exchanges in Pakistan. The registered office and principal office of the Company is situated at 6th Floor, New Jubilee Insurance House, I.I. Chundrigar Road, Karachi. The Company also has branch offices located at Lahore, Faisalabad, Islamabad, Sialkot, Hyderabad and Peshawar.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, requirements of the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of Measurement

These financial statements have been prepared under the historical cost convention except that certain investments have been measured at fair value.

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.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are discussed in the following notes:

- i) Employee benefits (notes 3.8 and 37)
- ii) Provision for taxation (notes 3.10 and 33)
- iii) Provision for potential lease losses (note 11.1)
- iv) Estimation of useful lives and residual values of fixed assets (note 15)

2.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is Company's functional currency. All financial information presented in Pakistan Rupees have been rounded to the nearest rupee.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents carried in the balance sheet include cash in hand and balances with banks in current and saving accounts and short term fund placements having maturity of three months or less from the date of acquisition.

3.2 Investments

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standard 39; Financial Instruments: Recognition and Measurement (IAS 39) at the time of initial recognition.

All purchase and sale of investments that require delivery within the time frame established by regulation or market convention are recognised at the trade date, which is the date the Company commits to purchase or sell the investment.

The existing portfolio of the Company has been categorised as "held-to-maturity" and "available-for-sale".

3.2.1 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. These are initially recognised at their fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost.

3.2.2 Available-for-sale

Available-for-sale investments are financial assets that are not (a) loans and receivables originated by the Company (b) held-to-maturity investments, or (c) financial assets at fair value through profit and loss. These are initially recognised at their fair value plus transaction costs that are directly attributable to the acquisition. Subsequent to initial measurement, these are revalued and are remeasured at fair value. The difference in fair value and cost is taken to equity. Impairment in value of investments are routed through profit and loss account. Any cumulative loss recognised previously in equity is transferred to profit or loss account.

3.3 Fixed assets

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the assets. Gains and losses on disposal of an asset are determined by comparing the proceeds from disposal with the carrying amount of an asset and are recognised in the profit or loss account. Subsequent costs are included in assets' carrying amount or are recognised as a separate asset, as appropriate, if it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Maintenance and repairs are charged to profit or loss account during the financial period in which they are incurred. Renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains and losses on disposal of fixed assets, if any, are included in profit and loss account currently.

Depreciation is charged to profit or loss account applying the straight line method using the rates mentioned in note 15, over the estimated useful lives of the assets. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation on all fixed assets is charged from the day in which the asset is put to use till the day before its disposal.

3.4 Deferred cost

Deferred cost comprises of costs incurred on issue of shares and software license fees. Cost of issue of shares is being amortised over a period of 5 years from the date of allotment of shares and from the date of payment of license fee as permitted by Circular No. 1 of 2005 dated 19 January 2005 issued by SECP.

3.5 Net investment in finance leases

Leases where the Company transfers substantially all the risks and rewards incidental to the ownership of an asset are classified as finance leases. A receivable is recognised at an amount equal to the present value of the minimum lease payments under the lease agreement, including guaranteed residual value, if any.

3.6 Allowance for non-performing leases

Specific provision for non-performing leases are made on the basis of the requirements set out in the Prudential Regulations for Non-Banking Finance Companies issued by the Securities and Exchange Commission of Pakistan.

Such allowance is increased by provisions charged to profit or loss account and is decreased by reversals and write offs.

3.7 Impairment of non financial assets

The carrying amount of assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists then the asset's recoverable amount is estimated. Where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to profit and loss account.

3.8 Employee benefits

3.8.1 Defined contribution plan

The Company operates a provident fund scheme for its permanent employees. Monthly contributions are made to the fund equally by the Company and the employees at the rate of 8.33 percent of basic salary. The Company has no further payment obligations once the contributions have been paid. The contributions made by the Company are recognised as employee benefit expense when they are due.

3.8.2 Defined benefit plan

The Company operates an unfunded gratuity scheme for its permanent employees who have completed the eligible period of service mentioned in the scheme. Actuarial valuation of the scheme is carried out with sufficient regularity, using the Projected Unit Credit Method, and the latest valuation was carried out at 30 June 2008.

Provisions are made to cover the obligations under the scheme on the basis of actuarial recommendations. Cumulative net unrecognised actuarial gains or losses at the end of the previous year which exceed 10% of the present value of the Company's gratuity obligation or fair value of plan assets are amortised over the expected average remaining working lives of the employees.

3.9 Revenue recognition

- The Company follows the effective interest method in accounting for the recognition of lease income. Under this method, the unearned lease income i.e. the excess of aggregate 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, so as to produce a systematic return on the net investment in lease. Unrealised lease income pertaining to non-performing leases is held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations.
- Processing, front end fee, commitment fee, penal charges and commission are recognised as income when realised.
- Return on loans and securities are recognised on time proportion basis taking into account effective yield on instrument.
- Capital gain or losses arising on sale of investments are taken to income in the period in which they arise.
- Dividend income is recognised when the Company's right to receive dividend is established.

3.10 Income tax

Income tax comprises current and deferred tax. Income tax expense is recognised in profit or loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

3.10.1 Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3.10.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the carrying amount of assets and liabilities used for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is charged or credited to the profit and loss account except deferred tax, if any, on revaluation of investments which is recognised as an adjustment to surplus / deficit on revaluation.

3.11 Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, 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.

3.12 New accounting standards and IFRIC interpretations 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 1 July 2008:

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

Notes to the Financial Statements

For the year ended 30 June 2008

Revised IAS 23 - Borrowing costs (effective from 1 January 2009). Revised IAS 23 removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on Company's financial statements.

IAS 29 - Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008). The application of the standard is not likely to have an effect on the Company's financial statements.

Amendments to IAS 32 - Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Company's financial statements, with retrospective application required, are not expected to have any impact on the financial statements.

Amendment to IFRS 2 - Share based Payment – Vesting Conditions and Cancellations (effective for periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vest conditions to be reflected in grant date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard is not likely to have any effect on Company's financial statements.

Revised IFRS 3 - Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value and transaction costs other than share and debt issue costs to be expensed. The application of this standard is not likely to have an effect on Company's financial statements.

Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in the profit or loss. The application of the standard is not likely to have an effect on the Company's financial statements.

IFRS 7 - Financial Instruments: Disclosures (effective for annual periods beginning on or after 28 April 2008). The application of the standard is not expected to have significant impact on the Company's financial statements other than increase in disclosures.

IFRS 8 - Operating Segments (effective for annual periods beginning on or after 28 April 2008). The application of the standard is not likely to have an effect on the Company's financial statements.

IFRIC 12 - Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private concession arrangements. IFRIC 12 is not relevant to the Company's operations.

IFRIC 13 - Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. The application of IFRIC 13 is not likely to have an effect on the Company's financial statements.

IFRIC 14 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such asset. IFRIC 14 is not expected to have any material impact on the Company's financial statements.

IFRIC 15 - Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009). The amendment clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Company's financial statements.

IFRIC 16 - Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008). IFRIC clarifies what risk in foreign operation can be hedged and which entity in the group can hold hedge instrument. The amendment is not relevant to the Company's financial statements.

The IASB's annual improvements project published in May 2008, contains a number of amendments which would generally be applicable for financial periods beginning on or after 1 January 2009. These amendments extend to 35 standards and include changes in terminology and accounting requirements. These amendments are unlikely to have an impact on the company's accounts.

Amendments to IAS 39 - Financial Instruments: Recognition and Measurement – Eligible hedged Items. The amendments shall be applied for annual periods beginning on or after 1 July 2009. The amendment clarifies how the existing principles underlying hedge accounting should be applied in two particular situations, (a) a one-sided risk in a hedged item, and (b) inflation in a financial hedged item.

IAS 27 - Consolidated and separate financial statements (effective from 1 January 2009). The amendment removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.

3.13 Financial instruments

All financial assets and liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on recognition or derecognition of the financial assets and financial liabilities is taken to profit and loss account currently.

3.14 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.

3.15 Dividend distribution

Dividend distribution (including stock dividend) to the Company's shareholders is accounted for in the period in which the dividends are declared.

3.16 Off-setting of financial assets and liabilities

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements, only when the Company has a legally enforceable right to set off the recognised amounts and the Company intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements

For the year ended 30 June 2008

	Note	2008	2007
		(Rupees)	
4. CASH AND BANK BALANCES			
Cash in hand		74,700	79,700
Balances with banks:			
- in current accounts		60,629	6,288,592
- in State Bank of Pakistan account		6,950	25,391
- in saving accounts	4.1	4,979,630	4,851,652
		5,047,209	11,165,635
		5,121,909	11,245,335
4.1 This represents amount held in dividend account.			
5. ACCRUED MARK-UP / RETURN			
Mark-up receivable on long term loans		3,855,097	4,082,124
Mark-up suspended		(3,855,097)	(4,082,124)
		-	-
Interest / mark-up receivable on investments and short term loans		3,333,165	6,678,331
Profit accrued on deposits and placements		170,322	170,322
Mark-up suspended		(170,322)	(170,322)
		-	-
		3,333,165	6,678,331
6. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advance against assets to be leased out		2,425,500	1,005,202
Prepayments		700,305	284,907
Receivable from employee retirement benefit plan		4,356,642	374,534
Other receivables			
- Considered good		3,068,862	640,401
- Considered doubtful		26,806,631	25,676,409
Less: Provision for doubtful receivables	6.1	26,465,230	25,335,008
		341,401	341,401
		3,410,263	981,802
		10,892,710	2,646,445
6.1 Movement in provision for doubtful receivables is as follows:			
Balance at beginning of the year		25,335,008	929,492
Charged during the year		4,101,595	24,462,279
Reversal of insurance claim, accrued mark-up / return		(2,971,373)	(56,763)
Balance at end of the year		26,465,230	25,335,008

Notes to the Financial Statements

For the year ended 30 June 2008

7. SHORT TERM INVESTMENTS

Available-for-sale

7.1 Shares of listed companies	Number of shares	Cost		Market value		(Deficit) / surplus	
		2008	2007	2008	2007	2008	2007
		(Rupees)		(Rupees)		(Rupees)	
Pakistan Telecommunication Company Limited	260,000 (2007: 260,000)	10,046,400	14,820,000	10,046,400	14,820,000	-	-
AMZ Ventures Limited	183,000 (2007: 183,000)	505,080	1,262,700	505,080	1,262,700	-	-
		10,551,480	16,082,700	10,551,480	16,082,700	-	-
7.2 Mutual Funds							
	Number of Units / Certificates						
First Dawood Mutual Fund	580,750 (2007: 580,750)	5,000,000	5,000,000	4,146,555	5,226,750	(853,445)	226,750
AMZ Plus Income Fund	Nil (2007: 300,000)	-	28,806,337	-	33,642,030	-	4,835,693
		5,000,000	33,806,337	4,146,555	38,868,780	(853,445)	5,062,443
		15,551,480	49,889,037	14,698,035	54,951,480	(853,445)	5,062,443

7.3 The Company does not hold more than 10 percent of the equity of any investee company.

7.4 The cost of shares of listed companies is net of impairment loss recognised.

8. SHORT TERM LOANS AND FUND PLACEMENTS

		2008	2007
		(Rupees)	
Considered doubtful	8.1	742,105	742,105
Less: Provision for doubtful morabaha finances		700,000	700,000
		42,105	42,105
		42,105	42,105
Related parties			
Fund placements		-	223,000,000
		42,105	223,042,105

8.1 This is secured by pledge of goods and personal guarantees of the partners of the customer firm. The applicable rate of profit is 24 percent (2007: 24 percent) per annum.

9. CURRENT PORTION OF NON-CURRENT ASSETS

Long term investments	10	6,395,422	51,401,790
Net investment in finance leases including overdue amounts	11	872,685,994	883,281,022
Long term loans	12	640,912	6,183,145
		879,722,328	940,865,957

10. LONG TERM INVESTMENTS - Held-to-Maturity

10.1 Government Securities

Pakistan Investment Bonds	10.3	163,737,314	215,035,503
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Notes to the Financial Statements

For the year ended 30 June 2008

10.2 Term Finance Certificates

Name of company	Number of Certificates / Face value as of 30 June 2008	Redemption period	Mark-up rate per annum	2008 (Rupees)	2007
Crescent Standard Investment Bank Limited	Nil (2007: 1,000 of Rs. 5,000 each)	-	-	-	2,112,533
Al Zamin Leasing Modaraba	1,000 (2007: 1,000) of Rs. 5,000 each	Three annual installments of Rs. 1.6 million, 1.7 million and 1.7 million, commencing from 23 December 2006	Based on profit and loss sharing module with 8 % per annum expected profit	1,700,000	3,400,000
Dewan Cement Limited	Nil (2007: A 1 of Rs. 15,512,000)	-	-	-	10,427,000
	Nil (2007: B 1 of Rs. 3,552,092)	-	-	-	3,552,092
Dewan Hattar Cement Limited	Nil (2007: A 1 of Rs. 9,399,000)	-	-	-	6,310,793
	Nil (2007: B 1 of Rs. 1,638,300)	-	-	-	1,638,300
				1,700,000	27,440,718
				165,437,314	242,476,221
Less: Provision for diminution in value of investments				-	2,112,533
				165,437,314	240,363,688
Less: Current portion shown under current assets				6,395,422	51,401,790
				159,041,892	188,961,898

The market value of PIBs at 30 June 2008 amounted to Rs.138,592,808 (30 June 2007: Rs. 227,679,837).

10.3 These investments have been made to comply with the requirements of Regulation 12(3)(d) of the Non Banking Finance Companies and Notified Entities Regulations, 2007 to maintain liquidity against certain certificates of investment. These investments mature between April 2011 and December 2012. Profit on these investments is receivable at rates ranging from 9 percent to 14 percent (2007: 9 percent to 14 percent) per annum.

Notes to the Financial Statements

For the year ended 30 June 2008

11. NET INVESTMENT IN FINANCE LEASES

	2008				2007			
	(Rupees)							
	Not later than one year	Later than one year and less than five years	Later than five years	Total	Not later than one year	Later than one year and less than five years	Later than five years	Total
Net investment in finance leases								
Less: Current portion shown under current assets								
	1,440,409,694				2,120,422,968			
	(872,685,994)				(883,281,022)			
	567,723,700				1,237,141,946			
	<hr/>							
	(Rupees)							
Minimum lease payments	1,088,236,207	406,095,041	15,288	1,494,346,536	1,216,051,564	1,015,600,556	130,026	2,231,782,146
Add: Residual value of leased assets	228,519,771	299,518,266	360,000	528,398,037	205,930,633	447,655,302	687,000	654,272,935
Gross investment in leases	1,316,755,978	705,613,307	375,288	2,022,744,573	1,421,982,197	1,463,255,858	817,026	2,886,055,081
Less: Unearned lease income	(109,236,832)	(83,331,890)	-	(192,568,722)	(174,109,504)	(130,592,301)	(16,738)	(304,718,543)
Less: Mark-up held in suspense (note 11.2)	(95,136,711)	-	-	(95,136,711)	(98,246,341)	-	-	(98,246,341)
	(204,373,543)	(83,331,890)	-	(287,705,433)	(272,355,845)	(130,592,301)	(16,738)	(402,964,884)
	1,112,382,435	622,281,417	375,288	1,735,039,140	1,149,626,352	1,332,663,557	800,288	2,483,090,197
Less: Provision against net investment in finance leases (note 11.1)	(239,696,441)	(54,933,005)	-	(294,629,446)	(266,345,330)	(96,321,899)	-	(362,667,229)
Net investment in finance leases	872,685,994	567,348,412	375,288	1,440,409,694	883,281,022	1,236,341,658	800,288	2,120,422,968

As at 30 June 2008, leases with outstanding principal of Rs. 464 million (2007: 543 million) have been placed on non-performing status.

11.1 Provision against net investment in finance lease

	2008	2007
	(Rupees)	
Balance at beginning of the year	362,667,229	67,572,182
Charge during the year	43,217,283	298,772,066
Written off during the year	(111,255,066)	(3,677,019)
Balance at end of the year	294,629,446	362,667,229

11.2 Mark-up held in suspense

	2008	2007
Balance at beginning of the year	98,246,341	56,000,094
Income suspended during the year	59,139,983	52,357,692
	157,386,324	108,357,786
Suspended income:		
- realised during the year	(17,883,683)	(7,229,771)
- written off during the year	(44,365,930)	(2,881,674)
	(62,249,613)	(10,111,445)
	95,136,711	98,246,341

11.3 The Securities and Exchange Commission of Pakistan announced amended regulations for Non-Banking Finance Companies on 21 November 2007. The regulations include amended regulations for classification and provisioning requirements of non performing leases. However, Securities and Exchange Commission of Pakistan clarified through its circular dated 18 December 2007 that the Regulation 23 of the Non-Banking Finance Companies and Notified Entities Regulations, 2007, will not be applicable for the period ended 31 December 2007 and the date of application of these regulations will be announced. To date that date has not been announced.

Had the required criteria for classification and provisioning as per new regulations been applied non-performing loans would increase by Rs. 124 million and provision requirement would increase by Rs. 79 million.

Notes to the Financial Statements

For the year ended 30 June 2008

12. LONG TERM LOANS

		2008	2007
		(Rupees)	
Loans to employees - considered good			
Executives	12.1	-	24,753,244
Non-executive employees		5,016,148	4,662,005
		5,016,148	29,415,249
Kings Tyre Industries Limited		-	3,082,884
		5,016,148	32,498,133
Less: Current portion shown under current assets			
Loans to employees		640,912	3,100,261
Other		-	3,082,884
		640,912	6,183,145
		4,375,236	26,314,988
12.1 Loans to executives			
Balance at beginning of the year		24,753,244	25,419,112
Disbursements made during the year		-	216,000
Repayments received during the year		(24,753,244)	(881,868)
Balance at end of the year		-	24,753,244

These represent house loans, car loans and personal loans provided by the Company to its executives and other staff as per service rules. House loans are repayable in a maximum of 300 monthly installments and carry mark-up at the rate of 3 percent (2007: 3 percent) per annum. Car loans and personal loans are repayable in 84 and 36 monthly installments respectively and both carry mark-up at the rate of 4 percent. (2007: Car Loans 4 percent, Personal loans 4 percent) per annum. House loans are secured by way of equitable mortgage on property and car loans are secured by registration of vehicles in the name of the Company. Personal loans are clean up to a limit of Rs. 100,000 and loans 9,695,524 above Rs. 100,000 are secured by hypothecation over household assets of the employees.

Maximum aggregate amount due from Executives at any month-end during the year was Rs. 24,306,788 (2007: Rs. 25,562,695).

13. LONG TERM DEPOSITS AND DEFERRED COST

Security deposits		381,450	381,450
Deferred cost		1,844,633	1,844,633
Less: Amortisation to date		1,584,016	1,214,074
		260,617	630,559
		642,067	1,012,009

14. DEFERRED TAX ASSET

The deferred tax asset comprises of the following components:

Accelerated tax depreciation		17,103,438	(15,658,048)
Allowance against net investment in finance leases		124,215,039	114,039,968
Provision for gratuity		686,060	424,137
Unamortised balance relating to loans, TFCs and deferred cost		(91,216)	(246,778)
Carry forward losses		14,397,520	14,397,520
		156,310,841	112,956,799
Deferred tax asset not recognised		(86,310,841)	(42,956,799)
		70,000,000	70,000,000

Notes to the Financial Statements

For the year ended 30 June 2008

15. FIXED ASSETS

	2008							Depreciation rate % per annum
	COST			ACCUMULATED DEPRECIATION			Net book value as at 30 June 2008	
	As at 1 July 2007	Additions / (deletions)	As at 30 June 2008	As at 1 July 2007	Charge for the year / (accumulated depreciation on deletions)	As at 30 June 2008		
----- (Rupees) -----								
Owned								
Furniture and fittings	1,118,029	- (309,300)	808,729	356,529	82,633 (70,588)	368,574	440,155	10
Office equipment, appliances and computer systems	5,582,652	1,621,419 (440,700)	6,763,371	4,910,655	381,003 (201,152)	5,090,506	1,672,865	20 and 33.33
Motor vehicles	8,303,465	7,190,724 (6,368,439)	9,125,750	2,001,701	1,913,797 (2,294,698)	1,620,800	7,504,950	20
	15,004,146	8,812,143 (7,118,439)	16,697,850	7,268,885	2,377,433 (2,566,438)	7,079,880	9,617,970	

	2007							Depreciation rate % per annum
	COST			ACCUMULATED DEPRECIATION			Net book value as at 30 June 2007	
	As at 1 July 2006	Additions / (deletions)	As at 30 June 2007	As at 1 July 2006	Charge for the year / (accumulated depreciation on deletions)	As at 30 June 2007		
----- (Rupees) -----								
Owned								
Furniture and fittings	1,368,029	- (250,000)	1,118,029	279,702	118,950 (42,123)	356,529	761,500	10
Office equipment, appliances and computer systems	6,972,394	16,038 (1,405,780)	5,582,652	5,236,421	647,674 (973,443)	4,910,652	672,000	20 and 33.33
Motor vehicles	9,899,186	3,947,010 (5,542,731)	8,303,465	2,415,148	1,635,989 (2,049,436)	2,001,701	6,301,764	20
	18,239,609	3,963,048 (7,198,511)	15,004,146	7,931,271	2,402,613 (3,065,002)	7,268,882	7,735,264	
Given under operating lease								
Machinery	20,000,000	- (20,000,000)	-	8,421,918	1,589,041 (10,010,959)	-	-	10
	38,239,609	3,963,048 (27,198,511)	15,004,146	16,353,189	3,991,654 (13,075,961)	7,268,882	7,735,264	

Notes to the Financial Statements

For the year ended 30 June 2008

15.1 Particulars of disposal of fixed assets

Particulars	Cost	WDV	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particulars of buyers
Vehicles						
	752,490	342,229	404,735	62,506	As per service rule	Mr. Majid Zaman (Ex-Employee)
	831,755	430,689	437,456	6,767	As per service rule	Mr. Noman Baqai (Ex-Employee)
	663,200	401,554	366,508	(35,046)	As per service rule	Ms. Humera Mirza (Ex-Employee)
	666,000	435,728	322,717	(113,011)	As per service rule	Mr. Aamir Manzoor (Ex-Employee)
	1,066,744	966,207	947,441	(18,766)	As per service rule	Mr. Majid Zaman (Ex-Employee)
	1,317,390	645,340	905,000	259,660	As per service rule	Mr. Rizwan Masood (Ex-Employee)
	1,070,860	851,994	899,552	47,558	As per service rule	Mr. Junaid Amin (Ex-Employee)
Equipments						
	440,700	239,548	-	(239,548)	As per service rule	Mr. Rizwan Masood (Ex-Employee)
Furniture and fixtures						
	309,300	238,712	-	(238,712)	As per service rule	Mr. Rizwan Masood (Ex-Employee)
	<u>7,118,439</u>	<u>4,552,001</u>	<u>4,283,409</u>	<u>(268,592)</u>		

16. ACCRUED MARK-UP / RETURN

		2008	2007
		(Rupees)	
Mark-up / return accrued on:			
Long term finances	16.1	13,898,442	25,199,814
Short term finances		187,122	-
Certificates of investment		8,421,758	12,874,623
		<u>22,507,322</u>	<u>38,074,437</u>

16.1 This includes an amount of Rs. 10,260,141 (2007: Rs. 6,584,037) payable to Standard Chartered Bank (Pakistan) Limited.

17. ACCRUED AND OTHER LIABILITIES

Accrued expenses

Provision for leave fare assistance		632,758	374,745
Other expenses	17.1	12,494,120	2,835,794
		<u>13,126,878</u>	<u>3,210,539</u>

Other liabilities

Advances from customers pending lease execution		(277)	23,388
Customer insurance payable		16,556,013	17,413,038
Unclaimed dividend		3,852,976	3,858,953
Others		780,852	951,500
		<u>21,189,564</u>	<u>22,246,879</u>
		<u>34,316,442</u>	<u>25,457,418</u>

17.1 This includes an amount of Rs.9,518,924 (2007: Rs. 2,445,404) payable to Standard Chartered Bank (Pakistan) Limited.

Notes to the Financial Statements

For the year ended 30 June 2008

18. SHORT TERM BORROWINGS

The Company holds a running finance facility amounting to Rs. 340 million from Standard Chartered Bank (Pakistan) Limited, the Holding Company. The facility carries mark-up at the rate of 3-month KIBOR plus 0.75 (2007: 3-month KIBOR plus 2) percent per annum. The facility is secured by way of a hypothecation charge on specific leased assets and lease rentals receivable to the extent of Rs. 1,084 million including term finances 2 and 3 as referred to in note 21.1.

19. SHORT TERM CERTIFICATES OF INVESTMENT

- unsecured

		2008	2007
		(Rupees)	
Short term certificates of investment	19.1	<u>68,428,114</u>	<u>79,675,620</u>

19.1 These certificates have been issued for periods ranging from three months to one year. Rates of return on these certificates range from 5.5 percent to 10.5 percent (2007: 8.75 percent to 10.5 percent) per annum.

20. CURRENT PORTION OF NON-CURRENT LIABILITIES

Long term finances	21	220,000,003	497,127,855
Long term deposits	22	241,529,325	205,930,633
Long term certificates of investment	23	396,437,465	399,867,943
		<u>857,966,793</u>	<u>1,102,926,431</u>

21. LONG TERM FINANCES

From related parties	21.1	153,333,334	294,285,715
From banking companies	21.2	133,333,337	589,508,809
		<u>286,666,671</u>	<u>883,794,524</u>

Less: Current portion shown under current liabilities

- long term finances from related parties	21.1	(86,666,666)	(140,952,381)
- long term finances from banking companies	21.2	(133,333,337)	(356,175,474)
		<u>(220,000,003)</u>	<u>(497,127,855)</u>
		<u>66,666,668</u>	<u>386,666,669</u>

21.1 From related parties

Name of lending Institution	Facility amount	Security (Hypothecation of specific leased assets and rentals receivable)	Commencement and mode of repayment	Mark-up rate % per annum	2008	2007
					(Rupees)	
(Rupees in million)						
Standard Chartered Bank (Pakistan) Limited - Term Finance - 1	190	Nil (2007: Rs. 1,084 million)			-	54,285,715
Standard Chartered Bank (Pakistan) Limited - Term Finance - 2	80	Rs. 1,084 million (2007: Rs. 1,084 million) including term finance 3 and short term finances.	Eight half yearly installments of Rs. 10 million each, commencing 30 September 2005	6-Month KIBOR plus 0.75 (2007: 6-Month KIBOR plus 2)	20,000,000	40,000,000
Standard Chartered Bank (Pakistan) Limited - Term Finance - 3	200	Rs. 1,084 million (2007: Rs. 1,084 million) including term finance 2 and short term finances.	Six half yearly installments of Rs. 33.33 million each, commencing 31 October 2007	6-Month KIBOR plus 0.75 (2006: 6-Month KIBOR plus 2)	133,333,334	200,000,000
					<u>153,333,334</u>	<u>294,285,715</u>
					<u>(86,666,666)</u>	<u>(140,952,381)</u>
					<u>66,666,668</u>	<u>153,333,334</u>

Less: Current portion shown under current liabilities

Notes to the Financial Statements

For the year ended 30 June 2008

21.2 From banking companies - secured

Name of lending Institution	Facility amount	Security (Hypothecation of specific leased assets and rentals receivable)	Commencement and mode of repayment	Mark-up rate % per annum	2008 (Rupees)	2007
(Rupees in million)						
The Bank of Punjab - Term Finance	200	Nil (2007: Rs. 267 million)	-	-	-	150,000,000
United Bank Limited - Term Finance - 2	100	Nil (2007: Rs. 133.33 million)	-	-	-	33,333,332
United Bank Limited - Term Finance - 3	200	Rs. 267 million (2007: Rs. 267 million)	Six semi annual installments of Rs. 33.33 million each, payable from 13 April 2006	3-Month KIBOR plus 1.00 (2007: 3-Month KIBOR plus 1.85)	33,333,335	100,000,001
Faysal Bank Limited - Term Morabaha - 2	75	Nil (2007: Rs. 100 million)	-	-	-	6,250,000
Faysal Bank Limited - Term Morabaha - 3	100	Nil (2007: Rs. 133.33 million).	-	-	-	33,333,336
Allied Bank of Pakistan Limited Term Finance	200	Nil (2007: Rs. 267 million).	-	-	-	33,258,805
Allied Bank of Pakistan Limited - Term Finance	200	Rs. 267 million (2007: Rs. 267 million).	Six semi annual installments of Rs. 33.33 million each, payable from 3 March 2006.	6-Months KIBOR plus 1.0 (2007: 6-Months KIBOR plus 1.95).	33,333,335	100,000,001
Habib Bank Limited - Term Finance	200	Rs 267 million (2007: Rs. 267 million).	Six semi annual installments of Rs. 33.33 million each, commencing from 27 September 2006.	6-Months KIBOR plus 0.75 (2007: 6-Months KIBOR plus 2).	66,666,667	133,333,334
Less: Current portion shown under current liabilities					133,333,33 (133,333,337)	589,508,809 (356,175,474)
					-	233,333,335

Notes to the Financial Statements

For the year ended 30 June 2008

22. LONG TERM DEPOSITS

		2008	2007
		(Rupees)	
Long term security deposits	22.1	526,658,384	651,484,212
Less: Current portion shown under current liabilities		<u>241,529,325</u>	<u>205,930,633</u>
		<u>285,129,059</u>	<u>445,553,579</u>

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

23. LONG TERM CERTIFICATES OF INVESTMENT - unsecured

Related parties		-	5,900,000
Other than related parties		<u>505,224,628</u>	<u>832,836,239</u>
		<u>505,224,628</u>	<u>838,736,239</u>
Less: Current portion shown under current liabilities		<u>396,437,465</u>	<u>399,867,943</u>
		<u>108,787,163</u>	<u>438,868,296</u>

23.1 These certificates have been issued for periods ranging from two years to five years and carry mark-up at rates ranging from 5 percent to 14 percent (2007: 5 percent to 14 percent) per annum.

24. DEFERRED LIABILITIES

Provision for gratuity	37.5	<u>288,065</u>	<u>1,211,821</u>
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25. SHARE CAPITAL

Authorised capital

	2008	2007			
	(Number of shares)				
50,000,000	50,000,000		Ordinary shares of Rs.10 each	<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid-up share capital					
25,350,000	25,350,000		Ordinary shares of Rs.10 each fully paid in cash	<u>253,500,000</u>	<u>253,500,000</u>
13,784,192	13,784,192		Ordinary shares of Rs. 10 each issued as fully paid bonus shares	<u>137,841,920</u>	<u>137,841,920</u>
<u>39,134,192</u>	<u>39,134,192</u>			<u>391,341,920</u>	<u>391,341,920</u>

The Securities and Exchange Commission of Pakistan announced the Non-Banking Finance Companies and Notified Entities Regulations, 2007 on 21 November 2007. According to these regulations the Company was required to have minimum equity net of losses at 30 June 2008 of Rs. 350 million. The SECP, through letter dated 8 August 2008, has granted an extension of six months to increase the minimum equity net of losses of Rs. 350 million by 31 December 2008.

Board of directors in the meeting held on 5 August 2008 have approved issue of 58,701,288 right shares at par value of Rs. 10 per share in the ratio of 1.5 shares for each 1 share held. The last date for subscribing these shares is 12 November 2008. Standard Chartered Bank (Pakistan) Limited has undertaken to subscribe all shares not subscribed by other share holders.

Notes to the Financial Statements

For the year ended 30 June 2008

25.1 Standard Chartered Bank (Pakistan) Limited, the Holding Company, owns 25,917,296 (2007: 25,917,296) ordinary shares which constitutes 66.23 percent (2007: 66.23 percent) of the total issued, subscribed and paid-up share capital.

26. RESERVES

		2008	2007
		(Rupees)	
Statutory reserve	26.1	94,407,485	94,407,485
Accumulated loss		(276,651,442)	(213,389,687)
(Deficit) / surplus on revaluation of investments		(853,445)	5,062,443
		<u>(183,097,402)</u>	<u>(113,919,759)</u>

26.1 Statutory reserve represents profits after tax set aside to comply with the requirements of Prudential Regulations for Non-Banking Finance Companies issued by the Securities and Exchange Commission of Pakistan.

27. COMMITMENTS

Commitments for finance leases		<u>188,535,700</u>	<u>36,947,280</u>
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28. INCOME FROM LEASE OPERATIONS

Finance income		132,709,036	254,144,629
Documentation fee		272,500	175,500
Penal charges		14,283,414	5,977,686
Termination charges		2,979,169	3,537,404
Miscellaneous income		470,405	225,150
		<u>150,714,524</u>	<u>264,060,369</u>

29. INTEREST / MARK-UP / RETURN EARNED

On investments

- Government securities		12,152,781	15,622,118
- Term Finance Certificates		1,618,857	2,445,724
- Dividend income		1,100,750	520,000
		<u>14,872,388</u>	<u>18,587,842</u>

On loans

- Long term loans	29.1	454,956	955,775
- Short term loans and fund placements		7,760,643	14,470,359
		<u>8,215,599</u>	<u>15,426,134</u>
		<u>23,087,987</u>	<u>34,013,976</u>

29.1 Income from related parties

Return on loans to:			
- Executives		<u>291,152</u>	<u>764,161</u>

30. OTHER INCOME

Profit on deposits	30.1	123,623	49,143
Gain on sale of asset given under operating lease		-	3,272,445
Miscellaneous		85,608	5,325
		<u>209,231</u>	<u>3,326,913</u>

30.1 This represents profit on dividend account maintained with Standard Chartered Bank (Pakistan) Limited.

31. FINANCE COST

Related parties

Mark-up on long term finances		24,076,127	40,174,424
Mark-up on short term finances		187,122	197,975
Return on certificates of investment		-	2,926,695
Bank charges		433,254	381,415
		<u>24,696,503</u>	<u>43,680,509</u>

Other than related parties

Mark-up on:

- Long term finances		37,967,378	101,518,833
- Short term finances		-	952,603
		<u>37,967,378</u>	<u>102,471,436</u>

Return on:

- Long term certificates of investment		65,146,227	93,837,329
- Short term certificates of investment		9,701,750	16,255,049
		<u>74,847,977</u>	<u>110,092,378</u>
Others		78,142	145,407
		<u>137,590,000</u>	<u>256,389,730</u>

Notes to the Financial Statements

For the year ended 30 June 2008

32. ADMINISTRATIVE AND OPERATING EXPENSES

		2008	2007
		(Rupees)	
Staff salaries and benefits	32.1	28,254,186	49,961,790
Dealer and sales staff commission		-	184,000
Printing and stationery		2,268,725	1,512,535
Communication		1,024,499	1,180,842
Rent, rates and taxes		2,325,859	3,844,096
Utilities charges		1,363,224	43,114
Travelling and conveyance		800,193	688,396
Vehicles' running and maintenance		1,116,014	1,364,236
Insurance		554,283	760,681
Auditors' remuneration	32.3	651,724	504,765
Repairs and maintenance		756,435	761,087
Fees and subscription		473,652	803,300
Advertisement		199,180	18,965
Entertainment		293,972	392,385
Newspapers and periodicals		39,847	47,606
Amortisation of deferred cost		369,942	397,677
Depreciation	15	2,377,433	3,991,654
Amortisation of loan processing charges		74,531	312,324
Legal and professional charges		3,023,823	1,278,751
Loss on sale of fixed assets		268,592	886,487
Penalty	32.4	46,000	42,000
General expenses		2,278,757	2,481,910
		<u>48,560,871</u>	<u>71,458,601</u>

32.1 Salaries and benefits include Rs. 724,018 (2007: Rs.1,075,924) and Rs.1,960,170 (2007: 1,118,195) in respect of Company's contribution to provident fund and gratuity expense respectively. These also include 2008: Nil (2007:Rs. 7,467,749) paid on account of severance benefits.

32.2 The total number of employees at 30 June 2008 is 25 (2007: 28).

32.3 Auditors' remuneration

	2008	2007
	(Rupees)	
Annual audit fee	300,000	250,000
Half yearly review	125,000	100,000
Other certifications	50,000	50,000
Out of pocket expenses	176,724	104,765
	<u>651,724</u>	<u>504,765</u>

32.4 This represents penalty imposed by SBP due to incorrect reporting of a customer in CIB.

33. TAXATION

Current	6,278,612	31,619,382
Prior	245,354	(25,017,392)
Deferred	-	(121,643,209)
	<u>6,523,966</u>	<u>(115,041,219)</u>

33.1 Relationship between tax expense and accounting loss

Loss before taxation	56,737,789	349,650,650
Tax at the applicable tax rate of 35 percent	(19,858,226)	(122,377,728)
Income exempt from tax	(2,622,684)	(35,732)
Dividend income at reduced rate	(275,166)	(156,000)
Turnover tax charge	-	6,601,990
Deferred tax asset not recognised	43,354,042	42,956,799
Turnover tax benefit not recognised in previous years	-	(25,017,392)
Amortisation of restricted cost of vehicles for previous years	(14,074,000)	(17,013,156)
	<u>6,523,966</u>	<u>(115,041,219)</u>

Notes to the Financial Statements

For the year ended 30 June 2008

33.2 Current status of tax assessments

The Company's assessments raised for the assessment years 1998-99 to 2002-03 whereby lease key money amounting to Rs. 227 million have been added to Company's income. In the Company's appeals with the Income Tax Appellate Tribunal, the addition was held. The Company filed rectification application before ITAT that certain arguments advanced at the time of hearing of appeals were not considered while framing the order. The ITAT vide appellate order dated 27 February 2008 has recalled its original appellate order for all years to the extent through which the said addition of lease key money was confirmed and referred to the Chairman ITAT to constitute larger bench for rehearing / decision of the case. No provision has been made in this respect as the management is of the view that the same will be allowed.

34. LOSS PER SHARE - BASIC AND DILUTED

Loss after taxation attributable to ordinary shareholders	<u>(63,261,755)</u>	<u>(234,609,431)</u>
	(Number of shares)	
Weighted average number of outstanding ordinary shares	<u>39,134,192</u>	<u>39,134,192</u>
	(Rupees)	
Loss per share (Basic and diluted)	<u>(1.62)</u>	<u>(5.99)</u>

35. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:

		2008	2007
		(Rupees)	
Cash and bank balances	4	5,121,909	11,245,335
Fund placements	8	-	223,000,000
		<u>5,121,909</u>	<u>234,245,335</u>

36. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	2008		2007	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees)		(Rupees)	
Managerial remuneration including bonus	1,305,810	2,285,651	8,790,695	9,702,343
Housing, utilities and others	718,190	1,493,373	3,290,850	3,186,122
Retirement benefits	108,779	118,796	243,131	422,523
Gratuity paid	-	-	2,686,256	-
Ex-gratia and termination compensation	-	-	7,467,749	-
	<u>2,132,779</u>	<u>3,897,820</u>	<u>22,478,681</u>	<u>13,310,988</u>
Number of persons	<u>1</u>	<u>4</u>	<u>2</u>	<u>5</u>

36.1 The Company provides free use of Company maintained cars to chief executive and executives in accordance with the terms of their employment.

37. DEFINED BENEFIT GRATUITY PLAN

37.1 General description

The gratuity plan is a defined benefit final salary plan and the Company maintains a book reserve in respect of its liability. The latest actuarial valuation, at 30 June 2008, uses the projected unit credit method. The valuation discount rate is 13.2% (2007: 11%). The discount rate represents yield on long term Government bonds. Salary increases are assumed to average 11.1% (2007: 8.9%) in long term.

Notes to the Financial Statements

For the year ended 30 June 2008

37.2 Obligation	2008	2007
	(Rupees)	
Obligation at beginning of the year	2,454,314	4,320,322
Current service costs	826,494	696,856
Interest cost	115,496	349,906
Benefits paid	(2,883,926)	(3,494,753)
Actuarial loss	107,274	581,983
Obligation at end of the year	<u>619,652</u>	<u>2,454,314</u>
37.3 Reconciliation		
Obligation	619,652	2,454,314
Unrecognised net loss	(331,587)	(1,242,493)
Recognised liability	<u>288,065</u>	<u>1,211,821</u>
37.4 Expense		
Current service costs	826,495	696,856
Interest cost	115,496	349,906
Recognition of loss	1,018,179	71,433
Total expense	<u>1,960,170</u>	<u>1,118,195</u>
37.5 Recognised liability		
Liability at beginning of the year	1,211,821	3,588,379
Expense	1,960,170	1,118,195
Payments made	(2,883,926)	(3,494,753)
Liability at end of the year	<u>288,065</u>	<u>1,211,821</u>

The Company amortises gains and losses over the expected remaining services of current plan members. The following table shows obligation at the end of each year and the proportion thereof resulting from experience loss during the year.

Year	Obligation	Loss
FY08	619,652	17%
FY07	2,454,314	8%
FY06	4,320,322	9%
FY05	3,520,231	14%
FY04	2,506,425	12%
FY03	1,557,073	0%

Notes to the Financial Statements

For the year ended 30 June 2008

38. RELATED PARTY TRANSACTIONS

The Company has a related party relationship with its Parent Company, fellow subsidiary, staff retirement funds and key management personnel.

The details of significant related party transactions and balances as at 30 June 2008 are as follows:

	2008				2007			
	Parent Company	Other related party	Key management personnel	Total	Parent Company	Other related party	Key management personnel	Total
	(Rupees)				(Rupees)			
TRANSACTIONS DURING THE YEAR								
Lease rentals received	3,128,444	-	-	3,128,444	17,206,442	-	-	17,206,442
Mark-up on long term finances	24,076,127	-	-	24,076,127	40,174,424	-	-	40,174,424
Return on certificates of investment	-	-	-	-	2,060,198	-	866,497	2,926,695
Return on short term finances	187,122	-	-	187,122	197,975	-	-	197,975
Profit on long term loans	-	-	291,150	291,150	-	-	764,161	764,161
Profit on bank deposits	123,623	-	-	123,623	49,143	-	-	49,143
Profit on short term placements	1,713,235	6,047,408	-	7,760,643	2,607,342	5,034,262	-	7,641,604
Certificates of investment redeemed	-	-	5,300,000	5,300,000	38,500,000	-	8,250,000	46,750,000
Certificates of investment issued	-	-	-	-	-	-	150,000	150,000
Long term finance repaid	140,952,381	-	-	140,952,381	74,285,714	-	-	74,285,714
Loans advanced to employees	-	-	-	-	-	-	216,000	216,000
Loans recovered from employees	-	-	24,753,244	24,753,244	-	-	881,869	881,869
Managerial remuneration	-	-	3,591,461	3,591,461	-	-	18,493,038	18,493,038
House rent	-	-	1,354,977	1,354,977	-	-	3,417,424	3,417,424
Utilities	-	-	359,150	359,150	-	-	949,031	949,031
Retirement benefits	-	-	227,575	227,575	-	-	665,654	665,654
Gratuity paid	-	-	-	-	-	-	2,686,256	2,686,256
Termination / ex-gratia compensation	-	-	-	-	-	-	7,467,749	7,467,749
Other allowances	-	-	497,436	497,436	-	-	2,110,517	2,110,517
Apportionment of expenses under Service Level Agreement								
Salaries and wages	1,266,912	-	-	1,266,912	1,285,504	-	-	1,285,504
Rent	1,547,520	-	-	1,547,520	1,577,667	-	-	1,577,667
Utilities	1,363,224	-	-	1,363,224	1,368,643	-	-	1,368,643
Information technology	536,712	-	-	536,712	536,712	-	-	536,712
Telecommunication	17,556	-	-	17,556	23,811	-	-	23,811
Repair and maintenance	119,808	-	-	119,808	120,281	-	-	120,281
Entertainment	97,968	-	-	97,968	98,052	-	-	98,052
Stationery	64,104	-	-	64,104	65,049	-	-	65,049
Travelling and conveyance	88,764	-	-	88,764	90,063	-	-	90,063
Miscellaneous	1,970,952	-	-	1,970,952	1,953,657	-	-	1,953,657
BALANCES								
Long term finances	153,333,335	-	-	153,333,335	294,285,715	-	-	294,285,715
Short term loans and fund placements	-	-	-	-	80,000,000	143,000,000	-	223,000,000
Accrued Mark-up on long term finances	10,260,141	-	-	10,260,141	6,584,037	-	-	6,584,037
Accrued return on fund placements	-	-	-	-	130,904	557,100	-	688,004
Accrued return on Cols	-	-	-	-	-	-	48,253	48,253
Net investment in lease finance (Principal)	-	-	-	-	3,070,770	-	-	3,070,770
Current account balances	-	-	-	-	6,031,445	-	-	6,031,445
Savings deposits	4,979,630	-	-	4,979,630	5,016,564	-	-	5,016,564
Short term borrowings	99,626,475	-	-	99,626,475	-	-	-	-
Long term loans advanced to key employees	-	-	-	-	-	-	24,753,244	24,753,244
Long term Cols	-	-	-	-	-	-	5,900,000	5,900,000

The Company has entered into a Service Level Agreement dated 1 July 2004 with Standard Chartered Bank (Pakistan) Limited. The agreement provides for the basis of charge and rates on account of services provided by the bank. These include services on account of space and administration, networking, consumer operational support, consumer collection support and operating from bank's branches.

Accruals in respect of staff retirement plans are made in accordance with the actuarial valuation / terms of contribution plan (refer notes 37 of these financial statements for details of the plans).

Notes to the Financial Statements

For the year ended 30 June 2008

39. MATURITIES OF ASSETS AND LIABILITIES

	2008								
	Total	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
	(Rupees)								
ASSETS									
Cash and bank balances	5,121,909	5,121,909	-	-	-	-	-	-	-
Accrued mark-up / return	3,333,165	-	1,375,000	1,958,165	-	-	-	-	-
Advances, prepayments and other receivables	10,892,710	2,462,041	227,489	8,203,180	-	-	-	-	-
Short term investments	14,698,035	14,698,035	-	-	-	-	-	-	-
Short term loans	42,105	42,105	-	-	-	-	-	-	-
Taxation recoverable - net	26,749,502	-	-	26,749,502	-	-	-	-	-
Long- term investments	165,437,314	-	108,604	6,286,818	6,163,684	51,531,776	30,474,547	70,871,885	-
Net investment in finance leases	1,440,409,694	312,818,091	123,005,234	436,862,668	258,569,194	196,235,537	58,029,366	54,514,317	375,287
Long term loans	5,016,148	101,566	96,685	442,661	602,136	532,624	413,037	356,697	2,470,742
Long term deposits and deferred cost	642,067	31,333	61,657	167,627	-	-	-	-	381,450
Deferred tax asset	70,000,000	-	-	-	1,050,189	20,013,863	25,065,818	23,870,130	-
Fixed assets	9,617,970	171,592	476,544	1,873,912	2,426,709	2,344,381	1,741,476	500,824	82,532
	<u>1,751,960,619</u>	<u>335,446,672</u>	<u>125,351,213</u>	<u>482,544,533</u>	<u>268,811,912</u>	<u>270,658,181</u>	<u>115,724,244</u>	<u>150,113,853</u>	<u>3,310,011</u>
LIABILITIES									
Accrued mark-up / return	22,507,322	6,693,205	15,814,117	-	-	-	-	-	-
Accrued and other liabilities	34,316,442	3,110,512	17,201,271	14,004,659	-	-	-	-	-
Long term finances	286,666,671	-	76,666,668	143,333,335	66,666,668	-	-	-	-
Long term deposits	526,658,384	72,101,085	38,644,982	117,815,409	174,023,720	77,574,111	17,680,215	28,458,862	360,000
Certificates of investment	573,652,742	202,631,129	110,030,250	152,204,200	62,315,010	34,048,554	12,423,599	-	-
Short Term borrowings	99,626,475	99,626,475	-	-	-	-	-	-	-
Deferred liabilities	288,065	-	-	-	-	-	-	-	288,065
	<u>1,543,716,101</u>	<u>384,162,406</u>	<u>258,357,288</u>	<u>427,357,603</u>	<u>303,005,398</u>	<u>111,622,665</u>	<u>30,103,814</u>	<u>28,458,862</u>	<u>648,065</u>
NET ASSETS	<u>208,244,518</u>	<u>(48,715,734)</u>	<u>(133,006,075)</u>	<u>55,186,930</u>	<u>(34,193,486)</u>	<u>159,035,516</u>	<u>85,620,430</u>	<u>121,654,991</u>	<u>2,661,946</u>
Share capital	391,341,920								
Reserves	(183,097,402)								
SHAREHOLDERS' EQUITY	<u>208,244,518</u>								
	2007								
	Total	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years
	(Rupees)								
ASSETS									
Cash and bank balances	11,245,335	11,245,335	-	-	-	-	-	-	-
Accrued mark-up / return	6,678,331	6,678,331	-	-	-	-	-	-	-
Advances, prepayments and other receivables	2,646,445	2,646,445	-	-	-	-	-	-	-
Short term investments	54,951,480	54,951,480	-	-	-	-	-	-	-
Short term loans	223,042,105	223,042,105	-	-	-	-	-	-	-
Taxation recoverable - net	25,260,674	25,260,674	-	-	-	-	-	-	-
Long term investments	240,363,688	1,848,565	46,004,660	3,548,565	5,397,130	3,697,130	62,635,687	33,241,513	83,990,438
Net investment in finance leases	2,120,422,968	133,171,475	154,982,656	595,126,891	703,196,109	397,309,104	125,086,506	10,749,939	800,288
Long term loans	32,498,133	4,967,934	218,213	996,998	1,354,153	1,279,775	1,161,532	1,115,288	21,404,240
Long term deposits and deferred cost	1,012,009	31,334	61,656	275,937	261,632	-	-	-	381,450
Deferred tax assets	70,000,000	-	-	-	1,050,189	20,013,863	25,065,818	23,870,130	-
Fixed assets	7,735,264	185,220	361,012	1,564,434	1,932,871	1,698,275	1,027,152	723,476	242,824
	<u>2,795,856,432</u>	<u>464,028,898</u>	<u>201,628,197</u>	<u>601,512,825</u>	<u>713,192,084</u>	<u>423,998,147</u>	<u>214,976,695</u>	<u>69,700,346</u>	<u>106,819,240</u>
LIABILITIES									
Accrued mark-up / return	38,074,437	38,074,437	-	-	-	-	-	-	-
Accrued and other liabilities	25,457,418	25,457,418	-	-	-	-	-	-	-
Long term finances	883,794,524	41,709,204	89,133,242	366,285,409	270,000,001	116,666,668	-	-	-
Long term deposits	651,484,212	61,040,583	34,188,750	110,701,300	192,837,198	174,376,619	68,729,192	8,923,570	687,000
Certificates of investment	918,411,859	64,175,930	89,025,100	326,342,533	377,548,286	61,320,010	-	-	-
Deferred liabilities	1,211,821	-	-	-	-	-	-	-	1,211,821
	<u>2,518,434,271</u>	<u>230,457,572</u>	<u>212,347,092</u>	<u>803,329,242</u>	<u>840,385,485</u>	<u>352,363,297</u>	<u>68,729,192</u>	<u>8,923,570</u>	<u>1,898,821</u>
NET ASSETS	<u>277,422,161</u>	<u>233,571,326</u>	<u>(10,718,895)</u>	<u>(201,816,417)</u>	<u>(127,193,401)</u>	<u>71,634,850</u>	<u>146,247,503</u>	<u>60,776,776</u>	<u>104,920,419</u>
Share capital	391,341,920								
Reserves	(113,919,759)								
SHAREHOLDERS' EQUITY	<u>277,422,161</u>								

Notes to the Financial Statements

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40. YIELD / INTEREST RATE RISK

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

Changes in interest / mark-up rates or in the relationships between short and long term interest / mark-up rates can affect the rates charged on interest / mark-up earning assets differently than the rates paid on interest bearing liabilities. This can result in an increase in interest / mark-up expense relative to finance income or vice versa. The Company manages the adverse effect of changes in rates related to its borrowings by adjusting its rate on earning assets.

The Company's interest / mark-up rate sensitivity position for interest / mark-up bearing financial assets and liabilities and the periods in which they mature is as follows:

	Effective yield	Total	2008							Not exposed to interest rate risk	
			Exposed to interest rate risk								
			Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 years	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 4 years	Over 4 year to 5 years		Over 5 year
(Rupees)											
ASSETS											
Cash and bank balances	0.05%-5.79%	5,121,909	4,979,630	-	-	-	-	-	-	-	142,279
Accrued mark-up / return	-	3,333,165	-	-	-	-	-	-	-	-	3,333,165
Advances and other receivables	13.4%	10,192,405	2,425,500	-	-	-	-	-	-	-	7,766,905
Short term investments	-	14,698,035	-	-	-	-	-	-	-	-	14,698,035
Short term loans	-	42,105	-	-	-	-	-	-	-	-	42,105
Long term investments	8%-14%	165,437,314	-	108,604	6,286,818	6,163,684	51,531,776	30,474,547	70,871,885	-	-
Net investment in finance leases	8.75%-28.33%	1,440,409,694	312,818,091	123,005,234	436,862,668	258,569,194	196,235,537	58,029,366	54,514,317	375,287	-
Long term loans	3%-4%	5,016,148	101,566	96,685	442,661	602,136	532,624	413,037	356,697	2,470,742	-
Long term deposits and deferred cost	-	381,450	-	-	-	-	-	-	-	-	381,450
		<u>1,644,632,225</u>	<u>320,324,787</u>	<u>123,210,523</u>	<u>443,592,147</u>	<u>265,335,014</u>	<u>248,299,937</u>	<u>88,916,950</u>	<u>125,742,899</u>	<u>2,846,029</u>	<u>26,363,939</u>
LIABILITIES											
Accrued mark-up / return	-	22,507,322	-	-	-	-	-	-	-	-	22,507,322
Accrued and other liabilities	-	34,316,442	-	-	-	-	-	-	-	-	34,316,442
Short term borrowings	3M-KIBOR+0.75%	99,626,475	99,626,475	-	-	-	-	-	-	-	-
Long term finances	10.74%-12.41%	286,666,671	-	76,666,668	143,333,335	66,666,668	-	-	-	-	-
Long term deposits	-	526,658,384	-	-	-	-	-	-	-	-	526,658,384
Certificate of investments	5%-13%	573,652,742	202,631,129	110,030,250	152,204,200	62,315,010	34,048,554	12,423,599	-	-	-
Provision for gratuity	-	288,065	-	-	-	-	-	-	-	-	288,065
		<u>1,543,716,101</u>	<u>302,257,604</u>	<u>186,696,918</u>	<u>295,537,535</u>	<u>128,981,678</u>	<u>34,048,554</u>	<u>12,423,599</u>	-	-	<u>583,770,213</u>
ON BALANCE SHEET GAP		<u>100,916,124</u>	<u>18,067,183</u>	<u>(63,486,395)</u>	<u>148,054,612</u>	<u>136,353,336</u>	<u>214,251,383</u>	<u>76,493,351</u>	<u>125,742,899</u>	<u>2,846,029</u>	<u>(557,406,274)</u>
CUMULATIVE INTEREST RATE SENSITIVITY GAP			<u>18,067,183</u>	<u>(45,419,212)</u>	<u>102,635,400</u>	<u>238,988,736</u>	<u>453,240,119</u>	<u>529,733,470</u>	<u>655,476,369</u>	<u>658,322,398</u>	<u>100,916,124</u>
2007											
	Effective yield	Total	Exposed to interest rate risk							Not exposed to interest rate risk	
			Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 years	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 4 years	Over 4 year to 5 years		Over 5 year
(Rupees)											
ASSETS											
Cash and bank balances	0.93%	11,245,335	4,851,652	-	-	-	-	-	-	-	6,393,683
Accrued mark-up / return	-	6,678,331	-	-	-	-	-	-	-	-	6,678,331
Advances and other receivables -	-	2,646,445	-	-	-	-	-	-	-	-	2,646,445
Short term investments	-	54,951,480	-	-	-	-	-	-	-	-	54,951,480
Short term loans	8.5%-9.93%	223,042,105	223,042,105	-	-	-	-	-	-	-	-
Long term investments	8%-14%	240,363,688	1,848,565	46,004,660	3,548,565	5,397,130	3,697,130	62,635,687	33,241,513	83,990,438	-
Net investment in finance leases	8%-29.14%	2,120,422,968	72,130,892	120,793,906	484,425,591	510,087,310	222,207,086	55,065,591	1,326,369	113,288	654,272,935
Long term loans	3%-4%	32,498,133	4,967,934	218,213	996,998	1,354,153	1,279,775	1,161,532	1,115,288	21,404,240	-
Long term deposits and deferred cost	-	1,012,009	-	-	-	-	-	-	-	-	1,012,009
		<u>2,692,860,494</u>	<u>306,841,148</u>	<u>167,016,779</u>	<u>488,971,154</u>	<u>516,838,593</u>	<u>227,183,991</u>	<u>118,862,810</u>	<u>35,683,170</u>	<u>105,507,966</u>	<u>725,954,883</u>
LIABILITIES											
Accrued mark-up / return	-	38,074,437	-	-	-	-	-	-	-	-	38,074,437
Accrued and other liabilities	-	25,457,418	-	-	-	-	-	-	-	-	25,457,418
Long term finances	11.48%-11.51%	883,794,524	41,709,204	89,133,242	366,285,409	270,000,001	116,666,668	-	-	-	-
Long term deposits	-	651,484,212	-	-	-	-	-	-	-	-	651,484,212
Certificate of investments	5%-14%	918,411,859	64,175,930	89,025,100	326,342,533	377,548,286	61,320,010	-	-	-	-
Provision for gratuity	-	1,211,821	-	-	-	-	-	-	-	-	1,211,821
		<u>2,518,434,271</u>	<u>105,885,134</u>	<u>178,158,342</u>	<u>692,627,942</u>	<u>647,548,287</u>	<u>177,986,678</u>	-	-	-	<u>716,227,888</u>
ON BALANCE SHEET GAP		<u>174,426,223</u>	<u>200,956,014</u>	<u>(11,141,563)</u>	<u>(203,656,788)</u>	<u>(130,709,694)</u>	<u>49,197,313</u>	<u>118,862,810</u>	<u>35,683,170</u>	<u>105,507,966</u>	<u>9,726,995</u>
CUMULATIVE INTEREST RATE SENSITIVITY GAP			<u>200,956,014</u>	<u>189,814,451</u>	<u>(13,842,337)</u>	<u>(144,552,031)</u>	<u>(95,354,718)</u>	<u>23,508,092</u>	<u>59,191,262</u>	<u>164,699,228</u>	<u>174,426,223</u>

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of the financial assets and financial liabilities except for long term loans to employees and investments held-to-maturity are estimated to approximate their fair values. The fair values of long term loans to employees can not be reasonably estimated due to absence of market for such loans. The fair value of held-to-maturity investments is disclosed in the respective note.

42. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, 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.

Out of the total financial assets of Rs.1,645 million, the financial assets which were not subject to credit risk amounted to Rs. 14.84 million. The Company manages credit risk and its concentration exposure through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments. For this purpose, the Company has established exposure limits for individuals and industrial sectors.

Details of the industrial sector analysis of lease portfolio (excluding residual value) are as follows:

Sectors	2008		2007	
	(Rupees)	Percentages	(Rupees)	Percentages
Chemicals and allied	16,792,934	1.29	28,905,954	1.50
Construction and building products	24,343,245	1.87	55,306,725	2.87
Dairy and beverages	520,711	0.04	2,312,476	0.12
Electric and electric goods	38,923,157	2.99	10,020,731	0.52
Engineering and metals	15,751,512	1.21	36,999,621	1.92
Fibers	4,686,400	0.36	10,984,263	0.57
Financial institutions	2,082,845	0.16	3,083,302	0.16
Food and confectionery	5,207,111	0.40	28,520,541	1.48
Glass and ceramics	7,029,600	0.54	10,406,143	0.54
Health care	23,171,645	1.78	32,374,669	1.68
Hotels	5,076,933	0.39	6,166,604	0.32
Individuals	234,580,362	18.02	381,365,888	19.79
Information technology	18,355,067	1.41	27,557,010	1.43
Leather and tannery	3,384,622	0.26	6,166,604	0.32
Media and advertising	3,775,156	0.29	9,249,905	0.48
Miscellaneous manufacturing	45,562,223	3.50	80,936,671	4.20
Miscellaneous services	143,586,093	11.03	307,173,939	15.94
Natural or industrial gas and LPG	10,934,934	0.84	18,692,517	0.97
Paper and board	4,686,400	0.36	9,828,024	0.51
Petroleum and oilfield	8,461,556	0.65	11,369,675	0.59
Pharmaceuticals	25,905,378	1.99	17,728,985	0.92
Sugar and allied	130,178	0.01	11,369,675	0.59
Telecommunication	24,994,134	1.92	37,385,034	1.94
Textile	229,112,895	17.60	290,215,779	15.06
Transport	343,669,343	26.40	460,953,615	23.92
Others	61,053,380	4.69	31,989,253	1.66
42.1	1,301,777,814	100.00	1,927,063,603	100.00

	2008 (Rupees)	2007
42.1 Net investment in finance leases	1,735,039,140	2,483,090,197
Markup held in suspense account	95,136,711	98,246,341
Residual value	(528,398,037)	(654,272,935)
	<u>1,301,777,814</u>	<u>1,927,063,603</u>

43. RISK MANAGEMENT

The Company is primarily subject to market risk, interest rate risk, credit risk and liquidity risk. The Company has designed and implemented a framework of controls to identify, monitor and manage these risks as follows:

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company's market risk is managed by following the internal guidelines established by the management.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market yield. The Company has adopted appropriate policies to minimise its exposure to this risk.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity risk by following internal guidelines of the management such as monitoring maturities of financial assets and financial liabilities.

Capital risk management

The Company's objective when managing capital is to safe guard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares.

During the year the Securities and Exchange Commission of Pakistan announced the Non-Banking Finance Companies and Notified Entities Regulations, 2007. According to these regulations Company is required to have minimum equity net of losses at 30 June 2008, 30 June 2009, and 30 June 2010 of Rs 350 million, Rs 500 million and Rs 700 million respectively. It has been approved by Board of Directors in the meeting to issue 58,701,288 right shares at par value of Rs.10.

44. Date of Authorizataion for issue these financial States were authorized for issue by the Board of Directors on September 25, 2008



Chairman



Chief Executive

Pattern of Shareholding

AS ON 31-03-2008

Number of Shareholders	Shareholding		Total Shares Held	Percentage
	From	To		
569	1	100	29,761	0.08
1310	101	500	345,816	0.88
660	501	1000	513,452	1.31
733	1001	5000	1,471,586	3.76
88	5001	10,000	633,149	1.62
37	10001	15,000	447,763	1.14
23	15001	20,000	423,160	1.08
11	20001	25,000	262,961	0.67
9	25001	30,000	257,701	0.66
2	30001	35,000	62,400	0.16
4	35001	40,000	148,258	0.38
3	40001	45,000	132,155	0.34
4	45001	50,000	192,529	0.49
3	50001	55,000	156,872	0.40
3	60001	65,000	185,320	0.47
2	65001	70,000	140,000	0.36
1	70001	75,000	74,702	0.19
1	75001	80,000	75,267	0.19
1	80001	85,000	80,425	0.21
2	85001	90,000	178,758	0.46
1	90001	95,000	95,000	0.24
3	95001	100,000	295,150	0.75
1	115001	120,000	120,000	0.31
1	120001	125,000	121,500	0.31
1	135001	140,000	138,869	0.35
1	140001	145,000	141,000	0.36
1	185001	190,000	186,500	0.48
1	215001	220,000	217,077	0.55
1	220001	225,000	224,500	0.57
1	275001	280,000	280,000	0.72
1	445001	450,000	447,500	1.14
1	500001	505,000	503,500	1.29
1	520001	525,000	522,500	1.34
1	770001	775,000	773,924	1.98
1	795001	800,000	797,206	2.04
1	1080001	1,085,000	1,081,135	2.76
1	1455001	1,460,000	1,460,000	3.73
1	25915001	2,592,0000	25,916,796	66.23
3,486			39,134,192	100.00

Categories of Shareholding

Shareholders Category	Number	Share Held	Percentage
Directors/Chief Executive Officer and their Spouse and minor children.	7	6,636	0.02
Executives	-	-	-
Associated Companies, Undertakings and related parties			
Standard Chartered Bank Pakistan Ltd.	2	25,917,296	66.23
NIT and ICP			
- NIT	2	1,571,130	
- IDBP (ICP UNIT)	2	3,582	4.02
Banks, Development Financial Institutions, Non-Banking Financial Institutions	8	1,777,354	4.54
Insurance Companies	1	217,077	0.55
Modarabas and Mutual Funds	2	6,719	0.02
Shareholding 10% or More (including in above category)	1*	25,917,296*	66.23*
Others	53	1,058,035	2.70
General Public			
a) Pakistani	3,409	8,576,363	21.92
b) Foreign			
	3,486	39,134,192	100.00

A Directors/Chief Executive Officer and their spouse and minor Children	Share Held	Percentage
1 Mr. Badar Kazmi	948	0.00
2 Mr. Rafi A. Shariff	948	0.00
3 Mr. Arjumand Ahmad Minai	948	0.00
4 Mr. Cyrus J. Masani	948	0.00
5 Mr. Imran Ahad	948	0.00
6 Mr. Monis Mirza	948	0.00
7 Mr. Tufail Jawed Ahmed	948	0.00
	6,636	0.02

B Associated Companies, Undertakings and related parties	Share Held	Percentage
1. Standard Chartered Bank (Pakistan) Ltd. (Ex- Union Bank Limited) (Holding)	25,917,296	66.23

C SHAREHOLDING 10% OR MORE	Share Held	Percentage
1. Standard Chartered Bank (Pakistan) Ltd. (Ex- Union Bank Limited) (Holding)	25,917,296	66.23
	25,917,296	66.23

D NIT and IDBP (ICP UNIT)	Share Held	Percentage
1 NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT.	773,924	1.98
2 NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT.	797,206	2.04
3 IDBP (ICP UNIT)	1,082	0.00
4 IDBP (ICP UNIT)	2,500	0.01
	1,574,712	4.02

Form of Proxy

I/We _____

of _____

being member(s) of Standard Chartered Leasing Limited holding _____

ordinary shares hereby appoint _____

of _____ or failing him/her _____

of _____ who is/are also member(s) of Standard Chartered Leasing

Limited as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 15th Annual General Meeting of the company to be held on October 30, 2008, at the Institute of Banker Pakistan.

As witness my/our hand(s) this _____ day of _____ 2008

Signed by _____

in the presence of _____

Folio No.

Signature
on
Revenue Stamp

Note:

1. The Proxy Form should be deposited in the Shares Office of the Company, as soon as possible but not later than 48 hours before the time of holding the meeting, failing which, Proxy Form will not be treated as valid.
2. No Person shall act as proxy unless he/she is a member of the Company.



Standard Chartered Leasing Limited
6th Floor, New Jubilee Insurance House,
I.I. Chundrigar Road, Karachi-74000 Pakistan.
(Formerly Union Leasing Limited)
Member Standard Chartered Group