

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to equity and commodity price risks.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing, liabilities against assets subject to finance lease and short term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2012	2011
	Rupees	Rupees
Fixed rate instruments		
Financial assets		
Term deposit receipts	743,000	743,000
Defence saving certificates	1,340,221	1,340,221
Financial liabilities		
Short term borrowings	1,250,000	2,500,000
Floating rate instruments		
Financial assets		
Bank balances - saving accounts	7,546	88,445
Financial liabilities		
Long term financing	73,193,999	73,193,999
Liabilities against assets subject to finance lease	47,002,212	109,314,580
Short term borrowings	65,437,252	65,437,252

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 rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher/lower with all other variables held constant, loss after taxation for the year would have been Rupees 1.856 million (2011: Rupees 2.478 million) lower/higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at balance sheet dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2012	2011
	Rupees	Rupees
Investments	2,083,221	2,083,221
Deposits	36,138,121	49,815,787
Trade debts	42,631	4,230,322
Advances	60,410	1,542,518
Other receivables	183,459	221,158
Bank balances	302,592	262,876
	<u>38,810,434</u>	<u>58,155,882</u>

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Rating			2012	2011
	Short Term	Long term	Agency	Rupees	Rupees
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	39,522	39,522
Askari Bank Limited	A1+	AA	PACRA	2,239	2,193
Bank Alfalah Limited	A1+	AA	PACRA	3,428	3,428
Habib Bank Limited	A-1+	AA+	JCR-VIS	2,966	8,249
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	31,529	7,345
MCB Bank Limited	A1+	AA+	PACRA	27,023	46,358
Faysal Bank Limited	A-1+	AA	PACRA	5,708	66,792
United Bank Limited	A-1+	AA+	JCR-VIS	-	2,514
Silk Bank Limited	A-2	A -	JCR-VIS	34,632	65,456
Meezan Bank Limited	A-1+	AA -	JCR-VIS	155,545	21,019
				<u>302,592</u>	<u>262,876</u>
Investments					
Silk Bank Limited-Term deposit receipts	A-2	A -	JCR-VIS	743,000	743,000
				<u>1,045,592</u>	<u>1,005,876</u>

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 20.

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through sponsors' support. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 30 June 2012

	Carrying amount	Contractual cash Flows	6 month or less	6-12 month	1-2 Year	More than 2 years
-----Rupees-----						
Non-derivative financial liabilities:						
Long term financing	73,193,999	73,193,999	73,193,999	-	-	-
ilitle						
s	47,002,212	57,300,007	57,300,007	-	-	-
Deferred markup	12,660,470	14,074,038	6,948,003	1,951,035	1,820,000	3,355,000
Trade and other payables	99,553,399	99,553,399	99,553,399	-	-	-
Short term borrowings	108,974,722	108,974,722	108,974,722	-	-	-
Accrued markup	116,485,709	116,485,709	116,485,709	-	-	-
	<u>457,870,511</u>	<u>469,581,874</u>	<u>462,455,839</u>	<u>1,951,035</u>	<u>1,820,000</u>	<u>3,355,000</u>

Contractual maturities of financial liabilities as at 30 June 2011

	Carrying amount	Contractual cash Flows	6 month or less	6-12 month	1-2 Year	More than 2 years
-----Rupees-----						
Non-derivative financial liabilities:						
Long term financing	90,407,486	90,407,486	73,193,999	-	-	17,213,487
ilitle						
s	109,314,580	132,099,595	65,958,915	16,732,808	20,864,506	28,543,366
Deferred markup	19,389,357	22,648,042	7,541,060	3,451,876	6,480,106	5,175,000
Trade and other payables	107,731,688	107,731,688	107,731,688	-	-	-
Short term borrowings	67,937,252	67,937,252	67,937,252	-	-	-
Accrued markup	97,106,963	97,106,963	97,106,963	-	-	-
	<u>491,887,326</u>	<u>517,931,026</u>	<u>419,469,877</u>	<u>20,184,684</u>	<u>27,344,612</u>	<u>50,931,853</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in note 5, 6 and note 11 to these financial statements.

40.2 **Fair values of financial assets and liabilities**

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

40.3 **Financial instruments by categories**

As at 30 June 2012

Assets as per balance sheet

	Loans and receivables	Held to maturity	Total
	-----Rupees-----		
Investments	-	2,080,221	2,080,221
Deposits	36,138,121	-	36,138,121
Trade debts	42,631	-	42,631
Advances	60,410	-	60,410
Other receivables	183,459	-	183,459
Cash and bank balances	383,582	-	383,582
	<u>36,808,203</u>	<u>2,080,221</u>	<u>38,888,424</u>

**Financial liabilities at
amortized cost**

Liabilities as per balance sheet

Long term financing	73,193,999
Liabilities against assets subject to finance lease	47,002,212
Deferred mark-up	12,660,470
Accrued mark-up	116,485,709
Short term borrowings	108,974,722
Trade and other payables	99,553,399
	<u>457,870,511</u>

Loans and receivables	Held to maturity	Total
--------------------------	---------------------	-------

As at 30 June 2011

Assets as per balance sheet

	Loans and receivables	Held to maturity	Total
Investments	-	2,823,221	2,823,221
Deposits	49,815,787	-	49,815,787
Trade debts	4,230,322	-	4,230,322
Advances	4,445,258	-	4,445,258
Other receivables	11,704,904	-	11,704,904
Cash and bank balances	384,897	-	384,897
	<u>70,581,168</u>	<u>2,823,221</u>	<u>73,404,389</u>

**Financial liabilities at
amortized cost**

Liabilities as per balance sheet

Long term financing	90,407,486
Liabilities against assets subject to finance lease	109,314,580
Deferred mark-up	19,389,357
Accrued mark-up	97,106,963
Short term borrowings	67,937,252
Trade and other payables	113,803,574
	<u>497,959,212</u>

40.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

41 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 09,2012 by the Board of Directors of the Company.

42 CORRESPONDING FIGURES

No significant reclassifications of corresponding figures have been made.

43 GENERAL

Figures have been rounded off to the nearest Rupee.

CHIEF EXECUTIVE OFFICER

DIRECTOR