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## Review Report to the Members on Statement of Compliance with best practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) as applicable to Askari Leasing Limited (the Company) for the year ended June 30, 2009 prepared by the Board of Directors of the Company, to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Sub - Regulation (xiii a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 as applicable to the Company for the year ended June 30, 2009.

Chartered Accountants

Islamabad





## **Statement of Compliance with the Code of Corporate of Governance**

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi, Lahore and Islamabad 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.

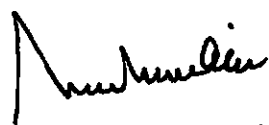
The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes eight non-executive directors of which three independent Directors represent minority shareholders and institutional equity interest.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including Askari Leasing Limited.
3. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred during the year in the Board on 12 June 2009 which was filled up by the Directors within 30 days thereof and subsequently approved by the Securities and Exchange Commission of Pakistan.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors of the Company are professionally qualified and experienced persons and are well aware of their duties and responsibilities. Further, an orientation course for Directors was conducted by the management to apprise all Directors of their duties and responsibilities.
10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.



11. 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.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. All the related party transactions of the Company are executed at arm's length. The related party transactions have been placed before the audit committee and approved by the Board of Directors to comply with the requirements of listing regulation number 35 of the Karachi Stock Exchange (Guarantee) Limited.
16. The Board has formed an Audit Committee. It comprises of three non-executive directors including the Chairman of the Committee.
17. The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. 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.
21. We confirm that all other material principles contained in the Code have been complied with.

Rawalpindi  
September 25, 2009

  
Lt. Gen. (R) Imtiaz Hussain  
Chairman / Director

A.F.Ferguson & Co.  
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**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of Askari Leasing Limited (the Company) as at June 30, 2009 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 conduct 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 account 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, 2009 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 (XVI 11 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 note 1.2 to the financial statements related to the decision of the Board of the Directors of the Company to initiate discussions with Askari Bank Limited for the merger of Askari Leasing Limited with and into Askari Bank Limited (AKBL). The State Bank of Pakistan has granted in-principle approval to both entities to conduct due diligence of each other. The Company has appointed legal and financial consultants to carry out due diligence of AKBL.

Chartered Accountants  
Islamabad

Name of the engagement partner: S. Haider Abbas



**ASKARI LEASING LIMITED**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2009**

ASSETS	Note	2009 Rupees	2008 Rupees
<b>CURRENT ASSETS</b>			
Cash and balance with the State Bank of Pakistan	3	5,960,156	2,696,146
Balances with other banks	4	143,910,986	91,864,131
Investments	5	15,559,971	111,978,999
Financing against deposits	6	27,256,399	33,205,276
Loans and advances	7	15,903,232	71,202,169
Deposits and prepayments	8	30,887,490	13,442,139
Other receivables	9	25,806,224	43,417,209
Accrued markup		15,467,523	20,623,505
Income tax recoverable	10	230,003,141	221,008,830
Assets held for lease		1,351,900	3,443,000
Current portion of net investment in lease finance	11	4,453,261,226	4,026,389,699
		<u>4,965,368,248</u>	<u>4,639,271,103</u>
<b>NON CURRENT ASSETS</b>			
Net investment in lease finance	11	6,076,721,323	6,906,637,275
Long term loans	12	11,645,290	11,967,383
Long term investments	13	705,988,244	735,825,729
Investment property	14	-	18,265,402
Intangible assets	15	3,200,000	3,200,000
Property and equipment	16	66,908,098	68,697,942
		<u>6,864,462,955</u>	<u>7,744,593,731</u>
<b>TOTAL ASSETS</b>		<b>11,829,831,203</b>	<b>12,383,864,834</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued and other liabilities	17	419,445,368	426,148,646
Accrued markup	18	125,154,649	124,359,947
Short term borrowings	19	291,311,296	951,791,733
Current maturity of long term liabilities	20	2,574,444,712	2,288,710,662
		<u>3,410,356,025</u>	<u>3,791,010,988</u>
<b>NON CURRENT AND DEFERRED LIABILITIES</b>			
Long term loans	21	371,640,000	453,333,333
Certificates of investment	22	3,763,640,887	3,936,352,452
Long term accrued mark up on certificates of investment		25,499,335	14,736,902
Provision for compensated absences	23	19,572,000	18,443,684
Deposits on lease contracts	24	2,468,941,610	2,608,192,959
Deferred tax	25	412,372,668	361,906,293
		<u>7,061,666,500</u>	<u>7,390,965,623</u>
<b>TOTAL LIABILITIES</b>		<b>10,472,022,525</b>	<b>11,181,976,611</b>
<b>NET ASSETS</b>		<b>1,357,808,678</b>	<b>1,201,888,223</b>
<b>REPRESENTED BY:</b>			
Share capital	26	517,401,670	449,914,500
Reserves	27	920,630,572	828,054,686
		<u>1,438,032,242</u>	<u>1,277,969,186</u>
Loss on remeasurement of investments	28	(80,223,564)	(76,080,963)
		<u>1,357,808,678</u>	<u>1,201,888,223</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	29		

The annexed notes 1 to 43 form an integral part of these financial statements. The details of valuation of available for sale investments, impairment and impact on profit and loss account are given in note 5.2.

  
 Lt. Gen. (R) Imtiaz Hussain  
 Chairman/ Director

  
 Abdul Waheed  
 Chief Executive

**ASKARI LEASING LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Note	2009 Rupees	2008 Rupees
<b>REVENUE</b>			
Lease income	31	1,141,291,251	1,036,142,835
Income on investments	32	95,109,743	101,026,295
Other income	33	51,106,104	35,600,023
		<u>1,287,507,098</u>	<u>1,172,769,153</u>
<b>EXPENDITURE</b>			
Finance and bank charges	34	777,668,133	713,855,013
General and administrative expenses	35	234,767,675	219,350,616
		<u>1,012,435,808</u>	<u>933,205,629</u>
<b>PROFIT BEFORE PROVISION</b>		<u>275,071,290</u>	<u>239,563,524</u>
Provision for doubtful receivables		-	(23,327,816)
Allowance for potential lease losses		(42,272,078)	(24,149,130)
Impairment loss on available for sale investment	28	(17,498,070)	-
Share of (loss) / profit of associated company		(4,771,711)	2,654,660
<b>PROFIT BEFORE TAX</b>		<u>210,529,431</u>	<u>194,741,238</u>
Provision for taxation		50,466,375	41,545,024
<b>PROFIT AFTER TAX</b>		<u>160,063,056</u>	<u>153,196,214</u>
Earnings per share - basic and diluted (Rupees)	37	<u>3.09</u>	<u>2.96</u>

The annexed notes 1 to 43 form an integral part of these financial statements. The details of valuation of available for sale investments, impairment and impact on profit and loss account are given in note 5.2.



Lt. Gen. (R) Imtiaz Hussain  
Chairman/ Director



Abdul Waheed  
Chief Executive

**ASKARI LEASING LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	2009 Rupees	2008 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	210,529,431	194,741,238
Adjustments for :		
Depreciation	21,494,792	22,865,389
Allowance for potential lease losses	42,272,078	24,149,130
Provision for doubtful receivables	-	23,327,816
Profit on sale of property and equipment	(1,347,064)	(2,268,741)
Profit on sale of investment property	(6,495,660)	-
Income on investments	(96,464,925)	(89,043,961)
Impairment loss on available for sale investment	17,498,070	-
Amortization of loss on revaluation of PIBs classified in prior years as available for sale	6,968,819	3,898,179
Share of loss / (profit) of associated company	4,771,711	(2,654,660)
Investment in term finance certificate written off	1,355,182	-
Dividend income	-	(6,168,868)
Profit on certificates of investment	528,944,987	496,300,373
Mark up expense on borrowings	234,582,523	202,451,921
	<u>753,560,513</u>	<u>672,856,578</u>
Operating profit before working capital changes	964,089,944	867,597,816
Changes in current assets and liabilities (Increase)/decrease in :		
Financing against deposits	5,948,877	(23,182,628)
Loans and advances	55,487,441	(44,949,638)
Deposits and prepayments	(17,445,351)	1,185,504
Other receivables	17,610,985	(32,217,245)
Assets held for lease	2,091,100	24,969,390
	<u>63,693,052</u>	<u>(74,194,617)</u>
Increase/(decrease) in Accrued and other liabilities	(6,629,197)	228,311,950
Cash generated from operations	<u>1,021,153,799</u>	<u>1,021,715,149</u>
Deposits on lease contracts	222,974,162	430,744,320
Investment in lease finance (net)	360,772,347	(631,249,279)
Profit paid on certificates of investment	(507,904,380)	(468,380,690)
Mark up paid on borrowings	(244,045,995)	(218,229,193)
Provision for compensated absences	1,128,316	2,771,674
Dividend received	-	6,168,868
Income on investment received	101,620,907	95,081,117
Income taxes paid	(8,994,311)	(11,475,156)
	<u>(74,448,954)</u>	<u>(794,568,339)</u>
Net cash generated from operating activities	<u>946,704,845</u>	<u>227,146,810</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property and equipment purchased	(22,348,020)	(33,205,039)
Sale proceeds of property and equipment	4,751,198	6,815,322
Sale proceeds of investment property	24,000,000	-
Long term loans (net)	133,589	(4,496,813)
Investments	91,520,129	97,336,654
Net cash generated from investing activities	<u>98,056,896</u>	<u>66,450,124</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Certificates of investment (net)	(166,201,359)	235,013,467
Dividend paid	(74,080)	(42,482,254)
Long term loans (net)	(312,695,000)	(690,820,000)
Net cash used in financing activities	<u>(478,970,439)</u>	<u>(498,288,787)</u>
Net Increase / (decrease) in cash and cash equivalents	565,791,302	(204,691,853)
Cash and cash equivalents at the beginning of the year	<u>(707,231,456)</u>	<u>(502,539,603)</u>
Cash and cash equivalents at the end of the year - note 39	<u>(141,440,154)</u>	<u>(707,231,456)</u>

The annexed notes 1 to 43 form an integral part of these financial statements.

*Imtiaz Hussain*

Lt. Gen. (R) Imtiaz Hussain  
Chairman/ Director

Abdul Waheed  
Chief Executive



**ASKARI LEASING LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2009**

						Rupees
	Share capital	Reserve fund	General reserve	Reserve for contingencies	Unappropriated profit	Total
Balance as at June 30, 2007 - as previously stated	428,490,000	260,243,066	184,000,000	105,000,000	170,182,243	1,147,915,309
Effect of change in valuation of investment in associated company	-	3,941,333	-	-	15,765,330	19,706,663
Balance as at June 30, 2007 - restated	428,490,000	264,184,399	184,000,000	105,000,000	185,947,573	1,167,621,972
Issue of bonus shares - subsequent to year end	21,424,500				(21,424,500)	-
Cash dividend - for the year ended June 30, 2007 declared subsequent to year end	-	-	-	-	(42,849,000)	(42,849,000)
Net profit for the year	-	-	-	-	153,196,214	153,196,214
Transferred during the year	-	30,639,243	45,000,000	-	(75,639,243)	-
Balance as at June 30, 2008	449,914,500	294,823,642	229,000,000	105,000,000	199,231,044	1,277,969,186
Issue of bonus shares - subsequent to year end	67,487,170	-	-	-	(67,487,170)	-
Net profit for the year	-	-	-	-	160,063,056	160,063,056
Transferred during the year	-	32,012,611	70,000,000	-	(102,012,611)	-
Balance as at June 30, 2009	<u>517,401,670</u>	<u>326,836,253</u>	<u>299,000,000</u>	<u>105,000,000</u>	<u>189,794,319</u>	<u>1,438,032,242</u>

The annexed notes 1 to 43 form an integral part of these financial statements.

Lt. Gen. (R) Imtiaz Hussain  
 Chairman/ Director

Abdul Waheed  
 Chief Executive

**ASKARI LEASING LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**1. COMPANY AND ITS OPERATIONS**

1.1 Askari Leasing Limited (the Company) was incorporated and domiciled in Pakistan as a public limited company on August 1, 1993 and was granted certificate of commencement of business on November 3, 1993. The Company is controlled by Army Welfare Trust (AWT), which owns 57.66% of the Company's shares. The Company is listed on the Karachi, Lahore and Islamabad Stock Exchanges and principally carries on the business of leasing.

Registered office of the Company is situated at AWT Plaza, Mall Road, Rawalpindi.

1.2 The Board of Directors of Askari Leasing Limited in its meeting held on June 23, 2009 has given an in-principle approval to initiate discussions with Askari Bank Limited (AKBL) for the possible merger of the Company with and into AKBL. The State Bank of Pakistan has granted in-principle approval to both entities to conduct due diligence of each other. Subsequent to the year end, the Company has appointed consultants to carry out due diligence of AKBL.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan, the requirements of the Companies Ordinance, 1984 (the Ordinance), the Non Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) and Prudential Regulations for NBFCs undertaking the leasing business. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Ordinance and provisions of and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

**Adoption of new and revised standards and interpretations**

During the year, the Company has adopted IFRS 7 - Financial Instruments: Disclosures. Adoption of this standard only impacts the format and extent of disclosures as presented in note 37 to the financial statements.

Standards, amendments and interpretations issued but not yet effective:

	Effective for years beginning on or after
IFRS 1	July 1, 2009
IFRS 2	January 1, 2009
IFRS 3	July 1, 2009
IFRS 4	January 1, 2009
IFRS 5	January 1, 2009
IFRS 7	January 1, 2009
IFRS 8	January 1, 2009
IAS 1	January 1, 2009
IAS 7	January 1, 2009
IAS12	January 1, 2009
IAS 16	January 1, 2009
IAS 18	January 1, 2009
IAS 19	January 1, 2009
IAS 20	January 1, 2009
IAS 21	January 1, 2009
IAS 23	January 1, 2009
IAS 27	July 1, 2009
IAS 28	January 1, 2009

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		Effective for years beginning on or after
IAS 31	Interests in joint ventures (Amendments)	January 1, 2009
IAS 32	Financial Instruments: Presentation (Amendments)	January 1, 2009
IAS 33	Earnings per share (Amendments)	January 1, 2009
IAS 34	Interim financial reporting (Amendments)	January 1, 2009
IAS 36	Impairment of assets (Amendments)	January 1, 2009
IAS 38	Intangible assets (Amendments)	January 1, 2009
IAS 39	Financial instruments: Recognition and measurement (Amendments)	January 1, 2009
IAS 40	Investment property (Amendments)	January 1, 2009
IFRIC 2	Member's share in corporate entities and similar liabilities (Amendments)	January 1, 2009
IFRIC 4	Determining whether an Arrangement contains a Lease	July 1, 2010
IFRIC 14	The limit on a defined benefit asset, minimum funding requirements and their interaction (Amendments)	January 1, 2009
IFRIC 15	Agreements for the construction of real estate	January 1, 2009
IFRIC 16	Hedges of a net investment in a foreign operation	October 1, 2008
IFRIC 17	Distributions of non-cash assets to owners	July 1, 2009

The management anticipates that adoption of above standards, amendments and interpretations in future periods will have no material impact on the Company's financial statements except for additional disclosures.

## 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention as modified for investments classified as available for sale which are stated at fair value, and certain other modifications as required by International Financial Reporting Standards referred to in the accounting policies given below.

## 2.3 Investments

### *Investment in associates*

Associates are those entities in which the Company has significant influence but not control over the financial and operating policies. Investment in associates where significant influence can be established is accounted for under the equity method. Investment is initially recognised at cost and the carrying amount is increased or decreased to recognize the company's share of the profit or loss of the associate after the date of its acquisition and the company's share in the associates' equity that has not been recognized in the associates' profit and loss account. The Company's share of profit or loss is recognised in the income statement. Distribution received from the investee reduces the carrying amount of the investment. This method is applied from the date when significant influence commences until the date when significant influence ceases.

### *Investments at fair value through profit and loss account*

#### *1) Held for trading*

Investments or derivatives (except for a derivative that is a financial guarantee contract or a designated effective hedging instrument) which are acquired with the intention of selling or purchasing in near term and there is evidence of recent actual pattern of short-term profit-taking are classified in the held for trading sub category of investments at fair value through profit and loss account. These are stated at fair values with any resulting gains or losses recognized in profit and loss account.

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**ii) Designated at fair value upon initial recognition**

Investments are classified upon initial recognition as investments at fair value through profit and loss account if it results in more relevant information.

**Held to maturity**

Investments with fixed or determinable payments and fixed maturity, which the management have the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortized cost, using the effective interest rate method less impairment losses, if so determined.

**Available for sale**

Investments which could not be classified as held for trading or held to maturity are classified as available for sale and are stated at fair value. Any difference in the carrying amount and the fair value is taken to the "Unrealised gain / (loss) on remeasurement of available for sale investments to their fair value" and shown under shareholders' equity until the investment is sold or otherwise disposed of, or until the investment is determined to be impaired, at which time, the cumulative gain / (loss) previously reported in equity is included in the profit and loss account.

The fair value of investments representing listed equity and other securities are determined on the basis of year-end bid prices obtained from stock exchange quotations and quotes from brokers.

**2.4 Repurchase and resale transactions**

Transactions of repurchase (repo) and resale (reverse repo) of securities at contracted rates for a specified period of time, following the trade date accounting, are recorded as follows:

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

**2.5 Net Investment in lease finance**

Leases in which the Company transfers substantially all the risk and rewards incidental to the ownership of an asset to the lessees are classified as finance lease. These are stated at present value of minimum lease payments under the agreements.

The allowance for potential lease losses is maintained at a level which, in the judgment of the management, is adequate to provide for potential losses on lease portfolio that can be reasonably anticipated. The allowance is increased by provisions charged to income and is decreased by amount written off, net of recoveries. The Company maintains provision for potential lease losses in accordance with Prudential Regulations for NBFCs.

**2.6 Investment property**

Land and / or building not held for own use or for sale in the ordinary course of business is classified as investment property. The Company had opted for the Cost Model for measurement of its investment property. The investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged to income applying the straight line method whereby cost of the investment property is written off over its estimated useful life after taking into account its residual value. In respect of additions during the year, depreciation is charged from the month of acquisition and up to the month of deletion respectively. Minor maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gains and losses on disposal of investment property, if any, are taken to the profit and loss account.

## 2.7 Property and equipment

These are stated at cost less accumulated depreciation except land and any identified impairment loss.

Depreciation is charged to income applying the straight line method whereby cost of the asset is written off over its estimated useful life after taking into account its residual value. In respect of additions and deletions of assets during the year, depreciation is charged from the month of acquisition and up to the month of deletion respectively. Minor maintenance and repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Gains and losses on disposal of assets, if any, are taken to profit and loss account.

## 2.8 Intangible assets

Cost of computer software is recognized as intangible asset if it is probable that future economic benefits that are attributable to the software will flow to the Company and that cost of such asset can also be measured reliably. It is stated at cost less accumulated amortisation and impairment loss, if any. Cost of intangible asset is amortised over its estimated useful life.

## 2.9 Impairment

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the asset's recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are charged to profit and loss account.

## 2.10 Taxation

### *Current*

The charge for current taxation is based on taxable income at the current tax rates after taking into account tax credits and tax rebates available, if any. Income for the purpose of computing provision for current taxation is determined under the provisions of the tax laws whereby lease rentals received or receivable are deemed to be income.

### *Deferred*

The Company's policy is to provide deferred tax using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable income.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credit can be utilised. Deferred tax is calculated at the rates that are expected to apply to the period when the temporary differences reverse, based on tax rates that have been enacted. Deferred tax is recognized in the profit and loss account except for items recognized directly in equity in which case it is included in equity.

## 2.11 Revenue recognition

### *Finance lease income*

The Company follows the Finance Method to recognize income on finance leases. At the commencement of lease, total unearned finance lease income consists of excess of aggregate receivables under the lease contract over the cost of the leased asset.

Unearned finance income (UEFI) is allocated to income over the lease term by applying the annuity method to produce a constant periodic return on net investment in the lease finance. Lease payments relating to the period are applied against the gross investment in lease to reduce both principal and UEFI. For the purpose of allocating UEFI to income, interest rate implicit in the finance lease is computed by discounting the lease key money at the inception of the lease term when this amount is receivable.

Unrealized lease income is suspended where necessary, in accordance with the requirements of Prudential Regulations for NBFCs.

Front end fee, commitment charges, fines and penalties, gain on termination of lease contracts etc. are recognized as income when realized.

***Operating lease income***

Rental income from assets given on operating lease is recognized on time proportion basis.

***Income on bank deposits and investments***

Interest income on investments and bank deposits is accounted for using the effective interest rate method.

***Dividend income***

Dividend income is recognised when the Company's right to receive the dividend has been established.

***Gain on sale of investments***

Gain and loss on sale of investments is credited/charged to profit and loss account in the period in which it arises.

**2.12 Staff retirement benefits**

***Defined contribution plan***

The Company operates a recognized contributory provident fund scheme (the Fund) for all eligible employees. Equal monthly contributions are made to the Fund by the Company and by the employees at the rate of 8.33% of the basic salary.

***Defined benefit plan***

The Company also operates an approved funded gratuity plan, for all eligible employees completing the minimum qualifying period of service as specified by the scheme. Contribution is made to cover obligations under the scheme in accordance with the actuarial recommendations using the Projected Unit Credit Method. The obligation is measured at the present value of the estimated future cash flows.

Actuarial gains/losses in excess of the 'corridor' (10% of the higher of the fair value of the plan assets or present value of the defined benefit obligation) at the current reporting date are recognized over the expected average remaining working life of employees participating in the plan.

***Compensated absences***

The Company also provides for compensated absences according to the Company's rules. Liability for unfunded scheme is recognized on the basis of actuarial valuation using the "Projected Unit Credit Method". Provision for the year is charged to profit and loss account. The amount recognized in the balance sheet represents the present value of defined benefit obligations.

**2.13 Provisions**

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

**2.14 Foreign currency transactions and translations**

Transactions in foreign currencies are accounted for in rupees at the rates of exchange ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the rate of exchange ruling at the balance sheet date, except for liabilities covered under State Bank of Pakistan exchange risk cover scheme, if any, which are translated at contracted rates. Exchange gains and losses are taken to the profit and loss account.

## **2.15 Financial instruments**

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

## **2.16 Offsetting**

Financial assets and liabilities are set off at the year end and net amount is reported in the balance sheet, if the Company has a legally enforceable right to set off the transaction and also intends to realize the asset and discharge the liability simultaneously. Corresponding income on assets and charges on liabilities are reported at net amounts.

## **2.17 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and at banks. For the purpose of cash flow statement, cash and cash equivalents are presented net of bank overdraft which are repayable on demand.

## **2.18 Receivables**

These are recognised and carried at original invoice amount/cost less an allowance for any uncollectible amounts. Carrying amounts of receivables are assessed on a regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made.

## **2.19 Non-current assets held for sale**

The Company classifies a non-current asset or (disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The Company measures a non-current asset (or disposal group) as held for sale at the lower of its carrying amount and fair value less costs to sell.

## **2.20 Dividend distribution**

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

## **2.21 Use of critical accounting estimates and judgments**

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

- (i) Classification of investments
- (ii) Provision against investments and advances
- (iii) Useful life of property and equipment
- (iv) Provision for staff retirement benefits
- (v) Provision for current and deferred tax

## **2.22 Appropriation subsequent to balance sheet date**

Appropriations (other than statutory requirements) subsequent to year end are recognized during the year in which those appropriations are approved by the Board of Directors/shareholders.

## **2.23 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 Pakistan Rupees, which is the Company's functional currency.



	2009 Rupees	2008 Rupees
<b>3. CASH AND BALANCE WITH THE STATE BANK OF PAKISTAN</b>		
Cash in hand	515,000	515,000
Balance with the State Bank of Pakistan	<u>5,445,156</u>	<u>2,181,146</u>
	<u>5,960,156</u>	<u>2,696,146</u>
<b>4. BALANCES WITH OTHER BANKS</b>		
Current accounts	3,154,124	3,132,178
Deposit accounts	<u>140,756,862</u>	<u>88,731,953</u>
	<u>143,910,986</u>	<u>91,864,131</u>
<b>5. INVESTMENTS</b>		
Available for sale		
Short term placements	-	50,000,000
Equity investments - note 5.1	15,559,971	44,594,444
Current maturity of long term investments - note 13	-	17,384,555
	<u>15,559,971</u>	<u>111,978,999</u>

5.1 These represent ordinary shares/units held in the following entities:

	No. of units/ shares		Par value	2009	2008
	2009	2008	per unit/ share	Rupees	Rupees
JS Large Capital Fund	5,000,000	5,000,000	10	50,000,000	50,000,000
Dewan Cement Limited	3,625	3,625	10	57,827	57,827
				<u>50,057,827</u>	<u>50,057,827</u>
Unrealised (loss) on remeasurement of investments				(34,497,856)	(5,463,383)
Fair value of investments				<u>15,559,971</u>	<u>44,594,444</u>

5.2 In terms of Securities and Exchange Commission of Pakistan (SECP) notification SRO 150(1)/2009 dated February 13, 2009 and as explained in note 4.3 to the condensed interim financial statements for the half year ended December 31, 2008, the Company opted for reflecting the impairment loss of Rs 38.797 million under equity whereby this amount shall be charged to profit and loss account on a quarterly basis during the calendar year 2009 after taking into account the adjustments / effect of price movements during each quarter.

As allowed by the circular, the above impairment loss on investment held as 'Available for sale' as on December 31, 2008 including adjustment for price movements has been taken to profit and loss account to the extent of Rs 8.998 million and Rs 8.5 million during the quarters ended March 31, 2009 and June 30, 2009 respectively.

Had the company applied International Accounting Standard "Financial Instruments: Recognition and Measurement" (IAS 39), the remaining impairment loss of Rs 17 million included in the unrealized loss on remeasurement of available for sale investments to their fair value shown under equity, would have been recognized in the profit and loss account and resultantly, the profit before/after tax would have been lower by this amount.

The remaining impairment loss of Rs 17 million, included in the unrealized loss on remeasurement of available for sale investments to their fair value as at June 30, 2009 shown under equity, shall be treated as a charge to profit and loss account for the purposes of distribution of dividend.



6. FINANCING AGAINST DEPOSITS - CONSIDERED GOOD

These are secured against lien on certificates of investment issued by the Company. The expected rate of profit ranges between 13% to 17.5% (2008: 11% to 13.5%) per annum.

	2009 Rupees	2008 Rupees
<b>7. LOANS AND ADVANCES</b>		
<b>Considered good</b>		
Current portion of long term loans - note 12	847,598	659,094
<b>Advance to employees</b>		
Executives - note 7.1	19,916	167,103
Other employees	2,740,907	2,012,421
	2,760,823	2,179,524
Advance against lease - note 7.2	2,478,000	13,118,775
Advance to dealers and manufacturers	5,380,567	51,445,722
Other advances	4,436,244	3,799,054
	15,903,232	71,202,169
<b>Considered doubtful</b>		
Advances to dealers	25,459,588	25,459,588
Other advances	568,345	568,345
Less: Provision for doubtful receivables - note 7.3	26,027,933	26,027,933
	-	-
	15,903,232	71,202,169

7.1 Reconciliation of carrying amount of advances to executives:

Balance as at July 1	167,103	215,057
Add : Disbursements during the year	-	150,000
	167,103	365,057
Less : Repayments	147,187	197,954
	19,916	167,103

Maximum aggregate amount at the end of any month during the year in respect of advance to executives was Rs.155 thousand (2008: Rs. 328 thousand).

7.2 Advance against lease

This represents advance to suppliers on behalf of lessees in respect of assets to be leased. Lessees are being charged mark-up ranging between 15.8% to 17.5% (2008: 16% to 16.5%) per annum against the advance.

	2009 Rupees	2008 Rupees
<b>7.3 Provision for doubtful receivables</b>		
Balance as at July 1	26,027,933	2,700,117
Provision for the year	-	23,327,816
Balance as at June 30	26,027,933	26,027,933

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	2009 Rupees	2008 Rupees
<b>8. DEPOSITS AND PREPAYMENTS</b>		
Deposits	8,163,150	7,569,650
Prepayments	22,724,340	5,872,489
	<u>30,887,490</u>	<u>13,442,139</u>
<b>9. OTHER RECEIVABLES</b>		
Considered good		
Receivable from Askari Bank Limited (AKBL) an associated company	1,655,639	4,276,021
Insurance premium refundable on lease termination	3,975,789	4,365,860
Receivable from customers	19,050,856	34,279,397
Others	1,123,940	495,931
	<u>25,806,224</u>	<u>43,417,209</u>
Considered doubtful		
Others	26,108,990	26,108,990
Less: Provision for doubtful receivables - note 9.1	26,108,990	26,108,990
	<u>25,806,224</u>	<u>43,417,209</u>
<b>9.1 Provision for doubtful receivables</b>		
Balance as at July 1	26,108,990	26,108,990
Provision for the year	-	-
Balance as at June 30	<u>26,108,990</u>	<u>26,108,990</u>
<b>10. INCOME TAX RECOVERABLE</b>		
Advance income tax	166,307,968	157,313,657
Income tax recoverable from tax department	94,965,632	94,965,632
	<u>261,273,600</u>	<u>252,279,289</u>
Less: Provision for taxation	31,270,459	31,270,459
	<u>230,003,141</u>	<u>221,008,830</u>

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	2009 Rupees	2008 Rupees
<b>11. NET INVESTMENT IN LEASE FINANCE</b>		
Minimum lease rental receivables	8,773,390,957	9,548,569,396
Add: Residual value	3,776,323,418	3,536,419,127
Gross investment in lease finance	12,549,714,375	13,084,988,523
Less: Unearned finance income	1,541,618,641	1,716,120,442
Net investment in lease finance	11,008,095,734	11,368,868,081
Less: Allowance for potential lease losses - note 11.3	478,113,185	435,841,107
Current maturity	4,453,261,226	4,026,389,699
	4,931,374,411	4,462,230,806
	6,076,721,323	6,906,637,275

11.1 Maturity and terms of lease finance

	Gross investment		Net investment in lease finance	
	2009 Rupees	2008 Rupees	2009 Rupees	2008 Rupees
Less than one year	5,306,141,225	4,938,976,104	4,453,261,226	4,026,389,699
One year to five years	7,243,573,150	8,146,012,419	6,554,834,508	7,342,478,382
	12,549,714,375	13,084,988,523	11,008,095,734	11,368,868,081
Less: Unearned finance income	1,541,618,641	1,716,120,442		
	11,008,095,734	11,368,868,081		

Lease agreements carry mark-up ranging from 7.5% to 28% (2008: 7.5% to 25%) per annum. The agreements are usually for a period of three to five years. In certain cases, in addition to leased assets the leases are secured against certificates of investment, personal guarantees and charge on properties of lessees.

11.2 Due from associated undertakings

	Maximum balance during the year		Balance at year end	
	2009 Rupees	2008 Rupees	2009 Rupees	2008 Rupees
Askari Aviation (Pvt) Limited	489,310	2,379,556	6,333	339,585
Askari Travels and Tours (Pvt) Limited	415,047	846,964	147,473	301,433
Askari Guards (Pvt) Limited	614,173	673,196	436,944	506,965
Askari Securities Limited	951,420	-	723,826	-

11.3 Movement of allowance for potential lease losses

	2009 Rupees	2008 Rupees
Balance as at July 1	435,841,107	411,691,977
Provision for the year	42,272,078	24,149,130
Balance as at June 30	478,113,185	435,841,107

	2009 Rupees	2008 Rupees
<b>12. LONG TERM LOANS</b>		
Considered good		
- Chief executive - note 12.1	3,874,474	4,000,000
- Executives - note 12.1	855,047	982,472
- Other employees	7,763,367	7,644,005
	<u>12,492,888</u>	<u>12,626,477</u>
Less: Current maturity - note 7	847,598	659,094
	<u>11,645,290</u>	<u>11,967,383</u>

**12.1 Reconciliation of carrying amounts of loans to executives**

	2009		2008	
	Chief Executive	Executives	Chief Executive	Executives
Balance as at July 1	4,000,000	982,472	-	1,102,833
Add : Disbursements during the year	-	-	4,000,000	-
	<u>4,000,000</u>	<u>982,472</u>	4,000,000	1,102,833
Less : Repayments	125,526	127,425	-	120,361
	<u>3,874,474</u>	<u>855,047</u>	<u>4,000,000</u>	<u>982,472</u>

12.2 These long term loans represent house and transport loans granted to employees in accordance with Employees' Service Regulations. These are repayable within a period of 2 to 20 years and carry mark-up rates ranging between 5% to 7.5% (2008: 5% to 7.5%) per annum.

12.3 Maximum aggregate amount at the end of any month during the year in respect of loans to chief executive / executives was Rs. 4,962 thousand (2008: Rs. 4,992 thousand).

	2009 Rupees	2008 Rupees
<b>13. LONG TERM INVESTMENTS</b>		
Investment in associated company - note 13.1	25,669,455	30,441,166
Others		
Available for sale		
Term Finance Certificates - note 13.2	-	45,454,114
Held to maturity investments		
Pakistan Investment Bonds- note 13.3	680,318,789	677,315,004
	<u>705,988,244</u>	<u>753,210,284</u>
Less: Current maturity-note 5		
Term Finance Certificates	-	17,384,555
	<u>705,988,244</u>	<u>735,825,729</u>

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	2009 Rupees	2008 Rupees
13.1 Investment in associated company		
Balance at beginning of the year	30,441,166	27,786,506
Share of (loss) / profit for the year	<u>(4,771,711)</u>	<u>2,654,660</u>
Balance at end of the year	<u>25,669,455</u>	<u>30,441,166</u>

Investment in associated company represents 10% (2008: 10%) investment in the equity of Askari General Insurance Company Limited (AGICO), a listed company incorporated in Pakistan. Although the Company has less than 20 percent shareholding in AGICO, it has been treated as an associated company since the Company is in position to exercise influence by virtue of its representation on the Board of Directors of AGICO. Market value of this investment as at June 30, 2009 was Rs. 50,516 thousand (2008: Rs. 84,054 thousand). The audited financial statements of AGICO for the year ended June 30, 2009 were not available, however the summarized financial position and results given below are based on the most recent available financial statements as at June 30, 2009.

	2009 Rupees	2008 Rupees
Assets	1,348,947,151	1,224,284,420
Liabilities	1,092,252,601	919,872,760
Equity	256,694,550	304,411,660
Net premium revenue for the year	699,582,309	531,496,913
(Loss) / profit after tax for the year	(47,717,110)	26,546,598
Holding of the Company	10%	10%

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	2009 Rupees	2008 Rupees
13.2 Term Finance Certificates		
Principal outstanding	-	45,879,097
Premium - net of cumulative amortization	-	-
	-	45,879,097
Unrealised (loss) on remeasurement of investment	-	(424,983)
Fair value of investment	-	45,454,114

Particulars	No. of certificates		Profit repayment frequency	Rates % per annum	Face value per certificate Rupees	Maturity Date	2009 Rupees	2008 Rupees
	2009	2008						
Term Finance Certificates								
Quoted								
Bank Alfalah Limited	-	803	Semi annually	15	5,000	December 19, 2008	-	2,003,486
Crescent Standard Investment Bank Limited	-	1,844	Semi annually	13.5	5,000	July 8, 2007	-	1,355,182
Pakistan Services Limited	-	31	Semi annually	13.5	5,000	November 12, 2008	-	22,129
							-	3,380,797
Un-quoted								
Pakistan International Airlines Corporation - note 13.2.1								
	-	10,000	Semi annually	8	5,000	February 20, 2011	-	42,498,300
							-	45,879,097
Unrealised loss on remeasurement of investment							-	(424,983)
Fair value of investment							-	45,454,114

13.2.1 During the year Pakistan International Airlines Corporation has exercised the call option of their Term Finance Certificate issue and has prepaid the outstanding principal and mark-up thereon.

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			2009 Rupees	2008 Rupees
<b>13.3 Pakistan Investment Bonds (PIBs)</b>				
Maturity dates	Profit repayment	Rates % per annum		
April 25, 2012	Semi annually	11	302,139,698	302,760,379
October 6, 2013	Semi annually	8	91,105,606	89,530,552
June 30, 2013	Semi annually	9	117,949,936	116,603,368
June 10, 2024	Semi annually	10	169,123,549	168,420,705
			<u>680,318,789</u>	<u>677,315,004</u>

The Face value of investment in PIB's as at June 30, 2009 was Rs 725,000 thousand (2008: 725,000) and fair value of investment in PIBs as at June 30, 2009 was Rs 663,883 thousand (2008: Rs. 677,954 thousand). The effective interest rate on these PIBs ranges from 11.44% to 12.80% per annum. Consequent to reclassification of PIBs from available for sale investment to held to maturity investment effective April 1, 2008, the unrealised loss of Rs 74,091 thousand at the date of such reclassification is being amortised to profit and loss account over the remaining period of PIBs. Balance of unamortised unrealised loss as at June 30, 2009 was Rs 63,224 thousand (2008: Rs. 70,193 thousand).

This investment is held in accordance with the Regulation 14(4)(i) of the Non-Banking finance companies and Notified Entities Regulations, 2008.

		2009 Rupees	2008 Rupees
<b>14. INVESTMENT PROPERTY</b>			
Gross carrying value		-	45,663,552
Less: Accumulated depreciation			
Balance as at July 1		27,398,150	22,831,792
Charge for the year		761,062	4,566,358
Reversal for the year		(28,159,212)	-
Balance as at June 30		-	27,398,150
		<u>-</u>	<u>18,265,402</u>

The investment property was disposed off during the year.

**15. INTANGIBLE ASSETS**

This represents cost of information system applications currently under development phase.

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16. PROPERTY AND EQUIPMENT - TANGIBLE

	Own use						Operating lease	TOTAL	
	Land	Building	Leasehold Improvements	Vehicles	Furniture & fittings	Computers	Equipments	Vehicles	
Rupees									
<b>At July 01, 2007</b>									
Cost	-	-	27,221,926	35,189,861	22,581,462	38,423,093	21,986,651	19,524,000	164,886,993
Accumulated depreciation	-	-	(25,770,919)	(12,846,315)	(11,764,172)	(35,197,480)	(16,600,925)	(4,568,667)	(106,548,478)
Net book amount	-	-	1,451,007	22,523,546	10,817,290	3,225,613	5,365,726	14,955,333	58,338,515
<b>Activity for the year ended June 30, 2008</b>									
Opening net book amount	-	-	1,451,007	22,523,546	10,817,290	3,225,613	5,365,726	14,955,333	58,338,515
Additions	6,528,300	416,700	1,845,818	14,023,538	1,119,836	4,530,025	4,740,823	-	33,205,040
Deletions at cost	-	-	(2,395,050)	(10,514,871)	(991,269)	-	(1,784,697)	-	(15,685,887)
Depreciation on disposals	-	-	2,395,050	6,194,330	837,470	-	1,712,456	-	11,139,306
Depreciation charge for the year	-	(3,473)	(927,257)	(6,772,167)	(2,180,997)	(2,425,523)	(2,208,815)	(3,781,000)	(18,299,032)
Closing net book amount	6,528,300	413,227	2,369,568	25,454,376	9,602,330	5,330,115	7,825,693	11,174,333	68,697,942
<b>At June 30, 2008</b>									
Cost	6,528,300	416,700	26,672,694	38,678,528	22,710,028	42,953,118	24,922,777	19,524,000	182,406,145
Accumulated depreciation	-	(3,473)	(24,303,126)	(13,224,152)	(13,107,698)	(37,623,003)	(17,097,084)	(8,349,667)	(113,708,203)
Net book amount	6,528,300	413,227	2,369,568	25,454,376	9,602,330	5,330,115	7,825,693	11,174,333	68,697,942
<b>Activity for the year ended June 30, 2009</b>									
Opening net book amount	6,528,300	413,227	2,369,568	25,454,376	9,602,330	5,330,115	7,825,693	11,174,333	68,697,942
Additions	-	-	1,152,059	14,723,480	1,186,790	1,587,307	3,698,384	-	22,348,020
Transfer at cost	-	-	(133,439)	-	7,200	36,000	90,239	-	-
Deletions at cost	-	-	-	(4,230,997)	(349,079)	-	(1,609,418)	(1,315,000)	(7,504,494)
Depreciation on disposals	-	-	-	1,757,172	272,898	-	1,281,290	789,000	4,100,360
Depreciation on transfers	-	-	-	-	(1,278)	2,026	(748)	-	-
Depreciation charge for the year	-	(41,670)	(1,159,007)	(7,996,554)	(2,265,871)	(2,730,176)	(2,847,119)	(3,693,333)	(20,733,730)
Closing net book amount	6,528,300	371,557	2,229,181	29,707,477	8,452,990	4,225,272	8,438,321	6,955,000	68,908,098
<b>At June 30, 2009</b>									
Cost	6,528,300	416,700	27,691,314	49,171,011	23,554,939	44,576,425	27,101,982	18,209,000	197,249,671
Accumulated depreciation	-	(45,143)	(25,462,133)	(19,463,534)	(15,101,949)	(40,351,153)	(18,683,661)	(11,254,000)	(130,341,573)
Net book amount	6,528,300	371,557	2,229,181	29,707,477	8,452,990	4,225,272	8,438,321	6,955,000	68,908,098
Annual rate of depreciation		10%	33%	20%	10%	20-30%	20%	20%	



16.1 Details of property and equipment sold / leased

Description	Cost	Book value	Sale proceeds	
	Rupees	Rupees	Rupees	
As per Company policy to employee/ex-employee				
Mr. Abdul Waheed	Equipment/Furniture & Fixture	248,300	127,268	143,499
Lt. Col. M. Afzal	Vehicle	864,000	403,200	506,299
By negotiation to outsiders				
BITS Engineering	Equipment	850,000	226,667	350,000
Mr. Zubair Ahmed	Vehicle	408,303	231,372	375,500
Mr. M Yousaf	-do-	310,000	232,500	345,000
Mr. Hafiz M Farhan	-do-	350,000	303,334	335,000
AGICO - Insurance claim	-do-	405,000	209,250	325,000
Leased to outsiders				
Col Tughral	Vehicle	460,000	421,667	450,000
S. Askar H Naqvi	-do-	395,000	158,000	335,000
Mr. Imran Ali	-do-	701,594	514,503	880,000
Muhammad Siddique Khurram	-do-	1,315,000	526,000	526,000
		<u>6,307,197</u>	<u>3,353,761</u>	<u>4,571,298</u>
Other assets having book value of less than Rs 50,000 other than sold to executives/ related party				
		<u>1,197,297</u>	<u>50,373</u>	<u>179,900</u>
		<u><u>7,504,494</u></u>	<u><u>3,404,134</u></u>	<u><u>4,751,198</u></u>

17. ACCRUED AND OTHER LIABILITIES

	2009 Rupees	2008 Rupees
Advance receipt against leases	260,013,641	195,118,103
Advance insurance premium received - note 17.1	95,002,062	129,515,652
Accrued expenses	11,495,000	11,718,011
Tax deducted at source	206,787	9,455
Payable to gratuity fund - note 30	2,103,233	1,802,052
Security deposit	-	6,000,000
Payable to insurance companies	-	9,369,637
Leases to be disbursed - invoiced	528,000	16,319,000
Rentals payable to AKBL	11,884,654	14,197,460
Unclaimed dividend	2,485,778	2,559,858
Other payables	35,726,213	39,539,418
	<u><u>419,445,368</u></u>	<u><u>426,148,646</u></u>

17.1 This includes insurance premium amounting to Rs. 3,652 thousand (2008: Rs. 22,342 thousand) received from Askari Bank Limited - an associated company for onward payment to insurance companies.

		2009 Rupees	2008 Rupees
18.	<b>ACCRUED MARKUP</b>		
	Accrued mark-up on certificates of investment	113,014,361	102,736,187
	Accrued mark-up on borrowings	<u>12,140,288</u>	<u>21,623,760</u>
		<u><u>125,154,649</u></u>	<u><u>124,359,947</u></u>

19.	<b>SHORT TERM BORROWINGS</b>		
	Short term borrowings from banking companies		
	Unsecured		
	Short term facilities - note 19.1	-	150,000,000
	Secured		
	Short term running finance - note 19.2	291,311,296	801,791,733
		<u><u>291,311,296</u></u>	<u><u>951,791,733</u></u>

19.1 This represented unsecured short term facility availed from bank at markup rate equivalent to Nil (2008: 10%) per annum. The facility was repayable within 3 months and fully paid on maturity.

19.2 This includes overdraft facility availed from Askari Bank Limited (AKBL), an associated company, amounting to Rs 30,000 thousand (2008: Rs 350,000 thousand) and short term advance from Royal Bank of Scotland (RBS) amounting to Rs Nil (2008: Rs 200,000 thousand) earmarked with existing overdraft facility at annual mark-up rates equivalent to 0.90% over 3 months Ask-side KIBOR with a floor of 10% per annum and 13.50% per annum respectively. Overdrafts facilities available with AKBL have aggregate limit of Rs. 500,000 thousand (2008: Rs 825,000 thousand), out of which the unavailed amount at year end was Rs 470,000 thousand (2008: Rs 275,000 thousand) and are secured by charge on specific leased assets and related receivables. It also includes book overdraft of Rs 261,311 thousand (2008: Rs 251,792 thousand) at the year end.

		2009 Rupees	2008 Rupees
20.	<b>CURRENT MATURITY OF LONG TERM LIABILITIES</b>		
	Long term loans - note 21	576,680,000	657,681,667
	Certificates of investment - note 22	814,116,780	807,606,574
	Deposits on lease contracts - note 24	<u>1,183,647,932</u>	<u>823,422,421</u>
		<u><u>2,574,444,712</u></u>	<u><u>2,288,710,662</u></u>

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	2009 Rupees	2008 Rupees
21. LONG TERM LOANS - SECURED		
From banking companies		
Related parties		
Askari Bank Limited (AKBL - 1)	133,320,000	200,000,000
Askari Bank Limited (AKBL - 2)	225,000,000	-
Others		
Allied Bank Limited (ABL - 1)	80,000,000	160,000,000
HSBC Middle East Bank (HSBC)	150,000,000	270,000,000
Allied Bank Limited (ABL - 2)	40,000,000	80,000,000
First National Bank Modaraba (FNBN)	45,000,000	-
Bank Alfalah Limited (BAFL - 1)	50,000,000	150,000,000
Bank Alfalah Limited (BAFL - 2)	225,000,000	-
Bank Alfalah Limited (BAFL - 3)	-	66,640,000
Royal Bank of Scotland (RBS)	-	84,375,000
United Bank Limited (UBL)	-	100,000,000
	<u>948,320,000</u>	<u>1,111,015,000</u>
Less : Current portion-note 20	<u>576,680,000</u>	<u>657,681,667</u>
	<u>371,640,000</u>	<u>453,333,333</u>

21.1 Terms and conditions of these loans are given below:

Lenders	Mark-up rate p.a %	No of installments outstanding	Start date	Maturity date	Margin in charge %
AKBL -1	3 months' KIBOR+0.90	8 Quarterly	31-Mar-2008	1-Apr-2011	30
AKBL -2	3 months' KIBOR+0.90	9 Quarterly	29-Aug-2008	29-Aug-2011	30
ABL - 1	3 months' KIBOR+1.25	4 Quarterly	22-May-2007	22-May-2010	25
HSBC	3 months' KIBOR+1.25	5 Quarterly	21-Sep-2007	21-Sep-2010	25
ABL - 2	3 months' KIBOR+1.25	4 Quarterly	28-Jun-2007	28-Jun-2010	25
FNBN	3 months' KIBOR+0.75	9 Quarterly	16-Jul-2008	16-Jul-2011	25
BAFL - 1	3 months' KIBOR+1.25	2 Quarterly	29-Dec-2006	29-Dec-2009	25
BAFL - 2	3 months' KIBOR+1	9 Quarterly	22-Sep-2008	22-Sep-2011	25
BAFL - 3	3 months' KIBOR+1.25	Fully repaid	Matured	Matured	Charge vacated
RBS	3 months' KIBOR+1.25	Fully repaid	Matured	Matured	Charge vacated
UBL	3 months' KIBOR+1.25	Fully repaid	Matured	Matured	Charge vacated

These loans have been obtained to finance the core activities of the Company. All the loans are secured by first parri-passu charge on leased assets and receivables with the margins as per above schedule.

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	2009 Rupees	2008 Rupees
<b>22. CERTIFICATES OF INVESTMENT</b>		
Certificates of Investment	4,577,757,667	4,743,959,026
Less : Current portion-note 20	<u>814,116,780</u>	<u>807,606,574</u>
	<u><u>3,763,640,887</u></u>	<u><u>3,936,352,452</u></u>

These represent mobilization of funds on profit and loss sharing basis under the scheme of investment introduced with the permission of SECP. These certificates of investment (COIs) are issued for periods of *one* month to five years. Expected rate of profit ranges from 5% to 17.25% (2008: 5% to 15.5%) per annum.

**23. PROVISION FOR COMPENSATED ABSENCES**

**23.1 General Description**

The Company grants compensated absences to all its regular employees as per effective Service Rules. Provision is made in accordance with the actuarial recommendation.

Under this unfunded scheme, regular employees are entitled to 30 days privilege leaves for every completed year of service. Unutilized privilege leaves are accumulated upto a maximum of 360 days which could be encashed only at the time of resignation or retirement. These are encashable on the basis of last drawn gross salary.

**23.2 Principal actuarial assumption**

The actuarial valuation was carried out for the year ended June 30, 2009 using "Projected Unit Credit Method". Present value of obligation as at June 30, 2009 was Rs 19,572 thousand. Expense for the year of Rs 2,819 thousand has been included under general and administrative expenses. The main actuarial assumptions used for actuarial valuation are as follows:

Discount rate	13%
Expected rate of increase in salaries	13%
Leave accumulation factor	360 days

	2009 Rupees	2008 Rupees
<b>24. DEPOSITS ON LEASE CONTRACTS</b>		
Security deposits on finance leases	3,652,589,542	3,429,615,380
Less : Current portion-note 20	<u>1,183,647,932</u>	<u>823,422,421</u>
	<u><u>2,468,941,610</u></u>	<u><u>2,606,192,959</u></u>

These represent security deposits received from lessees under lease contracts and are adjustable at the expiry / termination of the respective leases.

	2009 Rupees	2008 Rupees
<b>25. DEFERRED TAX</b>		
The deferred tax liability is attributable to the following items:		
Accelerated tax depreciation	597,960,206	532,698,604
Allowance for potential lease losses and provision for doubtful receivables	<u>(185,587,538)</u>	<u>(170,792,311)</u>
	<u><u>412,372,668</u></u>	<u><u>361,906,293</u></u>

		2009 Rupees	2008 Rupees
26.	SHARE CAPITAL		
26.1	Authorized share capital		
	70,000,000 ordinary shares of Rs.10 each	700,000,000	700,000,000
	30,000,000 preference shares of Rs.10 each	300,000,000	300,000,000
		<u>1,000,000,000</u>	<u>1,000,000,000</u>
26.2	Issued, subscribed and paid up share capital		
	28,400,000 ordinary shares of Rs. 10 each fully paid in cash	284,000,000	284,000,000
	23,340,167 ordinary shares of Rs. 10 each issued as fully paid bonus shares	233,401,670	165,914,500
		<u>517,401,670</u>	<u>449,914,500</u>
26.3	AWT held 29,832,034 (2008: 25,940,900) ordinary shares of Rs. 10 each as on June 30, 2009.		
26.4	The Company's policy is to maintain a strong capital base so as to maintain shareholder's confidence and to sustain future development of the business. The Board of directors monitors the return on capital, which the Company defines as net profit after taxation divided by total shareholder's equity. Under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 the Company is required to maintain the minimum equity of Rs. 350 million as on June 30, 2009 to undertake leasing services. The equity as on June 30, 2009 meets the minimum equity requirement of the Regulations.		

		2009 Rupees	2008 Rupees
27.	RESERVES		
	Capital reserve		
	Reserve fund - note 27.1	326,836,253	294,823,642
	Revenue reserves		
	General reserve	299,000,000	229,000,000
	Reserve for contingencies	105,000,000	105,000,000
	Unappropriated profit	189,794,319	199,231,044
		593,794,319	533,231,044
		<u>920,630,572</u>	<u>828,054,686</u>

27.1 Reserve fund

The reserve fund is being maintained as per requirements of Regulation 16 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

	2009 Rupees	2008 Rupees
<b>28. LOSS ON REMEASUREMENT OF INVESTMENTS</b>		
Available for sale investments	34,497,856	5,888,366
Impairment loss on available for sale investments recognized in profit and loss account - note 5.2	(17,498,070)	-
	<u>16,999,786</u>	<u>5,888,366</u>
Held to maturity investments, classified in prior years as available for sale	70,192,597	74,090,776
Amortization of unrealized loss on remeasurement of available for sale investments reclassified as held to maturity investment	(6,968,819)	(3,898,179)
	<u>63,223,778</u>	<u>70,192,597</u>
	<u><u>80,223,564</u></u>	<u><u>76,080,963</u></u>

**29. CONTINGENCIES AND COMMITMENTS**

- i) Income tax department raised demands for aggregate amounts of Rs. 175 million pertaining to assessment years upto and including 2002-2003 by not allowing set-off of losses from lease operations against other income and partly disallowing administrative expenses. The Company successfully contested the assessment orders before the various appellate authorities and the question of computation of income from lease rentals and set-off of loss from lease operations against other income has been decided in favour of the Company by Income Tax Appellate Tribunal (ITAT) whereas partial relief was allowed on account of disallowance of administrative expenses. The tax department has filed appeals before the High Court and this appeal is pending for disposal.
- ii) For the assessment year 1999-2000 and 2000-2001, the department levied minimum tax on lease rentals under section 80D of the repealed Income Tax Ordinance, 1979, thereby raising a tax demand of Rs. 14.2 million. On appeal filed by the Company, this issue was set aside by the ITAT. The Company has filed application before the High Court on applicability of section 80D as well as basis of computation of minimum tax there under. This application is awaiting for disposal. Therefore, no provision is made in this respect in these financial statements.
- iii) For the tax year 2003, 2004 and 2007, the department levied minimum tax on lease rentals under section 113 of the Income Tax Ordinance, 2001, (parallel to section 80D of the repealed Income Tax Ordinance, 1979) thereby raising a tax demand of Rs. 9.5 million. In response to the Company's appeals there-against for 2003-2004 the Commissioner (Appeals) has deleted the minimum tax charged by accepting the Company's contentions on this account, where-against the department has filed the appeal to ITAT. For the tax year 2007, appeal filed by the company with Commissioner (Appeals) is pending for disposal.
- iv) Assessments for the Tax years 2003 to 2007 were amended by tax authorities by disallowing initial depreciation allowance claimed under section 23 of the Ordinance on vehicles given on lease by the Company by taking a view that leased vehicles were not plying for hire. An aggregate tax demand for Rs. 363.79 million was raised for these years. The Company's appeals on question of disallowance of initial depreciation allowance were rejected by the Commissioner (Appeals) and are now pending before ITAT. The Commissioner (Appeals) however directed the tax authorities to allow enhanced tax loss on disposal of leased vehicles due to increase in their written down values as a result of disallowance of initial depreciation allowance. The re-assessments are also pending.
- v) The Company has given a guarantee and letters of comfort for aggregate amount of Rs. Nil (2008: Rs. 59.19 million) to Askari Bank Limited, an associated undertaking, on behalf of lessees.

**30. EMPLOYEES' DEFINED BENEFIT PLAN**

The latest actuarial valuation of the employees' defined benefit gratuity plan was carried out as at June 30, 2009 using the projected unit credit method. Details of the defined benefit plan are:

	Defined benefit Gratuity plan	
	2009 Rupees	2008 Rupees
<b>a) The amounts recognized in the profit and loss account:</b>		
Current service cost	1,862,976	2,454,640
Interest on obligation	1,115,623	730,704
Expected return on plan assets	(875,366)	(587,770)
	<u>2,103,233</u>	<u>2,597,574</u>
<b>b) The amounts recognised in the balance sheet:</b>		
Present value of defined benefit obligations	11,706,083	9,336,144
Fair value of plan assets	(9,873,312)	(7,294,719)
	<u>1,832,771</u>	<u>2,041,425</u>
Unrecognised actuarial gains / (losses)	270,462	(239,373)
Net liability	<u>2,103,233</u>	<u>1,802,052</u>
<b>c) Changes in the present value of defined benefit obligation:</b>		
Defined benefit obligation as at July 1	9,336,144	7,669,112
Current service cost	1,862,976	2,454,640
Interest cost	1,115,623	730,704
Benefits paid	(778,199)	(1,656,934)
Actuarial losses	169,539	138,622
Defined benefit obligation as at June 30	<u>11,706,083</u>	<u>9,336,144</u>
<b>d) Changes in the fair value of plan assets:</b>		
Fair value of plan assets as at July 1	7,294,719	5,877,702
Expected return	875,366	587,770
Benefits paid	(778,199)	(1,656,934)
Contributions by employer	1,802,052	2,562,756
Actuarial gains / (losses)	679,374	(76,575)
Fair value of plan assets as at June 30	<u>9,873,312</u>	<u>7,294,719</u>

Expected contribution to the defined benefit gratuity fund for the year ending June 30, 2010 is Rs 2,183 thousand.

	Defined benefit Gratuity plan	
	2009	2008
	Rupees	Rupees
<b>e) Actual return on plan assets</b>		
Expected return on plan assets	875,366	587,770
Actuarial gains / (losses) on plan assets	679,374	(76,575)
	<u>1,554,740</u>	<u>511,195</u>

	2009		2008	
	Rupees	%age	Rupees	%age
	<b>f) The major categories of plan assets:</b>			
Investment in term deposit receipts	9,552,583	97	4,996,356	68
Cash and net current assets	320,729	3	2,298,363	32
	<u>9,873,312</u>	<u>100</u>	<u>7,294,719</u>	<u>100</u>

	2009	2008
<b>g) Significant actuarial assumptions at the balance sheet date:</b>		
Discount rate	13%	12%
Expected return on plan assets	13%	12%
Future salary increases	13%	12%
Average expected remaining life of employees (years)	10	11

**h) Amounts for the current and previous five years:**

	2009	2008	2007	2006	2005
	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Defined Benefit Gratuity Plan</b>					
Present value of defined benefit obligation	(11,706,083)	(9,336,144)	(7,669,112)	(5,621,762)	(5,408,599)
Fair value of plan assets	9,873,312	7,294,719	5,877,702	3,713,758	3,380,505
Deficit	(1,832,771)	(2,041,425)	(1,791,410)	(1,908,004)	(2,028,094)
<b>Experience adjustments</b>					
Plan liabilities - loss/(gain)	169,539	138,622	339,273	(141,532)	76,000
Plan assets - gain/(loss)	679,374	(76,575)	73,190	74,319	(30,000)

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	2009 Rupees	2008 Rupees
<b>31. LEASE INCOME</b>		
Finance lease income	1,010,846,393	952,751,590
Mark up on advance against lease	4,436,406	2,390,463
Upfront fee, penalties, gain on lease terminations etc	121,695,240	75,368,566
Operating lease income	4,313,212	5,632,216
	<u>1,141,291,251</u>	<u>1,036,142,835</u>
<b>32. INCOME ON INVESTMENTS</b>		
Return on government securities	76,043,401	73,898,257
Profit on term finance certificates	3,494,210	11,562,271
Mark up on financing against deposits	3,842,260	2,475,094
Dividend on shares	-	6,168,868
Profit on short term placements	12,140,730	407,665
Mark up on advance to employees	944,324	700,674
Capital gain on sale of available for sale investments	-	5,813,466
Investment in term finance certificate written off	(1,355,182)	-
	<u>95,109,743</u>	<u>101,026,295</u>
<b>33. OTHER INCOME</b>		
Income from financial assets		
Income from bank deposits	4,306,004	1,555,586
Income from non-financial assets		
Profit on sale of property and equipment	1,347,064	2,268,741
Profit on sale of investment property	6,495,660	-
Rentals from Investment property	180,000	1,080,000
Others		
Management fee from AKBL	27,195,272	19,730,725
Old liabilities written back	2,196,384	7,429,805
Others	9,385,720	3,535,166
	<u>51,106,104</u>	<u>35,600,023</u>
<b>34. FINANCE AND BANK CHARGES</b>		
Profit on certificates of investment	528,944,987	496,300,373
Mark-up on bank borrowings	234,562,523	202,451,921
Premium on securities	-	3,902,240
Amortization of loss on revaluation of PIBs classified in prior years as available for sale - note 28	6,968,819	3,898,179
Bank charges	7,191,804	7,302,300
	<u>777,668,133</u>	<u>713,855,013</u>

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	2009 Rupees	2008 Rupees
<b>35. GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances and benefits - note 35.1	122,926,917	115,014,050
Rent	27,228,576	19,935,874
Staff training	121,448	449,793
Traveling and vehicle running	11,045,098	9,234,204
Insurance of operating assets	3,580,993	3,107,990
Legal and professional charges		
Membership fees	3,933,689	2,999,903
Legal charges	1,653,746	1,360,028
Professional and other charges	2,886,800	8,248,424
Telephone and utilities	18,779,960	17,667,157
Donations	-	100,000
Subscription	118,401	93,965
Auditors' remuneration - note 35.2	1,117,900	852,510
Printing and stationery	5,958,631	5,544,970
Depreciation	21,494,792	22,865,389
Repairs and maintenance	6,691,207	4,640,198
Advertisement	2,784,426	3,607,207
Entertainment	2,649,375	2,498,889
General expenses	1,795,716	1,130,065
	<u>234,767,675</u>	<u>219,350,616</u>

35.1 This includes Rs. 2,580 thousand (2008: Rs. 2,228 thousand) charged on account of employees provident fund and Rs.2,103 thousand (2008: Rs. 2,598 thousand) on account of staff gratuity fund and Rs 2,819 thousand (2008: Rs 6,167 thousand) on account of compensated absences.

	2009 Rupees	2008 Rupees
<b>35.2 Auditors' remuneration</b>		
Annual audit	650,000	500,000
Review of half yearly financial statements and other certifications	360,500	285,000
Out of pocket expenses	107,400	67,510
	<u>1,117,900</u>	<u>852,510</u>

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36. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including certain benefits, to the directors, chief executive and other executives of the Company is as follows :

	2009			2008		
	Directors	Chief Executive	Executives	Directors	Chief Executives	Executives
Meeting fees	445,000	-	-	550,650	-	-
Managerial remuneration	-	1,776,000	1,752,084	-	1,561,505	1,162,296
Bonus	-	452,000	546,380	-	683,660	387,432
Housing and utilities	-	976,800	963,648	-	858,827	639,252
Medical expenses	-	297,600	175,212	-	156,149	116,225
Cost of living allowance	-	1,149,000	879,960	-	795,822	591,501
Provident fund contribution	-	148,000	146,007	-	118,062	116,484
Other perquisites and benefits	-	886,812	768,096	-	2,003,111	613,583
Payment for compensated leave absences	-	-	-	-	953,648	-
<b>Total Rupees</b>	<b>445,000</b>	<b>5,686,212</b>	<b>5,231,387</b>	<b>550,650</b>	<b>7,130,784</b>	<b>3,626,773</b>
No. of persons	8	1	3	8	2	3

The Company maintained cars, certain household items, health and life insurance covers are provided to the chief executive and executives of the Company as per the Company policy.

37. BASIC EARNINGS PER SHARE

		2009	2008
Net profit for the year attributable to ordinary shareholders	Rupees	160,063,056	153,196,214
Number of ordinary shares outstanding during the year	Numbers	51,740,167	51,740,167
Basic earnings per share	Rupees	3.09	2.96

Basic earnings per share for the year 2008 reported in the previous year has been restated on account of 6.75 million bonus shares issued during the year ended June 30, 2009.

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

### 37. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk and equity instrument risk).

The Board of Directors (the Board) has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Executive Committee comprising of Directors, which is responsible for developing and monitoring the Company's risk management policies. The activities of the committee are being monitored and ratified by the Board at regular interval. The Company also has a Risk Management Department at Head office level which is involved in the risk identification and mitigation under the guidelines provided by the risk management manual. The risk management department has also placed at least one official in each branch.

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

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by Internal Audit department. Internal Audit department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

#### 37.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the investment in Lease Finance, Balances with Banks, Long term loan and Investments. The Company has established procedures for effective management of credit risk in each of the above category some of which are detailed below in each category. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2009 Rupees	2008 Rupees
Net investment in lease finance - note 11 & 24	6,877,393,007	7,503,411,594
Balances with other banks - note 4	143,910,986	91,864,131
Long term loans - note 12	12,492,888	12,626,477
Investments - note 5 & 13	695,878,760	817,363,562
	<u>7,729,675,641</u>	<u>8,425,265,764</u>

#### 37.1.1 Net Investment in Lease Finance

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The procedures to mitigate the credit risk are based on internal guidelines and policies duly approved by the Board of Directors and external guidelines as laid down by the Non Banking Finance Companies and Notified Entities Regulations, 2008, as prescribed by the Securities and Exchange Commission of Pakistan (SECP). These procedures mainly include monitoring of credit exposure, assessment of credit worthiness of customers, per party credit limits and assessment of the quality of leased assets.

The Company has the title of all leased assets in its own name and in addition it has also obtained collaterals from certain customers which mainly comprise of Certificates of investment, mortgage of properties and personal guarantees. The fair value of the mortgaged properties held as collaterals against classified lease portfolio amounts to Rs. 587,459 thousand.

The credit quality of the net investment in lease finance is judged by reference to the repayment history of the customer, internal ratings assigned to the customers at the time of lease disbursement and status of classification of lease as per Non Banking Finance Companies and Notified Entities Regulations, 2008. The Company believes that the credit quality of its lease portfolio which is neither past due nor impaired is satisfactory based on the above facets. Further, the major portion of the Company's lease portfolio comprise of car lease which is well concentrated, having good secondary market and discourages undue reliance on any customer or sector.

During the year, the Company renegotiated the terms of lease transactions with some of its customer which were past due. The Company maintains the balance provisions of such leases as per the requirements of the Non Banking Finance Companies and Notified Entities Regulations, 2008 as prescribed by Securities and Exchange Commission of Pakistan. The aggregate carrying amount of such leases amounts to Rs. 79,104 thousand (2008: Rs 77,708 thousand).

The ageing analysis of lease rental receivables which are past due but not impaired is as follows:

	2009 Rupees	2008 Rupees
Past due by 1 month	43,482,918	38,871,242
Past due by 2 to 3 months	82,601,496	59,917,686
Past due by 4 to 6 months	40,597,272	41,707,012
Past due by 6 to 9 months	71,527,904	45,539,341
Past due by 9 to 12 months	73,793,991	99,840,773
	<u>312,003,581</u>	<u>285,876,054</u>

As at year end, net exposure of impaired lease portfolio was Rs. 796,312 thousand (2008: 881,335 thousand) and provision thereagainst was Rs. 478,113 thousand (2008: Rs. 435,841 thousand).

The Company maintains adequate level of provisions / allowance account in accordance with the requirements of Non Banking Finance Companies and Notified Entities Regulations, 2008 relating to status of classification and provisioning against classified lease portfolio. The Company understands that the provisions / allowance account held against the classified lease portfolio is the best estimate for the possible losses that might occur and that the remaining amount does not need any impairment allowance as at the reporting date. Nevertheless, the Company is hopeful, on the basis of proceedings of court cases and having leased assets in its name, that the amount of impaired lease portfolio would be recovered in future, however the provisions are maintained as part of risk management framework. For allowance for potential lease losses refer note 11.3.

The Company has also made provision against doubtful loans and advances (note 7) and doubtful receivables (note 9).

### 37.1.2 Concentration of credit risk in net investment in lease finance

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or activities in the same geographic region, or have similar economic features which would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location. The Company manages the risk of credit concentration by diversifying its lease investment portfolio in various industrial and geographic segments. The maximum exposure to credit risk for net investment in lease finance at the year end by sector was as follows:

	2009		2008	
	Rupees	Share %	Rupees	Share %
Consumer facilities	6,906,929,329	62.74%	7,731,222,896	68.00%
Transport and communication	646,692,654	5.87%	636,850,690	5.60%
Energy, oil and gas	571,095,090	5.19%	680,880,364	5.99%
Chemical, pharmaceutical and fertilizers	426,896,070	3.88%	255,386,612	2.25%
Textiles and allied industries	380,414,248	3.46%	299,378,177	2.63%
Glass and ceramics	139,203,809	1.26%	175,203,473	1.54%
Food, tobacco and beverages	201,563,145	1.83%	146,935,628	1.29%
Construction	379,697,408	3.45%	290,799,380	2.56%
Steel, engineering and automobiles	219,875,782	2.00%	223,818,158	1.97%
Health care	78,432,880	0.71%	87,690,790	0.77%
Hotel	33,813,219	0.31%	41,011,690	0.36%
Sugar and allied industries	5,946,640	0.05%	5,849,939	0.05%
Cement	7,205,939	0.07%	808,741	0.01%
Paper and board	23,893,885	0.22%	21,198,143	0.19%
Electrical and electrical goods	12,250,890	0.11%	1,656,865	0.01%
Leather and footwear	15,218,568	0.14%	13,696,465	0.12%
Banaspati and allied industries	10,590,060	0.10%	6,542,001	0.06%
Dairy and poultry	156,954,810	1.43%	199,671,797	1.76%
Financial institutions	2,156,600	0.02%	7,117,459	0.06%
Security services	19,497,964	0.18%	171,661,774	1.51%
Miscellaneous	769,766,744	6.99%	371,487,039	3.27%
	<u>11,008,095,734</u>	<u>100%</u>	<u>11,368,868,081</u>	<u>100%</u>

*PPR*

**37.1.3 Balances with other banks**

The Company's major transactions with banks are dealt with Askari Bank Limited (AKBL), an associated company. The criteria for executing transactions and maintaining balances with banks, other than the AKBL, includes financial soundness, strong credit rating and reputation of the sponsors and promoters of the banks. The Company understands that there is no credit risk exposure in balances with other banks.

Credit rating of the Company's bankers is as follows:

	Rating		Rating Agency
	Short Term	Long Term	
Askari Bank Limited	A1+	AA	PACRA
Royal Bank of Scotland	—	AA-	PACRA
Allied Bank Limited	A1+	AA	PACRA
National Bank of Pakistan	A-1+	AAA	JCR-VIS
Deutsche Bank	A-1	A+	S&P's
Faysal Bank Limited	A1+	AA	PACRA
Arif Habib Bank Limited	A2	A-	PACRA

**37.1.4 Long term loans**

The Company provides long term loan facilities to its employees for purchase of house and vehicle as per the employee's services rules approved by the Board. These are secured against the house mortgage and title of the vehicle in the Company's name. Thus, the Company understands that there is no credit risk exposure in long term loans.

**37.1.5 Investments**

This represents investment in Pakistan Investment Bonds (PIBs), ordinary shares and units of mutual fund. Investment in PIBs was made to meet the requirement of the Non-Banking Finance Companies and Notified Entities Regulations, 2008. These are risk free Government Securities having no credit risk. The Company also makes short term placements in different banks and financial institutions who have minimum credit ratings as per the investment policy approved by the Board. Keeping in view the nature of investments, management does not expect any counterparty to fail to meet its obligations.

Credit rating of the investee entity is as follows:

	Rating		Rating Agency
	Short Term	Long Term	
JS Large Capital Fund	A1+	A+	PACRA

**37.2 Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has a separate Treasury department which is responsible for cash and liquidity requirement. The Company monitors its cash flow / liquidity requirements through continuous preparation of projected cash flows. These are made on daily basis after accounting for estimated cash inflows/outflows and to then act as such. The Company invariably maintains sufficient unutilized overdraft facilities in order to cater any unforeseen eventuality. Refer to note 19.2 for details of undrawn approved facilities and note 37.2.1 for maturity analysis of financial assets and financial liabilities.

37.2.1 The following are the contractual maturities of financial assets and financial liabilities including estimated interest receipts and payments:

	2009					
	Rupees					
	Carrying amount	Contractual cash flows	Up to three months	Three months to one year	More than one and less than five years	More than five years
<b>FINANCIAL ASSETS</b>						
Cash and balance with SBP	5,960,156	5,960,156	5,960,156	-	-	-
Balances with other banks	143,910,986	143,910,986	143,910,986	-	-	-
Investments	15,559,971	15,559,971	-	15,559,971	-	-
Financing against deposits	27,256,399	31,651,005	11,662,163	19,988,842	-	-
Loan and advances	8,838,823	9,337,991	3,339,788	5,998,203	-	-
Deposits	8,163,150	8,163,150	-	8,163,150	-	-
Other receivables	25,806,224	25,806,224	25,806,224	-	-	-
Assets held for lease	1,351,900	1,351,900	1,351,900	-	-	-
Net investment in lease finance	10,529,982,549	12,071,601,190	2,284,640,698	3,021,500,527	6,765,459,965	-
Long term loans	12,492,888	18,615,597	396,644	1,192,693	5,898,210	11,128,050
Long term investments	680,318,789	1,210,625,000	-	77,875,000	732,750,000	400,000,000
	<u>11,459,641,835</u>	<u>13,542,583,170</u>	<u>2,477,068,559</u>	<u>3,150,278,386</u>	<u>7,504,108,175</u>	<u>411,128,050</u>
<b>FINANCIAL LIABILITIES</b>						
Accrued and other liabilities	417,342,135	417,342,135	12,619,441	404,722,694	-	-
Short term borrowings	291,311,296	292,334,232	292,334,232	-	-	-
Long term loans	948,320,000	1,086,732,354	190,512,161	488,411,664	407,808,529	-
Certificates of investment	4,577,757,667	5,856,484,383	398,263,248	929,666,251	4,528,554,884	-
Deposit on lease contract	3,652,589,542	3,652,589,542	629,326,534	517,484,958	2,505,778,050	-
	<u>9,887,320,640</u>	<u>11,305,482,646</u>	<u>1,523,055,616</u>	<u>2,340,285,567</u>	<u>7,442,141,463</u>	<u>-</u>
<b>NET ASSETS</b>	<u>1,572,321,195</u>	<u>2,237,100,524</u>	<u>954,012,943</u>	<u>809,992,819</u>	<u>61,966,712</u>	<u>411,128,050</u>

	2008					
	Rupees					
	Carrying amount	Contractual cash flows	Up to three months	Three months to one year	More than one and less than five years	More than five years
<b>ASSETS</b>						
Cash and balance with SBP	2,696,146	2,696,146	2,696,146	-	-	-
Balances with other banks	91,864,131	91,864,131	91,864,131	-	-	-
Investments	94,594,444	94,676,644	50,082,200	44,594,444	-	-
Financing against deposits	33,205,276	35,548,733	11,311,672	24,237,061	-	-
Loan and advances	18,898,299	22,162,418	1,787,796	20,374,622	-	-
Deposits	7,569,650	7,569,650	-	7,569,650	-	-
Other receivables	43,417,209	43,417,209	43,417,209	-	-	-
Asset held for lease	3,443,000	3,443,000	3,443,000	-	-	-
Net investment in lease finance	10,933,026,974	12,649,147,416	1,856,474,774	2,996,283,974	7,792,162,501	4,226,167
Long term loans	12,626,477	19,392,887	353,455	1,062,264	5,578,614	12,398,554
Long term investments	723,194,101	1,329,181,878	10,138,102	82,878,376	812,165,400	424,000,000
	<u>11,964,535,707</u>	<u>14,299,100,112</u>	<u>2,071,568,485</u>	<u>3,177,000,391</u>	<u>8,609,906,515</u>	<u>440,624,721</u>
<b>LIABILITIES</b>						
Accrued and other liabilities	424,346,594	424,346,594	38,093,500	386,253,094	-	-
Short term borrowings	951,791,733	991,810,390	555,624,500	436,185,890	-	-
Long term loans	1,111,015,000	1,264,518,210	235,230,857	531,321,379	497,965,974	-
Certificates of investment	4,743,959,026	6,428,392,162	579,273,355	737,190,597	5,111,928,210	-
Deposit on lease contract	3,429,615,380	3,429,615,380	444,306,221	404,054,539	2,579,732,934	1,521,686
	<u>10,660,727,733</u>	<u>12,538,682,736</u>	<u>1,852,528,433</u>	<u>2,495,005,499</u>	<u>8,189,627,118</u>	<u>1,521,686</u>
<b>NET ASSETS</b>	<u>1,303,807,974</u>	<u>1,760,417,376</u>	<u>219,040,052</u>	<u>681,994,892</u>	<u>420,279,397</u>	<u>439,103,035</u>



**37.3 Market risk**

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**37.3.1 Interest rate risk**

The interest rate risk is the risk that the value of the financial instrument or Company's income and operating cash flows will fluctuate due to changes in the market interest rates. Sensitivity to interest rate risk arises from mismatches of financial assets and liabilities that mature in a given period. The Company intends to maintain such a mix of fixed and floating rate financial instruments that minimizes the interest rate risk to a tolerable level. The pertinent factor in the management of interest rate risk by the Company is its profound Certificates of Investment (COIs) portfolio which is one of the effective proven shield against the changing interest rate scenario. The Company's ability and reputation has always played its role in generating fixed rate COI's which are then used to finance high rate fixed or floating lease portfolio.

As at the year end, the interest rate profile of the Company's interest-bearing financial instruments was:

	2009 %	2008 %	2009 Rupees	2008 Rupees
<b>Fixed rate instruments</b>				
Financial assets	5 to 28	5 to 25	6,757,893,107	7,440,920,462
Financial liabilities	5 to 17.25	5 to 15.5	4,577,689,970	4,893,959,026
			<u>2,180,203,137</u>	<u>2,546,961,436</u>
<b>Floating rate instruments</b>				
Financial assets	17.13 to 23.38	13.5 to 19.75	958,307,262	951,916,979
Financial liabilities	11.07 to 16.75	10.17 to 12.38	978,320,000	1,660,942,147
			<u>(20,012,738)</u>	<u>(709,025,168)</u>

**37.3.2 Fair value sensitivity analysis for fixed rate instruments**

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

**37.3.3 Cash flow sensitivity analysis for variable rate instruments**

An increase/ (decrease) of 100 basis points in interest rates would have (decreased)/ increased profit or loss and equity by the amounts shown below. This analysis assumes that all other variables remain constant:

	Impact on profit and loss account	
	2009	2008
	Rupees	Rupees
Floating rate instruments	<u>9,738,240</u>	<u>10,765,724</u>

**37.3.4 Other market price risk**

The primary goal of the Company's investment strategy is to maximise investment returns on surplus funds. The Company adopts a policy of ensuring minimum price risk by investing in fixed rate investments like TDRs and COIs. The Company's price risk rises from investment in mutual fund and ordinary shares which are classified as available for sale investments. The management is vigilant about the market situation in Pakistan and refrains from investing in equity investments in current volatile conditions.

An increase/ (decrease) of 20% in the market value of the listed units of mutual fund and listed ordinary shares would have increased/ (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables remain constant:

	2009 Rupees	2008 Rupees
Impact on profit and loss account	1,578,392	-
Impact on equity	3,111,971	8,918,889

**37.4 Fair value of financial instruments**

The carrying value of financial assets and liabilities approximates their fair values except investment in associate which is accounted for under equity method and held to maturity investment which is carried at amortised cost.

38. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Company is a subsidiary of Army Welfare Trust (AWT) with 57.66% holding. Therefore all the subsidiaries and associated undertakings of AWT are related parties of the Company. The related parties also comprise of entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors, key management personnel and employees' fund. Advances, long term loans and remuneration of chief executive and executives along with the meeting fee of directors are disclosed in notes 7, 12 and 35 to the financial statements. The transactions and balances with related parties are as follows:

	2009 Rupees	2008 Rupees
<b>Askari Bank Limited</b>		
Transactions during the year		
Income on deposit accounts	1,686,141	1,524,289
Management fee	27,195,272	19,730,725
Rent / Electricity paid for office premises	7,441,976	14,518,242
Short term borrowings	30,000,000	601,791,435
Mark up paid on running finance	17,775,044	11,075,848
Bank charges paid for cash management	2,377,100	3,066,185
Long term borrowing	358,320,000	200,000,000
Mark up paid on term finance	55,116,491	10,241,997
Receivable ASKAR Askari Bank	-	834,500
Balances at year end		
Deposit accounts	32,859,597	124,150,386
Advance insurance received	3,651,910	22,342,394
Rent payable	-	14,197,460
<b>Askari General Insurance Company Limited</b>		
Transactions during the year		
Insurance premium paid	96,470,466	87,302,680
Insurance claim received	50,500	-
Profit paid on certificates of investment	300,000	-
Share of (loss) / profit	(4,771,711)	2,654,660
Balances at year end		
Long term investment	25,669,455	30,441,166
Certificates of investment	8,564,300	3,000,000
<b>Army Welfare Trust</b>		
Transactions during the year		
Payments during the year	360,811	1,390,507
Profit paid on certificates of investment	183,038	166,353
Balances at year end		
Balance of certificates of investment	2,500,000	2,500,000
<b>Askari Cement Limited</b>		
Transactions during the year		
Operating lease income charged	4,111,212	4,111,212
Lease rentals received	3,426,010	4,796,414
Balance at year end		
Lease rentals receivable	685,202	685,202

	2009 Rupees	2008 Rupees
<b>Askari Cement Limited Employees Gratuity Fund</b>		
Transactions during the year		
Profit paid on certificates of investment	638,295	2,547,384
Payments during the year	-	24,000
Balance at year end		
Balance of certificates of investment	-	23,210,833
<b>Askari Aviation (Pvt.) Limited</b>		
Transactions during the year		
Finance income charged	13,816	223,039
Lease rentals received	347,448	833,081
Profit paid on certificates of investment	840,000	840,000
Balances at year end		
Balance of certificates of investment	8,000,000	8,000,000
Net investment in lease finance	6,333	339,585
<b>Askari Information Systems Limited</b>		
Transactions during the year		
Payment for consultancy	1,653,750	6,615,000
<b>Askari Guards (Pvt) Limited</b>		
Transactions during the year		
Contract staff charges	8,002,011	10,171,223
Finance income charged	80,029	44,945
Lease rentals received	131,960	65,980
Balance at year end		
Net investment in lease finance	436,944	506,965
<b>Askari Travels and Tours (Pvt.) Limited</b>		
Transactions during the year		
Finance income charged	34,649	60,169
Lease rentals received	186,816	171,248
Balance at year end		
Amount due against leases	15,568	-
Net investment in lease finance	147,473	301,433
<b>Askari Securities Limited</b>		
Transactions during the year		
Finance income charged	152,772	-
Lease rentals received	241,681	-
Balance at year end		
Net investment in lease finance	723,826	-
<b>Employees Provident Fund</b>		
Company's contribution	2,580,038	2,228,361
<b>Employees Gratuity Fund</b>		
Company's contribution	1,802,052	2,562,756
Payable at year end	2,103,233	1,802,052

	2009 Rupees	2008 Rupees
<b>39. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	149,871,142	94,560,277
Short term running finance	<u>(291,311,296)</u>	<u>(801,791,733)</u>
	<u>(141,440,154)</u>	<u>(707,231,456)</u>

**40. TAXATION**

Increase in deferred taxation is mainly due to the accelerated tax depreciation net of effect of allowance for potential lease losses. Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as there is no provision for current tax due to taxable loss.

**41. APPROPRIATIONS**

The Board of Directors of the Company proposed the following appropriations during their meeting held on September 25, 2009. These financial statements do not reflect these appropriations.

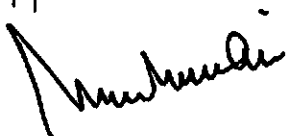
	2009		2008	
	Rupees	Rupees per share	Rupees	Rupees per share
Issue of bonus shares	-	-	67,487,170	1.50
Transfer from unappropriated profit to general reserve	95,000,000	-	70,000,000	-

**42. CORRESPONDING FIGURES**

Previous year's figures have been rearranged and reclassified whenever necessary for the purposes of comparison.

**43. DATE OF AUTHORIZATION**

These financial statements have been authorized for issue by the Board of Directors of the Company on September 25, 2009.

Lt. Gen. (R) Imtiaz Hussain  
Chairman/ Director



Abdul Waheed  
Chief Executive