Security Leasing Corporation Limited

Contents

MISSION

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

SLCL intends to achieve its mission by:

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

VISION

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

BUSINESS STRATEGY

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

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

1. **Enhancing value for its shareholders and lenders**

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

2. **Providing efficient and professional services to its customers**

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

3. **Developing an efficient and professionally trained human resource**

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

4. **Following Shariah injunctions for financing activities**

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

COMPANY INFORMATION

BOARD OF DIRECTORS	
Mr. M R Khan	Chairman
Mr. S M Nadim Shafiqullah	Vice Chairman
Mr. Mohammed Khalid Ali	Chief Executive
Mr. S S Hamid	
Mr. Masud Zain	
Mr. S. Naved Husain	
Mr. Shafiq-ur-Rehman	
Mr. Ahmad Ali Khan	
AUDIT COMMITTEE	
Mr. M R Khan	Chairman
Mr. S M Nadim Shafiqullah	
Mr. S.S. Hamid	
Mr. Masud Zain	
INVESTMENT COMMITTEE	
Mr. M R Khan	Chairman
Mr. S M Nadim Shafiqullah	
Mr. M Khalid Ali	
Mr. Masud Zain	
EXECUTIVE COMMITTEE	
Mr. M R Khan	Chairman
Mr. S M Nadim Shafiqullah	
Mr. M Khalid Ali	
Mr. Masud Zain	
Mr. S. Naved Husain	
HUMAN RESOURCE COMMITTEE	
Mr. M R Khan	Chairman
Mr. S M Nadim Shafiqullah	
Mr. M Khalid Ali	
Mr. Masud Zain	
COMPANY SECRETARY	Salman Hameed
EXTERNAL AUDITORS	Anjum Asim Shahid Rahman & Company, Chartered Accountants
INTERNAL AUDITORS	Ford, Rhodes, Sidat, Hyder & Company, Chartered Accountants

LEGAL ADVISORS A K Brohi & Co., Advocates

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

CREDIT RATING AGENCY JCR-VIS Credit Rating Company (Private) Limited

ENTITY RATING A3 for short term; BBB+ for long term;
Outlook - Negative

BANKERS & LENDING INSTITUTIONS

Allied Bank of Pakistan
Bank Alfalah Limited
Bank Al-Habib Limited
Faysal Bank Limited
First Women Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Pak Kuwait Investment Company (Private) Limited
Pak Libya Holding Company (Private) Limited
Pak Oman Investment Company Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Bank of Punjab
United Bank Limited

REGISTERED & HEAD OFFICE

Block 'B', 5th Floor, Lakson Square No. 3, Sarwar Shaheed Road, Karachi 74200
Tel: UAN 021 - 111-111-902 PRI 021-35205379 Fax: 021 - 3568 9854
Web: www.seclease.com e-mail: slcl@seclease.com

BRANCHES

Lahore - North Region
8th Floor, City Towers,
Main Gulberg Road, Lahore
Phone: 042 - 35788660-62 Fax: 042 - 35788659

Hyderabad
7th Floor, State Life Building,
Thandi Sarak, Hyderabad.
Phone: 022-32780524 Fax: 022-32728123

SHARE REGISTRAR

Noble Computer Services (Private) Limited
Mezzanine Floor, House of Habib Building,
(Siddiqsons Tower), 3-Jinnah Cooperative,
Housing Society, Main Shahrah-e-Faisal,
Karachi
Phone: 021-34325482-7 Fax:021-34325442

STATEMENT OF ETHICS & BUSINESS PRACTICES

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Sixteenth Annual General Meeting of the members of Security Leasing Corporation Limited will be held on Tuesday, 27th October 2009 at 4:30 p.m. at the registered office of the Company situated at Block B, 5th Floor, Lakson Square Building No.3, Sarwar Shaheed Road, Karachi 74200, to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Annual General Meeting of the Company held on October 30, 2008.

2. To receive, consider and adopt the audited accounts for the year ended 30th June 2009 and the reports of the Directors and the auditors thereon.

3. To appoint auditors and fix their remuneration.

4. To transact any other business with the permission of the Chair.

By Order of the Board

Salman Hameed
Company Secretary

Karachi: October 6, 2009

Notes:

1. A member entitled to attend, speak and vote at these meetings may appoint a proxy to attend, speak, and vote on his/her behalf. A proxy need not be a member. A valid instrument of proxy must be deposited at the registered office of the Company, not less than 48 hours before the time of the meeting.

2. The beneficial owners of shares recorded at Central Depository Company of Pakistan Limited (CDCPL) are required to bring their Computerized National Identity Cards and in case of institutions being the beneficial owner, notarially certified copy of the power of attorney or other authority, together with the proof of identity of such nominee, is required for admittance to the meeting of the members.

3. Members are requested to notify any change in their address to the Company Registrar M/s Noble Computer Services (Private) Limited, Mezzanine Floor, House of Habib Building, (Siddiqsons Tower), 3-Jinnah Cooperative, Housing Society, Main Shahrah-e-Faisal, Karachi

4. Share transfer books of the Company shall remain closed from October 21 to 28, 2009, both days inclusive.

REPORT OF THE DIRECTORS

The Board of Directors has pleasure in presenting the Sixteenth Annual Report of Security Leasing Corporation Limited (the Company) together with its audited financial statements for the year ended June 30, 2009.

Financial Results

	RUPEES
Loss after tax	(357,796,507)
Unappropriated profits brought forward	125,298,056
Total Loss	(232,498,451)
Loss per share - Basic & diluted	(9.86)

Review of the Operations

The outgoing financial year 2008- 09 proved to be the most difficult & challenging period for the company as the fundamentals of business were completely changed owing to unprecedented measures adopted for smoothening the impact of financial meltdown. The liquidity crisis that started from the last week of September 2008 when the banks had suddenly stopped lending to all sectors of the economy on the pretext of risk averseness and excessive borrowing by the government to meet its day to day affairs badly affected the economy in general and non banking financial sector in particular which totally depends upon interbank money lines. Furthermore, the interest rates during the second & third quarter of the last financial year witnessed the peak of KIBOR which touched 15.76% in December 2008 and it increased the overall financial cost of the company by on average 4.50%.

Furthermore, since your Company maintained a very diversified and good quality portfolio which helped the company in repaying the obligations as and when become due and therefore, there has not been a single delay in any payment. The company in the last financial year paid out around Rs. 1.50 billion to its lenders and to date around Rs. 1.886 billion which is a big achievement in such difficult circumstances where no support, financial or otherwise was available from any quarter of the economy.

The situation for the company was also become more tedious due to a prolonged closure of stock market since the Company disposed off its equity investment at much lower rates during such time for payments towards its financial obligations. This had resulted in such a huge loss for the Company. The total revenue of the company has not remained very healthy due to substantially reduced leasing business during the year. As no liquidity was available and all rentals recovery was largely utilized in repayment of financial obligations. Further, the losses on sale of equity investments also affected the total revenue for the year. On the other hand, the increase in financial costs due to increase in short term and long term rates put an extra pressure on the total results.

Further, in compliance with SECP Notification # SRO 150 (I)/2009 dated February 13, 2009, the Company had taken 50% of the impairment loss on equity investments through its profit & loss account while the remaining portion is shown under Equity. Details of the impairment are mentioned in Note 6 to the financial statements.

Further, as mentioned in note 16 during the year the company has recognized deferred tax asset of Rs. 338 million available to it due to accumulated taxable losses of prior years. Your directors feel that in the prevailing circumstances, the probable benefit of these taxable losses is expected to be realized in future years based on forecasts of slow economic growth worldwide generally and of the country particularly.

The Company has continued to maintain a diversified exposure as would be seen from note 37 to the financial statements. The diversity of its lease and other financing portfolio has helped the company in lowering the risk of potential losses and made it possible to make payments to its lenders on time. As a measure of prudence however, the company will continue its current policy of creating adequate provisions for potential lease losses.

Share capital & licensing

The Company had so far made two redemptions of its preference shares - Class A of Rs. 37.50 million each which had reduced the preference shares to Rs. 75 million as of June 30, 2009. The next redemption is due in the second quarter of current financial year. Further, more recently, the Securities & Exchange Commission of Pakistan (SECP) has announced the deferral in the increase in minimum equity requirement for the Non-banking Finance Companies (NBFC) for two years from June 30, 2009 to June 30, 2011 stipulating that a company carrying license of leasing will need Rs.350 million as minimum equity in June 2011 rather than in June 2009. Presently, the minimum equity requirement is Rs. 200 million while the equity of your Company before unrealized losses on equity investment is Rs. 251 million. The leasing license is under approval with the SECP and hopefully would be renewed soon.

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

Economy and Future prospects

As mentioned in detail in the earlier paragraphs, the economy which had been showing robust growth during the past few years, experienced significant deterioration in the last 18 months owing to law & order situation of the country, resulting in capital flight from the country, steep increase in prices of food items, higher utility costs, fast depletion of country's foreign exchange reserves which are restored by loans from IMF and widening government's fiscal gap which directly affected the business and industrial activities in the country. All these factors have resulted in shrinkage of revenue margins and would continue to affect contracts executed earlier.

The Board takes the opportunity to assure Company's stakeholders that it will continue to make all out efforts to recover from the current economic situation, consolidate its position and to tap opportunities. Your directors' feel that the Company's business strategy & approach is sound and if country economic & business situation settles down it would be able to show better results

Code of Corporate Governance

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

Board of Directors

During the year, 6 meetings of the Board of Directors were held. Detail of attendance by each member of the Board is as follows.

Directors	Meetings attended	Directors	Meetings attended
Mr. M R Khan	5	Mr. S S Hamid	4
Mr. S M Nadim Shafiqullah	4	Mr. Masud Zain	3
Mr. M Khalid Ali	6	Mr. Ahmed Ali Khan (joined in place of Mr. Fareed Khan)	4
Mr. Naved Hussain	-	Mr. Shafiq-ur-Rehman	5

Leave of absence was granted to directors who could not attend the Board meetings. There was no trading by any director, chief executive and the chief financial officer & company secretary or their spouses and minor children.

Employees' Benefits' Fund

The value of investments of recognized employees' Provident Fund as at June 30, 2009 amounted to Rs. 6.47 million while the recognized gratuity fund was in the amount of Rs. 11.89 million.

Pattern of Shareholding

Statement showing the pattern of shareholding as at June 30, 2009 is annexed to this report.

Auditors

The present auditors Messrs. Anjum, Asim, Shahid, Rahman, Chartered Accountants, would retire at the forthcoming Annual General Meeting as they have completed the five year term of audit. The Audit Committee has recommended the name of M/s. Muniff Zaiuddin Junaidy & Co. as the next external auditors of the Company at the forthcoming annual general meeting for the consideration of members.

Acknowledgement

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

For and on behalf of the Board of Directors

M. Khalid Ali
Chief Executive Officer
October 6, 2009

Security Leasing Corporation Limited

SIX YEARS FINANCIAL SUMMARY

	2009 Rs '000	2008 Rs '000	2007 Rs '000	2006 Rs '000	2005 Rs '000	2004 Rs '000
BALANCE SHEET						
Ordinary share capital outstanding	**363,000**	363,000	363,000	242,000	165,000	100,000
Preference share capital outstanding	**75,027**	112,500	150,000	150,000	150,000	150,000
Shareholders' Fund	**438,027**	475,500	513,000	392,000	315,000	250,000
Reserves	**(111,066)**	244,840	42,593	87,440	85,769	52,999
Unrealised loss on Investment	**110,513**	127,971	38,266	88,901	54,099	-
Networth	216,447	592,369	517,326	390,539	346,670	302,999
Surplus on revaluation of Fixed Assets	**22,547**	23,776	4,859	15,205	16,006	-
Certificates of Investment	**110,200**	562,100	443,448	910,100	598,100	260,250
Borrowings from Financial & Other Institutions	**2,378,326**	2,923,907	3,139,950	2,517,885	2,090,253	1,327,639
Lease/Musharika disbursements	**483,836**	1,916,701	2,052,014	2,066,751	1,447,098	934,131
Net Investment in Leases	**2,759,686**	4,003,830	4,026,373	3,327,281	2,260,342	1,542,286
Term Finances	**165,258**	57,806	44,568	57,475	20,631	-
Fixed Assets	**204,684**	246,681	209,844	221,794	173,176	69,241
Total Current Assets	**1,955,314**	2,468,444	2,399,106	2,276,562	1,734,381	1,017,831
Total Assets	**3,966,829**	5,577,274	5,352,516	4,770,553	3,647,523	2,295,609
Total Current Liabilities	**1,915,227**	2,328,460	2,369,164	2,256,198	1,707,807	751,045
Total Liabilities	**3,727,834**	4,961,129	4,832,031	4,364,808	3,284,847	1,957,279
Total Assets to Networth (times)	**18.33**	9.42	10.35	12.22	10.52	7.58
PROFIT & LOSS						
Total Income	**198,172**	556,615	586,830	510,016	315,103	207,608
Financial & Other Charges	**521,606**	465,802	455,481	327,728	165,367	86,167
Admin & Operating Expenses	**99,936**	89,305	78,817	65,895	60,319	40,683
Provisions & Other Charges	**44,742**	11,548	3,676	1,488	8,753	27,427
Total Expenses	**666,286**	566,655	537,974	395,112	234,439	154,277
(Loss)/Profit Before Tax	**(468,113)**	(10,039)	48,856	114,904	80,665	53,332
(Loss)/Profit After Tax	**(357,796)**	211,810	40,258	108,021	74,281	50,880
Break-up Value (PKR)	**5.46**	12.96	10.18	10.35	11.51	12.12
Price per share	1.98	6.89	10.95	15.40	17.50	15.25
KEY RATIOS						
Earning per share - PKR - less preferred dividend	**(9.86)**	5.55	0.97	3.76	2.51	1.60
Revenue per share - PKR -	**4.52**	11.71	11.44	13.01	10.00	8.30
Price Earning ratio (times)	**(0.20)**	1.24	11.31	4.10	6.97	9.53
Income/ Expense ratio (times)	**0.30**	0.98	1.09	1.29	1.34	1.35
Current ratio (times)	**1.02**	1.06	1.01	1.01	1.02	1.36
Debt equity ratio (times)	**11.08**	6.13	7.17	9.11	7.98	6.46
Return on average equity	**(0.14)%**	38.17%	8.87%	29.31%	22.87%	19.61%
Return on average assets	**(0.01)%**	3.88%	0.80%	2.57%	2.50%	2.70%
Total assets turnover ratio (times)	**20.02**	10.02	9.12	9.35	11.58	11.06
Dividend per ordinary share	-	-	-	4.33	5.50	2.00
Dividend yield ratio	-	-	-	28.12%	31.43%	13.11%
PAYOUT						
Cash dividend	-	-	-	10.0%	10.0%	10.0%
Stock dividend	-	-	-	43.3%	45.0%	10.0%
Total payout	-	-	-	53.3%	55.0%	20.0%

STATEMENT OF VALUE ADDED

	2009	2008
Revenues from leasing operations	**367,598,702**	441,813,187
Other income	**(60,801,671)**	114,802,283
Deferred Tax	**105,640,936**	233,000,000
	412,437,967	**789,615,417**
Direct cost of leases and others	**90,088,138**	52,975,636
Value added	**322,349,829**	**739,639,834**
Distributed as follows		
To Employees		
As remuneration	**49,012,906**	44,859,870
To Government		
As income tax	**(4,675,535)**	11,150,550
To Provider of Finance		
Financial charges	**444,272,738**	363,332,971
To Depositors		
As profit on invesments	**36,732,577**	59,888,592
To Shareholders		
Dividends	-	10,237,500
Retained in business		
As reserves and retained profits	-	201,572,525

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The statement of compliance is being presented to comply with the Provisions of Code of Corporate Governance contained in listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Security Leasing Corporation Limited (SLC) has applied the principles contained in the Code in the following manner:

1) The company encourages representation of independent non-executive directors and directors representing minority interest on its board. At present the Board includes six non-executive Directors and one Executive Directors i.e. Chief Executive.

2) The resident directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.

3) All the directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or any NBFC.

4) During the year casual vacancies were occurred in the Board which were properly filled in.

5) The company has adopted a 'Statement of Ethics and Business Practices', which has been signed by all Directors and employees of the company.

6) The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company.

7) All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chairman and Chief Executive, have been taken by the Board.

8) The Board held six meetings during the year with at-least one in each quarter. The meetings of the Board were presided over by the elected Chairman. Written notices of the Board meetings along with the agenda were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and were timely circulated.

9) The Chief Financial Officer & Company Secretary was appointed accordingly. Future appointment, if any, on these positions including the remuneration, terms and conditions of employment, as determined by the Chief Executive, will be referred to the board for approval.

10) The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

11) All financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.

12) The Directors, CEO and the executives do not hold any interest in the shares of the company other than disclosed in the pattern of shareholding.

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

14) The Board has formed an Audit Committee which comprises of three members who are non-executive Directors.

15) The meetings of the Audit committee were held at least once in every quarter prior to the approval of interim and final results of the company and as required by the Code. The terms of reference of the Committee have been framed and approved by the Board and has been advised to the committee for compliance.

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

16) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of The Institute of Chartered Accountants of Pakistan, that they or any partners of the firm, their spouses and minor children do not hold the shares of the company and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

17) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

M R Khan
Chairman
Karachi - October 9, 2009

PATTERN OF SHAREHOLDING OF ORDINARY SHARE CAPITAL

AS ON JUNE 30, 2009

Share holding From	Share holding To	Number of Shareholders	Total Shares held	Percentage of Issued capital
1	100	29	1,239	0.00
101	500	73	22,748	0.06
501	1,000	32	25,643	0.07
1,001	5,000	112	249,074	0.68
5,001	10,000	29	220,083	0.61
10,001	15,000	7	89,984	0.25
15,001	20,000	4	70,450	0.19
20,001	25,000	6	135,784	0.37
25,001	30,000	1	28,500	0.08
30,001	35,000	1	35,000	0.10
35,001	40,000	3	115,300	0.32
40,001	45,000	2	86,140	0.24
50,001	55,000	1	50,634	0.14
55,001	60,000	1	56,647	0.16
80,001	85,000	1	84,500	0.23
100,001	105,000	1	100,098	0.28
105,001	110,000	2	214,168	0.59
110,001	115,000	1	112,650	0.31
130,001	135,000	1	131,500	0.36
215,001	220,000	1	219,999	0.61
255,001	260,000	1	255,750	0.70
350,001	355,000	1	352,255	0.97
445,001	450,000	1	447,026	1.23
455,001	460,000	1	455,565	1.26
460,001	465,000	1	460,474	1.27
855,001	860,000	1	858,935	2.37
1,260,001	1,265,000	1	1,263,240	3.48
2,200,001	2,201,500	1	2,201,500	6.06
3,170,001	3,174,435	1	3,174,435	8.75
10,280,001	10,285,000	1	10,285,000	28.33
14,495,001	14,500,000	1	14,495,679	39.93
		319	36,300,000	100.00

Categories of Shareholders	Number	Shares Held	Percentage
Directors, CEO their spouse and minor children (Note 1)	9	16,136,979	44.45
Individuals	282	4,180,923	11.52
National Investment Trust/ICP	2	907,500	2.50
Investment companies	3	536	0.00
Banks, DFIs, NBFIs, Insurance Companies Modarabas & Mutual Funds	3	1,316,288	3.63
Charitable Trusts	2	256,299	0.7
Joint Stock Companies	17	3,216,475	8.86
Foreign Investors			
- Merrill, Lynch, Pierce, Fenner, Smith, Inc. USA	1	10,285,000	28.33
	319	36,300,000	100.00

Note 1 : **Directors, CEO their Spouse and Minor Children**

M. R. Khan - Chairman	352,255	0.97
S.M. Nadim Shafiqullah - Vice Chairman	14,495,679	39.93
Mrs. Rehana Nadim Shafiqullah	1,263,240	3.48
M. Khalid Ali - Chief Executive Officer	21,780	0.06
Masud Zain	1,000	0.00
S.S Hamid	1,210	0.00
Shafiqur Rahman	500	0.00
S.Naved Hussain	815	0.00
Ahmed Ali Khan	500	0.00
	16,136,979	**44.45**

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

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

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

PATTERN OF SHAREHOLDING OF PREFERENCE SHARE CAPITAL
AS ON JUNE 30, 2009

Share holding From	Share holding To	Number of Shareholders	Total Shares held	Percentage of Issued capital
1	500	3	1,063	0.02
501	1,000	5	3,437	0.05
1,001	5,000	2	3,825	0.05
95,001	150,000	1	100,000	1.33
495,001	750,000	1	500,000	6.66
995,001	1,000,000	1	1,000,000	13.33
2,000,001	3,000,000	1	2,449,200	32.64
3,000,001	3,445,250	1	3,445,250	45.92
		15	7,502,775	100.00

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	8	7,013	0.09
Mutual Funds	2	4,445,250	59.25
Provident Funds	1	100,000	1.33
Private Limited Companies	4	2,950,512	39.33
	15	**7,502,775**	**100.00**

Note 2 :

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

Anjum Asim Shahid Rahman
Chartered Accountants

Grant Thornton

REVIEW REPORT TO THE MEMBERS OF SECURITY LEASING CORPORATION LIMITED ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the board of directors of Security Leasing Corporation Limited (the company) to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange and (Chapter VIII) of the Listing Regulations of the Lahore Stock Exchange where the company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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, Sub-Regulation (xiii) of Listing Regulations 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code as applicable to the company, for the year ended June 30, 2009.

Anjum Asim Shahid Rahman

Karachi
Date: October 06, 2009

Anjum Asim Shahid Rahman
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS OF SECURITY LEASING CORPORATION LIMITED

We have audited the annexed balance sheet of Security Leasing Corporation Limited as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;

b) in our opinion-

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2009 and of the loss, its cash flows and changes in equity for the year then ended; and

d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

a) the renewal application of the leasing licence of the company is pending before the competent authority as described in note 1.2 to the financial statements; and

b) as disclosed in note 16 to the financial statements, the company has deferred tax assets of Rs. 337.98 million (2008: Rs. 233 million) and net deferred tax assets of Rs. 326.50 million (2008: Rs. 220.19 million) as at the balance sheet date. Management has projected future taxable profits using various assumptions against which this asset would be utilized. However, management assumptions are dependent upon occurrence of future events which are not under control of the management.

Anjum Asim Shahid Rahman

Karachi
Date: October 06, 2009

Anjum Asim Shahid Rahman
Chartered Accountants
Shahzada Saleem Chughtai

BALANCE SHEET
AS AT JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees restated
ASSETS			
Current assets			
Balances with banks	5	3,750,104	38,694,002
Short term investments	6	118,848,013	310,478,842
Short-term finances	7	101,354,007	344,466,034
Advances, prepayments and other receivables	8	38,129,092	32,097,930
Accrued return on investments		12,409,233	11,886,354
Advance taxation-net		7,618,632	813,297
Current maturity of non-current assets	9	1,673,205,670	1,730,007,087
Total current assets		1,955,314,751	2,468,443,545
Non-current assets			
Net investment in leases	10	1,222,342,992	2,302,632,066
Deferred costs	11	-	182,778
Long-term deposits	12	4,189,400	3,139,400
Long-term finances	13	165,258,950	57,805,990
Long-term investments	14	88,539,189	278,191,450
Property and equipment	15	204,684,092	246,680,736
Deferred tax asset	16	325,838,685	220,197,750
Total non-current assets		2,010,853,308	3,108,830,169
Total assets		3,966,168,059	5,577,273,714
LIABILITIES			
Current liabilities			
Accrued and other liabilities	17	41,063,484	62,589,154
Accrued mark-up	18	71,367,894	79,947,610
Short-term finances	19	684,578,922	805,450,000
Current maturity of non-current liabilities	20	1,008,016,970	818,373,711
Certificates of investment	22	110,200,002	562,100,001
Total current liabilities		1,915,227,272	2,328,460,476
Non-current liabilities			
Long -term finances	21	1,157,747,497	1,602,206,833
Certificates of investment	22	-	2,586,467
Long-term deposits	23	654,859,827	1,027,874,900
Total non-current liabilities		1,812,607,324	2,632,668,200
Total liabilities		3,727,834,596	4,961,128,676
NET ASSETS		238,333,463	616,145,038
REPRESENTED BY SHAREHOLDERS' EQUITY			
Share capital and reserve			
Issued, subscribed and paid-up share capital	24	438,027,750	475,500,000
Reserves	25	(111,728,298)	244,839,942
		326,299,452	720,339,942
Unrealised loss on remeasurement of available for sale investments		(110,513,331)	(127,970,512)
		215,786,121	592,369,430
Surplus on revaluation of fixed assets	26	22,547,342	23,775,608
Total shareholders' equity		238,333,463	616,145,038
CONTINGENCIES AND COMMITMENTS	27		

The annexed notes from 1 to 41 form an integral part of these financial statements. The details of valuations of investments, impairment and impact on profit and loss account are given in note 6.3.

Mohammed Khalid Ali
Chief Executive Officer

M R Khan
Chairman

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
REVENUE			
Income from:			
Finance leases	28	**321,160,541**	383,218,254
Operating leases		**46,438,161**	58,594,933
Other operating (loss) / income	29	**(60,801,671)**	114,802,283
		306,797,031	556,615,470
Impairment on investments	6.3	**(108,624,946)**	-
		198,172,085	556,615,470
EXPENSES			
Administrative and selling	30	**99,936,842**	89,304,697
Finance costs	31	**481,005,315**	423,221,563
Direct cost of operating leases	32	**40,601,391**	42,580,307
Provision for potential lease and other losses	10.5	**44,559,737**	10,157,229
Amortization of deferred costs	11	**182,778**	1,391,100
		666,286,063	566,654,896
Loss before income tax		**(468,113,978)**	(10,039,426)
Income tax expense			
-current	33	**(835,668)**	(11,150,550)
-prior years		**5,512,203**	-
-deferred	16	**105,640,936**	233,000,000
		110,317,471	221,849,450
(Loss)/Profit for the year		**(357,796,507)**	211,810,024
(Loss)/Earnings per share- basic and diluted	34	**(9.86)**	5.55

The annexed notes from 1 to 41 form an integral part of these financial statements. The details of valuations of investments, impairment and impact on profit and loss account are given in note 6.3.

Mohammed Khalid Ali
Chief Executive Officer

M R Khan
Chairman

Security Leasing Corporation Limited

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(468,113,978)	(10,039,426)
Adjustments for non cash and other items:			
Depreciation	15.1	46,178,704	45,597,827
Loss/(Gain) on disposal of listed securities	29.1	151,206,015	(16,893,253)
(Gain) on disposal of property and equipment	29.2	(84,092)	(29,310)
Amortization of deferred costs	11	182,778	1,391,100
Finance costs	31	481,005,315	423,221,563
Provision for gratuity	30	1,645,000	2,072,000
Impairment on investment	6.3	108,624,946	-
Provision for potential lease and other losses	10.5	44,559,737	10,157,229
Operating profit before working capital changes		833,318,403	465,517,156
Working capital changes			
Decrease/(Increase) in net investment in leases		1,199,584,460	(38,614,723)
(Increase)/Decrease in advances, prepayments and other receivables		(490,499)	63,634,205
(Increase)/Decrease in accrued return on investments		(522,879)	5,530,834
(Decrease)/Increase in deposits from lessees		(202,121,814)	206,345,412
(Decrease) in short term finances		(799,686,466)	(125,761,286)
(Decrease)/Increase in accrued and other liabilities		(11,289,852)	7,126,628
Cash from operations after working capital changes		185,472,949	118,261,071
Financial charges paid		(489,585,030)	(407,676,995)
Gratuity paid		(1,645,000)	(2,072,000)
Taxes paid		(2,128,800)	(11,163,740)
		(493,358,830)	(420,912,735)
Net cash from operating activities		57,318,544	152,826,066
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(17,836,246)	(63,559,985)
Investments		138,909,310	157,796,493
Long term finance		(214,506,666)	27,233,377
Short term finances		243,112,027	(265,466,034)
Proceeds from disposal of property and equipment		13,738,278	13,548,176
Long term deposits		(1,050,000)	(2,600,000)
Net cash from/(used in) investing activities		162,366,703	(133,047,973)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings from financial institutions		-	933,456,835
Redemption of preference shares		(37,472,250)	(37,500,000)
Preference dividend paid		(10,235,816)	(13,650,786)
Repayment of long term finances		(431,250,000)	(902,500,000)
Net cash used in financing activities		(478,958,066)	(20,193,951)
Net (decrease) in cash and cash equivalents		(259,272,819)	(415,858)
Cash and cash equivalents at beginning of the year		38,694,002	39,109,860
Cash and cash equivalents at end of the year	35	(220,578,817)	38,694,002

The annexed notes from 1 to 41 form an integral part of these financial statements. The details of valuations of investments, impairment and impact on profit and loss account are given in note 6.3.

Mohammed Khalid Ali
Chief Executive Officer

M R Khan
Chairman

Security Leasing Corporation Limited

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2009

	Share Capital	Reserves: Capital Statutory reserve	Reserves: Revenue Unappropriated profit	Reserves: Unrealised (loss)/gain on remeasurement of available for sale	Total
	Rupees				
Balance as at June 30, 2007 carried forward	513,000,000	76,505,000	(33,912,464)	(38,266,073)	517,326,463
Change in equity for the year ended June 30, 2008					
Transferred from surplus on revaluation of fixed assets - incremental depreciation (net of tax)	-	-	674,882	-	674,882
Unrealized loss on change in market value of investments classified as available for sale	-	-	-	(89,704,439)	(89,704,439)
Net income/(expense) recognised directly in equity	-	-	674,882	(89,704,439)	(89,029,557)
Profit for the year	-	-	211,810,024	-	211,810,024
Total recognised income and (expense) for the year	-	-	212,484,906	(89,704,439)	122,780,467
Redemption - Preference shares - Class A @ 25%	(37,500,000)	-	-	-	(37,500,000)
Dividend - Preference shares - Class A @ 9.1%	-	-	(10,237,500)	-	(10,237,500)
Transferred to statutory reserve	-	42,362,005	(42,362,005)	-	-
Balance as at June 30, 2008	475,500,000	118,867,005	125,972,938	(127,970,512)	592,369,430
Change in equity for the year ended June 30, 2009					
Transferred from surplus on revaluation of fixed assets - incremental depreciation (net of tax)	-	-	1,228,266	-	1,228,266
Unrealized gain on change in market value of investments classified as available for sale	-	-	-	17,457,181	17,457,181
Net income recognised directly in equity	-	-	1,228,266	17,457,181	18,685,447
Loss for the year	-	-	(357,796,507)	-	(357,796,507)
Total recognised income and (expense) for the year	-	-	(356,568,241)	17,457,181	(339,111,060)
Redemption - Preference shares - Class A @ 25%	(37,472,250)	-	-	-	(37,472,250)
Dividend - Preference shares - Class A @ 9.1%	-	-	-	-	
Transferred to statutory reserve	-	-	-	-	-
Balance as at June 30, 2009	438,027,750	118,867,005	(230,595,303)	(110,513,331)	215,786,121

The annexed notes from 1 to 41 form an integral part of these financial statements. The details of valuations of investments, impairment and impact on profit and loss account are given in note 6.3.

Mohammed Khalid Ali
Chief Executive Officer

M R Khan
Chairman

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

1.2 The company has been licenced to operate as leasing company by Securities and Exchange Commission of Pakistan (SECP) which expired on July 07, 2009. However, the company has applied for renewal of the licence which is pending with SECP.

2 BASIS OF MEASUREMENT

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

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

3 STATEMENT OF COMPLIANCE

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

3.1 Initial application of a Standard or an Interpretation

The following standards, amendments and interpretations become effective during the current year:

IFRS 7 - Financial Instruments: Disclosure (effective for annual periods beginning on or after April 28, 2008) supersedes IAS 30 - Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 - Financial Instruments: Disclosure and Presentation. The application of the standard did not had a significant impact on the company's financial statements other than increase in disclosures.

IAS 29 - Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after April 28, 2008). The company does not have any operations in hyperinflationary economies and therefore the application of the standard did not had an effect on the company's financial statement.

IFRIC 13 - Customer loyalty programmes (effective for annual periods beginning on or after July 01, 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The application of IFRIC 13 did not had an effect on the company's financial statements.

3.2 Standards, interpretations and amendments to published approved accounting standards

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

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after 1 July 2009 are either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements other than certain increased disclosures:

		Effective date
Amendments to IAS 23 Borrowing Costs	IAS 23	01 January 2009
Amendments to IAS 27 Consolidated and separate financial statements	IAS 27	01 July 2009
Amendments to Share-based payments	IFRS 2	01 January 2009
Business Combinations	IFRS 3	01 July 2009
Insurance Contracts	IFRS 4	01 January 2009
Amendment to Non-Current Assets Held For Sale And Discontinued Operation	IFRS 5	01 January 2010
Operating Segments	IFRS 8	01 January 2009
Reassessment of Embedded Derivatives	IFRIC 9	01 July 2009
Agreements for the Construction of Real Estate	IFRIC 15	01 January 2009
Hedges of a Net Investment in a Foreign Operation	IFRIC 16	01 July 2009
Distribution of non-cash assets to owners	IFRIC 17	01 July 2009
Customer Contributions	IFRIC 18	01 July 2009

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Use of critical accounting estimates and judgments

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

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

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

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

4.2 Revenue recognition

Finance lease and hire purchase income

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

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

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

Operating lease income

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

Return on investments

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

Fees and commission income are recognised on accrual basis when the service has been provided

Dividend income is recognised when the company's right to receive dividend is established.

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

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

4.3 Deferred costs and amortization

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

4.4 Loans and finances

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

4.5 Loans and receivables

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

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

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

4.6 Net investment in finance lease

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

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

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

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

4.8 Investments

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

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

At fair value through profit or loss

a) These are classified as 'held-for-trading' if (a) acquired or incurred principally for the purpose of selling or re-purchasing it in the near term; (b) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or (c) a derivative (except for a derivative that is a designated and effective hedging instrument).

b) Upon initial recognition these are designated by the company as 'at fair value through profit or loss' except for equity instruments that do not have a quoted market price in an active market, and whose fair value can not be reliably measured.

Held-to-maturity

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

Available-for-sale

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

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

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

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

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

Derecognition

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

4.9 Repurchase and resale transactions

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

a) in case of sale under re-purchase obligations, the securities remain on the balance sheet and a liability is recorded in respect of the consideration received as 'Borrowing'. Charges arising from the differential in sale and re-purchase values are accrued on a prorata basis; and

b) in case of purchases under re-sale obligations, the securities are not recognized on the balance sheet and the consideration paid is recorded as 'Placement' and the differential of the purchase price and contracted re-sale price is recognized over the period of the contract.

4.10 Property and equipment

Initial recognition

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

Measurement subsequent to initial recognition

Carried using revaluation model

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

Carried using cost model

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

Depreciation

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

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

Subsequent expenditure relating to an item of property and equipment is capitalized to the initial cost of the item when the expenditure meets the recognition criteria. All other subsequent expenditure is expensed in the period in which it is incurred.

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

Impairment

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

Capital work - in - progress

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

4.11 Compensated absences

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

4.12 Staff retirement benefits

Defined contribution plan

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

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

Defined benefit plan

Company also operates an approved funded gratuity scheme for all eligible employees. Eligible employees are those who have completed minimum qualifying period of service as laid down in rules. Provision has been made in accordance with actuarial recommendations using the projected unit credit method. The results of current valuation are summarized in note 16.2. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceeded ten percent of the higher of defined benefit obligation and fair value of the planed assets at that date. The excess amount of gains or losses are recognized over the expected remaining working lives of the employees participating in the plans. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

4.13 Foreign currency translation

Transactions in foreign currencies are accounted for in rupees at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies as at the balance sheet date are expressed in rupees at rates of exchange prevailing on that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions. Exchange gains and losses are included in income currently.

4.14 Financial instruments

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

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

Financial assets carried on the balance sheet include cash and bank balances, advances and deposits. Loans and receivables, finance leases and investments have been stated as per the policies mentioned in note 4.5, 4.6 and 4.8 respectively.

Financial liabilities carried on the balance sheet include certificates of investment, deposits, accrued and other payables. Loans and finances have been stated as per the policies mentioned in note 4.4.

4.15 Off-setting

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

4.16 Taxation

Current tax

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

Deferred

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

4.17 Related parties transactions

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

4.18 Provisions

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

4.19 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks in current accounts. Running finance facilities availed by the company, which are payable on demand are included as part of cash and cash equivalent for the purpose of statement of cash flow.

4.20 Repossessed leased assets

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

4.21 Functional and presentation currency

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

4.22 Certificate of investments

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

4.23 Dividend distribution

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

4.24 Segmental reporting

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

4.25 General

Figures have been rounded-off to nearest Rupee.

	Note	2009 Rupees	2008 Rupees
5 BALANCES WITH BANKS			
Balance with State Bank of Pakistan in current account		**86**	59,856
Balances with other banks in current accounts		**3,750,018**	38,634,146
		3,750,104	38,694,002
6 SHORT TERM INVESTMENTS - Available for sale			
Other than related party			
Listed securities			
Term finance certificates		**680,000**	4,813,866
Close end mutual funds		**30,023,863**	69,885,231
Open end mutual funds		**-**	4,839,430
Equity investments	19.2	**58,294,150**	199,840,315
		88,998,013	279,378,842
Unlisted securities			
Term finance certificates		**1,250,000**	2,500,000
Ordinary shares		**20,000,000**	20,000,000
		21,250,000	22,500,000
Membership cards	6.2	**8,600,000**	8,600,000
		118,848,013	310,478,842

6.1 Fifteen percent of the resources raised through Certificates of Investments other than those held by financial institutions amounting to Rs. 13,280,878 (2008: Rs. 29,686,467) have been invested in listed securities to comply with the requirement of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

6.2 These represent 8 club memberships of Rs. 1,075,000 each of DHA Country and Golf Club. These investments are carried at cost which is the consideration paid by company for acquisition of memberships. In the absence of an established market, these have not been carried at fair value which may not be different than the cost.

6.3 Unrealised loss on remeasurement of available for sale investments

Due to uncertainties prevailing in the stock market and as a measure to address the issue of continuous decline in market prices since second quarter of 2008, the Karachi Stock Exchange (Guarantee) Limited (KSE) placed a 'Floor Mechanism' on market value of securities based on closing prices prevailing on August 27, 2008. The mechanism remained effective from August 28, 2008 to December 15, 2008. Under this mechanism prices of securities could vary but not below the floor level. This resulted in significant decline in market value of securities during the floor period. There were also lower floors on a number of securities as at December 31, 2008. These circumstances raised questions with regards to basis of valuation of securities and impairment of securities.

Securities and Exchange Commission of Pakistan (SECP) earlier on January 29, 2009 clarified that the companies, for the purpose of preparing financial statements for the half year ended December 31, 2008, may use market price as quoted on the stock exchange on December 31, 2008 as fair value of securities. Later on, SECP through notification vide SRO 150(1)/2009 dated February 13, 2009 allowed that impairment loss, if any recognized as on December 31, 2008 due to valuation of listed equity securities held as 'available for sale' in terms of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" to market prices as quoted on the stock exchange on December 31, 2008 may be shown under the equity. This amount taken to equity including any adjustment/effect for price movements during the quarter of calendar year 2009 shall be taken to profit and loss account on quarterly basis during the calendar year ending on December 31, 2009. This amount shall be treated as a charge to profit and loss account for the purpose of distribution as dividend.

Consequently, the company has valued its securities at prices quoted on the KSE on December 31, 2008 and the impairment loss based on market values as at December 31, 2008 has been determined at Rs. 267,930,466 that amounts to Rs. 180,850,836 as at June 30, 2009 after adjustment/effect for price movement till that date. As on June 30, 2009, the company has recognized impairment loss of Rs. 90,425,418 on investments carried as on June 30, 2009 and Rs. 18,199,528 on investments disposed of during the period and remaining unrecognized amount of impairment loss of Rs. 90,425,418 would be recognized by December 31, 2009 on a quarterly basis.

However, the management believes that these are exceptional/abnormal circumstances and the fall in stock market should not be considered as a fair reflection of security prices. Therefore, recognition of impairment for available for sale equity securities through profit and loss account would not be real reflective of financial performance of the company.

The recognition of impairment loss based on the market values as at June 30, 2009 would have had following effects on these financial statements:

	2009 **Rupees**	2008 Rupees
Increase in "impairment loss" in Profit and Loss Account	**90,425,418**	-
Decrease in net income for the year - after tax	**90,425,418**	-
Decrease in unrealized loss during the year in market value of investments classified as available for sale	**90,425,418**	-
Decrease in unappropriated profit	**90,425,418**	-
Decrease in earnings per share by	**2.5**	-

	Note	2009 Rupees	2008 Rupees restated
7 SHORT TERM FINANCES - considered good			
Other than related party			
Short term placement - secured	7.1	**54,000,000**	54,000,000
Musharika finances- secured	7.2	**47,354,007**	290,466,034
		101,354,007	344,466,034

7.1 This represents short term placements with a customer. The rate of return on this facility is 14% (2008: 7.90% to 19.14 %) per annum and the facility is secured against ranking charge on all assets of the customer.

7.2 This represents financing under musharika facility to various customers at rate of return ranging from 15.20% to 19.95% (2008: 15% to 18.51%) per annum. These facilities are secured against the mortgage of property and pledge of ordinary shares.

8 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2009 Rupees	2008 Rupees restated
Advances considered good:			
-to employees	8.1	**121,318**	1,648,162
-against leases	8.2	**4,223,097**	2,431,442
-to suppliers		**510,440**	510,440
-to financial institution	8.3	**17,250,000**	17,250,000
Prepayments		**2,265,085**	3,861,495
Operating lease rentals receivables		**19,349,843**	5,660,967
Less: provision for operating lease rental receivables		**(7,868,986)**	-
Other receivables	8.4	**2,278,295**	735,424
		38,129,092	32,097,930

8.1 Advances to employees

		2009 Rupees	2008 Rupees restated
- Chief executive		**-**	210,825
- Employees		**121,318**	1,437,337
		121,318	1,648,162

8.2 This represents advances given to suppliers on behalf of lessees in respect of assets to be leased. Lessees are being charged with rate of mark-up ranging from 16.5% to 22.25% (2008: 14.00 % to 20.44 %) per annum against such advances.

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

During the month of September 2009, Sysmax (Private) Limited and IIBL have agreed through a compromise agreement to settle the issue of these memberships amicably. The compromise agreement would be submitted with the office of Arbitration for order and subsequently with the Sindh High Court for vacation of lien on certain memberships of DHA Country & Golf Club. Under the agreement, the price of each membership has been increased to Rs. 1.40 million, consequently the company would obtain equivalent number of memberships. Therefore, no impairment is required in these financial statements.

8.4 Other receivables include an amount of Rs. 186,550 receivable from Security Capital Services Limited - a wholly owned subsidiary of the company. Security Capital Services Limited ("the subsidiary") was incorporated as a public limited company on December 11, 2002 to act as arranger, structuring agents in respect of Special Purpose Vehicle (SPV) and to perform structuring transactions. As the balance sheet amount of investment in the subsidiary is immaterial as well as it has not yet started its operations, therefore, the consolidated financial statements are not being presented. Extract of financial statements of the subsidiary as at June 30, 2009 are as follows:

	Note	2009 Rupees	2008 Rupees
Share capital		**10,000**	10,000
Total liabilities		**176,550**	161,550
Total assets		**186,550**	171,550

Profit and loss, cash flow statement and statement of changes in equity are not presented as the subsidiary is not yet operational.

9 CURRENT MATURITY OF NON - CURRENT ASSETS

	Note	2009 Rupees	2008 Rupees
Current portion of:			
Net investments in leases	10	**1,537,343,378**	1,701,198,501
House loan to staff	13	**85,928**	816,352
Musharika finance	13	**128,992,089**	23,712,723
Morabaha finance	13	**6,784,275**	4,279,511
		1,673,205,670	1,730,007,087

10 NET INVESTMENT IN LEASES

	Note	2009 Rupees	2008 Rupees
Lease rentals receivable		**2,090,822,437**	3,241,936,465
Add: Residual value of leased assets		**1,128,847,335**	1,330,970,350
Gross investment in finance leases	10.2	**3,219,669,772**	4,572,906,815
Less: Unearned lease income		**281,135,870**	472,199,401
Income suspended	10.4	**73,130,566**	35,719,618
Provision for potential lease losses	10.5	**105,716,966**	61,157,229
		459,983,402	569,076,248
Net investment in leases	10.3	**2,759,686,370**	4,003,830,567
Less: current portion of net investment in leases	9	**1,537,343,378**	1,701,198,501
		1,222,342,992	2,302,632,066

10.1 The internal rate of return on leases disbursed during the year ranges from 17.01% to 25.02% (2008: 14.24% to 24%) per annum.

10.2 Gross investment in finance leases

	2009 Rupees	2008 Rupees
Less than one year	**1,792,265,051**	2,081,295,832
More than one year and less than five years	**1,427,404,721**	2,491,610,983
	3,219,669,772	4,572,906,815

	Note	2009 Rupees	2008 Rupees
10.3 Present value of investment in finance leases			
Less than one year		**1,537,343,378**	1,701,198,501
More than one year and less than five years		**1,222,342,992**	2,302,632,066
		2,759,686,370	4,003,830,567
10.4 Income suspensed			
Balance at beginning of the year		**35,719,618**	17,391,832
Income suspensed during the year		**38,657,272**	20,612,057
Income reversed during the year		**(1,246,324)**	(2,284,271)
Balance at end of the year		**73,130,566**	35,719,618
10.5 Provision for potential lease and other losses			
Balance at beginning of the year		**61,157,229**	51,000,000
Provision for the year		**44,819,295**	15,172,282
Reversed for the year		**(259,558)**	(5,015,053)
Balance at end of the year		**105,716,966**	61,157,229
11 DEFERRED COSTS			
Preference shares - Class A	11.1	**-**	57,778
Loan arrangement expenses	11.2	**-**	125,000
		-	182,778
11.1 Preference shares - Class A			
Capital enhancement fee		**375,200**	375,200
Advisory fee		**750,000**	750,000
Underwriting commission		**1,500,000**	1,500,000
Legal fee		**40,000**	40,000
Share issue expenses		**181,742**	181,742
Listing fee		**255,536**	255,536
		3,102,478	3,102,478
Less: amortization to-date		**3,102,478**	3,044,700
		-	57,778
11.2 Loan arrangement expenses			
Arrangement fee		**1,500,000**	1,500,000
Less: amortization to-date		**1,500,000**	1,375,000
		-	125,000
12 LONG TERM DEPOSITS			
National Clearing Company- Security Deposit		**2,500,000**	2,500,000
Others		**1,689,400**	639,400
		4,189,400	3,139,400

	Note	2009 Rupees	2008 Rupees
13 LONG TERM FINANCE - secured, considered good			
House loan to staff - related party	13.1		
- Chief executive	13.2 & 13.3	-	7,000,000
- Executives		**1,822,237**	3,303,142
- Employees		**2,743,084**	3,596,941
Less: current portion	9	**85,928**	816,352
		4,479,393	13,083,731
Musharika finances - other than related party	13.4	**287,750,879**	59,822,508
Less: current portion	9	**128,992,089**	23,712,723
		158,758,790	36,109,785
Morabaha finance - other than related party	13.5	**8,805,042**	12,891,985
Less: current portion	9	**6,784,275**	4,279,511
		2,020,767	8,612,474
		165,258,950	57,805,990

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

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

	Chief executive		Executive	
	2009	2008	**2009**	2008
	................................Rupees................................			
Opening balance	7,000,000	15,235,044	3,303,142	1,082,639
Disbursements	-	7,000,000	-	3,312,000
	7,000,000	22,235,044	3,303,142	4,394,639
Repayments	7,000,000	15,235,044	1,480,905	1,091,497
Closing balance	-	7,000,000	1,822,237	3,303,142

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

	2009 Rupees	2008 Rupees
Chief executive	**6,575,760**	7,000,000
Other executives	**1,678,751**	3,312,000

13.4 This represents financing under musharika facility to various customers. The rate of return on these facilities ranges from 15.2% to 22.23% (2008: 15% to 18.51%) per annum. The repayment of these facilities is due between August 08, 2009 and March 12, 2012. These are secured by way of equitable mortgage on properties and pledge of shares.

13.5 This represents finance provided under morabaha facility and was secured against mortgage of property. The rates of return on these facilities ranges from 18.76% to 22.18% (2008: 16.26% to 20.05% per annum and these are repayable between January 22, 2010 to December 26, 2010.

	Note	2009 Rupees	2008 Rupees
14 LONG-TERM INVESTMENTS			
Held to maturity - other than related party			
Pakistan investment bonds	14.1	-	278,191,450
Available for sale - other than related party			
Pakistan investment bonds	14.2	88,539,189	-

14.1 The company has reclassified its long term investments form held to maturity (HTM) to available for sale (AFS) due to sale of more than insignificant portion of its HTM securities and to comply with the requirements of International Accounting Standard 39 Financial Instruments: Recognition and Measurement (IAS 39). The amount classified to AFS is Rs. 108,627,102. These investments are given as collateral under repurchase agreements (refer not 19.2). Fair value of these securities is determined by reference to quotation obtained from reuters page (PKRV).

14.2 Principal terms of investments in Pakistan investment bonds

Name of Investment	Maturity period	Coupon rate	Effective rate	Coupon payment	Principal payment
Pakistan investment bonds (PIBs)	October 2013	8%	6.12% to 6.22%	Semi-annually	On maturity

	Note	2009 Rupees	2008 Rupees
15 PROPERTY AND EQUIPMENT			
Property and equipment - own use	15.1	**120,593,006**	129,717,352
Property and equipment - operating lease	15.1	**84,091,086**	116,963,384
		204,684,092	246,680,736

15.1 Property and equipment

	Own assets								Operating lease assets							
	Office premises leasehold	Lease hold improvement	Furniture and fixtures	Office equipment	Computer equipment	Generator and air conditioners	Vehicles	Sub Total	Generators	Machinery	Commercial vehicles	Motor vehicles	Furniture and Fixtures	Equipment	Sub total	Total
	--------	--------	--------	--------	--------	--------	--------	Rupees	--------	--------	--------	--------	--------	--------	--------	--------
As at July 1, 2007																
Cost/Revalued amount	76,352,617	11,772,945	5,916,015	2,298,219	4,426,128	3,724,820	25,022,015	129,512,759	59,956,800	5,400,000	32,905,078	22,520,301	18,610,000	31,637,229	171,029,408	300,542,167
Accumulated depreciation	(8,357,979)	(358,743)	(1,361,115)	(1,081,359)	(2,611,136)	(197,803)	(8,808,350)	(22,776,485)	(20,888,471)	(2,464,990)	(11,976,673)	(8,559,741)	(9,453,003)	(15,517,431)	(68,860,308)	(91,636,793)
Net book amount	67,994,638	11,414,202	4,554,900	1,216,860	1,814,992	3,527,017	16,213,665	106,736,274	39,068,329	2,935,010	20,928,405	13,960,560	9,156,997	16,119,798	102,169,100	208,905,374
Year ended June 30, 2008																
Opening net book amount	67,994,638	11,414,202	4,554,900	1,216,860	1,814,992	3,527,017	16,213,665	106,736,274	39,068,329	2,935,010	20,928,405	13,960,560	9,156,997	16,119,798	102,169,100	208,905,374
Additions	33,903,760	900,883	1,369,457	230,113	457,957	37,824	6,625,370	43,525,364	16,315,000	-	-	-	2,500,000	34,551,688	53,366,688	96,892,052
Disposals - net	-	-	(232,025)	(10,835)	-	-	(3,096,881)	(3,339,741)	-	-	(5,938,562)	(4,240,560)	-	-	(10,179,122)	(13,518,863)
Depreciation charge	(4,266,601)	(1,867,293)	(1,353,244)	(596,081)	(1,087,474)	(750,654)	(7,283,198)	(17,204,545)	(7,788,510)	(540,000)	(3,637,520)	(2,880,890)	(4,222,008)	(9,324,354)	(28,393,282)	(45,597,827)
Closing net book amount	97,631,797	10,447,792	4,339,088	840,057	1,185,475	2,814,187	12,458,956	129,717,352	47,594,819	2,395,010	11,352,323	6,839,110	7,434,989	41,347,132	116,963,384	246,680,736
As at July 1, 2008																
Cost/Revalued amount	110,256,377	12,673,828	6,740,522	2,499,832	4,884,085	3,762,644	23,994,550	164,811,838	76,271,800	5,400,000	18,809,350	14,513,201	21,110,000	66,188,917	202,293,268	367,105,106
Accumulated depreciation	(12,624,580)	(2,226,036)	(2,401,434)	(1,659,775)	(3,698,610)	(948,457)	(11,535,594)	(35,094,486)	(28,676,981)	(3,004,990)	(7,457,027)	(7,674,091)	(13,675,011)	(24,841,785)	(85,329,884)	(120,424,370)
Net book amount	**97,631,797**	**10,447,792**	**4,339,088**	**840,057**	**1,185,475**	**2,814,187**	**12,458,956**	**129,717,352**	**47,594,819**	**2,395,010**	**11,352,323**	**6,839,110**	**7,434,989**	**41,347,132**	**116,963,384**	**246,680,736**
Year ended June 30, 2009																
Opening net book amount	97,631,797	10,447,792	4,339,088	840,057	1,185,475	2,814,187	12,458,956	129,717,352	47,594,819	2,395,010	11,352,323	6,839,110	7,434,989	41,347,132	116,963,384	246,680,736
Additions	-	945,000	698,100	113,810	-	-	8,895,360	10,652,270	7,183,976	-	-	-	-	-	7,183,976	17,836,246
Disposals - net	-	-	(70,884)	(6,621)	(5)	-	(1,245,360)	(1,322,870)	(5,525,556)	(1,195,828)	(977,421)	(1,620,374)	(445,500)	(2,566,637)	(12,331,316)	(13,654,186)
Depreciation charge	(5,512,822)	(1,995,017)	(1,331,563)	(520,152)	(795,620)	(737,706)	(7,560,866)	(18,453,746)	(7,844,133)	(423,332)	(1,917,075)	(1,690,894)	(4,082,826)	(11,766,698)	(27,724,958)	(46,178,704)
Closing net book amount	92,118,975	9,397,775	3,634,741	427,094	389,850	2,076,481	12,548,090	120,593,006	41,409,106	775,850	8,457,827	3,527,842	2,906,663	27,013,797	84,091,086	204,684,092
As at June 30, 2009																
Cost/Revalued amount	110,256,377	13,618,828	7,099,387	2,547,842	4,664,662	3,762,644	27,853,685	169,803,425	67,710,497	1,900,000	17,069,350	8,541,151	18,680,000	52,188,917	166,089,915	335,893,340
Accumulated depreciation	(18,137,402)	(4,221,053)	(3,464,646)	(2,120,748)	(4,274,812)	(1,686,163)	(15,305,595)	(49,210,419)	(26,301,391)	(1,124,150)	(8,611,523)	(5,013,309)	(15,773,337)	(25,175,120)	(81,998,829)	(131,209,248)
Net book amount	**92,118,975**	**9,397,775**	**3,634,741**	**427,094**	**389,850**	**2,076,481**	**12,548,090**	**120,593,006**	**41,409,106**	**775,850**	**8,457,827**	**3,527,842**	**2,906,663**	**27,013,797**	**84,091,086**	**204,684,092**
Rate of depreciation (%)	5	15	20	36	36	20	24-30	10-25	10	10-20	15-20	20	20-30			

Security Leasing
Corporation Limited

15.1.1 The following assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/ (loss)on diposal	Mode of disposal	Particular of Buyers
	---------------	-Rupees-	---------------				
ASSETS - OWN USE							
Vehicles							
	365,000	191,625	173,375	310,000	136,625	Negotiation	Ali Asad
	60,300	60,299	1	15,000	14,999	Negotiation	Amjad
	365,000	219,000	146,000	146,000	-	Terms of employment	Asif Rizvi
	40,000	39,999	1	19,000	18,999	Terms of employment	Bacha Khan
	39,000	38,999	1	20,000	19,999	Negotiation	Batla Autos
	969,000	654,075	314,925	314,925	-	Terms of employment	Farhan Khurshid
	434,000	141,050	292,950	292,950	-	Terms of employment	Farrukh Farooqui
	42,000	41,999	1	17,000	16,999	Terms of employment	Habib-Ur-Rehman
	2,499,000	2,249,100	249,900	249,900	-	Terms of employment	Muhammad Khalid Ali
	50,700	29,164	21,536	21,000	(536)	Negotiation	Yaseen
Tracker	41,325	37,188	4,137	4,137	-	Terms of employment	Muhammad Khalid Ali
	40,950	38,912	2,038	2,038	-	Terms of employment	Farhan Khurshid
	44,975	26,975	18,000	18,000	-	Terms of employment	Asif Rizvi
	44,975	22,480	22,495	22,495	-	Terms of employment	Farrukh Farooqui
	5,036,225	**3,790,865**	**1,245,360**	**1,452,445**	**207,085**		
Furniture & fixture							
	79,800	79,800	-	-	-	Terms of employment	Amin Khan
	22,000	11,000	11,000	11,000	-	Terms of employment	Farhan Khurshid
	23,000	11,500	11,500	11,500	-	Terms of employment	Farhan Khurshid
	80,000	53,333	26,667	26,667	-	Terms of employment	Farhan Khurshid
	81,000	81,000	-	8,500	8,500	Negotiation	Miscellenous
	12,435	8,496	3,939	2,721	(1,218)	Negotiation	Shakil
	41,000	23,222	17,778	12,279	(5,499)	Negotiation	Shakil
	339,235	**268,351**	**70,884**	**72,667**	**1,783**		
Mobile Phone & Office Equipment	35,000	33,600	1,400	-	(1,400)		
	6,000	5,760	240	240	-	Terms of employment	Farrukh Farooqui
	12,800	12,799	1	1	-	Terms of employment	Farhan Khurshid
	6,000	1,980	4,020	4,020	-	Terms of employment	Yasirullah
	6,000	5,040	960	960	-	Terms of employment	Asif Rizvi
	65,800	**59,179**	**6,621**	**5,221**	**(1,400)**		
Computer Equipment							
	38,280	38,279	1	436	435	Negotiation	Amjad
	52,050	52,049	1	593	592	Negotiation	Amjad
	48,800	48,799	1	556	555	Negotiation	Amjad
	39,410	39,409	1	449	448	Negotiation	Amjad
	40,883	40,882	1	466	465	Negotiation	Amjad
	219,423	**219,418**	**5**	**2,500**	**2,495**		
	5,660,683	**4,337,813**	**1,322,870**	**1,532,833**	**209,963**		
OPERATING LEASED ASSETS							
Vehicles							
	1,247,500	1,035,438	212,062	325,000	112,938	Negotiation	AMZ Asset Management
	1,287,000	1,068,210	218,790	345,000	126,210	Negotiation	AMZ Asset Management
	567,150	289,233	277,917	397,500	119,583	Negotiation	Mr. Zafar
	567,150	289,233	277,917	397,500	119,583	Negotiation	Mr. Zafar
	567,150	289,233	277,917	419,500	141,583	Negotiation	Shahid Ali
	567,100	367,209	199,891	477,000	277,109	Negotiation	Ahmed Hussain
	1,169,000	1,013,120	155,880	725,000	569,120	Negotiation	S.Shahnawaz Nadir
	5,972,050	**4,351,676**	**1,620,374**	**3,086,500**	**1,466,126**		
Commercial vehicle							
	1,090,000	399,657	690,343	447,000	(243,343)	Negotiation	Machinery Management Services
	650,000	362,922	287,078	270,000	(17,078)	Negotiation	Trans Pak Enterprises
	1,740,000	**762,579**	**977,421**	**717,000**	**(260,421)**		
Machinery							
	3,500,000	**2,304,172**	**1,195,828**	**525,000**	**(670,828)**	Negotiation	Muhammad Wali
Equipment							
	7,000,000	5,950,014	1,049,986	700,000	(349,986)	Negotiation	Cyber Soft Technologies (Private) Limited
	7,000,000	5,483,349	1,516,651	700,000	(816,651)	Negotiation	Cyber Soft Technologies (Private) Limited
	14,000,000	**11,433,363**	**2,566,637**	**1,400,000**	**(1,166,637)**		
Generators							
	560,000	331,343	228,657	172,779	(55,878)	Negotiation	Muhammad Naeem
	657,000	656,999	1	202,706	202,705	Negotiation	Muhammad Naeem
	4,455,000	4,454,999	1	1,374,515	1,374,514	Negotiation	Muhammad Naeem
	2,723,279	1,724,743	998,536	1,025,000	26,464	Negotiation	Muhammad Altaf
	1,300,000	595,825	704,175	65,000	(639,175)	Negotiation	Sarhad CNG
	1,900,000	1,139,989	760,011	667,629	(92,382)	Negotiation	Jahangir Iqbal
	1,875,000	585,939	1,289,061	1,132,371	(156,690)	Negotiation	Jahangir Iqbal
	2,275,000	729,886	1,545,114	1,200,000	(345,114)	Negotiation	Aradin-1 CNG Station
	15,745,279	**10,219,723**	**5,525,556**	**5,840,000**	**314,444**		
Furniture & Fixture							
	2,430,000	**1,984,500**	**445,500**	**636,945**	**191,445**	Negotiation	Square One
2009	**49,048,012**	**35,393,826**	**13,654,186**	**13,738,278**	**84,092**		
2008	30,329,113	16,810,250	13,518,863	13,548,176	29,310		

15.2 As on June 30, 2009 the gross carrying amount of fully depreciated property and equipment that are still in use is Rs. 10,396,716.

15.3 Future minimum lease payments receivables under non-cancellable operating leases are as follows:

	Note	2009 Rupees	2008 Rupees
Minimum lease payments due:			
-not later than one year		**7,293,600**	10,693,000
-later than one year and not later than five years		**10,676,000**	17,969,600
-later than five years		**-**	-
		17,969,600	28,662,600

16 DEFERRED TAX ASSET

Deferred tax arising from temporary differences and unused tax losses can be summarised as follows:

Accelerated depreciation for tax purposes	**(232,524,105)**	(207,355,386)
Overdue rentals of finance leases	**136,122,339**	65,945,163
Provision for potential lease losses	**33,437,721**	21,000,000
Diminution in value of long term investments	**6,665,373**	-
Unabsorbed tax depreciation	**394,278,233**	353,410,224
	337,979,561	233,000,000
Surplus on revaluation of fixed assets	**(12,140,876)**	(12,802,250)
	325,838,685	220,197,750

This represents the probable benefits expected to be realized in future years determined on the projected financial statements under prevailing circumstances for the next few years.

17 ACCRUED AND OTHER LIABILITIES

Accrued liabilities	17.1	**1,053,395**	781,605
Advance against leases		**28,308,581**	47,443,621
Unclaimed dividend		**809,102**	807,418
Other liabilities		**10,892,407**	3,319,009
Dividend payable on preference shares	24.2	**-**	10,237,500
		41,063,485	62,589,154

17.1 This includes an amount of Rs. 525,690 (2008: Rs. 122,400) payable to provident fund of the company.

17.2 Staff retirement gratuity

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

The obligations under the scheme were determined through an actuarial valuation using Projected Unit Credit method. Last actuarial valuations was carried out as at June 30, 2009. The significant assumptions of the valuation used by the management for determining their best estimate for the current year are as follows:

17.3 Principal actuarial assumptions

	Note	2009 % per annum	2008 % per annum
Discount rate		**13%**	12%
Expected long-term rate of increase in salary level		**13%**	12%
Expected long-term rate of interest		**13%**	12%

	Note	2009 Rupees	2008 Rupees
17.4 Reconciliation of provision for gratuity scheme			
Present value of defined benefit obligation		**13,704,000**	10,522,000
Fair value of any plan assets		**(13,139,000)**	(10,140,000)
Surplus/(Deficit)		**565,000**	382,000
Unrecognized actuarial losses		**(819,000)**	(275,000)
Transitional liability not yet recognised		**-**	(107,000)
		(254,000)	-
17.5 Movement in the balance sheet liability			
Balance at beginning of the year		**-**	-
Expense recognised during the year	17.6	**1,645,000**	2,072,000
Contribution made during the year		**(1,899,000)**	(2,072,000)
Balance at end of the year		**(254,000)**	-
17.6 Gratuity scheme expense			
Current service cost		**1,492,000**	1,095,000
Interest cost		**1,311,000**	733,000
Expected return on plan assets		**(1,265,000)**	(858,000)
Net actuarial (gain) / loss recognised		**-**	996,000
Recognised transitional liability		**107,000**	106,000
		1,645,000	2,072,000

17.7 Five years data of surplus / deficit of the plan

	2006	2007	2008	**2009**
Present value of defined benefit obligation	(7,329,000)	(7,329,000)	(10,522,000)	**(13,704,000)**
Fair value of plan assets	6,155,000	8,578,000	10,140,000	**13,139,000**
(Deficit)/ Surplus	(1,174,000)	1,249,000	(382,000)	**(565,000)**

	2009	2008
17.8 Actual return on plan assets	696,000	553,000

18 ACCRUED MARK-UP

	2009 Rupees	2008 Rupees
Accrued mark-up on:		
-Short-term finance	**11,448,687**	12,311,404
-Long-term finance	**53,854,841**	51,204,599
-Certificate of investments	**6,064,366**	16,431,607
	71,367,894	79,947,610

19	SHORT TERM FINANCES - other than related party	Note	2009 Rupees	2008 Rupees
	Secured			
	Under Murabaha finance		-	50,000,000
	Under repurchase agreements	19.2	**100,000,000**	236,000,000
	Running finance	19.3	**224,328,922**	-
	Unsecured			
	Under Musharika arrangement		-	450,000
	Under Murabaha finance	19.4	**76,000,000**	100,000,000
	Under letters of placement	19.5	**284,250,000**	419,000,000
			684,578,922	805,450,000
19.1	**Short term finance**			
	From Banking companies and other financial institution		**684,578,922**	805,000,000
	Others		-	450,000
			684,578,922	805,450,000

19.2 This represents borrowing from commercial banks and financial institutions under repurchase arrangements against following assets. These facilities carry mark-up at the rate of 14.50% (2008: 9.60% to 13.25%) per annum. The facility is repayable on July 08, 2009 and its carrying value is a reasonable approximation of fair value.

Nature of assets	Number of bonds / shares		Carrying value in rupees	
	2009	2008	**2009**	2008
Pakistan investment bonds	2	5	**88,539,189**	278,191,450
Ordinary shares of:				
National Bank of Pakistan	200,000	-	**13,406,000**	-
National Refinery Limited	40,000	-	**8,800,800**	-
Pakistan State Oil Compnay Limited	22,500	-	**4,807,125**	-
			115,553,114	278,191,450

19.3 The company has also obtained running finance facilities from various banks with aggregate limit of Rs. 270 (2008: Rs. 270) million. Mark-up on these facilities ranges from 1.50% to 3.25% plus 6 months KIBOR (2008: from 1.50% to 3.25% plus 6 months KIBOR).

19.4 This represents financing arrangements carrying mark up rate of 16% (2008: 16%) per annum.

19.5 This represents finances obtained under mark-up arrangements and carry mark-up rate ranging from 14.84% to 15% (2008: 10.60% to 17%) per annum. These finances are repayable between July 06, 2009 and July 07, 2009.

20	CURRENT MATURITY OF NON- CURRENT LIABILITIES	Note	2009 Rupees	2008 Rupees
	Current maturity of:			
	Long term finances	21	**535,000,000**	516,250,000
	Long term deposits	23	**473,016,970**	302,123,711
			1,008,016,970	818,373,711

21	LONG-TERM FINANCES - secured			
	Other than related party			
	Term finance certificates	21.1	**250,000,000**	375,000,000
	SUKUKs	21.2	**1,207,747,497**	1,483,456,833
	Long term loans	21.3	**235,000,000**	260,000,000
			1,692,747,497	2,118,456,833
	Less: Current maturity shown under current liabilities			
	Term finance certificates		**125,000,000**	125,000,000
	SUKUKs		**375,000,000**	281,250,000
	Long term loans		**35,000,000**	110,000,000
		20	**535,000,000**	516,250,000
			1,157,747,497	1,602,206,833

21.1 Principal terms of term finance certificates (TFCs)

Particulars	Repayment period from	Repayment period to	Profit rate per annum	Principal outstanding (Rupees) 2009	Principal outstanding (Rupees) 2008
From financial institutions					
Privately placed term finance certificates (3rd Issue)	Sep-07	Mar-11	6 month KIBOR+2.45% (payable semi annually)	**250,000,000**	375,000,000

21.2 Principal terms of SUKUKs

Particulars	Repayment period from	Repayment period to	Profit rate per annum	Principal outstanding (Rupees) 2009	Principal outstanding (Rupees) 2008
Privately placed SUKUK-I	Dec-08	Jun-12	6 month KIBOR+2% (payable semi annually)	**558,184,402**	742,321,916
Privately placed SUKUK-II	Mar-09	Sep-12	6 month KIBOR+1.95% (payable semi annually)	**649,563,095**	741,134,917
				1,207,747,497	1,483,456,833

* KIBOR-Karachi Interbank Offer Rate

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

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

Particulars	Repayment period from	Repayment period to	Profit rate per annum	Principal outstanding (Rupees) 2009	Principal outstanding (Rupees) 2008
National Bank of Pakistan	Dec-06	Jan-10	8.25% (payable semiannually)	**35,000,000**	60,000,000
United Money Market Fund (Letter of placement)	Dec-07	Dec-10	6 month KIBOR+1.5% (Lump sum on maturity)	**100,000,000**	100,000,000
United Growth Income Fund (Letter of placement)	Dec-07	Dec-10	6 month KIBOR+1.5% (Lump sum on maturity)	**100,000,000**	100,000,000
				235,000,000	260,000,000

* KIBOR-Karachi Interbank Offer Rate

21.3.1 These facilities are secured by first charge on specific leased assets and related rentals receivables.

22 CERTIFICATE OF INVESTMENTS - unsecured

	Note	2009 Rupees	2008 Rupees
From commercial banks		**110,000,000**	535,000,000
Others		**200,002**	29,686,468
		110,200,002	564,686,468
Payable within one year		**(110,200,002)**	(562,100,001)
Payable between one to five years		**-**	2,586,467

22.1 These represent deposits under the scheme of certificates of investment introduced with the permission of the Securities and Exchange Commission of Pakistan. These are repayable between August 3, 2009 and March 06, 2010. Certificate of investments carry mark-up ranging from 13.75% to 15.78% (2008: 9.75% to 18.00%) per annum.

23 LONG-TERM DEPOSITS	Note	2009 Rupees	2008 Rupees
Security deposits against leases		**1,127,876,797**	1,329,998,611
Less: current maturity of security deposits	20	**473,016,970**	302,123,711
		654,859,827	1,027,874,900

23.1 These represent interest free security deposits received against lease contracts and are refundable/adjustable at the expiry/termination of the respective leases.

24 SHARE CAPITAL

	Note	2009 Rupees	2008 Rupees
Authorised capital			
75,000,000 (2008: 75,000,000) ordinary shares of Rs. 10 each		**750,000,000**	750,000,000
50,000,000 (2008: 50,000,000) preference shares of Rs. 10 each		**500,000,000**	500,000,000
		1,250,000,000	1,250,000,000
Issued, subscribed and paid-up share capital			
22,100,000 (2008: 22,100,000) ordinary shares of Rs. 10 each fully paid in cash		**221,000,000**	221,000,000
14,200,000 (2008: 14,200,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares		**142,000,000**	142,000,000
		363,000,000	363,000,000
Preference shares			
7,502,775 preference shares-Class A of Rs. 10 each fully paid in cash	24.2	**75,027,750**	112,500,000
		438,027,750	475,500,000

24.1 Movement in number of shares	Note	2009 Number	2009 Number
Ordinary shares			
Number of the shares at beginning of the year		**36,300,000**	36,300,000
Issued during the year		**-**	-
Number of the shares at end of the year		**36,300,000**	36,300,000
Preference shares			
Number of the shares at beginning of the year		**11,250,000**	15,000,000
Redeemed during the year	24.2	**(3,747,225)**	(3,750,000)
Number of the shares at end of the year		**7,502,775**	11,250,000

24.2 The company raised additional equity of Rs. 150 million through right issue of 15 million non-convertible and non-cumulative Preference Shares - Class A of Rs. 10 each in September 2003. These Preference Shares carry preferred right to dividend computed @ 35% of profit after tax and statutory reserves subject to a maximum profit of Rs. 40 million. The company has the option to redeem these shares after 12 months from the date of the issue. The Preference shareholders have the right to exercise the put option in tranches by giving three months advance notice as per the following schedule:

Percentage of redemption	Period to exercise put option From	To
3,750,000 Shares (1st redemption)	June-07	November-07
3,750,000 Shares (2nd redemption)	June-08	November-08
3,750,000 Shares (3rd redemption)	June-09	November-09
3,750,000 Shares (4th redemption)	June-10	November-10

24.3 Capital management policies and procedures

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

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

To be complied by	Minimum equity Rupees
June 30, 2009	350,000,000
June 30, 2010	500,000,000
June 30, 2011	700,000,000

These requirements have been amended subsequently through S.R.O. 764 dated September 02, 2009 by the SECP as follow:

To be complied by	Minimum equity Rupees
June 30, 2011	350,000,000
June 30, 2012	500,000,000
June 30, 2013	700,000,000

	Note	2009 Rupees	2008 Rupees
The company's capital consist of:			
Issued, subscribed and paid-up share capital		**438,027,750**	475,500,000
Reserves		**(111,066,924)**	244,839,942
		326,960,826	720,339,942
Unrealized loss on available for sale investments		**(110,513,331)**	(127,970,512)
		216,447,495	592,369,430

25 RESERVES

	Note	2009	2008
Capital reserve			
Statutory reserves	25.1	**118,867,005**	118,867,005
Revenue reserve			
(Accumulated loss)/Unappropriated profit		**(230,595,303)**	125,972,937
		(111,728,298)	244,839,942

	Note	2009 Rupees	2008 Rupees
25.1 Balance at beginning of the year		**118,867,005**	76,505,000
Transferred during the year		**-**	42,362,005
Balance at end of the year		**118,867,005**	118,867,005

Statutory reserve represents profit set aside to comply with the Regulations.

26 SURPLUS ON REVALUATION OF FIXED ASETS

	Note	2009	2008
Surplus on revaluation of fixed assets	26.1	**34,688,218**	36,577,858
Deferred tax (liability) recognized	26.2	**(12,140,876)**	(12,802,250)
		22,547,342	23,775,608

26.1 Reconciliation of surplus on revaluation of fixed assets

	2009	2008
At the beginning of the year	**36,577,858**	4,859,380
Surplus during the year	**-**	32,190,887
Surplus realized on account of incremental depreciation-net	**(1,889,640)**	(472,409)
At the end of the year	**34,688,218**	36,577,858

This represents surplus over book values resulting from revaluation of leasehold-office premises situated in Karachi and Lahore carried out by independent valuer, Joseph Lobo (Private) Limited, on the basis of professional assessment of present market values on March 19, 2008 and March 25, 2008 respectively. Had there been no revaluation, the written down value of the revalued assets in the balance sheet would have been Rs. 57,430,752 (2008: Rs. 61,959,733).

26.2 Deferred tax liability

	2009	2008
At the beginning of the year	**12,802,250**	1,700,783
Deferred tax liability arise during the year	**-**	11,266,810
Deferred tax liability realized on account of incremental depreciation	**(661,374)**	(165,343)
At the end of the year	**12,140,876**	12,802,250

27 CONTINGENCIES & COMMITMENTS

	2009	2008
27.1 Commitments for lease disbursements	**-**	**44,541,046**

27.2 Contingencies

Taxation

Assessments of the company have been finalized upto the tax year 2008. Returns are deemed to be an assessment order passed by the Commissioner of Income Tax under section 120 of Income Tax Ordinance, 2001. For tax year 2003 an appeal has been filed with Income Tax Appellate Tribunal (ITAT) in respect of certain disallowances maintained by the CIT (Appeals), which is pending. The department has also filed an appeal in respect of disallowances and deletions by the CIT (Appeals). The management is confidant that disallowance shall be given in favour of the company. The possible financial impact of the above can not be ascertained at this stage.

28 INCOME FROM FINANCE LEASE

	2009	2008
Income from finance lease contracts	**320,836,665**	382,567,337
Hire purchase contracts	**318,876**	643,917
Front end fee and additional lease rentals	**5,000**	7,000
	321,160,541	383,218,254

	Note	2009 Rupees	2008 Rupees
29 OTHER OPERATING (LOSS)/INCOME			
(Loss)/Income from financial assets	29.1	**(64,002,794)**	110,158,404
Other than financial assets	29.2	**3,201,123**	4,643,879
		(60,801,671)	114,802,283
29.1 (Loss)/Income from financial assets			
Loans and receivables			
Profit from bank under cash management scheme		**883,937**	-
Mark-up on term finance certificates		**272,306**	2,753,971
Mark-up on musharika		**68,734,906**	31,997,081
Mark-up on house finance to staff		**1,183,315**	1,116,674
Profit on Morabaha		**2,284,416**	2,450,914
Profit on placements- net of income suspended		**(1,852,109)**	14,033,267
Profit on long term advances		**-**	476,674
		71,506,771	52,828,581
Available for sale investment			
Mark-up on government securities		**10,601,676**	17,243,656
(Loss) / Gain on disposal of available for sale investments		**(151,206,015)**	16,893,253
Dividend income		**5,094,774**	23,192,914
		(135,509,565)	57,329,823
		(64,002,794)	110,158,404
29.2 Other than financial assets			
Fees, commissions and other charges		**2,213,461**	4,614,569
Gain on disposal of property and equipment		**84,092**	29,310
Others		**903,570**	-
		3,201,123	4,643,879
30 ADMINISTRATIVE AND SELLING EXPENSES			
Salaries, allowances and benefits	30.2 & 30.3	**49,012,906**	44,859,870
Gratuity	17.6	**1,645,000**	2,072,000
Directors' fee	30.1	**384,000**	289,000
Staff training and development		**116,600**	1,155,500
Telephone and fax		**2,515,695**	1,905,325
Postage and courier		165,507	181,562
Electricity		**1,103,696**	1,077,872
Office maintenance		**1,974,666**	1,674,114
Software maintenance		**285,087**	292,988
Security guards charges		**358,000**	137,000
Insurance		**603,909**	584,282
Business promotion expenses		**1,696,232**	1,557,168
Canteen expenses		**474,477**	324,288
Vehicle running expenses		**8,589,670**	6,561,955
Vehicle insurance		**728,576**	720,169
Traveling and conveyance		**634,952**	1,235,237
Advertisement expenses		**159,993**	489,718
Printing and stationery		**1,245,084**	1,687,563
Central depository charges		**130,021**	171,806
Subscriptions and listing fees		**782,886**	499,250
Legal and professional charges		3,867,818	3,301,196
Auditors' remunerations	30.4	**488,288**	375,000
Statutory filing fees		**22,100**	72,660
Credit rating charges		**284,540**	248,540
Depreciation	15.1	**18,453,746**	17,204,545
Rent, rates and taxes		**4,172,940**	501,945
Miscellaneous		**40,453**	124,144
		99,936,842	89,304,697

30.1 Directors' fee

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

30.2 Remuneration of chief executive and executives

	2009		2008	
	Chief Executive	**Executives**	Chief Executive	Executives
	................................**Rupees**	....		
Managerial remuneration	**7,200,000**	**6,357,655**	7,200,000	4,738,118
Housing and utilities	**4,128,000**	**3,236,010**	4,128,000	2,468,760
Medical and other perquisites	**115,574**	**491,990**	194,088	400,527
Provident fund contribution	**720,000**	**576,000**	720,000	417,420
Gratuity	**600,000**	**495,000**	600,000	333,900
	12,763,574	**11,156,655**	12,842,088	8,358,725
No. of persons	**1**	**8**	1	7

30.2.1 The chairman, chief executive and certain executives were also provided with free use of company owned and maintained cars and certain household items in accordance with their terms of employment.

30.3 Salaries, allowances and benefits include provident fund contribution of Rs. 2,224,052 (2008: Rs. 1,984,513).

30.4 Auditors' remuneration	**Note**	**2009 Rupees**	2008 Rupees
Annual audit		**250,000**	250,000
Half yearly review		**50,000**	50,000
Other services		**100,000**	27,500
Out-of-pocket expenses		**88,288**	47,500
		488,288	375,000

31 FINANCE COSTS

Markup on :			
long term loans		**10,073,370**	43,540,462
short term finance		**128,589,322**	84,330,744
running finance		**33,141,130**	3,275,227
certificates of investment		**36,732,577**	59,888,592
term finance certificates		**47,186,333**	61,520,717
Profit on SUKKUKs		**224,474,049**	169,987,647
Other charges		**808,534**	678,174
		481,005,315	423,221,563

32 DIRECT COST OF OPERATING LEASES

Maintenance contracts		10,598,288	11,401,505
Depreciation on operating lease assets	15.1	**27,724,958**	28,393,282
Insurance		**1,845,490**	2,346,866
Others		**432,655**	438,654
		40,601,391	42,580,307

33 INCOME TAX EXPENSE

Current

The tax charge for the current year represents tax on dividend income.

33.1 Effective tax rate reconciliation

Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as provision for current year income tax represent tax on dividend income only.

34 (LOSS)/EARNINGS PER SHARE - basic and diluted

	Note	2009 Rupees	2008 Rupees
(Loss)/Profit after taxation-Rupees		(357,796,507)	213,201,124
Dividend attributable to preference shareholders		-	10,237,500
Profit/(Loss) attributable to ordinary shareholders-Rupees		(357,796,507)	202,963,624
Number of ordinary shares issued and subscribed		36,300,000	36,300,000
(Loss)/Earnings per share-Rupees		(9.86)	5.55

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

Diluted earnings per share

There is no dilution effect on the basic earning per share of the company as the company has no convertible dilutive potential ordinary shares outstanding on June 30, 2009.

35 CASH AND CASH EQUIVALENTS

	Note	2009 Rupees	2008 Rupees
Running finance	19	(224,328,922)	-
Balances with banks	5	3,750,104	38,694,002
		(220,578,817)	38,694,002

36 SEGMENT INFORMATION

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

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

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

	June 30, 2009				
	Finance Lease	Operating Lease	Capital Market	Others	TOTAL
	---Rupees---				
Segment revenues	321,160,541	46,438,161	(254,736,187)	85,309,570	**198,172,085**
Segment result	253,020,968	12,570,546	(246,661,883)	93,898,547	**112,828,179**
Unallocated cost					
Finance cost					**481,005,315**
Administrative and selleing expenses					
					99,936,842
					580,942,157
Loss before income tax					**(468,113,978)**
Income tax expense					**110,317,471**
Loss for the year					**(357,796,507)**
Other information					
Segment assets	2,763,909,467	95,571,943	207,387,202	402,475,249	**3,469,343,861**
Unallocated assets					**496,824,198**
Total assets					**3,966,168,059**
Segment liabilities	1,156,185,379	-	-	-	**1,156,185,379**
Unallocated liabilities					**2,571,649,218**
Total liabilities					**3,727,834,597**
Net assets					**238,333,462**
Capital expenditure		7,183,976		10,652,270	**17,836,246**

	June 30, 2008				
	Finance Lease	Operating Lease	Capital Market	Others	TOTAL
	---Rupees---				
Segment revenues	383,218,254	58,594,933	60,083,794	54,718,489	556,615,470
Segment result	334,002,783	14,949,421	54,700,540	50,792,567	454,445,311
Unallocated cost					
Finance cost					423,221,563
Administrative and selleing expenses					
					41,263,175
					464,484,738
Loss before income tax					(10,039,427)
Income tax expense					221,849,450
Profit for the year					211,810,023
Other information					
Segment assets	4,003,830,567	116,963,384	591,101,074	651,278,360	5,363,173,385
Unallocated assets					214,100,330
Total assets					5,577,273,714
Segment liabilities	4,107,312,113	74,730,286	377,666,506	275,426,175	4,835,135,080
Unallocated liabilities					125,993,597
Total liabilities					4,961,128,677
Net assets					616,145,037
Capital expenditure	-	14,838,055	-	35,155,370	96,892,052

37 RISK MANAGEMENT

The company is primarily exposed to credit risk, liquidity risk and market risk. The company has designed and implemented a framework of controls to identify, monitor and manage these risks as follows:

37.1 Credit risk

Credit risk is the risk that one party to financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly effected by changes in economics, political and other conditions. Concentration of credit risk indicate the relative sensitivity of the company's performance to developments affecting a particular industry.

The company manages its credit risk by monitoring credit exposure, limiting transaction with specific counter party and continually assessing the credit worthiness of counter parties. Management considers that all the financial assets that are neither past due nor impaired are of good credit quality. The maximum exposure of the company to credit risk at reporting date without taking account any collateral held or other credit enhancements is as follows:

	Note	**2009**	2008
		Rupees	Rupees
Classes of financial assets - carrying value			
Cash and cash equivalent			
Balances with banks	5	3,750,104	38,694,002
Loans and receivables			
Short-term finances	7	101,354,007	344,466,034
Advance to financial institution	8	17,250,000	17,250,000
Accrued return on investments		12,409,233	11,886,354
Long-term deposits	12	4,189,400	3,139,400
Long-term finances	13	301,121,242	86,614,576
Lease receivables			
Net investment in finance leases	10	2,759,686,370	4,003,830,567
Operating lease receivables	8	11,480,857	5,660,967
Available for sale financial assets			
Short term investments	6	118,848,013	310,478,842
Long-term investments	14	88,539,189	-
Held to maturity financial assets			
Long-term investments	14	-	278,191,450
		3,418,628,415	5,100,212,191

37.1.1 The credit risk to cash and cash equivalent is negligible, since the counter parties are reputable banks with high quality external credit rating.

37.1.2 Loans and receivables of the company are secured by collaterals that are disclosed in their relevant notes.

37.1.3 The company manages concentration of credit risk exposure through diversification of activities to avoid undue concentrations of risks with individuals, groups of specific industry segment. An analysis by class of business of the company's net investments in finance leases, hire purchase contracts, investment and other financial assets is given below:

Sector	2009 Rupees	2009 %	2008 Rupees	2008 %
Textile	**450,271,753**	**13.19**	635,162,365	14.32
Construction	**199,635,979**	**5.85**	486,708,378	10.97
Transport and communication	**339,961,745**	**9.96**	419,931,140	9.47
Oil and gas	**293,475,631**	**8.59**	394,600,323	8.90
Food and beverages	**243,384,788**	**7.13**	319,317,827	7.20
Engineering	**155,732,955**	**4.56**	227,870,098	5.14
Plastic	**130,844,772**	**3.83**	214,110,037	4.83
Consumer leases	**230,235,220**	**6.74**	148,048,261	3.34
Health care	**113,785,955**	**3.33**	124,049,628	2.80
Travel and tourism	**15,070,702**	**0.44**	120,224,548	2.71
Pharmaceutical	**72,557,430**	**2.12**	113,250,550	2.55
Advertisement	36,576,280	1.07	100,228,905	2.26
Cement	71,774,076	2.10	78,127,028	1.76
Auto and allied	**64,808,686**	**1.90**	70,933,785	1.60
Publications	**30,934,040**	**0.91**	44,587,217	1.01
Sugar	**148,641,244**	**4.35**	41,792,773	0.94
Glass and ceramics	80,713,909	2.36	20,403,961	0.46
Energy	**12,713,625**	**0.37**	5,619,403	0.13
Others	**723,759,496**	**21.19**	869,944,950	19.62
Total	**3,414,878,286**	**100**	4,434,911,177	100.00

37.1.4 Analysis of financial assets that are past due:

	Total	Loans and receivables	Net investment in finance lease	Operating lease receivables
	....................Rupees....................			
Gross carrying amount				
Not past due	2,636,302,978	355,015,628	2,274,233,715	7,053,635
Past due by more than 180 days	160,775,597	71,616,622	89,158,975	-
Past due by more than 180 days but not more than 360 days	152,837,059	2,772,343	141,470,661	8,594,055
Past due by more than 360	378,742,138	14,500,000	360,539,985	3,702,153
	3,328,657,772	443,904,593	2,865,403,336	19,349,843
Impairment loss on				
Past due by more than 180 days	-	-	-	-
Past due by more than 180 days but not more than 360 days	4,166,833	-	-	4,166,833
Past due by more than 360 days	109,419,119	-	105,716,966	3,702,153
Total impairment loss	**113,585,952**	**-**	**105,716,966**	**7,868,986**
Net carrying amount	**3,215,071,820**	**443,904,593**	**2,759,686,370**	**11,480,857**

37.1.5 Financial assets that are past due and impaired are disclosed in notes . Impairment is determined after considering the forced sale value of the collateral held.

37.1.6 Carrying values of financial assets that would otherwise be past due or impaired whose terms have been renegotiated are:

	2009 Rupees	2008 Rupees
Net investment in finance leases	**27,011,531**	23,548,438

37.2 Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the company could be required to pay its liabilities earlier than expected or difficulties 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 following are the contractual maturities of financial liabilities, including interest payments and excluding impact of netting agreements:

2 0 0 9

	Within 6 month	**6 month to 1 year**	**One year to five years**	**Over five years**	**Total**
	-----Rupees-----				
Accrued and other liabilities	41,063,484	-	-	-	41,063,484
Accrued mark-up	71,367,894	-	-	-	71,367,894
Short-term finances	139,619,507	544,959,415	-	-	684,578,922
Certificates of investment	109,972,002	228,000	-	-	110,200,002
Long -term finances	360,965,509	174,034,491	1,157,747,497	-	1,692,747,497
Long-term deposits	143,073,655	329,943,315	654,859,827	-	1,127,876,797
	866,062,052	**1,049,165,221**	**1,812,607,324**	**-**	**3,727,834,597**

2 0 0 8

	Within 6 month	6 month to 1 year	One year to five years	Over five years	Total
	-----Rupees-----				
Accrued and other liabilities	62,589,154				62,589,154
Accrued mark-up	79,947,610				79,947,610
Short-term finances	805,450,000				805,450,000
Certificates of investment	548,300,000	13,800,000	2,586,468	-	564,686,468
Long -term finances		516,250,000	1,602,206,833		2,118,456,833
Long-term deposits	128,336,933	173,786,778	1,027,874,900	-	1,329,998,611
	1,624,623,697	**703,836,778**	**2,632,668,201**	**-**	**4,961,128,676**

37.3 Market risk

Market risk is the risk that the value of a financial instruments will fluctuate as a result of changes in interest rates or market prices due to a change in credit rating of the issuer of the instrument, change in market sentiments, speculative activities, activities, supply and demand of securities and liquidity in the market. The company is not exposed to currency risk as it is not involved in foreign currency transactions. However, it is exposed to interest rate risk and market price risk.

37.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is exposed to changes in market interest rates through most of its short and long finances, borrowings and net investment in lease.

Cash flow sensitivity analysis for variable rate instruments

As on June 30, 2009, the short and long term finances, borrowings and net investment in lease finance have been entered into at KIBOR plus base rate. In case of 1 percent increase/decrease in KIBOR on June 30, 2009 with all other variables held constant, the net assets of the company would have been higher/lower by Rs. 0.965 million and net loss for the year would have been lower/higher by the same amount.

38 FAIR VALUE OF FINANCIAL ASSETS

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

39 TRANSACTIONS WITH RELATED PARTIES

The related parties of the company include staff provident fund, staff gratuity fund, directors, key management personnel and companies in which directors are common or a director hold office. Transactions with directors and key management personnel are disclosed in their relevant notes. Transactions with other related parties and the balances outstanding at the year end are given below:

			2009	
Name of related party	Nature of relationship	Description of transaction	Total value of transaction	Closing balance
			………...Rupees……….	
Provident fund	Other related party	Contribution paid	2,224,052	525,690
Gratuity fund	Other related party	Contribution paid	1,645,000	254,000

			2008	
Name of related party	Nature of relationship	Description of transaction	Total value of transaction	Closing balance
			………...Rupees……….	
Provident fund	Other related party	Contribution paid	1,989,094	122,400
Gratuity fund	Other related party	Contribution paid	2,115,000	-

Security Leasing Corporation Limited

40 DIVIDEND

The Board of Directors of the company proposed the following appropriations during their meeting held on October 6, 2009.

	2009		2008	
	Rupees	**Per share**	Rupees	Per share
	................................Rupees................................			
On preference shares	-	-	10,237,500	0.91

41 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 6, 2009 by the Board of Directors of the company.

Mohammed Khalid Ali
Chief Executive Officer

M R Khan
Chairman

Security Leasing Corporation Limited

FORM OF PROXY

I/We ____ of ______________

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

_________________________________ of __________________ or failing him/her

_________________________________ of __________________ or failing him/her

_________________________________ of ______________________________

to be proxy and to vote for me at the Annual General Meeting of the Company to be held on October 30, 2009 and at any adjournment thereof in the same manner as I / We would vote if personally present at such meeting.

Signed this ______________ day of ____________ 20 _________

Signature: ______________

Rupees 5/-
Revenue Stamp

Address: ____

Total Shares Held: ______________________ Folio/CDC A/c No. ____________________

Holder of Share Nos. From: _________________________ To ____________________

Witness:	**Witness:**
Name: ______________________________	Name: ____________________________
CNIC: ______________________________	CNIC: ____________________________
Signature: __________________________	Signature: ________________________
Address: ____________________________	Address: __________________________
____________________________	__________________________

NOTE:

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

For CDC Account Holders/ Corporate Entities:

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

i) The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iii) The proxy shall produce his/her original CNIC or passport at the time of the Meeting.

iv) In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature shall be submitted (unless it has provided earlier) alongwith proxy form of the Company.