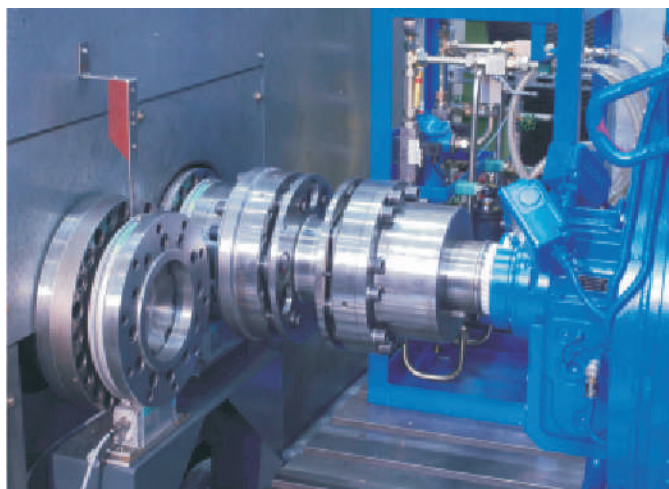


ANNUAL REPORT
2011



Contents

Our Corporate Information	4
Notice of Annual General Meeting	7
Our Business	8
Chairman's Review	10
Key Performance Indicators (KPIs)	12
Financial Highlights	14
Directors' Report to the Shareholders	17
Statement of Ethics and Business Practices	23
Statement of Compliance with the Code of Corporate Governance	25
Review Report to the Members on Code of Corporate Governance	27
Auditors' Report to the Members	28
Balance Sheet	30
Profit and Loss Account	31
Cash Flow Statement	32
Statement of Changes in Equity	33
Notes to the Accounts	34
Pattern of Shareholding	67
Categories of Shareholders	68
Proxy Form	



FINANCE LEASE

OPERATING LEASE

SYNDICATE ARRANGEMENTS

TERM LOAN

**adding value to
financial transactions**

Our Vision

To become industry leader by offering unique 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 Shareholders

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

For our Employees

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

For our society

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

OUR CORPORATE INFORMATION



MR. MUHAMMAD ANWAR
Chairman

**Promoting a Culture of
Corporate Governance**



SENATOR (R) IHSANUL HAQ PIRACHA
Vice Chairman



MR. NAYYAR ALAM ILYAS
Acting Chief Executive Officer



MR. FARRUKH SHAUKET ANSARI
Director



MR. MUHAMMAD TARIQ MASUD
Director



MR. MUHAMMAD IQBAL HUSSAIN
Director



MR. ARSALAN I. KHAN
Director

BOARD OF DIRECTORS

Mr. Muhammad Anwar	Chairman
Senator (R) Ihsanul Haq Piracha	Vice Chairman
Mr. Nayyar Alam Ilyas	Acting Chief Executive Officer
Mr. Farrukh Shauket Ansari	Director
Mr. Muhammad Tariq Masud	Director
Mr. Arsalan I. Khan	Director
Mr. Muhammad Iqbal Hussain	Director

AUDIT COMMITTEE

Senator (R) Ihsanul Haq Piracha	Chairman
Mr. Muhammad Tariq Masud	Director
Mr. Muhammad Iqbal Hussain	Director

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Mr. Imaran Masood

HEAD OF INTERNAL AUDIT

Ms. Farhana Naz

AUDITORS

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

LEGAL ADVISOR

M/s. S & B Durrani Law Associates

TAX CONSULTANTS

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

CREDIT RATING

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

BANK & LENDING INSTITUTIONS

National Bank of Pakistan
United Bank Limited
MCB Bank Limited
Allied Bank Limited
Askari Commercial Bank Limited
Faysal Bank Limited
Samba Bank Limited
Standard Chartered Bank (Pakistan) Limited
HSBC Bank Middle East Limited
Silk Bank Limited.

REGISTERED OFFICE

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

BRANCHES

Lahore

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

Islamabad

Room # 05, Business Centre, Low-Rise Area,
Saudi Pak Tower 61-A, Jinnah Avenue,
Blue Area, Islamabad
Tel: (051) 2800206, 2800236
Fax: (051) 2800205

Sialkot

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

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



del.
... ..
... ..

... ..
... ..

... ..

... ..

[Handwritten signature]

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 21st Annual General Meeting of the members of Saudi Pak Leasing Company Limited ("the Company") will be held at Saudi Pak Tower 61-A, Jinnah Avenue, Blue Area, Islamabad, on Monday, October 31, 2011 at 10:00 hours to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the Annual General Meeting of the Company held on October 28, 2010.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2011 together with the Directors' and Auditors' Report thereon.
3. To appoint Auditors for the year 2011- 2012 and to fix their remuneration. The Board of Directors has recommended appointment of KPMG Taseer Hadi & Co, Chartered Accountants as auditors for the year 2011-2012.
4. To consider any other business with the permission of the Chair.

By Order of the Board

Imran Masood
Company Secretary

Karachi: October 10, 2011

NOTES:

1. The Register of members of the Company will remain closed from October 24, 2011 to October 31, 2011 (both days inclusive).
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her.
3. A proxy must be a member of the Company.
4. An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or notarially certified copy of such power of attorney, in order to be valid must be deposited at the registered office of the Company not less than 48 hours before the time of the meeting.
5. Members are advised to lodge shares for transfer at the office of our Registrar, THK Associates (Pvt) Ltd., Ground Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi.
6. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:
 - i) In case of individuals, the account holder or sub-account holder, shall authenticate his/her identity by showing his/her original 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.

OUR BUSINESS

Corporate Finance:

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

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



**Structuring Financial Transactions
to meet Customer Needs**

Consumer Finance:

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



CHAIRMAN'S REVIEW

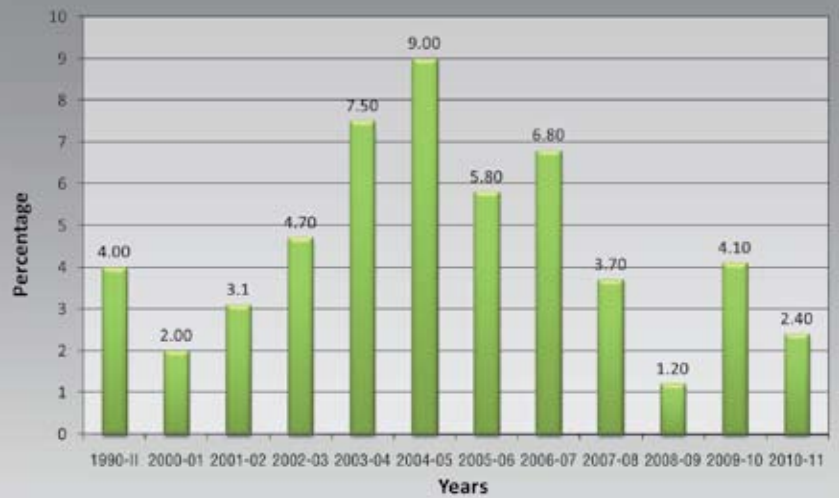
I hereby present the 21st Annual Report along with the audited Financial Statements of Saudi Pak Leasing Company Limited for the year ended June 30, 2011.

The continuous liquidity crunch and higher cost of doing business is posing serious challenges to the Company. Due to liquidity crisis, the company focused on recovery of lease/loan portfolio and liability management.

The gross finance lease revenue of the Company during the year decreased to Rs. 136 million from Rs. 278 million in FY 2010 whereas operating lease revenue decreased to Rs. 10 million from Rs. 25 million. Other operating income decreased to Rs. 74 million during the year as compared to Rs. 133 million in the preceding year mainly due to suspension of non-performing assets. Company paid back principal amount of Rs. 1,024 million along with mark-up of Rs. 103 million during the year 2011. The Company successfully decreased its overall financial charges by 61 percent to Rs. 183 million for the year as compared to Rs. 468 million in FY 2010 mainly due to settlements through lease/loan swapping, waivers on accrued mark-up and also reduction in mark-up rates. The operating expenses were also curtailed by 7 percent during the period.

The Company managed to reduce operating loss of Rs. 156 million recorded in the year 2010

GDP GROWTH RATE



INTEREST RATE ANALYSIS



OPERATING PERFORMANCE



to an operating loss of Rs. 75 million during the year. The negative impact on the business due to non conducive business conditions including but not limited to weak law and order situation, higher inflation and persistent energy crises were mitigated by settlements entered into with the lenders against defaulted customers' portfolio resulting in reversal of provisions/suspension which reduced to Rs. 73 million during the year from Rs. 134 million against non performing loans and leases recorded in the preceding year. Consequently, Company's after tax loss of Rs. 343 million recorded in the preceding year shrunk to Rs. 118 million for the year ended June 30, 2011.

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 Anwar
Chairman

October 04, 2011

LEASE PORTFOLIO BY TYPE OF ASSETS AS ON JUNE 2011



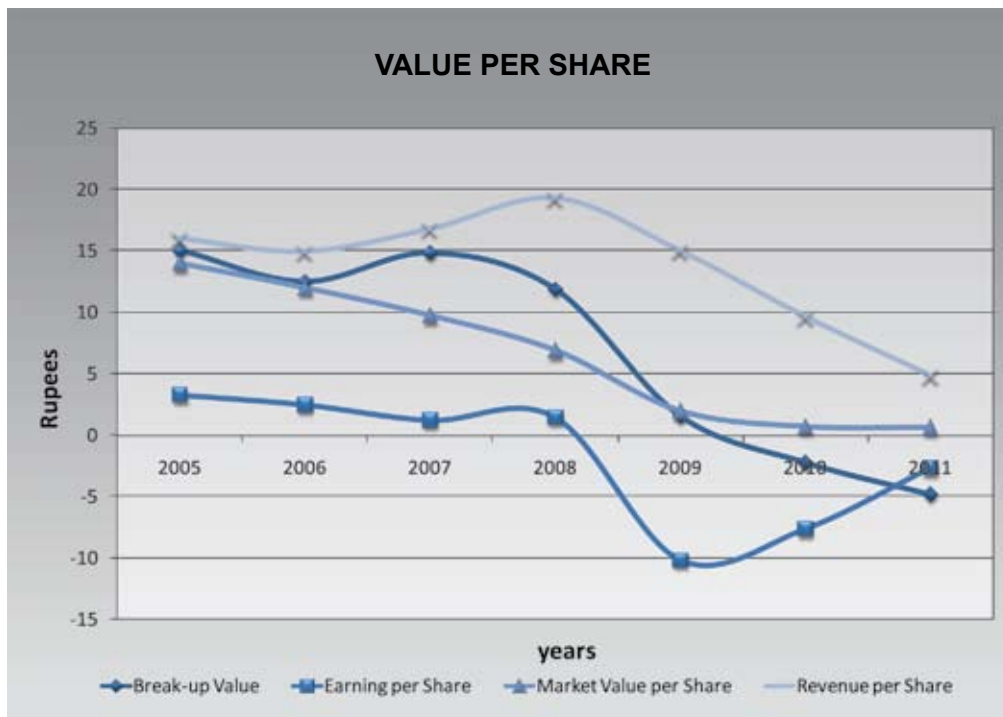
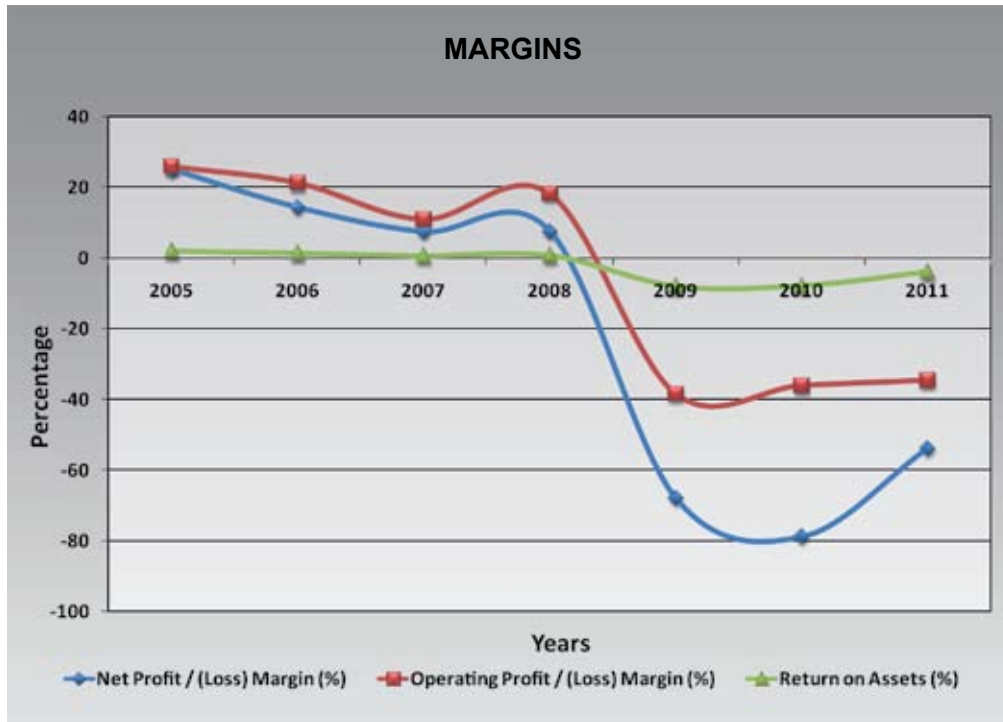
- 79% Plant & Machinery
- 10% Commercial Vehicles
- 03% Passenger Vehicles
- 08% Others

LEASE PORTFOLIO BY TYPE OF CUSTOMER AS ON JUNE 30, 2011



- 08% Food and Allied
- 04% Energy oils & Gas
- 03% Pharmaceuticals/Fertilizer
- 09% Transport & Communication
- 21% Textile
- 06% Services
- 05% Steel and Engineering
- 07% Consumer & SME
- 11% Construction
- 19% Miscellaneous
- 05% Paper and Boards
- 02% Cement

KEY PERFORMANCE INDICATORS



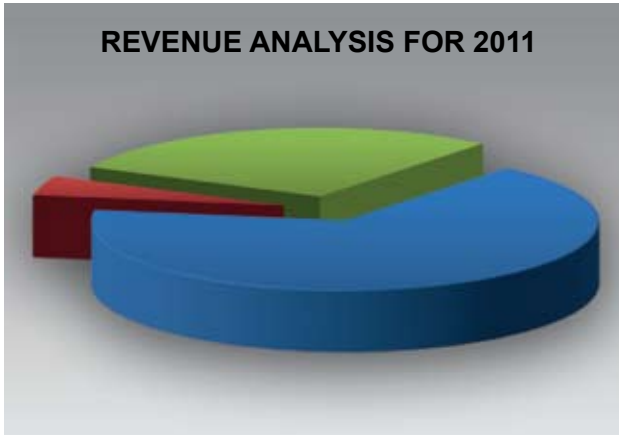
Ratio	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Break up Value (Rs.)	(4.78)	(2.18)	1.60	11.89	14.84	12.51	15.07	15.80	14.21	13.30
Current Ratio (X)	1.05	1.09	1.15	0.92	1.01	1.04	0.98	1.10	1.40	2.09
Debt Leverage	24.86	15.59	7.94	10.39	7.62	8.46	9.74	8.34	6.84	7.64
Dividend per Share (Rs.)	-	-	-	-	1.5*	1.50	2.00	2.50	0.75	-
Dividend Yield (%)	-	-	-	-	15.38	12.50	14.29	16.67	11.11	-
Earning / (Loss) per Share (Rs.)	(2.61)	(7.59)	(10.14)	1.49	1.26	2.52	3.33	2.82	1.37	0.62
Financial Charges / Total Expenses (%)	61.90	79.02	82.90	80.37	81.38	81.25	72.07	69.65	81.30	87.69
Market Value per Share (Rs.)	0.65	0.72	1.99	6.90	9.75	12.00	14.00	15.00	6.75	6.10
Net Profit / (Loss) Margin (%)	(53.60)	(78.63)	(67.63)	7.74	7.51	14.45	25.18	20.01	8.85	3.51
Operating Profit / (Loss) Margin (%)	(34.38)	(35.88)	(38.19)	18.39	11.11	21.47	26.12	33.04	17.49	4.51
Price Earning Ratio (X)	(0.25)	(0.09)	(0.20)	4.62	7.74	4.75	4.20	5.32	4.92	9.80
Return on Assets (%)	(3.72)	(7.67)	(7.76)	0.91	0.83	1.54	2.13	1.66	1.07	0.49
Revenue per Share (Rs.)	4.86	9.65	15.00	19.29	16.78	14.96	16.01	14.10	15.50	17.75
Times Interest Earned (X)	0.59	0.67	0.67	1.28	1.15	1.34	1.49	1.71	1.26	1.05
Total Assets / Net Worth (X)	26.95	19.05	14.56	13.82	10.24	11.19	12.54	10.78	9.04	9.59
Total Financing / Net Worth (X)	17.33	12.78	10.00	7.14	7.30	8.13	9.31	7.95	6.39	7.13

* includes Bonus Shares

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

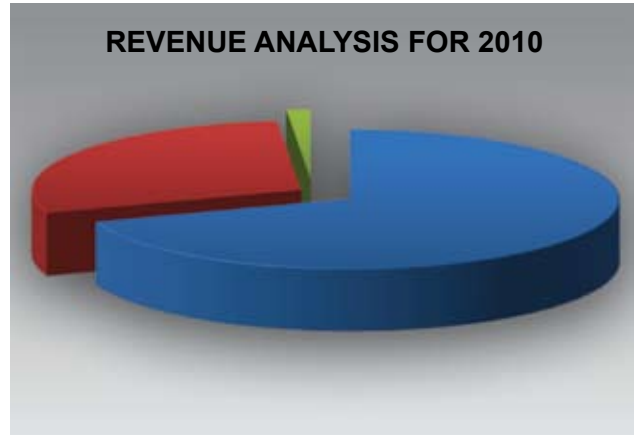
FINANCIAL HIGHLIGHTS

REVENUE ANALYSIS FOR 2011



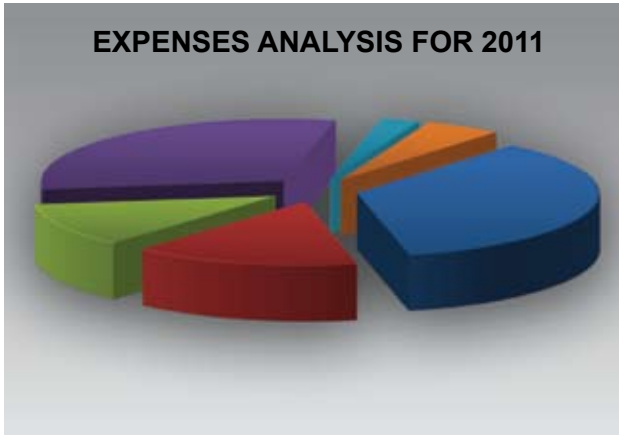
- 66% Income from leasing operations
- 05% Income from term loans
- 29% Other income

REVENUE ANALYSIS FOR 2010



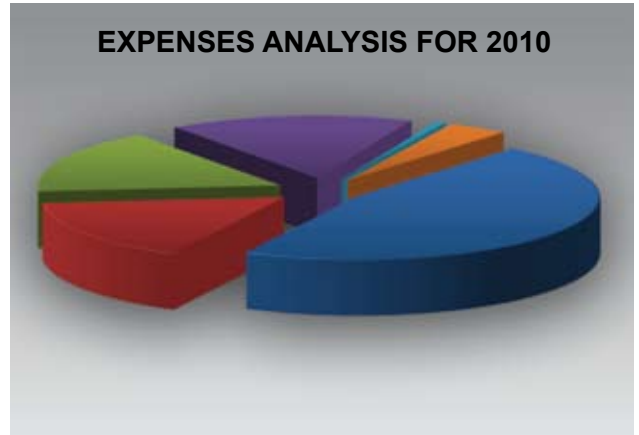
- 70% Income from leasing operations
- 29% Income on term loans
- 01% Other income

EXPENSES ANALYSIS FOR 2011



- 35% Borrowings from Financial Institutions
- 15% Term finance Certificates
- 11% Certificates of Investments
- 31% Administrative & Operating Expenses
- 03% Other Charges
- 05% Direct cost of operating leases

EXPENSES ANALYSIS FOR 2010



- 46% Borrowings from Financial Institutions
- 16% Term finance Certificates
- 17% Certificates of Investments
- 16% Other Charges
- 01% Administrative & Operating Expenses
- 04% Direct cost of operating leases

(Rupees in millions)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Operational results										
Total disbursement	-	-	851	3,249	2,486	2,258	1,874	1,592	1,012	614
Revenues	220	436	677	871	722	643	405	310	355	392
(Loss) / Profit before tax	(164)	(419)	(527)	84	71	103	54	68	66	17
(Loss) / Profit after tax	(118)	(342)	(458)	67	54	93	102	62	30	14
Financial charges	183	468	776	571	522	411	216	145	229	327
Provision for bad debts	73	134	101	69	18	32	43	33	5	2
Impairment loss on shares investment	16	128	169	-	-	-	-	-	-	-
Cash dividend	-	-	-	-	13.01	64.52	25.30	22.00	16.50	-
Balance sheet										
Gross lease receivables	2,777	3,751	4,868	5,937	5,084	4,844	3,866	2,916	2,276	2,123
Net investment in leases	1,876	2,838	3,801	4,873	4,248	4,073	3,319	2,533	1,919	1,775
Net worth	*117	*234	*405	537	638	537	381	326	313	293
Reserves	148	148	148	151	136	125	106	86	73	83
Fixed assets owned & operating	100	119	261	256	209	125	106	86	39	46
Total assets	3,162	4,471	5,903	7,424	6,538	6,020	4,780	3,746	2,824	2,807
Long term liabilities	767	1,436	2,316	2,441	2,028	1,855	1,483	1,419	1,328	1,658
Long term investments	73	137	93	129	120	381	143	21	-	48

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



Promoting best Management Practices

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 21st Annual Report and audited financial statements of the Company for the year ended June 30, 2011.

Economic Overview

Subsequent to the global meltdown of the year 2008, the economy of Pakistan has been struggling for recovery since the last three years. The country faced the multiple shocks of commodity and oil prices, fall out of global financial crises which were further compounded by the unprecedented calamity of great floods which inflicted a massive damage of US\$ 10 billion on country's economic structure. Thus the economic growth of 4.1 percent registered in the preceding year halved to 2.4 percent in 2011.

Destruction of major crops, particularly rice and cotton, led to a negative growth of 4% in this sector. The manufacturing sector growth was also adversely affected and was negligible due to reduced output in the textiles and petroleum products. The overall quantum of economic activities captured by the services sector was also affected with a growth of 4.1 percent against originally targeted 5.4 percent.

Despite decline in growth, the most significant development during the year was the historic performance of external sector leading to surplus in current account. The Current Account balance improved by 121% in the outgoing fiscal year of 2011 as the same closed with a surplus of US\$ 748 million as against deficit of US\$ 3,456 million in the last year. This marked improvement was mainly due to moderate imports and 28 percent rise in exports over the previous year to reach a record level of over US\$ 20 billion. The country was successful in attracting the highest ever level of remittances of over US\$ 11 billion in FY 2011. Consequently, foreign exchange reserves of the country touched a new high, crossing US\$ 17 billion.

The inflationary pressure intensified on account of a number of adverse developments including hike in global commodity prices and phasing out of power sector subsidies. The Consumer Price Index increased to around 14 percent and discount rate touched high of 14.5 percent per annum.

During the Financial year 2011, KSE-100 performance was highly encouraging as the Stock Market benchmark KSE-100 Index gained 28 percent from 9,722 points as on July 1, 2010 to 12,464 points as on June 30, 2011. Most of the gains were recorded in the first three quarters.

Leasing Industry

The leasing sector continued to operate under increased stress which resulted in declining margins, rising cost of funds, adverse business conditions and liquidity crisis. The commercial banks were reluctant to lend money to NBFC sector. Serious fund mobilization issues forced the companies in leasing sector to utilize available rental recoveries for repayment to their lenders resulting in huge drop in volume of new leasing businesses. Weakening economic

conditions particularly persistent energy crises and rising cost of doing business hampered operations of lessees which resulted in increased non-performing portfolio of leasing companies thus forcing to record ever rising suspension of income and provisions against doubtful receivables. Leasing segment is in urgent need of Government support to overcome their problems before they are damaged beyond repair that will in turn dent the development of SME sector which has been playing a key role in the development of the economy.

Financial Results

	Rupees
Loss before taxation	(165,936,694)
Less: Taxation-Current	(7,779,662)
-Prior year	-
-Deferred	56,038,244
Loss for the year after taxation	(117,678,112)
Accumulated loss brought forward	(723,600,422)
Transfer from surplus on revaluation of properties to accumulated losses	1,868,097
Accumulated loss carried forward	(839,410,437)
Loss per share	(2.61)

During the current year, the financial difficulties resulting from the overall economic instability further aggravated by recent floods, energy shortfall and high interest rates. The prevalence of adverse law and order, political uncertainty and high inflation also had a negative impact on company's financial outlook. The outcome of these factors directly affected the growth in agriculture and manufacturing sectors thus impairing the repayment capacities of the lessees. This has badly affected the Company and resulted in increased delinquent and non-performing assets. The continuous liquidity crunch and increased delinquencies are posing serious challenges to the Company. However, the management aggressively pursued recovery and negotiated with the lenders restructuring of the loans and reduction in the mark-up rates. These steps had a positive impact on the operations of the company. In current year, the Company incurred a loss after tax of Rs. 118 million as compared to Rs. 343 million in the previous year. This includes provision for doubtful leases/loans of Rs. 73 million as compared to Rs. 134 million in the previous year and impairment on available for sale investments of Rs.16 million as compared to Rs. 128 million in the previous year.

Subsequent to year end, the Company has entered into major cross party settlements resulting in huge relief. It is pertinent to mention that if these settlements were finalized and accounted for during the financial year ended 30 June 2011, the Company would have registered profit.

Future Outlook

The management of the Company is focusing on deleveraging. In addition the management is also aiming to strengthen its operating lease portfolio and plans to increase its fleet of generators for future cash generation from profitable operations. Measures have also been taken to reduce expenses by rationalizing salary expenses of employees and right sizing its human resource. Another focus point is reduction in administrative and other expenses which will result in substantial saving for the company. These measures will have a positive impact

on the profitability of the company.

Emanating from the business and socio-economic indicators, the Company is singularly focused on reviving its operations through measures encompassing effective cost cutting, rationalization of human resource, full throttle recovery of stuck-up portfolio and substantial saving in financial cost through prudent liability management. Due to positive response of lenders the Company has managed to reduce liabilities through execution of settlements to its optimal benefits. Negotiations are also under process with lenders for further reduction in our borrowings.

The management is optimistic that the damage to the assets' base of the Company due to shortfall in recovery would be more than off-set by the proposed liability management that would augment the cash flows of the Company and create space for doing new remunerative business in near future. The Company would also become compliant to the stipulated Regulations.

Dividend

In view of the loss during the year, the Board recommends no pay-out for the year ended June 30, 2011.

Board of Directors

Ms. Parveen A. Malik and Mr. Haroon Ihsan, directors of the Company have resigned on January 29, 2011 and May 25, 2011 respectively. The casual vacancies in the Board of Directors are filled by Mr. Muhammad Iqbal Hussain and Mr. Nayyar Alam Ilyas for the remaining period till December 2012.

Corporate Governance

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

Statement of Corporate Governance

The Directors are pleased to state that:

- 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) Approved Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.

- e) The system of internal control is sound in design and has been effectively implemented and monitored. The ultimate responsibility of the effectiveness of internal control system and its monitoring lies with the Board. An Audit Committee has been formed for the purpose that meets periodically and independently throughout the year with the management and also the internal and external auditors to discuss the effectiveness of internal control system and other financial reporting matters. In addition, there are financial forecasts and budgetary control procedures in place, which are reviewed and monitored throughout the year to indicate and evaluate the variances from the budget.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) During the year four (4) 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 Anwar*	Chairman	4	2
Mr. Ihsanul Haq Piracha	Vice Chairman	4	4
Mr. Nayyar Alam Ilyas**	Acting Chief Executive	4	2
Mr. Farrukh Shauket Ansari	Director	4	4
Mr. Haroon Ihsan***	Ex-Director	4	4
Mr. Muhammad Tariq Masud	Director	4	4
Mr. Arsalan I. Khan	Director	4	4
Mr. Muhammad Rashid Zahir****	Ex-Chairman	4	2
Mr. Muhammad Iqbal Hussain*****	Director	4	2
Ms. Perveen A. Malik*****	Ex-Director	4	2

* Appointed on January 24, 2011 on the Board.

** Appointed on February 26, 2011 on the Board.

*** Resigned on May 25, 2011 from the Board.

**** Resigned on January 17, 2011 from the Board.

***** Appointed on January 29, 2011 on the Board.

***** Resigned on January 29, 2011 from the Board.

- i) The key information as to operating and financial data of the Company is available in the annual report. The categories and pattern of shareholding as required by the Companies Ordinance, 1984 are also included in the annual report.
- j) No executive owns or has acquired any shares in the Company during the year and no trading was carried out in the shares of the Company during the year by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Chief Internal Auditor or their spouses and minor children.

k) The value of investments in provident and gratuity funds is Rs.6.0 million (2010: Rs.8.745 million) and Rs.14.0 million (2010: Rs.14.0 million) respectively as per the audited accounts for provident fund and gratuity fund for the year ended June 30, 2011.

Auditors' Report

The Auditors have issued a clean report on the financial statements of the company for the year ended 30 June 2011, with the exception of an emphasis paragraph with respect to going concern basis of the company.

The management of the Company is confident that the reduction in financing cost through restructuring/settlements and expected associated reversals of provisions of the defaulted borrowers and the issuance of convertible preference shares against settlement of loans will assist in reducing the losses and improving the equity. These measures will result not only in improved profitability but would also make the operations of the company more viable. This assumption is well and truly supported by the settlements aggregating to Rs. 882.75 million finalized / negotiated with different lenders subsequent to the year end. These settlements are expected to have positive impact on equity of the Company.

Based on the foregoing, the going concern assumption is appropriate, and has as such prepared these financial statements on a going concern basis.

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

A meeting of the TFC holders was called on during the first quarter of the financial year to restructure the loan tenor and reduction in the mark-up rate. The TFC holders have agreed to an extended repayment period and a substantial reduction in the markup rate.

Audit Committee

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

Mr. Muhammad Iqbal Hussain joined as a member of Audit Committee in place of Mr. Rashid Zahir with effect from January 29, 2011.

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 M. Yousuf Adil Saleem & Co., Chartered Accountants retired and do not offer themselves for re-appointment for the year 2011-2012.

M/s KPMG Taseer Hadi & Co., Chartered Accountants have offered their consent to be appointed as auditors for the year 2011-2012. 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 2011-2012.

Pattern of Shareholding

The pattern of shareholding as on June 30, 2011 is annexed with this report.

Financial Highlights

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

Change in Management

During the year Mr. Farrukh S. Ansari resigned from his position as CEO of the company and Mr. Nayyar Alam Ilyas appointed as Acting CEO of the company.

Further, Mr. Mazhar Abbas Zaidi, CFO & Company Secretary resigned from his post and Mr. Imran Masood has been appointed as CFO & Company Secretary.

For and on behalf of the Board;



Nayyar Alam Ilyas
Acting Chief Executive Officer



Muhammad Anwar
Chairman

Islamabad:
October 04, 2011

STATEMENT OF ETHICS AND BUSINESS PRACTICES

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

Our Shareholders

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

Our Customers

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

Our Staff

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

Compliance with Laws & Regulations

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

Credit Operations

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

Social Responsibility

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

Maintaining Confidentiality

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

Financial Statements and other Records

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

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

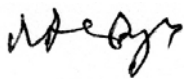
The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes six non-executive directors and no directors representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. Mr. Muhammad Rashid Zahir, Chairman and nominee director of Saudi Pak Industrial and Agriculture Investment Company Limited, Ms. Parveen A. Malik and Mr. Haroon Ihsan director of the Company resigned on January 17, 2011, January 29, 2011 and May 25, 2011 respectively. Mr. Muhammad Anwar was appointed as Chairman in place of Mr. Muhammad Rashid Zahir, Mr. Muhammad Iqbal Hussain in place of Ms. Parveen A. Malik and Mr. Nayyar Alam Ilyas as director in place of Mr. Haroon Ihsan.
5. Mr. Farrukh Shauket Ansari resigned as Chief Executive Officer (CEO) on January 26, 2011 and Mr. Nayyar Alam is appointed as Acting Chief Executive Officer in his place. However, Mr. Farrukh Shauket Ansari retains his position as director on the board for remaining term.
6. The Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the Company.
7. 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.
8. 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 Acting Chief Executive Officer have been taken by the Board. As on June 30, 2011, there is no other executive director of the company besides the CEO.
9. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers, were circulated in time before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. The related party transaction have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
11. The Directors have given declaration that they are aware of their duties, powers and responsibilities. The directors have confirmed that they have kept themselves abreast with the latest developments in the Code of Corporate Governance with respect to their responsibilities.
12. The Board has approved appointment, remuneration and terms and conditions of the employment

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

13. The director's report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
14. The financial statements of the Company were duly endorsed by Acting Chief Executive Officer and Chief Financial Officer before the approval of the Board.
15. The Directors, Acting Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of the shareholdings.
16. The company has complied with all the corporate and financial reporting requirements of the Code.
17. The Board has formed an audit committee comprising of three non-executives directors including the Chairman of the committee.
18. The meeting of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance in the form of Audit Committee Charter.
19. The Board has set-up an effective internal audit function with employees who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis. The Internal Audit Department reports to the Audit Committee.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all his partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the person associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regards.
22. The quarterly un-audited financial statements of the Company were circulated along with the review of the Directors. Half yearly financial statements were subject to the limited review by the statutory auditors. Financial Statements for the year ended June 30, 2011 have been audited and will be circulated in accordance with clause (xxii) of the Code.
23. All material information as described in clause (xxiii) of the Code is disseminated to the stock exchanges and Securities and Exchange Commission of Pakistan in a timely fashion.
24. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board



Nayyar Alam Ilyas
Acting Chief Executive Officer



Muhammad Anwar
Chairman

Dated: October 04, 2011.

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

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

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2011.


Chartered Accountants

Karachi

Date: October 04, 2011

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
Pakistan

UAN: +92 (0) 21 111-55-2626
Fax: +92 (0) 21- 3454 1314
Web: www.deloitte.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SAUDI PAK LEASING COMPANY LIMITED (the Company)** as at June 30, 2011, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - i.* the balance sheet and the profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii.* the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii.* the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2011, and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

Without qualifying our opinion we draw attention to note 1.2 of the financial statements which indicates that the Company has incurred net loss of Rs. 117.68 million during the year ended June 30, 2011, and as of that date, the total liabilities exceeded the total assets by Rs. 215.88 million. These conditions, along with other matters as set forth in note 1.2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.


Chartered Accountants

Engagement Partner
Nadeem Yousuf Adil

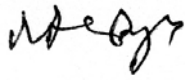
Place: Karachi
Dated: October 04, 2011

BALANCE SHEET

AS AT JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
ASSETS			
Current assets			
Cash and bank balances	3	31,700,552	18,541,525
Short-term loans	4	391,537,756	645,935,453
Short-term investments	5	184,144,146	184,682,678
Advances	6	1,529,000	145,000
Accrued mark-up	7	41,137,710	107,901,582
Trade deposits and short term prepayments		1,150,707	1,297,025
Advance tax - net of provision		-	2,088,468
Other receivables	8	76,576,514	72,804,781
Current maturity of non-current assets	9	1,581,440,953	1,960,463,212
		2,309,217,338	2,993,859,724
Non-current assets classified as held for sale	10	87,820,767	68,790,556
Total current assets		2,397,038,105	3,062,650,280
Non-current assets			
Long-term loans	11	60,739,607	122,760,408
Net investment in leases	12	453,839,825	1,069,278,428
Long-term investments	13	12,254,616	14,334,347
Deferred tax asset	14	137,773,920	81,735,676
Intangible assets	15	919,664	1,471,472
Property, plant and equipment	16	99,759,348	119,282,715
Total non-current assets		765,286,980	1,408,863,046
Total assets		3,162,325,085	4,471,513,326
LIABILITIES			
Current liabilities			
Borrowings from financial institutions	17	431,121,589	632,000,000
Certificates of investment	18	204,638,000	459,228,333
Accrued mark-up	19	251,747,281	172,215,801
Income tax payable		2,773,065	-
Accrued and other payables	20	40,694,759	35,709,237
Current maturity of non-current liabilities	21	1,346,605,070	1,501,478,944
Total current liabilities		2,277,579,764	2,800,632,315
Non-current liabilities			
Certificates of investment	18	22,600,000	54,173,000
Long term finances	22	580,551,276	689,051,826
Sub-ordinated debt	23	333,208,499	333,208,499
Deposits against leases	24	164,268,926	692,924,599
Total non-current liabilities		1,100,628,701	1,769,357,924
Total liabilities		3,378,208,465	4,569,990,239
NET ASSETS		(215,883,380)	(98,476,913)
FINANCED BY			
Authorized capital		1,000,000,000	1,000,000,000
100,000,000 (2010: 100,000,000) ordinary shares of Rs. 10 each			
Issued, subscribed and paid-up share capital	25	451,605,000	451,605,000
Capital reserves		148,257,389	148,257,389
Accumulated loss		(839,410,437)	(723,600,422)
		(239,548,048)	(123,738,033)
Surplus on revaluation of assets	26	23,664,668	25,261,120
		(215,883,380)	(98,476,913)
CONTINGENCIES	27		

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



Nayyar Alam Ilyas
Acting Chief Executive Officer

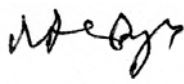


Muhammad Anwar
Chairman

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
Revenue			
Income from:			
Finance leases	28	135,664,783	277,854,727
Operating leases		9,968,427	25,473,808
		145,633,210	303,328,535
Other operating income	29	73,931,876	132,554,649
		<u>219,565,086</u>	<u>435,883,184</u>
Expenses			
Financial charges	30	(182,645,618)	(468,009,315)
Administrative, selling and other operating expenses	31	(90,226,540)	(97,227,257)
Amount written off directly against loans, lease receivables and investments		(7,146,081)	(3,120,541)
Direct cost of operating leases	32	(15,038,282)	(23,928,042)
		<u>(295,056,521)</u>	<u>(592,285,155)</u>
Operating profit / (loss) before provisions		<u>(75,491,435)</u>	<u>(156,401,971)</u>
Provisions and fair value changes			
Provision for doubtful leases, loans and other receivables	33	(72,737,094)	(134,365,475)
Impairment on available for sale investments	5.1	(15,628,434)	(128,033,322)
		<u>(88,365,528)</u>	<u>(262,398,797)</u>
		<u>(163,856,963)</u>	<u>(418,800,768)</u>
Share of loss from associate - net of tax	13.1.2	(2,079,731)	(835,571)
Loss before taxation		<u>(165,936,694)</u>	<u>(419,636,339)</u>
Taxation			
- Current		(7,779,662)	(7,249,002)
- Prior year		-	2,395,671
- Deferred		56,038,244	81,735,676
	34	<u>48,258,582</u>	<u>76,882,345</u>
Loss for the year		<u>(117,678,112)</u>	<u>(342,753,994)</u>
Other comprehensive income		-	-
Total comprehensive loss for the year		<u>(117,678,112)</u>	<u>(342,753,994)</u>
Loss per share - basic and diluted	35	<u>(2.61)</u>	<u>(7.59)</u>

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



Nayyar Alam Ilyas
Acting Chief Executive Officer

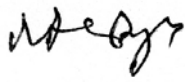


Muhammad Anwar
Chairman

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations after working capital changes	39	390,925,701	626,137,565
Financial charges paid		(103,114,138)	(404,914,317)
Taxes paid		(2,918,129)	(5,740,664)
Deposits paid to lessees		(254,984,348)	(156,795,706)
Decrease in net investment in leases		905,573,425	871,586,961
		544,556,810	304,136,274
Net cash generated from operating activities		935,482,511	930,273,839
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	16	(113,000)	(947,400)
Investment in operating lease assets	16	(3,665,000)	(3,964,366)
Acquisition of intangible assets	15	-	(1,655,408)
Proceeds from sale of property, plant and equipment		6,161,047	116,204,787
(Increase) / decrease in investments - net		(13,659,335)	124,460,604
Long-term loans		107,869,786	(47,691,257)
Dividend received		5,170,511	10,981,151
Net cash generated from investing activities		101,764,009	197,388,111
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finances	40	(508,078,749)	(82,982,943)
Borrowings from financial institutions		(200,878,411)	(534,990,577)
Certificates of investment		(315,130,333)	(505,266,667)
Dividend paid		-	(5,009)
Net cash used in financing activities		(1,024,087,493)	(1,123,245,196)
Net increase in cash and cash equivalents		13,159,027	4,416,754
Cash and cash equivalents at beginning of the year		18,541,525	14,124,771
Cash and cash equivalents at end of the year		31,700,552	18,541,525

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



Nayyar Alam Ilyas
Acting Chief Executive Officer



Muhammad Anwar
Chairman

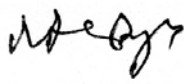
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2011

	Share capital	Statutory reserve	Accumulated loss	Total equity
	Rupees			
Balance as at June 30, 2009	451,605,000	148,257,389	(382,714,525)	217,147,864
Comprehensive income				
Loss for the year ended June 30, 2010	-	-	(342,753,994)	(342,753,994)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(342,753,994)	(342,753,994)
Transfer from surplus on revaluation of properties on account of incremental depreciation - net of deferred tax	-	-	1,868,097	1,868,097
Balance as at June 30, 2010	451,605,000	148,257,389	(723,600,422)	(123,738,033)
Comprehensive income				
Loss for the year ended June 30, 2011	-	-	(117,678,112)	(117,678,112)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(117,678,112)	(117,678,112)
Transfer from surplus on revaluation of properties on account of incremental depreciation - net of deferred tax	-	-	1,868,097	1,868,097
Balance as at June 30, 2011	451,605,000	148,257,389	(839,410,437)	(239,548,048)

Surplus arising on revaluation of assets has been reported in separate account below equity as per the letter No. SCD / NBFCD / M&1 / ALL / 2008-484 dated November 04, 2008 of the Securities and Exchange Commission of Pakistan.

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



Nayyar Alam Ilyas
Acting Chief Executive Officer



Muhammad Anwar
Chairman

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1. STATUS AND NATURE OF BUSINESS

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

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

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

- Impairments of Rs. 479.44 million and Rs. 184.59 million on lease and loans portfolios, and investment portfolio respectively have been recognized till June 30, 2011.
- As of the June 30, 2011, accumulated losses have reached Rs. 839.41 million, and total liabilities have exceeded total assets by Rs. 215.88 million.
- The Company's rating was downgraded as at June 30, 2010 not permitting the Company to issue new certificate of investments. Subsequently, the management has not reviewed the rating agreement with JCR – VIS, a credit rating company.
- The Company maintains an equity of Rs. 93.66 million as against the minimum equity requirement of Rs. 350 million which has rendered it unable to get its license renewed and write new leases.

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

- The management has successfully restructured its term finance certificate by increasing the repayment period by four years and substantially reducing the mark-up rate on the financing facility (Refer note 22.2).
- The principal liability component of the book has been brought down to Rs. 2,033 million from Rs. 3,057 million in the preceding fiscal year through settlements effected by lease and term loan swapping or sale / swapping of third party properties with lenders.
- The management has successfully repaid / settled liabilities amounting to Rs. 1,024 million along with financial charges of Rs. 103.12 million to the lenders during the year ended June 30, 2011. The Company has accordingly decreased its financial charges from Rs. 468.01 million to Rs. 182.65 million as compared to last year mainly due to restructuring / settlement of loans agreements and resultant reduction in markup rate and borrowing levels. Out of Rs. 1,024 million, the Company successfully executed various settlement agreements during the year amounting to Rs. 520.95 million with its lenders resulting in satisfaction of short term and long term finance facilities against term loans, lease portfolio and properties recovered from non performing asset base.
- The management subsequent to the year end has finalized / negotiated certain agreements with different lenders which would result in settlements to the cumulative tune of Rs. 882.75 million, inclusive of principal and accrued markup.
- The above settlements will result in expected reduction of liability, reversal of markup, waivers and release of suspended markup cumulatively by Rs. 173.58 million. The aforementioned settlements also include conversion of loan of Rs. 150 million, subject to regulatory approval, into preference shares. The total impact of such settlements on the equity will be Rs. 262.83 million.

Management has also applied to Securities and Exchange Commission of Pakistan for granting extension in timelines for meeting the minimum equity requirement of Rs. 350 million.

Management is hopeful that the reduction in financing cost through restructuring / settlements, expected

reversals of provisions resulting from settlement with the defaulted borrowers and the issuance of convertible preference shares against settlement of loans will assist in reducing the losses and improving the equity. This will make the Company an attractive candidate for equity participation / merger.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

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

2.2 New / revised standards, amendments to published standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

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

Standard or Interpretation	Effective Date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments: Disclosures (Amendment) - Financial Instruments: Disclosures Clarifications of Disclosures	January 1, 2011
IFRS 7 - Financial Instruments: Disclosures (Amendment) - Disclosures: Transfers of Financial Assets	July 1, 2011
IAS 1 - Presentation of Financial Statements (Amendment) - Clarification of statement of changes in equity	January 1, 2011
IAS 1 - Presentation of Financial Statements (Amendment) - Amendments to revise the way other comprehensive income is presented	July 1, 2012
IAS 12 - Income Taxes (Amendment)	January 1, 2012
IAS 24 - Related Party Disclosures (Revised)	January 1, 2011
IFRIC 13 - Customer Loyalty Programmes (Amendment)	January 1, 2011
IFRIC 14 - IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (Amendment)	January 1, 2011

2.3 Basis of measurement

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

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

2.4 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in

the period in which the estimate is revised and in any future periods affected.

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

- a) accounting for post employment benefits (note 2.6);
- b) recognition of taxation and deferred tax (note 2.7);
- c) determining the residual values and useful lives of the property, plant and equipment (note 2.8);
- d) classification of investments (note 2.12);
- e) allowance for potential lease and loan losses (note 2.14);
- f) provisions (note 2.18);
- g) impairment (note 2.19); and
- h) future financial projections (note 1.2).

The principle accounting policies adopted are set out below.

2.5 Term Loans

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

2.6 Staff retirement benefits

Defined benefit plan

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

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

Defined contribution plan

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

The Company has suspended the contributions of provident fund scheme in accordance with the resolution passed in the meeting of Board of Directors from October 2009.

2.7 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available if any or minimum taxation at rate of 1 percent of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

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

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

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

2.8 Property, plant and equipment

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

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

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

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

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

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

Capital work-in-progress

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

2.9 Repossessed assets

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

2.10 Finance Leases (as lessor)

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

2.11 Loans and receivables

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

2.12 Investments

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

At fair value through profit or loss

These include investments held for trading and those that are designated at fair value through profit or loss at inception. Investments are classified as held for trading if they are acquired for the purpose of selling in

the near term. They are initially measured at fair value exclusive of transaction cost and changes on re-measurement are taken to profit and loss account.

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

Held-to-maturity

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

Available for sale

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

2.13 Investment in associate

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

2.14 Allowance for potential lease and loan losses

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

2.15 Cash and cash equivalents

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

2.16 Borrowing cost

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

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

2.17 Revenue recognition

Finance leases income

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

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

are provided.

Operating lease

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

Income on term loan

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

Income on non-performing lease and loan receivables

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

Return on investments

Return on debt securities is recognized using effective interest method.

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

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

2.18 Provisions

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

2.19 Impairment

Non-financial assets

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

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

Financial assets

Loan and net investment in lease

Impairment testing and recognition of impairment loss if any, is carried out in accordance with requirements of NBFC Regulations, 2008. (Refer note 2.14)

Held to maturity

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

Available for sale

The Company determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates among other factors,

the normal volatility in share price. In addition, impairment is also considered when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

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

2.20 Financial instruments

All financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income directly.

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

2.21 Derivative financial instruments

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

2.22 Repurchase and resale transactions

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

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

2.23 Off-setting

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

2.24 Related party transactions

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

2.25 Foreign currencies

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

2.26 Dividend distribution

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

2.27 Segmental reporting

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

2.28 Functional and presentation currency

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

2.29 Intangible assets

Intangible assets acquired separately

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

Computer Software

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

	Note	2011 Rupees	2010 Rupees
3. CASH AND BANK BALANCES			
With State Bank of Pakistan in current account		35,749	30,249
With banks:			
- in current accounts - local currency		942,187	949,163
- in current accounts - foreign currency		5,401	5,401
- in savings accounts	3.1	30,615,872	17,454,341
Cash in hand		101,343	102,371
		31,700,552	18,541,525

3.1 These carry mark-up at rates ranging from 5% to 8% per annum (2010: 5% to 8% per annum).

	Note	2011 Rupees	2010 Rupees
4. SHORT-TERM LOANS - secured			
Considered good		27,635,273	150,546,711
Non-performing loans	4.1	410,774,464	523,595,896
	4.2	438,409,737	674,142,607
Allowance for non-performing loans	4.3	(46,871,981)	(28,207,154)
		391,537,756	645,935,453

4.1 This includes balance amount aggregating to Rs. 25,758,820 (2010: 25,758,820) receivable from Quality Golf Pakistan (Private) Limited in respect of consideration paid for investor quota (57 membership cards) in ACACIA Country & Golf Club. Under the agreement, the Quality Golf Pakistan (Private) Limited would be obliged to transfer the number of memberships out of the Company quota desired by it to be transferred to the prospective members approaching the Quality Golf Pakistan (Private) Limited to purchase ACACIA memberships before selling any new memberships.

- 4.2 These represents term finance facilities provided to customers on mark-up basis in the normal course of business. These are secured against charge over properties, listed securities and stocks. The rate of mark-up ranges from 17.00% to 19.75% (2010: 15.50% to 25%) per annum.

	Note	2011 Rupees	2010 Rupees			
4.3 Allowance for non-performing loans						
Balance at beginning of the year		28,207,154	14,867,174			
Charge for the year		30,931,550	18,176,357			
Reversal during the year		(12,266,723)	(4,836,377)			
	33	18,664,827	13,339,980			
Balance at end of the year		46,871,981	28,207,154			
5. SHORT-TERM INVESTMENTS						
Available for sale:						
Ordinary shares of listed companies		252,302,567	287,386,637			
Ordinary shares of unlisted companies		69,583,330	69,583,330			
Units of mutual funds		-	33,236,044			
Term finance certificates	5.2	40,000,000	-			
Available for sale at cost		361,885,897	390,206,011			
Impairment loss recognized	5.1	(184,593,547)	(212,103,484)			
		177,292,350	178,102,527			
Surplus on revaluation of available for sale securities	26	6,851,796	6,580,151			
		184,144,146	184,682,678			
5.1 Impairment loss recognized						
Balance as of July 01		212,103,484	168,877,727			
Recognized during the year		15,628,434	128,033,322			
Reversed during the year		(43,138,371)	(84,807,565)			
Balance as of June 30		184,593,547	212,103,484			
5.2 Term Finance Certificates - secured						
		<u>Number of Certificates</u>	<u>Tenure</u>	<u>Profit</u>	<u>2011</u>	<u>2010</u>
		2011	2010	Rate	Rupees	Rupees
Flying Board & Paper Products Limited	8,000	-	5 years from 20 - Jul - 09	6 Months KIBOR plus 150 bps with no floor no cap	40,000,000	-
6. ADVANCES						
Advance to suppliers					1,529,000	100,000
Advance against leases					-	45,000
					1,529,000	145,000

	Note	2011 Rupees	2010 Rupees
7. ACCRUED MARK-UP			
Mark-up on term loans		41,137,710	91,872,442
Mark-up on Quality Golf Pakistan (Private) Limited		-	16,029,140
		<u>41,137,710</u>	<u>107,901,582</u>
8. OTHER RECEIVABLES			
Operating lease rentals		11,545,095	11,545,095
Receivable on termination of lease and term loans		98,325,653	75,215,101
Others		2,207,589	2,207,590
		<u>112,078,337</u>	<u>88,967,786</u>
Less: Provision for doubtful other receivables		<u>(35,501,823)</u>	<u>(16,163,005)</u>
		<u>76,576,514</u>	<u>72,804,781</u>
9. CURRENT MATURITY OF NON- CURRENT ASSETS			
Current portion of:			
Long term loans	11	159,548,849	191,175,601
Net investment in leases	12	1,421,892,104	1,769,287,611
		<u>1,581,440,953</u>	<u>1,960,463,212</u>

10. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

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

	Note	2011 Rupees	2010 Rupees
11. LONG TERM LOANS - secured			
Related party			
Due from employees - considered good	11.1	9,235,400	12,459,778
Other than related party			
Term loan to customers		7,778,472	26,341,297
- Considered good		219,703,968	301,143,734
- Non-performing loans			
	11.2	<u>227,482,440</u>	<u>327,485,031</u>
		236,717,840	339,944,809
Allowance for non-performing loans	11.3	<u>(16,429,384)</u>	<u>(26,008,800)</u>
		220,288,456	313,936,009
Recoverable within one year shown as current portion of long term loans	9	<u>(159,548,849)</u>	<u>(191,175,601)</u>
		<u>60,739,607</u>	<u>122,760,408</u>
11.1 Related parties - secured			
Term loans			
Executives		5,568,835	6,625,594
Other employees		3,666,565	5,227,912
	11.1.2	<u>9,235,400</u>	<u>11,853,506</u>
Other loans			
Executives		-	26,543
Other employees		-	579,729
	11.1.2	<u>-</u>	<u>606,272</u>
		<u>9,235,400</u>	<u>12,459,778</u>

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

	Chief Executive		Executives	
	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees
Term loans				
Opening balance	-	-	6,625,594	13,847,711
Reclassification 11.1.1	2,110,509	-	(2,110,509)	-
Repayments	(482,575)	-	(574,184)	(7,222,117)
	<u>1,627,934</u>	<u>-</u>	<u>3,940,901</u>	<u>6,625,594</u>
Other loans				
Opening balance	-	-	26,543	479,199
Repayments	-	-	(26,543)	(452,656)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,543</u>

11.1.1 This amount has been reclassified from executives to Chief executive due to the appointment of new Chief executive who was previously included in executives as director of the Company.

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

11.1.3 Maximum amount outstanding at the end of any month during the year against any loans to Chief Executive and executives were Rs.2,093,556 (2010: Rs. nil) and Rs. 4,483,307 (2010: Rs. 8,218,455) respectively.

11.2 Term loan due from customers is secured against property and pledge of listed securities. The rate of return on these loans ranges from 17% to 19.75% (2010: 15% to 22.66%) per annum.

	Note	2011 Rupees	2010 Rupees
11.3 Allowance for non-performing loans			
Balance at beginning of the year		26,008,800	6,620,000
Charge for the year		1,868,253	19,388,800
Reversal during the year		(11,447,669)	-
	33	(9,579,416)	19,388,800
Balance at end of the year		<u>16,429,384</u>	<u>26,008,800</u>

12. NET INVESTMENT IN LEASES

Minimum lease payments receivable		2,033,589,589	2,760,601,760
Add: Residual value of leased assets		743,880,634	990,503,849
Gross investment in leases	12.1	<u>2,777,470,223</u>	<u>3,751,105,609</u>
Less: Unearned lease income		(142,806,936)	(255,439,019)
Net investment in leases	12.1	<u>2,634,663,287</u>	<u>3,495,666,590</u>
Less: Income suspended		(342,794,188)	(295,720,812)
Provision for potential lease losses	12.2	(416,137,170)	(361,379,739)
		<u>(758,931,358)</u>	<u>(657,100,551)</u>
Current portion of net investment in lease	9	<u>1,875,731,929</u> <u>(1,421,892,104)</u>	<u>2,838,566,039</u> <u>(1,769,287,611)</u>
		<u>453,839,825</u>	<u>1,069,278,428</u>

- 12.1 The internal rate of return on leases ranges from 8.50% to 25.00% (2010: 12.50% to 20.01%) per annum. Certain lease rentals have been hypothecated against long term finances obtained (refer note 22.1 & 22.2).

	Gross Investment in leases		Net Investment in leases	
	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees
Less than one year	1,546,838,076	1,985,486,585	1,421,892,104	1,769,287,611
One year to five years	1,230,632,147	1,765,619,024	453,839,825	1,069,278,428
	2,777,470,223	3,751,105,609	1,875,731,929	2,838,566,039

	Note	2011 Rupees	2010 Rupees
Balance at beginning of the year		361,379,739	273,165,478
Charge for the year		127,040,409	122,611,558
Reversal during the year		(72,282,978)	(34,387,508)
	33	54,757,431	88,224,050
Write offs against provision		-	(9,789)
Balance at end of the year		416,137,170	361,379,739

- 12.3 Net investment in lease finance includes lease contract receivables amounting to Rs. 4,369,200 (2010: Rs.6,735,790) from related parties.

	Note	2011 Rupees	2010 Rupees
13. LONG TERM INVESTMENT			
Investment in associate	13.1	12,254,616	14,334,347
13.1 Investment in associate – at equity method			
13.1.1 Number of shares held		2,500,000	2,500,000
Cost of investment (Rupees)		25,000,000	25,000,000
Ownership interest		7.69%	7.69%
13.1.2 Cost		25,000,000	25,000,000
Balance as of July 01		(10,665,653)	(9,830,082)
Share of post acquisition loss		(2,079,731)	(835,571)
Balance as of June 30		(12,745,384)	(10,665,653)
		12,254,616	14,334,347
13.1.3 Total assets		31,409,363	39,040,295
Total liabilities		(19,154,747)	(24,705,948)
Share in net assets		12,254,616	14,334,347

13.1.4 Summarized financial highlights of Saudi Pak Insurance Company Limited as at June 30, 2011 are as follows:

	June 30 2011 Rupees	June 30 2010 Rupees
Total assets	408,321,714	507,523,835
Total liabilities	249,011,713	321,177,323
Revenue	70,272,989	101,721,863
Loss for the year	(27,036,511)	(10,862,425)

14. DEFERRED TAX ASSET

	Opening Balance Rupees	Recognized In Profit And Loss Account Rupees	Closing Balance Rupees
Movement for the year ended June 30, 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
Movement for the year ended June 30, 2010			
Taxable temporary differences:			
Excess of net investment in leases over written down value of leases	(310,945,530)	151,986,801	(158,958,729)
Accelerated tax depreciation	(51,946,769)	36,795,900	(15,150,869)
Surplus on revaluation of property, plant and equipment	(11,064,883)	1,005,898	(10,058,985)
	(373,957,182)	189,788,599	(184,168,583)
Deductible temporary differences:			
Provision against term loans	6,033,010	12,942,574	18,975,584
Provision against other receivables	962,626	4,694,426	5,657,052
Investment in associate	983,008	2,749,970	3,732,978
	7,978,644	20,386,970	28,365,614
Unabsorbed depreciation and carry forward losses	365,978,538	(128,439,893)	237,538,645
	-	81,735,676	81,735,676

	Note	2011 Rupees	2010 Rupees
15. INTANGIBLE ASSETS			
Computer software	15.1	919,664	1,471,472
15.1 Computer software			
Cost			
At July 01		1,655,408	-
Additions		-	1,655,408
At June 30		1,655,408	1,655,408
Amortization			
At July 01		(183,936)	-
Charge for the year		(551,808)	(183,936)
At June 30		(735,744)	(183,936)
Carrying amount			
At June 30		919,664	1,471,472

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

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

16. PROPERTY, PLANT AND EQUIPMENT

Description	Cost			Accumulated Depreciation			Net Book Value	Rate (%)
	As at July 1, 2010	Additions / (disposals) / (transfers)	As at June 30, 2011	As at July 1, 2010	For the year / (on disposals) / (on transfers)	As at June 30, 2011	As at June 30, 2011	
Owned assets								
Building Improvements	3,526,371	-	3,526,371	3,526,371	-	3,526,371	-	20%
Office premises	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	-	-	-	-	-	-	-	
	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)			
		-			-			
2011	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)			
		-			-			

Description	Cost			Accumulated Depreciation			Net Book Value	Rate (%)
	As at July 1, 2009	Additions / (disposals) / (transfers)	As at June 30, 2010	As at July 1, 2009	For the year / (on disposals) / (on transfers)	As at June 30, 2010	As at June 30, 2010	
Owned assets								
Rupees								
Building Improvements	3,526,371	-	3,526,371	3,526,371	-	3,526,371	-	20%
Office premises	69,317,487	-	62,317,487	14,581,054	4,363,685	17,982,239	44,335,248	5%
		(7,000,000)			(962,500)			
Furniture, fixtures & fittings	6,772,397	-	6,772,397	6,383,944	160,740	6,544,684	227,713	20%
Vehicles	30,317,041	-	26,498,041	18,365,387	3,239,651	18,902,917	7,595,124	20%
		(3,819,000)			(2,702,121)			
Office equipment	26,012,194	947,400	25,699,594	22,642,269	1,711,856	23,607,458	2,092,136	20%
		(490,000)			(490,000)			
		(770,000)			(256,667)			
	135,945,490	947,400	124,813,890	65,499,025	9,475,932	70,563,669	54,250,221	
		(11,309,000)			(4,154,621)			
		(770,000)			(256,667)			
Operating Lease assets								
Plant and Machinery	67,000,000	-	67,000,000	21,165,000	6,030,000	27,195,000	39,805,000	10%
Generators	49,867,135	3,395,000	54,032,135	19,034,215	9,513,759	28,804,641	25,227,494	20%
		770,000			256,667			
Vehicles	156,637,307	569,366	-	42,956,239	7,140,566	-	-	20%
		(157,206,673)			(50,096,805)			
	273,504,442	3,964,366	121,032,135	83,155,454	22,684,325	55,999,641	65,032,494	
		(157,206,673)			(50,096,805)			
		770,000			256,667			
2010	409,449,932	4,911,766	245,846,025	148,654,479	32,160,257	126,563,310	119,282,715	
		(168,515,673)			(54,251,426)			
		-			-			

16.1 The following assets were disposed off during the year:

Particulars	Cost	Accumulated Depreciation	Book Value	Sale proceeds	Gain/ (Loss) On Sale	Particulars of purchaser	Mode of disposal
Assets - Own use							
Vehicles							
	559,000	503,100	55,900	320,000	264,100	Intech (Private) Limited	Negotiation
	447,936	403,143	44,793	340,000	295,207	Mr. Bahzad Akhtar	Negotiation
	559,000	503,100	55,900	55,900	-	Mr. Rashid Kamal Siddiqui	As per Company Policy
	1,286,500	1,157,850	128,650	128,650	-	Mr. Rashid Kamal Siddiqui	As per Company Policy
	886,000	797,400	88,600	88,600	-	Mr. Farooq Khan	As per Company Policy
	886,000	797,403	88,597	88,597	-	Mr. Ahmed Haroon	As per Company Policy
	4,624,436	4,161,996	462,440	1,021,747	559,307		
Office Equipment							
Book value not exceeding Rs. 50,000 each							
	110,000	110,000	-	8,100	8,100	Mrs. Munazza Zia	Negotiation
	21,000	21,000	-	7,100	7,100	Mr. Rais Ahmed	Negotiation
	79,000	79,000	-	7,500	7,500	Mr. Shahid Anjum	Negotiation
	12,100	12,100	-	1,600	1,600	Mr. Ghulam Hussain	Negotiation
	222,100	222,100	-	24,300	24,300		
	4,846,536	4,384,096	462,440	1,046,047	583,607		
Operating lease assets							
Generlesrs							
	2,170,000	1,953,000	217,000	600,000	383,000	Mr. Aijaz Ahmed	Negotiation
	6,200,000	5,022,000	1,178,000	2,700,000	1,522,000	Smart power System	Negotiation
	2,590,000	2,331,000	259,000	600,000	341,000	Mr. Muhammad Iqbal	Negotiation
	2,475,000	2,116,125	358,875	1,215,000	856,125	Mr. Aijaz Ahmed	Negotiation
	13,435,000	11,422,125	2,012,875	5,115,000	3,102,125		
	13,435,000	11,422,125	2,012,875	5,115,000	3,102,125		
	18,281,536	15,806,221	2,475,315	6,161,047	3,685,732		

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

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

	2011			2010		
	Cost	Accumulated Depreciation	Written Down Value	Cost	Accumulated Depreciation	Written Down Value
Office premises	28,548,042	(14,380,150)	14,167,892	28,548,042	(12,952,748)	15,595,294

	Note	2011 Rupees	2010 Rupees
17. BORROWINGS FROM FINANCIAL INSTITUTIONS			
Secured			
Short Term Borrowings	17.1	100,000,000	160,000,000
Unsecured			
Letter of placements	17.2	331,121,589	472,000,000
		<u>431,121,589</u>	<u>632,000,000</u>

17.1 These facilities are availed from banking companies and financial institutions and are secured against hypothecation of leased assets. These carry mark up at a rate of 9% (2010: 9% to 13.41%).

17.2 These represents unsecured borrowing from banking companies and financial institutions carrying mark-up at rates ranging from 8% to 11.20% (2010: 8% to 11.20%) and maturing on various dates latest by July 23, 2011.

	Note	2011 Rupees	2010 Rupees
18. CERTIFICATES OF INVESTMENT			
Long term certificates of investment	18.1	50,454,000	110,994,000
Less : Current maturity	21	(27,854,000)	(56,821,000)
		<u>22,600,000</u>	<u>54,173,000</u>
Short term certificates of investment	18.1 & 18.2	204,638,000	459,228,333

18.1 These certificates of investment are for periods ranging from 1 month to 5 years and return on these certificates ranges from 6.5% to 18.5% (2010: 6.5% to 18.5%) per annum.

18.2 Short term certificates of investment includes certificates issued to related parties amounting to Rs. 56,000,000 (2010: Rs. 80,000,000).

	Note	2011 Rupees	2010 Rupees
19. ACCRUED MARK-UP			
Accrued return on certificates of investment		22,060,043	32,668,982
Accrued mark-up on:			
- long term finances		147,308,858	87,390,732
- term finance certificates		45,345,537	23,235,317
- short term borrowings from financial institutions		37,032,843	28,920,770
		<u>251,747,281</u>	<u>172,215,801</u>

20. ACCRUED AND OTHER PAYABLES			
Rentals received in advance		1,787,072	2,652,772
Accrued expenses		1,274,573	1,204,022
Tax deducted at source		792,770	867,189
Unclaimed dividend		1,681,888	1,681,888
Payable on termination / maturity of leases		4,614,610	12,688,946
Payable in respect of undisbursed leases		777,023	1,557,731
Payable in respect of operating leases		536,331	586,331
Payable to defined benefit plan		-	19,552
Others		29,230,492	14,450,806
		<u>40,694,759</u>	<u>35,709,237</u>

21. CURRENT MATURITY OF NON- CURRENT LIABILITIES			
Current portion of:			
Certificates of investment	18	27,854,000	56,821,000
Long term finances	22	766,670,011	1,166,248,210
Deposits against leases	24	552,081,059	278,409,734
		<u>1,346,605,070</u>	<u>1,501,478,944</u>

22. LONG TERM FINANCES

	Note	2011 Rupees	2010 Rupees
Long term finance - secured		721,912,160	1,187,019,613
Long term finance - unsecured		100,000,000	113,000,000
	22.1	821,912,160	1,300,019,613
Term finance certificates - secured	22.2	525,309,127	555,280,423
		1,347,221,287	1,855,300,036
Less: Current maturity shown under current liabilities	21	(766,670,011)	(1,166,248,210)
		580,551,276	689,051,826

22.1 Long term finances - secured & unsecured

From Banking Companies	Note	Tenure		Price	Principal Outstanding	
		From	To		2011 Rupees	2010 Rupees
National Bank of Pakistan - II		Mar-05	Mar-10	6 months KIBOR + 1.5% (payable semi-annually)	12,500,000	12,500,000
Faysal Bank Limited*		Jun-08	Jun-12	6 months KIBOR + 1.75% (payable semi-annually)	-	200,000,000
Allied Bank Limited - IV*		Feb-09	Feb-11	3 months KIBOR + 2.0% (payable monthly)	-	114,000,000
Pak Brunei Investment Company Limited **		Feb-09	Jun-13	-	733,245	1,463,207
First Credit and Investment Bank Limited*		Apr-09	Oct-10	6 months KIBOR + 2.75% (payable monthly)	-	67,000,000
Bank Of Khyber		May-09	May-11	Fixed at 10% (payable monthly)	425,000,000	452,000,000
First Women Bank Limited		Dec-09	Dec-12	Fixed at 10% (per annum)	75,061,505	87,000,000
Silkbank Limited		Dec-09	Dec-13	6 months KIBOR + 2.00% (payable monthly)	11,682,627	14,186,840
Askari Income Fund **		Mar-10	Mar-12	-	15,000,000	33,000,000
Soneri Bank Limited **		Mar-10	Mar-13	6 months KIBOR + 1.00% (payable monthly)	110,000,000	115,000,000
HSBC Bank Middle East Limited - III **		Mar-10	Feb-14	3 months KIBOR-4.34% (payable annum)	71,934,783	90,869,566
CDC Trustee United Growth & Income Funds		May-10	Jan-13	Fixed at 10% (payable monthly)	100,000,000	113,000,000
					821,912,160	1,300,019,613

* The long term finances have been settled during the year through swap of loans and lease receivables and properties which were acquired by the Company in satisfaction of claims.

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

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

22.2 This represents third issue of registered and listed 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 rental and receivables against lease with 25% margin available at all times to the TFCs holders on total outstanding amount of the issue.

The TFC holders approved the restructured payment terms of the TFCs with effect from September 13, 2010. As per the restructuring agreement, tenor for the repayment of TFCs was extended by 4 years according to which the final redemption shall take place in March 2017 instead of March 2013 and the principal redemption shall take place in monthly installments starting from the month of September 2010. Markup rates have been reduced to 6.00% for the first 24 months from the restructuring date, 8.00% for a further period of 24 months (till the 48th month) and thereon markup shall be paid at the rate of one month KIBOR (Offer Side).

23. SUB-ORDINATED DEBT

This represents long term financing obtained from the holding company. Through a resolution passed by board of directors of holding company and endorsed by board of directors of the company, the long term finance aggregating to Rs. 333,208,499 has been converted into an interest free, unsecured debt sub-ordinate to all other debts of the Company. The Board of Directors in their meeting held on January 12, 2011 decided to convert the loan into preference shares. The management of the Company has taken steps to initiate the process of such conversion.

	Note	2011 Rupees	2010 Rupees
24. DEPOSITS AGAINST LEASES			
Security deposits against finance leases	24.1	716,349,985	971,334,333
Less: Current maturity of security deposits	21	(552,081,059)	(278,409,734)
		164,268,926	692,924,599

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

25. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2011 Number of shares	2010 Number of shares		2011 Rupees	2010 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

25.1 Saudi Pak Industrial & Agricultural Investment Company Limited holds 35.06% (2010: 35.06%) of the issued, subscribed and paid-up share capital of the Company.

25.2 Capital Management Policies And Procedures

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

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

Under NBFC regulations, 2008, leasing companies are now required to meet the minimum equity requirements of Rs. 350 million from June 30, 2011. The equity of the Company qualifying for ensuring compliance with minimum equity requirement comprises the following :

	Note	2011 Rupees	2010 Rupees
Issued, subscribed and paid up capital		451,605,000	451,605,000
Capital reserves		148,257,389	148,257,389
Accumulated loss		(839,410,437)	(723,600,422)
Sub-ordinated debt		333,208,499	333,208,499
	25.2.1	93,660,451	209,470,466

25.2.1 The management subsequent to the year end has finalized certain agreements with lenders. The impact of such settlement agreements on the equity shall be Rs. 262.83 million.

	Note	2011 Rupees	2010 Rupees
26. SURPLUS ON REVALUATION OF ASSETS			
Surplus on revaluation of property, plant and equipment	26.1	16,812,872	18,680,969
Unrealized gain on remeasurement of available for sale investments	5.1	6,851,796	6,580,151
		23,664,668	25,261,120
26.1 Surplus on revaluation of property, plant and equipment			
As at the beginning of the year		28,739,954	31,613,949
Transferred to unappropriated profit on account of:			
- incremental depreciation - net of deferred tax		(1,868,097)	(1,868,097)
Related deferred tax liability		(1,005,898)	(1,005,898)
		(2,873,995)	(2,873,995)
As at June 30		25,865,959	28,739,954
Related deferred tax liability on revaluation as at the beginning of the year		(10,058,985)	(11,064,883)
Transferred to profit and loss account on account of:			
- incremental depreciation - net of deferred tax		1,005,898	1,005,898
		(9,053,087)	(10,058,985)
		16,812,872	18,680,969
27. CONTINGENCIES			
Guarantees given by the Company on behalf of the lessees		18,645,000	18,645,000
Claims against the Company not acknowledged as debts		90,657,388	58,657,388

27.1 The Company has also filed various claims for the recovery of defaulted amounts.

27.2 The Company has been issued with a notice under section 14 of the Federal Excise Act, 2005. In the notice it has been alleged that the Company has not paid Federal Excise Duty (FED) in terms of 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 & 2009-10. 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 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. 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 to 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. According, the amount of liability comes out to Rs. 198,530.

The above has been communicated to the authorities in reply to the notice. However no order in this regard has been passed.

	Note	2011 Rupees	2010 Rupees
28. INCOME FROM FINANCE LEASES			
Income on finance lease contracts		100,960,462	257,032,927
Document fee, front end fee and other charges		34,358,488	16,568,084
Gain on cancellation of lease contracts		345,833	4,136,212
Syndicate lease income		-	117,504
		<u>135,664,783</u>	<u>277,854,727</u>
29. OTHER OPERATING INCOME			
Income from financial assets:			
- Available for sale			
Dividend income		5,170,511	10,981,151
Gain on sale of investments from investment in equity securities		5,099,735	-
		10,270,246	10,981,151
- Held to maturity			
Income on Term Finance Certificates		-	1,013,828
- Loans and receivables			
Short-term loans		23,984,690	85,971,108
Return on placements		289,570	223,233
Long-term loans		(24,203,676)	10,059,870
Income from savings accounts		1,963,873	991,853
Interest income from Quality Golf Pakistan (Private) Limited	4.1	-	19,287,960
		2,034,457	116,534,024
Income from non-financial assets:			
Mark-up, commission and fee income		79,050	408,857
Gain on sale of property, plant and equipment		3,685,732	1,940,540
Others		57,862,391	1,676,249
		61,627,173	4,025,646
		<u>73,931,876</u>	<u>132,554,649</u>
30. FINANCIAL CHARGES			
Mark-up on:			
- Long term loans	30.1	89,394,080	173,525,669
- Term finance certificates		44,397,977	93,509,963
- Short-term borrowings		15,222,882	101,804,557
Mark-up on certificates of investment	30.2	33,191,785	98,154,679
Bank charges		438,894	1,014,447
		<u>182,645,618</u>	<u>468,009,315</u>

30.1 Mark-up on short term loans include markup of Rs. 82,726 (2010: Rs. nil) on finance availed from a related party.

30.2 Mark-up on certificates of investments include markup of Rs. 4,308,356 (2010: Rs. 20,335,037) on finance availed from a related party.

	Note	2011 Rupees	2010 Rupees
31. ADMINISTRATIVE, SELLING AND OTHER OPERATING EXPENSES			
Salaries, allowances and benefits	31.1	51,269,404	53,924,912
Rent		2,919,719	2,860,420
Repairs and maintenance		1,178,341	859,227
Utilities		2,116,385	1,735,326
Depreciation	16	6,988,019	9,475,932
Amortisation	15	551,808	183,936
Insurance		1,789,413	1,983,792
Vehicle running expenses		7,427,376	5,987,584
Printing and stationery		793,984	867,398
Telephone and postage		2,014,447	2,205,883
Traveling and conveyance		1,323,210	966,547
Fees and subscriptions		2,584,240	2,861,115
Legal and professional charges		6,942,226	3,998,447
Training and development		5,777	34,067
Brokerage		-	247,177
Advertising and entertainment		346,421	290,999
Loss on sale of investments from investment in equity securities		-	2,714,117
Advance against lease		-	2,992,356
Auditors' remuneration	31.2	569,900	547,936
Miscellaneous		1,405,870	2,490,086
		90,226,540	97,227,257

31.1 Salaries, allowances and benefits include Rs.3,577,646 (2010: Rs. 4,492,784) in respect of staff retirement benefits.

	Note	2011 Rupees	2010 Rupees
31.2 Auditors' remuneration			
Annual audit fee		350,000	300,000
Fee for review of half yearly financial statements		100,000	100,000
Other certifications		50,000	50,000
Out of pocket expenses		69,900	97,936
		569,900	547,936
32. DIRECT COST OF OPERATING LEASES			
Insurance and other expenses		1,200,249	1,243,717
Depreciation on operating lease assets	16	13,838,033	22,684,325
		15,038,282	23,928,042
33. PROVISION FOR DOUBTFUL LEASES, LOANS AND OTHER RECEIVABLES - NET			
Provision for potential lease losses	12.2	54,757,431	88,224,050
Provision for non-performing short term loans	4.3	18,664,827	13,339,980
(Reversal) / provision for non-performing long term loans	11.3	(9,579,416)	19,388,800
Provision for other doubtful receivables		8,894,252	13,412,645
		72,737,094	134,365,475

	Note	2011 Rupees	2010 Rupees
34. TAXATION			
Taxation			
- Current	34.1	(7,779,662)	(7,249,002)
- Prior year		-	2,395,671
- Deferred		56,038,244	81,735,676
		<u>48,258,582</u>	<u>76,882,345</u>

34.1 Current tax liability

The tax charge for the current year represents tax liability under minimum taxation at rate of 1 percent of the turnover.

34.2 Effective tax rate reconciliation

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

34.3 Current status of tax assessments

Tax assessments of the Company relating to assessment years before tax year 2003 have been completed and no appeal is pending in any appellate forums. Returns for the tax years 2003 to 2010 have been filed and deemed to be assessed under section 120 of the Income Tax Ordinance, 2001.

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

	2011 Rupees	2010 Rupees
35. LOSS PER SHARE - BASIC AND DILUTED		
Loss after taxation attributable to ordinary shareholders- Rupees	(117,678,112)	(342,753,994)
Weighted average number of ordinary shares issued and subscribed	45,160,500	45,160,500
Loss per share - Rupees	(2.61)	(7.59)

36. STAFF RETIREMENT GRATUITY

36.1 General description

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

The latest actuarial valuation of the gratuity fund was carried out as at June 30, 2011.

	2011	2010
36.2 Principal actuarial assumptions		
Following principal actuarial assumptions were used for the valuation:		
Discount rate (per annum)	14%	12%
Expected rate of increase in salaries	13%	11%
Expected rate of return on plan assets	12%	12%
Average expected remaining working life time of employees	7 years	7 years
Number of employees	66	75

	Note	2011 Rupees	2010 Rupees
36.3 Reconciliation of provision for gratuity scheme			
Present value of defined benefit obligation		14,610,477	15,892,229
Less: fair value of plan assets		(14,666,399)	(14,581,405)
Deficit		(55,922)	1,310,824
Unrecognized net actuarial loss		55,922	(1,291,272)
		-	19,552
36.4 Movement in the balance sheet liability			
Balance at beginning of the year		19,552	243,898
Add: Charge for the year		2,837,970	3,477,858
Payments made during the year		(2,857,522)	(3,702,204)
Balance at end of the year		-	19,552
36.5 Changes in present value of Defined Benefit Obligations			
Present value of Defined Benefit Obligation at the beginning of the year		15,892,229	14,145,554
Current service cost for the year		2,680,672	2,620,364
Interest cost for the year		1,907,067	1,697,466
Benefit paid during the year		(4,652,325)	(590,588)
Actuarial gain on present value of Defined Benefit Obligation		(1,217,166)	(1,980,567)
Present value of Defined Benefit Obligation at the end of the year		14,610,477	15,892,229
36.6 Changes in Fair value of Plan Assets			
Fair value of Plan Assets at the beginning of the year		14,581,405	9,982,014
Expected return on Plan Assets		1,749,769	1,197,842
Contribution during the year		2,857,522	3,702,204
Benefit paid during the year		(4,652,325)	(590,588)
Actuarial gain on Plan Assets		130,028	289,933
Fair value of Plan Assets at the end of the year		14,666,399	14,581,405
36.7 Gratuity scheme expense			
Current service cost		2,680,672	2,620,364
Interest cost		1,907,067	1,697,466
Expected return on plan assets		(1,749,769)	(1,197,842)
Actuarial loss recognized		-	357,870
		2,837,970	3,477,858
36.8 Fair value of Plan Assets at the end of the year			
Term Finance - SAPICO	36.8.1	7,000,000	7,000,000
Orix - Quick Gain Scheme		-	7,000,000
SAMBA-Term Deposit		7,000,000	-
Accrued profit Receivable on Investment		106,822	-
Cash at Bank(s)		820,015	806,788
Less: Payables		(260,438)	(225,383)
		14,666,399	14,581,405

36.8.1 Term finance of Rs. 7,000,000. (2010: Rs. 7,000,000) invested in related party.

36.9 Actual return on plan assets during the year was Rs. 1,879,797 (2010: Rs. 1,487,775).

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

	2011 Rupees	2010 Rupees	2009 Rupees	2008 Rupees	2007 Rupees
Present value of defined benefit obligation	(14,610,477)	(15,892,229)	(14,145,554)	(10,328,338)	(7,909,082)
Fair value of plan assets	<u>14,666,399</u>	<u>14,581,405</u>	<u>9,982,014</u>	<u>7,754,353</u>	<u>3,653,041</u>
Deficit	<u>55,922</u>	<u>(1,310,824)</u>	<u>(4,163,540)</u>	<u>(2,573,985)</u>	<u>(4,256,041)</u>
Experience adjustments on plan liabilities (Gains)/losses	<u>(1,217,166)</u>	<u>(19,810,567)</u>	<u>682,377</u>	<u>864,426</u>	<u>940,958</u>
Experience adjustments on plan assets Gains/(losses)	<u>130,028</u>	<u>289,933</u>	<u>(1,093,799)</u>	<u>(395,842)</u>	<u>49,863</u>

37. TRANSACTIONS WITH RELATED PARTIES

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

There is no balance outstanding with or from holding and other group companies except long term loans in respect of amount due from employees is disclosed in note 11, net investment in lease in respect of lease receivable is disclosed in note 12, certificates of investments is disclosed in note 18, sub-ordinated is disclosed in note 23 and amount due in respect of staff retirement benefits is disclosed in note 36.

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

	Holding company Rupees	Other Group Companies Rupees	Key management Personnel Rupees	Other related parties Rupees
2011				
Rent Paid	893,220	-	-	-
Rentals received	-	4,369,200	-	-
Contributions to provident fund	-	-	-	739,670
Payments to gratuity fund	-	-	-	2,837,976

2010				
Rent Paid	893,220	-	-	-
Rentals received	-	5,131,077	-	-
Contributions to provident fund	-	-	-	790,580
Payments to gratuity fund	-	-	-	3,702,204

38. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

	Chief Executive		Executives		Total	
	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees
Managerial remuneration	4,190,395	5,221,236	8,938,270	9,796,000	13,128,665	15,017,236
Bonus	-	-	-	-	-	-
House rent, utilities etc	4,638,895	2,828,166	4,708,577	5,954,583	9,347,472	8,782,749
Retirement benefits	1,157,344	759,735	921,481	1,425,404	2,078,825	2,185,139
Leave passage	1,325,480	-	-	-	1,325,480	-
	<u>11,312,114</u>	<u>8,809,137</u>	<u>14,568,328</u>	<u>17,175,987</u>	<u>25,880,442</u>	<u>25,985,124</u>
Number of persons	<u>1</u>	<u>1</u>	<u>11</u>	<u>11</u>	<u>12</u>	<u>12</u>

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

39. CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES

	2011 Rupees	2010 Rupees
Loss for the year before taxation	(165,936,694)	(419,636,339)
Adjustment for non-cash charges and other items:		
Depreciation - owned assets	6,988,019	9,475,932
Depreciation - assets under operating lease	13,838,033	22,684,325
Amortization - intangibles	551,808	183,936
Financial charges	182,645,618	468,009,315
Provision for doubtful leases, loans and other receivables	72,737,094	134,365,475
Dividend income	(5,170,511)	(10,981,151)
Impairment on available-for-sale investments	15,628,434	128,033,322
Amount written off directly against loans, lease receivables and investments	7,146,081	3,120,541
Share of loss from associate	2,079,731	835,571
Gain on sale of property, plant and equipment	(3,685,732)	(1,940,540)
	292,758,575	753,786,726
Profit before working capital changes	126,821,881	334,150,387
Working capital changes		
Short-term loans	235,732,870	230,130,487
Advances	(1,384,000)	83,819,244
Accrued mark-up	66,763,872	(28,081,103)
Trade deposits and short term prepayments	146,318	(283,611)
Other receivables	(23,110,551)	(4,311,617)
Non-current assets classified as held for sale	(19,030,211)	54,497,994
	259,118,298	335,771,394
Accrued and other payables	4,985,522	(43,784,216)
	264,103,820	291,987,178
Cash generated from operations after working capital changes	390,925,701	626,137,565

40. NON-CASH TRANSACTIONS

- 40.1** The decrease in net investment in leases includes an amount aggregating to Rs. 281.174 million representing adjustments against short-term and long-term financing facilities of Rs. 74.355 million and Rs. 206.818 million respectively.
- 40.2** The decrease in term loans includes an amount aggregating to Rs. 196.434 million representing adjustments against long-term financing facilities.
- 40.3** The decrease in certificates of investments includes an amount aggregating to Rs. 85 million representing adjustments against term loans and securities.

41. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision maker. The Chief Executive officer (CEO) has been identified as the chief operating decision maker, which is responsible for allocating resources and assessing performance of the operating segments.

The CEO along with his team is responsible for the business of the Company which is divided into four reporting segments namely:

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

The internal reporting provided to the CEO for the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

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.

There were no change in the reportable segments during the year.

	2011					
	Finance Lease Rupees	Operating Lease Rupees	Term Loans Rupees	Investment Rupees	Others Rupees	Total Rupees
Segment revenue	135,664,783	9,968,427	(218,986)	8,190,515	63,880,616	217,485,355
Direct cost of operating lease	-	(15,038,282)	-	-	-	(15,038,282)
Provisions and fair value changes	(54,757,431)	-	(9,085,411)	(15,628,434)	(8,894,252)	(88,365,528)
Segment results	80,907,352	(5,069,855)	(9,304,397)	(7,437,919)	54,986,364	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)

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

42. FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

42.1 Financial instruments by category	2011		2010	
	Carrying Amount Rupees	Fair Value Rupees	Carrying Amount Rupees	Fair Value Rupees
Financial assets				
Available for sale				
Short term investment	184,144,146	184,144,146	184,682,678	184,682,678
Loans and receivables				
Cash and bank balance	31,700,552	31,700,552	18,541,525	18,541,525
Short-term loans	391,537,756	391,537,756	645,935,453	645,935,453
Long term loans	220,288,456	220,288,456	313,936,009	313,936,009
Advances	-	-	45,000	45,000
Net investment in leases	1,875,731,929	1,875,731,929	2,838,566,039	2,838,566,039
Accrued mark-up	41,137,710	41,137,710	107,901,582	107,901,582
Trade Deposits	550,185	550,185	544,045	544,045
Other Receivables	76,576,514	76,576,514	72,804,781	72,804,781
	2,637,523,102	2,637,523,102	3,998,274,434	3,998,274,434
	<u>2,821,667,248</u>	<u>2,821,667,248</u>	<u>4,182,957,112</u>	<u>4,182,957,112</u>
Financial liabilities				
At Amortized Cost				
Borrowings from financial institutions	431,121,589	431,121,589	632,000,000	632,000,000
Certificates of investment	255,092,000	255,092,000	570,222,333	570,222,333
Accrued mark-up	251,747,281	251,747,281	172,215,801	172,215,801
Accrued and other payables	38,114,917	38,114,917	32,169,724	32,169,724
Long term Finance	1,347,221,287	1,347,221,287	1,855,300,036	1,855,300,036
Sub-ordinated debt	333,208,499	333,208,499	333,208,499	333,208,499
Deposit against Lease	716,349,985	716,349,985	971,334,333	971,334,333
	<u>3,372,855,558</u>	<u>3,372,855,558</u>	<u>4,566,450,726</u>	<u>4,566,450,726</u>

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

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

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

42.1.2 Fair value hierarchy

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

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

	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
As at June 30, 2011				
Available-for-sale				
Listed ordinary shares	84,560,816	-	-	84,560,816
Unquoted ordinary shares	-	69,583,330	-	69,583,330
Units of mutual funds	-	-	-	-
Term finance certificates	-	-	26,071,929	26,071,929
Total	<u>84,560,816</u>	<u>69,583,330</u>	<u>26,071,929</u>	<u>180,216,075</u>

As at June 30, 2010

Available-for-sale				
Listed ordinary shares	104,146,483	-	-	104,146,483
Unquoted ordinary shares	-	69,583,330	-	69,583,330
Units of mutual funds	-	-	10,952,865	10,952,865
Term finance certificates	-	-	-	-
Total	<u>104,146,483</u>	<u>69,583,330</u>	<u>10,952,865</u>	<u>184,682,678</u>

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

	2011 Rupees	2010 Rupees
42.1.3 Reconciliation of Financial Assets and Liabilities with Total Assets and Liabilities		
Total financial assets as per note 42.1	2,821,667,248	4,182,957,112
Add: Non Financial Assets		
Advance to suppliers	1,529,000	100,000
Prepayments	600,522	752,980
Advance tax - net of provision	-	2,088,468
Non-current assets classified as held for sale	87,820,767	68,790,556
Investment in associate	12,254,616	14,334,347
Deferred tax asset	137,773,920	81,735,676
Intangible assets	919,664	1,471,472
Property, plant and equipment	99,759,348	119,282,715
	340,657,837	288,556,214
Total Assets	3,162,325,085	4,471,513,326
Total Financial liabilities as per note 42.1	3,372,855,558	4,566,450,726
Add: Non Financial Liabilities		
Rental received in advance	1,787,072	2,652,772
Tax deducted at source	792,770	867,189
Payable to defined benefit plan	-	19,552
Income tax payable	2,773,065	-
	5,352,907	3,539,513
Total Liabilities	3,378,208,465	4,569,990,239

42.2 FINANCIAL RISK MANAGEMENT

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

42.2.1 Credit Risk

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

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

42.2.1.2 Exposure to credit risk - on balance sheet

	Net Investment in Lease		Long Term Loan		Short Term Loan	
	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees	2011 Rupees	2010 Rupees
Past due but not impaired:						
- up to 29 days	55,525,628	7,936,266	-	81,944	18,483,068	18,290,355
- 30 to 89 days	611,203,000	1,298,396	7,778,472	5,575,014	9,152,206	8,025,000
Past due and impaired						
- 90 to 179	25,592,246	132,091,735	583,343	14,947,631	11,150,000	48,166,667
- 180 to 364	58,688,472	209,724,854	5,700,000	98,486,833	10,000,000	46,089,128
- 365 to 729	354,689,934	689,837,798	78,782,015	108,952,388	86,578,321	321,878,571
- 730 to 1095	535,012,505	464,472,995	55,886,728	21,394,897	221,343,433	46,775,000
- more than 1095	877,701,853	525,682,110	78,751,882	57,361,985	81,702,709	34,927,710
Neither past due nor individually impaired	116,249,649	1,464,622,436	-	20,684,339	-	149,990,176
Total gross amount	<u>2,634,663,287</u>	<u>3,495,666,590</u>	<u>227,482,440</u>	<u>327,485,031</u>	<u>438,409,737</u>	<u>674,142,607</u>

42.2.1.3 Exposure to credit risk - off balance sheet

Refer Note 27.

42.2.1.4 Restructured lease and loan receivables

The carrying amount of restructured lease and loan receivables included in on balance sheet credit risk exposure as noted above aggregates to Rs. 663,301,754 (2010 : Rs. 631,872,691) and Rs. 89,408,332 (2010 : Rs. 52,290,710).

42.2.1.5 Concentration of Credit Risk

Sector	Lease and loan receivables			
	Percentage		Gross amount in Rupees	
	2011	2010	2011	2010
Sugar and Allied	0.84	1.25	27,802,338	56,110,415
Cement	1.65	2.33	54,399,379	104,890,724
Energy Oils and Gas	4.09	5.14	134,932,382	231,353,146
Steel and Engineering & Auto Mobiles	5.73	6.49	189,246,097	291,916,357
Electric and Electric Goods	0.48	0.68	15,897,142	30,392,878
Transport and Communications	7.35	9.57	242,577,267	430,272,027
Chemicals / Fertilizer / Pharmaceutical	1.73	1.67	57,107,050	75,048,048
Textile	18.20	20.38	600,783,542	916,622,902
Paper and Boards	4.67	4.37	154,144,137	196,374,400
Construction	6.40	6.16	211,244,376	276,938,035
Food, Tobacco and Beverages	4.21	3.70	139,070,150	166,428,762
Glass and Ceramics	2.23	1.65	73,499,506	74,262,208
Hotels	3.30	3.62	109,040,167	162,587,788
Health Care	0.52	0.85	16,819,096	38,212,724
Dairy and Poultry	1.32	1.09	43,536,497	49,100,046
Services	3.72	3.74	122,778,850	167,992,766
Miscellaneous	13.43	11.43	443,137,461	513,878,538
Consumer	20.13	15.90	664,540,027	714,912,464
	<u>100</u>	<u>100</u>	<u>3,300,555,464</u>	<u>4,497,294,228</u>

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

Lease and loan receivables

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

Other financial assets

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

42.2.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company ensures that it has sufficient cash on demand to meet expected working capital requirements. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	Total
Rupees						
2011						
Financial liabilities						
Borrowings from financial institutions	345,121,588	86,000,000	-	-	-	431,121,588
Certificates of investment	209,302,282	5,023,622	22,949,616	28,954,362	-	266,229,882
Accrued mark-up	207,216,694	1,629,900	7,334,550	35,566,137	-	251,747,281
Accrued and other payables	-	53,114,918	-	-	-	53,114,918
Long-term finances	500,524,808	55,775,518	282,356,551	703,581,752	74,273,591	1,616,512,220
Sub-ordinated debt	-	-	-	-	333,208,499	333,208,499
Deposits against leases	437,259,745	41,981,675	72,839,639	164,268,926	-	716,349,985
	<u>1,699,425,117</u>	<u>243,525,633</u>	<u>385,480,356</u>	<u>932,371,177</u>	<u>407,482,090</u>	<u>3,668,284,373</u>
2010						
Financial liabilities						
Borrowings from financial institutions	-	632,000,000	-	-	-	632,000,000
Certificates of investment	1,063,442	2,009,161	522,972,028	70,858,561	-	596,903,192
Accrued mark-up	-	172,215,801	-	-	-	172,215,801
Accrued and other payables	-	32,169,724	-	-	-	32,169,724
Long-term finances	12,174,092	24,830,624	1,292,737,896	979,675,052	20,560,488	2,329,978,152
Sub-ordinated debt	-	-	-	-	333,208,499	333,208,499
Deposits against leases	281,943,833	39,331,283	239,030,350	411,028,867	-	971,334,333
	<u>295,181,367</u>	<u>902,556,593</u>	<u>2,054,740,274</u>	<u>1,461,562,480</u>	<u>353,768,987</u>	<u>5,067,809,701</u>

Effective interest rates have been disclosed in the respective notes.

42.2.3 Breach of loan agreements

During the year, 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. 1,151.3 million as at balance sheet date. Out of this total balance, the Company was required to repay Rs. 1,038.4 million during the year but managed to pay / settle only 211.7 million. Similarly, the Company also defaulted on mark up repayments of Rs. 166.3 million during the year.

Subsequent to year end, the Company has renegotiated / finalized certain agreements with different lenders as disclosed in note 1.2.

42.2.4 Market risk

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

42.2.4.1 Interest rate risk

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

42.2.4.2 Foreign exchange risk

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

42.2.4.3 Equity price risk

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

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

At the balance sheet date, the exposure to unlisted equity securities at fair value was Rs. 69,583,330 (June 30, 2010: Rs. 69,583,330).

At the balance sheet date, the exposure to listed equity securities at fair value was Rs. 84,560,816 (June 30, 2010: Rs. 115,099,348).

Price sensitivity analysis

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

If prices in equity instruments had been 15 percent lower, the Company's loss for the year ended June 30, 2011 would increase by Rs. 7,198,611 (June 30, 2010: Rs.13,215,072) and surplus on revaluation of available-for-sale investments would decrease by Rs. 2,958,958 (June 30, 2010: Rs. 4,130,143).

If prices in equity instruments had been 15 percent higher, the Company's loss for the year ended June 30, 2011 would decrease by Rs. 2,043,795 (June 30, 2010: Rs. 8,438,402) and surplus on revaluation of available-for-sale investments would increase by Rs. 8,113,774 (June 30, 2010: Rs. 8,906,813).

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

43. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purposes of comparison. A significant reclassifications made is as follows:

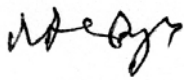
Reclassification		Amount in Rupees
From	To	
Other receivables	Short term loans	25,758,820

44. DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors on October 04, 2011.

45. GENERAL

Figures have been rounded-off to nearest Rupee.



Nayyar Alam Ilyas
Acting Chief Executive Officer



Muhammad Anwar
Chairman

PATTERN OF SHAREHOLDING

AS ON JUNE 30, 2011

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD	PERCENTAGE
	FROM	TO		
412	1	100	12524	0.0277
338	101	500	86975	0.1926
165	501	1000	122256	0.2707
433	1001	5000	1057340	2.3413
93	5001	10000	666450	1.4757
52	10001	15000	657802	1.4566
19	15001	20000	329534	0.7297
16	20001	25000	355590	0.7874
9	25001	30000	253259	0.5608
5	30001	35000	158664	0.3513
5	35001	40000	185897	0.4116
5	40001	45000	211862	0.4691
2	45001	50000	91031	0.2016
5	50001	55000	258998	0.5735
4	55001	60000	226936	0.5025
3	60001	65000	187217	0.4146
2	70001	75000	147516	0.3266
3	75001	80000	238424	0.5279
2	80001	85000	166856	0.3695
1	90001	95000	92894	0.2057
2	95001	100000	197148	0.4366
3	100001	105000	313915	0.6951
1	105001	110000	109018	0.2414
1	120001	125000	122195	0.2706
1	145001	150000	149249	0.3305
1	155001	160000	157796	0.3494
2	165001	170000	331662	0.7344
1	180001	185000	184553	0.4087
1	185001	190000	190000	0.4207
1	210001	215000	210745	0.4667
1	215001	220000	215261	0.4767
1	220001	225000	225000	0.4982
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	580001	585000	584999	1.2954
1	585001	590000	585945	1.2975
1	660001	665000	664565	1.4716
1	1035001	1040000	1038211	2.2989
1	1215001	1220000	1218536	2.6982
1	1520001	1525000	1522920	3.3722
1	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
1611		Company Total	45160500	100.0000

CATEGORIES OF SHAREHOLDERS

		SHAREHOLDERS	SHAREHOLDING	PERCENTAGE
1	Individuals	1555	9,745,814	21.5803
2	Shares held by Associated Companies, undertakings and related parties:			
	Saudi Pak Industrial & Agricultural Investment Co. Ltd.	1	15,835,403	35.0647
	Saudi Pak Insurance Company Ltd.	1	16,065	0.0356
	Premier Mercantile Services (Pvt) Ltd	1	4,516,048	10.0000
	Marine Services (Pvt) Ltd	1	64,352	0.1425
3	Investment Corporation of Pakistan	1	500	0.0011
4	National Investment Trust	1	5,064,152	11.2137
5	Directors, Chief Executive Officer and their spouse and minor children			
	Senator(R) Ihsanul Haq Piracha	1	2,032,222	4.5000
	Mr. Haroon Ihsan	1	2,421,847	5.3628
	Mrs. Khurshid Ihsan Piracha	1	1,748,722	3.8722
6	INSURANCE COMPANIES	1	1,997,822	4.4238
7	PUBLIC SECTOR COMPANIES & CORPORATIONS	1	1,328	0.0029
8	FINANCIAL INSTITUTION	6	708,982	1.5699
9	MODARABAS	1	12,132	0.0269
10	OTHERS	28	953,886	2.1122
11	NON RESIDENT	10	41,225	0.0912
		1611	45,160,500	100.000

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

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

PROXY FORM

I/we _____ of _____

_____ (full address) being member(s) of Saudi Pak Leasing Company Limited

hereby appoint _____

Mr./Ms. _____

of _____ (full address)

of failing him/her _____

Mr./Ms. _____ of _____

_____ (full address)

(being member of the Company) as my/our Proxy to attend, act and vote for me/us and on my/our behalf at the 21st Annual General Meeting of the Company to be held on October 31, 2011 and at any adjournment thereof

As witness my/our hand this _____ day of _____ 2011

Signed by _____

in presence of _____

Signature and address of witness

Signature of Member(s)

Please affix
Rs. 5/- revenue
stamp

Shareholder's Folio No. _____

Number of Shares held _____

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



www.saudipakleasing.com

SAUDI PAK LEASING COMPANY LIMITED

6th Floor, Lakson Square Building # 1,
Sarwar Shaheed Road, Saddar, Karachi-74200, Pakistan.
Tel: (021) 35655181-85, 35655215-19
Fax: (021) 35210607-9
Email: info@saudipakleasing.com