



**Security Leasing
Corporation Limited**

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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. Shafiq-ur-Rehman	
Mr. Ahmad Ali Khan	
Mr. Abdul Ghafoor	
Mr. Naeem Shafi	

AUDIT COMMITTEE

Mr. Naeem Shafi	Chairman
Mr. Ahmed Ali Khan	
Mr. Abdul Ghafoor	

EXECUTIVE COMMITTEE

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

COMPANY SECRETARY

Salman Hameed

EXTERNAL AUDITORS

MZJ Muniff Ziauddin Junaidy & Co.
Chartered Accountants

INTERNAL AUDITORS

Anjum Asim Shahid Rahman & Company,
Chartered Accountants

LEGAL ADVISORS

A K Brohi & Co., Advocates

TAX CONSULTANTS

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

Company Information

BANKERS & LENDING INSTITUTIONS

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

BRANCH

Lahore - North Region

8th Floor, City Towers,

Main Gulberg Road, Lahore

Phone: 042 - 35788660-62 Fax: 042 - 35788659

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 Seventeenth Annual General Meeting of the members of Security Leasing Corporation Limited will be held on Thursday, 28th October 2010 at 11:00 a.m. at the registered office of the Company situated at Block B, 5th Floor, Lakson Square Building No.3, Sarwar Shaheed Road, Karachi 74200, to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Extra-ordinary General Meeting of the Company held on March 10, 2010.
2. To receive, consider and adopt the audited accounts for the year ended 30th June 2010 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, 2010

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 29, 2010, both days inclusive.



REPORT OF THE DIRECTORS

The Board of Directors has pleasure in presenting the Seventeenth Annual Report of Security Leasing Corporation Limited (the Company) together with its audited financial statements for the year ended June 30, 2010.

Financial Results

	RUPEES
Loss after tax	(273,953,541)
Unappropriated profits brought forward	(229,367,037)
Total Loss	(503,320,578)
Loss per share - Basic & diluted	(7.55)

Review of the Operations

Economy overview

The outgoing financial year 2009 - 10 remained affected by the economic and financial crisis started in October 2008 and there was no respite for businesses in general and financial sector, apart from banks, in particular. The continued excessive borrowing by the government to fund its fiscal deficit, war on terror, law & order situation has continued to affect the overall business sentiment. Banks have continued to be wary of funding private sector during the last 12 months as almost all the funding was channeled to government in form of treasury bills and direct borrowing of government managed entities. Circular debt has swollen further despite government's all out effort to fill the gap by raising funds from commercial banks through TFCs. The government in order to fulfill its commitments with international lenders raised the charges for utilities in intervals as well as other measures which continued to increase the cost of doing business. Inflationary pressures forced the central bank to keep the benchmark discount rate in double digit, which is now at 13.50%, resultantly kept the financing rates very high and therefore, private sector is crowded out of the borrowers market.

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. The current floods which are unprecedented in the last 100 years history of this region has completely washed out the entire bread earning of more than 20 million population of all the provinces of the Country. The damage to infrastructure, loss of livestock, erosion of agricultural land by river sludge is unbelievable and the kind of monetary support required for restoration of these flood hit areas is not available. These conditions have put extra effort on government to cut its annual development program to divert funds towards these areas and it would further reduce the targeted growth for the current financial year which was earlier projected at around 4% would be cut to around 2% or even lower.

Company overview

The Company as briefed to you in previous reports continued making payments to its lenders without any delay though since the start of the financial & economic crisis in Pakistan in October 2008, the financing facilities of the Company were withdrawn by the banks. However, due to strong leasing and other financing portfolio, strong recovery and determined management of the Company, all payments were made on time for long term TFC, Sukuks and short-term borrowings. The Company



during the last 18 - 20 months paid more than Rs. 2.80 billion and these funds were generated only out of the Company's portfolio. At the end of September 30, 2008, the Company had total assets of Rs. 5.44 billion which were reduced to Rs. 2.75 billion on June 30, 2010 due to continuous recovery of portfolio in form of rentals and absence of fresh business as no fresh funding was available to the Company. The company suffered significantly, as it was determined not to default in payments to its lenders, therefore, took hit on equity both on account of fresh business as well as due to losses incurred in its investments in equity market when Karachi Stock Exchange remained closed for more than 3 months.

Restructuring & res-profiling plans

In view of almost stagnant situation for the economy and no sign of improvement in the financial fundamentals of the country where minimal foreign direct investment is coming and fiscal imbalances are worsening, your Company in order to ensure the protection of lenders' and shareholders decided to request the lenders for re-profiling and restructuring the repayment terms of all the long and short-term loans of the Company with effect from April 2010. This was done keeping in view that if the payments to lenders continued, the Company would not have any assets left and it would hit the wall soon.

The business plans presented to the lenders were prepared on the facts and premise explained above that the Company would generate funds from its own portfolio. These funds would be partly used for payments to lenders and rest for doing fresh business. The lenders agreed to extend the repayment time and also reduced the rate which would help in bringing profitability in the business. The formal approvals are in place and legal documentation for PPTFC is completed while supplemental agreements of Sukuks are under process of execution.

After the successful agreements for restructuring, the application was submitted to Securities & Exchange Commission of Pakistan (SECP) for review of leasing license, which was pending since July 2009 due to shortage of equity and losses. After reviewing the business plans, in July 2010, the SECP graciously accepted the application for extension in leasing license for another period of 12 months. The Company has started writing fresh leasing to its most quality customers and till September 30, 2010, total new business of more than Rs. 350 million has been done. This new business would bring the required stability in the company as well as income, which was drastically reduced in the past 20 months.

Operational review

The total revenue of the company has not remained very healthy due to substantial reduction in leasing portfolio during the year. 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.

In order to bring stability through rationalization in the operational expenses of the Company, the senior management of the Company decided to forego the future accrual of their benefits under the provident & gratuity funds. Further, the branch office at Hyderabad is closed to curtail extra cost of its maintenance. The Company has also streamlined some other expenses, which would reduce the overheads in the coming period.

Furthermore, 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. Details of the impairment are mentioned in Note 6 to the financial statements.

Further, as mentioned in note 15 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. As mentioned in note 1.2, 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 reasons mentioned therein.



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 as briefed earlier about the extension in the leasing license for another period of 12 months on account of the business plan presented to the SECP. In addition, in order to strengthen the equity base of the Company, it has signed a memorandum of understanding with one of its lenders to convert Rs. 25 million of its clean placements in the certificates of investments of the Company into convertible, redeemable preference shares. Application for approval of this issuance of shares is submitted to SECP.

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 any positive development emerges, the shareholders would be promptly informed.

Credit rating

The rating agreement with JCR VIS Rating Company has not been renewed as the Company has surrendered permission to raise public funds through Certificates of investments (COI) to SECP, which requires the minimum rating of investment grade. Your directors are of the view that as and when the economic conditions improve for taking deposits, the Company would start the rating process.

Economy and Future prospects

As mentioned in details earlier, the economy which had been showing robust growth during the past few years, experienced significant deterioration in the last two and half years, owing to recent floods which displaced more than 20 million people of the country, law & order situation, continuous capital flight, heavy borrowings by the government, 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 businesses in all sectors.

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, the previous board completed its tenure of 3 years in March 2010 and same directors were elected. Mr. M R Khan and Mr. S M Nadim Shafiqullah were re-appointed as the Chairman and Vice Chairman of the Board respectively. The Board also re-appointed Mr. M Khalid Ali as the new Chief Executive Officer of the Company.

During the year, six 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	6	Mr. S.S Hamid	6
Mr. S.M. Nadim Shafiqullah	4	Mr. Abdul Ghafoor	3
Mr. M.Khalid Ali	6	Mr. Ahmed Ali Khan	3
Mr. Naeem Shafi	3	Mr. Shafiq-ur-Rehman	6

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 during the year except as mentioned below.

Directors	Shares traded
Mr. M.R. Khan	2,000
Mr. M.Khalid Ali	251,369

Employees' Benefits' Fund

The value of investments of recognized employees' Provident Fund as at June 30, 2010 amounted to Rs. 3.50 million.

Pattern of Shareholding

Statement showing the pattern of shareholding as at June 30, 2010 is annexed to this report.

Auditors

The present auditors Messrs. Muniff Ziauddin Junaidy & Co., Chartered Accountants, would retire at the forthcoming Annual General Meeting and offer themselves for reappointment at terms to be agreed by the members.

Acknowledgement

The Board expresses its gratitude to the investors, lenders and the regulatory authorities for their continuous support to the Company in this time of extraordinary challenges 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, 2010

SIX YEARS FINANCIAL SUMMARY

	2010 Rs '000	2009 Rs '000	2008 Rs '000	2007 Rs '000	2006 Rs '000	2005 Rs '000
BALANCE SHEET						
Ordinary share capital outstanding	363,000	363,000	363,000	363,000	242,000	165,000
Preference share capital outstanding	75,028	75,027	112,500	150,000	150,000	150,000
Shareholders' Fund	438,028	438,027	475,500	513,000	392,000	315,000
Reserves	(384,454)	(111,728)	244,840	42,593	87,440	85,769
Unrealised loss on Investment	(19,125)	110,513	127,971	38,266	88,901	54,099
Networth	80,768	238,995	592,369	517,326	390,539	346,670
Surplus on revaluation of Fixed Assets	21,319	22,547	23,776	4,859	15,205	16,006
Certificates of Investment	-	110,200	562,100	443,448	910,100	598,100
Borrowings from Financial & Other Institutions	1,749,185	2,378,326	2,923,907	3,139,950	2,517,885	2,090,253
Lease/Musharika disbursements	293,586	483,836	1,916,701	2,052,014	2,066,751	1,447,098
Net Investment in Leases	1,868,785	2,759,686	4,003,830	4,026,373	3,327,281	2,260,342
Term Finances	22,070	165,258	57,806	44,568	57,475	20,631
Fixed Assets	161,314	204,684	246,681	209,844	221,794	173,176
Total Current Assets	1,635,193	1,955,314	2,468,444	2,399,106	2,276,562	1,734,381
Total Assets	2,749,705	3,966,829	5,577,274	5,352,516	4,770,553	3,647,523
Total Current Liabilities	1,236,035	1,915,227	2,328,460	2,369,164	2,256,198	1,707,807
Total Liabilities	2,668,937	3,727,834	4,961,129	4,832,031	4,364,808	3,284,847
Total Assets to Networth (times)	34.04	16.60	9.42	10.35	12.22	10.52
PROFIT & LOSS						
Total Income	130,115	198,172	556,615	586,830	510,016	315,103
Financial & Other Charges	286,545	521,606	465,802	455,481	327,728	165,367
Admin & Operating Expenses	93,118	99,936	89,305	78,817	65,895	60,319
Provisions & Other Charges	37,737	44,742	11,548	3,676	1,488	8,753
Total Expenses	417,401	666,286	566,655	537,974	395,112	234,439
(Loss)/Profit Before Tax	(287,286)	(468,113)	(10,039)	48,856	114,904	80,665
(Loss)/Profit After Tax	(273,954)	(357,796)	211,810	40,258	108,021	74,281
Break-up Value (PKR)	2.33	5.97	12.96	10.18	10.35	11.51
Price per share	2.84	1.98	6.89	10.95	15.40	17.50
KEY RATIOS						
Earning per share - PKR - less preferred dividend	(7.55)	(9.86)	5.55	0.97	3.76	2.51
Revenue per share - PKR -	2.97	4.52	11.71	11.44	13.01	10.00
Profit before provisions and tax ratio	(191.79) %	(213.64) %	0.27 %	8.95 %	22.82 %	28.38 %
Profit before Tax ratio	(220.79) %	(236.22) %	(1.80) %	8.33 %	22.53 %	25.60 %
Price Earning ratio (times)	(0.38)	(0.20)	1.24	11.31	4.10	6.97
Return on Capital employed market value per share	(220.22) %	(412.54) %	64.65 %	7.17 %	17.89 %	13.47 %
Income/ Expense ratio (times)	0.31	0.30	0.98	1.09	1.29	1.34
Current ratio (times)	1.32	1.02	1.06	1.01	1.01	1.02
Debt equity ratio (times)	19.13	10.03	6.13	7.17	9.11	7.98
Return on average equity	(171.35) %	(86.07) %	38.17 %	8.87 %	29.31 %	22.87 %
Return on average assets	(8.16) %	(7.50) %	3.88 %	0.80 %	2.57 %	2.50 %
Total assets turnover ratio (times)	21.13	20.02	10.02	9.12	9.35	11.58
Dividend per ordinary share	-	-	-	-	4.33	5.50
Dividend yield ratio	-	-	-	-	28.12 %	31.43 %
PAYOUT						
Cash dividend	-	-	-	-	10.0 %	10.0 %
Stock dividend	-	-	-	-	43.3 %	45.0 %
Total payout	-	-	-	-	53.3 %	55.0 %



STATEMENT OF VALUE ADDED

	2010	2009
Revenues from leasing operations	171,322,022	367,598,702
Other income	8,466,518	(60,801,671)
Deferred Tax	<u>18,126,204</u>	<u>105,640,936</u>
	197,914,744	412,437,967
 Direct cost of leases and others	 78,872,466	 90,089,138
 Value added	 <u><u>119,042,278</u></u>	 <u><u>322,348,829</u></u>
 Distributed as follows		
 To Employees		
As remuneration	47,318,454	49,012,906
 To Government		
As income tax	4,794,009	(4,676,535)
 To Provider of Finance		
Financial charges	258,439,524	444,272,738
 To Depositors		
As profit on investments	2,743,260	36,732,577
 To Shareholders		
Dividends	-	-
 Retained in business		
As reserves and retained profits	-	-

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 seven 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. Khalid Ali

Chief Executive Officer
October 6, 2010

**PATTERN OF SHAREHOLDING OF ORDINARY SHARE CAPITAL
AS ON JUNE 30, 2010**

Share holding		Number of Shareholders	Total Shares held	Percentage of Issued capital
From	To			
1	100	33	1,021	0.00
101	500	60	18,666	0.05
501	1,000	33	25,979	0.07
1,001	5,000	93	196,928	0.54
5,001	10,000	24	191,056	0.53
10,001	15,000	10	122,606	0.34
15,001	20,000	5	83,212	0.23
20,001	25,000	7	155,786	0.43
25,001	30,000	1	25,150	0.07
30,001	35,000	1	35,000	0.10
35,001	40,000	2	76,300	0.21
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
100,001	105,000	1	100,098	0.28
105,001	110,000	2	214,168	0.59
130,001	135,000	1	131,500	0.36
195,001	200,000	1	200,000	0.55
215,001	220,000	1	219,999	0.61
250,001	255,000	1	251,369	0.69
255,001	260,000	1	255,750	0.70
270,001	275,000	1	270,356	0.74
350,001	355,000	1	350,255	0.96
445,001	450,000	1	447,026	1.23
455,001	460,000	1	455,565	1.26
855,001	860,000	1	858,935	2.37
1,260,001	1,265,000	1	1,263,240	3.48
2,200,001	2,205,000	1	2,201,500	6.06
3,170,001	3,175,000	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
		291	36,300,000	100.00

Categories of Shareholders

Categories of Shareholders	Number	Shares Held	Percentage
Directors, CEO their spouse and minor children (Note 1)	9	16,385,533	45.14
Individuals	253	4,099,670	11.29
National Investment Trust/ICP	2	458,538	1.26
Investment companies	3	536	0.00
Banks, DFIs, NBFIs, Insurance Companies			
Modarabas & Mutual Funds	4	1,586,644	4.37
Charitable Trusts	2	256,299	0.71
Joint Stock Companies	16	3,217,780	8.86
Foreign Investors	2	10,295,000	28.36
	291	36,300,000	100.00

Note 1 : Directors, CEO their Spouse and Minor Children

M. R. Khan - Chairman	350,255	0.97
S.M. Nadim Shafiqullah - Vice Chairman	14,495,679	39.93
Mrs. Rehana Nadim Shafiqullah	1,263,240	3.48
M. Khalid Ali - Chief Executive Officer	273,149	0.75
Abdul Ghafoor	500	0.00
S.S Hamid	1,210	0.00
Shafiqur Rahman	500	0.00
Naeem Shafi	500	0.00
Ahmed Ali Khan	500	0.00
	16,385,533	45.14

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, 2010**

<u>Share holding</u>		<u>Number of Shareholders</u>	<u>Total Shares held</u>	<u>Percentage of Issued capital</u>
<u>From</u>	<u>To</u>			
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
		<u>15</u>	<u>7,502,775</u>	<u>100.00</u>

<u>Categories of Shareholders</u>	<u>Number</u>	<u>Shares Held</u>	<u>Percentage</u>
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
	<u>15</u>	<u>7,502,775</u>	<u>100.00</u>

Note 1 : None of the Directors, Chief Executive Officer, their spouse & minor children hold any preference shares.

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

We have reviewed the Statement of Compliance with the Best Practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Security Leasing Corporation Limited (the Company) to Comply with the Listing Regulation No. 37 of Karachi Stock Exchange (Guarantee) Limited 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal audit control covers all control and effectiveness of such internal control.

Further, Listing Regulations of the Karachi Stock Exchange require the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code as applicable to the company for the year ended June 30, 2010.

Muniff Ziauddin Junaidy & Co.

Karachi:
Date: October 06, 2010

Muniff Ziauddin Junaidy & Co.
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, 2010 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (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 Company's affairs as at June 30, 2010 and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

MZJ Muniff Ziauddin Junaidy & Co.

Chartered Accountants

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

- (i) as disclosed in note 1.2 to the financial statement that describes the adverse financial condition of the Company including renewal of license to operate as a leasing business. On application by the Company the Securities and Exchange Commission of Pakistan has accorded special permission to the Company to continue working as leasing company till July, 2011. These conditions, along with other matters as fully explained in Note 1.2, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Management has also disclosed the mitigating factors in the above said note; therefore, these financial statements have been prepared using going concern assumption.
- (ii) as disclosed in note 15 to the financial statement, the Company has net deferred asset of Rs. 343.96 million (2009: 325.838 million) as at the balance sheet date. Management has projected future taxable profits as a result of mitigating factors disclosed in note 1.2 against which this asset would be utilized. However these assumptions are dependent upon occurrence of future events which are not under control of the company.

The financial statement of the company for the year ended June 30, 2009 were audited by another firm of Chartered Accountants who expressed modified opinion dated October 6, 2009 containing an emphasis of matter paragraph on pending application for renewal of license to carry on leasing business and realisability of deferred tax asset.

Muniff Ziauddin Junaidy & Co.

Karachi:

Date: October 06, 2010

Chartered Accountants

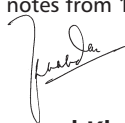
Imran Iqbal

BALANCE SHEET

AS AT JUNE 30, 2010

ASSETS	Note	2010 Rupees	2009 Rupees restated
Current assets			
Balances with banks	5	2,551,680	3,750,104
Short term investments	6	13,948,126	118,848,013
Short-term finances	7	12,500,000	47,354,007
Advances, prepayments and other receivables	8	26,150,072	38,129,092
Accrued return on investments		9,031,691	13,498,222
Advance taxation-net		7,758,723	7,618,632
Current maturity of non-current assets	9	1,563,252,259	1,673,205,670
Total current assets		1,635,192,551	1,902,403,740
Non-current assets			
Net investment in leases	10	494,911,937	1,222,342,992
Long-term deposits	11	4,059,500	4,189,400
Long-term finances	12	22,069,692	219,258,950
Long-term investments	13	88,192,936	87,450,200
Property and equipment	14	161,313,712	204,684,092
Deferred tax asset	15	343,964,890	325,838,685
Total non-current assets		1,114,512,667	2,063,764,319
Total assets		2,749,705,218	3,966,168,059
LIABILITIES			
Current liabilities			
Accrued and other liabilities	16	61,750,091	41,063,484
Accrued mark-up	17	13,958,964	71,367,894
Short-term finances	18	194,839,520	684,578,922
Current maturity of non-current liabilities	19	965,486,319	1,008,016,970
Certificates of investment	20	-	110,200,002
Total current liabilities		1,236,034,895	1,915,227,272
Non-current liabilities			
Long -term finances	21	1,147,357,582	1,157,747,497
Long-term deposits	22	285,544,496	654,859,827
Total non-current liabilities		1,432,902,078	1,812,607,324
Total liabilities		2,668,936,972	3,727,834,596
NET ASSETS		80,768,246	238,333,463
REPRESENTED BY SHAREHOLDERS' EQUITY			
Share capital and reserve			
Issued, subscribed and paid-up share capital	23	438,027,750	438,027,750
Reserves	24	(384,453,573)	(111,728,298)
		53,574,177	326,299,452
Deposit against issuance of shares	25	25,000,000	-
Unrealised loss on remeasurement of available for sale investments		(19,125,006)	(110,513,331)
		59,449,171	215,786,121
Surplus on revaluation of fixed assets	26	21,319,076	22,547,342
Total shareholders' equity		80,768,246	238,333,463
CONTINGENCIES AND COMMITMENTS			
	27		

The annexed notes from 1 to 41 form an integral part of these financial statements.



Mohammed Khalid Ali
Chief Executive Officer



M R Khan
Chairman

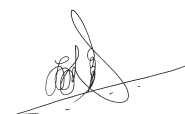
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
REVENUE			
Income from:			
Finance leases	28	149,923,767	321,160,541
Operating leases		21,398,255	46,438,161
Other operating (loss) / income	29	8,466,518	(60,801,671)
		<u>179,788,540</u>	<u>306,797,031</u>
Impairment on investments		(49,673,715)	(108,624,946)
		<u>130,114,825</u>	<u>198,172,085</u>
EXPENSES			
Administrative and selling	30	93,118,334	98,144,725
Finance costs	31	261,182,784	481,005,315
Direct cost of operating and Finance leases	32	25,362,650	42,393,508
Provision for potential lease and other losses	33	37,736,793	44,559,737
Amortization of deferred costs		-	182,778
		<u>417,400,561</u>	<u>666,286,063</u>
Loss before income tax		(287,285,736)	(468,113,978)
Income tax expense			
- current	34	(4,794,009)	(835,668)
- prior years		-	5,512,203
- deferred	15	18,126,204	105,640,936
		<u>13,332,195</u>	<u>110,317,471</u>
(Loss)/Profit for the year		(273,953,541)	(357,796,507)
(Loss)/Earnings per share- basic and diluted	35	(7.55)	(9.85)

The annexed notes from 1 to 41 form an integral part of these financial statements.



Mohammed Khalid Ali
Chief Executive Officer



M R Khan
Chairman

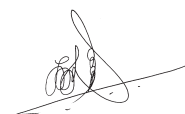
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
Profit/(Loss) for the period		(273,953,541)	(357,796,507)
Other comprehensive income			
Surplus/(Deficit) on remeasurement of available for sale investments		91,388,325	17,457,181
Surplus on revaluation of property		1,228,266	1,228,266
Other comprehensive income for the period		92,616,591	18,685,447
Total Comprehensive Income/(Loss) for the period		(181,336,950)	(339,111,060)

The annexed notes from 1 to 41 form an integral part of these financial statements.



Mohammed Khalid Ali
Chief Executive Officer



M R Khan
Chairman



CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(287,285,736)	(468,113,978)
Adjustments for non cash and other items:			
Depreciation	14.1	30,026,857	46,178,704
Loss/(Gain) on disposal of listed securities	29.1	43,070,811	151,206,015
(Gain) on disposal of property and equipment	29.2	(5,239,515)	(84,092)
Amortization of deferred costs		-	182,778
Finance costs	31	261,182,784	481,005,315
Provision for gratuity	30	1,163,000	1,645,000
Impairment on investment		49,673,715	108,624,946
Provision for potential lease and other losses	33	37,736,793	44,559,737
Operating profit before working capital changes		417,614,445	833,318,403
Working capital changes			
Decrease/(Increase) in net investment in leases		863,964,174	1,199,584,460
(Increase)/Decrease in advances, prepayments and other receivables		14,506,813	(490,499)
(Increase)/Decrease in accrued return on investments		4,466,531	(522,879)
(Decrease)/Increase in deposits from lessees		(283,833,486)	(202,121,814)
(Decrease) in short term finances		(223,798,463)	(799,686,466)
(Decrease)/Increase in accrued and other liabilities		20,432,592	(11,289,852)
Cash from operations after working capital changes		395,738,161	185,472,950
Financial charges paid		(318,591,714)	(489,585,030)
Gratuity paid		(909,000)	(1,645,000)
Taxes paid		(4,934,100)	(2,128,800)
Net cash from operating activities		201,632,056	57,318,545
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(20,262,978)	(17,836,246)
Investments		102,800,957	138,909,310
Long term finance		132,872,757	(214,506,666)
Short term finances		34,854,007	243,112,027
Proceeds from disposal of property and equipment		38,846,020	13,738,278
Long term deposits		129,900	(1,050,000)
Net cash from/(used in) investing activities		289,240,663	162,366,703
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of preference shares		-	(37,472,250)
Preference dividend paid		-	(10,235,816)
Repayment of long term finances		(380,171,879)	(431,250,000)
Net cash used in financing activities		(380,171,879)	(478,958,066)
Net (decrease) in cash and cash equivalents		110,700,840	(259,272,819)
Cash and cash equivalents at beginning of the year		(220,578,817)	38,694,002
Cash and cash equivalents at end of the year	36	(109,877,977)	(220,578,817)

The annexed notes from 1 to 41 form an integral part of these financial statements.



Mohammed Khalid Ali
Chief Executive Officer



M R Khan
Chairman

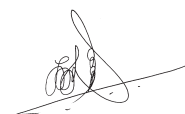
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2010

	Share Capital	Reserves		Unrealised (loss)/gain on remeasurement of available for sale	Total
		Capital Statutory reserve	Revenue Unappropriated profit		
	Rupees				
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	<u>438,027,750</u>	<u>118,867,005</u>	<u>(230,595,303)</u>	<u>(110,513,331)</u>	<u>215,786,120</u>
Balance as at June 30, 2009	438,027,750	118,867,005	(230,595,303)	(110,513,331)	215,786,120
Change in equity for the year ended June 30, 2010					
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	-	-	-	91,388,325	91,388,325
Net income recognised directly in equity	-	-	1,228,266	91,388,325	92,616,591
Loss for the year	-	-	(273,953,541)	-	(273,953,541)
Total recognised income and (expense) for the year	-	-	(272,725,275)	91,388,325	(181,336,950)
Balance as at June 30, 2010	<u>438,027,750</u>	<u>118,867,005</u>	<u>(503,320,578)</u>	<u>(19,125,006)</u>	<u>34,449,170</u>



Mohammed Khalid Ali
Chief Executive Officer



M R Khan
Chairman



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

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 Block B, 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 was licenced to operate as leasing company by Securities and Exchange Commission of Pakistan (SECP) which expired on July 7, 2009. Since the start of the financial & economic crisis in Pakistan in October 2008, the financing facilities of the Company were abruptly withdrawn by the banks which resulted in difficulty in meeting the payments of obligations. However, due to quality leasing and other financing portfolio, strong recovery and determined management of the Company, all payments were made on time for long term TFC, Sukuks and short term borrowings. The Company during the last 18 - 20 months paid more than Rs. 2.80 billion and these funds were generated only out of the Company's portfolio. At the end of September 30, 2008, the Company had total assets of Rs. 5.444 billion which were reduced to Rs. 2.881 billion due to continuous recovery of portfolio in form of rentals and absence of fresh business as no funding was available to the Company. The company suffered significantly as it was determined for not defaulting in payments to its lenders, therefore, took hit on equity both on account of fresh business as well as due to losses incurred in its investments in equity market when Karachi Stock Exchange was remained closed for more than 3 months.

Taking stock of all this situation when no improvement signals were coming from the financial & economic sector of the country, in March 2010, the Company had decided to present a proposal for restructuring of its outstanding financial liabilities to lenders. The proposal was prepared considering the ground realities and market conditions. The business plan is based on the ability of the Company to generate funds from its own portfolio where part of it would be invested in writing fresh business while part of it would be available to make payments to its lenders on monthly basis. A reduction in markup was also requested to generate profitability for the company which would strengthen its equity that is reduced to Rs. 80.70 million from Rs. 501.50 million due to reasons explained above. The Company is currently at a shortfall of meeting the minimum equity requirement of Rs. 350 million as of June 30, 2011. The Company in addition to the business plan for revival of leasing business is also looking for an opportunity of merger with any other good leasing company. Furthermore, efforts are in place to recover non performing portfolio through settlements both in and out of courts which would add to the profitability of the Company. Discussions are also going on for fresh funding lines from commercial banks.

Further to above efforts, the Company has also started reviewing and restructuring its other expenses and in the coming period, the impact would be visible. The restructuring has been completed and legal documentation is at the finalization stage. Hopefully, in the next quarter, all the supplemental agreements would be completed. Due to restructuring of loans, the financial charges are immediately reduced by almost 50% on a quarterly basis and the Company has started writing fresh leases to its customers. The board and management is hopeful that all these efforts would bring stability to the Company and results would start to improve in the coming months.



In consideration of the above explained efforts, business plan and successful completion of the restructuring of loan portfolio of the Company, the Securities & Exchange Commission of Pakistan graciously accepted the application of the Company for extension in the validity of licence for another period of 12 months till July 2011 when it would be reviewed again.

Accordingly, these financial statements are prepared on going concern basis as the Company would be able to overcome these problems.

- 1.3 As explained above, in March 2010, the company sent a request to its trustees for PPTFC 3 ,SUKUK 1 & SUKUK 2 for deferment of principal and reduction in markup rate. After detailed discussion with the investors, the following restructuring terms were approved by the investors of all three long term issues of the company.
- Monthly repayment of principal outstanding as of March 2010 over a period of 48 months with effect from April 2010.
 - Mark up rate for the first 18 months would be 6% and subsequently for remaining 30 months, it would be 1 month Kibor .
 - Mark up due till the respective date of installment in March 2010 would be paid according to the existing markup rate.
 - The supplement agreement for PPTFC-3 is executed and signed off by the company and trustees. However, supplemental agreements for SUKUK-I and II are under review of the Shariah Advisor and would be executed soon.

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

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:

Revised IFRS 3 Business Combinations	(effective 1 July 2009)
Amended IAS 27 Consolidated and Separate Financial Statements	(effective 1 July 2009)
Amendments to IFRS 5 – Non-Current Assets Held for Sale and Discontinued operations	(effective 1 July 2009)
Amendments to IAS 39 Financial Instruments; Recognition and Measurement - Eligible Hedged Items	(effective 1 July 2009)
IFRIC-17 Distributions of Non-cash Assets to Owners	(effective 1 July 2009)
Amendments to IFRS 2 Share Based Payments and IFRS 3 Business Combinations	(effective 1 July 2009)
Amendments to IAS 38 intangible Assets	(effective 1 July 2009)
Amendments to IFRIC 9 Reassessment of Embedded Derivates	(effective 1 July 2009)
Amendments to IFRIC 16 Hedges of a Net Investment in a Foreign Operation.	(effective 1 July 2009)
Amendments to IFRS 5 Non-Current Assets Held for sale and Discontinued operations.	(effective 1 January 2010)
Amendments to IFRS 8 Operating segments.	(effective 1 January 2010)
Amendments to IAS1 Presentation of Financial Statements.	(effective 1 January 2010)
Amendments to IAS 7 Statement of Cash Flows	(effective 1 January 2010)
Amendments to IAS 17 Leases	(effective 1 January 2010)



Amendments to IAS 36 Impairment of Assets	(effective 1 January 2010)
Amendments to IAS 39 Financial Instruments	(effective 1 January 2010)
Amendments to IFRS 1 First time Adoption of International Financial reporting Standards- Additional Exemptions for First time Adopters	(effective 1 January 2010)
Amendments to IFRS 2 Share based Payment-Group cash-settled Share-based payment transactions	(effective 1 January 2010)
Amendments to IAS 32 Financial Instruments; Presentation - Classification of Rights Issues	(effective 1 January 2010)

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.

In view to save portion of cost to the company, in February 2010, Upon the recommendation of the management the company had discontinued contribution towards provident fund for employees of manager and above cadre.



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. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceeded ten percent of the higher of defined benefit obligation and fair value of the plan assets at that date. The excess amount of gains or losses are recognized over the expected remaining working lives of the employees participating in the plans. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

In order to bring efficiency in the cost, the company upon recommendation of the management had discontinued the gratuity scheme.

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	2010 Rupees	2009 Rupees
5 BALANCES WITH BANKS			
Balance with State Bank of Pakistan in current account		33,813	86
Balances with other banks in current accounts		2,517,867	3,750,018
		<u>2,551,680</u>	<u>3,750,104</u>
6 SHORT TERM INVESTMENTS - Available for sale Other than related party			
Listed securities			
Term finance certificates		680,000	680,000
Close end mutual funds		4,043,126	30,023,863
Equity investments		-	58,294,150
		4,723,126	88,998,013
Unlisted securities			
Term finance certificates		625,000	1,250,000
Ordinary shares		20,000,000	20,000,000
Impairment on Ordinary shares		(20,000,000)	-
		625,000	21,250,000
Membership cards	6.1	8,600,000	8,600,000
		<u>13,948,126</u>	<u>118,848,013</u>
6.1 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.			
7 SHORT TERM FINANCES - considered good Other than related party			
Musharika finances- secured	7.1	12,500,000	47,354,007
		<u>12,500,000</u>	<u>47,354,007</u>
7.1 This represents financing under musharika facility to various customers at rate of return ranging from 16.46% to 19.17% (2009: 15.20% to 19.95%) per annum. These facilities are secured against the mortgage of property and pledge of ordinary shares.			

	Note	2010 Rupees	2009 Rupees
8 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advances considered good:			
-to employees		-	121,318
-against leases		-	4,223,097
-to suppliers		-	510,440
-to financial institution	8.1	17,250,000	17,250,000
Prepayments		2,140,306	2,265,085
Operating lease rentals receivables		8,439,922	19,349,843
Less: provision for operating lease rental receivables		(3,702,153)	(7,868,986)
Other receivables	8.2	2,021,997	2,278,295
		<u>26,150,072</u>	<u>38,129,092</u>
8.1	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.		
8.2	Other receivables include an amount of Rs. 216,550 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.		
9 CURRENT MATURITY OF NON - CURRENT ASSETS			
Current portion of:			
Net investments in leases	10	1,373,873,466	1,537,343,378
House loan to staff	12	124,653	85,928
Musharika finance	12	140,576,484	128,992,089
Murabaha finance	12	5,477,656	6,784,275
Placements	12	43,200,000	-
		<u>1,563,252,259</u>	<u>1,673,205,670</u>
10 NET INVESTMENT IN LEASES			
Lease rentals receivable		1,361,367,660	2,090,822,437
Add: Residual value of leased assets		844,281,255	1,128,847,335
Gross investment in finance leases	10.1	2,205,648,915	3,219,669,772
Less: Unearned lease income		123,133,383	281,135,870
Income suspended	10.3	81,076,370	73,130,566
Provision for potential lease losses	10.4	132,653,759	105,716,966
		<u>336,863,512</u>	<u>459,983,402</u>
Net investment in leases	10.2	1,868,785,403	2,759,686,370
Less: current portion of net investment in leases	9	1,373,873,466	1,537,343,378
		<u>494,911,937</u>	<u>1,222,342,992</u>

	Note	2010 Rupees	2009 Rupees
10.1 Gross investment in finance leases			
Less than one year		1,551,310,136	1,792,265,051
More than one year and less than five years		654,338,779	1,427,404,721
		<u>2,205,648,915</u>	<u>3,219,669,772</u>
10.2 Present value of investment in finance leases			
Less than one year		1,373,873,466	1,537,343,378
More than one year and less than five years		494,911,937	1,222,342,992
		<u>1,868,785,403</u>	<u>2,759,686,370</u>
10.3 Income suspended			
Balance at beginning of the year		73,130,566	35,719,618
Income suspended during the year		15,644,670	38,657,272
Income reversed during the year		(7,698,866)	(1,246,324)
Balance at end of the year		<u>81,076,370</u>	<u>73,130,566</u>
10.4 Provision for potential lease and other losses			
Balance at beginning of the year		105,716,966	61,157,229
Provision for the year		34,612,121	44,819,295
Reversed for the year		(7,675,328)	(259,558)
Balance at end of the year		<u>132,653,759</u>	<u>105,716,966</u>
11 LONG TERM DEPOSITS			
National Clearing Company- Security Deposit		2,500,000	2,500,000
Others		1,559,500	1,689,400
		<u>4,059,500</u>	<u>4,189,400</u>
12 LONG TERM FINANCE - secured, considered good			
House loan to staff - related party	12.1		
- Executives		-	1,822,237
- Employees		1,776,847	2,743,084
Less: current portion	9	124,653	85,928
		1,652,194	4,479,393
Musharika finances - other than related party	12.4	160,993,982	287,750,879
Less: current portion	9	140,576,484	128,992,089
		20,417,498	158,758,790
Murabaha finance - other than related party	12.5	5,477,656	8,805,042
Less: current portion	9	5,477,656	6,784,275
		-	2,020,767
Placements		54,000,000	54,000,000
Less: Provision		(10,800,000)	-
Less: current portion		43,200,000	-
		-	54,000,000
		<u>22,069,692</u>	<u>219,258,950</u>



12.1 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.

12.2 Reconciliation of carrying amount of loans to and executives:

	Executives	
	2010 Rupees	2009 Rupees
Opening Balance	1,822,237	3,303,142
Disbursements	-	-
	<u>1,822,237</u>	<u>3,303,142</u>
Repayments	1,822,237	1,480,905
Closing Balance	<u>-</u>	<u>1,822,237</u>

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

Chief executive	-	6,575,760
Other executives	<u>1,822,237</u>	<u>1,678,751</u>

12.4 This represents financing under musharika facility to various customers. The rate of return on these facilities ranges from 16.46% to 19.17% (2009: 15.2% to 22.23%) per annum. The repayment of these facilities is due between September 10, 2010 and April 09, 2013. These are secured by way of equitable mortgage on properties and pledge of shares.

12.5 This represents finance provided under morabaha facility and was secured against mortgage of property. The rates of return on these facilities ranges from 18.41% to 19.29 (2009: 18.76% to 22.18% per annum and these are repayable between August 01, 2010 to December 26, 2010.

	Note	2010 Rupees	2009 Rupees
13 LONG-TERM INVESTMENTS			
Available for sale - other than related party			
Pakistan investment bonds	13.1	<u>88,192,936</u>	<u>87,450,200</u>

13.1 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	2010 Rupees	2009 Rupees
14 PROPERTY AND EQUIPMENT			
Property and equipment - own use	14.1	111,812,978	120,593,006
Property and equipment - operating lease	14.1	49,500,734	84,091,086
		<u>161,313,712</u>	<u>204,684,092</u>

14.1 OPERATING ASSETS

Description	Cost / Revalued amounts			Depreciation				
	As at July 1, 2009	Additions (deletions) during the year	As at June 30, 2010	As at July 1, 2009	Charge for the year/ (Transfers/ disposal)	As at June 30, 2010	Written down value as at June 30, 2010	Depreciation rate in %
				Rupees				
OWNED								
Office premises	110,256,377	-	110,256,377	18,137,402	5,512,818	23,650,220	86,606,157	5
Leasehold improvements	13,618,828	-	12,717,945	4,221,053	2,020,310	5,892,272	6,825,673	15
		(900,883)			(349,091)			
Furniture and fixtures	7,099,387	384,500	7,257,182	3,464,646	1,297,546	4,615,796	2,641,386	20
		(226,705)			(146,396)			
Office equipment	2,547,842	101,050	2,581,882	2,120,748	366,283	2,452,971	128,911	36
		(67,010)			(34,060)			
Computer equipment	4,664,662	241,673	4,708,960	4,274,812	363,629	4,441,486	267,474	36
		(197,375)			(196,955)			
Generator and air conditioners	3,762,644	-	3,688,070	1,686,163	726,118	2,357,197	1,330,873	20
		(74,574)			(55,084)			
Vehicles	27,853,685	10,265,755	27,941,010	15,305,597	7,196,607	13,928,507	14,012,503	30
		(10,178,430)			(8,573,697)			
	169,803,425	10,992,978	169,151,426	49,210,421	17,483,317	57,338,449	111,812,977	
		(11,644,977)			(9,355,283)	-	-	
OPERATING LEASED ASSETS								
Generators	67,710,497	9,270,000	64,975,933	26,301,391	6,606,907	25,176,639	39,799,294	10
		(12,004,564)			(7,731,659)			
Machinery	1,900,000	-	-	1,124,150	79,165	(1)	1	10
		(1,900,000)			(1,203,316)			
Commercial vehicles	17,069,350	-	13,100,000	8,611,523	1,695,581	7,724,179	5,375,821	10
		(3,969,350)			(2,582,925)			
Motor vehicles	8,541,151	-	6,181,160	5,013,309	1,026,728	3,996,422	2,184,738	15
		(2,359,991)			(2,043,615)			
Furniture & fixtures	18,680,000	-	18,680,000	15,773,337	1,323,341	17,096,678	1,583,322	20
		-			-			
Equipment	52,188,917	-	17,637,229	25,175,120	1,811,817	17,079,670	557,559	20
		(34,551,688)			(9,907,267)			
	166,089,915	9,270,000	120,574,322	81,998,830	12,543,540	71,073,587	49,500,735	
		(54,785,593)			(23,468,782)	-	-	
June 30, 2010	335,893,340	20,262,978	289,725,748	131,209,251	30,026,857	128,412,036	161,313,712	
		(66,430,570)			(32,824,065)	-	-	
June 30, 2009	367,105,106	17,836,246	335,893,340	120,424,373	46,178,704	131,209,251	204,684,089	
		(49,048,012)		-	(35,393,826)	-	-	

14.1.1 The following assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(loss) on disposal	Mode of disposal	Particular of Buyers
-----Rupees-----							
ASSETS - OWN USE							
Vehicles							
	505,800	227,610	278,190	278,190	-	Terms of employment	Javed Akber
	434,000	390,600	43,400	43,400	-	Terms of employment	Shehzad Zaidi
	1,011,475	909,270	102,205	102,205	-	Terms of employment	Asim Ilyas
	434,000	390,600	43,400	43,400	-	Terms of employment	Midhat Khaleeq
	2,891,325	2,602,188	289,137	289,137	-	Terms of employment	M.Khalid Ali
	365,000	328,500	36,500	36,500	-	Terms of employment	M.Saqib Waseem
	365,000	328,500	36,500	36,500	-	Terms of employment	Tahir Khan
	365,000	328,500	36,500	36,500	-	Terms of employment	Haroon Ghaziani
	1,376,000	1,238,400	137,600	137,600	-	Terms of employment	Salman Hameed
	969,000	872,100	96,900	96,900	-	Terms of employment	Jawad Rafi
	365,000	328,500	36,500	36,500	-	Terms of employment	Younus Aziz
	693,830	427,429	266,401	266,401	-	Terms of employment	S.Adeel Hussain
	403,000	201,500	201,500	201,500	-	Terms of employment	Moeed Sikander
	10,178,430	8,573,697	1,604,733	1,604,733	-		
Furniture & fixture							
	8,500	6,958	1,542	216	(1,326)	Negotiation	Ali Asad
	20,900	16,704	4,196	589	(3,607)	Negotiation	Ali Asad
	37,305	36,067	1,238	957	(281)	Negotiation	Ali Asad
	80,000	80,000	-	-	-	Terms of employment	Adeel Hussain
	80,000	6,667	73,333	73,333	-	Terms of employment	Adeel Hussain
	226,705	146,396	80,309	75,095	(5,214)		
Leasehold Improvements							
	900,883	349,091	551,792	76,501	(475,291)	Negotiation	Ali Asad
Mobile Phone & Office Equipment							
	8,500	1,020	7,480	7,480	-	Terms of employment	Javaid Akber
	8,500	1,020	7,480	8,010	530	Insurance Claim	
	12,500	4,875	7,625	10,350	2,725	Insurance Claim	
	9,800	9,799	1	1	-	Terms of employment	Adeel Hussain
	5,610	2,352	3,258	3,258	-	Terms of employment	Younus Aziz
	7,600	7,599	1	1	-	Negotiation	Ali Asad
	14,500	7,395	7,105	5,500	(1,605)	Insurance Claim	
	67,010	34,060	32,950	34,600	1,650		
Computer Equipment							
	17,000	16,999	1	572	571	Negotiation	Amjad
	3,200	2,784	416	108	(308)	Negotiation	Amjad
	39,200	39,199	1	1,320	1,319	Negotiation	Amjad
	64,975	64,974	1	5,000	4,999	Terms of employment	Adeel Hussain
	73,000	72,999	1	1	-	Negotiation	Salman Hameed
	197,375	196,955	420	7,001	6,581		
Generator and airconditioners							
	36,750	35,554	1,196	168	(1,028)	Negotiation	Ali Asad
	37,824	19,530	18,294	2,568	(15,726)	Negotiation	Ali Asad
	74,574	55,084	19,490	2,736	(16,754)		
	11,644,977	9,355,283	2,289,694	1,800,666	(489,028)		

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(loss) on disposal	Mode of disposal	Particular of Buyers
-----Rupees-----							
OPERATING LEASED ASSETS							
Vehicles	567,650	410,147	157,503	372,550	215,047	Negotiation	Asim Amir
	41,825	41,824	1	27,450	27,449	Negotiation	Asim Amir
	567,200	409,802	157,398	447,322	289,924	Negotiation	Muhammed Amir
	38,900	37,428	1,472	30,678	29,206	Negotiation	Muhammed Amir
	1,102,591	1,102,590	1	867,108	867,107	Negotiation	Syed Aseem Ahmed
	41,825	41,824	1	32,892	32,891	Negotiation	Syed Aseem Ahmed
	2,359,991	2,043,615	316,376	1,778,000	1,461,624		
Commercial vehicle	52,900	23,135	29,765	15,000	(14,765)	Negotiation	NTL Private Ltd
	52,900	27,775	25,125	15,000	(10,125)	Negotiation	NTL Private Ltd
	211,600	112,857	98,743	60,000	(38,743)	Negotiation	NTL Private Ltd
	105,800	57,314	48,486	30,000	(18,486)	Negotiation	NTL Private Ltd
	312,000	223,600	88,400	308,333	219,933	Negotiation	Arshad Ahmed
	312,000	223,600	88,400	308,333	219,933	Negotiation	Arshad Ahmed
	312,000	223,600	88,400	308,334	219,934	Negotiation	Arshad Ahmed
	86,250	51,767	34,483	20,000	(14,483)	Negotiation	Waseem Ahmed
	52,900	29,098	23,802	15,000	(8,802)	Negotiation	Waseem Ahmed
	312,000	148,200	163,800	491,707	327,907	Negotiation	Hassan Khan
	312,000	227,500	84,500	253,659	169,159	Negotiation	Hassan Khan
	312,000	227,500	84,500	253,659	169,159	Negotiation	Hassan Khan
	312,000	227,500	84,500	253,659	169,159	Negotiation	Hassan Khan
	312,000	227,500	84,500	253,659	169,159	Negotiation	Hassan Khan
	312,000	227,500	84,500	253,659	169,159	Negotiation	Hassan Khan
	599,000	324,479	274,521	470,000	195,479	Negotiation	Riaz Muhammad
	3,969,350	2,582,925	1,386,425	3,310,000	1,923,575		
Machinery	1,900,000	1,203,316	696,684	120,000	(576,684)	Negotiation	Muhammed Ahsan
Equipment	34,551,688	9,907,267	24,644,421	26,287,354	1,642,933	Transferred to finance lease	
Generators	3,550,000	1,922,904	1,627,096	1,550,000	(77,096)	Negotiation	Saleem Ghaffar
	1,941,954	1,472,649	469,305	650,000	180,695	Negotiation	M.Altaf
	555,600	64,820	490,780	650,000	159,220	Negotiation	M.Altaf
	632,134	479,371	152,763	300,000	147,237	Negotiation	Amjad Bashir
	383,539	44,744	338,795	300,000	(38,795)	Negotiation	Amjad Bashir
	2,219,693	1,683,262	536,431	1,000,000	463,569	Negotiation	Amjad Bashir
	2,721,644	2,063,909	657,735	1,100,000	442,265	Negotiation	Amjad Bashir
	12,004,564	7,731,659	4,272,905	5,550,000	1,277,095		
2010	66,430,570	32,824,065	33,606,505	38,846,020	5,239,515		
2009	49,048,012	35,393,826	13,654,186	13,738,278	84,092		

14.2 Future minimum lease payments receivables under non-cancelable operating leases are as follows:

	Note	2010 Rupees	2009 Rupees
Minimum lease payments due:			
-not later than one year		7,206,000	7,293,600
-later than one year and not later than five years		-	10,676,000
-later than five years		-	-
		<u>7,206,000</u>	<u>17,969,600</u>

15 DEFERRED TAX ASSET

Accelerated depreciation for tax purposes		(234,006,047)	(232,524,105)
Overdue rentals of finance leases		160,302,739	136,122,339
Provision for potential lease losses		50,208,816	33,437,721
Diminution in value of long term investments		6,273,416	6,665,373
Unabsorbed tax depreciation		<u>372,665,468</u>	<u>394,278,233</u>
		355,444,392	337,979,561
Surplus on revaluation of fixed assets		(11,479,502)	(12,140,876)
		<u>343,964,890</u>	<u>325,838,685</u>

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.

16 ACCRUED AND OTHER LIABILITIES

Accrued liabilities	16.1	654,584	1,053,395
Advance against leases		54,251,464	28,308,581
Unclaimed dividend		809,102	809,102
Other liabilities		6,034,941	10,892,406
		<u>61,750,091</u>	<u>41,063,484</u>

16.1 This includes an amount of Rs. 7,850 (2009: Rs. 525,690) payable to provident fund of the company.

17 ACCRUED MARK-UP

-Short-term finance		2,405,770	11,448,687
-Long-term finance		11,553,194	53,854,841
-Certificate of investments		-	6,064,366
		<u>13,958,964</u>	<u>71,367,894</u>

18 SHORT TERM FINANCES - other than related party

Secured

Under repurchase agreements	18.1	82,409,863	100,000,000
Running finance	18.2	112,429,657	129,334,816
Other Finances	18.3	-	94,994,106
Unsecured			
Under Murabaha finance		-	76,000,000
Under letters of placement	18.4	-	284,250,000
		<u>194,839,520</u>	<u>684,578,922</u>



- 18.1 This represents borrowing from commercial banks and financial institutions under repurchase arrangements against following assets. These facilities carry mark-up at the rate of 12.90% (2009: 14.50%) per annum. The facility is repayable on July 14, 2010 and its carrying value is a reasonable approximation of fair value.

Nature of assets	Number of bonds / shares		Carrying value in rupees	
	2010	2009	2010	2009
Pakistan investment bonds	2	2	88,192,936	88,539,189
Ordinary shares of:				
National Bank of Pakistan	-	200,000	-	13,406,000
National Refinery Limited	-	40,000	-	8,800,800
Pakistan State Oil Company Limited	-	22,500	-	4,807,125
			<u>88,192,936</u>	<u>115,553,114</u>

- 18.2 The company has also obtained running finance facility from Commercial banks. Mark-up on these facilities ranges between 14.41% to 15.77% (2009:15.63% to 17.67%).
- 18.3 During the period the company has negotiated restructuring of its short term running finance with UBL. This facility is now converted into long term demand finance facility payable over a period of 48 months.
- 18.4 During the period the short term borrowing under letter of placement are restructured and now payable over a period of 48 to 60 months. Current markup on these facilities is 6%.

	Note	2010 Rupees	2009 Rupees
19 CURRENT MATURITY OF NON- CURRENT LIABILITIES			
Current maturity of:			
Long term finances	21	406,987,504	535,000,000
Long term deposits	22	558,498,815	473,016,970
		<u>965,486,319</u>	<u>1,008,016,970</u>
20 CERTIFICATE OF INVESTMENTS - unsecured			
From commercial banks		-	110,000,000
Others		-	200,002
		-	<u>110,200,002</u>
Payable within one year		-	(110,200,002)
Payable between one to five years		-	-
			<u>-</u>
21 LONG-TERM FINANCES - secured Other than related party			
Term finance certificates	21.1	175,781,249	250,000,000
SUKUKs	21.2	958,322,162	1,207,747,497
Long term loans	21.3	420,241,675	235,000,000
		1,554,345,086	1,692,747,497
Less: Current maturity shown under current liabilities	19		
Term finance certificates		46,875,000	125,000,000
SUKUKs		257,812,500	375,000,000
Long term loans		102,300,004	35,000,000
		406,987,504	535,000,000
		<u>1,147,357,582</u>	<u>1,157,747,497</u>

The company has restructured its long term loans including SUKUK issue I&II and Privately Placed Term Finance Certificate in March 2010. Markup accrued till the date of restructuring was paid according to the previous Markup rates. Other detail of restructuring are mentioned in Note 1.3

21.1 Principal terms of term finance certificates (TFCs)

Particulars	Repayment period		Profit rate per annum	Principal outstanding (Rupees)	
	from	to		2010	2009
From financial institutions					
Privately placed term finance certificates (3rd Issue)	Sep-07	Mar-14	6 % (payable monthly) (2009: 15.03%)	175,781,249	250,000,000

21.2 Principal terms of SUKUKs

Particulars	Repayment period		Profit rate per annum	Principal outstanding (Rupees)	
	from	to		2010	2009
From financial institutions					
Privately placed SUKUK-1	Dec-08	Mar-14	6 % (payable monthly) (2009: 15.74%)	435,362,996	558,184,402
Privately placed SUKUK-2	Mar-09	Mar-14	6 % (payable monthly) (2009: 14.42%)	522,959,166	649,563,095

21.3 Principal terms of Long Term Loans

Particulars	Repayment period		Profit rate per annum	Principal outstanding (Rupees)	
	from	to		2010	2009
National Bank of Pakistan	Dec-06	Jan-10	8.25% (2009:8.25%)	-	35,000,000
United Growth & Income Fund	Dec-07	Apr-12	6 % (payable monthly) (2009: 14.55%)	181,000,000	200,000,000
The Bank of Khyber	Apr-10	Apr-15	6 % (payable monthly) (2009: 15.00%)	192,366,666	-
United Bank Ltd	Apr-10	Apr-14	6 % (payable monthly) (2009: 15.00%)	46,875,009	-

	Note	2010 Rupees	2009 Rupees
22 LONG-TERM DEPOSITS			
Security deposits against leases		844,043,311	1,127,876,797
Less: current maturity of security deposits	19	558,498,815	473,016,970
		<u>285,544,496</u>	<u>654,859,827</u>

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

	Note	2010 Rupees	2009 Rupees
23 SHARE CAPITAL			
Authorised capital			
75,000,000 (2009: 75,000,000) ordinary shares of Rs. 10 each		750,000,000	750,000,000
50,000,000 (2009: 50,000,000) preference shares of Rs. 10 each		500,000,000	500,000,000
		<u>1,250,000,000</u>	<u>1,250,000,000</u>
Issued, subscribed and paid-up share capital			
22,100,000 (2009: 22,100,000) ordinary shares of Rs. 10 each fully paid in cash		221,000,000	221,000,000
14,200,000 (2009: 14,200,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares		142,000,000	142,000,000
		<u>363,000,000</u>	<u>363,000,000</u>
Preference shares			
7,502,775 preference shares-Class A of Rs. 10 each fully paid in cash	23.2	75,027,750	75,027,750
		<u>438,027,750</u>	<u>438,027,750</u>

23.1 Movement in number of shares		2010 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		<u>36,300,000</u>	<u>36,300,000</u>
Preference shares			
Number of the shares at beginning of the year		7,502,775	11,250,000
Redeemed during the year	23.2	-	(3,747,225)
Number of the shares at end of the year		<u>7,502,775</u>	<u>7,502,775</u>

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

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

23.3 Due to huge losses and absence of any fresh issue of Capital and in accordance with section 85 of the companies ordinance the company has not redeemed the redemption of preference shares. However, after consultation with the majority shareholders of Preference Shares and legal advisor, the company would set up a sinking fund in the current year. Portion of profits, if any, would be transferred on periodic basis to the fund to enable the company to make redemption.

23.4 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. Due to heavy losses, the company is facing shortfall meeting minimum Capital requirement. In July 2010, SECP has given extension to the company for continuing its leasing business and equity position would be reviewed after June 30 2011.

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. The minimum equity requirements for the leasing business are as follows:

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	2010 Rupees	2009 Rupees
The company's capital consist of:			
Issued, subscribed and paid-up share capital		438,027,750	438,027,750
Reserves		(384,453,573)	(111,545,520)
		53,574,177	326,482,230
Unrealized loss on available for sale investments		(19,125,006)	(110,513,331)
		34,449,171	215,968,899
24 RESERVES			
Capital reserve			
Statutory reserves	24.1	118,867,005	118,867,005
Revenue reserve			
(Accumulated loss)/Unappropriated profit		(503,320,578)	(230,595,303)
		(384,453,573)	(111,728,298)
24.1 Balance at beginning of the year		118,867,005	118,867,005
Transferred during the year		-	-
Balance at end of the year		118,867,005	118,867,005

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

25 Deposit against issuance of shares

The company under restructuring process has negotiated the settlement of a deposit under certificate of investment by AMZ Plus Income Fund through conversion of the deposit into Cumulative, Convertible, Redeemable Preference Shares subject to the approval of SECP. A memorandum of understanding (MOU) is signed with Crossby Asset Management (Pakistan) Limited, fund manager of AMZ Plus Income Fund on April 29,2010. Application for the approval of this settlement is submitted with the commission.

26 SURPLUS ON REVALUATION OF FIXED ASSETS

Surplus on revaluation of fixed assets	26.1	32,798,578	34,688,218
Deferred tax (liability) recognized	26.2	(11,479,502)	(12,140,876)
		21,319,076	22,547,342
26.1 Reconciliation of surplus on revaluation of fixed assets			
At the beginning of the year		34,688,218	36,577,858
Surplus during the year		-	-
Surplus realized on account of incremental depreciation		(1,889,640)	(1,889,640)
At the end of the year		32,798,578	34,688,218

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. 53,807,569 (2009: Rs. 57,430,752).

	Note	2010 Rupees	2009 Rupees
26.2 Deferred tax liability			
At the beginning of the year		12,140,876	12,802,250
Deferred tax liability arise during the year		-	-
Deferred tax liability realized on account of incremental depreciation		(661,374)	(661,374)
At the end of the year		<u>11,479,502</u>	<u>12,140,876</u>
27 CONTINGENCIES & COMMITMENTS			
27.1 Commitments for lease disbursements		<u>29,880,000</u>	-
27.2 Contingencies			
There is no contingencies as at balance sheet date.			
28 INCOME FROM FINANCE LEASE			
Income from finance lease contracts		149,873,329	320,836,665
Hire purchase contracts		50,438	318,876
Front end fee and additional lease rentals		-	5,000
		<u>149,923,767</u>	<u>321,160,541</u>
29 OTHER OPERATING (LOSS)/INCOME			
(Loss)/Income from financial assets	29.1	3,270,875	(64,002,794)
Other than financial assets	29.2	5,195,643	3,201,123
		<u>8,466,518</u>	<u>(60,801,671)</u>
29.1 (Loss)/Income from financial assets			
Loans and receivables			
Profit from bank under cash management scheme		419,641	883,937
Mark-up on term finance certificates		113,032	272,306
Mark-up on musharika		32,241,396	68,734,906
Mark-up on house finance to staff		521,500	1,183,315
Profit on murabaha		1,159,566	2,284,416
Profit on placements- net of income suspended		1,901,986	(1,852,109)
Profit on long term advances		-	-
		<u>36,357,121</u>	<u>71,506,771</u>
Available for sale investment			
Mark-up on government securities		6,564,485	10,601,676
(Loss) / Gain on disposal of available for sale investments		(43,070,811)	(151,206,015)
Dividend income		3,420,080	5,094,774
		<u>(33,086,246)</u>	<u>(135,509,565)</u>
		<u>3,270,875</u>	<u>(64,002,794)</u>
29.2 Other than financial assets			
Fees, commissions and other charges		(43,872)	2,213,461
Gain on disposal of property and equipment		5,239,515	84,092
Others		-	903,570
		<u>5,195,643</u>	<u>3,201,123</u>

	Note	2010 Rupees	2009 Rupees
30 ADMINISTRATIVE AND SELLING EXPENSES			
Salaries, allowances and benefits	30.2 & 30.3	47,318,454	49,012,906
Gratuity		1,163,000	1,645,000
Directors' fee	30.1	210,000	384,000
Staff training and development		104,150	116,600
Telephone and fax		2,112,921	2,515,695
Postage and courier		144,101	165,507
Electricity		1,194,537	1,103,696
Office maintenance		2,566,112	1,974,666
Software maintenance		232,268	285,087
Security guards charges		312,000	358,000
Insurance		647,211	603,909
Business promotion expenses		1,688,960	1,696,232
Canteen expenses		478,706	474,477
Vehicle running expenses		8,547,755	8,589,670
Vehicle insurance		872,544	728,576
Traveling and conveyance		362,340	634,952
Advertisement expenses		139,500	159,993
Printing and stationery		978,744	1,245,084
Central depository charges		216,069	130,021
Subscriptions and listing fees		761,883	782,886
Legal and professional charges		1,212,176	2,075,701
Auditors' remunerations	30.4	585,190	488,288
Statutory filing fees		74,900	22,100
Credit rating charges		-	284,540
Depreciation		17,483,317	18,453,746
Rent, rates and taxes		3,670,998	4,172,940
Miscellaneous		40,498	40,453
		<u>93,118,334</u>	<u>98,144,725</u>

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

	2010		2009	
	Chief executive	Executives	Chief executive	Executives
Managerial remuneration	7,200,000	6,672,578	7,200,000	6,357,655
Housing and utilities	4,146,000	3,267,000	4,128,000	3,236,010
Medical and other perquisites	121,656	493,200	115,574	491,990
Provident fund contribution	480,000	396,000	720,000	576,000
Gratuity	-	-	600,000	495,000
	<u>11,947,656</u>	<u>10,828,778</u>	<u>12,763,574</u>	<u>11,156,655</u>
No. of persons	<u>1</u>	<u>7</u>	<u>7</u>	<u>8</u>

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. 1,734,558 (2009: Rs. 2,224,052).



	Note	2010 Rupees	2009 Rupees
30.4 Auditors' remuneration			
Annual audit		250,000	250,000
Half yearly review		100,000	50,000
Other certifications		175,000	100,000
Out-of-pocket expenses		60,190	88,288
		<u>585,190</u>	<u>488,288</u>
31 FINANCE COSTS			
Markup on :			
Long & short term finance		74,929,508	138,662,692
Running finance		22,103,684	33,141,130
Certificates of investment		2,743,260	36,732,577
Term finance certificates		26,162,408	47,186,333
Profit on SUKUKs		135,859,665	224,474,049
Other charges		(615,741)	808,534
		<u>261,182,784</u>	<u>481,005,315</u>
32 DIRECT COST OF OPERATING & FINANCE LEASES			
Finance Lease			
Court fee, stamp duty and others		2,859,779	1,792,117
Operating Lease			
Maintenance contracts		7,505,198	10,598,288
Depreciation on operating lease assets	14.1	12,543,540	27,724,958
Insurance		2,072,491	1,845,490
Others		381,642	432,655
		22,502,871	40,601,391
		<u>25,362,650</u>	<u>42,393,508</u>
33 Provision for potential lease and other losses			
Provision on Leases	10.5	26,936,793	44,559,737
Provision on other financing	12	10,800,000	-
		<u>37,736,793</u>	<u>44,559,737</u>
34 INCOME TAX EXPENSE			
Current			

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

Assessments of the company have been finalized upto the tax year 2009. Returns are deemed to be an assessment order passed by the Commissioner of Income Tax under section 120 of Income Tax Ordinance, 2001. The said returns have so far not been selected for audit by the tax department.

34.1 Effective tax rate reconciliation

Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as provision for current year income tax has been made under section 113 of the Income Tax Ordinance, 2001 related to minimum tax. The company's tax computation gives rise to a tax loss due to unabsorbed tax depreciation.

	Note	2010 Rupees	2009 Rupees
35 (LOSS)/EARNINGS PER SHARE - basic and diluted			
(Loss)/Profit after taxation-Rupees		(273,953,541)	(357,613,729)
Dividend attributable to preference shareholders		-	-
Profit/(Loss) attributable to ordinary shareholders-Rupees		<u>(273,953,541)</u>	<u>(357,613,729)</u>
Number of ordinary shares issued and subscribed		<u>36,300,000</u>	<u>36,300,000</u>
(Loss)/Earnings per share-Rupees		<u>(7.55)</u>	<u>(9.85)</u>

(Loss)/Earnings per share has been calculated by dividing (loss)/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, 2010.

36 CASH AND CASH EQUIVALENTS

Running finance	18	(112,429,657)	(224,328,922)
Balances with banks	5	<u>2,551,680</u>	<u>3,750,104</u>
		<u>(109,877,977)</u>	<u>(220,578,817)</u>

37 SEGMENT INFORMATION

The company has three primary sources of revenue segments i.e. Finance Lease, Operating Lease, Musharika 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, 2010					Total
	Finance lease	Operating lease	Capital market	Musharika	Others	
	Rupees					
Segment revenues	149,923,767	21,398,255	(82,646,929)	32,241,396	9,198,336	130,114,825
Segment result	(92,498,250)	(14,015,950)	(112,449,360)	(2,102,758)	1,034,603	(220,031,714)
Unallocated cost						
Finance cost						24,410,252
Administrative and selling expenses						42,843,770
						67,254,022
Loss before income tax						(287,285,736)
Income tax expense						13,332,195
Loss for the year						<u>(273,953,541)</u>
Other information						
Segment assets	1,868,785,403	67,234,811	102,141,062	173,493,982	50,454,503	2,262,109,761
Unallocated assets						487,595,457
Total assets						<u>2,749,705,218</u>
Segment liabilities	2,202,814,509	48,885,615	74,265,527	126,145,370	36,684,857	2,488,795,878
Unallocated liabilities						180,141,094
Total liabilities						<u>2,668,936,972</u>
Net assets						<u>80,768,245</u>
Capital expenditure		9,270,000			10,984,478	<u>20,254,478</u>



	June 30, 2009					Total
	Finance lease	Operating lease	Capital market	Musharika	Others	
	Rupees					
Segment revenues	321,160,541	464,381,611	(243,862,205)	68,734,906	5,700,682	198,172,085
Segment result	(49,109,624)	(10,202,693)	(328,039,899)	7,547,736	(6,049,658)	(385,854,138)
Unallocated cost						
Finance cost						34,793,736
Administrative and selling expenses						47,466,129
						82,259,865
Loss before income tax						(468,114,003)
Income tax expense						110,317,471
Profit for the year						(357,796,532)
Other information						
Segment assets	2,759,686,370	84,091,086	207,387,202	335,104,886	67,370,363	3,453,639,907
Unallocated assets						512,528,153
Total assets						3,966,168,059
Segment liabilities	3,013,638,236	57,461,503	141,712,766	228,985,394	46,035,823	3,487,833,722
Unallocated liabilities						240,000,874
Total liabilities						3,727,834,596
Net assets						238,333,464
Capital expenditure	7,183,976				10,652,270	17,836,246

38 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:

38.1 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	2010 Rupees	2009 Rupees
Classes of financial assets - carrying value			
Cash and cash equivalent			
Balances with banks	5	2,551,680	3,750,104
Loans and receivables			
Short-term finances	7	12,500,000	101,354,007
Advance to financial institution	8	17,250,000	17,250,000
Accrued return on investments		9,031,691	12,409,233
Long-term deposits	11	4,059,500	4,189,400
Long-term finances	12	168,248,485	301,121,242
Lease receivables			
Net investment in finance leases	10	1,868,785,403	2,759,686,370
Operating lease receivables	8	4,737,769	11,480,857
Available for sale financial assets			
Short term investments	6	13,948,126	118,848,013
Long-term investments	13	88,192,936	88,539,189
		<u>2,189,305,590</u>	<u>3,418,628,415</u>

- 38.1.1 The credit risk to cash and cash equivalent is negligible, since the counter parties are reputable banks with high quality external credit rating.
- 38.1.2 Loans and receivables of the company are secured by collaterals that are disclosed in their relevant notes.
- 38.1.3 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	2010		2009	
	Rupees	%	Rupees	%
Textile	366,601,464	16.76	450,271,753	13.19
Construction	200,175,983	9.15	199,635,979	5.85
Transport and communication	231,330,407	10.58	339,961,745	9.96
Oil and gas	274,267,235	12.54	293,475,631	8.59
Food and beverages	84,125,523	3.85	243,384,788	7.13
Engineering	96,065,266	4.39	155,732,955	4.56
Plastic	53,655,798	2.45	130,844,772	3.83
Consumer leases	98,493,865	4.50	230,235,220	6.74
Health care	74,318,194	3.40	113,785,955	3.33
Travel and tourism	5,564,047	0.25	15,070,702	0.44
Pharmaceutical	44,936,633	2.05	72,557,430	2.12
Advertisement	18,103,503	0.83	36,576,280	1.07
Cement	60,228,100	2.75	71,774,076	2.10
Auto and allied	58,221,207	2.66	64,808,686	1.90
Publications	21,108,513	0.97	30,934,040	0.91
Sugar	122,524,321	5.60	148,641,244	4.35
Glass and ceramics	73,341,233	3.35	80,713,909	2.36
Energy	3,275,000	0.15	12,713,625	0.37
Others	300,417,619	13.74	723,759,496	21.19
Total	2,186,753,911	100	3,414,878,286	100

38.1.4 Analysis of financial assets that are past due:

	Total	Loans and receivables	Net investment in finance lease	Operating lease receivables
.....R u p e e s				
Gross carrying amount				
Not past due	1,452,474,114	153,026,741	1,297,205,700	2,241,673
Past due by more than 30 days but not more than 180 days	134,597,706	15,781,668	118,221,038	595,000
Past due by more than 180 days but not more than 360 days	76,182,992	35,476,447	40,202,545	504,000
Past due by more than 360	611,713,948	60,804,820	545,809,879	5,099,249
	2,274,968,760	265,089,676	2,001,439,162	8,439,922
Impairment loss on				
Past due by more than 180 days	-	-	-	-
Past due by more than 180 days but not more than 360 days	-	-	-	-
Past due by more than 360 days	147,155,912	10,800,000	132,653,759	3,702,153
Total impairment loss	147,155,912	10,800,000	132,653,759	3,702,153
Net carrying amount	2,127,812,848	254,289,676	1,868,785,403	4,737,769

38.1.5 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.

38.2 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 1 0				Total
	Within 6 month	6 month to 1 year	One year to five years	Over five years	
-----Rupees-----					
Financial Assets					
Cash and cash equivalent	2,551,680	-	-	-	2,551,680
Loans and receivables	66,282,578	123,096,215	21,710,883	-	211,089,676
Lease receivables	399,797,258	978,813,977	494,911,937	-	1,873,523,172
Available for sale financial assets	-	13,948,126	88,192,936	-	102,141,062
	468,631,516	1,115,858,318	604,815,756	-	2,189,305,590
Financial liabilities					
Accrued and other liabilities	61,750,091	-	-	-	61,750,091
Accrued mark-up	-	13,958,964	-	-	13,958,964
Short-term finances	82,409,863	112,429,657	-	-	194,839,520
Certificates of investment	-	-	-	-	-
Long-term finances	216,197,424	190,790,080	1,147,357,582	-	1,554,345,086
Long-term deposits	386,053,443	172,445,372	285,544,496	-	844,043,311
	746,410,821	489,624,074	1,432,902,078	-	2,668,936,973
	(277,779,306)	626,234,245	(828,086,322)	-	(479,631,383)
-----Rupees-----					
	2 0 0 9				Total
	Within 6 month	6 month to 1 year	One year to five years	Over five years	
-----Rupees-----					
Financial Assets					
Cash and cash equivalent	3,750,104	-	-	-	3,750,104
Loans and receivables	78,608,830	138,456,102	219,258,950	-	436,323,882
Lease receivables	464,647,271	1,084,176,965	1,222,342,992	-	2,771,167,227
Available for sale financial assets	118,848,013	-	88,539,189	-	207,387,202
	665,854,218	1,222,633,066	1,530,141,131	-	3,418,628,415
Financial liabilities					
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
	(200,207,834)	173,467,846	(282,466,193)	-	(309,206,181)

38.3 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.

38.3.1 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. Due to restructuring of the long & short term borrowings the company, the rate of markup is fixed for the next 12 months and therefore, the company is exposed to changes in market interest rates only for net investment in lease.

Cash flow sensitivity analysis for variable rate instruments

Due to restructuring of the long & short term borrowings of the company, the rate of markup is fixed for the next 12 months and therefore, the sensitivity analysis is not performed.

39 FAIR VALUE OF FINANCIAL ASSETS

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

40 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:

			2010	
Name of related party	Nature of relationship	Description of transaction	Total value of transaction	Closing balance
.....Rupees.....				
Provident fund	Other related party	Contribution paid	1,734,558	7,850
Gratuity fund	Other related party	Contribution paid	1,163,000	-
			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

41 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 6, 2010 by the Board of Directors of the company.



Mohammed Khalid Ali
Chief Executive Officer



M R Khan
Chairman



FORM OF PROXY

I/We _____ of _____

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

_____ of _____ or failing him/her

_____ of _____ or failing him/her

_____ of _____

to be proxy and to vote for me at the Annual General Meeting of the Company to be held on October 28, 2010 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.