Annual Report 2012

SAUDI PAK
LEASING

SAUDI PAK

LEASING

Our Vision

To remain trust worthy industry player by offering business solutions to the customers, driven by a cohesive team of professionals.

Our Mission

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

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

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

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

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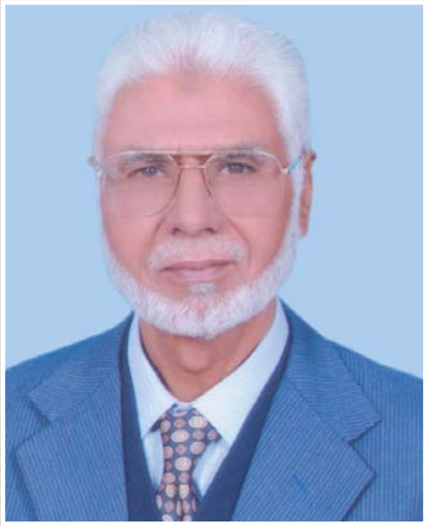
OUR CORPORATE INFORMATION



Mr. Muhammad Iqbal Hussain
Chairman

Mr. Ihsanul Haq Piracha
Vice Chairman

Mr. Ahsanullah Khan
Chief Executive Officer

Mr. Muhammad Tariq Masud
Director

Ms. Parveen A. Malik
Director

Mr. Arsalan I. Khan
Director

Mr. Farhan Malik
Director

Mr. Farrukh Shaukat Ansari
Director

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Muhammad Iqbal Hussain	Chairman
Mr. Ihsanul Haq Piracha	Vice Chairman
Mr. Muhammad Tariq Masud	Director
Ms. Parveen A. Malik	Director
Mr. Arsalan I. Khan	Director
Mr. Muhammad Farhan Malik	Director
Mr. Farrukh Shauket Ansari	Director
Mr. Ahsanullah Khan	Chief Executive Officer

AUDIT COMMITTEE

Mr. Ihsanul Haq Piracha	Chairman
Mr. Muhammad Tariq Masud	Director
Mr. Arsalan Iftikhar Khan	Director

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Mr. Muhammad Ali Siddiqui

HEAD OF INTERNAL AUDIT

Ms. Farhana Naz

AUDITORS

M/s. KPMG Taseer Hadi & Co.
Chartered Accountants

LEGAL ADVISOR

M/s. S & B Durrani Law Associates

TAX CONSULTANTS

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

BANKS & LENDING INSTITUTIONS

National Bank of Pakistan
MCB Bank Limited
SILK Bank Limited
Faysal Bank Limited

REGISTERED OFFICE

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

BRANCHES

Lahore
804-D, 8th Floor, City Tower,
6-K, Main Boulevard,
Gulberg-III, Lahore.
Tel: (042) 35788691-94, 35788696-97
Fax: (042) 35788695

Islamabad
Room No. 5, Business Centre, Low Rise Area,
Saudi Pak Tower, 61-A, Jinnah Avenue,
Blue Area, Islamabad.
Tel: (051) 2800236, 2800206
Fax: (051) 2800205

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

Universal Access Number: 111-888-999
Website : www.saudipakleasing.com

REGISTRAR AND SHARE TRANSFER OFFICE

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 22nd Annual General Meeting of Saudi Pak Leasing Company Limited will be held on Friday, November 30, 2012 at 10:00 a.m. at Saudi Pak Tower, 61-A, Jinnah Avenue, Blue Area, Islamabad to transact the following business:

ORDINARY BISINESS:

1. To confirm the minutes of the Annual General Meeting held on October 31, 2011 and the minutes of Extra-Ordinary General Meeting held on July 31, 2012.

2. To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' Reports thereon for the year ended June 30, 2012.

3. To appoint Auditors for the year ending June 30, 2013 and fix their remuneration.

4. To elect the Directors of the Company for a period of three years commencing from December 15, 2012 in accordance with the provision of Section 178 of the Companies Ordinance, 1984. The Board of Directors have fixed the number of Directors to be elected as Seven (7). Following are the names of the retiring Directors:

   1. Mr. Muhammad Iqbal Hussain
   2. Mr. Ihsanul Haq Piracha
   3. Ms. Paveen A. Malik
   4. Mr. Muhammad Tariq Masood
   5. Mr. Arsalan Iftikhar Khan
   6. Mr. Farrukh S. Ansari
   7. Mr. Muhammad Farhan Malik

5. To consider any other business with the permission of the Chair.

By Order of the Board

Karachi: November 9, 2012

Muhammad Ali Siddiqui
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from November 23, 2012 to November 30, 2012 (both days inclusive).

2. A member entitled to attend and vote at the meeting is entitled to appoint another member as his/her proxy to attend and vote on his/her behalf. A Corporation being a member may appoint as its proxy any of its official or any other person whether a member of the company or otherwise.

3. An instrument of proxy or a Power of Attorney or other authority (if any) under which it is signed, or a notarially certified copy of such Power of Attorney, in order to be valid, must be deposited at the Registered Office of the Company not less than 48 hours before the time of the Meeting.

4. CDC account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:

   i) In case of individuals, the account holder or sub-account holder, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting. The shareholders registered on CDS are also requested to bring their participants I.D. numbers and account numbers in CDS.

   ii) In case of a Corporate Entity, the Board of Directors' Resolution/Power of Attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of Meeting.

5. Members are requested to promptly notify any change of address to the Company's Share Registrar, THK Associates (Pvt.) Ltd., Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi.

CHAIRMAN'S REVIEW

I hereby present the 22nd Annual Report along with the audited Financial Statements of Saudi Pak Leasing Company Limited for the year ended June 30, 2012.

The continuous liquidity crunch, difficulty in getting relief through cumbersome and prolonged court process and negative mind set of Defaulters remained serious challenges to the Company. Due to liquidity crisis, the company focused on recovery of lease/loan portfolio and liability management. I am pleased to confirm that the company has successfully negotiated amicable settlement deals with the Creditors and has re-structured the debt obligations with them comfortably.

Due to suspended business situation, the gross finance lease revenue of the Company during the year decreased to PKR 58 million from PKR 136 million in FY 2011 whereas operating lease revenue decreased to PKR 5 million from PKR 10 million. Other operating income increased to PKR 81 million during the year as compared to PKR 74 million in the preceding year mainly due to waiver of mark-up from creditors. During the year under review, the Company has re-paid an amount of PKR 473 million towards principal liability by way of cash payments and non-cash settlements. COIs were reduced by PKR 68 million during the year 2012. The Company successfully decreased its overall financial charges by PKR 29 Million and stood at PKR 153 Million for the year as compared to PKR 183 million in FY 2011 mainly due to settlements through lease/loan swapping, waivers on accrued mark-up and also reduction in mark-up rates. The Administrative and operating expenses were reduced to PKR 77 Million in 2012 from PKR 90 Million in 2012, a decline of 15% over the previous year.

The company is passing through its most difficult days as accumulated losses have shot up to PKR 1,658 million in 2012 as compared to PKR 839 million in 2011 mainly due to increase in Provisions of Non-Performing Loans/Leases (PKR 482 million) and write off of deferred tax of PKR 213 million during the review period and reduction in overall income during the year.

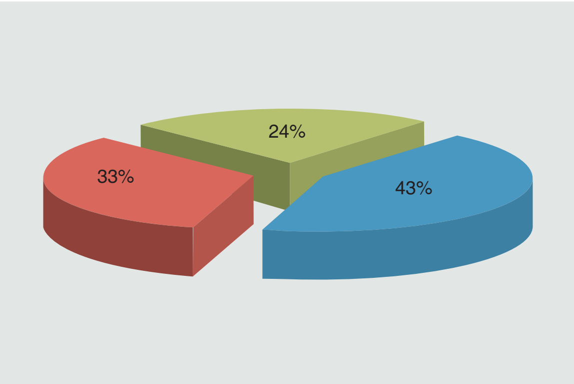
The encouraging news is that the Management of the Company has successfully negotiated amicable settlements with the Creditors to the tune of PKR 1,242 million, paying special attention to the settlements with the Individual COI holders, making all out efforts for recovery and pursuing the defaulters vigorously. It is to be noted that the liquidity resources over last four years are dried up, yet the company is making settlement payments from its limited available resources.

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

Muhammad Iqbal Hussain
Chairman

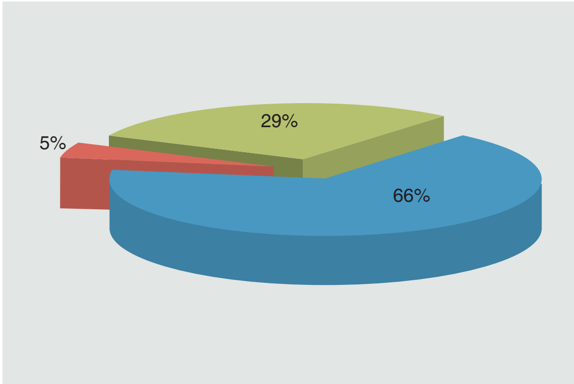
Karachi:
November 07, 2012

FINANCIAL HIGHLIGHTS



REVENUE ANALYSIS FOR 2012

- Income from Leasing Operations
- Income from Term Loans
- Other Income



REVENUE ANALYSIS FOR 2011

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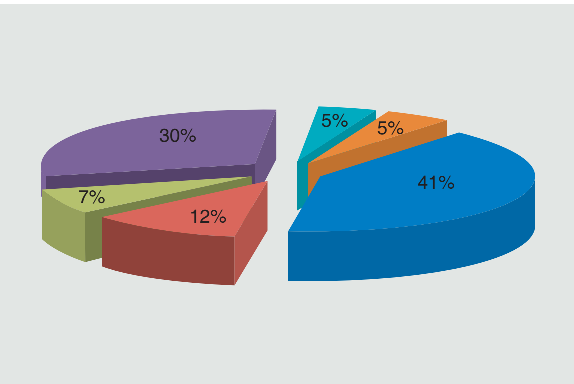
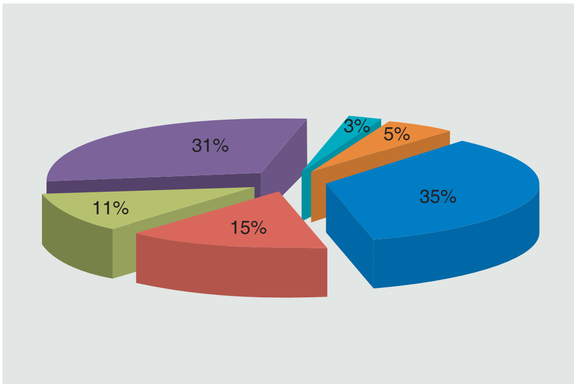


EXPENSES ANALYSIS FOR 2012

- Borrowings from financial institutions
- Term finance Certificates
- Certificates of Investments
- Administrative & Operating Expenses
- Other Charges
- Direct cost of operating leases



EXPENSES ANALYSIS FOR 2011

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FINANCIAL HIGHLIGHTS

(Rupees in millions)

	2012	2011	2010	2009	2008	2007
Operational results						
Total disbursement	**-**	-	-	851	3,249	2,486
Revenues	**144**	220	436	677	871	722
(Loss) / Profit before tax	**(605)**	(164)	(419)	(527)	84	71
(Loss) / Profit after tax	**(822)**	(118)	(342)	(458)	67	54
Finanical charges	**153**	183	468	776	571	522
Provision for bad debts	**482**	73	134	101	69	18
Impairment loss on shares investment	**13**	16	128	169	-	-
Cash dividend	**-**	-	-	-	-	13.01
Balance sheet						
Gross lease receivables	**1,901**	2,777	3,751	4,868	5,937	5,084
Net investment in leases	**1,332**	1,876	2,838	3,801	4,873	4,248
Net worth	***(678)**	*117	*234	*405	537	638
Fixed assets owned & operating	**133**	101	119	261	256	209
Total assets	**1,994**	3,162	4,471	5,903	7,424	6,538
Long term liabilities	**683**	767	1,436	2,316	2,441	2,028
Long term investments	**-**	73	137	93	129	120

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

KEY PERFORMANCE INDICATORS

Ratio	2012	2011	2010	2009	2008	2007
Break up Value (Rs.)	**(22.39)**	(4.78)	(2.18)	1.60	11.89	14.84
Current Ratio (X)	**0.76**	1.05	1.09	1.15	0.92	1.01
Debt Leverage	**(2.64)**	24.86	15.59	7.94	10.39	7.62
Dividend per Share (Rs.)	**-**	-	-	-	-	1.5*
Dividend Yield (%)	**-**	-	-	-	-	15.38
Earning / (Loss) per Share (Rs.)	**(18.20)**	(2.61)	(7.59)	(10.14)	1.49	1.26
Financial Charges / Total Expenses (%)	**60.43**	61.90	79.02	82.90	80.37	81.38
Market Value per Share (Rs.)	**0.80**	0.65	0.72	1.99	6.90	9.75
Net Profit / (Loss) Margin (%)	**(570.16)**	(53.60)	(78.63)	(67.63)	7.74	7.51
Operating Profit / (Loss) Margin (%)	**(76.23)**	(34.38)	(35.88)	(38.19)	18.39	11.11
Price Earning Ratio (X)	**(0.04)**	(0.25)	(0.09)	(0.20)	4.62	7.74
Return on Assets (%)	**(41.22)**	(3.72)	(7.67)	(7.76)	0.91	0.83
Revenue per Share (Rs.)	**3.19**	4.86	9.65	15.00	19.29	16.78
Times Interest Earned (X)	**0.28**	0.59	0.67	0.67	1.28	1.15
Total Assets / Net Worth (X)	**(2.94)**	26.95	19.05	14.56	13.82	10.24
Total Financing / Net Worth (X)	**(2.30)**	17.33	12.78	10.00	7.14	7.30

* includes Bonus Shares

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Saudi Pak Leasing Company Limited are pleased to present on behalf of the Board of Directors the 22nd Annual Report and audited financial statements of the Company for the year ended June 30, 2012.

Financial Results

	2012 Rupees	2011 Rupees
Income from operating and finance leases	**62,773,684**	145,633,210
Other operating income	**81,353,455**	73,931,876
Total Income	**144,127,139**	219,565,086
Financial Charges	**153,482,081**	182,645,618
Administrative and operating costs	**89,543,347**	105,264,822
Write-offs against loans and lease receivables	**10,969,694**	7,146,081
Operating loss before provisions	**(109,867,983)**	(75,491,435)
Provisions against leases, loans & receivables	**(482,342,976)**	(72,737,094)
Impairment on investments	**(13,197,008)**	(15,628,434)
Loss before taxation	**(602,997,645)**	(165,936,694)
Loss after taxation	**(821,752,260)**	(117,678,112)
Loss per share - basic and diluted	**(18.20)**	(2.61)

General Overview

Pakistan's weak economic fundamentals have had a pessimistic impact on the local economy; the country is facing serious challenges for the last four years on account of numerous factors along with energy crisis and security risk. The overall economic instability in the country coupled with excessive government borrowing from the State Bank of Pakistan has pushed the inflation, mainly due to rise in world commodity and fuel prices and disruption in domestic supply chain by the floods. The deviation of banking liquidity towards government borrowing has resulted in reduction of credit expansion to private sector, hence the entire leasing industry, baring a few players, also went through a difficult era and has aggravated the recovery drive from lease /loan portfolio. These factors provided foundation for severe liquidity shortage in the country and in the leasing sector, due to which majority of the leasing companies are facing problems. The Company was thus trapped in the mud of defaults wherein recovery from customers is proving to be an uphill task. The lengthy and complex litigation process is also one of the reasons which delayed the process of recovery. Nevertheless, the company has so far managing its business dynamics through the internal cash generation by way of extensive recovery drive.

The deteriorated financial position of the Company can be over come from the recovery on account of balance lease / loan portfolio, which is currently available life line for the Company and the Management is trying to recover as much as possible from the available means.

Company Overview

The continuous liquidity crunch, effect of socio-political impact and the increase in provisions against leases, loans and receivables to the tune of Rs. 409 million during the year, write-off of deferred tax amounting to Rs. 215 million along-with reduction in overall income are the main contributing factors for accumulation of large amount of losses.

The Management, however, has aggressively exerted the pressure on the lease/loan customers and successfully managing the affairs without any external financial assistance to the company. Thus the asset side of the balance sheet, which is highly infected, is still helping the company in generating funds through restructuring/rescheduling and offering relaxation in repayment period and enforcing the recovery measures.

The management is also working on the liability side of the book and has successfully closed huge amount of liability in the shape of restructuring the payment schedule. So far, the settlements with the lending institution were effectively structured and commitments are being maintained comfortably.

The Rehabilitation plan approved by the Board in its meeting held in March 2012, was taken as challenge by the management which is aggressively working on the liability side and have substantially decreased the quantum of liability. It is to be noted that the total unsettled principal liability of Banks/FIs/COIs/TFCs which was at Rs. 1.845 billion as at December 2011, has come down to Rs. 545 million as of October 31, 2012 and the management is quite optimistic to arrive at amicable settlements with rest of the creditors in the coming months.

The settlements of assets and liabilities have so far played a vital role in the survival of the company and will continue to ensure the successful revival of the company in the years to come.

The management has also worked out future projections, duly approved by the Board, which ensures smooth running of the company and is mainly based on the settlements so far executed and anticipated settlements to be executed in the year 2013 and onwards.

Future Outlook

The Company is facing severe liquidity crunch from last four years and managing its affairs by internal cash generation through the recovery drive. The Management of the company is fully conscious of the observations of the Regulator and the External Auditors on the ability of the company to maintain its status of going concern as well as all the directors are cognizant of their fiduciary responsibility for revival of the company. The regulators are closely supervising the activities of the company and keeping close watch on the efforts of the company to materialize the measures mentioned in the Rehabilitation Plan submitted to the SECP in March 2012.

The Rehabilitation Plan along with the Projected Financial Statements prepared by the Management are based on restructuring / settlements, expected reversals of provisions resulting from settlement with the defaulted customers and simultaneously reducing the liability by way of stretching the payments in longer period and offering non cash items to the creditors. Also, the issuance of convertible preference shares against settlement of liabilities will assist the company in reducing the losses and improving the equity.

During the next fiscal year the targeted inflow is maintained at Rs. 240 million realizing the low quality assets, as maximum portfolio is classified, against committed outflow of Rs. 200 million. The company's objective is to improve recovery through dedicated efforts and making out of court settlements with win-win situations. Some of the defaulters are opting to reschedule /restructure the defaulted amount and negotiations are underway. The aim is to improve recoveries and save money for future secured investment/business and generate income to reduce accumulated losses.

Last but not the least, NBFIs and Modarabas Association has requested the State Bank of Pakistan for its patronage in extending support funds to the Leasing Industry being engaged in SME business and hopeful to get favorable consideration. If the proposal materializes, the company holds good chances to indulge in secured business to secure interest of all stakeholders.

Dividend

In view of the continued losses, the Board of Directors of your Company has not recommended any dividend for the year ended June 30, 2012.

Board of Directors

Mr. Muhammad Anwar and Mr. Nayyar Alam Ilyas, Directors of the Company, resigned from the Board during the year. The casual vacancies in the Board were filled by Ms. Parveen Malik and Mr. Muhammad Farhan Malik on March 8, 2012 and March 9, 2012 for the remaining period till December 2012.

Corporate Governance

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

Statement of Corporate Governance

The Directors are pleased to state that:

a) The financial statements, prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

b) Proper books of account of the company have been maintained.

c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.

e) The system of internal control is sound in design and has been effectively implemented and monitored.

f) Though an element of uncertainty exists, but there are no significant doubts upon the Company's ability to continue as a going concern.

g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

h) The key information as to operating and financial data of the Company is available in the annual report. The categories and pattern of shareholding as required by the Companies Ordinance, 1984 are also included in the annual report.

i) During the year six (6) board meetings were held. These meetings were attended by the directors as under:

Name of Directors	Designation	Number of Meetings	
		Held during the year	Attended
Mr. Muhammad Iqbal Hussain	Chairman	6	6
Mr. Ihsanul Haq Piracha	Vice Chairman	6	5
Mr. Muhammad Tariq Masud	Director	6	6
Mr. Farrukh Shaukat Ansari	Director	6	6
Mr. Arsalan I. Khan	Director	6	5
Ms. Parveen A. Malik*	Director	6	4
Mr. Muhammad Farhan Malik**	Director	6	3
Mr. Muhammad Anwar***	Ex-Chairman	6	2
Mr. Nayyar Alam Ilyas****	Ex-Acting Chief Executive	6	3

* Appointed on March 8, 2012 on the Board.
** Appointed on March 8, 2012 on the Board.
*** Resigned on January 2, 2012 from the Board.
**** Resigned on March 8, 2012 from the Board.

j) No executive, owns or has acquired any shares in the Company during the year and no trading was carried out in the shares of the Company during the year by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Chief Internal Auditor or their spouses and minor children.

k) The value of investments in provident and gratuity funds is Rs.4.0 million (2011: Rs.6.0 million) and Rs.11.0 million (2011: Rs.14.0 million) respectively as per the audited accounts for provident fund and gratuity fund for the year ended June 30, 2012.

l) Due to present financial and liquidity position, the company is in default in meeting some of its financial obligations. The details of amounts overdue / in default are appropriately disclosed in relevant notes to the financial statements.

Auditors' Report

The Auditors have given their opinion on the financial statements of the Company for the year ended June 30, 2012, wherein they have qualified their report on (a) certain reclassifications that have been made in the current year which also relates to prior period errors, in respect of which, corresponding figures in the financial statements have not been restated, however, the reclassifications have been applied prospectively, and (b) modification in the terms of third issue of Term Finance Certificates through "Second Supplemental Declaration of Trust" which was passed by a simple majority (51%) by the TFC holders. Further, the Auditors have given emphasis paragraphs on (i) Going Concern, (ii) Non-Compliance of NBFC Regulations due to negative equity and (iii) completion of certain legal requirements relating to the title of a portion of office premises.

Our response to the above observations is as under:

(a) With regard to qualification on re-classification of prior year figures, the Board would like to inform that the qualification only relates to presentation of figures for the corresponding period and is a one time qualification which would automatically be removed from the next year. Further, it has no impact on the financial statements for the year under review.

(b) With regard to qualification on modification of the terms of Term Finance Certificates, your Directors and the Management of the Company are of the view that the said modification through "Second Supplemental Declaration of Trust" which was executed after obtaining consent of 51% of the TFC holders, which was in line with the requirements of the Declaration of Trust duly endorsed by the Trustee and the legal counsel who were involved in the entire process. Further, your company is prompt in paying the agreed installments to all the TFC holders and so far ten monthly installments have been paid. Moreover, the Company has not received any objection on the revised payment terms executed through "Second Supplemental Declaration of Trust" from any TFC holder.

(c) With regard to emphasis paragraph on going concern, the Board of the Company is confident that given successful implementation of the Rehabilitation Plan and Financial Projections as approved by the Board, waivers of principal and mark-up on settlement of liabilities, reversal of provisions and suspended income on settlement with lessees/borrowers, significant reduction in finance cost and issuance of Preference Shares will help the company not only in reducing its losses but a sizeable positive impact on the equity in the short term. These measures along-with those mentioned in note 1.2 to the financial statements provides a reasonable assurance that the company would continue to operate as a going concern and as such these financial statements are being prepared on a going concern basis.

(d) With regard to emphasis paragraph on non-compliance of NBFC Regulations, it is to be submitted that these non-compliances are only because of negative equity of the company and would be complied with as soon as the equity comes into positive zone.

(e) With regard to emphasis paragraph on completion of certain legal requirements relating to the title of a portion of the office premises, the Board would like to submit that these requirements would be completed as early as possible. It is to be noted that the Company has already paid the consideration and pursuing the matter with the Parent Company for transfer of property in the Company's name.

Audit Committee

The Audit Committee comprises of three non-executive directors namely Mr. Ihsanul Haq Piracha, Mr. Muhammad Tariq Masud and Mr. Arsalan I. Khan. During the year four (4) meetings of the Audit Committee were held which were attended by all the Committee Members.

Mr. Arsalan I. Khan joined as a member of Audit Committee in place of Mr. Muhammad Iqbal Hussain with effect from April 25, 2012.

Credit Rating

The credit rating of the Company was reviewed by JCR-VIS, a credit rating company on August 23, 2010 and assigned entity rating of C (Single "C') from B (Single "B') for medium to long term and C (Single 'C') from B (Single "B') for short term with 'Negative' out look.

Auditors

The present auditors, M/s KPMG Taseer Hadi & Co., Chartered Accountants have given their consent to be appointed as auditors for the year 2012-2013. On the suggestion of the Audit Committee, the Board recommends the appointment of M/s KPMG Taseer Hadi & Co., Chartered Accountants as statutory auditors for the year ending June 30, 2013.

Pattern of Shareholding

The pattern of shareholding as on June 30, 2012 is annexed with this report.

Financial Highlights

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

Change in Management

Mr. Nayyar Alam Ilyas resigned from his position as Acting CEO of the Company on March 8, 2012 and Mr. Ahsanullah Khan has been appointed as CEO of the Company.

Further, Mr. Imran Masood, CFO & Company Secretary resigned from his position and Mr. Muhammad Ali Siddiqui has been appointed as CFO & Company Secretary.

For and on behalf of the Board

Ahsanullah Khan
Chief Executive Officer

Muhammad Iqbal Hussain
Chairman

Karachi: November 07, 2012

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended 30 June 2012

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a frame work of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the entire Board includes:

Category	Names
Independent Director	Mr. Muhammad Iqbal Hussain
Executive Director	Mr. Ahsanullah Khan
Non-Executive Directors	Mr. Ihsan ul Haq Paracha
	Mr. Tariq Masood
	Ms. Parveen Malik
	Mr. Muhammad Farhan Malik
	Mr. Arsalan. I. Khan
	Mr. Farrukh Shaukat Ansari

The independent director meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed Companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4. Casual vacancies occurring on the board on 2 January 2012 and 9 March 2012 were filled up by the directors on 8 March 2012 and 9 March 2012.

5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies & procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of the particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the Board met at least once in every quarter, except for the first quarter in which no meeting of the board was held. Written notices of the Board Meetings, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The board has not arranged any training programs for its Directors during the year, however two of the Non-Executive Directors have obtained certifications of being Certified Director from PICG, whereas the Independent Director and one of the Non-Executive Director meets the criteria of exemption under clause (xi) of the Code and accordingly are exempt from the Directors' Training Program.

10. The board has approved appointment of CFO and Company Secretary including his remuneration and terms and conditions of employment.

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

12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before the approval of the Board.

13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the Pattern of Shareholdings.

14. The Company has complied with most of the corporate and financial reporting requirements of the Code of Corporate Governance.

15. The board has formed an Audit Committee. It comprises of three members; of whom all are non-executive directors and the chairman of the committee who is not an independent director.

16. The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Company and as required by the Code, except for the first quarter in which no meeting was held and before finalization of external audit. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises of three members, of whom one is executive director and two are non-executive directors and the chairman of the committee is a non executive director.

18. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board

Ahsanullah Khan
Chief Executive Officer

Karachi: November 7, 2012

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Saudi Pak Leasing Company Limited** ("the Company") to comply with the listing regulations of the respective Stock Exchanges where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further sub-regulation (x) of Listing Regulations No. 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange Limited (formerly Karachi Stock Exchange (Guarantee) Limited) vide circular no. KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

As more fully explained in paragraphs 4, 8, 9, 15 and 16 of the Statement of Compliance which describes certain non-compliances in respect of filling of casual vacancy, meeting of board of directors, training of directors, chairman of audit committee and requirements relating to meetings of audit committee respectively.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

KPMG Taseer Hadi & Co.

Date: 07 NOV 2012

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

KPMG

KPMG Taseer Hadi & Co.
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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Saudi Pak Leasing Company Limited ("the Company") as at 30 June 2012 and the related profit and loss account, statement of comprehensive income, 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 financial 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 financial 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) certain reclassifications have been made in the current year which also relates to prior period errors. In respect to such prior period errors, corresponding figures in the financial statements have not been restated, however, the reclassification have been applied prospectively in the following cases;

- as discussed in note 44.1 to the financial statements, the classification of certain long term financing amounting to Rs. 136.601 million as reported on 30 June 2011 should have been classified under current liabilities, this was primarily due to the default of financing terms by the Company. Had these classifications been made according to International Accounting Standard - IAS 1 'Presentation of Financial Statements', current liabilities of prior period would have been higher by Rs. 136.601 million and long term liabilities would have been lower by the same amount.

- as discussed in note 15 and 44.2 to the financial statements, during the year, the management changed the classification of properties classified under "non-current assets held for sale" as they did not meet the categorization requirement under IFRS. The re-classification was applied prospectively, however, the impact pertaining to prior year's reclassification shall decrease the non-current assets held for sale by Rs. 87.820 million and increase investment property, property plant & equipment and other receivable by Rs. 76.169 million, Rs. 2.8 million and Rs. 8.850 million respectively.

International Accounting Standard (IAS) 1 (Presentation of Financial Statements) states that in case of prior period error a balance sheet as at beginning of the earliest comparative period should also be presented and under International Accounting Standard (IAS) 8 (Accounting Policies, Changes in Accounting Estimates and Errors), adjustments should be made with retrospective effect. However, the above mentioned reclassifications have been applied prospectively;

b) as discussed in note 24 to the financial statements, during the year, the terms of the third issue of Term Finance Certificates (TFC) have been further modified through "Second Supplemental Declaration of Trust" after a resolution was passed in simple majority (51%) by the TFC holders, the management considers the modified terms as effective and have classified TFCs as a long term liability in these financial statements. However, we understand that as per the "Declaration of Trust" (trust deed), for any such modification to become effective an extra-ordinary resolution by TFC holders shall be passed with an approval of at least seventy five percent of the aggregate outstanding amount.

The trustee is in the process of collecting the remaining approvals from TFC holders. Since the Company has not obtained necessary approvals from TFC holders as required under trust deed, accordingly, non- current debt of Rs. 496.853 million as of 30 June 2012 should have been classified as current liability;

KPMG Taseer Hadi & Co.

c) in our opinion except for the matters described in paragraph (a) and (b) above, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

d) in our opinion except for the matters described in paragraph (a) and (b) above, 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 except for the change as described in note 17 to these financial statements with which we concur;

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

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

e) except for the matters referred to in paragraph (a) and (b) above, 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, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2012 and of the loss, its cash flows and changes in equity for the year then ended; and

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

We draw attention to:

- note 1.2 to the accompanying financial statements which states that the Company has incurred a net loss of Rs. 821.572 million during the year ended 30 June 2012 and as of that date the company's current liabilities exceeded its current assets by Rs. 810.895 million and have a negative equity of Rs. 1,058.654 million as at 30 June 2012. Furthermore, due to the liquidity crisis, the Company has defaulted on financial obligations of Rs. 603.061 million in principal and Rs. 130.763 million in accrued mark up. These conditions along with the fact that the Company's license to carry out leasing business has expired since 18 May 2010, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern;

- note 1.3 to the financial statements which gives the details of certain requirements of NBFC Regulations, 2008 not met by the Company as its equity as at 30 June 2012 is in negative; and

- note 17.2 to the financial statements, certain legal requirements relating to the title of property documentation relating to a portion of office premises are under process.

Our opinion is not qualified in these respects.

Other matter

The financial statements of the Company for the year ended 30 June 2011 were audited by another firm of auditors whose report dated 4 October 2011 contained an emphasis of matter paragraph in respect of the going concern assumption of the Company.

KPMG Taseer Hadi & Co.

Date: 07 NOV 2012

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

BALANCE SHEET
As at 30 June 2012

	Note	2012	2011 (Restated)
		---------- (Rupees) ----------	
ASSETS			
Current assets			
Cash and bank balances	4	**27,279,060**	31,700,552
Short term loans	5	**220,222,545**	391,537,756
Short term investments	6	**122,568,873**	184,144,146
Advances	7	**-**	1,529,000
Accrued mark-up	8	**1,513,530**	41,137,710
Trade deposits and short term prepayments		**808,696**	1,150,707
Other receivables	9	**15,649,183**	76,576,514
Current maturity of non-current assets	10	**1,123,221,788**	1,581,440,953
		1,511,263,675	2,309,217,338
Non-current assets classified as held for sale	15	**-**	87,820,767
Total current assets		**1,511,263,675**	2,397,038,105
Non-current assets			
Long term loans	11	**-**	60,739,607
Net investment in finance leases	12	**282,415,625**	453,839,825
Long term investments	13	**-**	12,254,616
Deferred tax asset - net	14	**-**	137,773,920
Investment properties	15	**66,983,055**	-
Intangible assets	16	**367,856**	919,664
Property, plant and equipments	17	**132,660,389**	99,759,348
Total non-current assets		**482,426,925**	765,286,980
Total assets		**1,993,690,600**	3,162,325,085
LIABILITIES			
Current liabilities			
Borrowings from financial institutions	18	**246,884,058**	431,121,589
Certificates of investment	19	**94,895,301**	204,638,000
Accrued mark-up	20	**320,736,579**	251,747,281
Sub-ordinated debt	21	**333,208,499**	-
Provision for taxation - net		**4,100,334**	2,773,065
Accrued expenses and other payables	22	**31,504,450**	40,694,759
Current maturity of non-current liabilities	23	**1,290,830,231**	1,346,605,070
Total current liabilities		**2,322,159,452**	2,277,579,764
Non-current liabilities			
Certificates of investment	19	**11,300,000**	22,600,000
Deferred tax liability - net	14	**93,432,598**	-
Long term finances	24	**507,776,283**	580,551,276
Sub-ordinated debt	21	**-**	333,208,499
Security deposits against leases	25	**70,039,373**	164,268,926
Total non-current liabilities		**682,548,254**	1,100,628,701
Total liabilities		**3,004,707,706**	3,378,208,465
NET ASSETS		**(1,011,017,106)**	(215,883,380)
FINANCED BY			
Authorised share capital 100,000,000 (2011: 100,000,000) ordinary shares of Rs. 10 each		**1,000,000,000**	1,000,000,000
Issued, subscribed and paid-up share capital	26	**451,605,000**	451,605,000
Capital reserves		**148,257,389**	148,257,389
Accumulated loss		**(1,658,516,423)**	(839,410,437)
Surplus on revaluation of available for sale investments - net		**-**	6,851,796
		(1,058,654,034)	(232,696,252)
Surplus on revaluation of property, plant and equipment - net of deferred tax	27	**47,636,928**	16,812,872
		(1,011,017,106)	(215,883,380)
CONTINGENCIES AND COMMITMENTS	28		

The annexed notes from 1 to 45 form an integral part of these financial statements.

Chief Executive Officer

Chairman

PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2012

	Note	2012	2011
		---------- (Rupees) ----------	
Revenue			
Income from:			
Finance leases	29	**57,856,314**	135,664,783
Operating leases		**4,917,370**	9,968,427
		62,773,684	145,633,210
Other operating income	30	**81,353,455**	73,931,876
		144,127,139	219,565,086
Expenses			
Finance cost	31	**(153,482,081)**	(182,645,618)
Administrative and operating expenses	32	**(76,689,634)**	(90,226,540)
Amount written off directly against loans and lease receivables		**(10,969,694)**	(7,146,081)
Direct cost of operating leases	33	**(12,853,713)**	(15,038,282)
		(253,995,122)	(295,056,521)
Operating loss before provisions		**(109,867,983)**	(75,491,435)
Provision for doubtful leases, loans and other receivables	34	**(482,342,976)**	(72,737,094)
Impairment on available for sale investments	6.5	**(13,197,008)**	(15,628,434)
		(495,539,984)	(88,365,528)
		(605,407,967)	(163,856,963)
Share of profit / (loss) from associate - net of tax	13	**2,410,322**	(2,079,731)
Loss before taxation		**(602,997,645)**	(165,936,694)
Taxation	35	**(218,754,615)**	48,258,582
Loss after taxation		**(821,752,260)**	(117,678,112)
Loss per share - basic and diluted	36	**(18.20)**	(2.61)

The annexed notes from 1 to 45 form an integral part of these financial statements.

Chief Executive Officer

Chairman

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	2012	2011
	---------- (Rupees) ----------	
Loss after taxation	**(821,752,260)**	(117,678,112)
Other comprehensive income		
Changes in surplus on revaluation of available for sale investment - net	**-**	271,645
Total comprehensive income for the year	**(821,752,260)**	(117,406,467)

Surplus / (deficit) arising on revaluation of certain classes of property, plant and equipment has been reported in accordance with the requirements of the Companies Ordinance, 1984, as a separate line item below equity.

The annexed notes from 1 to 45 form an integral part of these financial statements.

Chief Executive Officer

Chairman

CASH FLOW STATEMENT

For the year ended 30 June 2012

	Note	2012	2011
		---------- (Rupees) ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations after working capital changes	41	**251,203,499**	390,925,701
Financial charges paid		**(84,492,783)**	(103,114,138)
Taxes paid		**(4,243,314)**	(2,918,129)
Deposits paid to lessees		**(55,215,148)**	(254,984,348)
Decrease in net investment in leases		**204,518,968**	905,573,425
		60,567,723	544,556,810
Net cash generated from operating activities		**311,771,222**	935,482,511
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	17	**(1,755,850)**	(113,000)
Investment in operating lease assets	17	**(3,026,480)**	(3,665,000)
Proceeds from sale of property, plant and equipment		**10,268,132**	6,161,047
Purchase of investments - net		**42,263,020**	(13,659,335)
Long-term loans		**107,441,905**	107,869,786
Dividend received		**1,461,026**	5,170,511
Net cash generated from investing activities		**156,651,753**	101,764,009
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term finances		**(220,879,237)**	(508,078,749)
Repayment of borrowings from financial institutions		**(184,237,531)**	(200,878,411)
Redemption of certificates of investment		**(67,727,699)**	(315,130,333)
Net cash used in financing activities		**(472,844,467)**	(1,024,087,493)
Net (decrease) / increase in cash and cash equivalents		**(4,421,492)**	13,159,027
Cash and cash equivalents at beginning of the year		**31,700,552**	18,541,525
Cash and cash equivalents at end of the year	37	**27,279,060**	31,700,552

The annexed notes from 1 to 45 form an integral part of these financial statements.

Chief Executive Officer

Chairman

STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2012

	Issued subscribed and paid up capital	Statutory reserve	Accumulated loss	Surplus on revaluation of available for sale investments (Restated)	Total (Restated)
	(Rupees)				
Balance as at June 30 June 2010	451,605,000	148,257,389	(723,600,422)	6,580,151	(117,157,882)
Changes in equity in 2011					
Transactions with owners, recorded directly in equity	-	-	-	-	-
Other comprehensive income for the year:					
Loss for the year ended 30 June 2011	-	-	(117,678,112)	-	(117,678,112)
Transfer from surplus on revaluation of property, plant and equipments incremental depreciation effect for the year - net of tax (note 27.1)	-	-	1,868,097	-	1,868,097
Changes in surplus on revaluation of available for sale investment	-	-	-	271,645	271,645
Balance as at 30 June 2011	451,605,000	148,257,389	(839,410,437)	6,851,796	(232,696,252)
Changes in equity in 2012					
Transactions with owners, recorded directly in equity	-	-	-	-	-
Other comprehensive income for the year:					
Loss for the year ended 30 June 2012	-	-	(821,752,260)	-	(821,752,260)
Transfer from surplus on revaluation of property, plant and equipments incremental depreciation effect for the year - net of tax (note 27.1)	-	-	2,646,274	-	2,646,274
Realisation of surplus on available for sale investments on disposal	-	-	-	(6,851,796)	(6,851,796)
Balance as at 30 June 2012	**451,605,000**	**148,257,389**	**(1,658,516,423)**	**-**	**(1,058,654,034)**

The annexed notes from 1 to 45 form an integral part of these financial statements.

Chief Executive Officer

Chairman

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

1. LEGAL STATUS AND OPERATIONS

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

Saudi Pak Industrial & Agricultural Investment Company Limited (SAPICO) is the parent company (by virtue of management rights) and as of 30 June 2012 holds 35.06% (2011: 35.06%) of issued share capital of the Company.

1.2 The country's weak economic fundamentals has had a pessimistic impact on the local economy, the country is facing serious challenges for the last four years on account of numerous factors along with energy crisis and security risk. Higher inflation, political instability, disturbed security environment and lack of trust of foreign investors are the other main reasons and have caused a serious dent in the country's economy.

These factors provides foundation for severe liquidity crunch in the leasing sector and in the Company as well. The Company was thus trapped in the mud of defaults wherein recovery from customers had become an uphill task. The deteriorated financial position of the Company can be overcome from the recovery on account of balance lease / loan portfolio, which is currently an available lifeline for the company, and the management is trying to recover as much as possible from the available means. The above factors affected the company in the following manner:

- During the year, the Company incurred a net loss of Rs. 821.752 million and as of that date its accumulated losses amounted to Rs. 1,658.516 million and its equity was negative by Rs. 1,058.654 million, as against the minimum equity requirement of Rs. 500 million by 30 June 2012. Furthermore its current liabilities exceeded current assets by Rs. 810.895 million.

- As of 30 June 2012 impairment loss of Rs. 920.262 million and Rs. 20.740 million on lease and loans portfolios and investment portfolio respectively have been recognised till 30 June 2012 (these includes in the above accumulated loss figure).

- Furthermore its license to carry out the leasing business had expired on 18 May 2010 and its renewal is pending with the SECP. However, the Company continue to carry out operating leases.

- During the year, the Company defaulted in making payments of certain financial obligations due to liquidity problems. As of 30 June 2012, total outstanding principal on which defaults were made amounts to Rs. 603.061 million and defaulted mark up repayments amounts to Rs. 130.763 million The management is in the process of negotiating the restructuring terms of such borrowings.

- The Company's rating was downgraded as at 30 June 2010, not permitting the Company to issue new certificate of investments. Subsequently, the management has not renewed the rating agreement with the credit rating company.

Although uncertainty still exists due to the above factors which may cast doubt on the Company's ability to continue as a going concern, however, the management of the Company is confident that due to steps / measures as explained in the next paragraphs which are in line with the Board approved rehabilitation plan for capital management and the approved financial projections, the going concern assumption is appropriate and has as such prepared these financial statements on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

- The Board of Directors support the Company in negotiating the terms of restructuring of various borrowings amounting to Rs. 2,214.535 million (including mark-up thereon) from the Company's lenders (including the financial institutions, Term Certificate holders, holders of Certificate of Investments, etc.) which will help the Company to continue as a going concern. Furthermore, the Board of Directors of the Company in their meeting held on June 11, 2012 approved to convert the sub ordinated debt amounting to Rs. 333.208 million and a debt of major lender amounting to Rs. 195 million into convertible preference shares at a face value of Rs. 10 per share. Subsequently, the shareholders in extra ordinary general meeting held on July 31, 2012 also approved the decision of board and also decided to increase the authorised share capital of the Company to Rs. 2,000 million. The management of the Company has taken necessary steps to initiate the process of such conversion and has filed an application for approval to SECP.

- The borrowings (including mark-up thereon) of the Company has been brought down to Rs. 2,214.535 million from Rs. 2,618.390 million in the current fiscal year through settlements effected by lease and term loans swapping or sale / swapping of collateral held against non performing borrowers. The management has finalised a few loan settlement agreements and is under negotiation with the remaining borrowers for the settlement of the Company's obligation through surrendering of its assets/collateral held by the Company against its non performing exposure and conversion of certain loans into preference shares as disclosed above. The settlement agreements finalised as of 30 June 2012 will result in reduction of borrowing by Rs. 315 million and a waiver of principal and mark-up amounting to Rs. 173.3 million which is subject to performance of certain terms.

- Moreover, after the balance sheet date the management further managed to finalise settlement agreements against their borrowing amounting to Rs. 158.55 million and will also receive a waiver in principal and mark-up of Rs. 75.74 million which is subject to performance of certain conditions. Further, the management is currently under negotiation with various borrowers amounting to Rs. 273.811 million and is expecting positive results based on the negotiations so far.

- Management is hopeful that the reduction in financing cost through restructuring / settlements with the borrowers and the issuance of preference shares against settlement of loans will assist in reducing the losses and improving the equity. This will make the Company an attractive candidate for equity participation / merger alongwith an opportunity to the existing shareholders to inject additional equity. The Company intends to aggressively follow-up with its non-performing portfolio for the recovery of principal, mark-up and possession of collateral assets. In this respect the management has strengthened its recovery team and is expecting an approximate of Rs. 25 million each month through such recoveries.

- Moreover, due to escalating provision, going forward , the management intends to initiate an exercise such that the maximum forced sale value (FSV) benefit from assets / collateral held by the Company against its non performing exposure can be claimed under the NBFC Regulations, 2008, hence, having a positive impact on the equity .

- Since October 2008, the Company has managed to generate liquidity from the existing business and has not opted for any further borrowing from the market. Furthermore, the management has also prepared a contingent plan and identified certain assets which might be considered for sale if the Company need to generate additional liquidity to finance its business.

- The management has negotiated with TFC holders for restructuring of term finance certificates and has successfully concluded the transaction by way of step up monthly payments to be made during the period starting from January 2012 and has also successfully negotiated to defer the mark-up payments.

- The Company has requested the Securities and Exchange Commission of Pakistan (SECP) for relaxation in the minimum Capital requirement under NBFC Rules, 2008 and is hopeful that this request will be accepted based on the condition of the overall business environment and the Company's position in the overall leasing sector.

  On achieving the Board's approved capital management plan and the financial projections, the Company's equity position is expected to reflect the following position:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

	2012 (Rupees)
Equity position as of 30 June 2012:	
Issued, subscribed and paid up capital	**451,605,000**
Capital reserves	**148,257,389**
Accumulated loss	**(1,658,516,423)**
Equity	**(1,058,654,034)**
Expected impact under the equity / financial projections (over the next three years):	
Equity as of 30 June 2012:	(1,058,654,034)
Conversion of liabilities into preference shares	668,208,000
Reversal /waivers of mark-up on settlement of liabilities	374,501,000
Reversal /waivers of principal on settlement of liabilities	224,427,000
Reversal of provisions by claiming forced sale value benefits	137,667,000
Reversal of provisions through recoveries	480,375,000
Effect of taxation and others - net	(103,986,966)
	1,781,191,034
Expected equity (by the end of three years)	**722,537,000**

1.3 Due to the fact that at 30 June 2012, the Company's equity is negative by Rs. 1,058.654 million, the Company could not meet the regulatory requirements of NBFC Regulations, 2008 (apart from those mentioned in notes 1.2 above and 26), including the following:

- Regulation 5 (1) - aggregate liabilities, excluding contingent liabilities and security deposits, of an NBFC, shall not exceed ten times of the company's equity (in case of operations beyond the first 2 years).

- Regulation 5 (2) - contingent Liabilities of an NBFC shall not exceed seven times of its equity for the first two years of its operation and ten times of its equity in the subsequent years.

- Regulation 17 (1) - total outstanding exposure (fund and non-fund based) of an NBFC to a person shall not at any time exceed 30 % of the equity of the NBFC, provided that the maximum outstanding fund based exposure should not exceed 20 % of the NBFC's equity.

- Regulation 17 (2) - total outstanding exposure (fund based and non-fund based) of an NBFC to any group shall not exceed 50 % of the equity of the NBFC, provided that the maximum outstanding fund based exposure should not exceed 35 % of the equity.

- Regulation 28 (d) - total investments of the leasing company in shares, equities or scripts shall not exceed 50 % of the equity of the leasing company.

- Regulation 28 (e) - a leasing company shall not own shares, equities or script of any one company in excess of 10 % of its own equity or the issued capital of that company, whichever is lower.

Securities and Exchange Commission of Pakistan has amended the time based criteria for calculating the provision against non-performing leases. The new criteria will be applicable from 01 July 2012. Under the revised criteria, classification and provisioning / suspension requirement would start from the 90th day of default and would need to be fully provided on 1 year of default (earlier starting 90th day up to 3 years). However, the NBFIs and modaraba Association has taken up the matter, with the SECP and has requested for a revision in the criteria, according to which the classification would start from 180th day and would need to be fully provided on 2 years default. Management is in the process of quantifying the impact of the change.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

As mentioned in note 1.1 above, although the Company's license to carry out the business of leasing had expired on 18 May 2010, these financial statements have been prepared in accordance with the format generally followed for financial institutions and the provision requirements have been determined in accordance with the requirements of NBFC Regulations, 2008.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except for the following:

- Office premises, plant and machinery and generators are stated at revalued amounts;
- Obligation in respect of gratuity fund are measured at present value;
- Available for sale financial assets are stated at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency and has been rounded off to the nearest rupee except when otherwise indicated.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan 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 and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making 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. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in period of revision and future periods if the revision affects both current and future periods.

The estimates and judgments that have a significant effect on the financial statements are in respect of the following:

- Future financial projections (note 1.2).
- Classification of investments and impairment thereon (notes 3.1 and 6);
- Residual values and useful lives of property, plant and equipment (notes 3.6 and 17);
- Revaluation of property, plant and equipment (notes 3.6, 17 and 27.1);
- Useful lives of intangible assets (notes 3.7 and 16); and
- Recognition of taxation and deferred taxation (notes 3.11 and 14)
- Accounting for post employment benefits (note 3.12 and 38);
- Provisions (note 3.14);
- Allowance for potential lease, loan losses and other receivables (note 3.15);
- Classification of net investments in finance lease and loans (notes 3.4, 3.8, 5, 11 and 12);
- Classification of investment properties (notes 3.9, and 15);

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

2.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 01 July 2012:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2012

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations:

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

The amendments have no impact on the financial statements of the Company..

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalised if certain criteria are met. The amendment has no impact on the financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These accounting policies have been applied consistently to all years presented, except for, as disclosed in note 17 of these financial statements.

3.1 Investments

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

Investment at fair value through profit or loss

A non-derivative financial asset is classified as, at fair value through profit or loss if it is held for trading or is designated as such, upon initial recognition. Investments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair values. Upon initial recognition, attributable transaction cost are recognised in profit or loss when incurred. Investments at fair value through profit or loss are remeasured at fair value, and changes therein are recognised in profit or loss. The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted bid price at the reporting date in the active market.

Held-to-maturity

Held to maturity investments are non-derivative financial instruments with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other investments that are intended to be held-to-maturity are recognised initially at fair value, plus attributable transaction costs and subsequently it is measured at amortised cost using the effective interest rate method.

Premiums and discounts on held-to-maturity investments are amortised using the effective interest rate method and taken to income from investments.

Available-for-sale

Investment securities held by the Company which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale. These investments are initially recognised at fair value plus transaction cost and subsequently re-measured at fair value.

Gains and losses arising from remeasurement at fair value is recognised directly in the equity under fair value reserve until sold, collected, or otherwise disposed off at which time, the cumulative gain or loss previously recognised in equity is included in profit and loss account.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

Unquoted investments, where the fair value cannot be reliably determined, are recognised at cost less impairment, if any. Provision for impairment in value, if any, is taken to profit and loss account currently.

Investment in associates - equity method

The Company's investment in its associates is accounted for under the equity method of accounting where an associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post- acquisition changes in the Company's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Company determines whether it is necessary to recognise any additional impairment loss with respect to the Company's net investment in the associate. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's equity that have not been recognised in the investee's profit or loss. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity.

3.2 Financial instruments

All financial assets and liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Company loses its control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account directly. The financial assets and liabilities carried on the balance sheet date have been disclosed in the note 43.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2012

3.3 Leased assets repossessed upon termination of leases

The Company repossesses leased assets in settlement of non-performing lease finance provided to customers. These are stated at lower of the original cost of the related asset, exposure to the Company and net realizable value of the asset repossessed. Gains or losses on disposal of such assets are taken to profit and loss account.

3.4 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, if any.

3.5 Operating lease

Leases where the Company does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating lease. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of leased asset and recognised over the lease term on the same basis of rental income.

3.6 Property, plant and equipment

Owned

Property, plant and equipment are stated at cost or relevant amount less accumulated depreciation and impairment losses, if any (except for office premises and operating lease assets which are stated at revalued amount less accumulated depreciation and impairment loss, if any).

During the year, the company has changed its accounting policy whereby the "plant and machinery" and "generators' classified under operating lease assets are being revalued which was previously stated at cost less accumulated depreciation (refer note 17).

Depreciation is charged to profit and loss account applying the straight line method in accordance with the rates specified in note 17 whereby the cost / revalued amount of an asset is written off over its estimated useful life. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the preceding month of disposal.

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

Subsequent cost are included in an asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other expenses are charged to income during the financial period in which they are incurred.

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

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

Capital work-in-progress

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

Leased

Asset subject to finance lease are accounted for by recording the asset at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired. The related obligations under the lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged in a manner similar to owned assets.

3.7 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. These are amortized using the straight line method in accordance with the rates specified in note 16, reflecting the pattern in which the economic benefits of the asset are consumed by the Company.

3.8 Loans and receivables

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

3.9 Investment properties

Investment properties are accounted for under cost model and are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to profit and loss accounts by applying using the straight line method at the rates of 5% per annum after taking into account residual value, if any. Depreciation on additions is charged from the month of classification, while no depreciation is charged in the month in which the assets are disposed off. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Gains or losses on sale of assets are charged to the profit and loss account in the period in which they arise.

3.10 Revenue recognition

Finance lease income

The Company follows the effective interest method in accounting for the recognition of lease income. Under this method, the unearned lease income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased assets is deferred and taken to income over the term of the lease, so as to produce a systematic return on the net investment in lease. Unrealised lease income pertaining to non-performing leases is held in suspense account, where necessary, in accordance with the requirements of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

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

Gain on termination of lease contracts and late payment charges are recognised as income when realised.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2012

Operating lease income

Rental income from assets given under operating leases is recognised on an accrual basis.

Income on term loan

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

Income on non-performing loan receivables

Income on non-performing loan receivables is recognised on receipt basis in accordance with the requirements of the relevant Regulations.

Mark-up / return on investments

Mark-up income on debt securities is recognised on time proportion basis using the effective yield on instruments.

Dividend income

Dividend income from investment is recognised when the Company`s right to receive dividend is established.

Gain on sale of investments

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

Interest income

Interest income on bank deposits and debt securities is recognised on time proportion basis using the effective interest method.

3.11 Taxation

Income tax comprises current and deferred tax. Income tax expense is recognised in profit or loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account available tax credits, rebates and tax losses, or one percent of turnover, whichever is higher. The charge for the current tax is calculated using tax rates enacted or substantively enacted at the reporting date. The charge for current tax also includes adjustments, where considered necessary relating to prior years.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amount of assets and liabilities used for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is charged or credited to the profit and loss account except deferred tax, if any, on revaluation of property and equipment, which is recognised as an adjustment to surplus / deficit on revaluation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

3.12 Staff retirement benefit

Defined benefit plan

The Company operates an approved gratuity fund for its permanent employees who complete the eligible period of service. Provision has been made in accordance with actuarial recommendations using the “Projected Unit Credit Method”. The results of current valuation are summarized in note 38. The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognised actuarial gains and losses and as reduced by the fair value of plan assets.

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

Defined contribution plan

The Company also operates a provident fund scheme for its permanent employees. Equal monthly contributions at a rate of 10 percent of basic salary are made by the Company and its employees. The Company has suspended the contributions of provident fund scheme in accordance with the resolution passed in the meeting of Board of Directors from October 2009.

3.13 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are setoff and the net amount is reported in the balance sheet, when and only when, the Company has a enforceable legal right to set off the amounts and it intends either to settle on net basis or to realize the asset and to settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the approved accounting standards, or for gains and losses arising from a group of similar transactions.

3.14 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

3.15 Allowance for potential lease, loan losses and other receivables

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

3.16 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purposes of cash flow statement, cash and cash equivalents comprise of cash in hand, deposits held at call with banks, running finances under mark-up arrangements and term deposits with banks having original maturity of a period equal to or less than three months.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

3.17 Borrowings

Borrowings are recognised initially at fair value less attributable transaction cost. Subsequent to initial recognition, these are stated at amortised cost. Interest expense is recognised on an effective interest basis in the profit and loss account over the period of the borrowings.

3.18 Non current assets held for sale

Non-current assets held for sale comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss, except assets which are stated at revalued amounts.

3.19 Derivative financial instruments

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

3.20 Financial liabilities

All financial liabilities are initially recognised at fair value plus directly attributable cost (if any) and subsequently measured at amortised cost.

3.21 Repurchase and resale transactions

The Company enters into repurchase agreements (repo) and reverse repurchase agreements (reverse repo) at contracted rates for a specified period of time. These are recorded as under:

a) Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. The differential in sale and repurchase value is accrued on time proportion basis over the period of the contract and recorded as an expense.

b) Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions or financing as appropriate. The underlying security is not recognised as a separate asset in the financial statements. The difference between the contracted price and resale price is amortised over the period of the contract and recorded as income.

3.22 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date. Exchange differences are included in income currently.

3.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised in the financial statements in the period in which the dividend is approved by the appropriate authority.

3.24 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.25 Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Executive Committee and Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, administrative expenses, and income tax assets and liabilities.

The detail of segment information has been given in note 42.

3.26 Impairment

Non derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and the loss event(s) had an impact on the estimated future cash flows of the asset that can be estimated reliably.

Objective event that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity investment securities) at both a specific asset and collective level. All individually significant assets are assessed for any impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available for sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

		Note	2012	2011
4.	**CASH AND BANK BALANCES**		---------- (Rupees) ----------	
	With State Bank of Pakistan in current account - local currency		**27,285**	35,749
	With banks:			
	- in current accounts - local currency		**5,500**	942,187
	- in current accounts - foreign currency		**-**	5,401
	- in savings accounts	4.1	**27,159,993**	30,615,872
	Cash in hand		**86,282**	101,343
			27,279,060	31,700,552

4.1 This represents saving deposit accounts maintained with various commercial banks at a mark-up rate ranging from 6% to 8% (2011: 5% to 8%) per annum.

		Note	2012	2011
5.	**SHORT TERM LOANS - secured**			
	Considered good		**-**	27,635,273
	Considered doubtful	5.1	**329,496,472**	410,774,464
			329,496,472	438,409,737
	Provision for non performing loans	5.2	**(109,273,927)**	(46,871,981)
			220,222,545	391,537,756

5.1 These represent term loan facilities provided to customers on mark-up basis in the normal course of business. These term loans are secured against charge over fixed assets. The mark-up rate range from 16.06% to 25% (2011: 17% to 19.75%) per annum.

		Note	2012	2011
5.2	**Provision for non performing loans**			
	Balance at beginning of the year		**46,871,981**	28,207,154
	Charge for the year	5.2.1	**88,818,331**	30,931,550
	Reversal during the year		**(26,416,385)**	(12,266,723)
		34	**62,401,946**	18,664,827
	Balance at end of the year		**109,273,927**	46,871,981

5.2.1 The above provision for non-performing loans is net of forced sales values (FSVs) of collaterals of Rs. 171.7 million (2011: Rs. 296.707 million) considered by the Company for the purpose of determination of provision requirements. Had this benefit of FSVs not been taken by the Company, the specific provisions against non-performing loans would have been higher by Rs. 171.7 million (2011: Rs. 220.234 million) and the Company's accumulated loss (before taxation, if any) would also have been higher by the same amount.

		Note	2012	2011
6.	**SHORT-TERM INVESTMENTS**		---------- (Rupees) ----------	
	Available for sale			
	- ordinary shares of listed companies	6.1	**33,654,260**	252,302,567
	- ordinary shares of unlisted companies	6.1	**32,248,268**	69,583,330
	- term finance certificates	6.1 & 6.2	**-**	40,000,000
	Investment at cost		**65,902,528**	361,885,897
	Impairment loss recognised	6.5	**(20,740,074)**	(184,593,547)
			45,162,454	177,292,350
	Surplus on revaluation of available for sale investments	27	**-**	6,851,796
	Investment at market value		**45,162,454**	184,144,146
	Held to maturity			
	- Government Market Treasury Bills	6.3	**32,406,419**	-
	- Certificates of deposit	6.4	**45,000,000**	-
			122,568,873	184,144,146

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

6.1 Investment in available for sale securities

2012	2011	Name of companies	2012 Cost	2012 Market value / break up value	2011 Cost	2011 Market value / break up value
(Number of shares/ certificates)			--------- (Rupees) ---------		--------- (Rupees) ---------	
		Term finance certificates - secured - unlisted				
-	8,000	Flying Board & Paper Products Limited (Note 6.2)	-	-	40,000,000	29,753,362
		Ordinary shares of listed companies				
		These are fully paid ordinary shares of Rs. 10/- each				
-	60,500	Allied Bank Limited	-	-	6,145,855	3,880,470
-	85,000	Arif Habib Corporation Limited	-	-	12,103,163	2,235,500
-	165,000	Askari Bank Limited	-	-	6,283,740	1,795,200
-	333,499	The Bank of Punjab	-	-	27,315,108	1,947,634
117,000	120,000	Engro Corporation Limited	**24,207,494**	**11,915,280**	31,775,022	19,590,000
-	25,500	Fatima Fertilizer Company Limited	-	-	255,000	424,320
-	26,500	Hum Network Limited	-	-	2,014,915	399,090
-	53,424	International Industries Limited	-	-	5,405,445	2,644,488
-	154,700	Jahangir Siddiqui & Co. Limited	-	-	33,190,788	1,002,456
-	510,000	Lafarge Pakistan Cement Limited	-	-	8,031,427	1,377,000
-	356,250	National Bank of Pakistan Limited	-	-	44,902,750	17,962,125
-	300,000	NIB Bank Limited	-	-	4,905,425	453,000
-	40,000	Nishat Mills Limited	-	-	5,272,436	2,013,600
-	92,716	Pak Electron Limited	-	-	3,750,000	635,105
10,000	60,000	Pakistan State Oil Company Limited	**5,160,358**	**2,328,400**	30,962,151	15,874,800
-	100,000	Shakarganj Mills Limited	-	-	4,119,411	634,000
-	616,503	Silk Bank Limited	-	-	4,065,642	1,559,753
14,850	52,500	Sitara Chemical Industries Limited	**4,286,408**	**1,559,993**	15,153,964	5,240,025
-	604,575	SME Leasing Limited	-	-	6,650,325	5,138,888
			33,654,260	**15,803,673**	252,302,567	84,807,454
		Ordinary shares of unlisted companies				
1,333,333	1,333,333	Burj Bank Limited	**13,333,330**	**10,443,843**	13,333,300	13,333,300
425,000	5,625,000	Pace Barka Properties Limited	**4,250,000**	**4,250,000**	56,250,000	56,250,000
2,500,000	-	Saudi Pak Insurance Company Limited (Note 13)	**14,664,938**	**14,664,938**	-	-
			32,248,268	**29,358,781**	69,583,300	69,583,300
Impairment loss recognised			**(20,740,074)**	**-**	(184,593,547)	-
Surplus on revaluation of available for sale investments			**-**	**-**	6,851,796	-
			45,162,454	**45,162,454**	184,144,116	184,144,116

6.1.1 The investments in the listed equity securities held as available for sale are valued at prices quoted on Karachi Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

6.2 Term Finance certificates - Secured - unlisted

	Number of certificates 2012	Number of certificates 2011	Tenure	Profit rate	Note	2012 (Rupees)	2011 (Rupees)
Flying Board & Paper Products Limited	-	8,000	5 Years from 20-Jul-09	6 Months KIBOR plus 150 bps with no floor on cap	6.2.1	-	40,000,000

6.2.1 This represents Flying Board & Paper Products Limited's term finance certificates (TFCs). Provision of Rs. 20 million was created against the above TFCs, resulting in a net carrying value of Rs. 20 million. During the year, these were transferred by the Company at Rs. 20 million as part of agreement for the liability settlement.

6.3 This represents investment in Government Market Treasury Bill having maturity on 12 November 2012 and carries effective mark-up rate 11.78% (2011: nil) per annum. As of 30 June 2012, the market value of the treasury bill amounts to Rs. 32,398,940.

6.4 This represents certificates of deposit of Orix Leasing Pakistan Limited for a period of one year and having maturity from 17 February 2013 to 19 April 2013. These certificates carry interest rate of 12% per annum (2011: nil).

6.5 Impairment loss recognised

	Note	2012	2011
		(Rupees)	
Balance at the beginning of the year		**184,593,547**	212,103,484
Charge for the year		**13,197,008**	15,628,434
Reversal during the year due to settlements		**(28,469,751)**	-
Reversal during the year on sale of investments		**(148,580,730)**	(43,138,371)
Balance at the end of the year		**20,740,074**	184,593,547
7. ADVANCES			
Advance to suppliers		**-**	1,529,000
		-	1,529,000
8. ACCRUED MARK-UP			
Return on investments		**374,792**	-
Mark-up on term loans		**1,138,738**	41,137,710
		1,513,530	41,137,710
9. OTHER RECEIVABLES			
Operating lease rentals receivables		**11,545,095**	11,545,095
Receivable on termination of lease		**76,619,903**	98,325,653
Others		**4,039,964**	2,207,589
		92,204,962	112,078,337
Less: Provision against doubtful receivables	9.1	**(76,555,779)**	(35,501,823)
		15,649,183	76,576,514
9.1 Provision against doubtful receivables			
Balance at beginning of the year		**35,501,823**	16,163,005
Charge for the year		**53,740,779**	24,099,837
Reversal during the year		**(12,686,823)**	(4,761,019)
		41,053,956	19,338,818
Balance at end of the year		**76,555,779**	35,501,823

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

	Note	2012	2011
		---------- (Rupees) ----------	
10. CURRENT MATURITY OF NON- CURRENT ASSETS			
Long term loans	11	**73,142,480**	159,548,849
Net investment in leases	12	**1,050,079,308**	1,421,892,104
		1,123,221,788	1,581,440,953
11. LONG TERM LOANS			
Related party - secured			
Loans to employees	11.1	**4,724,493**	9,235,400
Other than related party - secured			
Term loan to customers			
- Considered good		**1,182,846**	7,778,472
- Considered doubtful		**123,368,596**	219,703,968
	11.2	**124,551,442**	227,482,440
		129,275,935	236,717,840
Provision for non performing loans	11.3	**(56,133,455)**	(16,429,384)
		73,142,480	220,288,456
Current maturity of long term loans	10	**(73,142,480)**	(159,548,849)
		-	60,739,607
11.1 Loans to employees			
Executives		**1,785,280**	5,568,835
Other employees		**2,939,213**	3,666,565
	11.1.1	**4,724,493**	9,235,400

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

	Chief Executive		Executives	
	2012	2011	**2012**	2011
	---------- (Rupees) ----------			
Opening balance	**1,627,934**	-	**3,940,901**	6,625,594
Disbursements	**-**	2,110,509	**-**	-
Repayments	**(1,627,934)**	(482,575)	**(2,155,621)**	(2,684,693)
	-	1,627,934	**1,785,280**	3,940,901

11.1.1 Loans to employees represent car, house and personal loans and these are secured against the future salaries and retirement benefits of the employees. These loans are repayable within a period of 15 years from the date of disbursement or retirement date whichever is earlier.

The rate of return on these loans is 6% (2011: 6%) per annum for car loans and personal loans and 4% (2011: 4%) per annum for house loans.

11.1.2 Maximum amount outstanding at the end of any month during the year against any loans to Chief Executive and executives were Rs. 1.628 million (2011: Rs. 2.11 million) and Rs. 3.94 million (2011: Rs. 6.625 million) respectively.

11.2 Term loan due from customers is secured against property. The rate of return on these loans ranges from 16% to 22.66% (2011: 17% to 19.75%) per annum and having maturity upto 5 June 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

	Note	2012	2011
		---------- (Rupees) ----------	
11.3 Provision for non performing loans			
Balance at beginning of the year		**16,429,384**	26,008,800
Charge for the year	11.3.1	**41,604,071**	1,868,253
Reversal made during the period		**(1,900,000)**	(11,447,669)
	34	**39,704,071**	(9,579,416)
Balance at end of the year		**56,133,455**	16,429,384

11.3.1 The above provision for non-performing long term loans is net of forced sale values (FSVs) of collaterals of Rs. 53.12 million (2011: Rs. 155.454 million) considered by the Company for the purpose of determination of provision requirements. Had this benefit of not been taken by the Company, the specific provisions against non-performing loans would have been higher by Rs. 53.12 million (2011: Rs. 90.933 million) and the Company's accumulated loss (before taxation, if any) would also have been higher by the same amount.

12. NET INVESTMENT IN FINANCE LEASES

	2012			2011		
	Not later than one year	**Later than one year and less than five years**	**Total**	Not later than one year	Later than one year and less than five years	Total
	(Rupees)					
Minimum lease payment receivables	**1,291,530,145**	**548,244,700**	**1,839,774,845**	1,423,512,712	610,076,877	2,033,589,589
Residual value of leased assets	**609,397,327**	**73,467,439**	**682,864,766**	319,295,777	424,584,857	743,880,634
Gross investment in lease	**1,900,927,472**	**621,712,139**	**2,522,639,611**	1,742,808,489	1,034,661,734	2,777,470,223
Unearned lease income	**(7,105,863)**	**(42,060,824)**	**(49,166,687)**	(30,561,387)	(112,245,549)	(142,806,936)
Mark-up held in suspense	**(247,605,743)**	**(138,517,050)**	**(386,122,793)**	(140,545,617)	(202,248,571)	(342,794,188)
	(254,711,606)	**(180,577,874)**	**(435,289,480)**	(171,107,004)	(314,494,120)	(485,601,124)
Provision for lease losses	**(596,136,558)**	**(158,718,640)**	**(754,855,198)**	(149,809,381)	(266,327,789)	(416,137,170)
Net investment in finance lease	**1,050,079,308**	**282,415,625**	**1,332,494,933**	1,421,892,104	453,839,825	1,875,731,929

12.1 The internal rate of return on leases disbursed by the Company ranges from 12.50% to 20.01% (2011: 8.5% to 25%) per annum. Certain lease rentals have been hypothecated against long term finances obtained (refer note 24.1 & 24.2).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

	Note	2012	2011
		---------- (Rupees) ----------	
12.2 Mark-up held in suspense			
Balance at beginning of the year		**342,794,188**	295,720,812
Income suspended during the year		**60,003,247**	72,174,051
		402,797,435	367,894,863
Suspended income:			
- realised during the year		**(16,407,237)**	(25,100,675)
- written off during the year		**(267,405)**	-
		(16,674,642)	(25,100,675)
		386,122,793	342,794,188
12.3 Provision for lease losses			
Balance at beginning of the year		**416,137,170**	361,379,739
Charge for the year		**367,456,634**	127,040,409
Reversal during the year		**(28,273,631)**	(72,282,978)
	34	**339,183,003**	54,757,431
Write offs against provision		**(464,975)**	-
Balance at end of the year		**754,855,198**	416,137,170

12.3.1 The above provision for non-performing lease losses is net of the forced sales values (FSVs) of leased assets / collaterals of Rs. 601.68 million (2011: Rs. 829.860 million) considered by the Company for the purpose of determination of provision requirements. Had this benefit of FSVs not been taken by the Company, specific provision against non-performing lease portfolio would have been higher by Rs. 583.299 million (2011: Rs. 556.827 million) and Company's accumulated losses (before tax, if any) would also have been higher by the same amount.

12.4 Net investment in finance lease includes lease contract receivables amounting to Rs. 0.878 million (2011: Rs. 4.369 million) from related parties.

12.5 As per NBFC Regulation 28(a), a leasing company undertaking the business of lease only, shall invest at least 70% of its assets in the business of leasing. As at 30 June 2012 the Company's investment in lease assets were 71.4% (2011: 63.8%) of the total assets (less allowable deduction).

	Note	2012	2011
13. LONG TERM INVESTMENTS		---------- (Rupees) ----------	
Investment in associate		**-**	12,254,616
13.1 Investment in associate – at equity method *			
Number of shares held		**2,500,000**	2,500,000
Cost of investments		**25,000,000**	25,000,000
Ownership interest		**7.69%**	7.69%
13.2 Cost		**25,000,000**	25,000,000
Opening balance		**(12,745,384)**	(10,665,653)
Share of post acquisition profit / (loss)		**2,410,322**	(2,079,731)
Closing balance		**(10,335,062)**	(12,745,384)
		14,664,938	12,254,616
13.3 Total assets		**-**	31,409,363
Total liabilities		**-**	(19,154,747)
Share in net assets		**-**	12,254,616

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

This represents investment of 2.50 million ordinary shares in Saudi Pak Insurance Company Limited, formerly an associate of the Company.

On May 30, 2011 Saudi Pak Industrial & Agricultural Investment Company Limited (SAPICO) signed an agreement for sale of its investment in Saudi Pak Insurance Company Limited to the sponsors of United Insurance Company Limited ("United Insurance"). Under the agreement the SAPICO had to transfer the management rights to United Insurance at the time of agreement whereas the shareholding of the SAPICO was to be transferred in tranches.

On April 14, 2012, the percentage of shareholding of the SAPICO fell below 50%, and accordingly, the SAPICO changed the status of Saudi Pak Insurance Company Limited from subsidiary to associate. Based on the above and that currently no representation of the Company is on the Board of Saudi Pak Insurance Company Limited, the management is of the view that the Company does not have any significant influence in Saudi Pak Insurance Company Limited. Therefore, the investment has been derecognised and is classified as available for sale with effect from April 14, 2012.

*As per IAS 28 "Investments in Associates" , the Company has recognised income / (loss) from associate up till the date it considered to be as its associate.

14. DEFERRED TAX ASSET / (LIABILITY)

	Opening balance	Recognised in profit and loss account	Recognised in equity	Closing balance
	------ (Rupees) ------			
30 June 2012				
Taxable temporary differences:				
Excess of net investment in leases over written down value of leases	(55,021,655)	-	-	(55,021,655)
Accelerated tax depreciation	(12,760,288)	-	-	(12,760,288)
Surplus on revaluation of property, plant and equipment	(9,053,086)	1,424,917	(18,022,486)	(25,650,655)
	(76,835,029)	1,424,917	(18,022,486)	(93,432,598)
Deductible temporary differences:				
Provision against term loans	22,155,478	(22,155,478)	-	-
Provision against other receivables	12,425,638	(12,425,638)	-	-
Investment in associate	4,460,884	(4,460,884)	-	-
	39,042,000	(39,042,000)	-	-
Unabsorbed depreciation and carry forward losses	175,566,949	(175,566,949)	-	-
	137,773,920	(213,184,032)	(18,022,486)	(93,432,598)
30 June 2011				
Taxable temporary differences:				
Excess of net investment in leases over written down value of leases	(158,958,729)	103,937,074	-	(55,021,655)
Accelerated tax depreciation	(15,150,869)	2,390,581	-	(12,760,288)
Surplus on revaluation of property, plant and equipment	(10,058,985)	1,005,899	-	(9,053,086)
	(184,168,583)	107,333,554	-	(76,835,029)
Deductible temporary differences:				
Provision against term loans	18,975,584	3,179,894	-	22,155,478
Provision against other receivables	5,657,052	6,768,586	-	12,425,638
Investment in associate	3,732,978	727,906	-	4,460,884
	28,365,614	10,676,386	-	39,042,000
Unabsorbed depreciation and carry forward losses	237,538,645	(61,971,696)	-	175,566,949
	81,735,676	56,038,244	-	137,773,920

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

14.1 During the year, the management re-evaluated the deferred tax assets recognised and has decided to write off as a matter of prudence in view of the uncertainty of its realisation.

14.2 The deferred tax assets amounting to Rs. 345.740 million (2011: Nil) is not recognised in these financial statements.

	2012	2011
	(Rupees)	
15. Investment Properties		
Cost at the beginning of the year	**-**	-
Additions during the year	**76,169,772**	-
Disposals during the year	**-**	-
Cost at the end of the year	**76,169,772**	-
Accumulated depreciation	**(9,186,717)**	-
Carrying value of investment properties	**66,983,055**	-

This represents properties acquired by the Company in settlement of loan and lease rental amounts due to the Company (repossessed properties). Up to the previous year, these properties were classified under IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations" as 'non-current assets held for sale'. However, this classification does not meet the categorisation requirements under such IFRS, hence in the current period these have been re-classified as investment properties under IAS 40 "Investment Property" (Rs. 76.169 million) and property, plant and equipment under IAS 16 "Property, Plant and Equipment" (Rs. 2.80 million), as the management is of the view that these classifications appropriately reflect the substance of the transactions.

Market values of these 3 investment properties were determined by independent valuer Tracom (Private) Limited and Harvester Services (Private) Limited during the year amounting in total to Rs. 67.641 million. These properties also include a property with carrying value of Rs. 19.4 million, which is jointly owned with the parent company. A property of Rs. 51.6 million has been let out on rent. During the year, an amount of Rs. 8.9 million was charged off (previously classified as held for sale).

The re-classification has been made from the current financial period, at carrying values as of 30 June 2011, though under the International Accounting Standard 8 (IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors) the re-classifications have to be made with retrospective effect. The cumulative depreciation on investment properties carried under historical cost basis to date amounting to Rs. 9.187 million have been charged in the current period (including Rs. 5.3 million relating to prior periods).

International Accounting Standard 1 (IAS 1 - 'Presentation of Financial Statement') states that a 'complete set of financial statements' includes 'a statement of financial position' as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective re-statement of items in its financial statements, or when it re-classifies items in its financial statements. The comparative figures have not been restated due to such reclassification and also the statement of financial position as at the beginning of the earliest comparative period has not been presented under IAS 1. Had the financial position (balance sheet) as at the beginning of the earliest comparative been so presented and adjustments been made with retrospective effect as required under IAS 8, the same in respect of the above re-classified / re-stated caption / balance would have been as follows:

	30 June 2012	30 June 2011	01 July 2010
		(Rupees)	
Investment properties	**66,983,055**	70,791,543	74,195,193
Accumulated loss (due to the charge for depreciation and a balance charged off)	**1,658,516,423**	844,788,666	725,575,001

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

Furthermore, had depreciation and a balance so charged off been recorded with retrospective effect, loss for the year would have been lower by Rs. 5.3 million. Similarly, the balance of 'Non- Current Assets classified as Held for Sale' as earlier reported at Rs. 87.821 million as at 30 June 2011 and Rs. 68.791 million as at 01 July 2010 would have been Nil. Other balances as earlier reported would have remained the same.

16. INTANGIBLE ASSETS

2012

	Cost			Amortisation			Written down	Amortisation
	As at 1 July 2011	Additions / (disposals)	As at 30 June 2012	As at 1 July 2011	For the year	As at 30 June 2012	value as at 30 June 2012	rate %
	(Rupees)							
Computer software	**1,655,408**	**-**	**1,655,408**	**(735,744)**	**(551,808)**	**(1,287,552)**	**367,856**	**33**

2011

	Cost			Amortisation			Written down	Amortisation
	As at 1 July 2010	Additions / (disposals)	As at 30 June 2011	As at 1 July 2010	For the year	As at 30 June 2011	value as at 30 June 2011	rate %
	(Rupees)							
Computer software	1,655,408	-	1,655,408	(183,936)	(551,808)	(735,744)	919,664	33

17. PROPERTY, PLANT AND EQUIPMENT

2012

	Cost / Revaluation				Accumulated depreciation			Net book value	Rate
	As at 1 July 2011	Additions / (disposals) / (transfers *)	Revaluation surplus / (deficit)	As at 30 June 2012	As at 1 July 2011	For the year / (on disposals) / (on transfers *)	As at 30 June 2012	as at 30 June 2012	(%)
	(Rupees)								
Owned assets									
Leasehold land	-	2,800,000 *	-	2,800,000	-	-	-	2,800,000	0%
Building improvements	3,526,371	-	-	3,526,371	3,526,371	-	3,526,371	-	20%
Office premises (note 17.2)	62,317,487	-	41,486,216	103,803,703	21,098,112	5,498,592	26,596,704	77,206,999	5%
Furniture, fixtures & fittings	6,772,397	- (713,250)	-	6,059,147	6,686,765	75,369 (713,250)	6,048,884	10,263	20%
Vehicles	21,873,605	1,529,000 (10,079,869)	-	13,322,736	17,242,467	1,187,462 (6,843,295)	11,586,634	1,736,102	20%
Office equipment	25,590,494	226,850 (935,000)*	-	24,882,344	24,613,877	754,209 (934,999)*	24,433,087	449,257	20%
	120,080,354	4,555,850 (10,793,119) (935,000)	41,486,216	154,394,301	73,167,592	7,515,632 (7,556,545) (934,999)	72,191,680	82,202,621	
Operating lease assets									
Plant and machinery	67,000,000	-	(7,495,000)	59,505,000	33,225,000	6,030,000	39,255,000	20,250,000	10%
Generators	44,262,135	3,026,480 (10,268,135) 935,000 *	17,501,600	55,457,080	25,190,549	6,617,724 (7,493,960) 934,999 *	25,249,312	30,207,768	20%
	111,262,135	3,026,480 (10,268,135) 935,000	10,006,600 -	114,962,080	58,415,549	12,647,724 (7,493,960) 934,999	64,504,312	50,457,768	
	231,342,489	7,582,330 (21,061,254) -	51,492,816 -	269,356,381	131,583,141	20,163,356 (15,050,505) -	136,695,992	132,660,389	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

	2011								
	Cost / Revaluation				Accumulated depreciation			Net book value	Rate
	As at 1 July 2010	Additions / (disposals) / (transfers *)	Revaluation surplus / (deficit)	As at 30 June 2011	As at 1 July 2010	For the year / (on disposals) / (on transfers *)	As at 30 June 2011	as at 30 June 2011	(%)
	(Rupees)								
Owned assets									
Building improvements	3,526,371	-	-	3,526,371	3,526,371	-	3,526,371	-	20%
Office premises (note 17.2)	62,317,487	-	-	62,317,487	17,982,239	3,115,873	21,098,112	41,219,375	5%
Furniture, fixtures & fittings	6,772,397	-	-	6,772,397	6,544,684	142,081	6,686,765	85,632	20%
Vehicles	26,498,041	-	-	21,873,605	18,902,917	2,501,546	17,242,467	4,631,138	20%
		(4,624,436)				(4,161,996)			
Office equipment	25,699,594	113,000	-	25,590,494	23,607,458	1,228,519	24,613,877	976,617	20%
		(222,100)				(222,100)			
	124,813,890	113,000	-	120,080,354	70,563,669	6,988,019	73,167,592	46,912,762	
		(4,846,536)				(4,384,096)			
Operating lease assets									
Plant and machinery	67,000,000	-	-	67,000,000	27,195,000	6,030,000	33,225,000	33,775,000	10%
Generators	54,032,135	3,665,000	-	44,262,135	28,804,641	7,808,033	25,190,549	19,071,586	20%
		(13,435,000)				(11,422,125)			
Vehicles	-	-	-	-	-	-	-	-	20%
	121,032,135	3,665,000	-	111,262,135	55,999,641	13,838,033	58,415,549	52,846,586	
		(13,435,000)				(11,422,125)			
	245,846,025	3,778,000	-	231,342,489	126,563,310	20,826,052	131,583,141	99,759,348	
		(18,281,536)				(15,806,221)			

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

17.1 The following assets were disposed off during the year

Assets - Own use	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Gain / (loss) on sale	Mode of disposal	Particulars of purchaser
	----- (Rupees) -----						
Vehicles							
Santro AFL-185	559,000	503,101	55,899	350,000	294,101	Negotiation	Nadeem Farooqui
Suzuki Mehran ARH-754	473,000	241,230	231,770	432,332	200,562	Negotiation	Maaz Saleem
Santro AGD-423	579,000	521,101	57,899	400,000	342,101	Negotiation	Tariq Abdul Ghani & Co
Honda city ARJ-653	1,008,000	544,320	463,680	554,400	90,720	As per Company's Policy	Mazhar Zaidi (Ex-Employee)
Cultus-AKU-487	600,000	540,000	60,000	600,000	540,000	Negotiation	Muhammad Nadeem
Suzuki-ARH-751	473,000	297,990	175,010	465,000	289,990	Negotiation	Waseem Mirza
KIA Sportage BC-5085	1,587,000	1,428,302	158,698	652,000	493,302	Negotiation	Muhammad Irfan
Suzuki Mehran ARH - 763	473,000	326,370	146,630	232,500	85,870	As per company's policy	Najam us Sehar (Ex-Employee)
Suzuki Cultus SF-410	650,869	507,677	143,192	375,000	231,808	As per company's policy	Khaliq Nawaz (Ex-Employee)
Suzuki Cultus AML-559	620,000	558,001	61,999	275,000	213,001	As per company's policy	Imran Masood (Ex-Employee)
Toyota Corolla STA-609	969,000	872,101	96,899	96,900	1	As per company's policy	Amjad Aziz (Employee)
Santro AFJ-672	559,000	503,102	55,898	350,000	294,102	Negotiation	Mrs.Rukshana Mazhar
Toyota Corolla AVF-253	1,529,000	-	1,529,000	150,000	(1,379,000)	Board approved	Farrukh Shaukut Ansari (Ex-CEO)
	10,079,869	**6,843,295**	**3,236,574**	**4,933,132**	**1,696,558**		
Operating lease assets							
Generators							
Generators 100 KVA	1,100,000	990,000	110,000	575,000	465,000	Negotiation	Shehzad Ahmed
Generators 250 KVA	2,210,000	1,989,000	221,000	800,000	579,000	Negotiation	A&Y Filling Station
Generators 32 KVA	520,000	101,400	418,600	585,000	166,400	Negotiation	Master Agro industries
Generators 320 KVA	2,760,000	2,235,600	524,400	1,400,000	875,600	Negotiation	AZ Power
Generators 88 KVA	1,700,000	1,147,500	552,500	500,000	(52,500)	Negotiation	AZ Power
Generators 250 KVA	760,000	-	760,000	775,000	15,000	Negotiation	AZ Power
Generators 100 KVA	1,218,135	1,030,460	187,675	700,000	512,325	Insurance Claim	N/A
	10,268,135	**7,493,960**	**2,774,175**	**5,335,000**	**2,560,825**		
	20,348,004	**14,337,255**	**6,010,749**	**10,268,132**	**4,257,383**		

17.2 The Parent Company holds the title of a portion in office premises (area 2,083 square feet) of the Company. The net book value as of 30 June 2012 is Rs. 16,745,333.

17.3 During the year, the company has changed its accounting policy whereby the "plant and machinery" and "generators' classified under operating lease assets are being revalued which was previously stated at cost less accumulated depreciation. The change in accounting policy is applied prospectively in these financial statements in accordance with the requirements of IAS 16 "Property, Plant and Equipment" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The Change in accounting policy for the above mentioned class of assets has resulted in an increase in surplus on revaluation of property, plant and equipment and deferred tax liability by Rs. 10 million and Rs. 3.5 million respectively. The surplus on revaluation of such assets has been recorded as per the requirements of the Companies Ordinance, 1984.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

17.4 The properties of the Company have been revalued as of 28 September 2008 resulting in surplus of 33.769 million. As of 30 June 2012, the Company revalued its properties resulting in a surplus of Rs. 41.486 million, generators resulting in a surplus of Rs. 17.501 million and plant and machinery resulting in a deficit of Rs. 7.495 million. These revaluation have been carried out by independent valuers, Messer Tracom (Private) Limited, Akbani and Javed Associates and Saleem Engineers, on the basis of professional assessment.

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

	2012			2011		
	Cost	**Accumulated depreciation**	**Written down value**	Cost	Accumulated depreciation	Written down value
	---------- (Rupees) ----------					
Office premises	**28,548,042**	**(15,809,243)**	**12,738,799**	28,548,042	(14,380,150)	14,167,892
Leased plant	**67,000,000**	**(39,255,000)**	**27,745,000**	-	-	-
Leased generators	**37,955,480**	**(25,249,312)**	**12,706,168**	-	-	-

18. BORROWINGS FROM FINANCIAL INSTITUTIONS

	Note	**2012**	2011
		---------- (Rupees) ----------	
Short term borrowings - Secured			
IGI Aggressive Income Fund		**-**	100,000,000
Letter of placements - Unsecured			
National Bank of Pakistan	18.1	**77,500,000**	77,500,000
Innovative Investment Bank Limited	18.2	**60,000,000**	60,000,000
Meezan Bank Limited	18.3	**36,871,588**	36,871,589
AKD Aggressive Income Fund	18.4	**20,000,000**	26,000,000
IGI Investment Bank Limited	18.5	**13,750,000**	13,750,000
KASB Income Opportunity Fund	18.6	**17,929,137**	86,000,000
KASB Asset Allocation Fund	18.6	**20,833,333**	31,000,000
		246,884,058	331,121,589
		246,884,058	431,121,589

18.1 This represents finance of Rs. 77.5 million obtained from National Bank of Pakistan on 1 April 2010 through a letter of placement carrying mark-up at a rate of 11.2% for a period of 140 days. The Company has not paid any amount in respect of this finance. As of 30 June 2012, the Company has accrued a mark up of Rs. 19.5 million. The management is currently under negotiation to settle this borrowing.

18.2 This represents finance of Rs. 63 million obtained from Innovative Investment Bank Limited on 3 December 2010 through a letter of placement carrying mark-up at a rate of 8% for a period of 90 days. The facility was rolled over for a further period of 184 days on 14 March 2011. Since the disbursement of facility, the Company has paid an amount of Rs. 3 million on account of principal repayment. As of 30 June 2012, the Company has accrued a mark up of Rs. 11.2 million. The management is currently under negotiation to settle this borrowing.

18.3 This represents finance of Rs. 150 million obtained from Meezan Bank Limited on 20 September 2008 under Murabaha arrangement at the rate of 12% per annum. The Company paid Rs. 81 million on various dates from September 2008 to June 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

The remaining amount of Rs. 69 million was restructured by way of settlement agreement on 22 April 2011 whereby the Company has transferred a lease portfolio of Rs. 32 million. Subsequent to the year end on 16 September 2012 revised settlement agreement was signed, as per the revised settlement agreement loan is to be settled by way of transferring of its assets /collateral held by the Company against its non performing borrowers and cash payment of Rs. 9.87 million as down payment, moreover it carries no mark-up.

18.4 This represents finance of Rs. 26 million obtained from AKD Aggressive Income Fund on 23 June 2011 through letter of placement for a period of 30 days at a rate of 10% per annum. During the year, the Company has repaid Rs. 6 million on various dates. As of 30 June 2012, the Company has accrued a mark up of Rs. 2.2 million. The management is currently under negotiation to settle this borrowing.

18.5 This represents finance of Rs. 57.5 million obtained from IGI Investment Bank Limited on 23 August 2010 for a period of 31 days at a rate of 9% per annum.

The finance was restructured by way of settlement agreement on 24 November 2010. As per the restructuring agreement, loan is to be settled by way of transfer of lease receivable of the Company and further making a payment of Rs. 15.272 million. As per rescheduling agreement dated 24 November 2010, the revised facility carries mark-up at 10 % per annum , payable monthly. As of 30 June 2012, the Company has accrued a mark up of Rs. 4.9 million. The management is currently under negotiation to settle this borrowing.

18.6 This represents finance of Rs. 117 million obtained from KASB Asset Allocation Fund and KASB Income Opportunity Fund on 13 July 2009. The finance was restructured by way of settlement agreement dated 28 December 2011. As per the agreement, loan is to be settled by way of transferring of its assets /collateral held by the Company against its non performing borrowers, lease receivables of the Company and cash payment of Rs. 23 million in monthly instalments. As per rescheduling agreement the finance carries no mark-up.

	Note	2012	2011
19. CERTIFICATES OF INVESTMENT - Unsecured		---------- (Rupees)	----------
Long term certificates of investment	19.1	**92,469,000**	50,454,000
Less : Current maturity of certificate of investments	23	**(81,169,000)**	(27,854,000)
		11,300,000	22,600,000
Short term certificates of investment	19.1	**94,895,301**	204,638,000

19.1 These certificates of investment are for periods ranging from 1 months to 5 years and interest rate on these certificates ranges from 7% to 18.5% (2011: 6.5% to 18.5%) per annum.

20. ACCRUED MARK-UP

	2012	2011
Mark-up on:		
- certificates of investment	**34,739,538**	22,060,043
- long term finances	**168,359,997**	147,308,858
- term finance certificates	**68,427,190**	45,345,537
- short term borrowings from financial institutions	**49,209,854**	37,032,843
	320,736,579	251,747,281

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

21. SUB-ORDINATED DEBT

This represents long term financing obtained from the parent company through a resolution passed by the board of directors of parent company and endorsed by the Board of Directors of the company, the long term finance aggregating to Rs. 333,208,499 has been converted into an interest free, unsecured sub-ordinated debt of the Company.

Subsequent to the year end, an extra ordinary general meeting of the Company was held on 31 July, 2012 and approved the decision of Board of Directors to convert the sub ordinated debt into convertible preference shares. The management of the Company has filed an application to SECP for approval of the above mentioned conversion. Moreover, the conversion has also been approved by the board of directors of the parent company on 26 March 2012.

	Note	**2012**	2011
		---------- (Rupees) ----------	
22. ACCRUED AND OTHER PAYABLES			
Operating lease rentals received in advance		**777,574**	1,787,072
Accrued expenses		**1,455,701**	1,274,573
Unclaimed dividend		**1,670,183**	1,681,888
Payable on termination / maturity of leases		**2,673,760**	4,614,610
Payable in respect of operating leases		**-**	536,331
Others		**24,927,232**	30,800,285
		31,504,450	40,694,759
23. CURRENT MATURITY OF NON- CURRENT LIABILITIES			
Certificates of investment	19	**81,169,000**	27,854,000
Long term finances	24	**618,565,767**	766,670,011
Security deposits against leases	25	**591,095,464**	552,081,059
		1,290,830,231	1,346,605,070
24. LONG TERM FINANCES			
Long term finance - secured		**517,806,216**	721,912,160
Long term finance - unsecured		**111,682,627**	100,000,000
	24.1	**629,488,843**	821,912,160
Term finance certificates - secured	24.10	**496,853,207**	525,309,127
		1,126,342,050	1,347,221,287
Current maturity of long term finances	23	**(618,565,767)**	(766,670,011)
		507,776,283	580,551,276

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

24.1 Long term finances

	Tenure from	Tenure to	Price		Principal outstanding 2012	Principal outstanding 2011
					---------- (Rupees) ----------	
Secured						
National Bank of Pakistan - II	Mar-05	Mar-10	6 month KIBOR + 1.5% (payable semi annually)	24.2	**12,500,000**	12,500,000
Pak Brunei Investment Company Limited	Feb-09	Jun-13	-		**244,711**	733,245
First Women Bank Limited	Dec-09	Dec-12	Fixed at 12% (payable monthly)	24.3	**75,061,505**	75,061,505
Askari Income Fund	Mar-10	Sep-12	-	24.4	**15,000,000**	15,000,000
Soneri Bank Limited	Mar-10	Mar-13	6 month KIBOR + 1.00% (payable monthly)	24.5	**110,000,000**	110,000,000
Bank Of Khyber	Jun-12	Mar-16	-	24.6	**240,000,000**	425,000,000
HSBC Bank Middle East Limited - III	Jun-12	Aug-14	-	24.7	**65,000,000**	71,934,783
Un-secured						
CDC Trustee United Growth & Income Funds	May-10	Jan-13	-	24.8	**100,000,000**	100,000,000
Silk Bank Limited	Dec-09	Dec-13	6 month KIBOR + 2.00% (payable monthly)	24.9	**11,682,627**	11,682,627
					629,488,843	821,912,160

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

24.2 This represents finance of Rs.100 million obtained from National Bank of Pakistan on 21 March 2005 mainly for lease financing activities. As per the agreement loan was payable in semi annual instalments of Rs. 12.5 million each from 21 September 2005 to 21 March 2009. The agreement was further amended with the maturity date to March 2010. As of 30 June 2012, all instalments were paid except for the last instalment which was due on 21 March 2009 and is still outstanding. As per agreement the finance carries mark-up at 6 month KIBOR + 1.5%, payable semi-annually. As of 30 June 2012, the Company has accrued mark up of Rs. 4.9 million.

24.3 This represents finance of Rs.127 million obtained from First Women Bank Limited on 31 December 2008 mainly for lease financing activities. The finance was restructured in previous period by way of settlement agreement dated 01 March 2010. As per the rescheduling terms the entire principal was payable in unequal monthly instalments upto 31 December 2012. The Company paid the instalments up to 31 December 2010 and afterward no amount has been paid. As per rescheduling agreement the finance carries mark-up at 12% per annum, payable monthly. As of 30 June 2012, the Company has accrued mark up of Rs. 15.16 million.

24.4 This represents finance of Rs. 50 million obtained from Askari Income Fund mainly for lease financing activities. The finance was restructured by way of settlement agreement on 01 March 2010 and 31 January 2011. As per the rescheduling terms the entire principal was payable in monthly instalment of Rs. 1 million starting from 6 February 2011 and outstanding mark-up was waived. The Company paid the instalments upto 15 July 2011 and afterward no amount has been paid. As per rescheduling agreement the finance carries no mark-up.

24.5 This represents finance of Rs. 115 million obtained from Soneri Bank Limited on 22 March 2010 mainly for lease financing activities. The finance was restructured by way of settlement agreement on 22 December 2010. As per the rescheduling terms the entire principal was payable in monthly instalment of Rs. 1 million starting from November 2010. The Company paid the instalments upto 16 March 2011 and afterwards no amount has been paid. As per rescheduling agreement the finance carries mark-up at 6 month kibor + 1%, payable monthly. As of 30 June 2012, the Company has accrued mark up of Rs. 36 million.

24.6 This represents finance of Rs. 468 million obtained from Bank of Khyber on 12 March 2009 mainly for lease financing activities. The finance was restructured by way of settlement agreement on 22 March 2009, 24 August 2011 and 21 June 2012. As per the latest agreement dated 21 June 2012, the Company is required to settle the loan through following terms:

- Transfer of a property (held as collateral of Rs. 150 million against the borrower).
- Issue of Preference Shares of Rs. 195 million (for conversion of liability of Rs. 195 million).
- Cash payment of Rs. 55 million including down payment of Rs. 10 million and Rs. 45 million in monthly instalment of Rs.1 million each.

On fully complying with the terms of the settlement agreement the Company shall be entitled with a waiver of Rs. 106 million in mark up. As per rescheduling agreement the finance carries no mark-up. The Company is complying with revised terms of the restructuring agreement.

24.7 This represents finance of Rs. 100 million obtained from HSBC Bank Middle East Limited on 16 March 2010 mainly for lease financing activities. The finance was restructured by way of settlement agreement dated 12 September 2011 and 21 June 2012. As per the latest agreement loan is payable as Rs. 1.8 million down payment and Rs. 37 million in monthly instalment of Rs. 1.4 million each. On fully complying with the terms of the settlement agreement the Company shall be entitled with a waiver of Rs. 28 million in principal and Rs. 3.8 million in mark up. As per rescheduling agreement the finance carries no mark-up. The Company is complying with revised terms of the restructuring agreement.

24.8 This represents finance of Rs. 117 million obtained from CDC Trustee United Growth & Income Funds on 14 January 2010 mainly for lease financing activities. The finance was restructured by way of settlement agreement dated 12 May 2010 and subsequent to the year end on 12 July 2012. As per the revised restructuring agreement loan is to be settled by way of transfer of three properties of the Company's debtors on 31 December 2012 and 30 June 2013. As per revised restructuring agreement the finance carries no mark-up. The Company is complying with revised terms of the restructuring agreement.

24.9 This represents finance of Rs. 15.7 million obtained from Silk Bank Limited on 27 April 2009 against issuance of irrevocable letter of comfort to Silk Bank on account of Uni-Link International for opening of letter of credit. The Company has paid Rs. 4.04 million upto 31 March 2011. The finance has been restructured subsequent to the year end by way of settlement agreement dated 12 September 2012. As per the agreement loan is to be settled by making down payment of Rs. 707,000 and balance of Rs. 11 million is to be paid in 54 equal monthly instalments of Rs. 203,704 per month. As per rescheduling agreement the finance carries mark-up at 6 month kibor + 2%, payable monthly. As of 30 June 2012, the Company has accrued a mark up of Rs. 2.2 million.

24.10 This represents third issue of registered and listed Term Finance certificates (TFCs) issued by the Company to banking companies and financial institutions, trusts and general public. These are secured by way of a first exclusive charge on specific leases including lease rentals and receivables against lease with 25% margin available at all times to the TFCs holders on total outstanding amount of the issue. The total issue comprises of 150,000 number of certificates of Rs. 5,000 each.

The issue was first restructured by way of "Supplemental Declaration of Trust" dated 13 September 2010 and was further restructured during the year by way of " Second Supplemental Declaration of Trust" dated 13 January 2012. To make the second proposed restructuring terms of Supplemental Declaration of Trust effective an extra ordinary resolution shall be passed by atleast 75% of the aggregate amount outstanding to TFC holders. Moreover, as of 30 June 2012 trustee has obtained approval of 70.50% of TFC holders and considered that the necessary approval shall be obtained shortly. Therefore, the management considers the restructuring terms of Second Supplemental Declaration of Trust as effective and is making a necessary payment as per the revised terms.

The revised terms and conditions of the issue after rescheduling are as follows:

Principal redemption

The principal redemption of TFCs is structured to be in 63 un-equal monthly instalments starting from 13 January 2012 as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

- Rs. 3 million per month starting from January 2012 to December 2012
- Rs. 4 million per month starting from January 2013 to December 2013
- Rs. 6 million per month starting from January 2014 to December 2014
- Rs. 13 million per month starting from January 2015 to Febuary 2017
- Rs. 20.854 million in March 2017

Mark-up on TFCs

- The issue carries return at 6% per annum for first 36 months (from 13 January 2012 to 13 December 2014) and;
- One months KIBOR per annum for remaining 27 months (from 13 January 2015 to 13 March 2017).
- Mark-up shall be paid on monthly basis starting from 25th month till the maturity of the TFC.
- Mark-up payments on TFCs for first 24 months is deferred till 13 December 2013. Deferred mark-up is the sum of deferred mark-up payments for the first 24 months and the outstanding deferred mark-up (relating to first restructuring as of 13 December 2013).
- Mark-up on TFCs is deferred till 13 December 2013 and is payable in 3 equal instalments in December 2014, 2015 and 2016.

Trustee

In order to protect the interests of TFC holders, First Dawood Investment Bank Limited has been appointed as trustee under a trust deed with power to enforce the Company's obligations in case of default and to distribute the proceeds of any such enforcement, in accordance with the terms of the Declaration of Trust.

	Note	2012	2011
25. SECURITY DEPOSITS AGAINST LEASES		---------- (Rupees) ----------	
Security deposits against finance leases	25.1	**661,134,837**	716,349,985
Less: Current maturity of deposits against leases	23	**(591,095,464)**	(552,081,059)
		70,039,373	164,268,926

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

26. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2012	2011		2012	2011
(Number of shares)			---------- (Rupees) ----------	
25,180,000	25,180,000	Ordinary shares of Rs. 10 each fully paid in cash	**251,800,000**	251,800,000
19,980,500	19,980,500	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**199,805,000**	199,805,000
45,160,500	45,160,500		**451,605,000**	451,605,000

26.1 Saudi Pak Industrial & Agricultural Investment Company Limited holds 35.06% (2011: 35.06%) of the issued, subscribed and paid-up share capital of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

26.2 Capital management policies and procedures

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. SECP extended the minimum equity requirement as per NBFC Regulations, 2008 vide SRO 764(I)/2009 dated 2 September 2009 wherein the Company is required to meet the minimum equity requirements of Rs. 350 million, Rs. 500 million and Rs. 700 million by 30 June 2011, 30 June 2012 and 30 June 2013 respectively.

The Company has requested the SECP for relaxation in the requirement and is hopeful that this request will be accepted based on the condition of the business environment and the Company's position in the overall leasing sector as well as its past performance and the reason given in note 1.2.

The Board of Directors of the Company in their meeting held on 12 January, 2012 decided to convert the sub-ordinated debt into preference shares at Rs. 10 per share. Further, subsequent to the year end, the shareholders in its extra ordinary general meeting held on 31 July, 2012 approved the decision of the Board of Directors and also decided to increase the authorised share capital of the Company to Rs. 2 billion. The management of the Company has initiated the process of such conversion.

	Note	2012	2011
		---------- (Rupees) ----------	
27. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus on revaluation (net of tax) of:			
- property, plant and equipments	27.1	**47,636,928**	16,812,872
- Unrealized gain on remeasurement of available for sale investments	6	**-**	6,851,796
		47,636,928	23,664,668
27.1 Surplus on revaluation of property, plant and equipments			
As at the beginning of the year		**25,865,959**	28,739,954
Effect of revaluation carried out during the year		**51,492,816**	-
Transfer to retained earning / (accumulated losses) in respect of incremental depreciation - net of deferred tax		**(2,646,274)**	(1,868,097)
Related deferred tax liability		**(1,424,917)**	(1,005,898)
		(4,071,191)	(2,873,995)
As at June 30		**73,287,584**	25,865,959
Related deferred tax liability on:			
Revaluation as at the beginning of the year		**(9,053,087)**	(10,058,985)
Revaluation carried out during the year		**(18,022,486)**	-
Transfer to retained earning / (accumulated losses) in respect of incremental depreciation - net of deferred tax		**1,424,917**	1,005,898
		(25,650,656)	(9,053,087)
		47,636,928	16,812,872
28. CONTINGENCIES AND COMMITMENTS			
Commitment with respect to guarantees given by the Company on behalf of a lessee		**-**	18,645,000
Claims against the Company not acknowledged as debt	28.1	**100,822,578**	90,657,388

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

28.1 These cases have been filed against the Company. In view of the legal advisor, the Company is not likely to suffer any loss on account of the aforementioned cases.

28.2 The Company has been issued with a notice under section 14 of the Federal Excise Act, 2005. In the notice it has been revealed that the Company has not paid Federal Excise Duty (FED) under section 3 (read with Entry 8 of Table-II of the First Schedule) to the Federal Excise Act 2005 for the periods 2007-08, 2008-09 and 2009-10 on services provided including both funded and non-funded services. Accordingly, Rs. 126,204,794 has been alleged to be recoverable. The above amount of FED has been imposed on all the income of the Company for the above said three years including mark up income earned on finance lease contracts.

According to the Company's tax advisor, FED is applicable in respect of document fee, front end fee and syndicate lease income. These represent services rendered by leasing companies in respect of finance lease which are funded services. However, these services for the periods 2007-08 and 2008-09 are not chargeable to FED because of the reason that for those years FED was chargeable on services which were non-funded. However, for the periods 2009-10 due to amendment in Entry 8 the said services are chargeable to FED as provisions of the Federal Excise Act, 2005. Accordingly the amount of liability comes out to Rs. 198,530. However, no provision has been made in these financial statements.

The Company has filed an appeal before the Commissioner Inland Revenue (Appeals) against the said order. The CIR(A) vide through appellate order No. 97 of 2012 dated 30 April 2012 constituted that the duty so charged is legally and constitutionally valid under the FED Act. However, it also mentioned that the notice issued is barred by time for the period from July 2007 to September 2008 and accordingly deleted the levy of FED for the said tax period.

The Company has further decided to prefer appeal before the Appellate Tribunal Inland Revenue against the above CIR(A) order. Moreover, the Company's tax advisor is of the view that the Company has a strong arguable case and is likely to succeed in getting the relief claimed against the said demand.

	Note	2012	2011
		---------- (Rupees) ----------	
29. INCOME FROM FINANCE LEASES			
Income on finance lease contracts		**49,082,011**	100,960,462
Document fee, front end fee and other charges		**8,738,716**	34,358,488
Gain on termination of lease contracts		**35,587**	345,833
		57,856,314	135,664,783
30. OTHER OPERATING INCOME			
Income from financial assets			
- Available for sale			
Dividend income		**1,461,026**	5,170,511
(Capital loss) / capital gain on sale of investments		**(2,493,718)**	5,099,735
		(1,032,692)	10,270,246
- Held to maturity			
Income on amortisation of Government Market Treasury Bill		**1,979,819**	-
- Loans and receivables			
Interest income on term loans		**47,028,693**	35,103,902
Return on certificates of deposit		**2,155,302**	289,570
Interest income from savings accounts		**1,728,851**	1,963,873
		50,912,846	37,357,345
Income from non-financial assets			
Mark-up, commission and fee income		**488,534**	79,050
Gain on sale of property, plant and equipments		**4,257,383**	3,685,732
Gain on settlement of loans		**19,728,796**	-
Others		**5,018,769**	22,539,503
		29,493,482	26,304,285
		81,353,455	73,931,876

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	Note	2012	2011
		---------- (Rupees) ----------	
31. FINANCE COST			
Mark-up on:			
- Long term loans		**82,453,966**	89,394,080
- Term finance certificates		**29,474,435**	44,397,977
- Short-term borrowings		**22,402,401**	15,222,882
Return on certificates of investment		**18,697,599**	33,191,785
Arrangement fee		**233,181**	-
Bank charges		**220,499**	438,894
		153,482,081	182,645,618
32. ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries, allowances and benefits	32.1	**33,147,596**	51,269,404
Rent		**1,389,735**	2,919,719
Repairs and maintenance		**1,567,555**	1,178,341
Utilities		**1,672,872**	2,116,385
Depreciation on owned assets	17	**7,515,632**	6,988,019
Depreciation on investment properties	15	**9,186,717**	-
Amortisation	16	**551,808**	551,808
Insurance		**2,350,897**	1,789,413
Vehicle running expenses		**5,967,931**	7,427,376
Printing and stationery		**693,605**	793,984
Telephone and postage		**1,539,483**	2,014,447
Travelling and conveyance		**1,578,159**	1,323,210
Fees and subscriptions		**1,385,007**	2,584,240
Legal and professional charges		**5,770,154**	6,942,226
Advertising and entertainment		**319,560**	346,421
Auditors' remuneration	32.2	**569,900**	569,900
Miscellaneous		**1,483,023**	1,411,647
		76,689,634	90,226,540

32.1 Salaries, allowances and benefits include Rs. 2,024,392 (2011: Rs. 2,837,970) in respect of staff retirement benefits.

	Note	2012	2011
32.2 Auditors' remuneration			
Annual audit fee		**350,000**	350,000
Fee for review of half yearly financial statements		**100,000**	100,000
Other certifications		**50,000**	50,000
Out of pocket expenses		**69,900**	69,900
		569,900	569,900
33. DIRECT COST OF OPERATING LEASES			
Insurance and other expenses		**205,989**	1,200,249
Depreciation on operating lease assets	17	**12,647,724**	13,838,033
		12,853,713	15,038,282
34. PROVISION FOR DOUBTFUL LEASES, LOANS AND OTHER RECEIVABLES			
Provision for potential lease losses	12.3	**339,183,003**	54,757,431
Provision for potential losses on short term loans	5.2	**62,401,946**	18,664,827
Provision for potential losses on long term loans	11.3	**39,704,071**	(9,579,416)
Provision for other doubtful receivables		**41,053,956**	8,894,252
		482,342,976	72,737,094

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2012

	Note	2012	2011
		---------- (Rupees) ----------	
35. TAXATION			
Taxation			
- Current	35.1	**5,570,583**	7,779,662
- Prior year		**-**	-
- Deferred	14	**213,184,032**	(56,038,244)
		218,754,615	(48,258,582)

35.1 Current tax liability

The current year tax charge represents the Minimum Turnover Tax i.e. 1% of gross turnover under section 113 of the Income Tax Ordinance, 2001 (the Ordinance).

35.2 Deferred taxation

The deferred tax assets arising on unused taxable losses and other deductible temporary differences has not been recognised in these financial statements. A deferred tax assets is recognised only to the extent that it is probable that sufficient future taxable profits will be available in the short term against which the assets can be utilised.

35.3 Effective tax rate reconciliation

Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as current year tax charge has been made under section 113 of the Ordinance (i.e. minimum tax) as mentioned above.

35.4 Current status of tax assessments

The tax assessments of the Company relating to assessment years before tax year 2003 have been completed and no appeal is being pending in appellate forums. The income tax return for tax years 2003-2011 have been filed which are deemed assessed under section 120 of the Ordinance except for the tax year 2007, which has been selected for audit under the provision of section 177 of the Ordinance. The Company has submitted in this respect all the requisite documents / information with the tax authority. However, audit proceedings is under process and no further notice has yet been issued by the tax authority intending to amend tax return for such tax year filed by the Company with the tax authority.

The tax authority has also initiated monitoring of withholding taxes for the tax year 2010 of the Company. The requested information has been submitted with the tax authority under section 176 of the Ordinance and nothing adverse in this regard has been communicated by the tax authority.

	2012	2011
36. LOSS PER SHARE - BASIC AND DILUTED	---------- (Rupees) ----------	
Loss after taxation attributable to ordinary shareholders	**(821,752,260)**	(117,678,112)
Weighted average number of ordinary shares	**45,160,500**	45,160,500
Basic and diluted earnings per share	**(18.20)**	(2.61)
37. CASH AND CASH EQUIVALENTS		
Cash and bank balances	**27,279,060**	31,700,552
	27,279,060	31,700,552

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

38. STAFF RETIREMENT GRATUITY

38.1 General description

The latest actuarial valuation of the gratuity fund was carried out by Nauman Associates as at 30 June 2012 on the basis of the 'Projected Unit Credit Method'. The estimation is based on the following significant assumptions:

38.2 Principal actuarial assumptions

Following principal actuarial assumptions were used for the valuation.

	2012	2011
Discount rate	**13%**	14%
Expected long-term rate of increase in salary level	**12%**	13%
Expected long-term rate of interest on plan assets	**14%**	12%
Expected remaining working life time of employees	**6 years**	7 years
Number of employees	**39**	66

	2012	2011
	---------- (Rupees) ----------	
38.3 Asset / liability in balance sheet		
Present value of defined benefit obligation	**7,717,492**	14,610,477
Fair value of plan assets	**(12,345,041)**	(14,666,399)
Surplus	**(4,627,549)**	(55,922)
Unrecognised net actuarial Gain	**4,627,549**	55,922
	-	-
38.4 Movement in the balance sheet liability		
Balance at beginning of the year	**-**	19,552
Charge for the year	**2,024,392**	2,837,970
Payments made during the year	**(2,024,392)**	(2,857,522)
Balance at end of the year	**-**	-
38.5 Changes in present value of defined benefit obligations		
Present value of defined benefit obligation at the beginning of the year	**14,610,477**	15,892,229
Current service cost for the year	**2,032,225**	2,680,672
Interest cost for the year	**2,045,467**	1,907,067
Benefit paid during the year	**(5,734,981)**	(4,652,325)
Actuarial (gain) on present value of Defined benefit obligation	**(5,235,696)**	(1,217,166)
Present value of defined benefit obligation at the end of the year	**7,717,492**	14,610,477

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

	2012	2011
	---------- (Rupees) ----------	
38.6 Changes in fair value of plan assets		
Fair value of plan assets at the beginning of the year	**14,666,399**	14,581,405
Expected return on plan assets	**2,053,300**	1,749,769
Contribution during the year	**2,024,392**	2,857,522
Benefit paid during the year	**(5,734,981)**	(4,652,325)
Actuarial (loss) / gain on plan assets	**(664,073)**	130,028
Fair value of plan assets at the end of the year	**12,345,037**	14,666,399
38.7 Charge for defined benefit plan		
Current service cost	**2,032,225**	2,680,672
Interest cost	**2,045,467**	1,907,067
Expected return on plan assets	**(2,053,300)**	(1,749,769)
	2,024,392	2,837,970
38.8 Fair value of plan assets / liabilities at the end of the year		
Term Finance (SAPICO)	**5,000,000**	7,000,000
Orix - Quick Gain Scheme	**6,000,000**	7,000,000
Accrued profit receivable on investment	**169,013**	106,822
Cash at bank(s)	**1,176,028**	820,015
Less: Payables	**-**	(260,438)
	12,345,041	14,666,399

38.9 Actual return on plan assets during the year was Rs. 1,389,227 (2011: Rs. 1,879,797)

38.10 Estimated contribution for the next year is Rs. 26,573

38.11 Historical data on surplus /deficit of the plans and experience adjustments

	2012	2011	2010	2009	2008
	---- (Rupees) ----				
Present value of defined benefit obligation	**(7,717,492)**	(14,610,477)	(15,892,229)	(14,145,554)	(10,328,338)
Fair value of plan assets	**12,345,041**	14,666,399	14,581,405	9,982,014	7,754,353
Surplus / (Deficit)	**4,627,549**	55,922	(1,310,824)	(4,163,540)	(2,573,985)
Experience adjustments on plan liabilities (Gains) / losses	**(5,235,696)**	(1,217,166)	(1,980,567)	682,377	864,426
Experience adjustments on plan assets Gains / (losses)	**(664,073)**	130,028	289,933	(1,093,799)	(395,842)

39. TRANSACTIONS WITH RELATED PARTIES

The related parties comprises Saudi Pak Industrial & Agricultural Investment Company Limited (the parent company), Saudi Pak Insurance Company Limited (formerly an associated Company), other group companies, directors, key management personnel and employee benefit plans. The transactions between the Company and the related parties are carried out as per agreed terms. The Company also provides loan to employees at reduced rate in accordance with their terms of employment.

There is no balance outstanding with or from parent and other group companies except long term loans in respect of amount due from employees is disclosed in note 11, net investment in lease in respect of lease receivable is disclosed in note 12, share of profit from associate as disclosed in note 13 ,sub-ordinated loan as disclosed in note 21 and amount due in respect of staff retirement benefits is disclosed in note 38.

Detail of transactions with related parties which are not disclosed in other notes are as follows:

	2012					
	Parent Company	**Associated Company**	**Other Group Companies**	**Directors Fee**	**Key management Personnel**	**Other related parties**
	(Rupees)					
Fee	**-**	**-**	**-**	**420,000**	**-**	**-**
Rent paid	**519,773**	**-**	**-**	**-**	**-**	**-**
Share of profit from associate - net of tax	**-**	**2,410,322**	**-**	**-**	**-**	**-**
Rentals received	**-**	**-**	**818,203**	**-**	**-**	**-**
Payments to gratuity fund	**-**	**-**	**-**	**-**	**-**	**2,024,400**
Remuneration to key management personnel	**-**	**-**	**-**	**-**	**15,922,439**	**-**

	2011					
	Parent Company	Associated Company	Other Group Companies	Directors Fee	Key management Personnel	Other related parties
	(Rupees)					
Fee	-	-	-	270,000	-	-
Rent paid	893,220	-	-	-	-	-
Share of loss from associate - net of tax	-	(2,079,731)	-	-	-	-
Rentals received	-	-	4,369,200	-	-	-
Contributions to provident fund	-	-	-	-	-	739,670
Payments to gratuity fund	-	-	-	-	-	2,837,976
Remuneration to key management personnel	-	-	-	-	25,880,442	-

40. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

	Chief Executive		**Director**		**Executive**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	(Rupees)							
Fee	**-**	-	**420,000**	270,000	**-**	-	**420,000**	270,000
Managerial remuneration	**3,684,652**	4,190,395	**-**	-	**6,009,966**	8,938,270	**9,694,618**	13,128,665
House rent, utilities etc	**1,762,515**	4,638,895	**-**	-	**3,465,804**	4,708,577	**5,228,319**	9,347,472
Retirement benefits	**383,842**	1,157,344	**-**	-	**615,660**	921,481	**999,502**	2,078,825
Leave passage	**-**	1,325,480	**-**	-	**-**	-	**-**	1,325,480
	5,831,009	11,312,114	**420,000**	270,000	**10,091,430**	14,568,328	**16,342,439**	26,150,442
Number of persons	**1**	1	**8**	8	**9**	11	**18**	20

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

* This includes 4.4 million pertaining to remuneration of Ex Chief Executive who was employed until 22 April, 2012.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2012

	2012	2011
	---------- (Rupees) ----------	
41. CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES		
Loss for the year before taxation	**(602,997,645)**	(165,936,694)
Adjustment for non-cash charges and other items:		
Depreciation - owned assets	**7,515,632**	6,988,019
Depreciation - investment properties	**9,186,717**	-
Depreciation - assets under operating lease	**12,647,724**	13,838,033
Amortization	**551,808**	551,808
Financial charges	**153,482,081**	182,645,618
Provision for doubtful leases, loans and other receivables	**482,342,976**	72,737,094
Dividend income	**(1,461,026)**	(5,170,511)
Impairment on available-for-sale investments	**13,197,008**	15,628,434
Amount written off directly against loans, lease receivables and investments	**10,969,694**	7,146,081
Share of (profit) / loss from associate	**(2,410,322)**	2,079,731
Capital loss on sale on investments	**2,493,718**	-
Gain on sale of property, plant and equipment	**(4,257,383)**	(3,685,732)
	684,258,627	292,758,575
Operating profit before working capital changes	**81,260,982**	126,821,881
Working capital changes		
Short-term loans	**108,913,265**	235,732,870
Advances	**1,529,000**	(1,384,000)
Accrued mark-up	**39,624,180**	66,763,872
Trade deposits and short term prepayments	**342,011**	146,318
Other receivables	**28,724,370**	(23,110,551)
Non-current assets classified as held for sale	**-**	(19,030,211)
	179,132,826	259,118,298
Accrued and other payables	**(9,190,309)**	4,985,522
	169,942,517	264,103,820
Cash generated from operations after working capital changes	**251,203,499**	390,925,701

41.1 The decrease in short term loans and accrued mark up thereon includes an amount aggregating to Rs. 122.671 million representing non cash adjustments against short term borrowings.

41.2 The decrease in other receivables includes an amount aggregating to Rs. 31.829 million representing non cash adjustments against short term borrowings.

41.3 The decrease in short term investments includes an amount aggregating to Rs. 26 million representing non cash adjustments against short term borrowings.

41.4 The decrease in short term loans, long term loans and accrued mark up thereon includes an amount of Rs. 48.134 million, Rs. 45.04 million and Rs. 41.826 million respectively representing non cash adjustments against long term finance of Rs. 135 million.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

42. SEGMENT INFORMATION

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

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

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

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

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

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

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

	2012					
	Finance lease	Operating lease	Term loans	Investment	Others	Total
	------------------------------------- (Rupees) -------------------------------------					
Segment revenue	57,856,314	4,917,370	47,028,693	947,127	35,787,957	146,537,461
Direct cost of operating lease	-	(12,853,713)	-	-	-	(12,853,713)
Provisions against assets	(339,183,003)	-	(102,106,017)	(13,197,008)	(41,053,956)	(495,539,984)
Segment results	(281,326,689)	(7,936,343)	(55,077,324)	(12,249,881)	(5,265,999)	(361,856,236)
Unallocated cost						
Financial charges						(153,482,081)
Administrative, selling and other operating						(76,689,634)
Write-offs						(10,969,694)
						(241,141,409)
Loss before taxation						(602,997,645)
Taxation						(218,754,615)
Loss for the year						(821,752,260)
Other information						
Segment assets	1,332,494,933	50,457,768	293,365,025	122,568,873	-	1,798,886,599
Unallocated assets	-	-		-	194,804,001	194,804,001
Total assets						1,993,690,600
Segment liabilities	661,134,837	-	-	-	-	661,134,837
Unallocated liabilities	-	-	-	-	2,343,572,869	2,343,572,869
Total liabilities						3,004,707,706
Net assets						(1,011,017,106)

	2011					
	Finance lease	Operating lease	Term loans	Investment	Others	Total
	(Rupees)					
Segment revenue	135,664,783	9,968,427	35,103,902	10,270,246	26,477,997	217,485,355
Direct cost of operating lease	-	(15,038,282)	-	-	-	(15,038,282)
Provisions against assets	(54,757,431)	-	(9,085,411)	(15,628,434)	(8,894,252)	(88,365,528)
Segment results	80,907,352	(5,069,855)	26,018,491	(5,358,188)	17,583,745	114,081,545
Unallocated cost						
Financial charges	-	-	-	-	-	(182,645,618)
Administrative, selling and other operating	-	-	-	-	-	(90,226,540)
Write-offs	-	-	-	-	-	(7,146,081)
						(280,018,239)
Loss before taxation						(165,936,694)
Taxation	-	-	-	-	-	48,258,582
Loss for the year						(117,678,112)
Other information						
Segment assets	1,875,731,929	52,846,586	641,135,006	196,398,762	-	2,766,112,283
Unallocated assets	-	-	-	-	396,212,802	396,212,802
Total assets						3,162,325,085
Segment liabilities	716,349,985	536,331	-	-	-	716,886,316
Unallocated liabilities	-	-	-	-	2,661,322,149	2,661,322,149
Total liabilities						3,378,208,465
Net assets						(215,883,380)

43 FINANCIAL RISK MANAGEMENT

Introduction and overview

The Company has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing it.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

43.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company and arises principally from the Company's lease and loan portfolio and receivables and deposits with banks.

Management of credit risk

The Company is managing its Credit Risk by improving and enhancing its credit risk policies and procedures to have a better control and monitoring on its credit exposures. Therefore, the management of the view that on the basis of past events, continuously working to formulate and strengthen its policies to effectively control and monitor its Credit Risk. The management is also in the process of negotiation and settlement of loans against its non-performing exposures.

Exposure to credit risk

The Company's maximum credit risk exposure at the reporting date is represented by the respective carrying amounts of the financial assets in the balance sheet. The Company's exposure to credit risk is inherent in lease and loan receivables, deposits with banks and contingent liabilities.

The maximum exposure to credit risk at the reporting date is:

	2012	2011
	---------- (Rupees) ----------	
Financial assets		
Long term loans	**129,275,935**	236,717,840
Gross investment in finance leases net of security deposit held	**1,426,215,294**	1,575,519,115
Long term investments	**-**	12,254,616
Bank balances	**27,165,493**	31,563,460
Short term loans	**329,496,472**	438,409,737
Short term investments	**77,406,419**	361,885,897
Accrued mark-up	**1,513,530**	41,137,710
Trade deposits	**808,696**	1,150,707
Other receivables	**92,204,962**	112,078,337
	2,084,086,801	2,810,717,419
Financial assets		
Secured	**1,918,907,650**	2,291,784,402
Unsecured	**165,179,151**	518,933,017
	2,084,086,801	2,810,717,419

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43.1.1 The aging of net investment in lease (net of security deposit), long term loan and short term loan (on gross basis) at the reporting date was:

	2012					
	Net investment in Finance Lease		Long Term Loan		Short Term Loan	
	Principal	Provision	Gross	Provision	Gross	Provision
	(Rupees)					
Past due but not impaired:						
- up to 29 days *	10,239,232	-	-	-	-	-
- 30 to 89 days *	16,389,083	-	-	-	-	-
Past due and impaired:						
- 90 to 179	8,638,623	-	13,965,106	-	17,751,185	-
- 180 to 364	5,254,396	-	-	-	13,781,789	5,000,000
- 365 to 729	7,334,277	1,184,426	2,166,883	2,166,883	10,859,798	10,859,798
- 730 to 1095	84,768,570	25,915,270	3,974,914	3,670,222	-	-
- more than 1095	1,293,591,113	727,755,502	103,261,693	50,296,550	287,103,700	93,414,129
Neither past due nor individually impaired	-	5,907,339	-	-	-	
Total gross amount	1,426,215,294	754,855,198	129,275,935	56,133,655	329,496,472	109,273,927

* These have not been impaired as these were not meeting the criteria for provisioning requirements under the NBFC regulations.

Note: The FSV benefit of collaterals has been considered in calculating the provision against non performing exposure.

	2011					
	Net investment in Finance Lease		Long Term Loan		Short Term Loan	
	Principal	Provision	Gross	Provision	Gross	Provision
	(Rupees)					
Past due but not impaired:						
- up to 29 days *	32,213,122	-	-	-	18,483,068	-
- 30 to 89 days *	124,326,615	-	7,778,472	-	9,152,206	-
Past due and impaired:						
- 90 to 179	13,251,932	-	583,343	-	11,150,000	-
- 180 to 364	2,562,664	-	5,700,000	-	10,000,000	2,465,676
- 365 to 729	13,338,156	1,134,323	78,782,015	1,142,560	86,578,321	5,516,366
- 730 to 1095	99,632,573	19,343,433	55,886,728	1,347,002	221,343,433	-
- more than 1095	1,290,194,053	395,659,414	78,751,882	13,939,822	81,702,709	38,889,939
Neither past due nor individually impaired	-	-	9,235,400	-	-	-
Total gross amount	1,575,519,115	416,137,170	236,717,840	16,429,384	438,409,737	46,871,981

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

43.1.1.1 The credit quality of the Company's bank balances can be assessed with reference to external credit ratings as follows:

	Rating Short term	Rating Long term	Rating Agency	2012	2011
				---------- (Rupees) ----------	
Faysal Bank Limited	A-1+	AA	JCR-VIS	**10,400,374**	3,540,422
Silk Bank Limited	A-3	A -	JCR-VIS	**1,106,711**	198,479
Samba Bank Limited	A-1	AA -	JCR-VIS	**1,172,527**	19,280,235
MCB Bank Limited	A1+	AA +	PACRA	**14,480,381**	8,538,825
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**5,500**	5,500
				27,165,493	31,563,461

43.1.2 **Restructured lease and loan receivables**

The carrying amount of restructured lease and loan receivables included in on balance sheet credit risk exposure as noted above aggregates to Rs. 581,771,245 (2011: Rs. 663,301,754) and Rs. 25,346,568 (2011: Rs. 89,408,332).

43.1.3 **Concentration of Credit Risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is diversified.

Sector wise analysis of lease and loan receivables are given below:

Sector	Lease and loan receivables Percentage 2012	Percentage 2011	Gross amount in Rupees 2012	Gross amount in Rupees 2011
Sugar and allied	**0.58**	0.84	**10,992,409**	18,880,602
Cement	**1.74**	1.64	**32,786,957**	36,942,685
Energy oils and gas	**3.90**	4.07	**73,443,475**	91,632,747
Steel and Engineering & Auto Mobiles	**7.02**	5.71	**132,260,090**	128,517,258
Electric and electric goods	**0.52**	0.48	**9,728,146**	10,795,768
Transport and communications	**12.13**	7.32	**228,683,361**	164,734,521
Chemicals / fertilizer / pharmaceutical	**1.79**	1.72	**33,769,206**	38,781,468
Textile	**21.70**	18.13	**409,092,017**	407,992,845
Paper and boards	**4.89**	4.65	**92,202,407**	104,679,473
Construction	**9.61**	6.37	**181,235,890**	143,456,316
Food, tobacco and beverages	**4.84**	4.20	**91,219,118**	94,442,710
Glass and ceramics	**2.44**	2.22	**45,981,723**	49,913,605
Hotels	**2.48**	3.29	**46,767,887**	74,049,312
Health care	**0.56**	0.51	**10,510,415**	11,421,868
Dairy and poultry	**1.41**	1.31	**26,506,637**	29,565,688
Services	**2.17**	3.70	**40,857,227**	83,379,268
Miscellaneous	**19.89**	13.78	**374,927,531**	310,170,605
Consumer	**2.34**	20.05	**44,023,205**	451,289,952
	100.00	100.00	**1,884,987,701**	2,250,646,691

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

43.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Company.

Management of liquidity risk

As of the Balance Sheet date, the Company is having liquid assets to the tune of Rs. 150 million to meet its commitments and obligations. Further, through recovery measures, the Company is generating a liquidity of Rs. 20 million to Rs. 25 million per month to cover its commitments to lenders and creditors which are to the tune of Rs. 15 million per month. Thus the Company in addition to meeting its commitments is generating surplus cash to cater for any contingencies that may arise in the normal course of business. Moreover, since majority of the borrowings are rescheduled / restructured, the pressure of payments to creditors is eased to a larger extent and the company finds itself in a relatively better position.

	2012							
	Weighted average effective rate of interest %	**Carrying amount**	**Contractual cash flows**	**Less than 1 month**	**1 - 3 months**	**3 months - 1 year**	**1 - 5 years**	**More than 5 years**
		---------- (Rupees) ----------						
Financial liabilities								
Borrowings from financial institutions	9.07%	246,884,059	246,884,059	172,000,000	24,703,333	50,180,726	-	-
Certificates of investment	16.00%	187,364,301	190,560,764	172,664,301	1,000,000	2,574,534	14,321,929	-
Accrued mark-up		320,736,579	320,736,579	320,736,579	-	-	-	-
Accrued and other payables		31,504,451	31,504,451	29,659,841	1,016,112	-	-	828,498
Long-term finances	13.71%	1,126,342,050	1,268,592,260	329,911,920	13,846,154	274,807,693	650,026,493	-
Sub-ordinated debt		333,208,499	333,208,499	-	333,208,499	-	-	
Deposits against leases		661,134,837	661,134,837	491,747,137	25,050,301	74,298,026	70,039,373	-
		2,907,174,776	3,052,621,449	1,516,719,778	398,824,399	401,860,979	734,387,795	828,498

	2011							
	Weighted average effective rate of interest %	Carrying amount	Contractual cash flows	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years
		---------- (Rupees) ----------						
Financial liabilities								
Borrowings from financial institutions	11.62%	431,121,588	431,121,588	345,121,588	86,000,000	-	-	-
Certificates of investment	16.00%	255,092,000	266,229,882	209,302,282	5,023,622	22,949,616	28,954,362	-
Accrued mark-up		251,747,281	251,747,281	207,216,694	1,629,900	7,334,550	35,566,137	-
Accrued and other payables		40,694,759	40,694,759	-	40,694,759	-	-	-
Long-term finances	13.56%	1,347,221,287	1,616,512,220	500,524,808	55,775,518	282,356,551	703,581,752	74,273,591
Sub-ordinated debt		333,208,499	333,208,499	-	-	-	-	333,208,499
Deposits against leases		716,349,985	716,349,985	437,259,745	41,981,675	72,839,639	164,268,926	-
		3,375,435,399	3,655,864,214	1,699,425,117	231,105,474	385,480,356	932,371,177	407,482,090

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

43.2.1 Breach of Loan Agreements

As of 30 June 2012, the Company defaulted in making payments of some loan arrangements due to liquidity crunch. The total outstanding principal on which defaults were made amounts to Rs. 603.061 million as at balance sheet date which the Company was required to repay during the year. Similarly, the Company also defaulted on mark up repayments of Rs. 130.763 million during the year. However, subsequent to year end, the Company has renegotiated / finalized certain agreements with some of the lenders. During the year, the Company has entered into a restructuring agreement with TFC holders amounting to Rs. 515.301 million whereby the outstanding amount of TFCs was restructured.

43.2.2 Market risk

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

43.2.3 Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Company's exposure to fair value interest rate risk is limited as it does not hold significant fixed interest based financial instruments.

At the reporting date, the interest rate profile of Company's interest-bearing financial instruments is as follows:

	Carrying Amount	
	30 June 2012	30 June 2011
	---------- (Rupees) ----------	
Fixed rate instruments		
Financial assets	77,406,419	-
Financial liabilities	(433,675,806)	(507,403,505)
	(356,269,387)	(507,403,505)
Variable rate instruments		
Financial assets	1,912,147,694	2,518,174,013
Financial liabilities	(631,035,834)	(659,491,754)
	1,281,111,860	1,858,682,259

Cash flow sensitivity analysis for variable rate instruments

The Company holds profit earning current accounts with various banks exposing the Company to cash flow interest rate risk (as detailed in note 4).

For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in interest rates during the year would have decreased / increased profit and equity for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

	Profit or loss before tax 100 bp	
	Increase	(Decrease)
	---------- (Rupees) ----------	
As at 30 June 2012		
Cash flow sensitivity - Variable rate instruments*	**12,811,119**	(12,811,119)
As at 30 June 2011		
Cash flow sensitivity - Variable rate instruments*	**18,586,823**	(18,586,823)

*net of financial liabilities.

The information about Company's exposures to interest rate risk based on contractual repricing or maturity dates whichever is earlier is as follows:

As at 30 June 2012	**Effective rate of mark-up / return %**	**Exposed to interest rate risk**					**Not exposed to interest rate risk**
		Amount	**Upto 6 months**	**Over 6 months to 1 year**	**1 year to 5 years**	**over 5 years**	
		---------- (Rupees) ----------					
Financial assets							
Cash and bank balances	5% - 8%	27,279,060	27,159,993	-	-	-	119,067
Short-term loans	16% - 25%	329,496,472	329,496,472	-	-	-	-
Short term investments	11.78% - 12%	122,568,873	32,406,419	45,000,000	-	-	45,162,454
Accrued mark-up		1,513,530	-	-	-	-	1,513,530
Trade deposits		808,696	-	-	-	-	808,696
Other receivables		92,204,962	-	-	-	-	92,204,962
Long-term loans	4% - 22.66%	129,275,935	110,423,311	18,852,624	-	-	-
Gross investment in leases	12.5% - 20.01%	1,426,215,294	914,339,399	139,803,650	372,072,245	-	-
		2,129,362,822	1,413,825,594	203,656,274	372,072,245	-	139,808,709

As at 30 June 2011	Effective rate of mark-up / return %	Exposed to interest rate risk					Not exposed to interest rate risk
		Amount	Upto 6 months	Over 6 months to 1 year	1 year to 5 years	over 5 years	
		---------- (Rupees) ----------					
Financial assets							
Cash and bank balances	5% - 8%	31,563,460	30,651,621	-	-	-	911,839
Short-term loans	17% - 19.75%	438,409,737	195,768,878	242,640,859	-	-	-
Short term investments	16% - 25%	184,144,146	-	40,000,000	-	-	144,144,146
Advances	-	1,529,000	-	-	-	-	1,529,000
Accrued mark-up	-	41,137,710	-	-	-	-	41,137,710
Trade deposits	-	1,150,707	-	-	-	-	1,150,707
Other receivables	-	112,078,337	-	-	-	-	112,078,337
Long-term loans	4% - 19.5%	236,717,840	147,527,644	10,000,000	77,130,293	-	2,059,903
Gross investment in leases	8.5% - 25%	1,575,519,115	104,893,140	89,212,492	890,307,930	491,105,553	-
Long-term investment	-	12,254,616	-	-	-	-	12,254,616
		2,634,504,668	478,841,283	381,853,351	967,438,223	491,105,553	315,266,258

43.2.4 Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is not exposed to foreign exchange risk as there are no financial instruments in foreign currency.

43.2.5 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market.

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments.

Price sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to valuation gains and losses for investment portfolio of the Company. The analysis is prepared on the amount of investments at the balance sheet date 10% increase or decrease in equity instrument prices are used when reporting price risk internally to key management personnel and represents management's assessment of the reasonably possible change in equity instruments rates.

If prices in equity instruments had been 10% percent lower, the Company's loss for the year ended June 30, 2012 would increase by Rs. 1,580,360 (2011: Rs. 8,480,740) and surplus on revaluation of available-for-sale investments would decrease by Rs. 1,580,360 (2011: Rs. 8,480,740).

43.2.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Company's activities. The management of the Company in view of the historical events is evaluating and enhancing controls such that operational risk is better managed.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;

- requirements for the reconciliation and monitoring of transactions;

- compliance with regulatory and other legal requirements;

- documentation of controls and procedures;

- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;

- contingency plan;

- ethical and business standards;

- risk mitigation, including insurance where this is effective.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2012

43.2.7 Fair value of financial instruments

Investments on the Balance Sheet are carried at fair value. The management is of the view that the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short term in nature.

The Company's accounting policy on fair value measurements is discussed in note 3.1 to these financial statements.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Fair value of the financial assets that are traded in active markets are based on quoted market prices or dealer price quotations.

	Level 1	Level 2	Level 3	Total
	(Rupees)			
Available for sale				
Equity securities	15,803,673	-	29,358,781	45,162,454
Debt securities	-	32,406,419	-	32,406,419
	15,803,673	**32,406,419**	**29,358,781**	**77,568,873**

The reconciliation of items classified in level 3 is as follows:	**30 June 2012 (Rupees)**
Opening balance as at 01 July	**69,583,300**
Impairment loss recognised in profit and loss account	**(2,889,457)**
Transferred during the year	**14,664,938**
Disposal during the year	**(52,000,000)**
Closing balance as at 30 June	**29,358,781**

The carrying amounts of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

44. CORRESPONDING FIGURES

Following re-classifications to the corresponding figures are required in the financial statements for the year ended 30 June 2011. Details of which are as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

44.1 Long term finances

During the previous years, the Company defaulted in making payments of certain loan arrangements due to liquidity crunch. The amount reported under non current liabilities on which defaults were made amounts to Rs.136.601 million for long term loans.

According to IAS 1 "Presentation of Financial Statements" when an entity breaches a provision of a long-term finance arrangement on or before the end of the reporting period, with the effect that the liability becomes payable on demand, the liability should be classified as current. Details of which are as follows:

Reclassification from Balance sheet	**Reclassification to Balance sheet**	**30 June 2012**	30 June 2011
		---------- **(Rupees)**	----------
Long term finances (Non current liability)	Current maturity of non-current liabilities (Current liability)	-	136,601,104

44.2 Investment properties

Non-current asset classified as held for sale (Current assets)	Investment property (net of depreciation) (Non current assets)	-	76,169,772
Non-current asset classified as held for sale (Current assets)	Property, plant and equipment (Non current assets)	-	2,800,000
Non-current asset classified as held for sale (Current assets)	Other receivables (Current assets)	-	8,850,995

The above re-classification has been applied prospectively in the current period. The cumulative depreciation on investment properties carried under historical cost basis relating to prior periods amounting to Rs. 5.3 million which has been charged in the current period income statement which should have been charged in the previous year.

44.3 Surplus on revaluation of available for sale investments - net

The Surplus on revaluation of available for sale investments has been re classified in equity as per "the requirements of IAS 39 ""Financial Instruments :Recognition and Measurement."

Surplus on revaluation of assets (below equity)	Surplus on revaluation of available for sale investments - net (equity)	-	6,851,796

45. DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors on 07 November 2012.

Chief Executive Officer

Chairman

PATTERN OF SHAREHOLDING

As on June 30, 2012

NO. OF SHAREHOLDERS	HAVING SHARES FROM	TO	SHARES HELD	PERCENTAGE
409	1	100	11916	0.0264
323	101	500	84584	0.1873
163	501	1000	122429	0.2711
448	1001	5000	1120145	2.4804
92	5001	10000	655657	1.4518
52	10001	15000	656451	1.4536
19	15001	20000	341413	0.7560
21	20001	25000	475809	1.0536
11	25001	30000	299372	0.6629
4	30001	35000	130229	0.2884
4	35001	40000	151746	0.3360
3	40001	45000	127755	0.2829
5	45001	50000	241258	0.5342
3	50001	55000	153044	0.3389
5	55001	60000	282676	0.6259
3	60001	65000	189923	0.4206
2	70001	75000	147516	0.3266
4	75001	80000	315925	0.6996
4	80001	85000	334202	0.7400
1	90001	95000	94000	0.2081
1	95001	100000	100000	0.2214
3	100001	105000	313915	0.6951
2	105001	110000	215018	0.4761
1	110001	115000	110619	0.2449
1	120001	125000	122195	0.2706
1	130001	135000	132500	0.2934
1	145001	150000	147383	0.3264
1	155001	160000	157796	0.3494
2	165001	170000	331662	0.7344
1	170001	175000	174994	0.3875
1	180001	185000	184553	0.4087
1	185001	190000	190000	0.4207
1	210001	215000	210745	0.4667
1	215001	220000	215261	0.4767
2	225001	230000	451604	1.0000
2	245001	250000	496764	1.1000
1	260001	265000	263431	0.5833
1	295001	300000	295648	0.6547
1	315001	320000	318255	0.7047
1	450001	455000	451080	0.9988
1	510001	515000	511432	1.1325
1	590001	595000	593500	1.3142
1	610001	615000	613885	1.3593
1	1035001	1040000	1038211	2.2989
1	1215001	1220000	1218536	2.6982
1	1520001	1525000	1522920	3.3722
1	1580001	1585000	1582673	3.5046
1	1805001	1810000	1806420	4.0000
1	1995001	2000000	1997822	4.4238
1	3105001	3110000	3105752	6.8771
1	4510001	4515000	4514473	9.9965
1	15835001	15840000	15835403	35.0647
1614		**Company Total**	**45160500**	**100.0000**

CATEGORIES OF SHARE HOLDERS

As on June 30, 2012

		SHAREHOLDERS	SHAREHOLDING	PERCENTAGE
1	Individuals	1,559	10,164,082	22.5066
2	Shares held by Associated Companies, undertakings and related parties:			
	Saudi Pak Industrial & Agricultural Investment Co. Ltd.	1 -	15,835,403	35.0647
	Saudi Pak Insurance Company Ltd.	1	16,065	0.0356
	Premier Mercantile Services (Pvt) Ltd.	1	4,516,048	10.0000
	Marine Services (Pvt) Ltd.	1	64,352	0.1425
3	Investment Corporation of Pakistan	1	500	0.0011
4	National Investment Trust	1	5,064,152	11.2137
5	Directors, Chief Executive Officer and their spouse and minor children	- -		
	Senator (R) Ihsanul Haq Piracha	1	2,032,222	4.5000
	Mr. Haroon Ihsan	1	2,421,847	5.3628
	Mrs. Khurshid Ihsan Piracha	1	1,748,722	3.8722
6	INSURANCE COMPANIES	1	1,997,822	4.4238
7	PUBLIC SECTOR COMPANIES & CORPORATIONS	1	1,016	0.0022
8	FINANCIAL INSTITUTION	5	657,018	1.4549
9	MODARABAS	2	13,460	0.0298
10	OTHERS	27	572,387	1.2675
11	NON RESIDENT	10	55,404	0.1227
		1,614	45,160,500	100.000

Shareholders holding 5% or more voting interest in the Company:		
Saudi Pak Industrial & Agricultural Investment Company Limited	15,835,403	35.0647
Premier Mercantile Services (Pvt) Limited	4,516,048	10.0000
National Investment Trust	5,064,152	11.2137
Mr. Haroon Ihsan	2,421,847	5.3628

PROXY FORM

I/We ______________________________ of ______________________________

____ (full address)

being member(s) of Saudi Pak Leasing Company Limited hereby appoint Mr. / Ms.____________________

______________________ of ______________________________________

____ (full address)

or failing him/her Mr./Ms. ____

of ____ (full address)

(being member of the Company) as my / our Proxy to attend, act and vote for me/us and on my /our behalf at the 22nd Annual General Meeting of the Company to be held on November 30, 2012 and at any adjournment thereof.

As witness my/our hand this ____________________ day of ____________________ 2012

Signed by ____

In presence of ____

Signature and address of witness

Signature of Members(s)

Please affix
Rs. 5/- revenue
stamp

Shareholder's Folio No. ____

Number of Shares held ____

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

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

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

AFFIX
CORRECT
POSTAGE

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