CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS	Mr. Paul Douglas Gray	Chairman
	Mr. Khawar Anwar Khawaja	Vice Chairman
	Mr. Abdul Rashid Mir	Chief Executive
	Mr. Neil Douglas James Gray	
	Mr. Jason Charles Gray	
	Mr. Muhammad Tahir Butt	
	Mr. Khurram Anwar Khawaja	
AUDIT COMMITTEE	Mr. Khawar Anwar Khawaja	
	Mr. Muhammad Tahir Butt	
	Mr. Khurram Anwar Khawaja	
AUDITORS	A.F Ferguson & Co. Chartered Accountants 505-509 Alfalah Building, Shara-e-Quaid-e-Azam Lahore.	
MANAGEMENT CONSULTANT	Sarfraz Mahmood (Pvt) Ltd.	
COMPANY SECRETARY/ CHIEF FINANCIAL OFFICER	Mr. Naveed Amin	
HEAD OF INTERNAL AUDIT	Mr. Nadeem Ahmad	
LEGAL ADVISOR	Saeed Akhtar Advocate & Corporate Counsel	
REGISTERED AND HEAD OFFICE	701-A, 7th Floor, City Towers 6-K, Main Boulevard, Gulberg - II, Lahore Tel: (042) 5770382 - 7 Fax: (042) 5770389 E-mail: gll@cyber.net.pk	
BANKERS	Standard Chartered Bank Limited Bank Alfalah Limited The Bank of Punjab The Bank of Khyber Askari Bank Limited MCB Bank Limited Faysal Bank Limited First Women Bank Limited ABN Amro Bank Limited National Bank of Pakistan Allied Bank Limited	
SHARE REGISTRARS	Hassan Farooq Associates (Pvt) Ltd. HF House. 7-G, Mustaq Ahmed Gurmani Road Gulberg II Lahore.	

VISION

To be one of the most progressive institutions in the financial sector by providing quality service to our clientele in a superior manner, maintaining high ethical and professional standards, striving for continuous improvements and consistent growth to add value to our shareholders and our team of conscientious employees and a fair contribution to the national economy.

MISSION

To develop a client base representing all segments of the economy; emphasis being placed on financial support to medium and small enterprises for their expansion, balancing and modernization requirements.

To endeavor for a lasting relationship with clients and associates on the principles of Mutualism.

To transform the company into a dynamic, profitable and growth oriented institution through an efficient resource mobilization and the optimum utilization thereof.

To provide healthy environment and corporate culture for good governance of the company which ensures exceptional value for clients, personnel and the investors above all.

To implement the best professional standards with due observance of moral and ethical values in all respects of corporate life which will Insha Allah bring social and economic parity and prosperity among Nation and turn Pakistan into a Modern and Liberal Muslim Welfare State.

NOTICE OF THE 13TH ANNUAL GENERAL MEETING

Notice is hereby given that the 13th Annual General Meeting of the Company will be held on October 30, 2008 at 11:00 am at registered office of the Company located at 701-A, 7th Floor, City Towers, Main Boulevard, Gulberg - II, Lahore to transact the following business:

Ordinary Business

1 To confirm the minutes of the Extra - Ordinary General Meeting held on June 30, 2008

2 To receive, consider and adopt the audited financial statements of the company for the year ended June 30, 2008 together with the Directors' and Auditors' reports thereon

3 To appoint auditors for the year ended 30 June 2009 and fix their remuneration. The present auditors Messrs A.F. Ferguson and Company, Chartered Accountants retire. The audit committee and board of directors have recommended Messrs Riaz Ahmed & Company, Charted Accountants as auditors.

4 To elect seven directors of the company for a period of three years as fixed by the Board of Directors under section 178(1) of the Companies Ordinance, 1984. Following are the names of retiring directors;

1. Mr. Khawar Anwar Khawaja
2. Mr. Adul Rashid Mir
3. Mr. Paul George Gray
4. Mr. Muhammad Tahir Butt
5. Mr. Khurram Anwar Khawaja
6. Mr. Niel Douglas Gray

5 To transact any other business with the permission of the chair.

BY ORDER OF THE BOARD

NAVEED AMIN
(COMPANY SECRETARY)

Lahore: October 09, 2008

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 24, 2008 to October 30, 2008 (both days inclusive). Physical transfers/CDS Transaction Ids received in order at our Share Registrar M/s. Hassan Farooq Associates (Pvt) Limited, HF House, 7 – G Mushtaq Ahmed Gormani Road, Gulberg II, Lahore, up to the close of business on October 23, 2008 will be considered in time for determination of entitlement of shareholders to attend and vote at the meeting.

2. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote instead of him.

3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notary attested copy of the power of attorney must be deposited at registered office of the Company at least 48 hours before the time of the meeting.

4. Members, who have deposited their shares into Central Depositary Company of Pakistan Limited (“CDC”) will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan

A. For Attending the Meeting

a. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall authenticate his identity by showing his original NIC or original Passport at the time of attending the Meeting.

b. In case of corporate entity, the Boards' 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.

B. For Appointing Proxies

a. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per the above requirements.

b. The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

c. Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

d. The proxy shall produce his original NIC or original passport at the time of the Meeting.

e. In case of corporate entity, the Boards' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the Annual Report together with the audited financial statements for the year ended June 30, 2008.

OPERATING RESULTS

The operating results of the company for the year are as under:

	Rupees
Total revenue	152,956,339
Total expenses	162,527,661
Loss before tax	(9,571,322)
Provision for taxation	
Current	2,985,918
Deferred	(3,240,929)
Prior Year	966,238
	(711,227)
Loss after tax	(10,282,549)
Earning per share	**(0.51)**

KEY OPERATING AND FINANCIAL DATA

Key operating and other financial data for the last six years are being given hereinafter this report.

REVIEW OF OPERATIONS

During the year under review, we transacted business worth Rupees 329 million comprising 119 leases as compared to Rupees 621 million placed in 188 leases during the preceding year; the decline in volume of business has been due to stagnant economic conditions of the country, especially the textile sector is under tremendous pressure and pace of economy remained slow due to uncertain political situation. Due to the economic and political uncertainty people are facing cash flow problems which resulted in slow recovery and stuck-ups. Gross investment in finance leases as at 30th June 2008 stands at Rupees 1,687 million against Rupees 1,931 million on 30th June 2007, while the net investment stands at Rupees 1,459 million on 30th June 2008 against Rupees 1,653 million the last year.

The gross revenue from operations was Rupees 152.96 million (Rupees 162.70 million in 2007). The net loss before and after tax for the current year is Rupees 9.57 million and Rupees 10.28 million as compared to net profit of Rupees 23.53 million and Rupees 15.46 million for the preceding year. The reasons for downfall in pre-tax profits are the shrinking margins, rising provisioning requirements and lowering volume of business transacted during the year.

Dear shareholders, we still emphasize on small and medium size leases with **Select-Clientele** in various industrial and commercial sectors to finance their “balancing, modernization and expansion” activities, and for this very purpose, we have all along concentrated on lease financing of plant, machinery and equipments to various industrial units to strengthen their production base. However, the management of your company also believes in assets quality; assets which do have a ready market at reasonable resale values.

However, irrespective of the nature or type of asset, we have all along been quite vigilant and strict in our evaluation and risk management procedures and internal controls. All leases are very carefully screened by the Credit Evaluation Department being monitored by the Executive Committee and the Senior Management. Risk diversification is also ensured by maintaining a balanced sector-wise exposure.

CREDIT RATING

JCR-VIS has assigned us Medium to Long-Term Entity Rating at BBB+ (Triple B Plus) while the Short-Term Entity Rating was maintained at A-2 (A Two). The outlook on the Entity was considered “Negative”.

RESOURCE MOBILIZATION

Long-Term and short term credit lines of Rupees 240 million have been availed during this period. Further, your company also managed a blend of medium and short term funds to fulfill its financing requirements. We have also raised short-term funds by issuing Certificates of Investment. During the year, the State Bank of Pakistan adopted a strict monetary policy to cope with the inflationary pressure, due to which interest rates have rocket like gone-up. The effect of this rate hike is being reflected in the accounts.

Human resource development is an equally important area. To develop a team of dedicated and devoted professionals, we have very recently engaged a number of persons, both at senior and entry level.

FUTURE OUTLOOK

The upward swing in interest rates is working as a major restraint to industrial growth, which has resulted in a severe economic stagnation. In fact in the previous era a consumers' goods oriented economic pattern was developed which discourged the economic development of the industrial sector, hence reducing requirements of production capacity. Very recently this approach has been changed and production oriented economic approach is now being followed which will again gear up the growth momentum. However, as yet the nation is facing sever economic crises and the recovery symptoms appear to be dismal.

The Leasing Sector in Pakistan is although under a severe pressure and competition from commercial banks and DFIs, the leasing companies still have a great potential.

Grays Leasing being a small segment of leasing sector has also faced sever pressures during the year and in spite of its best efforts could not produce profit showing results. The process of acquisitions or mergers to form a strong entity having enormous equity base is still underway and the management expects to be successful on this front. However, the sponsors are very much dedicated in contributing cash or cash equivalent to comply, at any cost, equity requirements fixed by SBP or SECP.

DIVIDEND

Dear shareholders, you know, the company has been declaring cash dividends almost since start of operations. However this year the company could not generate profits while equity compliance is also aimed at. Due to these reasons we could not declare dividend this year as well.

CODE OF CORPORATE GOVERNANCE

A statement of compliance with the Code of Corporate Governance is also given hereinafter. We fully support and endorse implementation of this Code and believe that this will strengthen the corporate sector of the country in line with the Global trends. Therefore, we have implemented the code and there is no material departure from it. All major disclosures as required under the code have been complied with. Moreover the management is also determined to follow this code in strict compliance with guidance provided by the auditors.

The financial statements prepared by the management annexed hereto, present fairly its state of affairs, the results of its operations, cash flows and changes in equity. Proper books of accounts have been maintained and appropriate accounting policies have been applied consistently using reasonable and prudent accounting estimates as well as in accordance with the International Accounting Standards and other relevant provisions of law. An effective system of internal controls has also been implemented and regularly monitored. There is no significant doubt upon the ability of the company to continue its operations as a going concern. Except that non-compliance of equity requirement may pose us a problem in renewing our leasing license

INTERNAL CONTROLS

The company has implemented a computer-based management information system. We have also made significant progress in the development of in-house programs and implementation of new software and its applications which provide a centralized database, support integration between our lease administration and financial systems, and assist the company in providing meaningful data in time for management decision making. This system is being continuously reviewed by internal and statutory auditors; hence it works as a strong internal control over company operations in all spheres of corporate and financial management.

PATTERN OF SHAREHOLDING

A statement showing pattern of shareholding in the company as on 30th June 2008 is given herewith.

AUDITORS

The present auditors Messrs A. F Ferguson and Company, Chartered Accountants, retire and showed their inability for re-appointment. The audit committee has recommended the name of Messers Riaz Ahmad and Company, Chartered Accountants for new appointment as auditors of the company.

BOARD OF DIRECTORS

During the year, eight meetings of the board were held. Attendance of each director is as under:

Name of director		Attended	Leave granted
Mr. Paul Douglas Gray	Chairman	1	7
Mr. Khawar Anwar Khawaja		8	-
Mr. Abdul Rashid Mir	Chief Executive	8	-
Mr. Muhammad Tahir Butt		8	-
Mr. Khurram Anwar Khawaja		7	1
Mr. Neil Douglas James Gray		-	8
Mr. Jason Charles Gray		-	8

ACKNOWLEDGMENT

I would like to thank the banks and financial institutions for their support, the clients who provided us opportunity to serve them and company employees at all levels for their dedicated efforts.

ON BEHALF OF THE BOARD

Lahore: 7th October 2008

ABDUL RASHID MIR
Chief Executive

KEY OPERATING AND FINANCIAL DATA FOR SIX YEARS

(Rupees in Thousand)

	2002	2003	2004	2005	2006	2007	2008
PROFIT AND LOSS							
Revenue	90,960	104,435	102,470	96,562	144,387	162,670	152,956
Financial charges	38,860	40,858	34,249	44,330	94,099	102,614	110,223
Provision for doubtful receivables	4,277	8,380	10,421	1,248	(833)	4,710	13,749
Profit / (Loss) before tax	32,178	39,864	40,399	29,672	24,728	23,530	(9,571)
Profit / (Loss) after tax	23,219	32,397	80,371	17,674	14,007	15,458	(10,282)
Dividend	18,000	18,000	27,000	20,000	-	-	-
Bonus shares	-	-	20,000		-	-	-
BALANCE SHEET							
Paid up share capital	180,000	180,000	180,000	200,000	200,000	200,000	200,000
Shareholders equity	205,555	219,953	300,324	258,998	253,005	268,470	274,238
Borrowings	353,393	425,311	560,896	898,007	884,614	913,707	748,211
Net investment in finance leases	696,220	860,700	1,039,835	1,414,028	1,485,167	1,652,799	1,458,656
Total assets	748,158	896,455	1,076,365	1,493,771	1,555,669	1,735,561	1,572,494
PERFORMANCE INDICATORS							
Profit / (Loss) before tax/Gross revenue	35%	38%	39%	31%	17%	14%	-6%
Profit / (Loss) after tax/Gross revenue	26%	31%	78%	18%	10%	10%	-7%
Pre-tax Return on shareholder's equity	16%	18%	13%	11%	10%	9%	-3%
After tax Return on shareholder's equity	11%	15%	27%	7%	6%	6%	-4%
Income/Expense ratio	1.55	1.62	1.65	1.44	1.21	1.17	0.94
Total borrowings to equity ratio	63:37	64:36	67:33	78:22	78:22	65:35	58:42
Interest coverage ratio	1.83	1.98	2.18	1.67	1.26	1.23	0.91
Earning per share	1.54	1.80	4.02	1.33	0.70	0.77	(0.51)
Break up value per share	11.42	12.22	16.68	15.00	12.65	13.42	13.71
Lease disbursements	399,490	446,205	568,630	857,329	602,000	621,000	329,365
Number of contracts	283	403	409	262	162	188	119

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
YEAR ENDED 30 JUNE 2008

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.37, Chapter No.XI of listing regulations of Karachi Stock Exchange and Chapter No.XIII of listing regulations of Lahore Stock Exchange 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 independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes at least Six non-executive directors.

2. The directors have confirmed that none of them 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 NBFI or, being a member of a stock exchange has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred in the Board during the year.

5. The Company has prepared a 'Statement of Ethics 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 policies 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, have been taken by the Board.

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 and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The board has approved appointment of head of internal audit, including his remuneration and terms and conditions of employment as determined by the CEO.

10. 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.

11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

12. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

13. The Company has complied with all the corporate and financial reporting requirements of the Code.

14. The Board has formed an audit committee. It comprises three members, who all are non-executive directors.

15. The meetings of the audit committee were held at least once every quarter 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.

16. During the year regular Internal Audit reports were not prepared since the company is in the process of strengthening its Internal Audit Department.

17. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme 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 the Institute of Chartered Accountants of Pakistan.

18. 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.

19. We confirm that all other material principles contained in the Code have been complied with.

ABDUL RASHID MIR
Chief Executive

Lahore: 7th October, 2008

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 Grays Leasing Limited to comply with the Listing Regulation No.37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange, 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 inquiries 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 control 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 as applicable to the company for the year ended June 30, 2008.

Chartered Accountants

Lahore, October 07, 2008.

A. F. Ferguson & Co.
Chartered Accountants
505-509, 5th Floor, Alfalah Building
P.O. Box 39, Shahrah-e-Quaid-e-Azam
Lahore, Pakistan
Telephone: (042) 6285078-85
Fax: (042) 6285088
E-mail: ferguson@brain.net.pk

AUDITORS' REPORT TO THE MEMBERS

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

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said 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 above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said 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 policies consistently applied except for the change referred to in note 4.16 to the financial statements with which we concur;

 (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 conform 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 June 30, 2008 and of the loss, its cash flows and changes in equity for the year then ended; and

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

Without qualifying our opinion, we draw attention to note 2.1 to the financial statements which states that the application for renewal of licence of the company to carry on leasing business, for the year ended June 30, 2009 is pending approval with the Securities and Exchange Commission of Pakistan. As at June 30, 2008 the company is not in compliance with the minimum equity requirement of Rs 350 million prescribed for leasing companies under the NBFC and Notified Entities Regulations, 2007. This matter , alongwith other matters as set forth in note 2.1 to financial statements may result in the company not being able to continue its business as an NBFC under the NBFC Rules, 2003.

LAHORE: 7th October, 2008 Chartered Accountants

BALANCE SHEET AS AT 30 JUNE 2008

	Note	June 30, 2008 Rupees	June 30, 2007 Rupees Restated
ASSETS			
Current assets			
Cash and bank balances	5	28,814,468	4,583,619
Advances, deposits, prepayments, accrued interest and other receivables	6	20,598,070	30,275,654
Current maturity of non current assets	7	641,375,043	697,011,924
		690,787,581	731,871,197
Non-current assets			
Long term loans and advances	8	-	3,650,000
Net investment in lease finance	9	773,432,369	926,086,814
Long term investments	10	10,000,000	10,000,000
Assets subject to finance lease	11	5,273,937	4,163,711
Property, plant and equipment	12	92,123,146	58,699,316
Long term security deposits		877,482	1,090,402
		881,706,934	1,003,690,243
		1,572,494,515	1,735,561,440
LIABILITIES			
Current liabilities			
Short term borrowings	13	131,928,948	127,535,667
Subordinated loan	14	15,000,000	-
Accrued and other liabilities	15	9,150,566	8,638,757
Mark - up accrued	16	20,618,036	25,544,665
Current maturity of non current liabilities	17	315,231,017	366,284,353
Provision for taxation		3,016,561	2,878,253
		494,945,128	530,881,695
Non-current liabilities			
Deferred taxation	18	48,248,813	64,874,297
Deposits on lease contracts	19	369,897,867	346,798,547
Certificates of investment	20	2,000,000	59,000,000
Borrowings from financial institutions and others	21	372,352,989	438,833,116
Liabilities against assets subject to finance lease	22	2,020,822	2,598,806
Deferred liabilities	23	3,821,951	3,085,485
		798,342,442	915,190,251
Total liabilities		1,293,287,570	1,446,071,946
NET ASSETS		279,206,945	289,489,494
Represented by:			
Authorized share capital			
35,000,000 (2007: 20,000,000) ordinary shares of Rs 10 each		350,000,000	200,000,000
Issued, subscribed and paid up share capital	24	200,000,000	200,000,000
Statutory reserve	25	58,625,295	58,625,295
Unappropriated profit		613,040	9,844,609
Shareholders' equity		259,238,335	268,469,904
Surplus on revaluation of fixed assets	26	19,968,610	21,019,590
Contingencies and commitments	27		
		279,206,945	289,489,494

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

CHIEF EXECUTIVE

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	June 30, 2008 Rupees	June 30, 2007 Rupees Restated
Revenue			
Income from lease operations	28	147,804,936	156,703,996
Other income	29	5,151,403	5,992,892
		152,956,339	162,696,888
Expenditure			
Administrative and other operating expenses	30	38,555,550	31,841,714
Financial and other charges	31	110,223,472	102,613,943
Allowance for potential lease losses	9.2	13,748,639	4,710,900
		162,527,661	139,166,557
(Loss) / Profit before taxation		(9,571,322)	23,530,331
Taxation	32	(711,227)	(8,072,549)
(Loss) / Profit after taxation		(10,282,549)	15,457,782
(Loss) / Earnings per share - basic	33	(0.51)	0.77

Appropriations have been reflected in the statement of changes in equity.

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

CHIEF EXECUTIVE

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	June 30, 2008 Rupees	June 30, 2007 Rupees Restated
Cash flows from operating activities			
(Loss) / Profit before taxation		(9,571,322)	23,530,331
Adjustments for non-cash charges and other items:			
- Depreciation		8,922,586	2,715,165
- Provision for gratuity		949,132	1,723,672
- Financial charges		110,223,472	102,613,943
- Allowance for potential lease losses		13,748,639	4,710,900
- Exchange gain		-	(15,850)
- Other receivables written off		-	1,111,641
- Gain on sale of fixed assets		(92,344)	(52,473)
- Profit on bank deposits and investments		(1,552,148)	(1,893,791)
		132,199,337	110,913,207
Operating profit before working capital changes		122,628,015	134,443,538
Increase in advances, deposits, prepayments, accrued interest and other receivables		(18,004,046)	(12,552,692)
Increase in accrued and other liabilities		511,808	213,055
Cash generated from operations		105,135,777	122,103,901
Financial charges paid		(114,682,584)	(98,143,256)
Income tax paid		(3,150,053)	(3,642,192)
Dividend paid		-	(217,582)
Gratuity paid		(212,666)	(266,667)
Net cash (used in) / generated from operating activities		(12,909,526)	19,834,204
Cash flows from investing activities			
Net investment in lease finance (recovered) / disbursed - net		166,915,651	(167,615,933)
Long term investments/redemptions - net		-	2,222,200
Long term loans and advances - net		4,050,000	(2,900,000)
Fixed capital expenditure		(2,371,042)	(2,835,107)
Sale proceeds of property, plant and equipment		1,216,265	2,429,500
Long term deposits		(131,030)	(602,751)
Profit on bank deposits and investments		1,513,244	1,958,342
Net cash generated from / (used in) investing activities		171,193,088	(167,343,749)
Cash flows from financing activities			
Proceeds of subordinated loan		15,000,000	-
Borrowings from financial institutions and others obtained - net		(138,388,399)	96,796,716
Short term borrowings (repaid) - net		(47,000,000)	-
Certificates of investment (repaid) / issued - net		(46,500,000)	(115,239,856)
Deposits on lease contracts - net		33,886,556	90,133,202
Lease rentals paid		(2,444,151)	(1,815,009)
Net cash (used in) / generated from financing activities		(185,445,994)	69,875,053
Net decrease in cash and cash equivalents		(27,162,432)	(77,634,492)
Cash and cash equivalents at the beginning of the year		(42,952,048)	34,682,444
Cash and cash equivalents at the end of the year	34	(70,114,480)	(42,952,048)

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

	Share capital	Statutory reserve	Unappropriated profit/ (accumulated loss)	Total reserves	Total equity
	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at July 1, 2006	200,000,000	55,533,739	(2,529,150)	53,004,589	253,004,589
Net profit for the year - restated	-	-	15,457,782	15,457,782	15,457,782
Transfer from surplus on revaluation of fixed assets - Incremental depreciation - net of deferred taxation	-	-	7,533	7,533	7,533
Statutory reserve	-	3,091,556	(3,091,556)	-	-
Balance as at June 30, 2007 - restated	200,000,000	58,625,295	9,844,609	68,469,904	268,469,904
Net loss for the year	-	-	(10,282,549)	(10,282,549)	(10,282,549)
Transfer from surplus on revaluation of fixed assets - Incremental depreciation - net of deferred taxation	-	-	1,050,980	1,050,980	1,050,980
Balance as at June 30, 2008	200,000,000	58,625,295	613,040	59,238,335	259,238,335

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

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

1. Legal status and nature of business

The company was incorporated in Pakistan as a public limited company under the Companies Ordinance, 1984 on August 31, 1995. The company's shares are listed on Karachi and Lahore Stock Exchanges. The company is engaged in leasing business. It has been classified as a Non-Banking Financial Company (NBFC). Its registered office is situated at 701-A, 7th floor, City Towers, 6-K, Main Boulevard, Gulberg-II, Lahore.

2. Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, interpretations issued by the Standards Interpretations Committee of the IASC and the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non Banking Finance Companies and notified entities regulations, 2007 (NBFC Regulations) and Prudential Regulations for Non Banking Finance Companies (Prudential Regulations). Approved accounting standards comprise of such Financial Reporting Standards (IFRSs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, NBFC Rules, NBFC Regulations, Prudential Regulations and directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, NBFC Rules, Prudential Regulations and the said directives take precedence.

2.1 Basis of preparation

Under clause 3 of NBFC Regulations 2007, leasing companies are required to have minimum equity of Rs 350 million by June 30, 2008. However as at June 30, 2008, the company is not in compliance with this requirement. The company has applied to SECP for renewal of its licence for carrying on leasing business for the year ending June 30, 2009 which is pending approval of SECP. Continuation of the company as a going concern is dependent on the renewal of this licence.
These accounts have been prepared on a going concern basis based on the management's plans that the company will be able to arrange adequate funding through subordinated loans and,capital injection by sponsors or through merger and acquisition with other financial institutions in order to comply with the minimum equity requirement. A rights issue of 7.5 % has been approved by the board of directors as at June 30, 2008. The accounts consequently do not include any adjustment relating to the realization of the assets and liquidation of its liabilities that might be necessary should the company be unable to continue as going concern.

2.2 Standards, Interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Amendments to published standards effective in current year

- Amendments to IAS 1 'Presentation of Financial Statements' - Capital disclosure is mandatory for the Company's accounting period beginning on July 01, 2007. It's adoption by the Company only impacts the format and extent of disclosures presented in the financial statements.

2.2.2 Amendments and interpretations to published standards applicable to the Company not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the Company’s accounting periods beginning on or after their respective effective dates:

- IFRS 7 'Financial Instruments: Disclosures' is effective from July 1, 2008. It requires disclosures about the significance of financial instruments for the Company's financial position and performance, and quantitative and qualitative disclosure on the nature and extent to risks.

- Certain amendments to IAS 23 'Borrowing Costs' have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after July 01, 2009. Adoption of these amendments would require the Company to capitalise the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs will be removed. Its adoption will not have any impact on the Company's financial statements.

- IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' is effective from July 01, 2008. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Company will apply IFRIC 14 from July 1, 2008, but it is not expected to have any significant impact on the Company's financial statements.

2.2.3 Standards and interpretations to existing standards that are not applicable to the Company and not yet effective

IFRS 8, 'Operating segments ' replaces IAS 14 and is effective from financial year July 1, 2009. IFRS 8 provides guidance for disclosure of information about entity's operating segments, products and services, geographical areas in which it operates, and major customers. This standard is not relevant to the Company's operations.

3. Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention except for certain items of property, plant and equipment which are carried at revalued amounts as stated in note 4.6 and recognition of certain employee retirement benefits at present value.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Defined benefit plans - (note 4.13, note 23)
b) Provision for taxation - (note 4.12, note 18)
c) Residual values of property, plant and equipment - (note 4.6)
d) Revaluation of property, plant and equipment - (note 26)

4. Significant accounting policies

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

4.1 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and short term finances under mark-up arrangements referred to in note 13.

4.2 Net Investment in lease finance

Leases where the company transfers substantially all the risks and rewards incidental to ownership of the assets to the lessee are classified as finance leases. Net investment in lease finance is stated at an amount equal to the aggregate of the minimum lease payments receivable, including any guaranteed residual value and excluding any unearned income, write-offs and provision for potential lease losses, if any.

4.3 Allowance for potential lease losses

The specific allowance for potential lease losses, if any, is made quarterly in accordance with the Securities and Exchange Commission of Pakistan's Prudential Regulations for Non-Banking Financial Companies (SECP's Regulations for NBFCs).

In accordance with the SECP regulations, the company does not recognise income on financial assets which have been classified.

4.4 Investments

The investments made by the company are classified for the purpose of measurement as Held to Maturity investments.

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost and at subsequent reporting dates measured at amortised cost using the effective yield method.

Management determines the appropriate classification of its investments at the time of purchase. All purchases and sales of investment are recognised on the trade date which is the date that the company commits to purchase or sell the investment. Cost of purchase includes transaction costs.

At subsequent reporting dates, the company reviews the carrying amounts of the investments to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognised as expense. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised recoverable amount but limited to the extent of initial cost of the investment. A reversal of the impairment loss is recognised as income. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

4.5 Financial instruments

Financial assets and financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument and de-recognised when the company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account currently.

Financial assets and liabilities are classified and stated at values determined in accordance with the substance of contractual arrangements. Significant financial assets include net investment in lease finance, long term loans, long term investments, and cash and bank balances. Significant financial liabilities include certificates of investment, deposits on lease contracts, long term loans, term finance certificates and short term borrowings.

4.6 Property, plant and equipment

Property, plant and equipment except building are stated at cost less accumulated depreciation and any identified impairment loss. Buildings are stated at revalued amount less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Buildings at Lahore and Karachi were revalued by an independent valuer during the year ended June 30, 2007 on an open market basis. Additions subsequent to revaluation are stated at cost less accumulated depreciation and any identified impairment loss.

Depreciation on all property, plant and equipment is charged to income by applying the diminishing balance method whereby the cost or revalued amount of an asset is written off over its estimated useful life. Depreciation is being charged at the rates given in note 12. Incremental depreciation representing the difference between actual depreciation based on the revalued carrying amount of an asset and equivalent depreciation based on the original carrying amount of the asset is transferred from unappropriated profits to surplus on revaluation of fixed assets. All transfers to / from surplus on revaluation of fixed assets are net of applicable deferred income taxes.

Depreciation on additions to property, plant and equipment is charged from the day the asset is available for use while no depreciation is charged from the day on which asset is disposed off.

The assets' residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

The company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

4.7 Impairment

The carrying amount of the company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment loss. Any impairment loss arising is recognised as expense in the profit and loss account.

4.8 Leases

The company is the lessee:

Finance lease

Leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease as referred to in note 22.

Each lease payment is allocated between the liability and the finance charge so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset on a reducing balance method at the rates given in note 11. Depreciation on leased assets is charged to income.

Depreciation on additions to leased assets is charged from the day in which an asset is acquired while no depreciation is charged from the day on which the asset is disposed off.

The company is the lessor:

Operating lease

Assets leased out under operating leases are included in property, plant and equipment as referred to in note 12. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on accrual basis over the lease term.

4.9 Borrowings

Loans and borrowings from financial institutions and others are initially recorded at the proceeds received together with associated transaction costs. In subsequent periods, borrowings are stated at amortised cost using the effective yield method. Finance costs are accounted for on an accrual basis. Transaction costs are amortised over the period of agreement using the effective interest rate method.

4.10 Accrued and other liabilities

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services whether or not billed to the company.

4.11 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 adjusted to reflect the current best estimate.

4.12 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.13 Staff retirement benefits

4.13.1 Defined benefit plan

The company operates a non-funded defined benefit staff gratuity scheme for its permanent employees who have completed the qualifying service period of three years. Provision in respect of the scheme is made in accordance with the actuarial recommendations. The latest actuarial valuation was carried out as at June 30, 2008.

Projected Unit Credit method was used for calculating the provision, based on the following:

- Discount rate 12 percent per annum.
- Expected rate of increase in salary level 11 percent per annum.

The company's policy with regard to actuarial gain / (loss) is to follow minimum recommended approach under IAS-19 'Employee Benefits'

The company is expected to charge Rs. 1,204,480 for gratuity in the next financial year.

4.13.2 Employees' compensated absences

The company provides for liability in respect of employees' compensated absences in the year in which these are earned.

4.14 Certificates of Investment

Certificates of investment are initially recorded at the proceeds received. In subsequent periods, these are stated at amortised cost using the effective yield method. Finance costs are accounted for on an accrual basis.

4.15 Offsetting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also accordingly offset.

4.16 Revenue recognition

Mark-up / return on investments and fund placements are recognised on a time proportion basis.

The company follows the finance method in accounting for recognition of lease income. Under this method, the unearned lease income, i.e., the excess of aggregate lease rentals and the residual value over the cost of leased asset is deferred and then amortised to income over the term of the lease, by applying the annuity method to produce a constant rate of return on the net investment in lease finance. Income on non-performing loans is recognised on receipt basis in accordance with SECP regulations. Front-end fees, documentation charges and other lease related income are taken to income currently. Additional lease rentals being late payment charges on lease rentals are recognised when the right to receive is established except for charges due from classified customers which are accounted for on receipt basis.

During the year, management has decided to discontinue its practice to waive off additional lease rentals being charges on overdue payments on lease contracts, due to such waiver previously additional lease rentals were accrued only for specific lease contracts, The change in accounting policy has been applied retrospectively and comparative has been restated in accordance with the treatment specified in International Accounting Standard 8 (IAS-8): "Accounting Policies, Change in Accounting Estimates and Errors". Had there been no change in accounting policy, the balance of equity as at June 30, 2007 would have lower by Rs 3.984 million and the balance of current assets and current liabilities as at June 30, 2007 would have lower by Rs 6.129 million and Rs 2.145 million respectively.

Commission and fees are taken to income when the service is provided.

4.17 Borrowing costs

Mark up, interest and other charges on borrowings are capitalised upto the date of commissioning of the related property, plant and equipment, acquired out of the proceeds of such borrowings. All other mark up, interest and other charges are charged to income.

4.18 Foreign currency transactions

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

Exchange differences are included in income currently.

4.19 Dividend

Dividend distribution to the shareholders is recognised as a liability in the period in which it is approved by the shareholders.

		June 30, 2008 Rupees	June 30, 2007 Rupees
5. Cash and bank balances			
Cash in hand		8,420	-
With banks:			
- Balance with State Bank of Pakistan		20,694	15,308
- Current accounts		1,158,636	2,011,778
- Saving accounts	note 5.1	27,626,718	2,556,533
		28,814,468	4,583,619

5.1 Cash with banks in saving accounts carry mark-up ranging from 0.1% to 5.0% per annum (2007: 0.25% to 4.0% per annum)

		June 30, 2008 Rupees	June 30, 2007 Rupees Restated
6. Advances, deposits, prepayments, accrued interest and other receivables			
Loan and advances - considered good:			
- Advance to employees		373,419	226,676
- Advance to suppliers for purchase of vehicles		-	1,965,490
- Others		383,600	-
		757,019	2,192,166
Advance income tax recoverable		891,174	14,939,523
Prepayments		1,116,219	1,053,322
Accrued interest		176,986	138,082
Insurance and other claims receivable		1,051,265	332,332
Additional lease rentals and other charges receivable from customers		16,605,407	11,620,229
		20,598,070	30,275,654
7. Current maturity of non current assets			
Long term loans and advances	- note 8	350,000	750,000
Net investment in lease finance	- note 9	641,025,043	696,261,924
		641,375,043	697,011,924
8. Long term loans and advances			
Long term loan - considered good	- note 8.1	350,000	900,000
Less: Current maturity	- note 7	(350,000)	(750,000)
		-	150,000
Advance for land	- note 8.2	-	3,500,000
		-	3,650,000

8.1 This represents loan amounting to Rs 2.0 million provided to the Chief Executive of the company for construction of his house after obtaining approval from the Securities and Exchange Commission of Pakistan. The loan is repayable in 40 equal monthly installments and carries mark-up at the rate of 7% per annum. The loan is secured against the mortgage of the said property and lien marked over Chief Executive's retirement benefits and shareholding in the company. Maximum aggregate loan amount outstanding at the end of any month during the year was Rs.0.85 million (2007:Rs 1.45 million).

		2008 Rupees	2007 Rupees
9. Net investment in lease finance			
Lease rentals receivable		1,230,042,720	1,508,002,990
Add: Guaranteed residual value of leased assets		456,605,419	422,718,863
Gross investment in lease finance	- note 9.1	1,686,648,139	1,930,721,853
Less: Un-earned finance income		(227,991,675)	(277,922,702)
Net investment in lease finance	- note 9.1	1,458,656,464	1,652,799,151
Less: Allowance for potential lease losses	- note 9.2	(44,199,052)	(30,450,413)
		1,414,457,412	1,622,348,738
Less: Current maturity	- note 7	(641,025,043)	(696,261,924)
		773,432,369	926,086,814

9.1	Gross investment		Net investment in lease finance	
	2008 Rupees	2007 Rupees	2008 Rupees	2007 Rupees
Less than one year	758,968,151	866,124,251	641,025,043	696,261,924
One year to five years	927,679,988	1,064,597,602	817,631,421	956,537,227
	1,686,648,139	1,930,721,853	1,458,656,464	1,652,799,151
Less: Unearned finance income	(227,991,675)	(277,922,702)		
	1,458,656,464	1,652,799,151		

Lease agreements carry mark-up ranging from 13.05 % to 30.04 % per annum (2007: 13.05% to 30% per annum). The agreements are usually for a period of 3 to 6 years (2007: 3 to 6 years). In certain cases, in addition to leased assets the leases are secured against personal guarantees and charge on properties of the lessee.

Net investment in lease finance includes Rs 251.449 million (2007: Rs 197.659 million) in respect of non-performing leases on which mark-up is being suspended. The non-performing leases are determined in accordance with Prudential Regulations for NBFCs.

Net investment in lease finance includes Rs 4.683 million (2007: Rs 3.984 million) due from associated undertakings.

Maximum outstanding balance at the end of any month during the year due from associated undertakings was Rs 5.105 million (2007: Rs 6.28 million)

		June 30, 2008 Rupees	June 30, 2007 Rupees
9.2 Movement in allowance for potential lease losses			
Balance as at July 1		30,450,413	25,739,513
Add: Provision for the year		14,693,480	8,587,497
Less: Provision written back during the year		(944,841)	(3,876,597)
		13,748,639	4,710,900
Balance as at June 30	- note 9	44,199,052	30,450,413

10. Long term investments

Investment in Pakistan Investment Bonds has been made in accordance with Rule 12(3)(f) of NBFC Regulations, 2007 in order to maintain liquidity against certificates of investment issued by the company. These bonds have a maturity period of 10 years and carry profit at the rate of 8% per annum receivable semi annually.

11. Assets subject to finance lease

2008

	Cost as at July 1, 2007 Rupees	Additions/ (deletions)/ transfers* Rupees	Cost as at June 30, 2008 Rupees	Accumulated depreciation as at July 1, 2007 Rupees	Depreciation charge/(deletions) / transfers* for the year Rupees	Accumulated depreciation as at June 30, 2008 Rupees	Book value as at June 30, 2008 Rupees	Rate %
Vehicles	6,893,236	3,416,989 (2,850,500) *	7,459,725	2,729,525	1,240,016 (1,783,753) *	2,185,788	5,273,937	20
	6,893,236	3,416,989 (2,850,500) *	7,459,725	2,729,525	1,240,016 (1,783,753) *	2,185,788	5,273,937	

2007

	Cost as at July 1, 2006 Rupees	Additions/ (deletions)/ transfers* Rupees	Cost as at June 30, 2007 Rupees	Accumulated depreciation as at July 1, 2006 Rupees	Depreciation charge/(deletions) / transfers* for the year Rupees	Accumulated depreciation as at June 30, 2007 Rupees	Book value as at June 30, 2007 Rupees	Rate %
Vehicles	5,480,236	2,157,000 (744,000) *	6,893,236	2,432,981	694,427 (397,883) *	2,729,525	4,163,711	20
Office equipment	139,550	- (139,550) *	-	37,819	1,728 (39,547) *	-	-	10
Computer equipment	100,000	- (100,000) *	-	65,701	1,748 (67,449) *	-	-	30
	5,719,786	2,157,000 (983,550) *	6,893,236	2,536,501	697,903 (504,879) *	2,729,525	4,163,711	

12 Property, plant and equipment

		June 30, 2008 Rupees	June 30, 2007 Rupees
Property, plant and equipment - own use	- note 12.1	67,537,068	58,699,316
Property, plant and equipment - operating lease	- note 12.2	24,586,078	-
		92,123,146	58,699,316

12.1 Property, plant and equipment - own use

2008

	Cost/revalued amount as at July 1, 2007 Rupees	Additions/ (deletions)/ transfers* Rupees	Surplus on revaluation of assets Rupees	Cost/revalued amount as at June 30, 2008 Rupees	Accumulated depreciation as at July 1, 2007 Rupees	Depreciation charge/(deletions) / transfers* for the year Rupees	Accumulated depreciation as at June 30, 2008 Rupees	Book value as at June 30, 2008 Rupees	Rate %
Freehold land	-	11,706,695	-	11,706,695	-	-	-	11,706,695	
Building	54,000,000	-	-	54,000,000	18,493	2,699,075	2,717,568	51,282,432	5
Furniture and fixtures	1,271,237	49,700	-	1,320,937	529,131	75,089	604,220	716,717	10
Vehicles	3,941,507	123,080 (3,778,424) 2,850,500 *	-	3,136,663	2,425,434	314,817 (2,654,503) 1,783,753 *	1,869,501	1,267,162	20
Office equipment	2,566,873	94,000	-	2,660,873	773,464	188,689	962,153	1,698,720	10
Computer equipment	2,261,257	538,863	-	2,800,120	1,595,036	339,742	1,934,778	865,342	30
	64,040,874	12,512,338 (3,778,424) 2,850,500 *	-	75,625,288	5,341,558	3,617,412 (2,654,503) 1,783,753 *	8,088,220	67,537,068	

	2007								
	Cost as at July 1, 2006 Rupees	Additions/ (deletions)/ transfers* Rupees	Surplus on revaluation of assets Rupees	Cost/revalued amount as at June 30, 2007 Rupees	Accumulated depreciation as at July 1, 2006 Rupees	Depreciation charge/(deletions) / transfers* for the year Rupees	Accumulated depreciation as at June 30, 2007 Rupees	Book value as at June 30, 2007 Rupees	Rate %
Building	25,931,588	- (4,281,008) *	32,349,420	54,000,000	3,149,150	1,150,351 (4,281,008) *	18,493	53,981,507	5
Furniture and fixtures	1,034,487	236,750	-	1,271,237	462,765	66,366	529,131	742,106	10
Vehicles	4,396,506	1,710,241 (2,909,240) 744,000 *	-	3,941,507	2,241,186	424,824 (638,459) 397,883 *	2,425,434	1,516,073	20
Office equipment	1,938,151	489,172 139,550 *	-	2,566,873	582,441	151,476 39,547 *	773,464	1,793,409	10
Computer equipment	1,787,313	373,944 100,000 *	-	2,261,257	1,303,342	224,245 67,449 *	1,595,036	666,221	30
	35,088,045	2,810,107 (2,909,240) (4,281,008) * 983,550	32,349,420	64,040,874	7,738,884	2,017,262 (638,459) (4,281,008) 504,879	5,341,558	58,699,316	

12.2 Property, plant and equipment - operating lease

	Cost as at July 1, 2007 Rupees	Additions/ (deletions)/ transfers* Rupees	Cost as at June 30, 2008 Rupees	Accumulated depreciation as at July 1, 2007 Rupees	Depreciation charge/(deletions) / transfers* for the year Rupees	Accumulated depreciation as at June 30, 2008 Rupees	Book value as at June 30, 2008 Rupees	Rate %
Machinery	-	26,591,486	26,591,486	-	3,988,723	3,988,723	22,602,763	15
Vehicles	-	2,059,750	2,059,750	-	76,435	76,435	1,983,315	20
Rupees - 2008:	-	28,651,236	28,651,236	-	4,065,158	4,065,158	24,586,078	
Rupees - 2007:	-	-	-	-	-	-	-	

12.3 Disposal of property, plant and equipment

Detail of property, plant and equipment disposed off during the year is as follows:

Particulars of assets	Sold to	Cost Rupees	Accumulated depreciation Rupees	Book value Rupees	Sales proceeds Rupees	Mode of disposal
Vehicles						
	Mr. Abdul Rashid Mir - Chief Executive	1,296,500	958,102	338,398	289,731	Company Policy
	Mr. Abdul Rashid Mir - Chief Executive	800,500	613,703	186,797	186,964	Company Policy
	Mr. Tahir Butt - Director	1,189,000	733,921	455,079	566,070	Company Policy
	Employees					
	Mr. Manzoor Niaz	370,000	262,472	107,528	136,500	Company Policy
Other assets with book value less than Rs 50,000		122,424	86,305	36,119	37,000	
		3,778,424	2,654,503	1,123,921	1,216,265	

13. Short term borrowings

		June 30, 2008 Rupees	June 30, 2007 Rupees
Short term borrowings from financial institutions			
- Secured	- note 13.1	33,000,000	50,000,000
- Unsecured	- note 13.2	-	30,000,000
		33,000,000	80,000,000
Finances under mark-up arrangements	- note 13.3	98,928,948	37,441,240
Credit balances of banks		-	10,094,427
		131,928,948	127,535,667

13.1 This includes:

- A facility of Rs 50 million availed by the company from a financial instution with a tenure of one year. Mark-up is payable in arrears on a quarterly basis at the rate of three months KIBOR + 2.75% whereas, balance of Rs 25 million (2007: Rs 50 million) is payable in July 2008. The amount is secured by a first pari passu charge of Rs 77 million over all present and future leased assets and receivables of the company.

- A reverse-repo transaction amounting to Rs 8 million which is secured against investments of Rs 10 million in Government securities as mentioned in note 10. The facility carries mark up at the rate of 13.75% per annum and will mature in July 2008.

13.2 This represented unsecured placements of Rs 10 million and 20 million carrying mark-up at the rate of 11.85% to 12.25% per annum (2007: 11.85% to 12.25%) from a financial institution. This placements was paid off during the year.

13.3 This represents amount outstanding against facilities under mark-up arrangements available from a commercial bank amounting to Rs 100 million. The facility is secured against first pari passu charge of Rs 134 million over leased assets and related receivables. The markup is payable on quarterly basis at the rate of three months KIBOR + 3% per annum with a floor of 10%.

14. Subordinated loan

The Board of directors of the company in its meeting on June 30, 2008 resolved to issue 7.5% right shares. The amount represents the deposit received from a Anwar Khawaja Industries (Private) Limited, a sponsor company. Under the terms the company may use it as subordinated loan at markup of 12.5% per annum. The amount will be adjusted against the issue of right shares.

		June 30, 2008 Rupees	June 30, 2007 Rupees
15. Accrued and other liabilities			
Advance receipt against leases		3,570,851	2,831,829
Accrued liabilities		2,008,241	2,660,428
Un-claimed dividend		777,785	777,785
Insurance premium and claims payable		2,728,569	2,262,469
Others		65,120	106,246
		9,150,566	8,638,757
16. Mark-up accrued			
Borrowings from financial institutions and others		11,120,633	22,213,480
Certificates of investment (COI)	- note 16.1	4,657,324	2,190,114
Short term borrowings		4,840,079	1,141,071
		20,618,036	25,544,665

16.1 This includes Rs 4,657,324 (2007: Rs 1,553,810) payable to related parties. Mark up accrued on COI's include Rs 3,079,905 (2007 Rs Nil) being an amount due but unpaid.

		June 30, 2008 Rupees	June 30, 2007 Rupees Restated

17. Current maturity of non current liabilities

Deposits on lease contracts	- note 19	86,707,552	75,920,316
Certificates of investment	- note 20	58,500,000	48,000,000
Borrowings from financial institutions and others	- note 21	168,429,328	240,337,600
Liabilities against assets subject to finance lease	- note 22	1,594,137	2,026,437
		315,231,017	366,284,353

18. Deferred taxation

Deferred tax (liabilities)/asset arising due to:		
- Accelerated tax depreciation	(144,003,710)	(188,891,031)
- Revaluation surplus	(10,752,329)	(11,318,240)
- Tax losses	92,622,344	120,860,127
- Minimum tax available for carry forward	13,127,841	13,921,312
- Liabilities against asset subject to finance lease	(580,642)	(526,385)
- Provision for gratuity and others	1,337,683	1,079,920
	(48,248,813)	(64,874,297)

19. Deposits on lease contracts

Balance as at June 30		456,605,419	422,718,863
Less: Current maturity	- note 17	(86,707,552)	(75,920,316)
		369,897,867	346,798,547

These represent the interest free security deposits received from lessees, at the rates ranging from 0% to 70% (2007: 0% to 70%) of lease amount, against lease contracts and are refundable/adjustable at the expiry/termination of respective leases.

20. Certificates of investment

Financial institutions		-	45,000,000
Individuals		10,500,000	12,000,000
Others		50,000,000	50,000,000
		60,500,000	107,000,000
Less: Current maturity	- note 17	(58,500,000)	(48,000,000)
		2,000,000	59,000,000

21. Borrowings from financial institutions and others

From financial institutions - secured	- note 21.1	293,966,667	408,291,066
Term finance certificates I - secured	- note 21.2	-	32,500,000
Term finance certificates II - secured	- note 21.3	240,000,000	220,000,000
Less: Unamortised transaction costs		(3,184,350)	(1,620,350)
		236,815,650	218,379,650
From financial institutions - unsecured	- note 21.4	10,000,000	20,000,000
		540,782,317	679,170,716
Less: Current maturity	- note 17	(168,429,328)	(240,337,600)
		372,352,989	438,833,116

21.1 This includes:

- A term finance facility of Rs 275 million obtained for financing of lease operations. The facility is secured against pari passu charge on leased assets of Rs 393 million and mark up is payable on quarterly basis at rate of six months KIBOR + 2% per annum. The balance of Rs 102.3 million (2007: Rs 157.2 million) is repayable in equal quarterly installments by July 2010.

- A demand finance facility for Rs 100 million obtained for financing of leasing operations. This is secured against pari passu charge on leased assets and related receivables for Rs 134 million. The mark up is payable in arrears on quarterly basis at the rate of three months KIBOR + 2.9% with a floor of 10% per annum. The balance of Rs 50 million (2007: Rs 70 million) is repayable in 10 equal quarterly installments by March 2010.

- A term finance facility of Rs 50 million obtained for financing of lease operations. The facility is secured against pari passu charge on leased assets for Rs 67 million. The mark up is payable in arrears on quarterly basis at the rate of six months KIBOR + 2.75% per annum. The balance of Rs 16.666 million (2007: Rs 33.333 million) is repayable in 4 equal quarterly installments by June 2009.

- A term finance facility for Rs 100 million obtained for financing of leasing operations. This is secured against pari passu charge on leased assets and related receivables for Rs 133.33 million. The mark up is payable on quarterly basis at the rate of three month KIBOR + 2.50% per annum. The balance of Rs 50 million (2007: Rs 83.333 million) is repayable in 6 equal quarterly installments by October 2009.

- A term finance facility for Rs 100 million obtained for financing of leasing operations. This is secured against pari passu charge on leased assets and related receivables for Rs 133.33 million. The mark up is payable on quarterly basis at the rate of three month KIBOR + 2.25% per annum. The balance of Rs 75 million is repayable in 9 equal quarterly installments by September 2010.

21.2 These certificates have been redeemed during the year. The markup was payable on quarterly basis at the rate of one year's treasury bills cut-off yield plus 3.75% per annum with a floor of 5% and cap of 9% per annum.

21.3 This represents amount received against pre-initial public offering of Rs. 240 million of term finance certificates, issued for financing lease operations and to repay existing high rate borrowings, to financial institutions. These are secured against first pari passu charge of Rs. 320 million over all present and future receivables. The company has an option to call these certificates after a period of 12 months from the date of issuance, on at least 60 days prior notice. Profit on these TFCs is payable on semi annual basis at six month KIBOR+2.5% per annum with no floor and no cap. These were redeemable in 10 semi-annual installments out of which 0.12% of the principal portion was to be redeemed during first three years in semi-annual installments and the remaining 99.88% would have been redeemed in four equal semi-annual installments, each comprising 24.97% of the principal during the last two years.

However subsequent to the year end the facility has been converted to privatly placed term finance certificates with mark-up and principal payable in 36 equal monthly installments, the company has an option to call these certificates on atleast 10 days prior notice and, other terms remaining the same.

21.4 This represents placement facility of Rs 10 million for financing of lease operations. This facility carries mark-up at the rate of 11% per annum payable semi annually. These facility will mature on May 14, 2009.

		June 30, 2008 Rupees	June 30, 2007 Rupees
22. Liabilities against assets subject to finance lease			
Present value of minimum lease payments		3,614,959	4,625,243
Less: Current maturity	- note 17	(1,594,137)	(2,026,437)
		2,020,822	2,598,806

The minimum lease payments have been discounted at an implicit interest rate that ranges from 9% to 16.69% (2007 9% to 16.69%) per annum to arrive at their present value. The lease agreements carry renewal and purchase option at the end of the lease term .There are no financial restrictions in the lease agreements. Taxes, repairs, replacements and insurance costs are borne by the lessee. The amount of future payments and the period in which they will become due are :

	2008			2007		
	Minimum lease payments Rupees	Future finance charge Rupees	Present value of lease liability Rupees	Minimum lease payments Rupees	Future finance charge Rupees	Present value of lease liability Rupees
Not later than 1 year	1,956,528	362,391	1,594,137	2,395,520	369,083	2,026,437
Later than 1 year and not later than 5 years	2,136,721	115,899	2,020,822	2,853,675	254,869	2,598,806
	4,093,249	478,290	3,614,959	5,249,195	623,952	4,625,243

		2008	2007
23. Deferred liabilities			
The amounts recognised in the balance sheet are as follows:			
Present value of defined benefit obligations	- note 23.1	3,705,540	3,042,989
Un-recognized actuarial gains		(123,089)	(197,004)
Benefits due but not paid		239,500	239,500
Liability as at June 30		3,821,951	3,085,485
Net Liability as at July 1		3,085,485	1,628,480
Charge to profit and loss account	- note 23.2	949,132	1,723,672
Payments		(212,666)	(266,667)
Liability as at June 30		3,821,951	3,085,485

23.1 The movement in the present value of defined benefit obligation is as follows:

	2008	2007
Present value of defined benefit obligation	3,042,989	1,913,438
Current service cost	644,833	1,503,875
Interest cost	304,299	172,209
Benefits paid	(212,666)	(266,667)
Actuarial gain	(73,915)	(279,866)
	3,705,540	3,042,989

	June 30, 2008 Rupees	June 30, 2007 Rupees
23.2 Charge to profit and loss account:		
Current service cost	644,833	1,503,875
Interest cost	304,299	172,209
Actuarial losses recognised	-	47,588
	949,132	1,723,672

23.3	2008	2007	2006	2005	2004
Present value of defined benefit obligation	3,705,540	3,042,989	1,913,438	2,290,930	1,651,535
Experience adjustment on obligation	(2.43) %	(14.63) %	(3.02) %	6.92 %	51.45 %

24. Issued, subscribed and paid up share capital

18,000,000 (2007: 18,000,000) ordinary shares of Rs 10 each fully paid up in cash	180,000,000	180,000,000
2,000,000 (2007: 2,000,000) ordinary shares of Rs 10 each issued as bonus shares	20,000,000	20,000,000
	200,000,000	200,000,000

25. Statutory reserve

This reserve is being maintained as per requirements of Regulation 14 of Part II of the NBFC regulations, 2007.

26. Surplus on revaluation of fixed assets

This represents surplus over book value resulting from the revaluation of buildings in the year ending June 30, 2007 adjusted by incremental depreciation arising out of revaluation and deferred taxation.

Opening balance	21,019,590	-
Revaluation made during the year	-	32,349,420
Deferred tax thereon	-	(11,322,297)
Revaluation - net of deferred tax	21,019,590	21,027,123
Transferred to unappropriated profits - net of deferred taxation :		
Incremental depreciation for the year	(1,050,980)	(7,533)
	19,968,610	21,019,590

Incremental depreciation represents the difference between actual depreciation on revalued property, plant and equipment and equivalent depreciation based on historical cost of property, plant and equipment.

Surplus on revaluation of property, plant and equipment can be utilized by the company only for the purposes specified in section 235 of The Companies Ordinance, 1984.

Had the assets not been revalued the book value of assets as at June 30, 2008 would have been Rs 19.5 million (2007: Rs 20.5 million).

27. Contingencies and commitments

27.1 Contingencies

Nil (2007: Nil)

27.2 Commitments

Lease contracts approved but not disbursed amounting to Rs 40.403 million (2007: Rs 89.284 million).

Commitment for capital expenditure amounts to Rs. 0.12 million (2007: 7 million).

	June 30, 2008 Rupees	June 30, 2007 Rupees Restated
28. Income from lease operations		
Finance lease income	129,583,642	145,189,395
Operating lease income	8,317,470	-
Documentation charges	402,005	670,275
Additional lease rentals	9,501,819	10,844,326
	147,804,936	156,703,996
29. Other income		
Profit on bank deposits	752,148	785,379
Profit on investments	800,000	1,108,412
Exchange gain	-	15,850
Gain on sale of fixed assets	92,344	52,473
Mark-up on loan to Chief executive	50,186	86,694
Processing fee and other charges	3,456,725	3,944,084
	5,151,403	5,992,892

		June 30, 2008 Rupees	June 30, 2007 Rupees
30. Administrative and other operating expenses			
Salaries, allowances and other benefits	- note 30.1	18,322,044	17,701,447
Repair and maintenance		635,856	590,852
Rent, rates and taxes		936,576	679,158
Postage and telephone		1,084,193	1,053,045
Vehicle running expenses		2,020,414	1,985,682
Utilities		825,980	776,707
Legal and professional		2,076,401	2,965,987
Insurance		721,651	430,339
Fees and subscription		1,175,457	457,257
Traveling and conveyance		196,870	253,595
Printing and stationery		635,469	429,828
Auditor's remuneration	- note 30.2	418,720	233,768
Entertainment		324,621	257,376
Advertisement		144,670	102,660
Newspapers and periodicals		33,336	40,923
Miscellaneous		80,706	56,284
Depreciation on assets subject to finance lease	- note 11	1,240,016	697,903
Depreciation on property, plant and equipment	- note 12	7,682,570	2,017,262
Other receivables written off		-	1,111,641
		38,555,550	31,841,714

30.1 These include Rs 0.949 million (2007: Rs 1.724 million) charged in respect of gratuity as referred to in note 22 and Rs 0.015 million (2007: Rs 0.948 million) charged in respect of compensated absences.

	2008	2007
30.2 Auditor's remuneration		
Audit fee	200,000	150,000
Half yearly review and other sundry certifications	150,000	50,000
Out of pocket expenses	68,720	33,768
	418,720	233,768

	2008	2007
31. Financial and other charges		
Mark up on:		
- Borrowings from financial institutions and others	81,068,782	74,636,358
- Short term borrowings	19,669,603	14,448,070
- Certificates of investment	8,690,403	12,838,800
	109,428,788	101,923,228
Financial charges on lease liabilities	467,517	208,985
Commission and other bank charges	327,167	481,730
	110,223,472	102,613,943

		June 30, 2008 Rupees	June 30, 2007 Rupees Restated
32. Taxation			
For the year:			
- Current	- note 32.1	2,985,918	2,878,253
- Deferred		(3,240,929)	5,194,296
Prior years			
- Current		14,350,792	-
- Deferred		(13,384,554)	-
		711,227	8,072,549

32.1 This represents the provision for minimum tax as required under section 113 of the Income Tax Ordinance, 2001.

32.2 Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as provision for current year income tax has been made under the provisions of minimum tax under Section 113 of the Income Tax Ordinance, 2001. The company's tax computation gives rise to a tax loss due to unabsorbed tax depreciation.

33. Earnings per share - basic

		June 30, 2008	June 30, 2007 Restated
(Loss) / Profit after taxation	Rupees	(10,282,549)	15,457,782
Weighted average number of ordinary shares	Number	20,000,000	20,000,000
(Loss) /Earnings per share - basic	Rupees	(0.51)	0.77

There is no dilutive effect on the basic earnings per share of the company.

34. Cash and cash equivalents

Cash and bank balances	- note 5	28,814,468	4,583,619
Finances under mark up arrangements	- note 13	(98,928,948)	(37,441,240)
Credit balances of banks	- note 13	-	(10,094,427)
		(70,114,480)	(42,952,048)

35. Transactions with associated undertakings/related parties

The related parties comprise associated undertakings, other related group companies, directors of the company and key management personnel. The company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under receivables and payables, amounts due from key management personnel are shown under receivables and remuneration of directors and key management personnel is disclosed in note 36. Other significant transactions with related parties are as follows:

	June 30, 2008 Rupees	June 30, 2007 Rupees
Leases disbursed during the year	2,000,000	-
Lease rentals received	1,500,940	1,476,330
Financial charges paid	3,952,368	3,864,014
Certificates of investment issued during the year	1,500,000	3,500,000

All transactions with related parties have been carried out on commercial terms and conditions.

36. Remuneration of directors, chief executive and executives

The aggregate amounts charged in the financial statements for remuneration, including all benefits to the Chief executive and executives of the company are as follows:

	2008		2007	
	Chief Executive Rupees	Executives Rupees	Chief Executive Rupees	Executives Rupees
Managerial remuneration	2,953,021	3,613,677	2,718,823	2,298,000
Bonus	125,000	219,000	250,000	201,000
House rent	800,000	1,445,471	800,000	919,200
Utilities	200,000	361,368	200,000	229,800
Medical	141,501	36,481	181,995	31,484
Leave encashment	-	-	250,000	208,333
	4,219,522	5,675,997	4,400,818	3,887,817
Post employment benefits				
Gratuity	532,968	765,133	1,037,578	686,094
Other benefits				
	4,752,490	6,441,130	5,438,396	4,573,911
Number of persons	**1**	**6**	**1**	**3**

36.1 Included in the managerial remuneration of the chief executive is Rs 953,017 (2007: Rs 718,823) being tax borne by the company on his salary.

36.2 The chief executive and an executive director have been provided with a company maintained vehicle. Free group life and medical insurance has been provided to chief executive and all executives of the company.

37. Interest rate risk exposure

The company manages this risk by matching the repricing of assets and liabilities. The company's interest rate sensitivity position, based on earlier of contractual repricing or maturity dates, is as under:

	Total	Exposed to interest/mark-up rate risk			Not exposed to interest rate risk
		Within one year	Over one year to five years	Over five years	
	Rupees	Rupees	Rupees	Rupees	Rupees
Financial assets					
On balance sheet					
Cash and bank balances	28,814,468	27,635,138	-	-	1,179,330
Advances, deposits, prepayments, accrued interest and other receivables	18,590,677	176,986	-	-	18,413,691
Long term loans and advances	350,000	350,000	-	-	-
Net investment in lease finance	1,414,457,412	641,025,043	773,432,369	-	-
Long term investments	10,000,000	-	-	10,000,000	-
Long term security deposits	877,482	-	-	-	877,482
	1,473,090,039	669,187,167	773,432,369	10,000,000	20,470,503
Off balance sheet	-	-	-	-	-
Total	1,473,090,039	669,187,167	773,432,369	10,000,000	20,470,503
Financial liabilities					
On balance sheet					
Short term borrowings	131,928,948	131,928,948	-	-	-
Subordinated loan	15,000,000	15,000,000			
Accrued and other liabilities	9,085,446	-	-	-	9,085,446
Mark-up accrued	20,618,036	20,618,036	-	-	-
Deposits on lease contracts	456,605,419	-	-	-	456,605,419
Certificates of investment	60,500,000	58,500,000	2,000,000	-	-
Borrowings from financial institutions and others	372,352,989	168,429,328	203,923,661	-	-
Liabilities against assets subject to finance lease	3,614,959	1,594,137	2,020,822	-	-
	1,069,705,797	396,070,449	207,944,483	-	465,690,865
Off balance sheet					
Commitments	40,522,863	40,402,863	-	-	120,000
Total	1,110,228,660	436,473,312	207,944,483	-	465,810,865
On balance sheet gap					
Total profit/mark-up rate sensitivity gap	403,384,242	273,116,718	565,487,886	10,000,000	(445,220,362)
Cumulative profit/mark-up rate sensitivity gap	403,384,242	273,116,718	838,604,604	848,604,604	403,384,242
Off balance sheet gap	(40,522,863)	(40,402,863)	-	-	(120,000)

The effective mark-up/interest/profit rates for each monetary financial asset and liability are mentioned in the respective notes to the financial statements.

38. Credit risk and concentration of credit risk

The company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits company's exposure to credit risk through monitoring of clients credit exposure, estimates of provisions for doubtful receivables and the prudent use of collateral policy. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in organizations of sound financial standing covering various industrial sectors and segments. Sector-wise break-up of lease portfolio/security deposits is given below:

Lease portfolio	**2008**		**2007**	
	Rupees	**%**	**Rupees**	**%**
Industrial sectors				
Chemical, fertilizer and pharmaceuticals	85,195,355	5.84	89,684,463	5.43
Cement	84,510,416	5.79	65,190,685	3.94
Construction	57,123,592	3.92	3,546,923	0.21
Energy, oil and gas	114,177,767	7.83	111,053,591	6.72
Food, tobacco and beverage	66,819,736	4.58	48,899,956	2.96
Leather, footwear and tanneries	28,165,043	1.93	7,752,830	0.47
Paper and board	20,709,531	1.42	32,341,997	1.96
Rubber and plastic	15,672,517	1.07	1,495,666	0.09
Services	94,992,617	6.51	101,266,893	6.13
Steel, engineering and automobile	44,634,848	3.06	70,436,145	4.26
Sugar and allied	43,314,045	2.97	44,940,827	2.72
Surgical	8,578,834	0.59	6,880,548	0.42
Textile and allied	277,999,621	19.06	299,525,571	18.12
Trading	56,627,138	3.88	11,679,229	0.71
Transport and communication	195,266,457	13.39	164,199,403	9.93
Individuals and others	264,868,947	18.16	593,904,424	35.93
	1,458,656,464	100.00	1,652,799,151	100.00
Segment by sector				
Public / government	-	-	-	-
Private	1,458,656,464	100.00	1,652,799,151	100.00

Deposits against lease contracts	**2008**		**2007**	
	Rupees	**%**	**Rupees**	**%**
Industrial sectors				
Chemical, fertilizer and pharmaceuticals	25,479,827	5.58	15,125,912	3.58
Cement	15,127,300	3.31	8,089,800	1.91
Construction	21,781,930	4.77	680,400	0.16
Energy, oil and gas	28,362,476	6.21	21,072,224	4.98
Food, tobacco and beverage	12,745,938	2.79	9,773,688	2.31
Leather, footwear and tanneries	6,562,760	1.44	505,050	0.12
Paper and board	7,473,600	1.64	9,347,200	2.21
Rubber and plastic	4,042,816	0.89	-	0.00
Services	31,391,033	6.87	16,173,193	3.83
Steel, engineering and automobile	17,183,563	3.76	16,857,681	3.99
Sugar and allied	13,254,104	2.90	12,608,054	2.98
Surgical	2,214,100	0.48	1,935,650	0.46
Textile and allied	73,195,061	16.03	59,115,733	13.98
Trading	13,174,328	2.89	1,472,000	0.35
Transport and communication	61,266,585	13.42	45,790,254	10.83
Individuals and others	123,349,998	27.00	204,172,024	48.31
	456,605,419	99.98	422,718,863	100.00
Segment by sector				
Public / government	-	-	-	-
Private	456,605,419	100.00	422,718,863	100.00

39. Fair value of financial instruments

The carrying value of financial instruments approximates their fair value.

40. Maturities of assets and liabilities

	2008				
	Total Rupees	Up to one month Rupees	Over one month to one year Rupees	Over one year to five years Rupees	Over five years Rupees
Assets					
Cash and bank balances	28,814,468	28,814,468	-	-	-
Advances, deposits, prepayments accrued interest, and other receivables	20,598,070	19,319,704	1,278,366	-	-
Net investment in lease finance	1,414,457,412	187,730,635	453,294,408	773,432,369	-
Long term investments	10,000,000	-	-	-	10,000,000
Long term security deposits	877,482	-	-	877,482	-
Long term loans and advances	350,000	50,000	300,000	-	-
Assets subject to finance lease	5,273,937	-	-	-	5,273,937
Property, plant and equipment	92,123,146	-	-	-	92,123,146
	1,572,494,515	235,914,807	454,872,774	774,309,851	107,397,083
Liabilities					
Short term borrowings	131,928,948	33,000,000	98,928,948	-	-
Subordinated loan	15,000,000	-	15,000,000	-	-
Deposits on lease contracts	456,605,419	3,977,615	82,729,937	369,897,867	-
Certificates of investment	60,500,000	-	58,500,000	2,000,000	-
Borrowings from financial institutions	540,782,317	15,683,333	152,745,995	372,352,989	-
Liabilities against assets subject to finance lease	3,614,959	123,998	1,470,139	2,020,822	-
Accrued and other liabilities	9,150,566	9,088,482	62,084	-	-
Mark-up accrued	20,618,036	-	-	-	-
Provision for taxation	3,016,561	-	3,016,561	-	-
Deferred taxation	48,248,813	-	-	-	48,248,813
Deferred liabilities	3,821,951	-	-	-	3,821,951
	1,293,287,570	61,873,428	412,453,664	746,271,678	52,070,764
Net balance	279,206,945	174,041,379	42,419,110	28,038,173	55,326,319
Shareholder's equity	279,206,945				

	2007				
	Total Rupees	Up to one month Rupees	Over one month to one year Rupees	Over one year to five years Rupees	Over five years Rupees
Assets					
Cash and bank balances	4,583,619	4,583,619	-	-	-
Advances, deposits, prepayments accrued interest, and other receivables	30,275,654	2,186,457	28,089,197	-	-
Net investment in lease finance	1,622,348,738	55,996,485	640,265,439	926,086,814	-
Long term investments	10,000,000	-	-	-	10,000,000
Long term security deposits	1,090,402	-	264,100	826,302	-
Long term loans and advances	4,400,000	200,000	4,050,000	150,000	-
Assets subject to finance lease	4,163,711	-	-	-	4,163,711
Property, plant and equipment	58,699,316	-	-	-	62,863,027
	1,735,561,440	62,966,561	672,668,736	927,063,116	77,026,738
Liabilities					
Short term borrowings	127,535,667	20,000,000	107,535,667	-	-
Deposits on lease contracts	422,718,863	13,596,774	49,680,896	359,441,193	-
Certificates of investment	107,000,000	-	48,000,000	59,000,000	-
Borrowings from financial institutions	679,170,716	35,433,333	204,904,267	438,833,116	-
Liabilities against assets subject to finance lease	4,625,243	186,992	1,839,445	2,598,806	-
Accrued and other liabilities	8,638,757	5,485,678	3,099,956	53,123	-
Mark-up accrued	25,544,665	14,068,427	11,476,238	-	-
Provision for taxation	2,878,253	-	2,847,610	-	-
Deferred taxation	64,874,297	-	-	-	62,759,899
Deferred liabilities	3,085,485	-	-	-	3,085,485
	1,446,071,946	88,771,204	429,384,079	859,926,238	65,845,384
Net balance	289,489,494	(25,804,643)	243,284,657	67,136,878	11,181,354
Shareholder's equity	289,489,494				

41. Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. It is the policy of the company to maintain a strong capital base so as maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the company recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. Consistent with others in the industry the company monitors the capital structure on the basis of gearing ratio.

The ratio is calculated as borrowings divided by total capital employed. Borrowings represent certificates of investment and borrowings from financial institutions as referred to in note 20 and 21 respectively. Total capital employed includes equity and subordinated loans as shown in the balance sheet, plus borrowings. The gearing ratio as at year ended June 30, 2008 and June 30, 2007 are as follows:

		2008	**2007**
Borrowings		374,352,989	497,833,116
Total equity		274,238,335	268,469,904
Gearing ratio	**Percentage**	58%	65%

42. Appropriations

The Board of Directors of the company have not proposed any appropriations in the their meeting held on 07 October 2008.

43. Date of authorization

These financial statements have been authorized for issue by the Board of Directors of the company on 07 October 2008.

44. Corresponding figures

Corresponding figures have been re-arranged wherever necessary for the purpose of comparison. However, no significant rearrangements have been made.

CHIEF EXECUTIVE | DIRECTOR

GRAYS LEASING LIMITED
PATTERN OF SHAREHOLDING
AS ON JUNE 30, 2008

Categories of Shareholders	Shares Held	Percentage (%)
Directors, CEO and their spouse and minor children		
Mr. Paul Douglas Gray	37,723	0.19
Mr. Khawar Anwar Khawaja	1,052,110	5.26
Mr. Abdul Rashid Mir	268,720	1.34
Mr. Neil Douglas Gray	500	0.00
Mr.Jason Charles Gray	500	0.00
Mr. Muhammad Tahir Butt	310,988	1.55
Mr. Khurram Anwar Khawaja	1,144,496	5.72
Mrs. Nuzhat Khawar Khawaja	443,081	2.22
Mrs. Nadira Rashid Mir	19,260	0.10
Mrs. Khadeeja Khurram	535,666	2.68
Mrs. Farogh Tahir Butt	262,546	1.31
	4,075,590	**20.38**
Associated Cmpanies, Undertakings and related parties		
Grays of Cambridge (Pak) Ltd	7,999,999	40.00
Anwar Khawaja Industries (Pvt) Ltd	2,723,042	13.62
Grays of Cambridge International U.K	154,254	0.77
	10,877,295	**54.39**
NIT and ICP	Nil	Nil
Banks, Development Finance Institutions, Non-Banking Finance Institutions	Nil	Nil
Insurance Companies	Nil	Nil
Modarabas and Mutual Funds	Nil	Nil
Shareholders holding ten percent or more voting interest in the company	Nil	Nil
General Public		
Local	4,758,137	23.79
Foreign	47,447	0.24
	4,805,584	**24.03**
Others (Joint Stock Companies)	**241,531**	**1.21**
Total	**20,000,000**	**100.00**

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS OF GRAYS LEASING LIMITED AS AT JUNE 30, 2008

No. of Shareholders	Share Holding		Total Shares Held
	From	To	
64	101	500	16158
97	501	1000	67152
66	1001	5000	156563
21	5001	10000	147915
11	10001	15000	125397
7	15001	20000	125851
11	20001	25000	244430
3	25001	30000	81290
4	30001	35000	133332
5	35001	40000	197723
6	40001	60000	318888
4	60001	90000	333666
2	90001	100000	200000
4	100001	120000	442533
2	120001	130000	258000
3	130001	160000	424913
2	160001	205000	381666
1	205001	240000	225291
3	240001	350000	842254
1	350001	400000	387000
1	400001	485000	443081
1	485001	900000	535666
3	900001	2500000	3188190
2	2500001	8000000	10723041
324			**20000000**

GRAYS LEASING LTD.

13TH ANNUAL GENERAL MEETING

FORM OF PROXY

This form of Proxy, in order to be effective, must be completed and deposited at the Company's registered office at 701-A, 7th Floor, City Towers, 6-K, Main Boulevard, Gulberg-II, Lahore not less than 48 hours before the time of holding the meeting. A proxy must be a member of the Company.

I/We____

of _______________________________ being a member of **GRAYS LEASING LTD.**

Registered at Folio No. ________________________ **holder of** ______________

Ordinary shares hereby appointed Mr./Mrs./Miss ____________________________

who is also a member of the Company, as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf in the annual general meeting of the Company at 701-A, 7th Floor, City Towers, 6-K, Main Boulevard, Gulberg-II, Lahore on October 30, 2008 at 11.00 a.m or at any adjournment thereof.

As witness my/our hand this ______________________________ day of 2008.

Signed by the said ______________________________ in the presence of

Date (Member's Signature)

Affix Rs. 5/- revenue stamp which must be canceled either by signature over it or by some other means

Place (Witness Signature)