

CONTENTS



**Security Leasing
Corporation Limited**

Mission and Vision Statement	02
Business Strategy	03
Company Information	04
Statement of Ethics & Business Practices	06
Notice of Annual General Meeting	07
Report of the Directors	08
Six Years Financial Summary	12
Statement of Value Added	13
Statement of Compliance With Code of Corporate Governance	14
Pattern of Shareholding of Ordinary Share Capital	16
Pattern of Shareholding of Preference Share Capital	17
Review Report to the Members on statement of compliance	18
Auditors' Report to the Members	19
Balance Sheet	20
Profit and Loss Account	21
Cash Flow Statement	22
Statement of Changes in Equity	23
Notes to the Financial Statements	24
Form of Proxy	

M I S S I O N

SLCL is committed to make a positive contribution towards the country's economy by achieving a leading position in the leasing industry.

SLCL intends to achieve its mission by:

- Enhancing value for its shareholders and lenders.
- Providing efficient and professional services to its customers based on the latest technology.
- Developing an efficient and professionally trained human resource.
- Following good and ethical business practices.

V I S I O N

- SLCL has an infrastructure which can cater to substantial business as such SLCL is well poised to avail opportunities which will be available due to an upsurge in the economy.
- The future of the leasing sector is linked to the macro-economic performance of the country's economy. New projects and Investment in Balancing, Modernization & Replacement (BMR) tender more opportunities to generate more business for the leasing sector.

B u s i n e s s S t r a t e g y

The objective of the Company is to contribute towards the economic development of the country, while maintaining the progressive growth rate of the Company, by providing lease financing to small and medium sized business enterprises and individuals in the most efficient and effective manner.

The business strategy of the Company is based on the following:

1. Enhancing value for its shareholders and lenders

By investing into a diversified lease portfolio, the Company substantially reduces the risk of potential losses, which in turn promises to shield the shareholders equity and further increase the value of the stakeholders' interests. The increasing trend of the Company's Earning Per Share reflects that the Company has not only safeguarded the stakeholders' interests efficiently but has also been successfully able to increase the value of their interests.

2. Providing efficient and professional services to its customers

SLCL is known for its quality service. The main objective of the organization is providing high quality services at economical prices. It has been the company's policy to give a wide variety of options to its customers, in order to facilitate their individual requirements.

3. Developing an efficient and professionally trained human resource

The management philosophy of the Company is to develop and maintain a professional organization with a blend of local culture and management style. The professional staff has been hired on the basis of merit from various business organizations.

4. Following Shariah injunctions for financing activities

The Company is committed towards continued improvement and diversification in its lease portfolio. By adopting an Islamic approach to leasing, the company will be able to improve its image as well as provide innovative ways in leasing to its customers.



Company Information

BOARD OF DIRECTORS

Mr. M R Khan	Chairman
Mr. S M Nadim Shafiqullah	Vice Chairman
Mr. Mohammed Khalid Ali	Chief Executive
Mr. S S Hamid	
Mr. Masud Zain	
Mr. S. Naved Husain	
Mr. Shafiq-ur-Rehman	

AUDIT COMMITTEE

Mr. M R Khan	Chairman
Mr. S M Nadim Shafiqullah	
Mr. S.S. Hamid	
Mr. Masud Zain	

INVESTMENT COMMITTEE

Mr. M R Khan	Chairman
Mr. S M Nadim Shafiqullah	
Mr. M Khalid Ali	
Mr. Masud Zain	

EXECUTIVE COMMITTEE

Mr. M R Khan	Chairman
Mr. S M Nadim Shafiqullah	
Mr. M Khalid Ali	
Mr. Masud Zain	
Mr. S. Naved Husain	

HUMAN RESOURCE COMMITTEE

Mr. M R Khan	Chairman
Mr. S M Nadim Shafiqullah	
Mr. M Khalid Ali	
Mr. Masud Zain	

COMPANY SECRETARY

Salman Hameed

EXTERNAL AUDITORS

Anjum Asim Shahid Rahman & Company,
Chartered Accountants

INTERNAL AUDITORS

Ford, Rhodes, Sidat, Hyder & Company,
Chartered Accountants

LEGAL ADVISORS

A K Brohi & Co., Advocates

TAX CONSULTANTS

Ford, Rhodes, Sidat, Hyder & Company,
Chartered Accountants

CREDIT RATING AGENCY

JCR-VIS Credit Rating Company (Private) Limited

ENTITY RATING

A2 for short term;
A- for long term; Outlook - Stable

BANKERS & LENDING INSTITUTIONS

Allied Bank of Pakistan
Bank Alfalah Limited
Bank Al-Habib Limited
Faysal Bank Limited
First Women Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan

Pak Kuwait Investment Company (Private) Limited
Pak Libya Holding Company (Private) Limited
Pak Oman Investment Company Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Bank of Punjab
United Bank Limited

REGISTERED & HEAD OFFICE

Block 'B', 5th Floor, Lakson Square No. 3,
Sarwar Shaheed Road, Karachi 74200
Tel: 021 - 111-111-902 Fax: 021 - 568 9854
Web: www.seclearse.com e-mail: slcl@seclearse.com

BRANCHES**Lahore - North Region**

8th Floor, City Towers,
Main Gulberg Road, Lahore
Phone: 042 - 5788660-61 Fax: 042 - 5788659

Hyderabad

7th Floor, State Life Building,
Thandi Sarak, Hyderabad.

SHARE REGISTRAR

Nobel Computer Services (Private) Limited
2nd Floor, Sohni Centre BS 5 & 6
Main Karimabad, Block 4, FB. Area, Karachi.
Phone:021-6801880 Fax:021-6801129



Statement of Ethics & Business Practices

"Every Director and employee of the Company shall follow the highest moral and ethical standard in their dealings, whether financial and otherwise, for and with the Company, its shareholders, customers, lenders, employees and government. Honesty shall always be expected. Conflict of interest shall be avoided and where such possibility exists, it shall be fully disclosed to the Board of Directors. All applicable laws and regulations shall be followed. All directors and employees of the Company shall adhere to the Statement of Operating Policies as approved by the Board of Directors."

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fifteenth Annual General Meeting of the members of Security Leasing Corporation Limited will be held on Thursday, 30th October 2008 at 9:30 a.m. at the registered office of the Company situated at Block B, 5th Floor, Lakson Square Building No.3, Sarwar Shaheed Road, Karachi 74200, to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Annual General Meeting of the Company held on October 22, 2007.
2. To receive, consider and adopt the audited accounts for the year ended 30th June 2008 and the reports of the Directors and the auditors thereon.
3. To consider and approve cash dividend for the preference shareholders for the year ended 30th June 2008.
4. To appoint auditors and fix their remuneration.
5. To transact any other business with the permission of the Chair.

By Order of the Board

Salman Hameed
Company Secretary

Karachi: October 9, 2008

Notes:

1. A member entitled to attend, speak and vote at these meetings may appoint a proxy to attend, speak, and vote on his/her behalf. A proxy need not be a member. A valid instrument of proxy must be deposited at the registered office of the Company, not less than 48 hours before the time of the meeting.
2. The beneficial owners of shares recorded at Central Depository Company of Pakistan Limited (CDCPL) are required to bring their Computerized National Identity Cards and in case of institutions being the beneficial owner, notarially certified copy of the power of attorney or other authority, together with the proof of identity of such nominee, is required for admittance to the meeting of the members.
3. Members are requested to notify any change in their address to the Company Registrar M/s Noble Computer Services (Private) Limited, 2nd Floor, Sohni Centre, BS 5 & 6, Federal B Area, Karachi.
4. Share transfer books of the Company shall remain closed from October 23 to 30, 2008, both days inclusive.

REPORT OF THE DIRECTORS

The Board of Directors has pleasure in presenting the Fifteenth Annual Report of Security Leasing Corporation Limited (the Company) together with its audited financial statements for the year ended June 30, 2008.

Financial Results

	RUPEES
Profit after tax	211,810,024
Unappropriated profits brought forward	(33,912,464)
Profit available for appropriation	<u>177,897,560</u>
Appropriations:	
Transfer to statutory reserves	42,362,005
Dividend for preference shareholders @ 9.10%	10,237,500
	<u>52,599,505</u>
Unappropriated profit carried forward	<u>125,298,035</u>
Earning per share - Basic & diluted	<u>5.55</u>

Review of the Operations

The outgoing financial year 2007- 08 proved to be a very challenging period for the company as throughout the year the country's overall economic condition remained volatile due to continued political uncertainty as well as deteriorating law & order situation and slow down of the economy. The rising prices of oil and food products triggered the highest ever inflation coupled with increasing balance of payment deficit and heavy reliance of the government on the banking system to meet fiscal deficit.

The central bank since the inception of last financial year tried to contain the inflation and in its efforts to do so increased the discount rate more than once to control the money supply but the manipulation of essential food items like wheat and rice checkmated the initiatives. In the last three months it was forced to take a series of additional measures to ease off pressure on the banking system which included a third time increase of the discount rate which now stands at 13% imposition of 100% cash margin on luxury items to discourage unnecessary imports and making payment of oil imports directly through the central bank. As a result the cost of doing business increased substantially during the last quarter as the 6 months KIBOR which was around 10% on June 30, 2007 registered steep increase to 14.19% on June 30, 2008 and is currently around 14.92%. The rupee parity against the dollar and other currencies significantly changed due to low exports and higher outflow of foreign exchange on account of oil payments which also forced the government to borrow heavily from the banking system.

The impact of all this on the borrowing cost of funds hit the company substantially which can be gauged from the fact that the Sukuk issue I was repriced at the time of payment etc. of markup by an increase of 3.15% in KIBOR. Furthermore, the rates of the inter bank money market which forms sizeable portion of the company's borrowing requirements, have also registered steep increase.

The Company made efforts to maintain its operational growth during the year but due to difficult conditions explained above, the overall business environment remained fragile and cautious. Company's total revenue from leasing business registered increase in comparison with the last year. The new finance lease disbursement made during the year amounted to Rs. 1.61 billion. The total revenue of the Company showed slight decline compared to last year due to smaller number of new leases and poor performance of the capital market. The company in the earlier part of the year re-profiled its equity portfolio by selling some of its loss making investments. However, the market

remained very depressed and registered the worst performance by shedding more than 50% in shares' values in less than 3 months which put all investments in red during the last quarter. Historically, its equity portfolio was managed in a stable and environment which resulted in better returns in the form of higher dividends due to investment in good companies with higher returns. However, the ongoing downward pressure on the stock prices has resulted in very low contribution in the form of capital gains for the Company which adversely affected its profitability during the year under review.

During the year, the revenues from the operating leases slightly declined to Rs. 58.60 million owing to higher cost of maintenance and fuel. All the operating leased assets remained effectively deployed with various clients through-out the year to achieve optimal revenues. As indicated last year also, the Company has diversified its sources of revenue to reduce heavy dependence on leasing operations and to keep a constant and steady growth of its revenues. To mitigate downward trend in overall revenues of the Company, another Islamic product of secured Musharika financing was effectively utilized to generate additional revenues on short to medium term basis. The Company disbursed around Rs. 350 million of musharika financing to a very select group of customers and generated revenue of Rs. 31.99 million which to some extent offset the shortfall in revenues from leasing business.

As mentioned in note 25.4 during the year the company has recognized deferred tax asset of Rs.233 million available to it due to accumulated taxable losses of prior years. Your directors feel that in the prevailing circumstances, the probable benefit of these taxable losses is expected to be realized in future years based on forecasts of slow economic growth worldwide generally and of the country particularly.

The Company has continued to maintain a diversified exposure as would be seen from note 37 to the financial statements. The diversity of its lease and other financing portfolio has helped the company in lowering the risk of potential losses. As a measure of prudence however, the company will continue its standing policy to create adequate provisions for potential lease losses.

Share capital & licensing

In November 2007, the Company made the first redemption of its preference shares - Class A of Rs. 37.50 million which reduced its total share capital. Further, in same month the Securities & Exchange Commission of Pakistan (SECP) announced the increase in minimum equity requirement for the Non-banking Finance Companies (NBFC) stipulating that a company carrying dual license of leasing and housing will need Rs.650 million as minimum equity whereas for keeping the leasing licence only the requirement will be Rs.350 million upto June 2008, Rs. 500 million upto June 2009 and Rs. 700 million upto June 2010. Your directors reviewed the position and decided to surrender the housing license to SECP as the Company is not expected to enter into housing industry in the near future due to high cost of funds and absence of a developed market.

The Company is contemplating different options to increase its equity in the coming months which include the raising of capital through fresh issue of shares and other options. As soon as the position in this regards is finalized by the directors the shareholders would be promptly informed.

Economy and Future prospects

As mentioned above the economy which had been showing robust growth during the past few years, experienced significant deterioration in the last 18 months owing to political turmoil and law & order situation of the country, resulting in capital flight from the country, steep increase in prices of food items, higher import bill for crude oil and fast depletion of country's foreign exchange reserves, and widening government's fiscal gap which directly affected the business and industrial activities in the country. All these factors have resulted in shrinkage of revenue margins and would continue to affect contracts executed earlier. However, the Company is writing major portion of its new leases on floating rates basis linked with KIBOR and any change in borrowing costs is reflecting in the lending rates.

The Board takes the opportunity to assure Company's stakeholders that it will continue to make all out efforts to consolidate its position and to tap opportunities for sustained growth. To ensure efficient and profitable utilization of its available resources, the Company will continue to spread its exposure over a broad spectrum of clients and industries taking exposure on such borrowers only who have a proven track record of timely repayments, good profitability and strong cash flows from their existing operations. Its emphasis being on quality, the Company will continue to strive to write quality leases for quality clients. As Non Bank Finance Institution, the Company will further explore other avenues in future to expand and consolidate its operations. Directors' feel that the Company's business strategy is sound and if country economic & political situation settles down it would be able to show far better results than it did in the past.

Code of Corporate Governance

The Company has implemented the Code as required and there has been no material departure from it. Company's mission statement has been re-affirmed. Statement of Ethics and Business Practices has been prepared and accepted by all the directors and employees. The Audit Committee of the Board is in place. The key operating and financial data is set out in the annexure to this report. The financial statements annexed to this report, 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 consistently applied in the preparation of the financial statements, using reasonable and prudent accounting estimates. Applicable International Accounting Standards and relevant directives from the regulatory authorities have been followed. An effective system of internal controls is in place which is being fully implemented. There is no reasonable doubt about the ability of the Company to continue its operations as a going concern.

Board of Directors

During the year, 7 meetings of the Board of Directors were held. Detail of attendance by each member of the Board is as follows.

Directors	Meetings attended	Directors	Meetings attended
Mr. M R Khan	7	Mr. S S Hamid	7
Mr. S M Nadim Shafiqullah	2	Mr. Masud Zain (joined during the year)	4
Mr. M Khalid Ali	7	Mr. Fareed Khan (resigned during the year)	4
Mr. Rais A. Dar (joined during the year)	3	Mr. Shafiq-ur-Rehman (joined during the year)	3
Mr. Zahid R. Khwaja (resigned during the year)	1	Mr. Naved Hussain (joined during the year)	2

Leave of absence was granted to directors who could not attend the Board meetings. Casual vacancies were created due to resignation of certain directors which were timely filled in. SECP didn't approve the appointment of Mr. Rais A Dar vide its letter dated June 6, 2008.

There was no trading by any director, chief executive and the chief financial officer & company secretary or their spouses and minor children.

Employees' Benefits' Fund

The value of investments of recognized employees' Provident Fund as at June 30, 2008 amounted to Rs. 17.49 million while the recognized gratuity fund was in the amount of Rs. 10.54 million.

Pattern of Shareholding

Statement showing the pattern of shareholding as at June 30, 2008 is annexed to this report.

Auditors

The present auditors Messrs. Anjum, Asim, Shahid, Rahman, Chartered Accountants, would retire at the forthcoming Annual General Meeting and offer themselves for reappointment at terms to be agreed by the members.

Acknowledgement

The Board expresses its gratitude to the investors, lenders and the regulatory authorities for their support to the Company and for their assistance in enabling it to meet the regulatory requirements. The Board also places on record its deep appreciation of the efforts put in and dedication shown by all personnel of the Company which enabled it to conduct its operations in a very difficult environment during the year.

For and on behalf of the Board of Directors



M. R. Khan

Chairman

Karachi: October 9, 2008

SIX YEARS FINANCIAL SUMMARY

	2008 Rs '000	2007 Rs '000	2006 Rs '000	2005 Rs '000	2004 Rs '000	2003 Rs '000
BALANCE SHEET						
Ordinary share capital outstanding	363,000	363,000	242,000	165,000	100,000	100,000
Preference share capital outstanding	112,500	150,000	150,000	150,000	150,000	50,000
Shareholders' Fund	475,500	513,000	392,000	315,000	250,000	150,000
Reserves	244,840	42,593	87,440	85,769	52,999	65,962
Unrealised loss on Investment	127,971	38,266	88,901	54,099	-	-
Networth	592,369	517,326	390,539	346,670	302,999	215,962
Surplus on revaluation of Fixed Assets	23,776	4,859	15,205	16,006	-	-
Certificates of Investment	562,100	443,448	910,100	598,100	260,250	150,100
Borrowings from Financial & Other Institutions	2,923,907	3,139,950	2,517,885	2,090,253	1,327,639	788,048
Lease disbursements	1,606,547	1,995,674	1,992,452	1,428,543	920,600	652,900
Musharika disbursements	310,153	56,340	74,300	18,555	13,531	9,188
Net Investment in Leases	4,071,236	4,026,373	3,327,281	2,260,342	1,542,286	1,067,502
Investments/Placements	1,022,257	1,010,314	1,000,824	1,062,237	675,969	338,548
Term Finances	57,806	44,568	57,475	20,631	-	-
Fixed Assets	246,681	209,844	221,794	173,176	69,241	36,032
Total Current Assets	2,468,444	2,399,106	2,276,562	1,734,381	1,017,831	750,177
Total Assets	5,577,274	5,352,516	4,770,553	3,647,523	2,295,609	1,469,879
Total Current Liabilities	2,328,460	2,369,164	2,256,198	1,707,807	751,045	452,924
Total Liabilities	4,961,129	4,832,031	4,364,808	3,284,847	1,957,279	1,253,918
Total Assets to Networth (times)	9.42	10.35	12.22	10.52	7.58	6.81
PROFIT & LOSS						
Total Income	556,615	586,830	510,016	315,103	207,608	149,673
Financial & Other Charges	465,802	455,481	327,728	165,367	86,167	75,573
Admin & Operating Expenses	89,305	78,817	65,895	60,319	40,683	29,510
Provisions & Other Charges	11,548	3,676	1,488	8,753	27,427	15,718
Total Expenses	566,655	537,974	395,112	234,439	154,277	120,801
(Loss)/Profit Before Tax	(10,039)	48,856	114,904	80,665	53,332	28,872
(Loss)/Profit After Tax	211,810	40,258	108,021	74,281	50,880	27,128
Break-up Value (PKR)	12.96	10.18	10.35	11.51	12.12	14.40
Price per share	6.89	10.95	15.40	17.50	15.25	8.25
KEY RATIOS						
Earning per share - PKR - less preferred dividend	5.55	0.97	3.76	2.51	1.60	0.84
Revenue per share - PKR -	11.71	11.44	13.01	10.00	8.30	9.98
Profit before provisions and tax ratio	0.27%	8.95%	22.82%	28.38%	38.90%	29.79%
Profit before Tax ratio	(1.80%)	8.33%	22.53%	25.60%	25.69%	19.29%
Price Earning ratio (times)	1.24	11.31	4.10	6.97	9.53	9.82
Return on Capital employed market value per share	64.65%	7.17%	17.89%	13.47%	13.35%	21.92%
Income/ Expense ratio (times)	0.98	1.09	1.29	1.34	1.35	1.24
Current ratio (times)	1.06	1.01	1.01	1.02	1.36	1.66
Debt equity ratio (times)	6.13	7.17	9.11	7.98	6.46	5.81
Return on average equity	38.17%	8.87%	29.31%	22.87%	19.61%	0.04%
Return on average assets	3.88%	0.80%	2.57%	2.50%	2.70%	0.01%
Total assets turnover ratio (times)	10.02	9.12	9.35	11.58	11.06	9.82
Dividend per ordinary share	-	-	4.33	5.50	2.00	1.00
Dividend yield ratio	-	-	28.12%	31.43%	13.11%	12.12%
PAYOUT						
Cash dividend	-	-	10.0%	10.0%	10.0%	10%
Stock dividend	-	-	43.3%	45.0%	10.0%	-
Total payout	-	-	53.3%	55.0%	20.0%	10.0%

STATEMENT OF VALUE ADDED

	2008	%	2007	%
Revenues from leasing operations	441,813,187		440,664,044	
Other income	114,802,283		146,165,788	
	<u>556,615,470</u>		<u>586,829,832</u>	
Financial charges	363,332,971		332,909,644	
Direct cost of leases and others	52,975,636		40,425,740	
Deferred Tax	(233,000,000)		-	
	<u>183,308,607</u>		<u>373,335,384</u>	
Value added	<u>373,306,864</u>	<u>100</u>	<u>213,494,448</u>	<u>100</u>
Distributed as follows				
To Employees				
As remuneration	44,859,870	12	40,860,426	19
To Government				
As income tax	11,150,550	3	8,598,400	4
To Depositors				
As profit on investments	59,888,592	16	83,084,893	39
To Shareholders				
Dividends	10,237,500	3	13,650,000	6
Retained in business				
As reserves and retained profits	201,572,525	54	27,319,787	13
As depreciation	45,597,827	12	39,980,942	19
	<u>373,306,864</u>	<u>100</u>	<u>213,494,448</u>	<u>100</u>

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The statement of compliance is being presented to comply with the Provisions of Code of Corporate Governance contained in listing regulations of Karachi and Lahore Stock Exchanges 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.


Security Leasing Corporation Limited (SLC) 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 interest on its board. At present the Board includes five non-executive Directors and one Executive Directors i.e. Chief Executive.
- 2) The resident directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
- 3) All the directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or any NBFC.
- 4) During the year casual vacancies were occurred in the Board which were properly filled in.
- 5) The company has adopted a 'Statement of Ethics and Business Practices', which has been signed by all Directors and employees of the company.
- 6) The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company.
- 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 Chairman and Chief Executive, have been taken by the Board.
- 8) The Board held seven meetings during the year with at-least one in each quarter. The meetings of the Board were presided over by the elected Chairman. Written notices of the Board meetings along with the agenda were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and were timely circulated.
- 9) The Chief Financial Officer & Company Secretary was appointed accordingly. Future appointment, if any, on these positions including the remuneration, terms and conditions of employment, as determined by the Chief Executive, will be referred to the board for approval.

- 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) All financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
- 12) The Directors, CEO and the executives do not hold any interest in the shares of the company other than 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 which comprises of three members who are non-executive Directors.
- 15) The meetings of the Audit committee were held at least once in every quarter prior to the approval of interim and final results of the company and as required by the Code. The terms of reference of the Committee have been framed and approved by the Board and has been advised to the committee for compliance.

The Audit committee members also met with External Auditors without CFO and Internal Auditors as required under the Code.

- 16) 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 partners of the firm, their spouses and minor children do not hold the shares of the company and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- 17) 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.
- 18) We confirm that all other material principles contained in the Code have been complied with.



M R Khan
Chairman

Karachi - October 9, 2008

PATTERN OF SHAREHOLDING OF ORDINARY SHARE CAPITAL AS ON JUNE 30, 2008

Share holding		Number of Shareholders	Total Shares held	Percentage of Issued capital
From	To			
	1	30	1,413	0.00
	101	75	24,460	0.07
	501	34	27,880	0.08
	1,001	112	249,384	0.69
	5,001	33	250,953	0.69
	10,001	9	119,411	0.33
	15,001	4	72,600	0.20
	20,001	4	95,180	0.26
	25,001	2	56,000	0.15
	35,001	2	76,300	0.21
	40,001	3	126,498	0.35
	45,001	1	50,000	0.14
	55,001	1	56,647	0.16
	85,001	1	86,000	0.24
	100,001	1	100,098	0.28
	105,001	1	105,048	0.29
	110,001	3	335,770	0.92
	215,001	1	219,999	0.61
	255,001	1	255,750	0.70
	350,001	1	350,255	0.96
	445,001	1	447,026	1.23
	455,001	1	455,565	1.26
	460,001	1	460,474	1.27
	855,001	1	858,935	2.37
	1,260,001	1	1,263,240	3.48
	2,195,001	1	2,200,000	6.06
	3,170,001	1	3,174,435	8.75
	10,280,001	1	10,285,000	28.33
	14,495,001	1	14,495,679	39.93
		328	36,300,000	100.00

Categories of Shareholders

	Number	Shares Held	Percentage
Directors, CEO their spouse and minor children (Note 1)	7	16,133,664	44.45
Individuals	297	5,074,649	13.98
National Investment Trust/ICP	2	907,500	2.50
Investment companies	3	856	0.00
Banks, DFIs, NBFIs, Insurance Companies			
Modarabas & Mutual Funds	2	457,353	1.26
Charitable Trusts	1	219,999	0.61
Joint Stock Companies	15	3,220,979	8.87
Foreign Investors			
- Merrill, Lynch, Pierce, Fenner, Smith, Inc. USA	1	10,285,000	28.33
	328	36,300,000	100.00

Note 1 : Directors, CEO their Spouse and Minor Children

M. R. Khan - Chairman	350,255	0.97
S.M. Nadim Shafiqullah - Vice Chairman	14,495,679	39.93
Mrs. Rehana Nadim Shafiqullah	1,263,240	3.48
M. Khalid Ali - Chief Executive Officer	21,780	0.06
Masud Zain	1,000	0.00
S.S Hamid	1,210	0.00
Shafiqur Rahman	500	0.00
	16,133,664	44.45

Note 2 : Shareholders holding ten percent or more voting interest in the Company

S.M. Nadim Shafiqullah - Vice Chairman	14,495,679	39.93
Merrill, Lynch, Pierce, Fenner, Smith, Inc. USA	10,285,000	28.33
	24,780,679	68.27

Note 3 : Chief financial officer (CFO) & Company Secretary does not hold any shares.

PATTERN OF SHAREHOLDING OF PREFERENCE SHARE CAPITAL AS ON JUNE 30, 2008

Share holding		Number of Shareholders	Total Shares held	Percentage of Issued capital
From	To			
1	500	2	563	0.01
501	1,000	4	2,437	0.02
1,001	5,000	2	3,825	0.03
145,001	150,000	1	150,000	1.33
745,001	750,000	1	750,000	6.67
1,495,001	1,500,000	1	1,500,000	13.33
3,670,301	3,675,300	1	3,675,300	32.67
5,162,875	5,170,000	1	5,167,875	45.94
		<u>13</u>	<u>11,250,000</u>	<u>100.00</u>

<u>Categories of Shareholders</u>	<u>Number</u>	<u>Shares Held</u>	<u>Percentage</u>
Individuals	6	5,513	0.05
Mutual Funds	2	6,667,875	59.27
Provident Funds	1	150,000	1.33
Private Limited Companies	4	4,426,612	39.35
	<u>13</u>	<u>11,250,000</u>	<u>100.00</u>

Note 2 :

None of the Directors, Chief Executive Officer, their spouse & minor children hold any preference shares.

REVIEW REPORT TO THE MEMBERS OF SECURITY LEASING CORPORATION LIMITED ON STATEMENT OF COMPLIANCE WITH THE 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 Security Leasing Corporation Limited (the company) to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange and Chapter XIII of the Listing Regulations 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 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.

Karachi
Date: October 9, 2008


Anjum Asim Shahid Rahman
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS OF SECURITY LEASING CORPORATION LIMITED

We have audited the annexed balance sheet of Security Leasing Corporation 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 account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof 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 profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Without qualifying our opinion, we draw attention to the following matters:

- a) as disclosed in note 8.4 to the financial statements, the ultimate outcome of the matter stated therein cannot presently be determined and no provision for any loss that may result, has been made in the financial statements for the reasons discussed in the aforesaid note; and
- b) as disclosed in note 25.4 to the financial statements, the company has recorded deferred tax assets of Rs. 233 million (2007: Rs. Nil) during the current year and as of the balance sheet date net deferred tax assets aggregated Rs. 220.197 million (2007: Rs. Nil). Management has projected future taxable profits using various assumptions against which this asset will be utilized. However, management assumptions are dependent upon occurrence of future events which are not under control of the management.

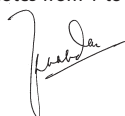
Karachi
Date: October 9 , 2008


Anjum Asim Shahid Rahman
Chartered Accountants

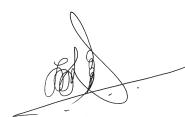
BALANCE SHEET AS AT JUNE 30, 2008

ASSETS	Note	2008 Rupees	2007 Rupees restated
Current assets			
Balances with banks	5	38,694,002	39,109,860
Investments - available for sale	6	310,478,842	536,808,259
Short-term finances	7	344,466,034	79,000,000
Advances, prepayments and other receivables	8	32,097,930	95,732,135
Accrued return on investments		11,886,354	17,417,188
Advance taxation-net		813,297	826,487
Current maturity of non-current assets	9	1,730,007,087	1,622,324,598
Total current assets		2,468,443,545	2,391,218,527
Non-current assets			
Net investment in leases	10	2,302,632,066	2,422,302,405
Deferred costs	11	182,778	1,573,878
Long-term deposits	12	3,139,400	539,400
Long-term finances	13	57,805,990	44,567,647
Long-term investments	14	278,191,450	282,469,712
Property and equipment	15	246,680,736	209,844,081
Deferred tax asset	25.4	220,197,750	-
Total non-current assets		3,108,830,169	2,961,297,123
Total assets		5,577,273,714	5,352,515,650
LIABILITIES			
Current liabilities			
Accrued and other liabilities	16	62,589,154	58,875,811
Accrued mark-up	17	79,947,610	64,403,042
Short-term finances	18	805,450,000	1,052,450,000
Current maturity of non-current liabilities	19	818,373,711	752,573,902
Certificates of investment	21	562,100,001	440,861,287
Total current liabilities		2,328,460,476	2,369,164,042
Non-current liabilities			
Long-term finances	20	1,602,206,833	1,518,750,000
Certificates of investment	21	2,586,467	2,586,467
Long-term deposits	22	1,027,874,900	939,829,297
Deferred tax liability	25.4	-	1,700,783
Total non-current liabilities		2,632,668,200	2,462,866,547
Total liabilities		4,961,128,676	4,832,030,589
NET ASSETS		616,145,038	520,485,060
REPRESENTED BY SHAREHOLDERS' EQUITY			
Share capital and reserve			
Issued, subscribed and paid-up share capital	23	475,500,000	513,000,000
Reserves	24	244,839,942	42,592,536
		720,339,942	555,592,536
Unrealised loss on remeasurement of available for sale investments		(127,970,512)	(38,266,073)
Surplus on revaluation of property	25	592,369,430 23,775,608	517,326,463 3,158,597
Shareholders' equity		616,145,038	520,485,060
CONTINGENCIES AND COMMITMENTS			
	26		

The annexed notes from 1 to 45 form an integral part of these financial statements.



Mohammed Khalid Ali
Chief Executive Officer



M R Khan
Chairman

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees
REVENUE			
Income from:			
Finance leases	27	383,218,254	380,356,939
Operating leases		58,594,933	60,307,105
Other operating income	28	<u>114,802,283</u>	<u>146,165,788</u>
		556,615,470	586,829,832
EXPENSES			
Administrative, selling and other operating costs	29	89,304,697	78,817,018
Finance costs	30	423,221,563	415,994,537
Direct cost of operating leases	31	42,580,307	39,486,127
Provision for potential lease and other losses	32	10,157,229	1,500,000
Bad debts written off		-	687,857
Amortization of deferred costs	11	1,391,100	1,488,000
		<u>566,654,896</u>	<u>537,973,539</u>
(Loss)/ Profit for the year before income tax		(10,039,426)	48,856,293
Income tax - Current	33	(11,150,550)	(8,598,400)
- Deferred	25.4	233,000,000	-
		<u>221,849,450</u>	<u>(8,598,400)</u>
Profit for the year		<u><u>211,810,024</u></u>	<u><u>40,257,893</u></u>
Earnings per share - basic and diluted	34	<u><u>5.55</u></u>	<u><u>0.97</u></u>

The annexed notes from 1 to 45 form an integral part of these financial statements.



Mohammed Khalid Ali
Chief Executive Officer



M R Khan
Chairman

CASH FLOW STATEMENT

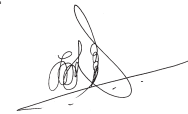
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 Rupees	2007 Rupees Restated
Cash flows from operating activities			
(Loss) / Profit before taxation		(10,039,426)	48,856,293
Adjustments for non cash and other items:			
Depreciation	15.1	45,597,827	40,692,836
Gain on disposal of listed securities	28	(16,893,253)	(29,294,121)
Gain on disposal of other investments	28	-	(400,000)
Loss on disposal of property and equipment	28	(29,310)	(18,841,371)
Amortization of deferred costs	11	1,391,100	1,488,000
Finance costs	30	423,221,563	415,994,537
Provision for gratuity	29	2,072,000	1,668,000
Bad debts written off directly		-	687,857
Provision for potential lease and other losses	32	10,157,229	1,500,000
Operating profit before working capital changes		465,517,156	413,495,739
Working capital changes			
(Increase) in net investment in leases		(38,614,723)	(691,816,422)
Decrease in advances, prepayments and other receivables		63,634,205	48,703,992
Decrease / (increase) in accrued return on investments		5,530,834	(8,588,173)
Increase in deposits from lessees		206,345,412	314,721,125
(Decrease) / Increase in short term finances		(125,761,286)	20,347,754
Increase/ (decrease) in accrued and other liabilities		7,126,628	(16,748,146)
Cash generated from/(used in) operations after working capital changes		118,261,071	(333,379,870)
Financial charges paid		(407,676,995)	(402,716,194)
Gratuity paid		(2,072,000)	(2,085,000)
Taxes paid		(11,163,740)	(10,296,112)
Net cash from / (used in) operating activities		152,826,067	(286,125,144)
Cash flows from investing activities			
Capital expenditure		(63,559,985)	(50,932,132)
Investments		157,796,493	95,943,070
Long term finance		27,233,377	16,784,477
Proceeds from disposal of property and equipment		13,548,176	31,796,217
Short term finances		(265,466,034)	(90,058,737)
Long term deposits		(2,600,000)	(118,700)
Net cash (used in)/from investing activities		(133,047,973)	3,414,195
Cash flows from financing activities			
Borrowings from financial institutions		933,456,835	995,000,000
Proceed from issue of right shares		-	121,000,000
Redemption of preference shares		(37,500,000)	-
Preference dividend paid		(13,650,786)	(37,704,173)
Repayment of long term finances		(902,500,000)	(859,935,000)
Net cash (used in)/from financing activities		(20,193,951)	218,360,827
Net (decrease) in cash and cash equivalents		(415,857)	(64,350,122)
Cash and cash equivalents at beginning of the year		39,109,860	103,459,982
Cash and cash equivalents at end of the year	41	38,694,002	39,109,860

The annexed notes from 1 to 45 form an integral part of these financial statements.



Mohammed Khalid Ali
Chief Executive Officer



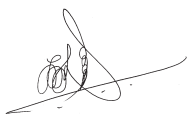
M R Khan
Chairman

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

	Share Capital	Share deposit money	Reserves		Unrealised (loss)/gain on remeasurement of available for sale investments	Total
			Capital Statutory reserve	Revenue Unappropriated profit		
Rupees						
Balance as at June 30, 2006 as previously reported	392,000,000	-	68,605,000	18,835,111	(88,900,954)	390,539,157
Effect of prior period error (refer note 4.2.1)	-	-	-	(47,967,362)	-	(47,967,362)
Balance as at June 30, 2006 -brought forward (Restated)	392,000,000	-	68,605,000	(29,132,251)	(88,900,954)	342,571,795
Change in equity for the year ended 2007						
Transferred from surplus on revaluation of property - incremental depreciation (net of tax)	-	-	-	462,731	-	462,731
Effect of error related to deferred tax on incremental depreciation of property (refer note: 25.3)	-	-	-	249,163	-	249,163
Unrealized gain on change in market value of investments classified as available for sale	-	-	-	-	50,634,881	50,634,881
Net income recognised directly in equity	-	-	-	711,894	50,634,881	51,346,775
Profit for the year	-	-	-	40,257,893	-	40,257,893
Total recognised income and (expense) for the year	-	-	-	40,969,787	50,634,881	91,604,668
Share deposit money	-	121,000,000	-	-	-	121,000,000
Issuance of right shares	121,000,000	(121,000,000)	-	-	-	-
Final dividend for the year ended June 30, 2006 declared subsequent to year end	-	-	-	(24,200,000)	-	(24,200,000)
Dividend - Preference shares-Class A @ 9.1%	-	-	-	(13,650,000)	-	(13,650,000)
Transferred to statutory reserve	-	-	7,900,000	(7,900,000)	-	-
Balance as at June 30, 2007 carried forward -restated	513,000,000	-	76,505,000	(33,912,464)	(38,266,073)	517,326,463
Change in equity for the year ended 2008						
Transferred from surplus on revaluation of property - incremental depreciation (net of tax)	-	-	-	674,882	-	674,882
Unrealized loss on change in market value of investments classified as available for sale	-	-	-	-	(89,704,439)	(89,704,439)
Net income/(expense) recognised directly in equity	-	-	-	674,882	(89,704,439)	(89,029,557)
Profit for the year	-	-	-	211,810,024	-	211,810,024
Total recognised income and (expense) for the year	-	-	-	212,484,907	(89,704,439)	122,780,468
Redemption-Preference Shares-Class A @ 25%	(37,500,000)	-	-	-	-	(37,500,000)
Dividend - Preference shares-Class A @ 9.1%	-	-	-	(10,237,500)	-	(10,237,500)
Transferred to statutory reserve	-	-	42,362,005	(42,362,005)	-	-
Balance as at June 30, 2008	<u>475,500,000</u>	<u>-</u>	<u>118,867,005</u>	<u>125,972,937</u>	<u>(127,970,512)</u>	<u>592,369,430</u>

The annexed notes from 1 to 45 form an integral part of these financial statements.


Mohammed Khalid Ali
Chief Executive Officer


M R Khan
Chairman

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

1 LEGAL STATUS AND NATURE OF BUSINESS

Security Leasing Corporation Limited (the company) was incorporated in Pakistan on December 6, 1993 and commenced its operations on May 21, 1995. The company is a Non-Banking Finance Company (NBFC) under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and engaged in the business of leasing.

The registered office of the company is situated at 501, 5th floor, Lakson Square Building No.3, Sarwar Shaheed Road, Karachi, Pakistan. The company is listed on Karachi and Lahore Stock Exchanges.

The company obtained license to provide housing finance services from Securities and Exchange Commission of Pakistan (SECP) in the year 2006. However, based on a decision of the board of directors, the company has surrendered its housing finance license to SECP.

2 BASIS OF MEASUREMENT

These financial statements have been prepared under historical cost convention except for certain property and equipment which have been stated at revalued amounts and financial assets and financial liabilities which have been stated at their fair values, cost or amortised cost.

The financial statements have been prepared following the accrual basis of accounting except for the cash flow information.

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards, as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance), the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, (the Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (The Regulations). Approved accounting standards comprise such International Financial Reporting Standard (IFRS) issued by International Accounting Standard Board (IASB) as are notified under the provisions of the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever, the requirements of the Ordinance, NBFC Rules and Regulations differ with the requirements of IFRS, the requirements of the Ordinance, the Rules or the Regulations shall prevail.

3.1 Standards, interpretations and amendments to published approved accounting standards that are not yet effected

Certain amendments in IAS 1 'Presentation of financial statements' have been published in September 2007 which revise the existing IAS 1 and require apart from changing the names of certain financial statements, presentation of transactions with owners in statement of changes in equity and with non-owner in comprehensive income statement. The revised standard will be effective from April 1, 2009. Adoption of the revised standard will only impact the presentation of financial statements.

Following other standards and interpretations have been issued but are not effective. Consequently, respective requirements have not been followed while preparing these financial statements:

		Effective dates
Amendments to IAS 23 Borrowing Costs	IAS 23	01 January 2009
Customer Loyalty Programmes	IFRIC 13	01 July 2008
Financial instruments: Disclosure	IFRS 7	01 July 2008
Operating Segments	IFRS 8	01 January 2009

The company expects that the adoption of the above standards, amendments and interpretations will have no significant impact on the company's financial statement in the period of initial application.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, the Prudential Regulations for NBFCs and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

In the process of applying the company's accounting policies, management has made the following estimates and judgment which are significant to the financial statement.

- a) allowance for potential lease and loan losses (note 4.7);
- b) classification of investments (note 4.8);
- c) determining the residual values and useful lives of depreciable assets (note 4.10);
- d) impairment (note 4.10)
- e) accounting for post employment benefits (note 4.12),
- f) income tax and deferred tax (note 4.16); and
- g) provisions (note 4.18);

4.2 Revenue recognition

Finance lease and hire purchase income

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases. Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

Income from finance leases and hire purchases is suspended if rent is past due by the minimum criteria prescribed by the Regulations.

Front end fee and other lease related income is recognised as income on receipt.

- 4.2.1 Revised IAS 17 (Leases) required that upfront recognition of income if any be reversed to profit and loss account. Rs.47.967 million outstanding as at June 30, 2006 was omitted to be reversed which has now being adjusted by restating the opening balance of retained earnings and Net Investment in Leases as required by IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors).

Operating lease income

Rental income from operating leases is recognised on accrual basis over the term of the lease contract.

Return on investments

Markup/return on loans, advances and investments is recognised on accrual basis using the effective interest method.

Fees and commission income are recognised on an accrual basis when the service has been provided. Dividend income is recognised when the company's right to receive payment is established.

Capital gain or loss arising on sale of investments are taken to income in the period in which they arise.

Return on deposits, short term placements and other money market securities is recognised on a time proportion basis.

4.3 Deferred costs and amortization

Deferred costs carried as on July 05, 2004 are written off over a period not exceeding five years in accordance with Circular No. 1 of 2004 issued by Securities and Exchange Commission of Pakistan (SECP).

4.4 Loans and finances

These are initially recognized at cost being the fair value of the consideration received together with the associated transaction cost. Subsequently, these are amortized using the effective interest method.

4.5 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than (a) those that the company intends to sell immediately or in the near term, which shall be classified as held-for-trading, and those that the company upon initial recognition designates as at fair value through profit or loss account; (b) those that the company upon initial recognition designates as available-for-sale; or (c) those for which the company may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

Subsequent to initial measurement loans and receivables are measured at amortized cost using the effective interest method. Gains/losses arising on remeasurement of loans and receivables are taken to the profit and loss account.

Gain or loss is also recognized in profit and loss account when loans and receivables are derecognised or impaired, and through the amortization process.

4.6 Net investment in lease finance

Leases where the company transfers substantially all the risks and rewards incidental to ownership of an asset to the lessees are classified as finance lease. A receivable is recognised at an amount equal to the present value of the lease payments, including any guaranteed residual value and unamortised direct cost.

4.7 Provision for potential lease losses and provision for other doubtful loans and receivables

The provision for potential leases and provision for other doubtful loans and receivables are made based on the appraisal of each lease or loan that takes into account Prudential Regulations issued by the Securities and Exchange Commission of Pakistan from time to time.

Developing the allowance for potential leases and doubtful loans and other receivables is subject to numerous judgments and estimates. In evaluating the adequacy of allowance, management considers various factors, including the requirements of the Prudential Regulations, the nature and characteristics of the obligator, current economic conditions, credit concentrations or deterioration in pledged collateral, historical loss experience, delinquencies and present value of future cash flows expected to be received. Lease installment, loans and other receivables are charged off, when in the opinion of management, the likelihood of any future collection is believed to be minimal.

4.8 Investments

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the company commits to purchase or sell the asset.

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standard 39 "Financial Instruments: Recognition and Measurement (IAS-39)" at the time of purchase and re-evaluates this classification on a regular basis. The investments of the company have been categorised as per the requirements of IAS 39 as follows:

At fair value through profit or loss

- a) These are classified as 'held-for-trading' if (a) acquired or incurred principally for the purpose of selling or re-purchasing it in the near term; (b) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or (c) a derivative (except for a derivative that is a designated and effective hedging instrument).
- b) Upon initial recognition these are designated by the company as 'at fair value through profit or loss' except for equity instruments that do not have a quoted market price in an active market, and whose fair value can not be reliably measured.

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the company has the positive intent and ability to hold to maturity other than at fair value through profit or loss, available for sale and loans and receivables.

Available-for-sale

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

All quoted investments except 'at fair value through profit or loss' and held-for-trading are initially recognised at cost inclusive of transaction costs. Investments at fair value through profit or loss and held for trading are initially recognised at cost. All quoted investments are subsequently marked to market using the year end bid prices obtained from stock exchange quotations or quotes from brokers. Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. Investments in delisted / unquoted investments are carried at cost less impairment in value, if any. Investments other than shares are stated at their principal amounts less provision for amounts considered doubtful.

Unrealised gains / losses on investments classified as at fair value through profit or loss are taken to profit and loss account while unrealised gains / losses on investments classified as available for sale are taken to equity until these are derecognised, at which time the cumulative gain or loss previously recognised in equity is taken to profit and loss account.

Gain or loss is also recognized in profit and loss account when held-to-maturity investments are derecognised or impaired, and through the amortization process.

Impairment of investments is recognised in profit and loss account when there is a permanent diminution in their value. On impairment of available-for-sale investments, cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit and loss account even though the investments have not been derecognised. Impairment losses recognised in profit and loss account for an investment in equity instrument classified as available-for-sale are not reversed through profit and loss account. Impairment loss related to investments carried at cost is not reversed.

Derecognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

4.9 Repurchase and resale transactions

The company enters into transactions of re-purchase (repo) and re-sale (reverse repo) of securities at contracted rates for a specified period of time following the trade date accounting. These transactions are recorded as follows:

- a) in case of sale under re-purchase obligations, the securities remain on the balance sheet and a liability is recorded in respect of the consideration received as 'Borrowing'. Charges arising from the differential in sale and re-purchase values are accrued on a prorata basis; and
- b) in case of purchases under re-sale obligations, the securities are not recognized on the balance sheet and the consideration paid is recorded as 'Placement' and the differential of the purchase price and contracted re-sale price is recognized over the period of the contract.

4.10 Property and equipment

Initial recognition

An item of property and equipment is initially recognized at cost which is equal to the fair value of consideration paid at the time of acquisition or construction of the asset.

Measurement subsequent to initial recognition

Carried using revaluation model

Office premises are stated at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair value is determined by external professional valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Carried using cost model

Property and equipment other than those mentioned above are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

All items of property and equipment are depreciated on a straight line basis at rates which will write off their cost or revalued amount over their expected useful lives. The estimated useful lives, residual values and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions during the year is charged from the month of acquisition. No depreciation is charged in the month of disposal.

Subsequent expenditure relating to an item of property and equipment is capitalised to the initial cost of the item when the expenditure increases the economic benefits over the life of the item or where that expenditure was necessarily incurred to enable the future economic benefits to be obtained. All other subsequent expenditure is expensed in the period in which it is incurred.

Profit and loss on disposal of property and equipment is included in income currently.

Impairment

At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the reversal of an impairment loss is recognized immediately in profit or loss unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as a revaluation increase.

Capital work - in - progress

Capital work-in-progress are carried at cost, less any recognized impairment loss. These expenditures are transferred to relevant category of property and equipments as and when assets start operation.

4.11 Compensated absences

The company provides its employees with non-accumulated compensated absences that are recognized when the absences occur.

4.12 Staff retirement benefits

Defined contribution plan

The company operates an approved contributory provident fund for all its permanent employees. Equal monthly contributions are made to the fund in accordance with the laid down policy of the company.

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit plan

Company also operates an approved funded gratuity scheme for all eligible employees. Eligible employees are those who have completed minimum qualifying period of service as laid down in rules. Provision has been made in accordance with actuarial recommendations using the projected unit credit method. The results of current valuation are summarized in note 16.1. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceeded ten percent of the higher of defined benefit obligation and fair value of the plan assets at that date. The excess amount of gains or losses are recognized over the expected remaining working lives of the employees participating in the plans. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

4.13 Foreign currency translation

Transactions in foreign currencies are accounted for in rupees at the rates prevailing on the date of the transaction. Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains or losses are included in income currently.

4.14 Financial instruments

Financial assets and 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 the de-recognition of the financial assets and liabilities is included in the profit and loss account currently.

At the time of initial recognition, all financial assets and financial liabilities are measured at cost, which is the fair value for the consideration given or received for it. Transaction costs are included in the initial measurement of all financial assets and liabilities except for transaction costs incurred on financial assets and liabilities classified as 'at fair value through profit or loss' and held-for-trading and that may be incurred on disposal. The particular recognition methods adopted for the measurement of financial assets and liabilities subsequent to initial measurement are disclosed in the policy statements associated with each item.

Financial assets carried on the balance sheet include cash and bank balances, advances and deposits, and are at fair value through profit or loss. Loans and receivables, finance leases and investments have been categorized as per the policies mentioned in note 4.5, 4.6 and 4.8 respectively.

Financial liabilities carried on the balance sheet include certificates of investment, deposits, accrued and other payables and are at fair value through profit or loss. Loans and finances have been categorized as per the policies mentioned in note 4.4.

4.15 Off-setting

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet when the company has a legally enforceable right to set-off the recognised amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.16 Taxation

Current tax

The charge of current tax is based on taxable income at the applicable rate of taxation after taking into account available tax credits and rebates. Income for the purpose of computing current taxation is determined under the provisions of tax laws.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of temporary timing 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 taxable income. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.17 Related parties transactions

All transactions with related parties, if any, are recorded at an arm's length price.

4.18 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.19 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash with banks in current accounts.

4.20 Repossessed leased assets

These are stated at lower of the original cost of the related asset, exposure to the company and the net realisable value of the assets repossessed. Gain or losses on the disposal of such assets are recognized in the profit and loss account.

4.21 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in Pakistani Rupees, which the company's functional and presentation currency.

4.22 Certificate of investments

Return on certificate of investments issued by the company is recognised on a time proportion basis.

4.23 Dividend distribution

Dividend distribution to the company's shareholders is recognized in the financial statements in the period in which the dividend is approved by the Board of Directors of the company.

4.24 Segmental reporting

A business segment is a distinguishable component of the company that is engaged in providing an individual product or service or a group of related products or services and that is subject to risk and returns that are different from those of other business segments. As the risk and rate of return are predominantly affected by difference in these products or services, the primary format for reporting segment information is based on business segment.

4.25 General

Figures have been rounded-off to nearest Rupee.

	Note	2008 Rupees	2007 Rupees
5 BALANCES WITH BANKS			
Balance with State Bank of Pakistan in current account		59,856	86,339
Balances with other banks in current accounts	18.6	38,634,146	39,023,521
		<u>38,694,002</u>	<u>39,109,860</u>
6 INVESTMENTS - Available for sale Other than related party			
6.1 Listed securities			
Term finance certificates		4,813,866	20,299,121
Closed end mutual funds		69,885,231	77,407,948
Equity investments		199,840,315	358,725,907
		<u>274,539,412</u>	<u>456,432,976</u>
6.2 Open end mutual funds		4,839,430	26,005,668
6.3 Unlisted securities			
Term finance certificates		2,500,000	25,769,615
Ordinary shares		20,000,000	20,000,000
		<u>22,500,000</u>	<u>45,769,615</u>
6.4 Membership cards	6.6	8,600,000	8,600,000
		<u>310,478,842</u>	<u>536,808,259</u>
6.5 Fifteen per cent of the resources raised through Certificates of Investments other than those held by financial institutions amounting to Rs. 29,686,467 (2007: Rs. 43,447,754) have been invested in listed securities to comply with the requirement of the Non-Banking Finance Companies and Notified Entities Regulations, 2007.			
6.6 These represent 08 club memberships of 1,075,000 each of DHA Country and Golf Club. These investments are carried at cost which is the consideration paid by company for acquisition of memberships. In the absence of an established market, these have not been converted at fair value which may not be different than the cost.			
7 SHORT TERM FINANCES - considered good Other than related party			
Short term placement	7.1	54,000,000	79,000,000
Musharika finances- secured	7.2	290,466,034	-
		<u>344,466,034</u>	<u>79,000,000</u>
7.1 This represents short term placements with various customers. The rate of return on these facilities are 7.90% to 19.14 (2007: 9.90% to 17.00%) per annum and are secured against fixed assets of the customer.			
7.2 This represents financing under musharika facility to various customers. The rate of return on these facilities ranges from 15% to 18.51% (2007: Nil) per annum.			

	Note	2008 Rupees	2007 Rupees
8 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to employees - considered good	8.1	1,648,162	1,825,092
Advance against leases - unsecured	8.3	2,431,442	49,459,360
Advance to suppliers		510,440	1,129,440
Advance to financial institution	8.4	17,250,000	17,250,000
Prepayments		3,861,495	14,244,909
Operating lease rentals receivable		5,660,967	6,285,175
Other receivables		735,424	5,538,159
		<u>32,097,930</u>	<u>95,732,135</u>

8.1 Advances to employees - considered good

- Chief executive		210,825	410,119
- Executives		-	589,333
- Employees		1,437,337	825,640
		<u>1,648,162</u>	<u>1,825,092</u>

8.2 The maximum aggregate amount of advances due at the end of any month during the year was:

Chief executive	<u>698,367</u>	<u>890,456</u>
Executives	<u>531,577</u>	<u>344,343</u>

8.3 This represents advances given to suppliers on behalf of lessees in respect of assets to be leased. Lessees are being charged with rate of mark-up ranging from 14% to 20.44% (2007: 14.90 % to 20 %) per annum against such advances.

8.4 This represents exclusive rights of 15 Platinum Memberships of DHA Country and Golf Club at Rs. 1.150 million per membership through an agreement with Crescent Standard Investment Bank Limited (CSIBL) (now Innovative Investment Bank Limited - IIBL). The principal agreement between Sysmax (Private) Limited and IIBL was terminated by Sysmax (Private) Limited. In accordance with the provisions of the said agreement IIBL referred the dispute to Arbitration. Arbitration proceedings are presently under progress.

The management is confident that it has the legal right to the aforementioned memberships and the amount would be recovered in due course, hence, no provision there against is required at present.

	Note	2008 Rupees	2007 Rupees restated
9 CURRENT MATURITY OF NON - CURRENT ASSETS			
Current portion of:			
Net investments in leases	10	1,701,198,501	1,553,070,668
House loan to staff	13	816,352	967,358
Term finance	13	-	4,999,999
Musharika finance	13	23,712,723	52,909,740
Morabaha finance	13	4,279,511	10,376,833
		<u>1,730,007,087</u>	<u>1,622,324,598</u>
10 NET INVESTMENT IN LEASES			
Lease rentals receivable		3,241,936,465	3,457,948,727
Add: Residual value of leased assets		1,330,970,350	1,125,141,365
Gross investment in finance leases	10.2	<u>4,572,906,815</u>	<u>4,583,090,092</u>
Less: Unearned lease income		507,919,019	556,717,019
Provision for potential lease losses	32	61,157,229	51,000,000
		<u>569,076,248</u>	<u>607,717,019</u>
Net investment in leases	10.3	<u>4,003,830,567</u>	<u>3,975,373,073</u>
Less: current portion of net investment in leases	9	1,701,198,501	1,553,070,668
		<u>2,302,632,066</u>	<u>2,422,302,405</u>
10.1			
The internal rate of return on leases disbursed during the year ranges from 14.24% to 24.00% (2007 : 8.5% to 26%) per annum.			
10.2 Gross investment in finance leases			
Less than one year		2,081,295,832	1,814,970,356
More than one year and less than five years		2,491,610,983	2,768,119,736
		<u>4,572,906,815</u>	<u>4,583,090,092</u>
10.3 Present value of investment in finance leases			
Less than one year		1,701,198,501	1,553,070,668
More than one year and less than five years		2,302,632,066	2,422,302,405
		<u>4,003,830,567</u>	<u>3,975,373,073</u>

	Note	2008 Rupees	2007 Rupees
11 DEFERRED COSTS			
Term finance certificates - privately placed	11.1	-	467,100
Preference shares - Class A	11.2	57,778	816,778
Loan arrangement expenses	11.3	125,000	290,000
		<u>182,778</u>	<u>1,573,878</u>
11.1 Term finance certificates - privately placed			
Trustee fee		150,000	150,000
Arrangement fee		1,500,000	1,500,000
Legal & professional charges		150,000	150,000
Stamp duty		450,000	450,000
		<u>2,250,000</u>	<u>2,250,000</u>
Less: amortisation to-date		<u>2,250,000</u>	<u>1,782,900</u>
		<u>-</u>	<u>467,100</u>
11.2 Preference shares - Class A			
Capital enhancement fee		375,200	375,200
Advisory fee		750,000	750,000
Underwriting commission		1,500,000	1,500,000
Legal fee		40,000	40,000
Share issue expenses		181,742	181,742
Listing fee		255,536	255,536
		<u>3,102,478</u>	<u>3,102,478</u>
Less: amortisation to-date		<u>3,044,700</u>	<u>2,285,700</u>
		<u>57,778</u>	<u>816,778</u>
11.3 Loan arrangement expenses			
Arrangement fee		1,500,000	1,500,000
Less: amortisation to-date		1,375,000	1,210,000
		<u>125,000</u>	<u>290,000</u>
12 LONG TERM DEPOSITS			
National Clearing Company- Security Deposit		2,500,000	-
Others		639,400	539,400
		<u>3,139,400</u>	<u>539,400</u>

	Note	2008 Rupees	2007 Rupees
13 LONG TERM FINANCE - secured, considered good			
House loan to staff - related party	13.1		
- Chief executive	13.2 & 13.3	7,000,000	15,235,000
- Executives		3,303,142	1,082,639
- Employees		3,596,941	1,756,877
Less: current portion	9	816,352	967,358
		13,083,731	17,107,158
Term finances - other than related party	13.4	-	4,999,999
Less: current portion	9	-	4,999,999
Musharika finances - other than related party	13.5	59,822,508	75,698,440
Less: current portion	9	23,712,723	52,909,740
		36,109,785	22,788,700
Morabaha finance - other than related party	13.6	12,891,985	15,048,622
Less: current portion	9	4,279,511	10,376,833
		8,612,474	4,671,789
		57,805,990	44,567,647

13.1 These house loans are given to employees for purchase, construction and renovation purposes over the term of 20 years in accordance with the employment policy. Mark-up on these facilities is calculated by a variable mark-up rate based on average cost of funds of the company. These loans are secured against terminal benefits of employees and original documents of the property are kept by the company.

13.2 Reconciliation of carrying amount of loans to chief executive and executives:

	Chief executive		Executive	
	2008	2007	2008	2007
R u p e e s			
Opening balance	15,235,000	-	1,082,639	1,212,551
Disbursements	7,000,000	31,200,000	3,312,000	-
	22,235,000	31,200,000	4,394,639	1,212,551
Repayments	15,235,000	15,965,000	1,091,497	129,912
Closing balance	7,000,000	15,235,000	3,303,142	1,082,639

13.3 The maximum aggregate amount of loans due at the end of any month during the year was:

Chief executive	7,000,000	31,200,000
Other executives	3,312,000	1,212,551

13.4 This represents term finance facility provided to customer on mark-up basis. The mark-up on this finance is linked with 6 months KIBOR plus 5.85% (2007: 6 months KIBOR plus 5.85%). The repayment of this facility will be made in quarterly equal installments with a grace period of 3 months, during which only mark-up will be received. These finances are secured by way of first pari passu charge over the fixed assets.

13.5 This represents financing under musharika facility to various customers. The rate of return on these facilities ranges from 15% to 18.51% (2007: 14.32 % to 15.90%) per annum. The repayment of these facilities is due between December 4, 2008 and February 25, 2011. These are secured by way of equitable mortgage on properties and pledge of shares.

13.6 This represents finance provided under morabaha facility and was secured against mortgage of property. The rates of return on these facilities ranges from 16.26% to 20.05% (2007: 16.60% to 17.10%) per annum and are repayable between January 22, 2010 to December 26, 2010.

	Note	2008 Rupees	2007 Rupees
14 LONG-TERM INVESTMENTS-held to maturity			
Held to maturity - other than related party			
Pakistan investment bonds	14.1	<u>278,191,450</u>	<u>282,469,712</u>

14.1 Principal terms of investments in Federal Government Securities

Name of Investment	Maturity period	Principal payment	Coupon rate	Coupon payment
Pakistan investment bonds (PIBs)	Dec 2012 to Oct 2013	On maturity	8% to 11%	Semi-annually

14.2 PIB's amounting to Rs. 250 million are given as collateral by the Company to different commercial banks against short term finance facilities (refer note 18.2).

	Note	2008 Rupees	2007 Rupees
15 PROPERTY AND EQUIPMENT			
Property and equipment - own use	15.1	129,717,352	106,736,274
Property and equipment - operating lease	15.1	116,963,384	102,169,100
Capital work in progress	15.2	-	938,707
		<u>246,680,736</u>	<u>209,844,081</u>

15.1 Property and equipment

	Own assets						Operating lease assets						Sub total	Total		
	Office premises leasehold	Lease hold improvement	Furniture and fixtures	Office equipment	Computer equipment	Generator and air conditioners	Vehicles	Sub Total	Generators	Plant and machinery	Commercial vehicles	Motor vehicles			Furniture and fixtures	Equipment
-----Rupees-----																
As at July 1, 2006																
Cost/Revalued amount	3,782,542	5,483,510	2,185,692	4,068,190	1,660,397	18,563,390	130,009,244	57,985,800	5,400,000	32,540,178	24,945,426	16,110,000	30,991,549	167,972,953	297,982,197	
Accumulated depreciation	(8,119,718)	(3,206,435)	(1,709,817)	(2,966,759)	(1,243,779)	(6,694,321)	(27,467,673)	(15,781,488)	(1,924,990)	(7,532,959)	(8,745,910)	(5,814,333)	(8,921,115)	(48,720,795)	(76,188,468)	
Net book amount	85,145,805	1,355,698	2,177,075	1,101,431	416,618	11,869,069	102,541,571	42,204,312	3,475,010	25,007,219	16,199,516	10,295,667	22,070,434	119,252,158	221,793,727	
Year ended June 30, 2007																
Opening net book amount	85,145,805	1,355,698	2,177,075	1,101,431	416,618	11,869,069	102,541,571	42,204,312	3,475,010	25,007,219	16,199,516	10,295,667	22,070,434	119,252,158	221,793,727	
Additions	-	10,926,620	3,801,457	1,090,873	3,462,800	14,303,875	35,155,370	6,335,000	-	364,900	4,992,475	2,500,000	645,680	14,838,055	49,993,425	
Disposals - net	(12,587,166)	(450,004)	(553,874)	(24,591)	(21)	(3,382,776)	(17,169,308)	(2,561,263)	-	-	(2,458,373)	-	-	(5,019,636)	(22,188,944)	
Depreciation charge	(4,564,001)	(418,112)	(869,758)	(325,087)	(856,363)	(6,575,503)	(13,791,359)	(6,909,720)	(540,000)	(4,443,714)	(4,773,058)	(3,638,670)	(6,596,316)	(28,901,477)	(40,692,836)	
Closing net book amount	67,994,638	11,414,202	4,554,900	1,814,992	3,527,017	16,213,665	106,736,274	39,068,329	2,935,010	20,928,405	13,960,560	9,156,997	16,119,798	102,169,100	208,905,374	
As at July 1, 2007																
Cost/Revalued amount	11,772,945	5,916,015	2,298,219	4,426,128	3,744,820	25,022,015	129,512,759	59,956,800	5,400,000	32,905,078	22,520,301	18,610,000	31,637,229	171,029,408	300,542,167	
Accumulated depreciation	(8,357,979)	(358,743)	(1,361,115)	(2,611,136)	(1,978,803)	(8,803,350)	(22,716,485)	(20,888,471)	(2,464,990)	(11,976,673)	(8,559,741)	(9,453,003)	(15,517,481)	(68,860,308)	(91,636,793)	
Net book amount	67,994,638	11,414,202	4,554,900	1,814,992	3,527,017	16,213,665	106,736,274	39,068,329	2,935,010	20,928,405	13,960,560	9,156,997	16,119,798	102,169,100	208,905,374	
Year ended June 30, 2008																
Opening net book amount	67,994,638	11,414,202	4,554,900	1,814,992	3,527,017	16,213,665	106,736,274	39,068,329	2,935,010	20,928,405	13,960,560	9,156,997	16,119,798	102,169,100	208,905,374	
Additions	33,903,760	900,883	1,369,457	230,113	457,957	37,824	43,325,364	16,315,000	-	-	-	2,500,000	34,551,688	53,366,668	96,892,052	
Disposals - net	-	-	(232,025)	(10,835)	-	(3,096,881)	(3,339,741)	-	-	(5,998,562)	(4,240,560)	-	-	(10,179,122)	(13,518,863)	
Depreciation charge	(4,266,601)	(1,867,293)	(1,353,244)	(596,081)	(1,087,474)	(7,283,198)	(17,204,545)	(7,788,510)	(540,000)	(3,637,520)	(2,880,890)	(4,222,008)	(9,324,354)	(28,393,282)	(45,597,827)	
Closing net book amount	97,631,797	10,447,792	4,339,088	840,057	1,185,475	2,814,187	123,717,352	47,594,819	2,395,010	11,352,323	6,839,110	7,434,989	41,347,132	116,963,384	246,680,736	
As at June 30, 2008																
Cost/Revalued amount	110,256,377	12,673,828	6,740,522	2,499,832	4,884,085	37,621,644	164,811,838	76,271,800	5,400,000	18,809,350	14,513,201	21,110,000	66,188,917	202,299,268	367,105,106	
Accumulated depreciation	(12,624,580)	(2,226,036)	(2,401,434)	(1,659,755)	(3,698,610)	(948,457)	(35,094,486)	(28,676,981)	(3,004,990)	(7,457,027)	(7,674,091)	(13,675,011)	(24,841,785)	(85,329,884)	(120,424,370)	
Net book amount	97,631,797	10,447,792	4,339,088	840,057	1,185,475	2,814,187	123,717,352	47,594,819	2,395,010	11,352,323	6,839,110	7,434,989	41,347,132	116,963,384	246,680,736	
Rate of depreciation (%)	5	15	20	36	36	20	24-30	10-25	10	10-20	15-20	20	20-30			

15.1.1 The following assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(loss) on disposal	Mode of disposal	Buyers
-----Rupees-----							
Assets - Own use							
Vehicles							
	450,500	431,760	18,740	18,740	-	Terms of Employment	Farhan Ahmed
	609,000	548,100	60,900	60,900	-	Terms of Employment	M.Tahir Bhatti
	645,000	619,200	25,800	64,500	38,700	Terms of Employment	Amim Khan
	470,000	185,020	284,980	284,980	-	Terms of Employment	Abid Khan
	620,000	170,500	449,500	449,500	-	Terms of Employment	Shahid Mehmood Shah
	1,376,000	447,200	928,800	928,800	-	Terms of Employment	Ahmed Noor
	939,000	821,625	117,375	117,375	-	Terms of Employment	Haroon Hussain
	620,000	279,000	341,000	341,000	-	Terms of Employment	Arslan Subzwari
	936,000	257,400	678,600	678,600	-	Terms of Employment	Misbah Mazhar
	38,860	35,742	3,118	10,000	6,882	Terms of Employment	Sarfaraz Ahmed
	609,000	563,325	45,675	60,900	15,225	Terms of Employment	Adeel Hussain
	225,000	135,000	90,000	130,027	40,027	Negotiation	Atif Ashraf Khawaja
Tracker	36,000	18,900	17,100	17,100	-	Terms of Employment	Arslan Subzwari
	36,000	31,500	4,500	4,500	-	Terms of Employment	Haroon Hussain
	42,475	11,682	30,793	30,793	-	Terms of Employment	Misbah Mazhar
	7,652,835	4,555,954	3,096,881	3,197,715	100,834		
Furniture & fixture							
	80,000	78,500	1,500	1,500	-	Terms of Employment	Asim Ilyas
	174,850	114,470	60,380	60,380	-	Terms of Employment	Ahmed Noor
	45,000	32,250	12,750	12,750	-	Terms of Employment	Haroon Hussain
	80,000	48,000	32,000	32,000	-	Terms of Employment	M.Tahir Bhatti
	74,700	26,145	48,555	48,555	-	Terms of Employment	Arslan Subzwari
	90,400	13,560	76,840	76,840	-	Terms of Employment	Misbah Mazhar
	544,950	312,925	232,025	232,025	-		
Mobile Phone							
	6,000	4,860	1,140	1,140	-	Terms of Employment	Islahuddin
	8,000	4,660	3,340	3,340	-	Terms of Employment	Haroon Hussain
	8,500	6,885	1,615	1,615	-	Terms of Employment	Arslan Subzwari
	6,000	1,260	4,740	4,743	3	Terms of Employment	Asif Lakhani
	28,500	17,665	10,835	10,838	3		
	8,226,285	4,886,544	3,339,741	3,440,578	100,837		
OPERATING LEASED ASSETS							
Vehicles							
	1,300,000	563,333	736,667	825,000	88,330	Negotiation	Imran Ahmed
	1,680,000	625,800	1,054,200	1,273,000	218,800	Negotiation	Zahid Qadri / M.Azam
	2,375,000	1,167,711	1,207,289	1,256,098	48,809	Negotiation	Asad & Company
	560,000	218,400	341,600	417,000	75,400	Negotiation	Maaz Saleem
	560,000	243,600	316,400	413,500	97,100	Negotiation	Waseem Mirza
	10,420,728	6,426,122	3,994,606	3,000,000	(994,606)	Negotiation	Plastech Private Limited
	2,400,000	1,528,000	872,000	1,020,000	148,000	Negotiation	Mohammad Husnain
	560,000	222,600	337,400	381,000	43,600	Negotiation	Noman Ahmed
	560,000	222,600	337,400	382,000	44,600	Negotiation	Noman Ahmed
	560,000	222,600	337,400	382,000	44,600	Negotiation	Noman Ahmed
	560,000	264,600	295,400	345,000	49,600	Negotiation	Javaid Ghulam Ali
	567,100	218,340	348,760	413,000	64,240	Negotiation	Atif Sajjad
	22,102,828	11,923,706	10,179,122	10,107,598	(71,527)		
	30,329,113	16,810,250	13,518,863	13,548,176	29,310		

	Note	2008 Rupees	2007 Rupees restated
15.2 Capital work in progress			
Electrical equipments		-	832,383
Civil works		-	106,324
		<u>-</u>	<u>938,707</u>

16 ACCRUED AND OTHER LIABILITIES

Accrued liabilities		781,605	822,261
Advance against leases		47,443,621	39,644,450
Unclaimed dividend		807,418	808,204
Accrued employees benefits	16.1	-	184,600
Other liabilities		3,319,009	3,766,296
Dividend accrued on preference shares	23.2	10,237,500	13,650,000
		<u>62,589,154</u>	<u>58,875,811</u>

16.1 STAFF RETIREMENT GRATUITY

The gratuity scheme benefit is payable on the basis of last drawn salary for each year of eligible service or part thereof in accordance with the rules of the gratuity scheme.

The obligations under the scheme were determined through an actuarial valuation using Projected Unit Credit method. Last actuarial valuations was carried out as at June 30, 2008. The significant assumptions of the valuation used by the management for determining their best estimate for the current year are as follows:

	2008 % per annum	2007 % per annum
16.2 Principal actuarial assumptions		
Discount rate	12%	10%
Expected long-term rate of increase in salary level	12%	10%
Expected long-term rate of interest	12%	10%

	2008 Rupees	2007 Rupees
16.3 Reconciliation of provision for gratuity scheme		
Present value of defined benefit obligation	10,522,000	7,329,000
Fair value of any plan assets	(10,140,000)	(8,578,259)
Surplus/ (deficit)	382,000	(1,249,259)
Unrecognized actuarial losses	(275,000)	1,462,259
Transitional liability not yet recognise	(107,000)	(213,000)
	<u>-</u>	<u>-</u>

	Note	2008 Rupees	2007 Rupees		
16.4 Movement in the balance sheet liability					
Balance at beginning of the year		-	417,000		
Expense recognised during the year		2,072,000	1,668,000		
Contribution made during the year		(2,072,000)	(2,085,000)		
Balance at end of the year		<u>-</u>	<u>-</u>		
16.5 Gratuity scheme expense					
Current service cost		1,095,000	950,000		
Interest cost		733,000	759,000		
Expected return on plan assets		(858,000)	(147,000)		
Net actuarial (gain) / loss recognised		996,000	-		
Recognised transitional liability		106,000	106,000		
		<u>2,072,000</u>	<u>1,668,000</u>		
16.6 Actual return on plan assets		<u>553,000</u>	<u>678,939</u>		
16.7 Five years data on surplus / deficit of the plan					
		2008	2007	2006	2005
Present value of defined benefit obligation		(10,926,000)	(7,329,000)	(7,329,000)	(7,590,000)
Fair value of plan assets		10,140,000	8,578,000	6,155,000	2,100,000
(Deficit)/ Surplus		<u>(786,000)</u>	<u>1,249,000</u>	<u>(1,174,000)</u>	<u>(5,490,000)</u>
	Note	2008 Rupees	2007 Rupees		
17 ACCRUED MARK-UP					
Accrued mark-up on:					
Short-term finance		12,311,404	10,552,001		
Long-term finance		51,204,599	43,858,982		
Certificate of investments		16,431,607	9,992,059		
		<u>79,947,610</u>	<u>64,403,042</u>		
18 SHORT TERM FINANCES - other than related party					
Secured					
Under Murabaha finance	18.1	50,000,000	-		
Under repo transaction	18.2	236,000,000	250,000,000		
Unsecured					
Under Musharika arrangement	18.3	450,000	450,000		
Under Murabaha finance	18.4	100,000,000	-		
Under letters of placement	18.5	419,000,000	802,000,000		
		<u>805,450,000</u>	<u>1,052,450,000</u>		
Short term finance					
From Banking companies and other financial institution		805,000,000	1,050,250,000		
Others		450,000	2,200,000		
		<u>805,450,000</u>	<u>1,052,450,000</u>		



- 18.1 This represent finances obtained from banks under a morabaha arrangements and carry mark-up rate ranging from 11.01% to 11.74% (2007: 11.74%). These finances are repayable between June 2008 and July 2008 and are secured against specific charge on certain leased assets and related rentals receivable.
- 18.2 This represents borrowing from commercial banks and financial institutions under repo-arrangements against Pakistan Investment Bonds of Rs. 250 million. These facilities carry mark-up ranging from 9.60% to 13.25% (2007: 9.30 % to 9.65%) per annum. These are repayable between July 26, 2008 to August 29, 2008.
- 18.3 This represents financing arrangements and carry mark-up rate of 10% (2007: 10%) per annum. The facility is repayable on demand.
- 18.4 This represents financing arrangements and carry mark-up rate of 17% (2007: Nil) per annum. The facility is repayable on July 24, 2008.
- 18.5 This represents finances obtained under mark-up arrangements and carry mark-up rate ranging from 10.60% to 17% (2007: 9.25 % to 10.75 %) per annum. These finances are repayable between June 30, 2008 and September 8, 2008.
- 18.6 The company has also obtained running finance facilities from various banks having aggregate limit of Rs. 270 million. Mark-up on these facilities ranges from 1.50% to 3.25% plus 6 months KIBOR (2007: from 1.50% to 3.25% plus 6 months KIBOR). As at the balance sheet date, debit balances in these accounts are shown under balances with banks.

19	CURRENT MATURITY OF NON- CURRENT LIABILITIES	Note	2008 Rupees	2007 Rupees
	Current maturity of:			
	Long term finances	20	516,250,000	568,750,000
	Long term deposits	22	302,123,711	183,823,902
			<u>818,373,711</u>	<u>752,573,902</u>
20.	LONG-TERM FINANCES - secured			
	Term finance certificates	20.1	375,000,000	650,000,000
	SUKUKs	20.1	1,483,456,833	750,000,000
	Long term loans	20.3	260,000,000	687,500,000
			2,118,456,833	2,087,500,000
	Less: Current maturity shown under current liabilities			
	Term finance certificates		125,000,000	275,000,000
	SUKUKs		281,250,000	-
	Long term loans		110,000,000	293,750,000
		19	516,250,000	568,750,000
			<u>1,602,206,833</u>	<u>1,518,750,000</u>

20.1 Principal terms of long-term finances

Particulars	Repayment period		Profit rate per annum	Principal outstanding (Rupees)	
	from	to			
Term finance certificates from financial institution					
Privately placed term finance certificates	Oct-05	Oct-07	6 month KIBOR+1.9% (payable semi annually)	-	150,000,000
Privately placed term finance certificates (3rd Issue)	Sep-07	Mar-11	6 month KIBOR+2.45% (payable semi annually)	375,000,000	500,000,000
				<u>375,000,000</u>	<u>650,000,000</u>
SUKUKs					
Privately placed SUKUK-I	Dec-08	Jun-12	6 month KIBOR+2% (payable semi annually)	742,321,916	750,000,000
Privately placed SUKUK-II	Mar-09	Sep-12	6 month KIBOR+1.95% (payable semi annually)	741,134,917	-
				<u>1,483,456,833</u>	<u>750,000,000</u>

20.2 Term finance certificates and SUKUKs are secured by hypothecation of specific leased assets and associated lease rentals. These facilities were utilized mainly for lease financing activities.

2008 **2007**
Rupees **Rupees**

20.3 Principal terms of long-term loans from banking companies and other financial institutions

Particulars	Repayment period		Profit rate per annum	Principal outstanding (Rupees)	
	from	to			
National Bank of Pakistan	Dec-06	Dec-08	8.25% (payable semi annually)	60,000,000	180,000,000
MCB Bank Limited	Feb-06	Sep-07	6 month KIBOR+1.75% (payable semi annually)	-	12,500,000
United Money Market Fund (Letter of placement)	Dec-07	Dec-10	6 month KIBOR+1.5% (Lump sum on maturity)	100,000,000	-
United Growth Income Fund (Letter of placement)	Dec-07	Dec-10	6 month KIBOR+1.5% (Lump sum on maturity)	100,000,000	-
Meezan Bank Limited	Apr-07	Oct-07	6 month KIBOR+1.5% (Lump sum on maturity)	-	50,000,000
Allied Bank of Pakistan Limited	Dec-06	Sep-07	6 month KIBOR+2.15% (payable semi annually)	-	445,000,000
				260,000,000	687,500,000

* KIBOR-Karachi Interbank Offer Rate

20.4 These facilities are secured by first charge on certain specific assets leased out and related lease rentals receivables.

21 CERTIFICATE OF INVESTMENTS - unsecured

- from commercial banks	535,000,000	275,000,000
- from other financial institutions	-	125,000,000
- others	29,686,468	43,447,754
	564,686,468	443,447,754
Payable within one year	562,100,001	440,861,287
Payable between one to five years	2,586,467	2,586,467
	564,686,468	443,447,754

21.1 These represent deposits under the scheme of certificates of investment introduced with the permission of the Securities and Exchange Commission of Pakistan. These are repayable between July 3, 2007 and May 10, 2010. Certificate of investments carry mark-up ranges from 9.75% to 18.00% (2007: 10.15% to 12.0%) per annum.

	Note	2008 Rupees	2007 Rupees
22 LONG-TERM DEPOSITS			
Security deposits on leases		1,329,998,611	1,123,653,199
Less: current maturity of security deposits		<u>302,123,711</u>	<u>183,823,902</u>
		<u><u>1,027,874,900</u></u>	<u><u>939,829,297</u></u>
22.1	These represent interest free security deposits received against lease contracts and are refundable/adjustable at the expiry/termination of the respective leases.		
23 SHARE CAPITAL			
Authorised capital			
75,000,000 (2007: 50,000,000) ordinary shares of Rs. 10 each		750,000,000	500,000,000
50,000,000 (2007: 50,000,000) preference shares of Rs. 10 each		<u>500,000,000</u>	<u>500,000,000</u>
		<u><u>1,250,000,000</u></u>	<u><u>1,000,000,000</u></u>
Issued, subscribed and paid-up share capital			
22,100,000 (2007: 10,000,000) ordinary shares of Rs. 10 each fully paid in cash		221,000,000	221,000,000
14,200,000 (2007: 14,200,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares		<u>142,000,000</u>	<u>142,000,000</u>
		<u><u>363,000,000</u></u>	<u><u>363,000,000</u></u>
Preference shares			
15,000,000 preference shares-Class A of Rs. 10 each fully paid in cash	23.2	<u>112,500,000</u>	<u>150,000,000</u>
		<u><u>475,500,000</u></u>	<u><u>513,000,000</u></u>
23.1		2008 Number	2007 Number
Movement in number of shares			
Ordinary shares			
Number of the shares at beginning of the year		36,300,000	24,200,000
Issued during the year		-	12,100,000
Number of the shares at end of the year		<u><u>36,300,000</u></u>	<u><u>36,300,000</u></u>
Preference shares			
Number of the shares at beginning of the year		15,000,000	15,000,000
Redeemed during the year	23.2	<u>(3,750,000)</u>	-
Number of the shares at end of the year		<u><u>11,250,000</u></u>	<u><u>15,000,000</u></u>
23.2	The company raised additional equity of Rs. 150 million through right issue of 15 million non-convertible and non-cumulative Preference Shares - Class A of Rs. 10 each in September 2003. These Preference Shares carry preferred right to dividend computed @ 35% of profit after tax and statutory reserves subject to a maximum profit of Rs. 40 million. The Company has the option to redeem these shares after 12 months from the date of the issue. The Preference shareholders have the right to exercise the put option in tranches by giving three months advance notice as per the following schedule:		
No. of shares		Period to exercise put option	
		From	To
3,750,000 Shares (1st redemption)		June-07	November-07
3,750,000 Shares (2nd redemption)		June-08	November-08
3,750,000 Shares (3rd redemption)		June-09	November-09
3,750,000 Shares (4th redemption)		June-10	November-10

23.3 Capital Management Policies and procedures

The Company's objective for managing capital is to safeguard its ability to continue as a going concern in order to continue providing returns to its shareholders. Further, the Company ensures to comply with all the regulatory requirements regarding capital and its management.

Capital requirements applicable to the Company are set and regulated by the Securities and Exchange Commission of Pakistan (SECP). These requirements are put in place to ensure sufficient solvency margins. The Company manages its capital requirement by assessing its capital structure against the required capital level on a regular basis. During the current year, the SECP introduced the following increase in minimum equity for the leasing and housing finance businesses:

Year ending on	Leasing	Housing finance services	Total equity
	-----Rupees-----		
June 30, 2008	350,000,000	300,000,000	650,000,000
June 30, 2009	500,000,000	500,000,000	1,000,000,000
June 30, 2010	700,000,000	700,000,000	1,400,000,000

	Note	2008 Rupees	2007 Rupees
The Company's capital comprise of:			
Issued, subscribed and paid-up share capital		475,500,000	513,000,000
Reserves		244,839,942	42,592,536
		720,339,942	555,592,536
Unrealized loss on available for sale investments		(127,970,512)	(38,266,073)
		<u>592,369,430</u>	<u>517,326,463</u>

In order to meet minimum equity requirement the Board of Directors of the company has passed resolution on June 17, 2008 to surrender Housing Finance licence. The resolution has been filed with Securities and Exchange Commission of Pakistan along with original licence. Through this surrender of licence, the Company has meet equity requirement as required under Regulation 3 of the Non-Banking Finance Companies and Notified Entities Regulations 2007.

24 RESERVES

Capital reserve			
Statutory reserves	24.1	118,867,005	76,505,000
Revenue reserve			
Unappropriated profit		125,972,937	(33,912,464)
		<u>244,839,942</u>	<u>42,592,536</u>
24.1 Balance at beginning of the year		76,505,000	68,605,000
Transferred during the year		42,362,005	7,900,000
Balance at end of the year		<u>118,867,005</u>	<u>76,505,000</u>

Statutory reserve represents profit set aside to comply with regulation.

	Note	2008 Rupees	2007 Rupees restated
25 SURPLUS ON REVALUATION OF PROPERTY			
Surplus on revaluation of properties	25.1	36,577,858	4,859,380
Deferred tax (liability) recognized	25.2	(12,802,250)	(1,700,783)
		<u>23,775,608</u>	<u>3,158,597</u>
25.1 Reconciliation of surplus on revaluation of property			
At the beginning of the year		4,859,380	15,205,372
Surplus during the year		32,190,887	-
Surplus realised on disposal of property		-	(9,634,098)
Surplus realized on account of incremental depreciation		(472,409)	(711,894)
At the end of the year		<u>36,577,858</u>	<u>4,859,380</u>

This represents surplus over book values resulting from revaluation of leasehold-office premises of Karachi and Lahore carried out by independent valuer, Joseph Lobo (Private) Limited, on the basis of professional assessment of present market values on March 19, 2008 and March 25, 2008 respectively. Had there been no revaluation, the written down value of the revalued assets in the balance sheet would have been Rs. 61,959,733.

25.2 Deferred tax liability

At the beginning of the year		1,700,783	5,321,880
Deferred tax liability arise during the year		11,266,810	-
Deferred tax liability realised on disposal of property		-	(3,371,934)
Deferred tax liability realized on account of incremental depreciation		(165,343)	(249,163)
At the end of the year		<u>12,802,250</u>	<u>1,700,783</u>

25.3 During the current year the company has recorded deferred tax liability on surplus on revaluation of property account. The liability has also been recorded for the prior period by restating the surplus on revaluation of office premises in accordance with International Accounting Standard 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Due to impracticability, prior periods effect has been given by recording deferred tax liability on surplus on revaluation of fixed assets as at July 01, 2006.

25.4 Deferred tax assets / (liability)

Deferred tax assets on business loss and unabsorbed depreciation		233,000,000	-
Deferred tax liability on surplus on revaluation of property	25.2	(12,802,250)	(1,700,783)
		<u>220,197,750</u>	<u>(1,700,783)</u>

The Company has an aggregate amount of Rs. 233 million (2007: Rs. 90.86 million) is mainly due to unabsorbed tax losses on which the Company has recognised deferred tax asset amounting to Rs. 233 million. This represents the probable benefit expected to be realized in future years determined on the projected financial statements under prevailing circumstances for the next few years.

26 CONTINGENCIES & COMMITMENTS

26.1 Commitments for lease disbursements		<u>86,718,131</u>	<u>44,541,046</u>
--	--	-------------------	-------------------

26.2 Contingencies

Taxation

Assessments of the company have been finalized upto tax year 2007. Return are deemed to be an assessment order passed by the Commissioner of Income Tax under section 120 of Income Tax Ordinance, 2001. For tax year 2003 an appeal has been filed with ITAT in respect of certain disallowances maintained by the CIT (Appeals) which is pending. The department has also filed an appeal in respect of disallowances and deletions by the CIT (Appeals). The management is confident that disallowance shall be given in favour of the company. The possible financial impact of the above can not be ascertained at this stage.

	Note	2008 Rupees	2007 Rupees
27 INCOME FROM FINANCE LEASE			
Income from finance lease contracts		382,567,337	377,283,789
Hire purchase contracts		643,917	1,440,640
Front end fee and additional lease rentals		7,000	1,632,510
		<u>383,218,254</u>	<u>380,356,939</u>
28 OTHER OPERATING INCOME			
Income from financial assets			
Mark-up on term finance certificates		2,753,971	11,763,336
Mark-up on government securities		17,243,656	17,497,745
Mark-up on musharika		31,997,081	10,916,225
Mark-up on house finance to staff		1,116,674	2,351,715
Profit on Morabaha		2,450,914	1,860,007
Profit on long term advances		476,674	1,561,488
Profit on placements		14,033,267	6,391,776
Gain on disposal of available for sale investments		16,893,253	29,294,121
Dividend income		23,192,914	41,015,526
		110,158,404	122,651,939
Other than financial assets			
Fees, commissions and other charges		4,614,569	4,272,478
Gain on disposal of other investments		-	400,000
Gain/(Loss) on disposal of property and equipment		29,310	18,841,371
		<u>4,643,879</u>	<u>23,513,849</u>
		<u>114,802,283</u>	<u>146,165,788</u>
29 ADMINISTRATIVE, SELLING AND OTHER OPERATING COSTS			
Salaries, allowances and benefits	29.2 & 29.3	44,859,870	40,860,426
Gratuity	16.5	2,072,000	1,668,000
Directors' fee	29.1	289,000	419,000
Staff training and development		1,155,500	505,284
Telephone and fax		1,905,325	1,645,257
Postage and courier		181,562	132,583
Electricity		1,077,872	1,429,201
Office maintenance		1,674,114	1,390,244
Software maintenance		292,988	185,871
Security guards charges		137,000	156,000
Insurance		584,282	449,560
Business promotion expenses		1,557,168	1,364,250
Canteen expenses		324,288	280,069
Vehicle running expenses		6,561,955	6,149,246
Vehicle insurance		720,169	753,878
Traveling and conveyance		1,235,237	1,354,702
Advertisement expenses		489,718	486,586
Printing and stationery		1,687,563	1,213,791
Central depository charges		171,806	30,043
Subscriptions and listing fees		499,250	862,456
Legal and professional charges		3,301,196	2,206,621
Auditors' remunerations	29.4	375,000	452,275
Statutory filing fees		72,660	103,180
Credit rating charges		248,540	358,000
Depreciation	15.1	17,204,545	13,791,359
Rent, rates and taxes		501,945	462,736
Miscellaneous		124,144	106,400
		<u>89,304,697</u>	<u>78,817,018</u>

29.1 Directors' fee

This represents remuneration paid to the non-executive directors of the company for attending meetings of Board meetings.

29.2 Remuneration of chief executive and executives

	2008		2007	
	Chief Executive	Executives	Chief Executive	Executives
R u p e e s			
Managerial remuneration	7,776,000	4,738,118	2,504,000	7,460,400
Housing and utilities	4,276,800	2,468,760	1,406,470	4,103,220
Medical and other perquisites	194,088	400,527	151,368	355,288
Provident fund contribution	777,600	417,420	182,400	746,040
	<u>13,024,488</u>	<u>8,024,825</u>	<u>4,244,238</u>	<u>12,664,948</u>
No. of persons	<u>1</u>	<u>7</u>	<u>2</u>	<u>6</u>

29.2.1 The Chairman, Chief Executive and certain executives were also provided with free use of company owned and maintained cars and certain household items in accordance with their terms of employment.

29.3 Salaries, allowances and benefits include provident fund contribution of Rs.1,984,513 (2007: Rs.1,594,930).

	2008 Rupees	2007 Rupees
29.4 Auditors' remunerations		
These include auditors' remuneration as follows:		
Annual audit	250,000	250,000
Other services	77,500	172,275
Out-of-pocket expenses	47,500	30,000
	<u>375,000</u>	<u>452,275</u>

30 FINANCE COSTS

Markup on :		
long term loans	43,540,462	120,898,453
short term finance	84,330,744	92,899,005
running finance	3,275,227	3,558,271
certificates of investment	59,888,592	83,084,893
term finance certificates	61,520,717	107,187,860
Profit on SUKUKs	169,987,647	7,458,904
Other charges	678,174	907,151
	<u>423,221,563</u>	<u>415,994,537</u>

	Note	2008 Rupees	2007 Rupees
31 DIRECT COST OF OPERATING LEASES			
Maintenance contracts		11,401,505	9,116,708
Depreciation on operating lease assets	15.1	28,393,282	26,901,477
Insurance		2,346,866	2,725,293
Others		438,654	742,649
		<u>42,580,307</u>	<u>39,486,127</u>

32 PROVISION FOR POTENTIAL LEASE AND OTHER LOSSES

Balance at beginning of the year		51,000,000	49,500,000
Provision for the year		10,157,229	1,500,000
Balance at end of the year		<u>61,157,229</u>	<u>51,000,000</u>

33 INCOME TAX EXPENSE

Current

The tax charge for the current year represents minimum charge at 0.5 % of gross income under section 113 of the Income Tax Ordinance, 2001 and tax on dividend income.

33.1 Effective tax rate reconciliation

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 section 113 of the Income Tax Ordinance, 2001 related to minimum tax. The company's tax computation gives rise to a tax loss due to unabsorbed tax depreciation.

34 EARNINGS PER SHARE - basic and diluted

Profit after taxation-Rupees	211,810,024	40,257,893
Minimum dividend attributable to preference shareholders	<u>10,237,500</u>	<u>13,650,000</u>
Profit/(loss) attributable to ordinary shareholders-Rupees	<u>201,572,524</u>	<u>26,607,893</u>
Number of ordinary shares issued and subscribed	<u>36,300,000</u>	<u>27,487,167</u>
Earnings per share-Rupees	<u>5.55</u>	<u>0.97</u>

Earnings per share has been calculated by dividing the net profit for the year attributable to the ordinary shareholders outstanding at the period end by the weighted average number of shares outstanding during the year.

35 SEGMENT INFORMATION

The company has three primary sources of revenue segments i.e. Finance Lease, Operating Lease and Capital Market Operations based on the nature of business and related risk associated with each type of business segment. Other operations, which are not deemed by the management to be sufficiently significant to disclose as separate items are reported under Others.

Segment assets and liabilities included all assets and liabilities related to the segment and relevant proportion of the assets and liabilities allocated to the segment on reasonable basis.

Segment revenue and expenses included all revenue and expenses related to the segment and relevant proportion of the revenue and expenses allocated to the segment on reasonable basis.

	June 30, 2008				
	Finance Lease	Operating Lease	Capital Market	Others	TOTAL
	-----Rupees-----				
Segment revenues	383,218,254	58,594,933	60,083,794	54,718,489	556,615,470
Segment result	334,002,783	14,949,421	54,700,540	50,792,567	454,445,312
Unallocated cost					
Finance cost					423,221,563
Administrative expenses					41,263,175
					464,484,738
(Loss) before income tax					(10,039,426)
Income tax expense					221,849,450
Profit for the year					211,810,024
Other information					
Segment assets	4,003,830,567	116,963,384	591,101,074	651,278,360	5,363,173,384
Unallocated assets					214,100,330
Total assets					5,577,273,714
Segment liabilities	4,107,312,113	74,730,286	377,666,506	275,426,175	4,835,135,079
Unallocated liabilities					125,993,597
Total liabilities					4,961,128,676
Net assets					616,145,038
Capital expenditure	-	53,366,688	-	43,525,364	96,892,052

June 30, 2007

	Finance Lease	Operating Lease	Capital Market	Others	TOTAL
	-----Rupees-----				
Segment revenues	380,356,939	60,307,105	99,570,728	46,595,060	586,829,832
Segment result	343,224,586	19,981,035	92,692,166	40,298,431	496,196,218
Unallocated cost					
Finance cost					411,283,115
Administrative expenses					36,056,810
					447,339,925
Profit before income tax					48,856,293
Income tax expense					8,598,400
Profit for the year					40,257,893
Other information					
Segment assets	3,975,373,073	102,169,100	836,695,159	192,821,577	5,107,058,909
Unallocated assets					245,456,741
Total assets					5,352,515,650
Segment liabilities	4,034,612,444	60,708,047	497,157,451	114,573,011	4,707,050,953
Unallocated liabilities					124,979,636
Total liabilities					4,832,030,589
Net assets					520,485,061
Capital expenditure	-	14,838,055	-	35,155,370	49,993,425

36 RISK MANAGEMENT

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

36.1 Market risk

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

36.2 Credit risk

Credit risk is the risk that one party to financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company controls credit risk by monitoring credit exposure, limiting transaction with specific counter party and continually assessing the credit worthiness of counter parties.

36.3 Liquidity risk

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

36.4 Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of financial instrument will fluctuate due to changes in the market interest rates. The company has adopted appropriate policies to minimize its exposure to this risk.

37 CREDIT RISK AND CONCENTRATION OF CREDIT RISK

The company manages concentration of credit risk exposure through diversification of activities to avoid undue concentrations of risks with individuals, groups of specific industry segment.

An analysis by class of business of the company's net investments in finance leases, hire purchase contracts, term finances and other financial assets is given below:

Sector	2008		2007	
	Rupees	%	Rupees	%
Textile	635,162,365	14.32	798,558,419	16.92
Construction	486,708,378	10.97	213,255,000	4.52
Transport & communication	419,931,140	9.47	516,385,599	10.94
Oil & Gas	394,600,323	8.90	424,080,101	8.98
Food & Beverages	319,317,827	7.20	212,422,419	4.50
Engineering	227,870,098	5.14	255,151,067	5.41
Plastic	214,110,037	4.83	307,239,323	6.51
Consumer leases	148,048,261	3.34	170,914,590	3.62
Health care	124,049,628	2.80	107,025,089	2.27
Travel & tourism	120,224,548	2.71	126,558,185	2.68
Pharmaceutical	113,250,550	2.55	137,545,551	2.91
Advertisement	100,228,905	2.26	56,600,000	1.20
Cement	78,127,028	1.76	170,211,503	3.61
Auto & allied	70,933,785	1.60	69,993,594	1.48
Publications	44,587,217	1.01	44,763,345	0.95
Sugar	41,792,773	0.94	56,971,530	1.21
Glass & ceramics	20,403,961	0.46	34,182,918	0.72
Energy	5,619,403	0.13	45,294,093	0.96
Others	869,944,950	19.62	972,872,519	20.61
Total	4,434,911,177	100.00	4,720,024,844	100

38 FAIR VALUE OF FINANCIAL ASSETS

The fair value of all other financial assets and financial liabilities is estimated to approximate their carrying value.

39 INTEREST RATE SENSITIVITY ANALYSIS

The information about the company's exposure to interest rate risk as at June 30, 2008 on contractual refinancing or maturity dates whichever is earlier is as follows:

Particulars	Total	Exposed to interest rate risk				Not exposed to interest rate risk
		Up to 3 months	3 months to 1 year	1 year to 5 year	Over 5 years	
-----Rupees-----						
Financial assets						
Balances with banks	38,694,002	-	-	-	-	38,694,002
Investments	310,478,842	733,866	3,400,000	3,180,000	-	303,164,976
Short term finances	344,466,034	-	344,466,034	-	-	-
Advances and other receivables	27,725,995	-	2,431,442	-	-	25,294,553
Accrued return on investments	11,886,354	-	-	-	-	11,886,354
Net investment in leases	4,003,830,567	425,299,625	1,275,898,876	2,302,632,066	-	-
Long term deposits	3,139,400	-	-	-	-	3,139,400
Long term finances	86,614,576	7,202,146	21,606,440	57,805,990	-	-
Long term Investments	278,191,450	-	-	-	278,191,450	-
	<u>5,105,027,219</u>	<u>433,235,637</u>	<u>1,647,802,792</u>	<u>2,363,618,056</u>	<u>278,191,450</u>	<u>382,179,284</u>
Financial liabilities						
Accrued and other liabilities	62,589,154	-	-	-	-	62,589,154
Accrued mark-up	79,947,610	-	-	-	-	79,947,610
Short term finances	805,450,000	805,450,000	-	-	-	-
Certificate of investments	564,686,468	548,300,000	13,800,000	2,586,468	-	-
Long - term finances	2,118,456,833	-	516,250,000	1,602,206,833	-	-
Deposits on lease contracts	1,329,998,611	-	-	-	-	1,329,998,611
	<u>4,961,128,676</u>	<u>1,353,750,000</u>	<u>530,050,000</u>	<u>1,604,793,301</u>	<u>-</u>	<u>1,472,535,375</u>
On-balance sheet gap - 2008	143,898,543	(920,514,363)	1,117,752,792	758,824,755	278,191,450	(1,090,356,091)
On-balance sheet gap - 2007	(1,222,042,423)	(47,967,362)	(286,306,418)	(508,610,381)	283,713,281	(662,871,543)

39.1 The effective interest/ mark-up rates for monetary financial assets and liabilities are mentioned in the respective notes to the financial statements.

40 MATURITIES OF ASSETS AND LIABILITIES

	2008				Total
	Upto three months	Three months to one year	One year to five years	Over five years	
-----Rupees-----					
Assets					
Balance with banks	38,694,002	-	-	-	38,694,002
Investments	733,866.00	3,400,000	306,344,976	-	310,478,842
Short term finances	-	344,466,034	-	-	344,466,034
Advances and other receivables	2,431,442	29,666,488	-	-	32,097,930
Accrued return on investments		11,886,354			11,886,354
Advance taxation-net		813,297			813,297
Net investment in leases	425,299,625	1,275,898,876	2,302,632,066	-	4,003,830,567
Deferred cost	-	182,778	-	-	182,778
Long term deposits	-	-	3,139,400	-	3,139,400
Long term finance	7,202,146	21,606,440	57,805,990	-	86,614,576
Long term investments	-	-	-	278,191,450	278,191,450
Tangible fixed assets	-	-	246,680,736	-	246,680,736
Deferred tax asset	-	-	220,197,750	-	220,197,750
	<u>474,361,081</u>	<u>1,687,920,266</u>	<u>2,916,603,167</u>	<u>278,191,450</u>	<u>5,577,273,714</u>
Liabilities					
Accrued and other liabilities	62,589,154	-	-	-	62,589,154
Accrued mark-up	79,947,610	-	-	-	79,947,610
Short term finances	805,450,000	-	-	-	805,450,000
Certificate of investments	548,300,000	13,800,000	2,586,468	-	564,686,468
Long term finances	-	516,250,000	1,602,206,833	-	2,118,456,833
Deposits on lease contracts	-	302,123,711	1,027,874,900	-	1,329,998,611
	<u>1,496,286,764</u>	<u>832,173,711</u>	<u>2,632,668,201</u>	<u>-</u>	<u>4,961,128,676</u>
Net assets - 2008	(1,021,925,683)	855,746,555	283,934,966	278,191,450	616,145,038

	2008 Rupees	2007 Rupees
41 CASH AND CASH EQUIVALENTS		
Balances with banks	<u>38,694,002</u>	<u>39,109,860</u>

42 TRANSACTIONS WITH RELATED PARTIES

The related party of the Company comprises of staff provident fund, staff gratuity fund, Directors, Key Management personnel and companies in which directors are common or a director hold office.

There is no related party transaction during the year.

43 DIVIDEND

The Board of Directors of the company proposed the following appropriations during their meeting held on October 9, 2008.

	2008		2007	
	Rupees	Per share	Rupees	Per share
On ordinary shares	-	-	-	-
On preference shares	10,237,500	0.91	13,650,000	0.91

44 RECLASSIFICATION

Following corresponding figures have been re-classified for better presentation under IAS 1 'Presentation of Financial Statement'.

Description	Reclassification from	Reclassification to	Rupees
Morabaha Finance	Short term finance	Long term finance	15,048,622
Accrued return on investment	Advance, prepayments and other receivables	On the face of balance sheet	17,417,188
Advance taxation	Advance, prepayments and other receivables	On the face of balance sheet	826,487
Other receivables	Advance, prepayments and other receivables	Net investment in leases	4,945,428
Provision for doubtful other receivables	Advance, prepayments and other receivables	Provision for potential lease and other Losses	1,729,842
Accrued mark-up on secured loan	Accrued and other liabilities	Accrued mark-up	46,464,135
Accrued mark-up on unsecured loan	Accrued and other liabilities	Accrued mark-up	17,938,907
Bad debts written off directly	Provision for potential lease and other losses	on the face of profit and loss account	687,857

45 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 9, 2008 by the Board of Directors of the company.



Mohammed Khalid Ali
Chief Executive Officer



M R Khan
Chairman

FORM OF PROXY

I/We _____ of _____

being a member **Security Leasing Corporation Limited** do hereby appoint

_____ of _____ or failing him/her

_____ of _____ or failing him/her

_____ of _____

to be proxy and to vote for me at the Annual General Meeting of the Company to be held on October 30, 2008 and at any adjournment thereof in the same manner as I / We would vote if personally present at such meeting.

Signed this _____ day of _____ 20 _____

Signature: _____

Rupees 5/-
Revenue Stamp

Address: _____

Total Shares Held: _____ Folio/CDC A/c No. _____

Holder of Share Nos. From: _____ To _____

Witness:

Witness:

Name: _____ Name: _____

CNIC: _____ CNIC: _____

Signature: _____ Signature: _____

Address: _____ Address: _____

NOTE:

1. Signature should agree with specimen registered with the company.
2. Proxy to be valid must be deposited with the Company at its registered office not less than forty-eight hours before the meeting.
3. Proxy need not be a member.

For CDC Account Holders/ Corporate Entities:

In addition to the above the following have to be met:

- i) The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii) The proxy shall produce his/her original CNIC or passport at the time of the Meeting.
- iv) In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature shall be submitted (unless it has provided earlier) alongwith proxy form of the Company.