SAUDI PAK
LEASING

FINANCING GROWTH
SINCE 1991

Half Yearly Accounts

Unaudited

December 31, 2009

Contents

Corporate Information

BOARD OF DIRECTORS

Mr. Muhammad Rashid Zahir	Chairman
Senator (R) Ihsanul Haq Piracha	Vice Chairman
Mr. Farrukh Shauket Ansari	Chief Executive Officer
Mr. Aasim Azim Siddiqui	Director
Mr. Haroon Ihsan	Director
Mr. Faridullah Khan	Director
Mr. Muhammad Tariq Masud	Director

AUDIT COMMITTEE

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

CREDIT COMMITTEE

Mr. Haroon Ihsan	Chairman
Mr. Aasim Azim Siddiqui	Director
Mr. Faridullah Khan	Director

HUMAN RESOURCE COMMITTEE

Mr. Aasim Azim Siddiqui	Chairman
Mr. Haroon Ihsan	Director
Mr. Muhammad Tariq Masud	Director

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER
Mr. Mazhar Abbas Zaidi

HEAD OF INTERNAL AUDIT
Mr. Imran Masood

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

LEGAL ADVISOR
Mandviwalla & Zafar

TAX CONSULTANTS
Anjum Asim Shahid Rahman
Chartered Accountants

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

CREDIT RATING
Long-term - (BB+)
Short-term- (B)

BANK & LENDING INSTITUTIONS

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

REGISTERED OFFICE

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

BRANCHES

Lahore

Pakistan Engineering Congress (PEC) Building
First Floor, 97/A-D/1, Liberty Market,
Gulberg-III, Lahore.
Tel: (042) 5762644-47, 5762634
Fax: (042) 5672633

Islamabad

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

Faisalabad

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

Sialkot

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

Universal Access Number: 111-888-999
Karachi, Lahore & Islamabad

Website: www.saudipakleasing.com

REGISTRAR AND SHARE TRANSFER OFFICE

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

SAUDI PAK LEASING

Directors' Review

The directors are pleased to present their report and review of the financial statements of Saudi Pak Leasing Company Limited for the six months period ended December 31, 2009.

Economic Scenario

Pakistan economy is still facing a host of challenges that overflowed from the economic recession of the year 2009. Persistent inflation, sluggish conditions in the real sector, internal security issues, energy crisis and weak recovery in the global economy pose formidable challenges for reviving growth. The rising oil price and depreciation of rupee continues to stoke the inflationary pressures. Despite these daunting challenges Pakistan's economy witnessed some positive developments in agricultural sector and modest recovery in large scale manufacturing sector as compared to the last year. The current account deficit posted a decline of USD 2 billion in the first half of the current fiscal year owing to higher home remittances by the overseas Pakistanis, amounting to USD 4,531 million increasing by 24.5 per cent, and sharp decline in imports. The Pakistani stock market has rebounded on the back of investor confidence and the KSE-100 index increased to 9,387 points on December 31, 2009 up from 7,162 points or 31 per cent on June 30, 2009.

Financial Performance

Your company is facing the same crisis as the rest of the leasing sector owing to liquidity crunch induced by the stoppage of credit lines from financial institutions and higher cost of funds. Therefore, your Company followed the policy of restraint and did not make fresh disbursements. This policy caused a reduction in lease and loan portfolio by Rs.771 million. As a result the gross revenue of the company decreased to Rs.214 million in July-December 2009 from Rs.390 million in the corresponding period of the previous year.

Despite extremely difficult conditions, the Company paid to financial institutions, DFIs and COIs' holders around Rs.650 million along with financial charges of Rs.261 million during the period under review, which is a big achievement. The financial charges decreased to Rs.296 million from Rs.397 million in the same period last year due to reduction in borrowing level. Despite high inflation and sharp increases in cost of utilities the Company succeeded in reducing the operating expenses by over 20 per cent during the current half year as compared to the last half year ended December, 2008. Due to higher financial cost and lower revenue, the Company has suffered an operating loss of Rs.146 million as against operating loss of Rs.88 million in the corresponding period last year. The net loss after provisions and reversal of deferred tax for July-December 2009 amounted to Rs.166 million as compared to a loss of Rs.100 million in the corresponding period last year.

The Company has recognized deferred tax asset of Rs.148 million available to it due to accumulated taxable losses of prior years which would be utilized against future taxable profits or sufficient taxable temporary differences. The External Auditor in their report to the members has made qualified conclusion regarding the deferred tax assets on the grounds that material uncertainty involved in the assumptions underlying future business plan exists and there is a possibility that sufficient future taxable profits or sufficient taxable temporary differences may not be available against which the deferred tax assets can be utilized. However, your directors feel that the probable benefit of these taxable losses is expected to be realized in future years based on future business plans, therefore, we are recognizing the deferred tax asset in the financial statement.

Credit Rating

JCR-VIS Credit Rating Company Limited has downgraded the credit rating of the Company from BBB- (Triple B minus) for medium to long term and A-3 for short term to BB+ (double B plus) and B (single B) respectively on January 7, 2010.

The credit rating agency has also revised its rating from 'BBB' (Triple B) to 'BB+' (Double B Plus) on the listed TFC despite being current on the payment. Outlook on the ratings is 'Negative'.

Future Outlook

Severe liquidity crisis induced by stoppage of funds by the financial institutions has turned a profitable sector into loss making industry and is impairing the repayment capacity of the leasing companies. The financial institutions are still reluctant to lend money to the NBFC sector particularly leasing sector. Keeping in view the liquidity crunch being faced by the Company, the management is negotiating with financial institutions and major lenders to stretch their repayment terms upto five years and reduce the markup rate. The NBFC sector, particularly leasing segment is in dire need of Government support to allow them to overcome their problems. The Company is also considering various strategic options to steer the Company out of the present difficult situation to safeguard the interest of stakeholders.

The Board appreciates the support of the lending institutions, regulatory authorities and COI holders, and recognizes the dedicated services rendered by the management and other members of the staff of the Company.

For and on behalf of the Board of Directors

Muhammad Rashid Zahir
Chairman

Islamabad:
Dated: February 26, 2010

Deloitte.

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

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AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Saudi Pak Leasing Company Limited** ("the Company") as at December 31, 2009, and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof, for the six-months period then ended (here-in-after referred to as "the interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed profit and loss account for the quarters ended December 31, 2009 and December 31, 2008 have not been reviewed, as we are required to review only the cumulative figures for the six months ended December 31, 2009.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of the person responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis of Qualified Conclusion

IAS 12- Income Taxes requires that a deferred tax asset shall be recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits or sufficient taxable temporary differences will be available against which the unused tax losses and unused tax credits can be utilised. We have noted that the Company has recorded deferred tax asset aggregating to Rs.148.118 million representing excess of unused tax losses over the taxable temporary differences as at December 31, 2009. Management has recognized the deferred tax asset on the basis of future business plans of the Company which projects that future taxable profit would be available against which such deferred tax asset could be utilized. However, there is a material uncertainty involved in the assumptions underlying these future business plans , as disclosed in note 1.2, which are dependent on future events due to which there is a possibility that sufficient future taxable profits or sufficient taxable temporary differences may not be available against which the deferred tax assets can be utilized. Had the deferred tax assets not been recognized by the Company, the loss after tax for the period would have been higher and deferred tax asset would have been lower by Rs.148.118 million.

Qualified Conclusion

Based on our review, except for the matter noted above, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to Note 1.2 to the financial statements that describe the adverse financial condition of the Company including accumulated losses aggregating to Rs 547.704 million as at December 31, 2009. These conditions, along with other matters as fully explained in Note 1.2, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Management has also disclosed the mitigating factors in the above said note; therefore, these financial statements have been prepared using going concern assumption.

M. Yousuf Adil Saleem & Co
Chartered Accountants

Karachi
Dated: 26 FEB 2010

Member of
Deloitte Touche Tohmatsu

SAUDI PAK LEASING

Condensed Interim Balance Sheet
As at December 31, 2009

	Note	December 31, 2009	June 30, 2009
		.... Rupees	
		(Un-audited)	(Audited)
ASSETS			
Current Assets			
Cash and bank balances		19,226,437	14,124,771
Short-term loans		761,335,302	863,647,100
Short-term investments	5	264,230,737	260,012,655
Advances		35,415,600	83,964,244
Accrued mark-up		62,569,665	79,820,479
Trade deposits and short-term prepayments		1,943,828	1,013,414
Advance tax- net of provision		2,816,407	1,201,135
Other receivables		115,041,162	107,664,629
Current maturity of non-current assets	6	2,106,702,665	2,134,558,945
		3,369,281,803	3,546,007,372
Non-current assets classified as held for sale		174,171,225	123,288,550
Total current assets		3,543,453,028	3,669,295,922
Non-current assets			
Long-term loans	7	47,497,053	76,796,621
Net investment in leases	8	1,273,648,315	1,880,875,577
Long-term investments		15,171,766	15,169,918
Deferred tax asset-net		148,117,797	-
Property, plant and equipment	10	132,352,066	260,795,453
Total non-current assets		1,616,786,997	2,233,637,569
Total Assets		5,160,240,025	5,902,933,491
LIABILITIES			
Current Liabilities			
Borrowings from financial institutions		874,597,980	1,166,990,577
Certificates of investment		673,349,000	850,470,000
Accrued mark-up		143,706,131	109,120,803
Accrued and other payables		59,182,408	79,498,462
Current maturity of non-current liabilities	11	1,117,498,075	975,750,513
Total current liabilities		2,868,333,594	3,181,830,355
Non-current liabilities			
Certificates of investment		60,874,000	98,324,000
Long-term finances	12	1,057,110,160	1,340,704,879
Sub-ordinated debt	13	333,208,499	333,208,499
Deposits against leases		768,940,074	876,652,626
Total non-current liabilities		2,220,132,733	2,648,890,004
Total liabilities		5,088,466,327	5,830,720,359
NET ASSETS		71,773,698	72,213,132
FINANCED BY			
Authorised Capital		1,000,000,000	1,000,000,000
100,000,000 (June 30, 2009:100,000,000) ordinary shares of Rs.10/-each			
Issued, subscribed and paid-up capital		451,605,000	451,605,000
Capital Reserves		148,257,389	148,257,389
Accumulated loss		(547,703,709)	(382,714,525)
		52,158,680	217,147,864
Surplus / (Deficit) on revaluation of assets - net	14	19,615,018	(144,934,732)
		71,773,698	72,213,132
CONTINGENCIES	15		

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

Farrukh S. Ansari
Chief Executive Officer

Muhammad Rashid Zahir
Chairman

SAUDI PAK LEASING

Condensed Interim Profit and Loss Account

For the Half Year ended December 31, 2009 (Un-audited)

	Note	Half year ended		Quarter ended	
		December 31, 2009	December 31, 2008 Restated	December 31, 2009	December 31, 2008 Restated
		.... Rupees		.... Rupees	
Revenue					
Income from:					
Finance leases		**142,737,378**	235,609,678	**67,091,604**	100,874,731
Operating leases		**21,890,798**	34,700,253	**10,816,011**	15,130,939
		164,628,176	270,309,931	**77,907,615**	116,005,670
Other operating income		**49,654,540**	119,502,159	**38,318,095**	56,232,829
		214,282,716	389,812,090	**116,225,710**	172,238,499
Expenses					
Financial charges		**296,141,555**	396,544,595	**140,123,215**	219,300,499
Administrative, selling and other operating expenses		**46,868,060**	59,078,687	**22,839,225**	29,093,967
Amount written off directly against loans, lease receivables and investments		**2,573,816**	-	**-**	-
Direct cost of operating leases		**14,456,507**	22,171,359	**5,559,999**	11,404,077
		360,039,938	477,794,641	**168,522,439**	259,798,543
Operating loss before provisions		**(145,757,222)**	(87,982,551)	**(52,296,729)**	(87,560,044)
Provisions and fair value changes					
Provisions for doubtful leases, loans and other receivables		**58,417,674**	35,223,580	**34,459,695**	14,959,696
Impairment on available-for-sale investments		**107,523,099**	-	**50,171,363**	-
Unrealised (gain) / loss in the market value of investment classified as held-for-trading		**(1,517)**	2,384	**(512)**	-
		165,939,256	35,225,964	**84,630,546**	14,959,696
		(311,696,478)	(123,208,515)	**(136,927,275)**	(102,519,740)
Share of profit / (loss) from associate	9	**1,848**	(1,126,349)	**1,848**	(1,060,158)
Gain on dilution of interest in associate	9	**-**	2,529,843	**-**	2,529,843
Loss before taxation		**(311,694,630)**	(121,805,021)	**(136,925,427)**	(101,050,055)
Taxation					
Current		**4,742,070**	-	**2,855,646**	-
Prior year		**(2,395,671)**	-	**(2,395,671)**	-
Deferred	9	**(148,117,797)**	(21,632,926)	**(66,194,833)**	(22,132,926)
		(145,771,398)	(21,632,926)	**(65,734,858)**	(22,132,926)
Loss for the period		**(165,923,232)**	(100,172,095)	**(71,190,569)**	(78,917,129)
Other comprehensive income		**-**	-	**-**	-
Total Comprehensive loss		**(165,923,232)**	(100,172,095)	**(71,190,569)**	(78,917,129)
Earnings per share - basic and diluted	17	**(3.67)**	(2.22)	**(1.58)**	(1.75)

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

Farrukh S. Ansari
Chief Executive Officer

Muhammad Rashid Zahir
Chairman

SAUDI PAK
LEASING

Condensed Interim Cash Flow Statement

For the Half Year ended December 31, 2009 (Un-audited)

	Note	Half year ended December 31, 2009	Half year ended December 31, 2008 Restated
		.... Rupees	....
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations after working capital changes	16	230,910,785	491,506,660
Financial charges paid		(261,556,227)	(392,363,841)
Taxes paid		(3,961,671)	(2,649,378)
Deposits paid to lessees		(106,093,092)	(43,709,571)
Decrease in net investment in leases	18.1	595,373,997	367,128,681
		223,763,007	(71,594,109)
Net cash generated from operating activities		454,673,792	419,912,551
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(129,000)	(4,646,980)
Investment in operating lease assets		(3,169,366)	(38,640,500)
Proceeds from sale of property, plant and equipment		114,997,517	9,034,047
Decrease / (increase) in investments - net	18.2	58,842,286	(21,724,164)
Long-term loans		25,233,647	(83,514,761)
Dividend received		5,083,004	6,014,469
Net cash generated from / (used in) investing activities		200,858,088	(133,477,889)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term finances	18.1	(170,416,617)	(179,295,335)
(Decrease) / increase in borrowings from financial institutions -net	18.1 & 18.2	(292,392,597)	706,259,101
Repayment of certificates of investment		(187,621,000)	(806,740,000)
Dividend paid		-	(3,298)
Net cash used in financing activities		(650,430,214)	(279,779,532)
Net increase in cash and cash equivalents		5,101,666	6,655,130
Cash and cash equivalents at beginning of the period		14,124,771	49,704,341
Cash and cash equivalents at end of the period		19,226,437	56,359,471

The annexed notes from 1 to 20 form an integral part of these condensed interim financial statements.

Farrukh S. Ansari
Chief Executive Officer

Muhammad Rashid Zahir
Chairman

SAUDI PAK
LEASING

Condensed Interim Statement of Changes in Equity

For the Half Year ended December 31, 2009 (Un-audited)

	Share Capital	Capital Reserves			Accumulated (loss) / unappropriated profit	Total equity
		Contingency reserve	Statutory Reserve	Total		
	.... Rupees					
Balance as at July 1, 2008 - restated	451,605,000	2,600,000	148,257,389	150,857,389	71,343,624	673,806,013
Changes in equity for the period						
Total Comprehensive loss for the period - restated	-	-	-	-	(100,172,095)	(100,172,095)
Transfer from surplus on revaluation of properties on account of incremental depreciation	-	-	-	-	467,025	467,025
Balance as at December 31, 2008 - restated	451,605,000	2,600,000	148,257,389	150,857,389	(28,361,446)	574,100,943
Balance as at July 1, 2009	451,605,000	-	148,257,389	148,257,389	(382,714,525)	217,147,864
Changes in equity for the period						
Total Comprehensive loss for the period	-	-	-	-	(165,923,232)	(165,923,232)
Transfer from surplus on revaluation of properties on account of incremental depreciation	-	-	-	-	934,048	934,048
Balance as at December 31, 2009	451,605,000	-	148,257,389	148,257,389	(547,703,709)	52,158,680

Farrukh S. Ansari
Chief Executive Officer

Muhammad Rashid Zahir
Chairman

Selected Notes to the Condensed Interim Financial Statements
For the Half Year ended December 31, 2009 (Un-audited)

1. LEGAL 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.

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

The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

1.2 The Company is currently faced with the same crisis as the rest of the leasing industry which is going through a liquidity crunch induced by the stoppage of credit lines from the commercial banks/DFIs and by the impairment in repayment capacity of the lessees. The Company has incurred a loss before tax of Rs. 311.695 million during the period resulting in accumulated losses of Rs.547.704 million. Due to acute shortage of funds, the Company has not been able to write any new leases since the last year. The potential lease, loans and other receivable losses (net) have also increased by Rs.58.417 million during the period, which were determined on the basis of time based criterion as the management believes that risk of potential defaults in excess of the recognized amount is mitigated due to recourse available to the Company in form of settlement through collaterals currently held by the Company. Potential lease losses could increase substantially if the revised schedule, applicable from July 2010, is not deferred. The Company has also faced difficulties in meeting its obligations in respect of borrowings and the Company has started negotiations with the lenders to reprice their loans and allow further time for payment . The Company complied with the minimum equity requirement by converting its Holding Company's various loans into subordinated debt by June 30, 2009.

To ease the liquidity crunch, management is currently in process of negotiating with Banks/DFIs for rescheduling / restructuring of its credit lines which includes proposals for extension in repayment period and reduction in mark-up rates. The management is also engaged in active negotiations with the lessees in default for settlement of receivables through assets repossessed/to be acquired from the defaulted lessees. As per management, the assets acquired/to be acquired from aforementioned settlements with the lessees may be utilized to reduce the obligations towards the Banks/DFIs if the same is agreed in negotiations with the aforementioned lenders. Management is hopeful that the reduction in financing cost through restructuring/settlements and expected reversals of provisions resulting from settlement with the defaulted borrowers will assist in reducing the losses. Further, based on the improved capital market situation, management is confident about the non-recurrence of impairment losses on equity investments (aggregating to Rs 107 million in the current period) in the future periods. Further issue of revised prudential regulations has been taken up by Leasing Association of Pakistan with the Securities and Exchange Commission of Pakistan and the management is hopeful that the more stringent revised regulations will be deferred. Management has also developed its future business plans which show considerable increase in the regular lease book of the Company in the coming years, however, the same is linked with the injection of funds through fresh equity/credit lines.

Base on above mentioned, management is hopeful that it will be able to steer itself out of the current crisis. Accordingly, these condensed interim financial statements have been prepared on going concern basis.

2. BASIS OF PRESENTATION

These condensed interim financial statements have been prepared in accordance with the requirements of the International Accounting Standard 34, "Interim Financial Reporting" as applicable in Pakistan, the Companies Ordinance, 1984, the Non Banking Finance Companies (NBFCs) Rules, 2003 (the Rules), Non Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) and directives issued by the SECP.

These condensed interim financial statements are un-audited but subject to limited scope review by the auditors and are being submitted to shareholders as required by listing regulations of Karachi, Lahore and Islamabad Stock Exchanges and section 245 of the Companies Ordinance, 1984. These do not include all of the information required for the annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended as at June 30, 2009.

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies adopted for the preparation of these condensed interim financial statements are consistent with those followed in the preparation of Company's annual financial statements for the year ended June 30, 2009 except for the changes discussed below:

Adoption of new International Financial Reporting Standards

IAS 1 (Revised) 'Presentation of Financial Statements' (effective for annual periods beginning on or after January 1, 2009) prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. Further, under revised standard, an entity may present the components of profit or loss either as part of a single statement of comprehensive income or in a separate income statement. As surplus on revaluation of assets does not form part of the equity under the local laws and is presented below the equity in the balance sheet, accordingly changes in equity arising from surplus on revaluation of assets have not been considered part of comprehensive income.The Company has opted to present the components of profit or loss as part of a single statement of comprehensive income as permitted under revised IAS 1.

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

IFRS 8-Operating segments (effective for annual periods beginning on or after January 1, 2009) introduces the “management approach” to segment reporting. IFRS 8 requires the change in presentation and disclosure in segment information based on the internal reports that are regularly reviewed by the entity’s “Chief Operating Decision Maker” (CODM) in order to assess each segment’s performance and to allocate resources to them. The adoption of IFRS 8 has resulted in changes to the presentation and disclosure of the segment information which was previously reported under IAS 14, ‘Segment reporting’. Under the revised policy, the entire business of the Company is considered as a single segment and accordingly separate disclosures for segment information has not been presented in these condensed interim financial statements. The abovementioned change is in line with the internal reporting to the CODM, which in case of the Company is the Chief Executive Officer (CEO), who assesses the performance of the Company as a whole and resources' management is also being carried out on a similar basis.

The other standards, interpretations and amendments to existing standards effective from current financial year either have no effect on the Company's operations or are not relevant for the Company’s operations.

4. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended June 30, 2009.

	Note	December 31, 2009	June 30, 2009
		.... Rupees	....
		(Un-audited)	(Audited)
5. SHORT-TERM INVESTMENTS			
At fair value through profit or loss - held for trading			
Ordinary shares of listed companies		**3,557**	2,040
Available-for-sale	5.1	**264,227,180**	260,010,615
		264,230,737	260,012,655
5.1 Available-for-sale			
Ordinary shares of listed companies	5.1.1	**427,810,203**	455,304,334
Cumulative preference shares		-	11,250,000
Ordinary shares of unlisted companies		**69,583,330**	69,583,330
Units of mutual funds		**43,234,473**	58,234,476
Available-for-sale at cost		**540,628,006**	594,372,140
Impairment loss recognized	5.1.2	**(276,400,826)**	(168,877,727)
		264,227,180	425,494,413
Deficit on revaluation of available-for-sale securities		-	(165,483,798)
		264,227,180	260,010,615

5.1.1 Equity securities aggregating to Rs. 56,250,000 (June 2009: Rs 56,250,000) have been pledged against short-term borrowings from financial institutions

5.1.2 This represents impairment loss recognised in accordance with S.R.O 150(I)/2009 dated February 13, 2009 issued by SECP.

Selected Notes to the Condensed Interim Financial Statements
For the Half Year ended December 31, 2009 (Un-audited)

	Note	December 31, 2009	June 30, 2009
		.... Rupees	....
		(Un-audited)	(Audited)
6. CURRENT MATURITY OF NON-CURRENT ASSETS			
Current maturity of:			
Long-term loans	7	**215,329,284**	208,836,931
Net investment in leases	8	**1,891,373,381**	1,920,622,014
Long-term investments		**-**	5,100,000
		2,106,702,665	2,134,558,945
7. LONG-TERM LOANS - secured			
Related party			
Due from employees - considered good		**13,553,422**	22,464,216
Other than related party			
Term loan to customers			
- Considered good		**38,781,017**	70,685,117
- Non-performing loans		**214,685,466**	199,104,219
	7.1	**253,466,483**	269,789,336
		267,019,905	292,253,552
Allowance for non-performing loans		**4,193,568**	6,620,000
		262,826,337	285,633,552
Recoverable within one year shown as current portion of long-term loans		**215,329,284**	208,836,931
		47,497,053	76,796,621

7.1 Term loan due from customers is secured against property and pledge of listed securities. The rate of return on these loans ranges from 15% to 22% (June 2009: 14.55% to 22.66%) per annum.

	December 31, 2009	June 30, 2009
	.... Rupees	....
	(Un-audited)	(Audited)
8. NET INVESTMENT IN LEASES		
Minimum lease payments receivable	**3,048,715,422**	3,725,757,147
Add: Residual value of lease assets	**1,061,108,543**	1,141,754,478
Gross investment in leases	**4,109,823,965**	4,867,511,625
Less: Unearned lease income	**345,499,721**	550,762,266
Net investment in leases	**3,764,324,244**	4,316,749,359
Less: Income suspended	**287,618,777**	242,086,290
Provision for potential lease losses	**311,683,771**	273,165,478
	599,302,548	515,251,768
	3,165,021,696	3,801,497,591
Less: Current portion of net investment in lease	**1,891,373,381**	1,920,622,014
	1,273,648,315	1,880,875,577

9. PRIOR PERIOD ERROR

Comparative figures have been restated to account for the rectification of prior period error in respect of accounting for associates in accordance with the treatment specified in IAS 8- 'Accounting Policies, Changes in Accounting Estimates and Errors'.

Selected Notes to the Condensed Interim Financial Statements
For the Half Year ended December 31, 2009 (Un-audited)

	December 31, 2009	June 30, 2009
	.... Rupees	
	(Un-audited)	(Audited)
10. PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment - own use	**59,379,242**	70,446,465
Property, plant and equipment - operating lease	**72,972,824**	190,348,988
	132,352,066	260,795,453

10.1 Details of additions to and disposals from property, plant and equipment during the current period are given below;

	December 31, 2009			
	Own assets		Operating lease assets	
	Additions	Disposals	Additions	Disposals
	...............Rupees.................		...............Rupees.................	
Vehicles	-	**2,071,000**	**569,366**	**155,074,673**
Office equipment	**129,000**	**490,000**	-	-
Office premises	-	**7,000,000**	-	-
Plant and machinery	-	-	**2,600,000**	-
	129,000	**9,561,000**	**3,169,366**	**155,074,673**

	December 31, 2008			
	Own assets		Operating lease assets	
	Additions	Disposals	Additions	Disposals
	...............Rupees.................		...............Rupees.................	
Vehicles	4,520,800	998,000	32,118,500	9,100,000
Office equipment	126,180	66,000	-	-
Plant and machinery	-	-	6,522,000	-
	4,646,980	1,064,000	38,640,500	9,100,000

	Note	December 31, 2009	June 30, 2009
		.... Rupees	
		(Un-audited)	(Audited)
11. CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Current portion of:			
Certificates of investment		**153,645,000**	126,695,000
Long-term finances	12	**710,756,202**	597,578,100
Deposits against leases		**253,096,873**	251,477,413
		1,117,498,075	975,750,513
12. LONG-TERM FINANCES			
Long-term finances - secured	12.1	**1,120,207,791**	1,198,246,260
Term finance certificates - secured	12.2	**647,658,571**	740,036,719
		1,767,866,362	1,938,282,979
Less: Current maturity shown under current liabilities	11	**710,756,202**	597,578,100
		1,057,110,160	1,340,704,879

12.1 These represent long-term finances availed from banking companies and other financial institutions. These are secured by hypothecation of specific leased assets and associated lease rentals and carry markup ranging from 14% to 18% per annum.

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

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

13. 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 was converted into an interest free, unsecured debt sub-ordinated to all other debts of the Company

	Note	December 31, 2009	June 30, 2009
		.... Rupees	
		(Un-audited)	(Audited)
14. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET			
Surplus on revaluation of property, plant and equipment	14.1	**19,615,018**	20,549,066
Unrealised loss on available-for-sale investments	5.1.1	**-**	(165,483,798)
		19,615,018	(144,934,732)

14.1 The properties of the Company were revalued as at September 28, 2008. The revaluation was 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;

	December 31, 2009	June 30, 2009
	.... Rupees	
	(Un-audited)	(Audited)
Premises	**16,307,302**	17,734,704
15. CONTINGENCIES		
Liabilities in respect of guarantees	**18,645,000**	26,645,000

Selected Notes to the Condensed Interim Financial Statements
For the Half Year ended December 31, 2009 (Un-audited)

	December 31, 2009	December 31, 2008 Restated
	.... Rupees	
	(Un-audited)	(Un-audited)
16. CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES		
Loss for the period before taxation	(311,694,630)	(121,805,021)
Adjustment for non-cash charges and other items :		
Depreciation - own assets	4,216,644	5,520,932
Depreciation - assets under operating lease	14,273,357	21,889,389
Financial and other charges	296,141,555	396,481,546
Provision for doubtful leases, loans and other receivables	58,417,674	35,223,580
Dividend income	(5,083,004)	(5,263,344)
Unrealized (gain) / loss in market value of investments classified as held for trading	(1,517)	2,384
Impairment on available-for-sale investments	107,523,099	-
Amount written off directly against loans, lease receivables and investments	2,573,816	-
Share of (profit) / loss from associate	(1,848)	1,126,349
Gain on dilution of investments interest in associate	-	(2,529,843)
Gain on sale of property, plant and equipment	(1,743,923)	(1,441,920)
	476,315,853	451,009,073
Profit before working capital changes	164,621,223	329,204,052
Working capital changes		
Advances, deposits, prepayments and other receivables	(13,746,168)	62,182,120
Accrued Markup	17,250,814	-
Short-term loans	83,100,964	103,793,129
	86,605,610	165,975,249
Accrued and other payables	(20,316,048)	(3,672,641)
Cash generated from operations after working capital changes	230,910,785	491,506,660

	Six months ended December 31,		Quarter ended December 31,	
	2009	2008	2009	2008
17. EARNINGS PER SHARE - BASIC AND DILUTED				
Net loss for the period (Rupees)	(165,923,232)	(100,172,095)	(71,190,569)	(78,917,129)
Weighted average number of ordinary shares outstanding during the period	45,160,500	45,160,500	45,160,500	45,160,500
Earnings per share - Basic and diluted	(3.67)	(2.22)	(1.58)	(1.75)

Selected Notes to the Condensed Interim Financial Statements
For the Half Year ended December 31, 2009 (Un-audited)

18. NON CASH TRANSACTIONS

18.1 The decrease in net investment in leases includes an amount aggregating to Rs. 146.944 million representing adjustments against short-term and long-term financing facilities of Rs. 92.434 million and Rs. 54.510 million respectively.

18.2 The decrease in investments includes an amount aggregating to Rs. 16.350 million representing adjustments against short-term financing facility.

19. 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.

Transactions with related parties are carried out as per agreed terms.

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

	Half year ended December 31, 2009			
	Holding Company	Other Group Companies	Key Management Personnel	Other Related Parties
	Rupees			
Rent Paid	446,610	-	-	-
Mark-up paid on certificate of investments	9,134,083	-	-	-
Rentals received	-	2,043,022	-	-
Payments to gratuity fund	-	-	-	1,851,102
Contributions to provident fund	-	-	-	790,580

	Half year ended December 31, 2008			
	Holding Company	Other Group Companies	Key Management Personnel	Other Related Parties
	Rupees			
Rent Paid	544,575	-	-	-
Mark-up paid on certificate of investments	-	9,292,465	-	-
Markup on long-term and short-term finances		31,528,609		
Rentals received	-	3,514,942	-	-
Payments to gratuity fund	-	-	-	1,463,436
Contributions to provident fund	-	-	-	1,658,132

20. DATE OF AUTHORISATION

These condensed interim financial statements were authorized for issue on 26th February 2010 by the Board of Directors.

Farrukh S. Ansari
Chief Executive Officer

Muhammad Rashid Zahir
Chairman

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