

Annual Report 2010

SAUDI PAK
L E A S I N G

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FINANCE LEASE

OPERATING LEASE

SYNDICATE ARRANGEMENTS

TERM LOAN

**adding value to
financial transactions**

For our Customers

We will strive to add value for our customers through high quality business solutions and superior services.

For our Shareholders

We will maximize our shareholders' value by optimum utilization of resources.

For our Employees

We will provide our employees opportunities for self-development in a highly challenging performance-oriented work environment.

For our society

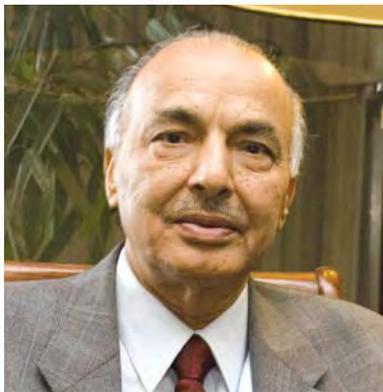
We will maintain high ethical standards and act as responsible corporate citizen.

OUR CORPORATE INFO



MR. MUHAMMAD RASHID ZAHIR
Chairman

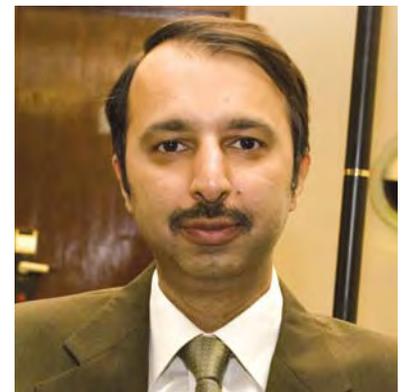
Promoting a Culture of
Corporate Governance



SENATOR (R) IHSANUL HAQ PIRACHA
Vice Chairman



MR. FARRUKH SHAUKET ANSARI
Chief Executive Officer



MR. HAROON IHSAN
Director



MR. MUHAMMAD TARIQ MASUD
Director



MS. PARVEEN A. MALIK
Director



MR. ARSALAN I. KHAN
Director



BOARD OF DIRECTORS

Mr. Muhammad Rashid Zahir	Chairman
Senator (R) Ihsanul Haq Piracha	Vice Chairman
Mr. Farrukh Shauket Ansari	Chief Executive Officer
Mr. Haroon Ihsan	Director
Mr. Muhammad Tariq Masud	Director
Ms. Parveen A. Malik	Director
Mr. Arsalan I. Khan	Director

AUDIT COMMITTEE

Mr. Muhammad Rashid Zahir	Chairman
Senator (R) Ihsanul Haq Piracha	Vice Chairman
Mr. Muhammad Tariq Masud	Director

CREDIT COMMITTEE

Mr. Haroon Ihsan	Chairman
Ms. Parveen A. Malik	Director
Mr. Arsalan I. Khan	Director

HUMAN RESOURCE COMMITTEE

Mr. Haroon Ihsan	Chairman
Mr. Muhammad Tariq Masud	Director
Mr. Arsalan I. Khan	Director

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Mr. Mazhar Abbas Zaidi

HEAD OF INTERNAL AUDIT

Mr. Imran Masood

AUDITORS

M/s. M. Yousuf Adil Saleem & Co.
Chartered Accountants

LEGAL ADVISOR

Mandviwalla & Zafar

TAX CONSULTANTS

M/s. Muniff Ziauddin Junaidy & Co.
Chartered Accountants

CREDIT RATING AGENCY

JCR-VIS Credit Rating Company (Pvt.) Limited

CREDIT RATING

Long-term- (C)
Short-term-(C)

BANK & LENDING INSTITUTIONS

National Bank of Pakistan
United Bank Limited
MCB Bank Limited
Allied Bank Limited
Askari Bank Limited.
The Royal Bank of Scotland
Standard Chartered Bank (Pakistan) Limited
HSBC Bank Middle East Limited
Silkbank Limited

REGISTERED OFFICE

6th Floor, Lakson Square, Building # 1,
Sarwar Shaheed Road, Saddar, Karachi.
Tel: (021) 35655181-85, 35655215-19
Fax: (021) 35210607-9

BRANCHES

Lahore

Pakistan Engineering Congress (PEC) Building
First Floor, 97/A-D/1, Liberty Market,
Gulberg-III, Lahore.
Tel: (042) 35762644-47, 35762634
Fax: (042) 35672633

Islamabad

10th Floor, High-Rise Block, Saudi Pak Tower
61-A, Jinnah Avenue, Blue Area, Islamabad.
Tel: (051) 2800206-07 Fax: (051) 2800205

Faisalabad

Allama Iqbal Road (Kotwali Road), Faisalabad.
Tel: (041)-2412082

Sialkot

2nd Floor, Sanori Building, 27, Paris Road, Sialkot.
Tel: (052)-4296364, 3005335, Fax: (052)-4296365

Universal Access Number: 111-888-999

Karachi, Lahore & Islamabad

Website: www.saudipakleasing.com

REGISTRAR AND SHARE TRANSFER OFFICE

THK Associates (Pvt.) Ltd.
Ground Floor, State Life Building No.3,
Dr. Ziauddin Ahmed Road, Karachi 75530.
Tel: (021) 111-000-322, Fax: (021) 35655595



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 20th Annual General Meeting of the members of Saudi Pak Leasing Company Limited (“the Company”) will be held at Saudi Pak Tower 61-A, Jinnah Avenue, Blue Area, Islamabad, on Thursday, October 28, 2010 at 10:00 hours to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the Extra ordinary General Meeting of the Company held on December 04, 2009.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2010 together with the Directors’ and Auditors’ Report thereon.
3. To appoint Auditors for the year 2010- 2011 and to fix their remuneration. The Board of Directors has recommended appointment of M/s. M. Yousuf Adil Saleem & Co, Chartered Accountants as auditors for the year 2010-2011.
4. To consider any other business with the permission of the Chair.

By Order of the Board

Mazhar Abbas Zaidi
Company Secretary

Karachi: October 07, 2010

NOTES:

1. The Register of members of the Company will remain closed from October 21, 2010 to October 28, 2010 (both days inclusive).
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her.
3. A proxy must be a member of the Company.
4. An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or notarially certified copy of such power of attorney, in order to be valid must be deposited at the registered office of the Company not less than 48 hours before the time of the meeting.
5. Members are advised to lodge shares for transfer at the office of our Registrar, THK Associates (Pvt) Ltd., Ground Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi.
6. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:
 - i) In case of individuals, the account holder or sub-account holder shall authenticate his/her identity by showing his/her original National Identity Card (NIC) or original passport at the time of attending the meeting. The shareholders registered on CDS are also requested to bring their participants I.D. numbers and account numbers in CDS.
 - ii) In case of a corporate entity, the Board of Directors’ resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

OUR BUSINESS

Corporate Finance:

Our strategic focus is to sustain and enhance our niche in providing financial solutions to the ever-expanding corporate world. Encompassing a substantial portfolio of commercial assets like industrial equipment, power machinery, vehicles, etc., our marketing efforts are geared towards local blue chips and export-oriented enterprises. While fulfilling our commitment to provide innovative financial solutions, we also extend lease financing to small and medium sector enterprises with the added advantage of superior services.

In order to cater to the needs of our clients to the fullest, we have also introduced operating lease of Generators and Reverse Osmosis plants.



Structuring Financial Transactions
to meet Customer Needs



Consumer Finance:

Recognizing the scope of consumer segment of the market, we have ventured into financing of consumer products at competitive rates with easy accessibility. We have collaborations with leading manufacturers of this segment aimed at enhancement of lifestyles while delivering luxury at doorsteps.



CHAIRMAN'S REVIEW

I am pleased to present the 20th Annual Report along with the audited Financial Statements of Saudi Pak Leasing Company Limited for the year ended June 30, 2010.

Economic Overview

After the severe economic crises in the country a moderate recovery in the domestic economy has been achieved during the outgoing fiscal year ended June 30, 2010. Despite the challenges, the country has shown resilience with real GDP growth of 4.1 percent up from 1.2 percent in the previous year. The growth was attributed primarily to recovery in the industrial and service sectors, which grew by 4.9 percent and 4.6 percent respectively.

The trade deficit declined by 11 percent over FY 2009 and the Current Account deficit reduced by 62 percent over the previous year. This large improvement is mainly on the back of steep decline in imports and 10 percent rise in exports over the previous year to reach at a record level of over USD 19 billion. The country was successful in attracting the highest ever level of remittances of USD 9 billion in FY 2010. Consequently, Foreign exchange reserves of the country touched a new high, crossing USD 15 billion.

The inflationary pressures have intensified since October last year on account of a number of adverse developments including hike in global commodity prices and phasing out of power sector subsidies. The Consumer Price Index increased to around 13 percent.

Capital market

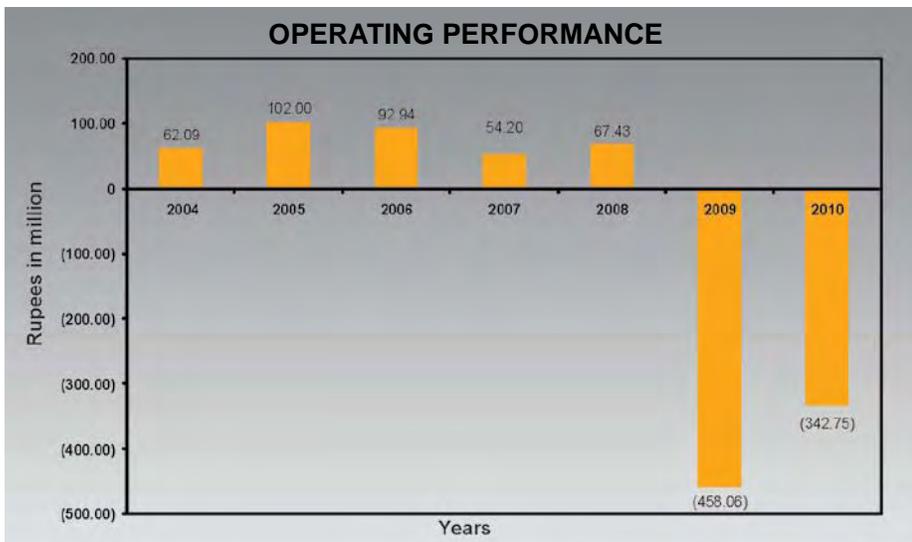
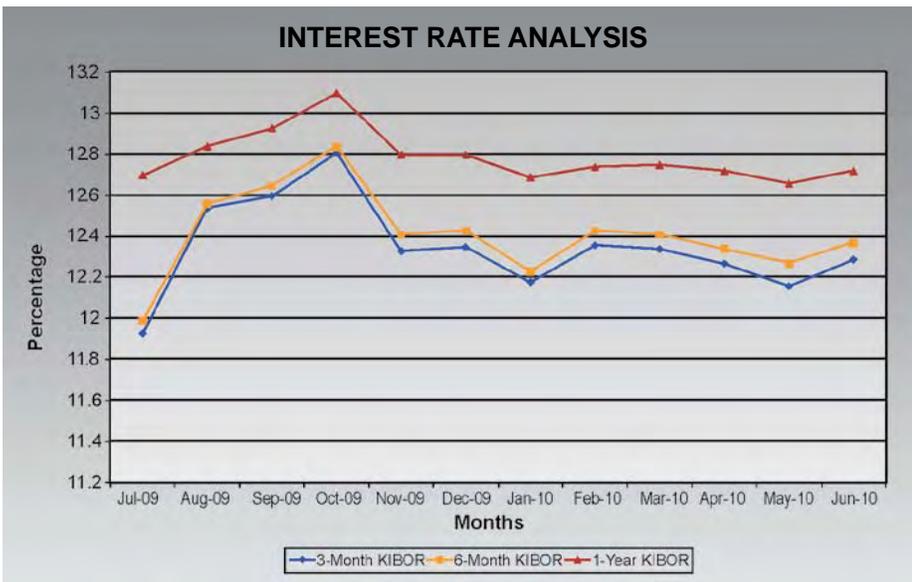
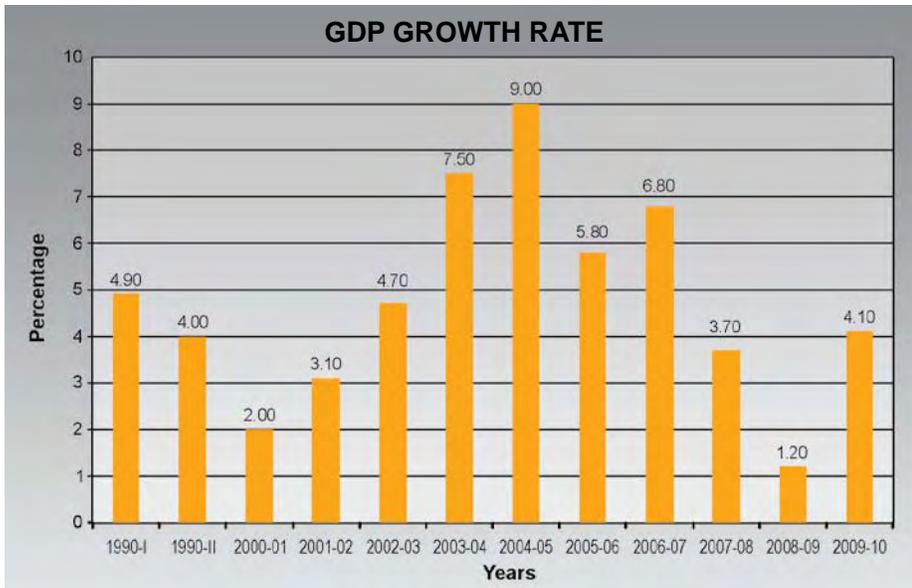
During the Financial year 2010, KSE-100 performance was one of the best among regional indices. The Stock market benchmark KSE-100 Index gained 36 percent from 7,162 points as on July 1, 2009 to 9,722 points as on June 30, 2010. Most of the gains occurred in the first quarter (July~September, 2009). The KSE-100 Index further increased during the second half, making a high of 10,670 points on April 19, 2010 before closing the year with clipped gains.

Leasing Industry

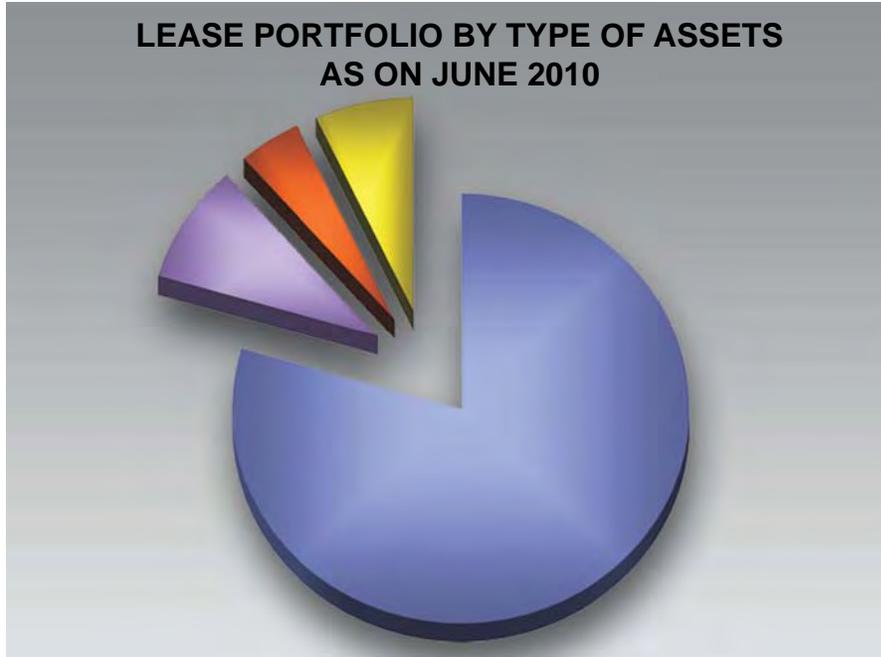
The leasing sector played a significant role in the development of Small and Medium Enterprises (SME) sector. The leasing sector continued to operate under increased stress which resulted in declining margin, rising cost of funds, adverse business conditions and liquidity crisis. The commercial banks are reluctant to lend money to NBFC sector particularly leasing sector. Serious financial mobilization issues forced the companies in leasing sector to utilize available rental recoveries for repayment to their borrowers resulting in huge drop in volume of new leasing businesses. Weakening economic conditions also increased non-performing portfolio of leasing companies which not only resulted in suspension of income but also required provisions against doubtful receivables. Keeping in view the difficulties faced by leasing sector, the Securities and Exchange Commission of Pakistan (SECP) has made certain amendments in NBFC Rules such as extension in timeline for meeting minimum equity requirements and allowing more eligible securities, other than government securities for the purpose of maintaining the 15 percent liquidity requirement. Leasing segment is in urgent need of Government support to allow them to overcome their problems before they are irreparably damaged that will in turn dent the development of SME sector which has been playing a key role in the development of the economy. We foresee further consolidation in the sector through mergers of the existing institutions.

Financial Performance

The continuous liquidity crunch and higher cost of doing business is posing serious challenges to the

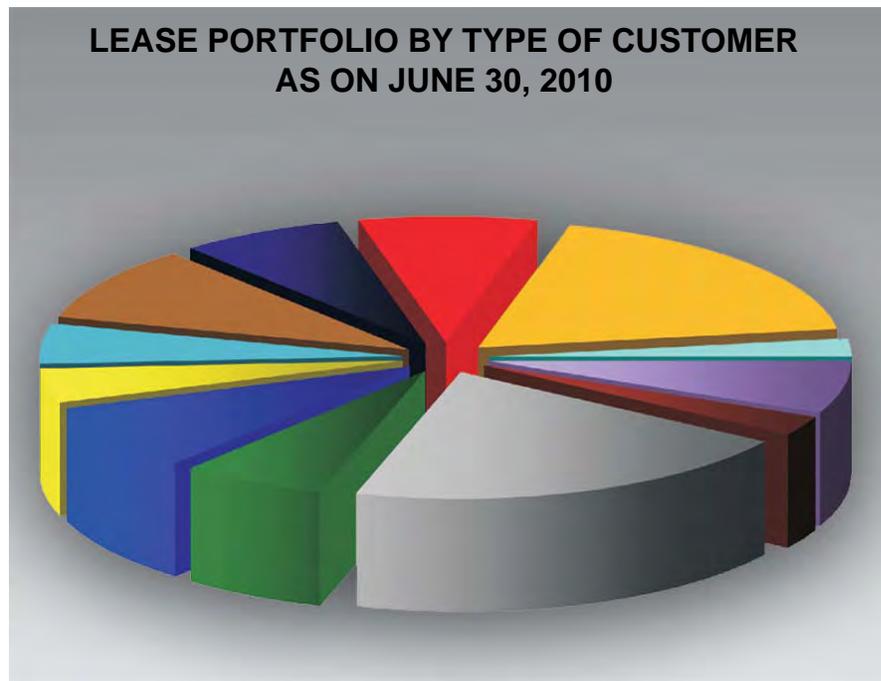


**LEASE PORTFOLIO BY TYPE OF ASSETS
AS ON JUNE 2010**



- 80% Plant & Machinery
- 09% Commercial Vehicles
- 04% Passenger Vehicles
- 07% Others

**LEASE PORTFOLIO BY TYPE OF CUSTOMER
AS ON JUNE 30, 2010**



- 07% Food and Allied
- 03% Pharmaceuticals/Fertilizer
- 20% Textile
- 07% Steel and Engineering
- 09% Construction
- 04% Paper and Boards
- 05% Energy oils & Gas
- 10% Transport & Communication
- 07% Services
- 07% Consumer & SME
- 19% Miscellaneous
- 02% Cement

Company. Due to liquidity crisis, the company could not undertake the new business (FY2009: Rs.851 million) resulting into further erosion in lease and loan portfolio during the year.

The gross finance lease revenue of the Company from leasing operations decreased to Rs.278 million from Rs.437 million and income from operating lease to Rs.25 million from Rs.62 million. The other operating income decreased to Rs.132 million from Rs.177 million. Despite financial constraints, your Company paid back around Rs.1,123 million principal amount along with financial charges of Rs.404 million during the year 2010. The Company successfully decreased its financial charges by 40 percent to Rs.468 million for the year as compared to Rs.776 million in the previous year mainly due to reduction in mark-up rate and loans. The operating expenses were also curtailed by 13 percent during the comparable period. Due to decrease in operating lease portfolio the depreciation cost for the year has also declined thus reducing direct cost of operating lease from Rs.44 million to Rs.24 million over the last year.

The Company incurred an operating loss of Rs.156 million as against operating loss of Rs.258 million during the last year. Non conducive business conditions have been further impacted by weak law and order situation, higher inflation and increase in discount rate. This has increased delinquent and non performing assets resulting in higher provisions against non performing loans and leases. The Company incurred a loss after tax of Rs.343 million during the financial year ended June 30, 2010 which include provision for doubtful leases/loans and impairment on available for sale investments of Rs.134 million and Rs.128 million respectively as against Rs.101 million and Rs.169 million respectively, during the previous year.

The JCR-VIS credit rating company has assigned entity rating of C (Single "C") from B (Single "B") for medium to long term and C (Single "C") from B (Single "B") for short term with 'Negative' out look.

Future Outlook

The most devastating floods in the history of Pakistan are likely to hamper economic growth which is already on fragile grounds. In the wake of flood related damages and additional expenditures on relief and rehabilitations, the country's fiscal position has become challenging and budgetary estimates for FY 2011 are in the process of being revised. There are other major risks to the growth and stabilization prospects that include larger than budgeted security related expenditures, energy circular debt, increasing interest rate and deteriorated internal security situation.

Keeping in view the liquidity crunch being faced by the Company, the management has successfully negotiated with major lenders for restructuring the principal amount, partial conversion of principal outstanding into Convertible Preference Shares and reduction in mark-up charges. The Company has also restructured its Term Finance Certificates by increasing the repayment period by 4 years and substantial reduction in mark-up rate. We are hopeful that the reduction in financing cost through restructuring/settlements, expected reversals of provisions resulting from settlement with the defaulted borrowers and the issuance of Convertible Preference Shares against settlement of loans will enable the Company to remain equity compliant and come out of losses.

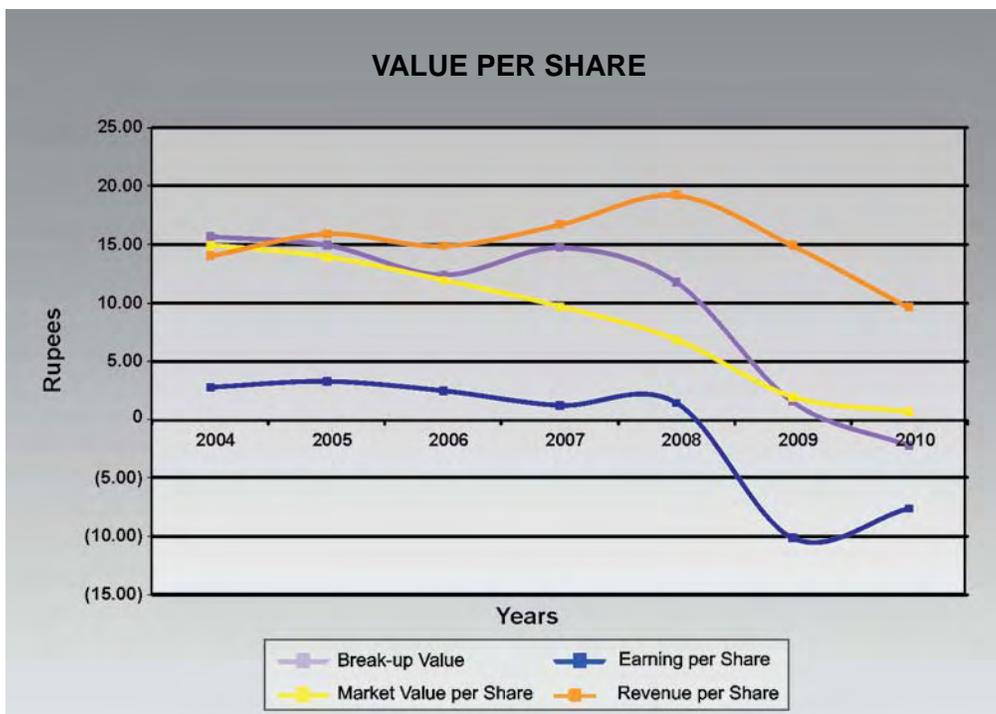
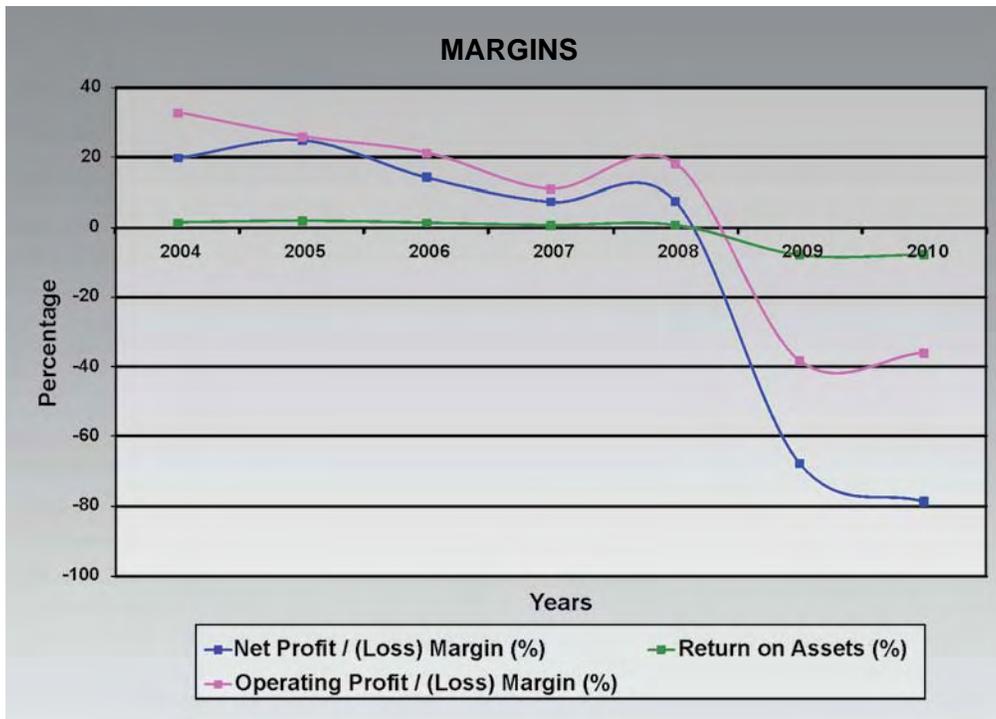
On behalf of the Board of Directors, I avail the opportunity to acknowledge with thanks the guidance of the regulatory authorities and the patronage of customers, COI and TFC holders, banks and lending institutions. I would also like to place on record the dedicated efforts and hard work of the management and the employees.



Muhammad Rashid Zahir
Chairman

October 06, 2010

KEY PERFORMANCE INDICATORS

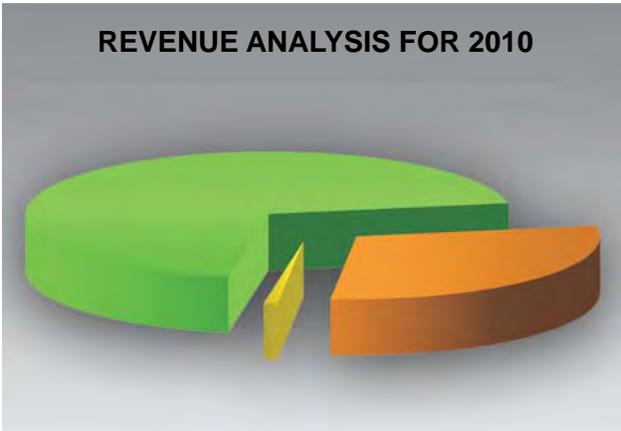


Ratio	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Break up Value (Rs.)	(2.18)	1.60	11.89	14.84	12.51	15.07	15.80	14.21	13.30	16.36
Current Ratio (X)	1.09	1.15	0.92	1.01	1.04	0.98	1.10	1.40	2.09	1.48
Debt Leverage	15.59	7.94	10.39	7.62	8.46	9.74	8.34	6.84	7.64	6.48
Dividend per Share (Rs.)	-	-	-	1.50*	1.50	2.00*	2.50*	0.75	-	1.25
Dividend Yield (%)	-	-	-	15.38	12.50	14.29	16.67	11.11	-	19.10
Earning / (Loss) per Share (Rs.)	(7.59)	(10.14)	1.49	1.26	2.52	3.33	2.82	1.37	0.62	1.56
Financial Charges / Total Expenses (%)	79.02	82.90	80.37	81.38	81.25	72.07	69.65	81.30	87.69	86.46
Market Value per Share (Rs.)	0.72	1.99	6.90	9.75	12.00	14.00	15.00	6.75	6.10	6.55
Net Profit / (Loss) Margin (%)	(78.63)	(67.63)	7.74	7.51	14.45	25.18	20.01	8.85	3.51	8.92
Operating Profit / (Loss) Margin (%)	(35.88)	(38.19)	18.39	11.11	21.47	26.12	33.04	17.49	4.51	7.49
Price Earning Ratio (X)	(0.09)	(0.20)	4.62	7.74	4.75	4.20	5.32	4.92	9.80	4.19
Return on Assets (%)	(7.67)	(7.76)	0.91	0.83	1.54	2.13	1.66	1.07	0.49	1.16
Revenue per Share (Rs.)	9.65	15.00	19.29	16.78	14.96	16.01	14.10	15.50	17.75	17.52
Times Interest Earned (X)	0.67	0.67	1.28	1.15	1.34	1.49	1.71	1.26	1.05	1.09
Total Assets / Net Worth (X)	19.05	14.56	13.82	10.24	11.19	12.54	10.78	9.04	9.59	8.23
Total Financing / Net Worth (X)	12.78	10.00	7.14	7.30	8.13	9.31	7.95	6.39	7.13	5.63

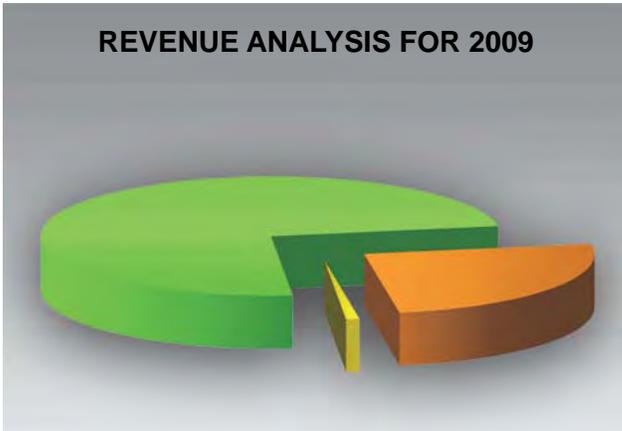
* includes Bonus Shares

Net worth includes Sub-ordinated loans of Rs. 333 million

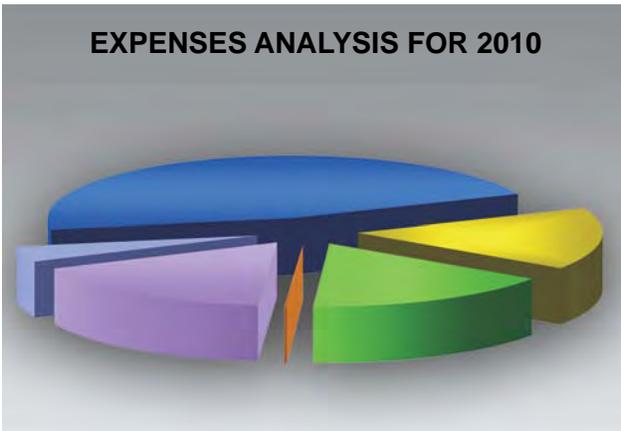
FINANCIAL HIGHLIGHTS



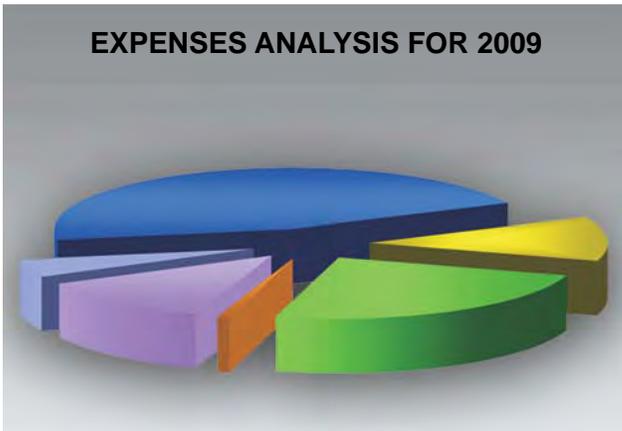
- 30% Income on term loans investments
- 01% Other income
- 69% Income from leasing operations



- 25% Income on term loans investments
- 01% Other income
- 74% Income from leasing operations



- 46% Borrowings from Financial Institutions
- 17% Term finance Certificates
- 17% Certificates of Investments
- 0.18% Other Charges
- 16% Administrative & Operating Expenses
- 04% Direct cost of operating leases



- 46% Borrowings from Financial Institutions
- 11% Term finance Certificates
- 25% Certificates of Investments
- 01% Other Charges
- 12% Administrative & Operating Expenses
- 05% Direct cost of operating leases

(Rupees in millions)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Operational results										
Total disbursement	-	851	3,249	2,486	2,258	1,874	1,592	1,012	614	1,052
Revenues	436	677	871	722	643	405	310	355	392	358
(Loss) / Profit before tax	(419)	(527)	84	71	103	54	68	66	17	39
(Loss) / Profit after tax	(343)	(458)	67	54	93	102	62	30	14	34
Financial charges	468	776	571	522	411	216	145	229	327	306
Provision for bad debts	134	101	69	18	32	43	33	5	2	(11)
Impairment loss on shares investment	128	169	-	-	-	-	-	-	-	-
Cash dividend	-	-	-	13.01	64.52	25.30	22.00	16.50	-	27.50
Balance sheet										
Gross lease receivables	3,751	4,868	5,937	5,084	4,844	3,866	2,916	2,276	2,123	2,589
Net investment in leases	2,838	3,801	4,873	4,248	4,073	3,319	2,533	1,919	1,775	2,112
Net worth	*235	*405	537	638	537	381	326	313	293	360
Reserves	148	148	151	136	125	106	86	73	83	139
Fixed assets owned & operating	119	261	256	209	84	100	42	39	46	54
Total assets	4,471	5,903	7,424	6,538	6,020	4,780	3,746	2,824	2,807	2,981
Long term liabilities	1,436	2,316	2,441	2,028	1,855	1,483	1,419	1,328	1,658	1,493
Long term investments	137	92	129	120	381	143	21	-	48	61

* Net worth includes Sub-ordinated loan of Rs. 333 million

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Saudi Pak Leasing Company Limited are pleased to present on behalf of the Board of Directors the 20th Annual Report and audited financial statements of the Company for the year ended June 30, 2010.



Financial Results

	Rupees
Loss before taxation	(419,636,339)
Less: Taxation-Current	7,249,002
-Prior year	(2,395,671)
-Deferred	(81,735,676)
Loss for the year after taxation	(342,753,994)
Accumulated loss brought forward	(382,714,525)
Transfer from surplus on revaluation of properties to accumulated losses	1,868,097
Accumulated loss carried forward	<u>(723,600,422)</u>
Loss per share	<u>(7.59)</u>

The Company is facing financial difficulties due to abrupt withdrawal of money market lines of over Rs.5.80 billion by the banks as a result of unwarranted liquidity crunch in the financial sector which is further aggravated by impairment in repayment capacity of the lessees. Non conducive business condition has been further impacted by adverse law and order situation, political uncertainty, higher inflation and increase in discount rate. This has badly affected the Company and resulted in increased delinquent and non performing assets. The continuous liquidity crunch and higher cost of doing business is posing serious challenges to the Company. The Company incurred a loss after tax of Rs.342.754 million during the financial year ended June 30, 2010 which include provision for doubtful leases/loans and impairment on available for sale investments of Rs.134.37 million and Rs.128.033 million respectively, during the year ended June 30, 2010.

The management is aggressively pursuing recovery drive and negotiating with the lenders to restructure the loans and obtain reduction in the mark-up rates. These steps will have positive impact on the operations of the company and it is expected to come out of losses.

Dividend

In view of the loss during the year, the Board has not recommended any dividend for the year ended June 30, 2010.

Board of Directors

Mr. Faridullah Khan and Mr. Aasim Azim Siddiqui, directors of the Company have resigned on September 3, 2010 and September 28, 2010 respectively. The casual vacancies in the Board of Directors are filled by Ms. Parveen A. Malik and Mr. Arsalan I. Khan for the remaining period till December 2012.

Corporate Governance

The Board of Directors of the Company is responsible to the shareholders for the management of the Company. It acknowledges the responsibility for the system of sound internal controls and is committed to uphold the highest standards of Corporate Governance. Your Company has also implemented provisions of the Code of Corporate Governance. Review report on compliance with best practices of the Code of Corporate Governance by statutory auditors is annexed with the report.

Statement of Corporate Governance

The Directors are pleased to state that:

- The financial statements, prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the company have been maintained.

- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) Approved Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored. The ultimate responsibility of the effectiveness of internal control system and its monitoring lies with the Board. An Audit Committee has been formed for the purpose that meets periodically and independently throughout the year with the management and also the internal and external auditors to discuss the effectiveness of internal control system and other financial reporting matters. In addition, there are financial forecasts and budgetary control procedures in place, which are reviewed and monitored throughout the year to indicate and evaluate the variances from the budget.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) During the year five (5) board meetings were held. These meetings were attended by the directors as under:

Name of Directors	Designation	Number of meetings	
		Held during the year	Attended
Mr. Muhammad Rashid Zahir	Chairman	5	5
Mr. Ihsanul Haq Piracha	Vice Chairman	5	5
Mr. Farrukh Shauket Ansari	Chief Executive	5	5
Mr. Aasim Azim Siddiqui**	Director	5	1*
Mr. Haroon Ihsan	Director	5	4*
Mr. Faridullah Khan***	Director	5	5
Mr. Muhammad Tariq Masud	Director	5	5

* Leaves of absence were granted to Mr. Aasim Azim Siddiqui and Mr. Haroon Ihsan who could not attend the Board Meetings.

** Resigned on September 28, 2010 from the Board.

*** Resigned on September 3, 2010 from the Board.

- i) The key information as to operating and financial data of the Company is available in the annual report. The categories and pattern of shareholding as required by the Companies Ordinance, 1984 are also included in the annual report.
- j) No executive owns or has acquired any shares in the Company during the year and no trading was carried out in the shares of the Company during the year by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Chief Internal Auditor or their spouses and minor children.
- k) The value of investments in provident and gratuity funds is Rs.8.745 million (2009: Rs.5.761 million) and Rs.14.000 million (2009: Rs.9.279 million) respectively as per the audited accounts for provident fund and gratuity fund for the year ended June 30, 2010.

Auditors Report

The Auditors in their report to members have qualified non provision of Rs.34.33 million on loans and leases and non suspension of income of Rs.81.51 million thereon during the year ended June 30, 2010. It has been a Company policy to comply with all applicable rules & regulations including NBFC Regulations at all time, in letter and spirit. Based on this philosophy and consistent with

practice during previous years, financial statements for the year ended June 30, 2010 are drawn with required provisions and suspension in respect of outstanding leases or loans.

As a result of signing of settlement agreement with a commercial bank prior to the finalization of Accounts and based on realization of principal and mark-up amount of leases and loans we have not suspended income or provided provision against the leases and loans in the amount of Rs.42.33 million and Rs.30.38 million, respectively.

A commercial property was developed by our client (builder) with our full financial support. In addition to term finance agreement with the client a profit sharing agreement was also signed. According to profit sharing agreement, the profit after deduction of cost and development charges including mark-up during construction period would be shared in agreed ratio. Our investment is secured by mortgage on the developed property and builder's own personal property. Furthermore, builder has given full rights to us to sell or settle the above said commercial property. On the basis of above we have capitalized the mark-up charge of Rs.39.52 million and made nil provision.

Restructuring the Principal Payment and Reduction in Mark-up rate of Term Finance Certificates

A meeting of the TFC holders was called on September 8, 2010 to restructure the loan tenor and reduction in the mark-up rate. We have received a positive response and expect substantial reduction in mark-up rate and extension in loan tenor.

Audit Committee

The Audit Committee comprises of three non-executive directors namely Mr. Muhammad Rashid Zahir, Mr. Ihsanul Haq Piracha and Mr. Muhammad Tariq Masud.

Mr. Muhammad Tariq Masud joined as a member of Audit Committee in place of Mr. Aasim Azim Siddique with effect from December 4, 2009.

Credit Rating

The credit rating of the Company was reviewed by JCR-VIS, a credit rating company and assigned entity rating of C (Single 'C') from B (Single 'B') for medium to long term and C (Single 'C') from B (Single 'B') for short term with 'Negative' out look.

Auditors

The present auditors, M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants retired and being eligible, offer themselves for re-appointment for the year 2010-2011. On the suggestion of the Audit Committee, the Board recommends the appointment of M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants as statutory auditors for the year 2010-2011.

Pattern of Shareholding

The pattern of shareholding as on June 30, 2010 is annexed with this report.

Financial Highlights

Key financial highlights are summarized and annexed to these financial statements.

For and on behalf of the Board.



Farrukh S. Ansari
Chief Executive Officer



Muhammad Rashid Zahir
Chairman

Islamabad:
October 06, 2010

STATEMENT OF ETHICS AND BUSINESS PRACTICES

Statement of Ethics and Business Practices

The Code of Ethics of Saudi Pak Leasing Company Limited imbibes the guiding principles of our operations and conduct of our business with our shareholders, customers, vendors, affiliated companies and other stakeholders. These principles are required to be upheld at all times by all the officers and employees of the Company. The salient features of our commitments are as follows:

Our Shareholders

We strive to achieve optimum value for our shareholders on their investment in the Company through pursuance of prudent and sound risk management policies.

Our Customers

- We are a customer-friendly Company and seek to serve the needs of our customers with high standards of professional expertise and efficiency.
- In dealings with our customers, we strictly adhere to the legal, statutory and regulatory requirements.
- Transparency in business dealings is the cornerstone of our corporate policy.

Our Staff

- We expect the highest standards of integrity, diligence and responsibility from our staff.
- We expect our staff to be essentially “team players” and be able to contribute towards achievement of the goals set by the Company.
- We require of our staff utmost confidentiality of information and data obtained during the course of business with our customers.

Compliance with Laws & Regulations

- Our business policies and plans are formulated in strict compliance with the laws prevailing in the country.
- The Company attaches high degree of sanctity to proper maintenance of records relating to financial transactions as required under the laws.

Credit Operations

- Our credit operations are conducted under well-defined policies and procedures which are carefully reviewed, from time to time, to meet the emerging business environment.
- Our credit operations are transparent and the business decisions conform to high standards of financial prudence.
- We maintain adequate provisions against our receivables and investments as required under the Prudential Regulations.

Social Responsibility

- We recognize our responsibility in terms of the contribution we make towards the well-being of the society.
- We do not make donations to or extend any financing to or accept financial exposure towards any political organization.

Maintaining Confidentiality

- We attach utmost importance to ensure the confidentiality of business data concerning the Company, its customers and other business relationships.
- We do not disclose information relating to our customers or employees to third parties except with their consent or unless there is a legal or regulatory obligation to do so.

Financial Statements and other Records

- We have installed adequate control procedures and systems to ensure that all the books, records, accounts and financial statements are maintained appropriately and capture the spirit of the Company's transactions and conform to the legal requirements. The Company will not retain unrecorded or "off-the-books" funds or assets or liabilities in contravention of applicable laws and regulations.
- We believe in disclosure of all material financial information relating to the operations of the Company as required under the laws.

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

This statement of compliance is being presented to comply with the Code of Corporate Governance contained in listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a frame work 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 six non-executive directors and no directors representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. Mr. Faridullah Khan and Mr. Aasim Azim Siddiqui, directors of the Company have resigned on September 3, 2010 and September 28, 2010 respectively. The casual vacancies in the Board of Directors are filled by Ms. Parveen A. Malik and Mr. Arsalan I. Khan for the remaining period till December 2012. Their approval as director of the Company is under process with Securities and Exchange Commission of Pakistan.
5. The Company has prepared a 'Statement of Ethics and Business Practice's 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 the particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of Chief Executive Officer (CEO) have been taken by the Board. As on June 30, 2010, there is no other executive director of the company besides the CEO.
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 the agenda and working papers, were circulated in time before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The related party transaction have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
10. The Directors have given declaration that they are aware of their duties, powers and responsibilities. The directors have confirmed that they have kept themselves abreast with the latest developments in the Code of Corporate Governance with respect to their responsibilities.
11. The Board has approved appointment, remuneration and terms and conditions of the employment

of Chief Financial Officer and Company Secretary and Head of Internal Audit, as determined by Chief Executive Officer.

12. The director's report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before the approval of the Board.
14. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of the shareholdings.
15. The company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an audit committee comprising of three non-executives directors including the Chairman of the committee.
17. The meeting of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance in the form of Audit Committee Charter.
18. The Board has set-up an effective internal audit function with employees 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. The Internal Audit Department reports to the Audit Committee.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all his partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the person 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 regards.
21. The quarterly un-audited financial statements of the Company were circulated along with the review of the Directors. Half yearly financial statements were subject to the limited review by the statutory auditors. Financial Statements for the year ended June 30, 2010 have been audited and will be circulated in accordance with clause (xxii) of the Code.
22. All material information as described in clause (xxiii) of the Code is disseminated to the stock exchanges and Securities and Exchange Commission of Pakistan in a timely fashion.
23. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board



Farrukh S. Ansari
Chief Executive Officer



Muhammad Rashid Zahir
Chairman

Dated: October 06, 2010.



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

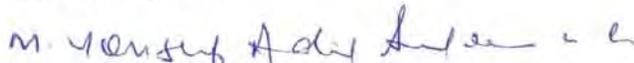
We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of the Saudi Pak Leasing Company Limited (the Company) to comply with the respective Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the personnel of the Company and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require 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 of Corporate Governance as applicable to the Company for the year ended June 30, 2010.


Chartered Accountants

Karachi

Date: 06 OCT 2010

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SAUDI PAK LEASING COMPANY LIMITED (the Company)** as at June 30, 2010 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- I. Regulation 25 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (Regulations) requires that loans and leases should be classified and provided for when principal or income amount is overdue for more than the prescribed time in accordance with the criteria given in Schedule X of the Regulations, and any income thereon should be suspended. However, management has not recognized provision of Rs. 34.33 million on loans and leases which have been overdue for more than the prescribed time mentioned in Schedule X and has not suspended income of Rs. 81.51 million thereon on the basis of the expected future settlement of the defaulted amounts. We understand that this practice is not in line with the aforesaid requirement and regulation 26 of the Regulations which allows reversal of specific provision and recognition of income only when recovery is made. Had the Company recognized and suspended the aforesaid provision and income respectively, the loss for the year and the accumulated loss would have been increased by Rs. 115.84 million, and net investment in leases, short-term loans, long-term loans and accrued mark-up would have been reduced by Rs. 53.69 million, Rs. 5.18 million, Rs. 3 million and Rs. 53.97 million respectively.

2. Except for the matter described in paragraph (1) above, 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 the 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 except for change mentioned in note 2.2 with which we concur;
 - ii. the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
 - (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2010 and of the loss, its cash flows and changes in equity for the year then ended; and
3. in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

Without further qualifying our opinion, we draw attention to note 1.2 of the financial statements which indicates that the Company has incurred net loss of Rs. 342.75 million during the year ended June 30, 2010, and as of that date, the total liabilities exceeded the total assets by Rs. 98.47 million. These conditions, along with other matters including pending renewal of the lease license by the Securities and Exchange Commission of Pakistan as set forth in Note 1.2, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Management has also disclosed the mitigating factors in the aforesaid note on the basis of which these financial statements have been prepared using going concern assumption.


Chartered Accountants

Engagement Partner
Nadeem Yousuf Adil

Place: Karachi

Dated: 6 OCT 2010

BALANCE SHEET

AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
ASSETS			
Current assets			
Cash and bank balances	3	18,541,525	14,124,771
Short-term loans	4	620,176,633	863,647,100
Short-term investments	5	184,682,678	260,012,655
Advances	6	145,000	83,964,244
Accrued mark-up	7	107,901,582	79,820,479
Trade deposits and short term prepayments		1,297,025	1,013,414
Advance tax - net of provision		2,088,468	1,201,135
Other receivables	8	98,563,601	107,664,629
Current maturity of non-current assets	9	1,960,463,212	2,134,558,945
		2,993,859,724	3,546,007,372
Non-current assets classified as held for sale	10	68,790,556	123,288,550
Total current assets		3,062,650,280	3,669,295,922
Non-current assets			
Long-term loans	11	122,760,408	76,796,621
Net investment in leases	12	1,069,278,428	1,880,875,577
Long-term investments	13	14,334,347	15,169,918
Deferred tax asset	14	81,735,676	-
Intangible assets	15	1,471,472	-
Property, plant and equipment	16	119,282,715	260,795,453
Total non-current assets		1,408,863,046	2,233,637,569
Total assets		4,471,513,326	5,902,933,491
LIABILITIES			
Current liabilities			
Borrowings from financial institutions	17	632,000,000	1,166,990,577
Certificates of investment	18	459,228,333	850,470,000
Accrued mark-up	19	172,215,801	109,120,803
Accrued and other payables	20	35,709,237	79,498,462
Current maturity of non-current liabilities	21	1,501,478,944	975,750,513
Total current liabilities		2,800,632,315	3,181,830,355
Non-current liabilities			
Certificates of investment	18	54,173,000	98,324,000
Long term finances	22	689,051,826	1,340,704,879
Sub-ordinated debt	23	333,208,499	333,208,499
Deposits against leases	24	692,924,599	876,652,626
Total non-current liabilities		1,769,357,924	2,648,890,004
Total liabilities		4,569,990,239	5,830,720,359
NET ASSETS		(98,476,913)	72,213,132
FINANCED BY			
Authorized capital			
100,000,000 (2009: 100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up share capital	25	451,605,000	451,605,000
Capital reserves		148,257,389	148,257,389
Accumulated loss		(723,600,422)	(382,714,525)
		(123,738,033)	217,147,864
Surplus/(deficit) on revaluation of asset - net	26	25,261,120	(144,934,732)
		(98,476,913)	72,213,132
CONTINGENCIES	27		

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

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
Revenue			
Income from:			
Finance leases	28	277,854,727	437,131,871
Operating leases		25,473,808	62,220,534
		<u>303,328,535</u>	<u>499,352,405</u>
Other operating income	29	132,554,649	177,969,854
		<u>435,883,184</u>	<u>677,322,259</u>
Expenses			
Financial charges	30	(468,009,315)	(775,875,565)
Administrative, selling and other operating expenses	31	(97,227,257)	(112,291,266)
Amount written off directly against loans, lease receivables and investments		(3,120,541)	(2,904,969)
Direct cost of operating leases	32	(23,928,042)	(44,895,161)
		<u>(592,285,155)</u>	<u>(935,966,961)</u>
Operating loss before provisions		(156,401,971)	(258,644,702)
Provisions and fair value changes			
Provision for doubtful leases, loans and other receivables	33	(134,365,475)	(100,803,464)
Impairment on available for sale investments	5.1	(128,033,322)	(168,877,727)
Unrealized loss in the market value of investment classified as held for trading		-	(3,357)
		<u>(262,398,797)</u>	<u>(269,684,548)</u>
		<u>(418,800,768)</u>	<u>(528,329,250)</u>
Share of loss from associate - net of tax		(835,571)	(1,397,270)
Gain on dilution of interest in associate	13.1.2	-	2,529,843
		<u>(835,571)</u>	<u>1,132,573</u>
Loss before taxation		(419,636,339)	(527,196,677)
Taxation			
- Current		(7,249,002)	(3,092,869)
- Prior year		2,395,671	-
- Deferred	34	81,735,676	72,230,324
		<u>76,882,345</u>	<u>69,137,455</u>
Loss for the year		(342,753,994)	(458,059,222)
Other comprehensive income		-	-
Total comprehensive loss for the year		(342,753,994)	(458,059,222)
Loss per share - basic and diluted	35	(7.59)	(10.14)

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


Farrukh S. Ansari
Chief Executive Officer


Muhammad Rashid Zahir
Chairman

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations after working capital changes	39	626,137,565	816,265,394
Financial charges paid		(404,914,317)	(795,557,134)
Taxes paid		(5,740,664)	(3,804,585)
Deposits paid to lessees		(156,795,706)	(179,382,154)
Decrease in net investment in leases		871,586,961	985,797,497
		304,136,274	7,053,624
Net cash generated from operating activities		930,273,839	823,319,018
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	16	(947,400)	(5,348,348)
Investment in operating lease assets	16	(3,964,366)	(51,038,500)
Acquisition of intangible assets	15	(1,655,408)	-
Proceeds from sale of property, plant and equipment		116,204,787	35,077,634
Decrease/(increase) in investments - net		124,460,604	(16,623,951)
Long-term loans		(47,691,257)	(57,467,882)
Dividend received		10,981,151	9,730,152
Net cash generated/(used in) investing activities		197,388,111	(85,670,895)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances	40	(82,982,943)	488,093,441
Borrowings from financial institutions		(534,990,577)	(78,009,423)
Certificates of investment		(505,266,667)	(1,516,478,000)
Sub-ordinated debt	40	-	333,208,499
Dividend paid		(5,009)	(42,210)
Net cash used in financing activities		(1,123,245,196)	(773,227,693)
Net increase/(decrease) in cash and cash equivalents		4,416,754	(35,579,570)
Cash and cash equivalents at beginning of the year		14,124,771	49,704,341
Cash and cash equivalents at end of the year		18,541,525	14,124,771

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



Farrukh S. Ansari
Chief Executive Officer



Muhammad Rashid Zahir
Chairman

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2010

	Share capital	Capital reserves		Total reserves	Accumulated (loss) / unappropriated profit	Total equity
		Contingency reserve	Statutory reserve			
----- Rupees -----						
Balance as at June 30, 2008	451,605,000	2,600,000	148,257,389	150,857,389	71,343,624	673,806,013
Total comprehensive loss for the year	-	-	-	-	(458,059,222)	(458,059,222)
Transfer from surplus on revaluation of properties on account of incremental depreciation - net of deferred tax	-	-	-	-	1,401,073	1,401,073
Transfer from contingency reserve to unappropriated profit	-	(2,600,000)	-	(2,600,000)	2,600,000	-
Balance as at June 30, 2009	451,605,000	-	148,257,389	148,257,389	(382,714,525)	217,147,864
Total comprehensive loss for the year	-	-	-	-	(342,753,994)	(342,753,994)
Transfer from surplus on revaluation of properties on account of incremental depreciation - net of deferred tax	-	-	-	-	1,868,097	1,868,097
Balance as at June 30, 2010	451,605,000	-	148,257,389	148,257,389	(723,600,422)	(123,738,033)

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


Farrukh S. Ansari
 Chief Executive Officer


Muhammad Rashid Zahir
 Chairman

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

1. STATUS AND NATURE OF BUSINESS

- 1.1 Saudi Pak Leasing Company Limited (the Company) was incorporated in Pakistan on January 08, 1991 and is listed on all the three Stock Exchanges in Pakistan. The registered office of the Company is situated at 6th floor, Lakson Square Building No.1, Sarwar Shaheed Road, Saddar, Karachi. The main business activity of the Company is leasing of assets. The Company's license to carry out the business of leasing has expired on May 18, 2010 and renewal is pending with the Securities and Exchange Commission of Pakistan.

Saudi Pak Industrial and Agricultural Investment Company Limited (SAPICO) is the holding company.

- 1.2 Financial meltdown in the world has had a negative impact on the local economy as well, which had already been encountering higher inflation, political instability, and lack of trust of foreign investors. These factors cumulatively caused liquidity crunch in the country due to which a wave of defaults spread across the financial sector, soaring a percentage of bad loan portfolios beyond previous highs. The Company, being one of financial sector victims, also started facing defaults in repayments by its lessees. Heavy drop in market values of the company's investments in equity portfolio also deteriorated financial position of the Company. As a result:

- * Impairments of Rs. 415.595 million and Rs. 212.103 million on lease and loans portfolios, and investment portfolio respectively have been recognized till June 30, 2010.
- * Net losses for the years have reached to Rs. 342.753 million and Rs. 458.059 million in the current and previous years respectively.
- * As of the June 30, 2010, accumulated losses have reached Rs. 723.600 million, and total liabilities have exceeded total assets by Rs. 98.476 million, due to which the Company may not be able to settle the liabilities in normal course of business.
- * Liquidity position of the Company has also worsened, making it unable to make loan payments to its lenders in a timely manner, to write new leases, and to get its license renewed by the SECP.
- * The Company's rating was also downgraded, not permitting the Company to issue new certificates of investment.

Although material uncertainty exists due to the above factors which may cast doubt on the Company's ability to continue as a going concern, however, the management of the Company's is confident that the going concern assumption is appropriate for the reasons explained in the ensuing paragraphs and has, as such prepared these financial statements on a "going concern basis".

Management started negotiations with its lenders for restructuring/rescheduling of the loan facilities, proposing to extend repayment periods, reduce mark-up rates, and partial conversion of the existing loan facilities into preference shares. Management also offered properties to the lenders for settlements, which it acquired from the defaulted loans and lessees. Consequently, some lenders have intended to settle the amounts by taking the properties amounting Rs. 274 million, and with others management is in active negotiation for reduction in mark up rates and extension of repayment periods. Further, management has continued its negotiations with the defaulted lessees to take hold of their collaterals including properties for offering them to lenders for the settlement.

The Company reduced its borrowings from Rs. 4,180.762 million to Rs. 3,057.522 million as compared to the last year.

Meeting with Term Finance Certificates (TFCs) holders was also arranged in September 2010 where a proposal of restructuring of TFCs and reduction of mark-up rate was discussed.

Management is hopeful that the reduction in financing cost through restructuring/settlements, expected reversals of provisions resulting from settlement with the defaulted borrowers and the issuance of convertible preference shares against settlement of loans will assist in reducing the losses and the Company will remain equity compliant.

Management has also developed its future business plans which show considerable reversals in provision and suspension and considerable reduction in financial cost, however, the same is linked with the settlement of third party properties with lenders and conversion of part principal amount into convertible preference shares of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations). Wherever, the requirements differ with the requirements of IFRS, the requirements of the Ordinance, the Rules or the Regulations shall prevail.

2.2 Adoption of new and amended International Financial Reporting Standards and IFRS interpretations

In the current year, the Company has adopted all new Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and as notified by the Securities and Exchange Commission of Pakistan that are relevant to its operations and effective for the Company's accounting period beginning on July 01, 2009. The adoption of these new Standards and Interpretations has resulted in changes to the Company's accounting policies in the following area:

IAS 1 - Presentation of financial statements (Revised)

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. Further, under revised standard, an entity may present the components of profit or loss either as part of a single statement of comprehensive income or in a separate income statement. The Company has opted to present the components of profit or loss as part of a single statement of comprehensive income as permitted under revised IAS 1.

As surplus on revaluation of property, plant and equipment and surplus on remeasurement of available for sale investments do not form part of the equity under the local laws and is presented below the equity in the balance sheet, accordingly changes in equity arising from surplus on revaluation of property, plant and equipment have not been considered part of comprehensive income and accordingly these are not included in the comprehensive income presented in these financial statements.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 7 - Financial Instruments : Disclosures

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The Company has elected not to provide comparative information for these expanded disclosures.

As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

2.2.1 Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following revised standards, amendments to published standards and interpretations to existing standards with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below:

Standard or Interpretation		Effective from accounting period beginning on or after
IFRS 2	Share-based payments (Amendment)	January 01, 2010
IFRS 5	Non-current assets held for sale and Discontinued operations (Amendment)	January 01, 2010
IFRS 8	Operating Segments (Amendment)	January 01, 2010
IAS 1	Presentation of Financial Statements (Amendment)	January 01, 2010
IAS 7	Statements of cash flows (Amendment)	January 01, 2010
IAS 17	Leases (Amendment)	January 01, 2010
IAS 24	Related party disclosures (Revised)	January 01, 2011
IAS 32	Financial Instruments: Presentation (Amendment)	February 01, 2010
IAS 36	Impairment of assets (Amendment)	January 01, 2010
IAS 39	Financial Instruments: Recognition and Measurement (Amendment)	January 01, 2010
IFRS 9	Financial Instruments - Classification and Measurement	Not yet notified by SECP
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

In addition to the above, amendments and improvements to various accounting standards have also been issued by IASB which are generally effective for accounting periods beginning on or after July 01, 2010.

The Company considers that the above standards and interpretations are either not relevant or will have no material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements.

2.3 Basis of measurement

The financial statements have been prepared under the historical cost convention modified by:-

- revaluation of certain property, plant and equipment,
- recognition of certain staff retirement benefits at present value,
- financial instruments at fair value.

2.4 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and income and expenses. 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 historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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

- a) accounting for post employment benefits (note 2.6), and
- b) recognition of taxation and deferred tax (note 2.7);
- c) determining the residual values and useful lives of the property, plant and equipment (note 2.8);
- d) classification of investments (note 2.12);
- e) allowance for potential lease and loan losses (note 2.13);
- f) provisions (note 2.17);
- g) impairment (note 2.18);
- h) future financial projections (note 1.2);

The principle accounting policies adopted are set out below.

2.5 Term Loans

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

2.6 Staff retirement benefits

Defined benefit plan

The company operates an approved gratuity fund for its permanent employees who complete the eligible period of service. Provision has been made in accordance with actuarial recommendations using the "Projected Unit Credit Method". The results of current valuation are summarized in note 35. The amount recognized in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses and as reduced by the fair value of plan assets.

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceed ten percent of the higher of defined benefit obligation and fair value of the plan assets at that date. The excess amount of gains or losses are recognized over the expected remaining working lives of the employees participating in the plans.

Defined contribution plan

The company also operates a provident fund scheme for its permanent employees. Equal monthly contributions at a rate of 10 percent of basic salary are made by the company and its employees.

The company has suspended the contributions of provident fund scheme in accordance with the resolution passed in the meeting of board of directors from October 2009.

2.7 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available if any or minimum taxation at rate of 0.5 percent of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax is accounted for using the balance sheet liability method on all temporary timing differences at balance sheet date between tax base of assets and liabilities and their carrying amounts for financial reporting.

Deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilized.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

2.8 Property, plant and equipment

Property, plant and equipment (including assets given under operating lease arrangements) are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any. Depreciation is calculated using the straight line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. The rates at which the fixed assets are depreciated are disclosed in note 16. The residual values, useful lives and depreciation methods are reviewed annually and changes, if any, are treated as change in accounting estimates, at each balance sheet date.

Depreciation on additions is charged from the month the assets are available for use, while no depreciation is charged in the month in which the assets are disposed off.

Surplus arising on revaluation of fixed assets is credited to surplus on revaluation of fixed assets account. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets, is transferred directly to unappropriated profit (net of deferred tax).

Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in the profit and loss account in the year the asset is derecognized, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to unappropriated profit.

Subsequent cost are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

Capital work-in-progress

Capital work-in-progress is stated at cost less impairment loss, if any. These assets will be transferred to specific assets as and when these assets are available for use.

2.9 Repossessed assets

These assets are acquired in settlement of certain loans / lease receivables. These are measured at lower of carrying amount of the related receivables and fair value less cost to sell of repossessed assets.

2.10 Finance Leases (as lessor)

Amounts due from lessees under finance lease are recorded as receivables at the amount of the net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

2.11 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the profit and loss account when the loans and receivables are derecognized or impaired, as well as through the amortization process.

2.12 Investments

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the company commits to purchase or sell the asset. The investments of the Company have been categorized as per the requirements of IAS 39 as follows:

At fair value through profit or loss

These include investments held for trading and those that are designated at fair value through profit or loss at inception. Investments are classified as held for trading if they are acquired for the purpose of selling in the near term. They are initially measured at fair value exclusive of transaction cost and changes on re-measurement are taken to profit and loss account.

The company has not designated any investment as at fair value through profit or loss.

Held-to-maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the company has the positive intent and ability to hold to maturity. Held to maturity investments are initially recognized at cost inclusive of transaction cost and are subsequently carried at amortized cost using effective interest rate method, less any impairment losses. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the investment to its net carrying amount. Gains and losses are recognized in the income statement when the investments are de-recognized or impaired, as well as through the amortization process.

Available for sale

Investment securities held by the company which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognized at fair value plus transaction cost and subsequently re-measured at fair value. Investments in delisted / unquoted investments are carried at cost less impairment in value, if any. Gains and losses arising from re-measurement at fair value is recognized directly in the equity under fair value reserve until sold, collected, or otherwise disposed off at which time, the cumulative gain or loss previously recognized in equity is included in profit and loss account.

Investment in associate

Under the equity method the investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognized in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's equity that have not been recognized in the investee's profit or loss.

2.13 Allowance for potential lease and loan losses

The allowance for potential lease and loan losses are maintained at a level which, in the judgment of management, is adequate to provide for potential losses on lease and loan portfolio which can be reasonably anticipated. The adequacy of allowance is evaluated on the basis as set out in the Regulations. The allowance is increased by provisions charged to income and is decreased by charge offs, net of recoveries.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances with banks.

2.15 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of the respective assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.16 Revenue recognition

Finance leases income

The company follows the 'financing method' in accounting for recognition of finance lease. At the commencement of a lease, the total unearned finance income i.e. the excess of aggregate installment contract receivables plus residual value over the cost of the leased asset is amortized over the term of the lease, applying the annuity method, so as to produce a constant periodic rate of return on the net investment in finance leases. Initial direct costs are deferred and amortized over the lease term as a yield adjustment.

Processing, front end and commitment fees and commission are recognized as income when such services are provided.

Operating lease

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Income on term loan

Income on loans is recognized using effective yield on a time proportionate basis.

Income on non-performing lease and loan receivables

Income on non-performing loan and lease receivables is recognized on receipt basis in accordance with the requirements of the Regulations.

Return on investments

Return on debt securities is recognized using effective interest method.

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

Dividend income from investments is recognized when the company's right to receive dividend is established.

2.17 Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.18 Impairment

Non-financial assets

The company assesses at each balance sheet date whether there is any indication that non-financial assets except deferred tax assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount of the asset which it would have been, had no impairment loss been recognized. Reversal of impairment loss is recognized as income.

Financial assets

Loan and net investment in lease

Impairment testing and recognition of impairment loss if any, is carried out in accordance with requirements of NBFC Regulations, 2008. (Refer note 2.13)

Held to maturity

If there is objective evidence that an impairment loss on held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss shall be reversed through profit and loss account.

Available for sale

The Company determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

A decline in the value of equity securities determined as impairment loss is recognized in the profit and loss account. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss. Impairment losses recognized in profit or loss for an investment in debt instrument shall be reversed, with the amount of the reversal recognized in profit or loss.

2.19 Financial instruments

All financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. 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 taken to income directly.

The financial assets and liabilities carried on the balance sheet date have been disclosed in the note 42.

2.20 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative

contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as assets when fair value is positive, and liabilities when fair value is negative. Any change in the fair value of derivative financial instrument is taken to profit and loss account.

2.21 Repurchase and resale transactions

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

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

2.22 Off-setting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.23 Related party transactions

Transactions with related parties are carried out by the Company on agreed terms.

2.24 Foreign currencies

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

2.25 Dividend distribution

Dividend distribution to the company's shareholders is recognized in the financial statements in the period in which the dividend is approved by the shareholders of the Company in Annual General Meeting.

2.26 Segmental reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the company's other components. The details of segment information have been given in note 41.

2.27 Functional and presentation currency

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

2.28 Intangible assets

Intangible assets acquired separately

Intangible assets with finite lives acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

	Note	2010 Rupees	2009 Rupees
3. CASH AND BANK BALANCES			
With State Bank of Pakistan in current account		30,249	34,619
With banks:			
- in current accounts - local currency		949,163	979,122
- in current accounts - foreign currency		5,401	5,401
- in savings accounts		17,454,341	13,004,370
Cash in hand		102,371	101,259
		18,541,525	14,124,771
4. SHORT-TERM LOANS - secured			
Considered good		150,546,711	403,165,449
Non-performing loans		497,837,076	475,348,825
	4.1	648,383,787	878,514,274
Allowance for non-performing loans	4.2	(28,207,154)	(14,867,174)
		620,176,633	863,647,100

4.1 These represents term finance facilities provided to customers on mark-up basis in the normal course of business. These are secured against charge over properties, listed securities, stocks and receivables. The rate of mark-up ranges from 15.50% to 25% (2009: 14.98% to 25%) per annum.

	Note	2010 Rupees	2009 Rupees
4.2 Allowance for non-performing loans			
Balance at beginning of the year		14,867,174	4,250,000
Charge for the year		18,176,357	10,617,174
Reversal during the year		(4,836,377)	-
	33	13,339,980	10,617,174
Balance at end of the year		28,207,154	14,867,174
5. SHORT-TERM INVESTMENTS			
At fair value through profit and loss account - Held for trading:			
- Ordinary shares of listed companies		-	2,040
Available for sale	5.1	184,682,678	260,010,615
		184,682,678	260,012,655
5.1 Available for sale:			
- Ordinary shares of listed companies		287,386,637	455,304,334
- Cumulative preference shares of listed companies		-	11,250,000
- Ordinary shares of unlisted companies		69,583,330	69,583,330
- Units of mutual funds		33,236,044	58,234,476
Available for sale at cost	5.1.1	390,206,011	594,372,140
Impairment loss recognized	5.1.2	(212,103,484)	(168,877,727)
		178,102,527	425,494,413
Surplus/(deficit) on revaluation of available for sale securities	26	6,580,151	(165,483,798)
		184,682,678	260,010,615

	Note	2010 Rupees	2009 Rupees
5.1.2 Impairment loss recognized			
Balance as of July 01		168,877,727	-
Recognized during the year		128,033,322	168,877,727
Reversed during the year		(84,807,565)	-
Balance as of June 30		<u>212,103,484</u>	<u>168,877,727</u>
6. ADVANCES			
Advance to suppliers		100,000	870,000
Advance against leases		45,000	83,094,244
		<u>145,000</u>	<u>83,964,244</u>
7. ACCRUED MARK-UP			
Return on investments		-	161,797
Mark-up on term loans		91,872,442	79,658,682
Mark-up on Quality Golf Pakistan (Private) Limited	8.1	16,029,140	-
		<u>107,901,582</u>	<u>79,820,479</u>
8. OTHER RECEIVABLES			
Operating lease rentals		11,545,095	13,026,026
Receivable on termination of lease		75,215,101	63,666,158
Others	8.1	27,966,410	33,722,805
		<u>114,726,606</u>	<u>110,414,989</u>
Less: Provision for doubtful other receivables		<u>(16,163,005)</u>	<u>(2,750,360)</u>
		<u>98,563,601</u>	<u>107,664,629</u>

8.1 This include balance amount aggregating to Rs. 25,758,820 (2009: Rs. 31,500,000) receivable from Quality Golf Pakistan (Private) Limited in respect of consideration paid for investor quota (57 membership cards) in ACACIA Country & Golf Club. Under the agreement, the Quality Golf Pakistan (Private) Limited would be obliged to transfer the number of memberships out of the Company quota desired by it to be transferred to the prospective members approaching the Quality Golf Pakistan (Private) Limited to purchase ACACIA memberships before selling any new memberships.

	Note	2010 Rupees	2009 Rupees
9. CURRENT MATURITY OF NON- CURRENT ASSETS			
Current portion of:			
Long term loans	11	191,175,601	208,836,931
Net investment in leases	12	1,769,287,611	1,920,622,014
Long term investments	13.2	-	5,100,000
		<u>1,960,463,212</u>	<u>2,134,558,945</u>
10. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE			

These represent repossessed leased assets previously leased out to customers. The company intends to dispose off these assets to recover the balance amount outstanding against such leases.

	Note	2010 Rupees	2009 Rupees
11. LONG TERM LOANS - secured			
Related party			
Due from employees - considered good	11.1	12,459,778	22,464,216
Other than related party			
Term loan to customers			
- Considered good		26,341,297	70,685,117
- Non-performing loans		301,143,734	199,104,219
	11.2	327,485,031	269,789,336
		339,944,809	292,253,552
Allowance for non-performing loans	11.3	(26,008,800)	(6,620,000)
		313,936,009	285,633,552
Recoverable within one year shown as current portion of long term loans	9	(191,175,601)	(208,836,931)
		122,760,408	76,796,621
11.1 Related parties - secured			
Term loans			
Executives		6,625,594	13,847,711
Other employees		5,227,912	6,683,423
	11.1.1	11,853,506	20,531,134
Other loans			
Executives		26,543	479,199
Other employees		579,729	1,453,883
	11.1.1	606,272	1,933,082
		12,459,778	22,464,216

Reconciliation of outstanding amount of loans to Chief Executive and Executives:

	Chief Executive		Executives	
	2010	2009	2010	2009
	----- Rupees -----			
Term loans				
Opening balance	-	-	13,847,711	12,446,918
Disbursements	-	-	-	3,126,601
Repayments	-	-	(7,222,117)	(1,725,808)
	-	-	6,625,594	13,847,711
Other loans				
Opening balance	-	303,074	479,199	1,253,034
Disbursements	-	-	-	50,000
Repayments	-	(303,074)	(452,656)	(823,835)
	-	-	26,543	479,199

11.1.1 Term loans include house loan given in accordance with terms of the Company's employment policy and are repayable within a period of 15 years or retirement date whichever is earlier. Term loans are secured against property. Other loans include personal loans and these are secured against the future salaries and retirement benefits of the employees. These loans are repayable within a period of 3 years from the date of disbursement or retirement date whichever is earlier.

11.1.2 Maximum amount outstanding at the end of any month during the year against any loans to Chief Executive and executives were Rs. Nil (2009: Rs. 121,579) and Rs. 8,218,455 (2009: Rs. 16,262,286) respectively.

11.2 Term loan due from customers is secured against property and pledge of listed securities. The rate of return on these loans ranges from 15% to 22.66% (2009: 14.55% to 22.66%) per annum.

	Note	2010 Rupees	2009 Rupees
11.3 Allowance for non-performing loans			
Balance at beginning of the year		6,620,000	-
Charge for the year	33	19,388,800	6,620,000
Balance at end of the year		26,008,800	6,620,000

12. NET INVESTMENT IN LEASES

Minimum lease payments receivable		2,760,601,760	3,725,757,147
Add: Residual value of leased assets		990,503,849	1,141,754,478
Gross investment in leases	12.1	3,751,105,609	4,867,511,625
Less: Unearned lease income		(255,439,019)	(550,762,266)
Net investment in leases	12.1	3,495,666,590	4,316,749,359
Less: Income suspended		(295,720,812)	(242,086,290)
Provision for potential lease losses	12.2	(361,379,739)	(273,165,478)
		(657,100,551)	(515,251,768)
		2,838,566,039	3,801,497,591
Current portion of net investment in lease	9	(1,769,287,611)	(1,920,622,014)
		1,069,278,428	1,880,875,577

12.1 The internal rate of return on leases disbursed during the year ranges from 12.50% to 20.01% (2009: 16.12% to 28.34%) per annum. Certain lease rentals have been hypothecated against long term finances obtained (refer note 22.1 & 22.2).

	Gross Investment in leases		Net Investment in leases	
	2010	2009	2010	2009
	----- Rupees -----			
Less than one year	1,985,486,585	2,453,285,853	1,769,287,611	1,920,622,014
One year to five years	1,765,619,024	2,414,225,772	1,726,378,979	2,396,127,345
	3,751,105,609	4,867,511,625	3,495,666,590	4,316,749,359

	Note	2010 Rupees	2009 Rupees
12.2 Provision for potential lease losses			
Balance at beginning of the year		273,165,478	190,573,536
Charge for the year		122,611,558	123,720,317
Reversal during the year		(34,387,508)	(40,154,027)
	33	88,224,050	83,566,290
Write offs against provision		(9,789)	(974,348)
Balance at end of the year		361,379,739	273,165,478

12.3 Net investment in lease finance includes lease contract receivables amounting to Rs. 6,735,790 (2009: Rs.10,580,320) from related parties.

	Note	2010 Rupees	2009 Rupees
13. LONG TERM INVESTMENTS			
Investments in associate	13.1	14,334,347	15,169,918
13.1 Investments in associate – at equity method			
13.1.1 Number of shares held			
Cost of investments (Rupees)		2,500,000	2,500,000
Ownership interest		7.69%	7.69%
13.1.2 Cost			
Balance as of July 01		25,000,000	25,000,000
Share of post acquisition loss		(9,830,082)	(10,962,655)
Gain on dilution of interest in associate		(835,571)	(1,397,270)
		-	2,529,843
Balance as of June 30		(10,665,653)	(9,830,082)
		14,334,347	15,169,918
13.1.3 Total assets			
Total liabilities		39,040,295	48,748,228
Share in net assets		(24,705,948)	(33,578,310)
		14,334,347	15,169,918

13.1.4 Summarized financial highlights of Saudi Pak Insurance Company Limited as at June 30, 2010 are as follows:

	Note	June 30, 2010 Rupees	June 30, 2009 Rupees
Total assets		507,523,835	633,726,963
Total liabilities		321,177,323	436,518,026
Revenue		101,721,863	144,878,205
Loss for the year		(10,862,425)	(18,164,512)
13.2 Held to maturity			
Term finance certificates - secured	13.2.1	-	5,100,000
Less: current portion	9	-	(5,100,000)
		-	-

13.2.1 Term Finance Certificates - secured

	Number of Certificates		Face Value	Tenure	Profit Rate	2010	2009
	2010	2009	Rupees			----- Rupees -----	
Al-Zamin Leasing Modaraba-II	-	3,000	5,000	5 years from 01-Jul-05	8.50%	-	5,100,000

14. DEFERRED TAX ASSET

	Opening Balance	Recognized In Profit And Loss Account	Recognized In Surplus On Revaluation Of Assets	Closing Balance
----- Rupees -----				
Movement for the year ended June 30, 2010				
Taxable temporary differences:				
Excess of net investment in leases over written down value of leases	(310,945,530)	151,986,801	-	(158,958,729)
Accelerated tax depreciation	(51,946,769)	36,795,900	-	(15,150,869)
Surplus on revaluation of property, plant and equipment	(11,064,883)	1,005,898	-	(10,058,985)
	(373,957,182)	189,788,599	-	(184,168,583)
Deductible temporary differences:				
Provision against term loans	6,033,010	12,942,574	-	18,975,584
Provision against other receivables	962,626	4,694,426	-	5,657,052
Investment in associate	983,008	2,749,970	-	3,732,978
	7,978,644	20,386,970	-	28,365,614
Unabsorbed depreciation and carry forward losses	365,978,538	(128,439,893)	-	237,538,645
	-	81,735,676	-	81,735,676
Movement for the year ended June 30, 2009				
Taxable temporary differences:				
Excess of net investment in leases over written down value of leases	(490,599,418)	179,653,888	-	(310,945,530)
Accelerated tax depreciation	(61,660,932)	9,714,163	-	(51,946,769)
Surplus on revaluation of property, plant and equipment	-	754,424	(11,819,307)	(11,064,883)
	(552,260,350)	190,122,475	(11,819,307)	(373,957,182)
Deductible temporary differences:				
Provision against term loans	1,487,500	4,545,510	-	6,033,010
Provision against other receivables	962,626	-	-	962,626
Investment in associate	670,952	312,056	-	983,008
	3,121,078	4,857,566	-	7,978,644
Unabsorbed depreciation and carry forward losses	488,728,255	(122,749,717)	-	365,978,538
	(60,411,017)	72,230,324	(11,819,307)	-

14.1 Deferred tax asset on carry forward losses aggregating to Rs. Nil (2009: Rs. 134,941,459) has not been recognized as per management decision.

	Note	2010 Rupees	2009 Rupees
15. INTANGIBLE ASSETS			
Computer software	15.1	1,471,472	-
15.1 Computer software			
Cost			
At July 01		-	-
Additions		1,655,408	-
At June 30		1,655,408	-
Amortization/impairment			
At July 01		-	-
Charge for the year		(183,936)	-
At June 30		(183,936)	-
Carrying amount			
At June 30		1,471,472	-

15.1.1 The amortization expense has been included as a line item administrative, selling and other operating expenses in the profit and loss account.

15.1.2 The useful life used in the calculation of amortization of computer software is three years.

16. PROPERTY, PLANT AND EQUIPMENT

Description	Cost			Accumulated Depreciation			Net Book Value	Rate (%)	
	As at July 1, 2009	Additions / (Disposals) / (Transfers)	Revaluation surplus	As at June 30, 2010	As at July 1, 2009	For the year / (on disposals) / (on transfers)	As at June 30, 2010		
Rupees									
Owned assets									
Building Improvements	3,526,371	-	-	3,526,371	3,526,371	-	3,526,371	-	20%
Office premises	69,317,487	(7,000,000)	-	62,317,487	14,581,054	4,363,685 (962,500)	17,982,239	44,335,248	5%
Furniture, fixtures & fittings	6,772,397	-	-	6,772,397	6,383,944	160,740	6,544,684	227,713	20%
Vehicles	30,317,041	-	-	26,498,041	18,365,387	3,239,651 (2,702,121)	18,902,917	7,595,124	20%
Office equipment	26,012,194	947,400 (490,000)	-	25,699,594	22,642,269	1,711,856 (490,000)	23,607,458	2,092,136	20%
	135,945,490	947,400 (11,309,000) (770,000)	-	124,813,890	65,499,025	9,475,932 (4,154,621) (256,667)	70,563,669	54,250,221	
Operating Lease assets									
Plant and Machinery	67,000,000	-	-	67,000,000	21,165,000	6,030,000	27,195,000	39,805,000	10%
Generators	49,867,135	3,395,000	-	54,032,135	19,034,215	9,513,759	28,804,641	25,227,494	20%
Vehicles	156,637,307	770,000 569,366 (157,206,673)	-	-	42,956,239	256,667 7,140,566 (50,096,805)	-	-	20%
	273,504,442	3,964,366 (157,206,673) 770,000	-	121,032,135	83,155,454	22,684,325 (50,096,805) 256,667	55,999,641	65,032,494	
2010	409,449,932	4,911,766 (168,515,673)	-	245,846,025	148,654,479	32,160,257 (54,251,426)	126,563,310	119,282,715	

Description	Cost			Accumulated Depreciation			Net Book Value	Rate (%)	
	As at July 1, 2008	Additions / (Disposals)	Revaluation surplus	As at June 30, 2009	As at July 1, 2008	For the year / (on disposals)	As at June 30, 2009		
Rupees									
Owned assets									
Building Improvements	3,526,371	-	-	3,526,371	3,384,059	142,312	3,526,371	-	20%
Office premises	35,548,042	-	33,769,445	69,317,487	10,648,159	3,932,895	14,581,054	54,736,433	5%
Furniture, fixtures & fittings	6,726,717	45,680	-	6,772,397	6,046,860	337,084	6,383,944	388,453	20%
Vehicles	27,860,872	5,207,169 (2,751,000)	-	30,317,041	15,162,969	4,784,500 (1,582,082)	18,365,387	11,951,654	20%
Office equipment	25,982,695	95,499 (66,000)	-	26,012,194	20,795,609	1,912,659 (65,999)	22,642,269	3,369,925	20%
	99,644,697	5,348,348 (2,817,000)	33,769,445	135,945,490	56,037,656	11,109,450 (1,648,081)	65,499,025	70,446,465	
Operating Lease assets									
Plant and Machinery	67,000,000	-	-	67,000,000	15,135,000	6,030,000	21,165,000	45,835,000	10%
Generators	43,345,135	6,522,000	-	49,867,135	10,372,621	8,661,594	19,034,215	30,832,920	20%
Vehicles	152,965,307	44,516,500 (40,844,500)	-	156,637,307	25,028,852	29,390,732 (11,461,345)	42,956,239	113,681,068	20%
	263,310,442	51,038,500 (40,844,500)	-	273,504,442	50,534,473	44,082,326 (11,461,345)	83,155,454	190,348,988	
2009	362,955,139	56,386,848 (43,661,500)	33,769,445	409,449,932	106,572,129	55,191,776 (13,109,426)	148,654,479	260,795,453	

16.1 The following assets were disposed off during the year:

Particulars	Cost	Accumulated Depreciation	Book value	Sale proceeds	Gain/ (Loss) On Sale	Particulars of purchaser	Mode of disposal
----- Rupees -----							
Assets - Own use							
Vehicles	999,000	614,387	384,613	815,000	430,387	Mr. Salman Ahmed	Negotiation
	599,000	422,297	176,703	432,786	256,083	Mr. Salman Ahmed	Negotiation
	473,000	92,235	380,765	440,000	59,235	Mr. Salman Ahmed	Negotiation
	579,000	521,101	57,899	57,899	-	Mr. Nayyar Alam Ilyas (GM-North)	As per Company Policy
	1,169,000	1,052,101	116,899	117,101	202	Mr. Nayyar Alam Ilyas (GM-North)	As per Company Policy
	3,819,000	2,702,121	1,116,879	1,862,786	745,907		
Office Premises	7,000,000	962,500	6,037,500	11,400,000	5,362,500	Mr. Shafaqat Ali	Negotiation
Office Equipment							
Book value not exceeding Rs. 50,000 each	70,000	70,000	-	7,500	7,500	Mr. Shyam Lal (EX-CFO)	Negotiation
	420,000	420,000	-	25,000	25,000	Universal Business Systems	Trade-in
	490,000	490,000	-	32,500	32,500		
	11,309,000	4,154,621	7,154,379	13,295,286	6,140,907		
Operating lease assets							
Vehicles	1,680,000	882,000	798,000	660,408	(137,592)	Standard Chartered Modaraba	Negotiation
	880,500	488,678	391,822	417,330	25,508	Standard Chartered Modaraba	Negotiation
	2,249,000	1,248,195	1,000,805	1,065,951	65,146	Standard Chartered Modaraba	Negotiation
	969,000	450,585	518,415	429,348	(89,067)	Standard Chartered Modaraba	Negotiation
	1,370,500	637,283	733,217	717,104	(16,113)	Standard Chartered Modaraba	Negotiation
	1,330,500	618,683	711,817	696,177	(15,640)	Standard Chartered Modaraba	Negotiation
	879,000	408,735	470,265	459,929	(10,336)	Standard Chartered Modaraba	Negotiation
	2,050,000	953,250	1,096,750	1,174,453	77,703	Standard Chartered Modaraba	Negotiation
	678,000	315,270	362,730	388,431	25,701	Standard Chartered Modaraba	Negotiation
	879,000	395,550	483,450	503,585	20,135	Standard Chartered Modaraba	Negotiation
	1,370,500	616,725	753,775	695,260	(58,515)	Standard Chartered Modaraba	Negotiation
	879,000	395,550	483,450	459,500	(23,950)	Standard Chartered Modaraba	Negotiation
	2,750,000	1,237,500	1,512,500	1,437,572	(74,928)	Standard Chartered Modaraba	Negotiation
	1,279,000	556,365	722,635	688,490	(34,145)	Standard Chartered Modaraba	Negotiation
	879,000	382,365	496,635	473,169	(23,466)	Standard Chartered Modaraba	Negotiation
	901,000	378,420	522,580	558,040	35,460	Standard Chartered Modaraba	Negotiation
	901,000	378,420	522,580	498,931	(23,649)	Standard Chartered Modaraba	Negotiation
	840,500	353,010	487,490	465,429	(22,061)	Standard Chartered Modaraba	Negotiation
	840,500	353,010	487,490	520,566	33,076	Standard Chartered Modaraba	Negotiation
	1,370,500	555,053	815,447	848,823	33,376	Standard Chartered Modaraba	Negotiation
	969,000	392,445	576,555	551,068	(25,487)	Standard Chartered Modaraba	Negotiation
	902,000	338,250	563,750	526,445	(37,305)	Standard Chartered Modaraba	Negotiation
	1,295,000	485,625	809,375	860,252	50,877	Standard Chartered Modaraba	Negotiation
	1,295,000	485,625	809,375	860,252	50,877	Standard Chartered Modaraba	Negotiation
	1,383,000	497,880	885,120	916,086	30,966	Standard Chartered Modaraba	Negotiation
	1,059,000	365,355	693,645	649,408	(44,237)	Standard Chartered Modaraba	Negotiation
	1,557,000	537,165	1,019,835	1,056,935	37,100	Standard Chartered Modaraba	Negotiation
	1,099,000	379,155	719,845	673,937	(45,908)	Standard Chartered Modaraba	Negotiation
	2,750,000	948,750	1,801,250	1,726,086	(75,164)	Standard Chartered Modaraba	Negotiation
	1,422,000	447,930	974,070	913,220	(60,850)	Standard Chartered Modaraba	Negotiation
	872,000	274,680	597,320	572,333	(24,987)	Standard Chartered Modaraba	Negotiation
	1,005,000	316,575	688,425	659,626	(28,799)	Standard Chartered Modaraba	Negotiation
	927,000	292,005	634,995	608,432	(26,563)	Standard Chartered Modaraba	Negotiation
	1,528,000	458,400	1,069,600	1,002,895	(66,705)	Standard Chartered Modaraba	Negotiation
	1,557,000	443,745	1,113,255	1,043,782	(69,473)	Standard Chartered Modaraba	Negotiation
	872,000	235,440	636,560	584,572	(51,988)	Standard Chartered Modaraba	Negotiation
	872,000	235,440	636,560	584,572	(51,988)	Standard Chartered Modaraba	Negotiation
	6,480,000	1,749,600	4,730,400	4,435,752	(294,648)	Standard Chartered Modaraba	Negotiation
	872,000	235,440	636,560	654,017	17,457	Standard Chartered Modaraba	Negotiation
	1,422,000	383,940	1,038,060	1,066,526	28,466	Standard Chartered Modaraba	Negotiation
	981,000	264,870	716,130	671,412	(44,718)	Standard Chartered Modaraba	Negotiation
	1,422,000	362,610	1,059,390	992,768	(66,622)	Standard Chartered Modaraba	Negotiation
	1,519,500	410,265	1,109,235	1,060,837	(48,398)	Standard Chartered Modaraba	Negotiation
	981,000	264,870	716,130	684,884	(31,246)	Standard Chartered Modaraba	Negotiation
	1,519,000	387,345	1,131,655	1,087,018	(44,637)	Standard Chartered Modaraba	Negotiation
	1,526,000	389,130	1,136,870	1,065,375	(71,495)	Standard Chartered Modaraba	Negotiation
	1,388,000	333,120	1,054,880	991,325	(63,555)	Standard Chartered Modaraba	Negotiation
	1,526,000	343,350	1,182,650	1,127,165	(55,485)	Standard Chartered Modaraba	Negotiation
	905,000	190,050	714,950	704,366	(10,584)	Standard Chartered Modaraba	Negotiation
	1,526,000	343,350	1,182,650	1,147,351	(35,299)	Standard Chartered Modaraba	Negotiation
	988,000	177,840	810,160	742,846	(67,314)	Standard Chartered Modaraba	Negotiation
	1,053,000	189,540	863,460	874,723	11,263	Standard Chartered Modaraba	Negotiation

Particulars	Cost	Accumulated Depreciation	Book value	Sale proceeds	Gain/ (Loss) On Sale	Particulars of purchaser	Mode of disposal
	----- Rupees -----						
1,060,000	190,800		869,200	894,131	24,931	Standard Chartered Modaraba	Negotiation
1,568,000	282,240		1,285,760	1,627,670	341,910	Standard Chartered Modaraba	Negotiation
8,000,000	1,200,000		6,800,000	6,223,359	(576,641)	Standard Chartered Modaraba	Negotiation
1,799,000	269,850		1,529,150	1,399,478	(129,672)	Standard Chartered Modaraba	Negotiation
1,799,000	242,865		1,556,135	1,550,222	(5,913)	Standard Chartered Modaraba	Negotiation
1,639,000	221,265		1,417,735	1,457,471	39,736	Standard Chartered Modaraba	Negotiation
1,899,000	256,365		1,642,635	1,742,355	99,720	Standard Chartered Modaraba	Negotiation
1,852,000	194,460		1,657,540	1,619,766	(37,774)	Standard Chartered Modaraba	Negotiation
1,224,000	91,800		1,132,200	1,043,881	(88,319)	Standard Chartered Modaraba	Negotiation
1,376,000	598,560		777,440	719,309	(58,131)	Standard Chartered Modaraba	Negotiation
569,366	17,081		552,285	664,589	112,304	Standard Chartered Modaraba	Negotiation
1,680,000	957,600		722,400	744,380	21,980	Standard Chartered Modaraba	Negotiation
1,370,500	637,283		733,217	651,530	(81,687)	Standard Chartered Modaraba	Negotiation
3,415,000	1,229,400		2,185,600	1,431,627	(753,973)	Standard Chartered Modaraba	Negotiation
1,383,000	518,625		864,375	807,177	(57,198)	Standard Chartered Modaraba	Negotiation
1,130,000	423,750		706,250	659,515	(46,735)	Standard Chartered Modaraba	Negotiation
1,381,000	290,010		1,090,990	1,020,062	(70,928)	Standard Chartered Modaraba	Negotiation
1,005,000	271,350		733,650	778,884	45,234	Mr.Shahbaz Sair	Negotiation
1,014,000	243,360		770,640	872,618	101,978	Mr.Imran Khalid	Negotiation
4,999,000	2,489,535		2,509,465	2,932,798	423,333	Mr.Mohammad Zahir	Negotiation
1,421,000	341,040		1,079,960	1,299,509	219,549	Mr.Ashan Shamim	Negotiation
1,309,000	608,685		700,315	602,227	(98,088)	Mr.Hasham Malik	Negotiation
1,487,000	334,575		1,152,425	1,161,702	9,277	Mr.Qamar Harris Manzoor	Negotiation
1,119,000	419,625		699,375	710,119	10,744	Mr.Qamar Harris Manzoor	Negotiation
853,500	294,458		559,042	524,190	(34,852)	Mr.Shamsuddin	Negotiation
1,036,000	668,220		367,780	318,225	(49,555)	Mr.Asif Saad	Negotiation
1,466,000	725,670		740,330	699,086	(41,244)	Mr.Muhammad Waseem	Negotiation
620,000	316,200		303,800	265,091	(38,709)	Standard Chartered Modaraba	Negotiation
980,000	382,200		597,800	556,172	(41,628)	Standard Chartered Modaraba	Negotiation
1,526,000	480,690		1,045,310	592,087	(453,223)	Standard Chartered Modaraba	Negotiation
911,500	246,105		665,395	625,076	(40,319)	Standard Chartered Modaraba	Negotiation
915,000	315,675		599,325	534,444	(64,881)	Standard Chartered Modaraba	Negotiation
969,000	406,980		562,020	537,763	(24,257)	Standard Chartered Modaraba	Negotiation
969,000	406,980		562,020	537,763	(24,257)	Standard Chartered Modaraba	Negotiation
980,694	308,919		671,775	602,898	(68,877)	Standard Chartered Modaraba	Negotiation
1,005,000	376,875		628,125	573,912	(54,213)	Standard Chartered Modaraba	Negotiation
1,160,000	452,400		707,600	648,552	(59,048)	Standard Chartered Modaraba	Negotiation
1,160,000	452,400		707,600	648,552	(59,048)	Standard Chartered Modaraba	Negotiation
1,336,419	420,972		915,447	864,258	(51,189)	Standard Chartered Modaraba	Negotiation
1,481,500	600,008		881,492	805,635	(75,857)	Standard Chartered Modaraba	Negotiation
1,389,000	229,185		1,159,815	1,068,546	(91,269)	Standard Chartered Modaraba	Negotiation
1,389,000	229,185		1,159,815	1,068,546	(91,269)	Standard Chartered Modaraba	Negotiation
1,389,000	229,185		1,159,815	1,068,546	(91,269)	Standard Chartered Modaraba	Negotiation
1,389,000	229,185		1,159,815	1,068,546	(91,269)	Standard Chartered Modaraba	Negotiation
1,389,000	187,515		1,201,485	1,121,328	(80,157)	Standard Chartered Modaraba	Negotiation
1,389,000	166,680		1,222,320	1,138,413	(83,907)	Standard Chartered Modaraba	Negotiation
1,535,000	345,375		1,189,625	1,098,441	(91,184)	Standard Chartered Modaraba	Negotiation
1,575,000	354,375		1,220,625	1,127,065	(93,560)	Standard Chartered Modaraba	Negotiation
1,729,000	337,155		1,391,845	1,305,908	(85,937)	Standard Chartered Modaraba	Negotiation
1,799,000	350,805		1,448,195	1,358,781	(89,414)	Standard Chartered Modaraba	Negotiation
1,859,000	334,620		1,524,380	1,408,564	(115,816)	Standard Chartered Modaraba	Negotiation
840,500	504,300		336,200	308,487	(27,713)	Mr.Asad ul Azim	Negotiation
895,500	537,300		358,200	320,974	(37,226)	Ms.Ayesha Bhatti	Negotiation
980,694	308,919		671,775	801,783	130,008	Mr.Riaz Chaudhary	Negotiation
879,000	435,105		443,895	455,058	11,163	Mr.Muhammad Waseem	Negotiation
1,330,500	678,555		651,945	440,995	(210,950)	Mr.Abdul Jabbar Athar	Negotiation
1,532,000	411,053		1,120,947	1,201,361	80,414	Mr.Mouhi Uddin Tariq	Negotiation
600,000	279,000		321,000	345,314	24,314	Mr.Khwaja Saqib Mahmood	Negotiation
157,206,673	50,096,805		107,109,868	102,909,501	(4,200,367)		
168,515,673	54,251,426		114,264,247	116,204,787	1,940,540		

16.2 The properties of the Company have been revalued as at September 28, 2008. The revaluation is carried out by an independent valuer, Messer Tracom (Private) Limited on the basis of professional assessment of present market values and resulted in surplus of Rs. 33,769,445, over the written down value.

Had there been no revaluation the carrying amount of the revalued assets would have been as follows;

	2010			2009		
	Cost	Accumulated Depreciation	Written Down Value	Cost	Accumulated Depreciation	Written Down Value
	----- Rupees -----					
Office premises	28,548,042	(12,952,748)	15,595,294	28,548,042	(11,525,346)	17,022,696

	Note	2010 Rupees	2009 Rupees
17. BORROWINGS FROM FINANCIAL INSTITUTIONS			
Secured			
Short Term Borrowings	17.1	160,000,000	525,490,577
Unsecured			
Letter of placements	17.2	472,000,000	641,500,000
		632,000,000	1,166,990,577

17.1 These facilities are availed from banking companies and financial institutions and are secured against hypothecation of leased assets. These carry mark-up at rate ranging from of 9.00% to 13.41% and maturing on various dates latest by December 19, 2010.

17.2 These represents unsecured borrowing from banking companies and financial institutions carrying mark-up at rates ranging from 8% to 11.20% (2009: 12% to 19.7%) and maturing on various dates latest by July 19, 2010.

	Note	2010 Rupees	2009 Rupees
18. CERTIFICATES OF INVESTMENT			
Long term certificates of investment	18.1	110,994,000	225,019,000
Less : Current maturity	21	(56,821,000)	(126,695,000)
		54,173,000	98,324,000
Short term certificates of investment	18.1 & 18.2	459,228,333	850,470,000

18.1 These certificates of investment are for periods ranging from 1 months to 5 years and return on these certificates ranges from 6.5% to 18.5% (2009: 6.5 % to 18.5%) per annum.

18.2 Short term certificates of investment includes certificates issued to related parties amounting to Rs. 80,000,000 (2009: Rs. 162,006,000).

	2010 Rupees	2009 Rupees
19. ACCRUED MARK-UP		
Accrued return on certificates of investment	32,668,982	38,806,031
Accrued mark-up on:		
- long term finances	87,390,732	29,461,017
- term finance certificates	23,235,317	31,126,165
- short term borrowings from financial institutions	28,920,770	9,727,590
	172,215,801	109,120,803

	2010 Rupees	2009 Rupees
20. ACCRUED AND OTHER PAYABLES		
Rentals received in advance	2,652,772	6,156,081
Accrued expenses	1,204,022	2,018,029
Tax deducted at source	867,189	793,231
Unclaimed dividend	1,681,888	1,686,897
Payable on termination / maturity of leases	12,688,946	17,447,873
Payable in respect of undisbursed leases	1,557,731	21,387,748
Payable in respect of operating leases	586,331	15,694,301
Payable to defined benefit plan	19,552	243,898
Payable to defined contribution plan	-	665,555
Others	14,450,806	13,404,849
	35,709,237	79,498,462

	Note	2010 Rupees	2009 Rupees
21. CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Current portion of:			
Certificates of investment	18	56,821,000	126,695,000
Long term finances	22	1,166,248,210	597,578,100
Deposits against leases	24	278,409,734	251,477,413
		1,501,478,944	975,750,513
22. LONG TERM FINANCES			
Long term finance - secured		1,187,019,613	1,198,246,260
Long term finance - unsecured		113,000,000	-
	22.1	1,300,019,613	1,198,246,260
Term finance certificates - secured	22.2 & 22.3	555,280,423	740,036,719
		1,855,300,036	1,938,282,979
Less: Current maturity shown under current liabilities	21	(1,166,248,210)	(597,578,100)
		689,051,826	1,340,704,879

22.1 Long term finances - secured & unsecured

From Banking Companies	Note	Tenure		Price	Principal Outstanding	
		From	To		2010	2009
----- Rupees -----						
National Bank of Pakistan - II		Mar-05	Mar-10	6 month KIBOR + 1.5% (payable semi-annually)	12,500,000	12,500,000
HSBC Bank Middle East Limited - I		Aug-06	Jul-09	3 month KIBOR + 1.75% (payable quarterly)	-	20,000,000
HSBC Bank Middle East Limited - II		Dec-07	Dec-10	3 month KIBOR + 1.25% (payable quarterly)	-	120,000,000
Faysal Bank Limited	22.4	Jun-08	Jun-12	6 month KIBOR + 1.75% (payable semi-annually)	200,000,000	200,000,000
Allied Bank Limited - IV		Feb-09	Feb-11	3 month KIBOR + 2.0% (payable monthly)	114,000,000	123,000,000
Pak Brunei Investment Company Limited		Feb-09	Aug-11	6 month KIBOR + 1.75% (payable monthly)	1,463,207	90,000,000
First Credit and Investment Bank Limited		Apr-09	Oct-10	6 month KIBOR + 2.75% (payable monthly)	67,000,000	79,270,260
Bank Of Khyber *	22.4	May-09	Jan-13	Fixed at 10% (payable monthly)	452,000,000	463,000,000
Soneri Bank Limited		Jun-09	Jan-11	6 month KIBOR + 2.00% (payable monthly)	-	90,476,000
First Women Bank Limited *		Dec-09	Dec-12	Fixed at 10% (per annum)	87,000,000	-
SILK Bank Limited		Dec-09	Dec-13	6 month KIBOR + 2.00% (payable monthly)	14,186,840	-
Askari Income Fund *		Mar-10	Mar-12	Fixed at 11% (payable monthly)	33,000,000	-
Soneri Bank Limited *		Mar-10	Mar-13	6 month KIBOR + 1.00% (payable monthly)	115,000,000	-
HSBC Bank Middle East Limited - III *		Mar-10	Feb-14	3 month KIBOR - 4.34% (per annum)	90,869,566	-
CDC Trustee United Growth & Income Funds *		May-10	Jan-13	Fixed at 10% (payable monthly)	113,000,000	-
					1,300,019,613	1,198,246,260

* The long term finances have been rescheduled during the year.

The above are secured by hypothecation of specific leased assets and associated lease rentals. These facilities were utilized mainly for lease financing activities.

22.2 This represents third issue of registered and listed TFCs issued by the Company to financial institutions, trusts and general public. These are secured by way of a first exclusive charge on specific leases including lease rental and receivables against lease with 25% margin available at all times to the TFCs holders on total outstanding amount of the issue.

Profit on these TFCs is payable on a semi-annual basis at the rate of six month KIBOR plus 1.50% per annum without any Floor or Cap. The principal to be repaid in eight (8) semi-annual installments in arrears after a grace period of 12 months from the date of issuance.

22.3 A meeting of term finance holders has been called on September 8, 2010, to restructure the principal payment of the TFCs and reduce the mark-up rate applicable on the TFCs.

22.4 These loan amounts has been transferred to short term finances under current liabilities as the Company did not pay principal and markup amounts on due dates and the loan arrangement states that in case of default in payments, the amounts become payable at the discretion of the lending bank.

23. SUB-ORDINATED DEBT

This represents long term financing obtained from the holding company. Through a resolution passed by board of directors of holding company and endorsed by board of directors of the company, the long term finance aggregating to Rs. 333,208,499 has been converted into an interest free, unsecured debt sub-ordinate to all other debts of the Company.

	Note	2010 Rupees	2009 Rupees
24. DEPOSITS AGAINST LEASES			
Security deposits against finance leases	24.1	971,334,333	1,128,130,039
Less: Current maturity of security deposits	21	(278,409,734)	(251,477,413)
		<u>692,924,599</u>	<u>876,652,626</u>

24.1 These represent security deposits received from lessees under lease contracts and are adjustable on expiry of the respective lease periods.

25. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010 Number of shares	2009 Number of shares	Note	2010 ----- Rupees -----	2009 ----- Rupees -----
25,180,000	25,180,000	Ordinary shares of Rs. 10 each fully paid in cash	251,800,000	251,800,000
19,980,500	19,980,500	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	199,805,000	199,805,000
<u>45,160,500</u>	<u>45,160,500</u>		<u>451,605,000</u>	<u>451,605,000</u>

25.1 Saudi Pak Industrial & Agricultural Investment Company Limited holds 35.06% (2009: 35.06%) of the issued, subscribed and paid-up share capital of the company.

25.2 Capital Management Policies And Procedures

The Company's objective for managing capital is to safeguard its ability to continue as a going concern.

Capital requirement applicable to Company are set and regulated by the Securities and Exchange Commission of Pakistan (SECP). These requirements are put in place to ensure sufficient solvency margins. The Company manages its Capital requirements by assessing its capital structure against the required capital level on a regular basis.

The minimum equity requirement applicable to company (Leasing License) under NBFC regulations, 2008 was Rs. 200 million. Under NBFC regulations, 2008, leasing companies are now required to meet the minimum equity requirements of Rs. 350 million by June 30, 2011.

The equity of the company qualifying for ensuring compliance with minimum equity requirement comprises the following :

	Rupees
Issued, subscribed and paid up capital	451,605,000
Capital reserves	148,257,389
Accumulated loss	(723,600,422)
Sub-ordinated debt	333,208,499
	<u>209,470,466</u>

	Note	2010 Rupees	2009 Rupees
26. SURPLUS/(DEFICIT) ON REVALUATION OF ASSETS - NET			
Surplus on revaluation of property, plant and equipment	26.1	18,680,969	20,549,066
Unrealized gain/(loss) on remeasurement of available for sale investments	5.1	6,580,151	(165,483,798)
		<u>25,261,120</u>	<u>(144,934,732)</u>
26.1 Surplus on revaluation of property, plant and equipment			
As at the beginning of the year		31,613,949	-
Effect of revaluation carried out during the year		-	33,769,445
Transferred to unappropriated profit on account of:			
- incremental depreciation - net of deferred tax		(1,868,097)	(1,401,073)
Related deferred tax liability		(1,005,898)	(754,423)
		<u>(2,873,995)</u>	<u>(2,155,496)</u>
As at June 30, 2010		28,739,954	31,613,949
Related deferred tax liability on:			
Revaluation as at the beginning of the year		(11,064,883)	-
Revaluation carried out during the year		-	(11,819,306)
Transferred to profit and loss account on account of:			
- incremental depreciation - net of deferred tax		1,005,898	754,423
		<u>(10,058,985)</u>	<u>(11,064,883)</u>
		<u>18,680,969</u>	<u>20,549,066</u>
27. CONTINGENCIES			
Guarantees given by the Company on behalf of the lessees		18,645,000	26,645,000
Claims against the Company not acknowledged as debts		58,657,388	58,657,388
27.1			
The Company has also filed various claims for the recovery of defaulted amounts.			
28. INCOME FROM FINANCE LEASES	Note	2010 Rupees	2009 Rupees
Income on finance lease contracts		257,032,927	415,233,817
Document fee, front end fee and other charges		16,568,084	15,775,529
Gain on cancellation of lease contracts		4,136,212	4,714,600
Syndicate lease income		117,504	1,407,925
		<u>277,854,727</u>	<u>437,131,871</u>

	Note	2010 Rupees	2009 Rupees
29. OTHER OPERATING INCOME			
Income from financial assets:			
- Available for sale			
Dividend income		10,981,151	9,180,027
Gain on sale of investments from investment in equity securities		-	4,290,601
		10,981,151	13,470,628
- Held to maturity			
Income on Term Finance Certificates		1,013,828	1,930,015
- Loans and receivables			
Short-term loans		85,971,108	112,285,320
Return on placements		223,233	762,381
Long-term loan		10,059,870	31,994,818
Income from savings accounts		991,853	2,616,996
Interest income from Quality Golf Pakistan (Private) Limited	8.1	19,287,960	-
Advance against lease		-	8,486,265
		116,534,024	156,145,780
Income from non-financial assets:			
Mark-up, commission and fee income		408,857	362,455
Gain on sale of property, plant and equipment		1,940,540	4,525,560
Others		1,676,249	1,535,416
		4,025,646	6,423,431
		132,554,649	177,969,854
30. FINANCIAL CHARGES			
Mark-up on:			
- Long term loans	30.1	173,525,669	121,648,199
- Term finance certificates		93,509,963	109,510,107
- Short-term borrowings		101,804,557	307,514,103
Mark-up on certificates of investment	30.2	98,154,679	229,212,244
Arrangement fee		-	6,750,000
Bank charges		1,014,447	1,240,912
		468,009,315	775,875,565

30.1 Mark-up on long term loans include markup of Rs. Nil (2009: Rs. 24,283,470) on finance availed from a related party.

30.2 Mark-up on certificates of investments include markup of Rs. 20,335,037 (2009: Rs. 10,366,654) on finance availed from a related party.

	Note	2010 Rupees	2009 Rupees
31. ADMINISTRATIVE, SELLING AND OTHER OPERATING EXPENSES			
Salaries, allowances and benefits	31.1	53,924,912	67,323,083
Rent		2,860,420	2,677,213
Repairs and maintenance		859,227	956,518
Utilities		1,735,326	1,812,428
Depreciation	15 & 16	9,659,868	11,109,450
Insurance		1,983,792	2,134,502
Vehicle running expenses		5,987,584	7,470,049
Printing and stationery		867,398	773,403
Telephone and postage		2,205,883	2,751,589
Traveling and conveyance		966,547	1,706,956
Fees and subscriptions		2,861,115	4,115,807
Legal and professional charges		3,998,447	5,404,039
Training and development		34,067	48,480
Brokerage		247,177	473,748
Advertising and entertainment		290,999	491,997
Loss on sale of investments from investment in equity securities		2,714,117	-
Advance against lease		2,992,356	-
Auditors' remuneration	31.2	547,936	535,275
Miscellaneous		2,490,086	2,506,729
		97,227,257	112,291,266

31.1 Salaries, allowances and benefits include Rs. 4,492,784 (2009: Rs. 6,243,932) in respect of staff retirement benefits.

	Note	2010 Rupees	2009 Rupees
31.2 Auditors' remuneration			
Annual audit fee		300,000	300,000
Fee for review of half yearly financial statements		100,000	100,000
Other certifications		50,000	50,000
Out of pocket expenses		97,936	85,275
		547,936	535,275

32. DIRECT COST OF OPERATING LEASES

Insurance and other expenses		1,243,717	812,835
Depreciation on operating lease assets	16	22,684,325	44,082,326
		23,928,042	44,895,161

33. PROVISION FOR DOUBTFUL LEASES, LOANS AND OTHER RECEIVABLES

Provision for potential lease losses	12.2	88,224,050	83,566,290
Provision for non-performing short term loans	4.2	13,339,980	10,617,174
Provision for non-performing long term loans	11.3	19,388,800	6,620,000
Provision for other doubtful receivables	8	13,412,645	-
		134,365,475	100,803,464

	Note	2010 Rupees	2009 Rupees
34. TAXATION			
Taxation			
- Current	34.1	(7,249,002)	(3,092,869)
- Prior year		2,395,671	-
- Deferred		81,735,676	72,230,324
		<u>76,882,345</u>	<u>69,137,455</u>

34.1 Current tax liability

The tax charge for the current year represents tax liability under minimum taxation at rate of 0.5 percent of the turnover.

34.2 Effective tax rate reconciliation

Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as the company's tax computation results in a tax loss.

34.3 Current status of tax assessments

Tax assessments of the company relating to assessment years before tax year 2003 have been completed and no appeal is pending in any appellate forums. Returns for the tax years 2003 to 2009 have been filed and deemed to be assessed under section 120 of the Income Tax Ordinance, 2001.

The case of the Company is selected for audit under section 177 of the Income Tax Ordinance, 2001 for the tax year 2007. The audit proceeding is under process and not yet finalized.

	2010 Rupees	2009 Rupees
35. LOSS PER SHARE - BASIC AND DILUTED		
Loss after taxation attributable to ordinary shareholders- Rupees	(342,753,994)	(458,059,222)
Weighted average number of ordinary shares issued and subscribed	45,160,500	45,160,500
Loss per share - Rupees	(7.59)	(10.14)

36. STAFF RETIREMENT GRATUITY

36.1 General description

The scheme provides for terminal benefits for all permanent employees who complete qualifying period of service with the company at last drawn salary multiplied by year of services.

The latest actuarial valuation of the gratuity fund was carried out as at June 30, 2010.

	2010	2009
36.2 Principal actuarial assumptions		
Following principal actuarial assumptions were used for the valuation.		
Discount rate	12%	12%
Expected long-term rate of increase in salary level	11%	11%
Expected long-term rate of interest	12%	12%
Expected remaining working life time of employees	7 years	7 years
Number of employees	75	82

	Note	2010 Rupees	2009 Rupees
36.3 Reconciliation of provision for gratuity scheme			
Present value of defined benefit obligation		15,892,229	14,145,554
Less: fair value of plan assets		(14,581,405)	(9,982,014)
Deficit		1,310,824	4,163,540
Unrecognized net actuarial loss		(1,291,272)	(3,919,642)
		<u>19,552</u>	<u>243,898</u>
36.4 Movement in the balance sheet liability			
Balance at beginning of the year		243,898	245,414
Add: Charge for the year		3,477,858	2,926,864
Payments made during the year		(3,702,204)	(2,928,380)
Balance at end of the year		<u>19,552</u>	<u>243,898</u>
36.5 Changes in present value of Defined Benefit Obligations			
Present value of Defined Benefit Obligation at the beginning of the year		14,145,554	10,328,338
Current service cost for the year		2,620,364	2,432,880
Interest cost for the year		1,697,466	1,239,401
Benefit paid during the year		(590,588)	(537,442)
Actuarial (gain) / loss on present value of Defined Benefit Obligation		(1,980,567)	682,377
Present value of Defined Benefit Obligation at the end of the year		<u>15,892,229</u>	<u>14,145,554</u>
36.6 Changes in Fair value of Plan Assets			
Fair value of Plan Assets at the beginning of the year		9,982,014	7,754,353
Expected return on Plan Assets		1,197,842	930,522
Contribution during the year		3,702,204	2,928,380
Benefit paid during the year		(590,588)	(537,442)
Actuarial gain/(loss) on Plan Assets		289,933	(1,093,799)
Fair value of Plan Assets at the end of the year		<u>14,581,405</u>	<u>9,982,014</u>
36.7 Gratuity scheme expense			
Current service cost		2,620,364	2,432,880
Interest cost		1,697,466	1,239,401
Expected return on plan assets		(1,197,842)	(930,522)
Actuarial loss recognized		357,870	185,105
		<u>3,477,858</u>	<u>2,926,864</u>
36.8 Fair value of Plan Assets at the end of the year			
Term Finance - SAPICO	36.8.1	7,000,000	
Orix - Quick Gain Scheme		7,000,000	
Cash at Bank(s)		806,788	
Less: Payables		(225,383)	
		<u>14,581,405</u>	

36.8.1 Term finance of Rs. 7,000,000 (2009: Rs. 6,500,000) invested in related party.

36.9 Actual return on plan assets during the year was Rs. 1,487,775 (2009: Rs. (163,277)).

36.10 Five years data on surplus /deficit of the plans and experience adjustment

	2010	2009	2008	2007	2006
	----- Rupees -----				
Present value of defined benefit obligation	(15,892,229)	(14,145,554)	(10,328,338)	(7,909,082)	(3,046,433)
Fair value of plan assets	14,581,405	9,982,014	7,754,353	3,653,041	2,822,993
Deficit	<u>(1,310,824)</u>	<u>(4,163,540)</u>	<u>(2,573,985)</u>	<u>(4,256,041)</u>	<u>(223,440)</u>
Experience adjustments on plan liabilities (Gains)/losses	<u>(19,810,567)</u>	<u>682,377</u>	<u>864,426</u>	<u>940,958</u>	<u>41,186</u>
Experience adjustments on plan assets Gains/(losses)	<u>289,933</u>	<u>(1,093,799)</u>	<u>(395,842)</u>	<u>49,863</u>	<u>(274,592)</u>

37. TRANSACTIONS WITH RELATED PARTIES

The related parties comprises Saudi Pak Industrial & Agricultural Investment Company Limited (the holding company), other group companies (including associated company), key management personnel and employee benefit plans. The transactions between the Company and the related parties are carried out as per agreed terms.

There is no balance outstanding with or from holding and other group companies except long term loans in respect of amount due from employees is disclosed in note 11, net investment in lease in respect of lease receivable is disclosed in note 12, certificates of investments is disclosed in note 18 and amount due in respect of staff retirement benefits is disclosed in note 36.

Aggregate transactions with related parties and associated undertakings which are not disclosed in respective notes are as follows:

	Holding company	Other Group Companies	Key management Personnel	Other related parties
	----- Rupees -----			
2010				
Rent Paid	893,220	-	-	-
Mark-up paid on long term finance	-	-	-	-
Rentals received	-	5,131,077	-	-
Mark-up income on term loans	-	-	-	-
Contributions to provident fund	-	-	-	790,580
Payments to gratuity fund	-	-	-	3,702,204
Remuneration to key management personnel	-	-	Refer Note 38	-
2009				
Rent Paid	544,575	-	-	-
Mark-up paid on long term finance	24,283,470	-	-	-
Rentals received	-	6,633,569	-	-
Mark-up income on term loans	32,474,045	-	-	-
Contributions to provident fund	-	-	-	3,317,068
Payments to gratuity fund	-	-	-	2,928,380
Remuneration to key management personnel	-	-	Refer Note 38	-

38. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in financial statements for remuneration including all benefits, to the Chief Executive and Executives is as follows:

	Chief Executive		Executives		Total	
	2010	2009	2010	2009	2010	2009
	----- Rupees -----					
Managerial remuneration	5,221,236	5,221,236	9,796,000	11,675,975	15,017,236	16,897,211
Bonus	-	1,957,962	-	1,751,125	-	3,709,087
House rent, utilities etc	2,828,166	3,263,266	5,954,583	7,658,415	8,782,749	10,921,681
Retirement benefits	759,735	970,295	1,425,404	2,169,806	2,185,139	3,140,101
Leave passage	-	206,650	-	1,045,500	-	1,252,150
	<u>8,809,137</u>	<u>11,619,409</u>	<u>17,175,987</u>	<u>24,300,821</u>	<u>25,985,124</u>	<u>35,920,230</u>
Number of persons	<u>1</u>	<u>1</u>	<u>11</u>	<u>13</u>	<u>12</u>	<u>14</u>

Chief Executive and Executives are provided with free use of Company maintained cars.

39. CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES

	2010 Rupees	2009 Rupees
Loss for the year before taxation	(419,636,339)	(527,196,677)
Adjustment for non-cash charges and other items:		
Depreciation - owned assets	9,475,932	11,109,450
Depreciation - assets under operating lease	22,684,325	44,082,326
Amortization - intangibles	183,936	-
Financial charges	468,009,315	775,875,565
Provision for doubtful leases, loans and other receivables	134,365,475	100,803,464
Dividend income	(10,981,151)	(9,180,027)
Impairment on available-for-sale investments	128,033,322	168,877,727
Unrealized loss in market value of investments classified as held for trading	-	3,357
Amount written off directly against loans, lease receivables and investments	3,120,541	2,904,969
Share of loss from associate	835,571	1,397,270
Gain on dilution of interest in associate	-	(2,529,843)
Gain on sale of property, plant and equipment	(1,940,540)	(4,525,560)
	<u>753,786,726</u>	<u>1,088,818,698</u>
Profit before working capital changes	<u>334,150,387</u>	<u>561,622,021</u>
Working capital changes		
Short-term loans	230,130,487	224,407,741
Advances	83,819,244	122,014,754
Accrued mark-up	(28,081,103)	(22,028,450)
Trade deposits and short term prepayments	(283,611)	2,367,784
Other receivables	(4,311,617)	(40,361,832)
Non-current assets classified as held for sale	54,497,994	(7,800,000)
	<u>335,771,394</u>	<u>278,599,997</u>
Accrued and other payables	(43,784,216)	(23,956,624)
	<u>291,987,178</u>	<u>254,643,373</u>
Cash generated from operations after working capital changes	<u>626,137,565</u>	<u>816,265,394</u>

40. NON-CASH TRANSACTIONS

- 40.1** The decrease in net investment in leases includes an amount aggregating to Rs. 146.944 million representing adjustments against short-term and long-term financing facilities of Rs. 92.434 million and Rs. 54.510 million respectively.
- 40.2** The decrease in investments includes an amount aggregating to Rs. 16.350 million representing adjustments against short-term financing facility.
- 40.3** The decrease in certificates of investments includes an amount aggregating to Rs. 103.52 million representing adjustments against properties.

41. SEGMENT INFORMATION

The business of the company is divided into four reporting segments namely:

1. Finance lease operations,
2. Operating lease operations,
3. Term loans and
4. Investments.

Finance and operating lease operations include leasing of moveable assets. Term loans include secured loans for tenure ranging from 3 months to 5 years whereas investments include securities and derivative transactions.

Management monitors the operating segments of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Other operations, which are not monitored by management separately, are reported as 'Others'.

Segment assets and liabilities include all assets and liabilities related to the segment and segment revenues and expenses include all revenues and expenses related to the segment.

The Company's financial charges, administrative, selling and other operating expenses, write offs, taxation and assets and liabilities not related to the above mentioned segments are managed on the Company basis and are not allocated in operating segments.

	2010					Total
	Finance Lease	Operating Lease	Term Loans	Investment	Others	
	----- Rupees -----					
Segment revenue	277,854,727	25,473,808	96,030,978	11,159,408	24,528,692	435,047,613
Direct cost of operating lease	-	(23,928,042)	-	-	-	(23,928,042)
Provisions and fair value changes	(88,224,050)	-	(32,728,780)	(128,033,322)	(13,412,645)	(262,398,797)
Segment results	189,630,677	1,545,766	63,302,198	(116,873,914)	11,116,047	148,720,774
Unallocated cost						
Financial charges						(468,009,315)
Administrative, selling and other operating						(97,227,257)
Write-offs						(3,120,541)
						(568,357,113)
Loss before taxation						(419,636,339)
Taxation						76,882,345
Loss for the year						(342,753,994)
Other information						
Segment assets	2,838,566,039	65,032,494	498,618,687	199,017,025	-	3,601,234,245
Unallocated assets	-	-	-	-	870,279,081	870,279,081
Total assets						4,471,513,326
Segment liabilities	971,334,333	586,331	-	-	-	971,920,664
Unallocated liabilities	-	-	-	-	3,598,069,575	3,598,069,575
Total liabilities						4,569,990,239
Net assets						(98,476,913)

	2009					Total
	Finance Lease	Operating Lease	Term Loans	Investment	Others	
	----- Rupees -----					
Segment revenue	437,131,871	62,220,534	144,280,138	16,533,216	18,289,073	678,454,832
Direct cost of operating lease	-	(44,895,161)	-	-	-	(44,895,161)
Provisions and fair value changes	(83,566,290)	-	(17,237,174)	(168,881,084)	-	(269,684,548)
Segment results	353,565,581	17,325,373	127,042,964	(152,347,868)	18,289,073	363,875,123
Unallocated cost						
Financial charges						(775,875,565)
Administrative, selling and other operating						(112,291,266)
Write-offs						(2,904,969)
						(891,071,800)
Loss before taxation						(527,196,677)
Taxation						69,137,455
Loss for the year						(458,059,222)
Other information						
Segment assets	3,801,497,591	190,348,988	1,149,280,652	280,282,573	-	5,421,409,804
Unallocated assets	-	-	-	-	481,523,687	481,523,687
Total assets						5,902,933,491
Segment liabilities	1,128,130,039	15,694,301	-	-	-	1,143,824,340
Unallocated liabilities	-	-	-	-	4,686,896,019	4,686,896,019
Total liabilities						5,830,720,359
Net assets						72,213,132

42. FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

42.1 Financial instruments by category

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	----- Rupees -----			
Financial assets				
Held for trading				
Short term investment	-	-	2,040	2,040
Available for sale				
Short term investment	184,682,678	184,682,678	260,010,615	260,010,615
Held to maturity				
	-	-	5,100,000	4,782,765
Loans and receivables				
Cash and bank balance	18,541,525	18,541,525	14,124,771	14,124,771
Short-term loans	620,176,633	620,176,633	863,647,100	863,647,100
Long term loans	313,936,009	313,936,009	285,633,552	285,633,552
Advances	45,000	45,000	83,094,244	83,094,244
Net investment in leases	2,838,566,039	2,838,566,039	3,801,497,591	3,801,497,591
Accrued mark-up	107,901,582	107,901,582	79,820,479	79,820,479
Trade Deposits	544,045	544,045	544,045	544,045
Other Receivables	98,563,601	98,563,601	107,664,629	107,664,629
	3,998,274,434	3,998,274,434	5,236,026,411	5,236,026,411
	4,182,957,112	4,182,957,112	5,501,139,066	5,500,821,831
Financial liabilities				
At Amortized Cost				
Borrowings from financial institutions	632,000,000	632,000,000	1,166,990,577	1,166,990,577
Certificates of investment	570,222,333	570,222,333	1,075,489,000	1,075,489,000
Accrued mark-up	172,215,801	172,215,801	109,120,803	109,120,803
Accrued and other payables	32,169,724	32,169,724	71,639,697	71,639,697
Long term Finance	1,855,300,036	1,855,300,036	1,938,282,979	1,938,282,979
Sub-ordinated debt	333,208,499	333,208,499	333,208,499	333,208,499
Deposit against Lease	971,334,333	971,334,333	1,128,130,039	1,128,130,039
	4,566,450,726	4,566,450,726	5,822,861,594	5,822,861,594

42.1.1 Fair values of held for trading, available for sale and held-to-maturity securities except for investment in unquoted securities are based on the quoted market values.

Except for investment in unquoted securities, fixed term loans and leases of over one year, staff loans and fixed term certificates of investment of over one year, the fair value of other on balance sheet financial assets and liabilities are not significantly different from their book value as these assets and liabilities are either short term in nature or are frequently re-priced.

The fair values of unquoted securities, fixed term loans and leases of over one year, staff loans and fixed term certificates of investment of over one year cannot be calculated with sufficient reliability due to non-availability of relevant active markets for similar assets and liabilities.

42.1.2 Fair value hierarchy

The fair values of the financial instruments have been analyzed in various fair value levels as follows:

- **Level 1** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- **Level 3** inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
Available-for-sale				
Listed ordinary shares	115,099,348	-	-	115,099,348
Total	<u>115,099,348</u>	<u>-</u>	<u>-</u>	<u>115,099,348</u>

There were no transfers between Level 1 and 2 in the period.

42.1.3 Reconciliation of Financial Assets and Liabilities with Total Assets and Liabilities

	2010 Rupees	2009 Rupees
Total financial assets as per note 42.1	4,182,957,112	5,501,139,066
Add: Non Financial Assets		
Advance to suppliers	100,000	870,000
Prepayments	752,980	469,369
Advance tax - net of provision	2,088,468	1,201,135
Non-current assets classified as held for sale	68,790,556	123,288,550
Investment in associate	14,334,347	15,169,918
Deferred tax asset	81,735,676	-
Intangible assets	1,471,472	-
Property, plant and equipment	119,282,715	260,795,453
	<u>288,556,214</u>	<u>401,794,425</u>
Total Assets	<u>4,471,513,326</u>	<u>5,902,933,491</u>
Total Financial liabilities as per note 42.1	4,566,450,726	5,822,861,594
Add: Non Financial Liabilities		
Rental received in advance	2,652,772	6,156,081
Tax deducted at source	867,189	793,231
Payable to defined benefit plan	19,552	243,898
Payable to defined contribution plan	-	665,555
	<u>3,539,513</u>	<u>7,858,765</u>
Total Liabilities	<u>4,569,990,239</u>	<u>5,830,720,359</u>

42.2 FINANCIAL RISK MANAGEMENT

The Company's directors and management are responsible for ensuring that financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with company policies and company risk appetite. The Board of Directors reviews and agrees policies for managing each of these risk. The Company's exposure to the risks associated with the financial instruments and the risk management policies and procedures are summarized as follows:

42.2.1 Credit Risk

42.2.1.1 The objective of the credit risk management is to ensure that the risk of default by a client or counterparty is reduced to a minimum, keeping in view the risk management policies of the Company. The company manages the credit risk by operating a sound credit-granting process, maintaining an appropriate credit administration, measurement and monitoring process and ensuring adequate controls. The controls include monitoring credit exposure, limiting transactions with specific counter party and continually assessing the credit worthiness of counter parties.

The Company's exposure to credit risk is inherent in lease and loan receivables, deposits with banks and contingent liabilities.

42.2.1.2 Exposure to credit risk - on balance sheet

	Net Investment in Lease		Long Term Loan		Short Term Loan	
	2010	2009	2010	2009	2010	2009
	----- Rupees -----					
Past due but not impaired:						
- up to 29 days	7,936,266	74,409,519	81,944	3,477,464	18,290,355	67,473,018
- 30 to 89 days	1,298,396	121,167,696	5,575,014	10,013,905	8,025,000	163,565,477
Past due and impaired						
- 90 to 179	132,091,735	309,327,319	14,947,631	54,550,088	48,166,667	88,539,701
- 180 to 364	209,724,854	453,750,471	98,486,833	41,053,581	46,089,128	250,538,474
- 365 to 729	689,837,798	492,892,023	108,952,388	45,696,732	321,878,571	97,795,637
- 730 to 1095	464,472,995	265,927,079	21,394,897	53,637,153	46,775,000	8,552,836
- more than 1095	525,682,110	309,331,752	57,361,985	4,166,666	34,927,710	29,922,174
Neither past due nor individually impaired	1,464,622,436	2,289,943,500	20,684,339	57,193,747	124,231,356	172,126,957
Total gross amount	<u>3,495,666,590</u>	<u>4,316,749,359</u>	<u>327,485,031</u>	<u>269,789,336</u>	<u>648,383,787</u>	<u>878,514,274</u>

42.2.1.3 Exposure to credit risk - off balance sheet

Refer Note 27.

42.2.1.4 Restructured lease and loan receivables

The carrying amount of restructured lease and loan receivables included in on balance sheet credit risk exposure as noted above aggregates to Rs. 631,872,691 (2009: Rs. 415,616,215) and Rs. 52,290,710 (2009: Nil).

42.2.1.5 Concentration of Credit Risk

Sector	Lease and loan receivables			
	Percentage		Gross amount in Rupees	
	2010	2009	2010	2009
Sugar and Allied	1.25	2.07	56,110,415	113,149,410
Cement	2.35	2.35	104,890,724	128,517,293
Energy Oils and Gas	5.17	5.64	231,353,146	308,260,156
Steel and Engineering & Auto Mobiles	6.53	6.08	291,916,357	332,083,316
Electric and Electric Goods	0.68	0.90	30,392,878	49,288,264
Transport and Communications	9.62	10.10	430,272,027	551,844,338
Chemicals / Fertilizer / Pharmaceutical	1.68	2.11	75,048,048	115,502,997
Textile	20.50	19.32	916,622,902	1,055,591,640
Paper and Boards	4.39	4.01	196,374,400	218,896,527
Construction	6.19	5.31	276,938,035	290,401,786
Food, Tobacco and Beverages	3.72	3.47	166,428,762	189,732,781
Glass and Ceramics	1.66	1.41	74,262,208	76,911,346
Hotels	3.64	4.14	162,587,788	225,991,580
Health Care	0.85	1.09	38,212,724	59,400,519
Dairy and Poultry	1.10	1.15	49,100,046	62,635,309
Services	3.76	2.95	167,992,766	161,425,222
Miscellaneous	10.92	11.57	488,119,718	632,084,553
Consumer	15.99	16.35	714,912,464	893,335,932
	<u>100.00</u>	<u>100.00</u>	<u>4,471,535,408</u>	<u>5,465,052,969</u>

42.2.1.6 Analysis of financial assets that are neither past due nor impaired

Lease and loan receivables

To further strengthen the credit monitoring controls, the Company is in the process of establishing an internal credit grading system with the objective of assigning appropriate risk rating for each customer. These ratings will be assigned after taking into account various factors including the financial condition, ownership structure, management quality and industry pattern that impact the business of customers.

Other financial assets

The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a optimal credit rating.

42.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities 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 ensures that it has sufficient cash on demand to meet expected working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	Total
	----- Rupees -----					
2010						
Financial liabilities						
Borrowings from financial institutions	-	632,000,000	-	-	-	632,000,000
Certificates of investment	-	-	516,049,333	54,173,000	-	570,222,333
Accrued mark-up	-	172,215,801	-	-	-	172,215,801
Accrued and other payables	-	32,169,724	-	-	-	32,169,724
Long-term finances	-	-	1,166,248,210	689,051,826	-	1,855,300,036
Sub-ordinated debt	-	-	-	-	333,208,499	333,208,499
Deposits against leases	281,943,833	39,331,283	239,030,350	411,028,867	-	971,334,333
	<u>281,943,833</u>	<u>875,716,808</u>	<u>1,921,327,893</u>	<u>1,154,253,693</u>	<u>333,208,499</u>	<u>4,566,450,726</u>
2009						
Financial liabilities						
Borrowings from financial institutions	-	1,166,990,577	-	-	-	1,166,990,577
Certificates of investment	-	-	977,165,000	850,470,000	-	1,827,635,000
Accrued mark-up	-	109,120,803	-	-	-	109,120,803
Accrued and other payables	-	71,639,697	-	-	-	71,639,697
Long-term finances	-	-	597,578,100	1,340,704,879	-	1,938,282,979
Sub-ordinated debt	-	-	-	-	333,208,499	333,208,499
Deposits against leases	176,891,487	51,107,896	219,811,046	680,319,610	-	1,128,130,039
	<u>176,891,487</u>	<u>1,398,858,973</u>	<u>1,794,554,146</u>	<u>2,871,494,489</u>	<u>333,208,499</u>	<u>6,575,007,594</u>

Effective interest rates have been disclosed in the respective notes.

42.2.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk.

42.2.3.1 Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Company's exposure to fair value interest rate risk is limited as it does not hold significant fixed interest based financial instruments. However, the Company is exposed to cash flow interest rate risk and currently, it is in the process of developing parameters, methods and a system for preparing sensitivity analysis for such risk.

42.2.3.2 Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's exposure to foreign exchange risk is limited as there are no significant financial instruments in foreign currency.

42.2.3.3 Equity price risk

There is a risk that the value of a security or portfolio of securities will decline in future. The investment in listed equity securities are made in accordance with the established guidelines which include ensuring compliance with regulations, diversification and selection of securities after careful financial analysis of the issuer.

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

At the balance sheet date, the exposure to unlisted equity securities at fair value was Rs. 69,583,330 (June 30, 2009: Rs. 69,583,330).

At the balance sheet date, the exposure to listed equity securities at fair value was Rs 115,099,348 (June 30, 2009: Rs. 190,427,285).

Price sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to valuation gains

and losses for investment portfolio of the Company. The analysis is prepared on the amount of investments at the balance sheet date. 15% increase or decrease in equity instrument prices are used when reporting price risk internally to key management personnel and represents management's assessment of the reasonably possible change in equity instruments rates.

If prices in equity instruments had been 15 percent lower, the Company's loss for the year ended June 30, 2010 would increase by Rs. 13,215,072 (June 30, 2009: Rs. 8,914,677) and surplus on revaluation of available-for-sale investments would decrease by Rs. 4,130,143 (June 30, 2009: Rs. 19,611,855).

If prices in equity instruments had been 15 percent higher, the Company's loss for the year ended June 30, 2010 would decrease by Rs. 8,438,402 (June 30, 2009: Rs. 8,914,677) and surplus on revaluation of available-for-sale investments would increase by Rs. 8,906,813 (June 30, 2009: Rs. 19,611,855).

The Company's sensitivity to price risk has increased during the current year mainly due to the unprecedented and significant decline in equity instruments prices.

43. DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors on October 06, 2010.

44. GENERAL

Figures have been rounded-off to nearest Rupee.


Farrukh S. Ansari
Chief Executive Officer


Muhammad Rashid Zahir
Chairman

PATTERN OF SHAREHOLDING AS ON JUNE 30,2010

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD	PERCENTAGE
	FROM	TO		
412	1	100	12691	0.0281
336	101	500	86230	0.1909
172	501	1000	128795	0.2852
446	1001	5000	1088185	2.4096
93	5001	10000	678229	1.5018
52	10001	15000	651341	1.4423
22	15001	20000	393967	0.8724
14	20001	25000	311260	0.6892
12	25001	30000	335095	0.7420
5	30001	35000	156367	0.3462
3	35001	40000	108360	0.2399
6	40001	45000	255672	0.5661
3	45001	50000	141031	0.3123
3	50001	55000	153044	0.3389
2	55001	60000	111341	0.2465
3	60001	65000	187217	0.4146
2	70001	75000	147516	0.3266
4	75001	80000	316976	0.7019
2	80001	85000	166856	0.3695
1	85001	90000	85500	0.1893
1	90001	95000	93000	0.2059
1	95001	100000	100000	0.2214
2	100001	105000	210000	0.4650
1	105001	110000	109018	0.2414
1	115001	120000	115531	0.2558
2	120001	125000	244257	0.5409
1	155001	160000	157796	0.3494
2	165001	170000	331662	0.7344
1	180001	185000	184553	0.4087
1	185001	190000	190000	0.4207
1	210001	215000	210745	0.4667
1	215001	220000	215261	0.4767
1	220001	225000	222075	0.4917
2	225001	230000	451604	1.0000
2	245001	250000	496764	1.1000
1	260001	265000	263431	0.5833
1	315001	320000	318255	0.7047
1	450001	455000	451080	0.9988
1	510001	515000	511432	1.1325
1	585001	590000	585945	1.2975
1	595001	600000	599995	1.3286
1	660001	665000	664565	1.4716
1	1035001	1040000	1038211	2.2989
1	1215001	1220000	1218536	2.6982
1	1520001	1525000	1522920	3.3722
1	1805001	1810000	1806420	4.0000
1	1875001	1880000	1878321	4.1592
1	1995001	2000000	1997822	4.4238
1	3105001	3110000	3105752	6.8771
1	4510001	4515000	4514473	9.9965
1	15835001	15840000	15835403	35.0647
1629			45160500	100.0000

CATEGORIES OF SHARE HOLDERS

		SHAREHOLDERS	SHAREHOLDING	PERCENTAGE
1	Individuals	1575	9,574,763	21.2016
2	Shares held by Associated Companies, undertakings and related parties:			
	Saudi Pak Industrial & Agricultural Investment Co. Ltd.	1	15,835,403	35.0647
	Saudi Pak Insurance Company Ltd.	1	16,065	0.0356
	Premier Mercantile Services (Pvt) Ltd	1	4,516,048	10.0000
	Marine Services (Pvt) Ltd	1	64,352	0.1425
3	Investment Corporation of Pakistan	1	500	0.0011
4	National Investment Trust	1	5,064,152	11.2137
5	Directors, Chief Executive Officer and their spouse and minor children			
	Senator(R) Ihsanul Haq Piracha	1	2,032,222	4.5000
	Mr. Haroon Ihsan	1	2,421,847	5.3628
	Mrs. Khurshid Ihsan Piracha	1	1,748,722	3.8722
6	INSURANCE COMPANIES	1	1,997,822	4.4238
7	PUBLIC SECTOR COMPANIES & CORPORATIONS	1	1,328	0.0029
8	FINANCIAL INSTITUTION	6	708,982	1.5699
9	MODARABAS	1	12,132	0.0269
10	OTHERS	35	1,080,662	2.3929
11	NON RESIDENT	1	85,500	0.1893
		1629	45,160,500	100.000

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

Saudi Pak Industrial & Agricultural Investment Co. Ltd.	15,835,403	35.0647
Premier Mercantile Services (Pvt) Ltd	4,516,048	10.0000
National Bank of Pakistan, Trustee Deptt	5,064,152	11.2137



PROXY FORM

I/we _____ of _____
_____ (full address)

being member(s) of Saudi Pak Leasing Company Limited hereby appoint _____

Mr./Ms. _____
of _____ (full address)

of failing him/her _____

Mr./Ms. _____ of _____
_____ (full address)

(being member of the Company) as my/our Proxy to attend, act and vote for me/us and on my/our behalf at the 20th Annual General Meeting of the Company to be held on October 28, 2010 and at any adjournment thereof

As witness my/our hand this _____ day of _____ 2010

Signed by _____

in presence of _____

Signature and address of witness

Signature of Member(s)

Please affix
Rs. 5/- revenue
stamp

Shareholder's Folio No. _____

Number of Shares held _____

A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote for him/her. A proxy must be a member of the Company.

The instrument appointing a proxy shall be in written under the hand of the appointer or of his/her attorney duly authorised in writing, if the appointer is a corporation, under its common seal of the hand of any officer or attorney duly authorised.

The instrument appointing a proxy, together with the Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at the Registered Office not less than 48 hours before the time of holding the Meeting.

AFFIX
CORRECT
POSTAGE

The Company Secretary
SAUDI PAK LEASING COMPANY LIMITED
6th Floor, Lakson Square, Building # 1,
Sarwar Shaheed Road, Saddar
Karachi-74200, Pakistan



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