



Security Leasing
Corporation Limited

Company Information

BOARD OF DIRECTORS

Mr. M R Khan	Chairman
Mr. S M Nadim Shafiqullah	Vice Chairman
Mr. Mohammed Khalid Ali	Chief Executive
Mr. S S Hamid	
Mr. Masud Zain	
Mr. S. Naved Husain	
Mr. Shafiq-ur-Rehman	

AUDIT COMMITTEE

Mr. M R Khan	Chairman
Mr. S M Nadim Shafiqullah	
Mr. S.S. Hamid	
Mr. Masud Zain	

INVESTMENT COMMITTEE

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

EXECUTIVE COMMITTEE

Mr. M R Khan	Chairman
Mr. S M Nadim Shafiqullah	
Mr. M Khalid Ali	
Mr. Masud Zain	
Mr. S. Naved Husain	

HUMAN RESOURCE COMMITTEE

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

COMPANY SECRETARY

Salman Hameed

EXTERNAL AUDITORS & Company,

Anjum Asim Shahid Rahman
Chartered Accountants

INTERNAL AUDITORS Company,

Ford, Rhodes, Sidat, Hyder &
Chartered Accountants



Security Leasing
Corporation Limited

LEGAL ADVISORS

A K Brohi & Co., Advocates

TAX CONSULTANTS

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

CREDIT RATING AGENCY

JCR-VIS Credit Rating Company

(Private) Limited

ENTITY RATING

A2 for short term;
A- for long term; Outlook -
Negative

BANKERS & LENDING INSTITUTIONS

Allied Bank of Pakistan
Company (Private) Limited
Bank Alfalah Limited
(Private) Limited
Bank Al-Habib Limited
Company Limited
Faysal Bank Limited
First Women Bank Limited
(Pakistan) Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan

Pak Kuwait Investment
Pak Libya Holding Company
Pak Oman Investment
Soneri Bank Limited
Standard Chartered Bank
The Bank of Punjab
United Bank Limited

REGISTERED & HEAD OFFICE

Block 'B', 5th Floor, Lakson Square No. 3,
Sarwar Shaheed Road, Karachi 74200
Tel: 021 - 111-111-902 Fax: 021 - 568 9854
Web: www.seclease.com e-mail: slcl@seclease.com

BRANCHES

Lahore - North Region

8th Floor, City Towers,
Main Gulberg Road, Lahore
Phone: 042 - 5788660-61 Fax: 042 - 5788659

Hyderabad

7th Floor, State Life Building,
Thandi Sarak, Hyderabad.

SHARE REGISTRAR

Nobel Computer Services (Private) Limited
2nd Floor, Sohni Centre BS 5 & 6
Main Karimabad, Block 4, FB. Area, Karachi.
Phone:021-6801880 Fax:021-6801129

Directors' Review

The directors are pleased to present their report on the financial statements of your Company for the quarter ended September 30, 2008.

Compared to 30th June 2008 the total assets of the Company were Rs. 5,444.5 million as compared to Rs. 5,577.3 million. The net investment in leases stood at Rs. 3.89 billion while the total revenue amounted to Rs. 139.4 million. The Company had a loss after tax of Rs. 21.1 million. The loss per share has been Rs. 0.58.

As advised earlier, the current economic situation of the world in general and of Pakistan has changed substantially. The country for the last few months is facing capital outflow, liquidity crunch, high inflation and depleting foreign exchange reserves. All these factors have put extraordinary pressure on the local financial system of the country where during the last few weeks, funds availability has become very scarce owing to higher withdrawal by depositors from local banking system. This has resulted in increase in the cost of funds and very slow business performance. Furthermore, the capital market of the country is frozen for over two months now which further reduced the earnings of the company since it has a sizeable portfolio of equity investment which is not providing return at this point of time.

Your company is, however, adopting measures to minimize the adverse effects of deteriorating overall economic conditions of the country, which hopefully will settle down soon due to the measures being taken by the government.

The lease portfolio of the company has remained well diversified with investment in different sectors of the economy, with exposure not exceeding 20% in any one sector. As a result, the lease rental recovery has remained high during the period even though some borrowers experienced cash-flow problems.

Your directors recognize and appreciate the support of the lending institutions and the dedicated service rendered by the management and other members of the staff of the Company.

For and on behalf of the Board of Directors



M. Khalid Ali
Chief Executive Officer


Karachi: October 31, 2008

Balance Sheet

As at September 30, 2008

ASSETS	Note	Sept. 30, 2008 Rupees Unaudited	June 30, 2008 Rupees Audited
Current assets			
Balances with banks	5	2,234,952	38,694,002
Investments - available for sale	6	243,697,755	310,478,842
Short-term finances		319,263,794	344,466,034
Advances, prepayments and other receivables		41,453,655	32,097,930
Accrued return on investments		16,925,568	11,886,354
Advance taxation-net		814,124	813,297
Current maturity of non-current assets	7	1,785,155,784	1,730,007,087
Total current assets		2,409,545,631	2,468,443,545
Non-current assets			
Net investment in leases	7	2,141,509,563	2,302,632,066
Deferred costs		50,000	182,778
Long-term deposits		4,189,400	3,139,400
Long-term finances	8	142,707,310	57,805,990
Long-term investments		282,459,739	278,191,450
Property and equipment		243,880,237	246,680,736
Deferred tax asset		220,197,750	220,197,750
Total non-current assets		3,034,994,000	3,108,830,169
Total assets		5,444,539,631	5,577,273,714
LIABILITIES			
Current liabilities			
Accrued and other liabilities		65,611,562	62,589,154
Accrued mark-up		73,599,583	79,947,610
Short-term finances		1,113,021,558	805,450,000
Current maturity of non-current liabilities	9	948,006,517	818,373,711
Certificates of investment		292,900,000	562,100,001
Total current liabilities		2,493,139,220	2,328,460,476
Non-current liabilities			
Long-term finances	10	1,497,018,853	1,602,206,833
Certificates of investment		781,468	2,586,467
Long-term deposits		952,020,072	1,027,874,900
Total non-current liabilities		2,449,820,393	2,632,668,200
Total liabilities		4,942,959,613	4,961,128,676
NET ASSETS		501,580,018	616,145,038
REPRESENTED BY SHAREHOLDERS' EQUITY			
Share capital and reserve			
Issued, subscribed and paid-up share capital	11	475,500,000	475,500,000
Reserves	12	224,222,297	244,839,942
		699,722,297	720,339,942
Unrealised loss on remeasurement of available for sale investments		(221,445,477)	(127,970,512)
Surplus on revaluation of property		478,276,820	592,369,430
		23,303,198	23,775,608
Shareholders' equity		501,580,018	616,145,038
CONTINGENCIES AND COMMITMENTS			

The annexed notes form an integral part of these financial statements.



M. R. Khan
Chairman



Mohammed Khalid Ali
Chief Executive

Profit & Loss Account (UNAUDITED)
For The Quarter Ended September 30, 2008

REVENUE	Note	September 2008 Rupees	September 2007 Rupees
Income from:			
Finance leases		96,630,570	103,094,174
Operating leases		14,538,770	14,645,984
Other operating income		28,212,136	32,827,866
		139,381,476	150,568,024
EXPENSES			
Administrative, selling and other operating costs		26,163,520	21,281,590
Finance costs		120,843,487	102,510,878
Direct cost of operating leases		11,097,825	10,364,443
Provision for potential lease and other losses		2,018,779	1,500,000
Amortization of deferred costs		132,778	372,000
		160,256,389	136,028,911
(Loss)/ Profit for the period before income tax		(20,874,913)	14,539,113
Income tax expense - Current		215,142	3,291,366
Profit/(Loss) for the period		(21,090,055)	11,247,747
Earnings per share - basic and diluted	13	(0.58)	0.31

The annexed notes form an integral part of these financial statements.



M. R. Khan
Chairman




Mohammed Khalid Ali
Chief Executive

Statement Of Changes In Equity For The Quarter Ended September 30, 2008

	Share Capital Rupees	-----Reserves-----			Total Rupees
		Capital statutory reserve	Revenue Unappropriated profit Rupees	Unrealised (loss) /gain on remeasu rement of available for sale investments	
Balance as at June 30, 2007 as previously reported	513,000,000	76,505,000	(33,912,464)	(38,266,073)	517,326,463
Change in equity for the Period					
Transferred from surplus on revaluation of property - incremental depreciation (net of tax)	-	-	67,491	-	67,491
Unrealized loss on change in market value of investments classified as available for sale	-	-	-	(36,845,997)	(36,845,997)
Net income/(expense) recognised directly in equity	-	-	67,491	(36,845,997)	(36,778,506)
Profit for the period	-	-	11,247,747	-	11,247,747
Total recognised income and (expense) for the period	-	-	11,315,238	(36,845,997)	(25,530,759)
Balance as at September 30, 2007	<u>513,000,000</u>	<u>76,505,000</u>	<u>(22,597,226)</u>	<u>(75,112,070)</u>	<u>491,795,704</u>
Change in equity for the Period					
Transferred from surplus on revaluation of property - incremental depreciation (net of tax)	-	-	607,391	-	607,391
Unrealized loss on change in market value of investments classified as available for sale	-	-	-	(52,858,442)	(52,858,442)
Net income/(expense) recognised directly in equity	-	-	607,391	(52,858,442)	(52,251,051)
Profit for the period	-	-	200,562,277	-	200,562,277
Total recognised income and (expense) for the period	-	-	201,169,668	(52,858,442)	148,311,226
Redemption-Preference Shares-Class A @ 25%	(37,500,000)	-	-	-	(37,500,000)
Dividend - Preference shares-Class A @ 9.1%	-	-	(10,237,500)	-	(10,237,500)
Transferred to statutory reserve	-	42,362,005	(42,362,005)	-	-
Balance as at June 30, 2008	<u>475,500,000</u>	<u>118,867,005</u>	<u>125,972,937</u>	<u>(127,970,512)</u>	<u>592,369,430</u>
Change in equity for the Period					
Transferred from surplus on revaluation of property - incremental depreciation (net of tax)	-	-	472,410	-	472,410
Unrealized loss on change in market value of investments classified as available for sale	-	-	-	(93,474,965)	(93,474,965)
Net income/(expense) recognised directly in equity	-	-	472,410	(93,474,965)	(93,002,555)
Profit for the Period	-	-	(21,090,055)	-	(21,090,055)
Total recognised income and (expense) for the period	-	-	(20,617,645)	(93,474,965)	(114,092,610)
Balance as at September 30, 2008	<u>475,500,000</u>	<u>118,867,005</u>	<u>105,355,292</u>	<u>(221,445,477)</u>	<u>478,276,820</u>

The annexed notes form an integral part of these financial statements.



M. R. Khan
Chairman



Mohammed Khalid Ali
Chief Executive



Cash Flow Statement

For The Quarter Ended September 30, 2008

	Note	September 2008 Rupees	September 2007 Rupees
Cash flows from operating activities			
(Loss) / Profit before taxation		(20,874,913)	14,539,113
Adjustments for non cash and other items:			
Depreciation		12,190,407	10,843,920
Gain on disposal of listed securities		(252,084)	(5,077,108)
Gain on disposal of other investments		-	(345,833)
Amortization of deferred costs		132,778	372,000
Finance costs		120,843,487	102,213,878
Provision for gratuity		864,000	417,000
Provision for potential lease and other losses		2,018,779	1,500,000
Operating profit before working capital changes		135,797,367	109,923,857
Working capital changes			
Net investment in leases		105,121,118	(156,195,377)
Advances, prepayments and other receivables		(8,295,359)	1,041,662
Accrued return on investments		(5,039,214)	(3,875,169)
Deposits from lessees		10,027,978	97,705,007
Short term finances		(168,117,700)	(227,570,358)
Accrued and other liabilities		2,628,400	(6,286,948)
Cash generated from/(used in) operations after working capital changes		(63,674,777)	(295,181,183)
Financial charges paid		(127,191,514)	(105,358,902)
Gratuity paid		(346,000)	(417,000)
Taxes paid		(214,315)	(3,279,344)
		(127,751,829)	(109,055,246)
Net cash from / (used in) operating activities		(76,504,152)	(279,773,459)
Cash flows from investing activities			
Capital expenditure		(11,418,300)	(14,777,357)
Investments		(30,710,083)	(5,433,527)
Long term finance		(86,067,411)	24,634,492
Proceeds from disposal of property and equipment		1,905,185	2,559,120
Short term finances		25,202,240	(27,098,799)
Long term deposits		(1,050,000)	-
Net cash (used in)/from investing activities		(102,138,369)	(20,116,071)
Cash flows from financing activities			
Borrowings from financial institutions		-	750,000,000
Dividend paid		(786)	-
Repayment of long term finances		(62,500,000)	(520,000,000)
Net cash (used in)/from financing activities		(62,500,786)	230,000,000
Net (decrease) in cash and cash equivalents		(241,143,307)	(69,889,530)
Cash and cash equivalents at beginning of the period		38,694,002	39,109,859
Cash and cash equivalents at end of the period	15	(202,449,305)	(30,779,671)

The annexed notes form an integral part of these financial statements.


M. R. Khan
Chairman


Mohammed Khalid Ali
Chief Executive



Security Leasing
Corporation Limited

Notes To The Financial Statements For the Quarter ended September 30, 2008

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

The company obtained license to provide housing finance services from Securities and Exchange Commission of Pakistan (SECP) in the year 2006. However, based on a decision of the board of directors, the company has surrendered its housing finance license to SECP.

2 BASIS OF MEASUREMENT

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

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

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards, as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance), the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, (the Rules) and the Non- Banking Finance Companies and Notified Entities Regulations, 2007 (The Regulations). Approved accounting standards comprise such International Financial Reporting Standard (IFRS) issued by International Accounting Standard Board (IASB) as are notified under the provisions of the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever, the requirements of the Ordinance, NBFC Rules and Regulations differ with the requirements of IFRS, the requirements of the Ordinance, the Rules or the Regulations shall prevail.

4 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these quarterly accounts are the same as those applied in the preparation of the preceding annual published accounts of the company for the year ended June 30,2008.



	September 30, 2008 Rupees	June 30, 2007 Rupees
5 BALANCES WITH BANKS		
Balance with State Bank of Pakistan in current account	59,856	59,856
Balances with other banks in current accounts	<u>2,175,096</u>	<u>38,634,146</u>
	<u>2,234,952</u>	<u>38,694,002</u>
6 INVESTMENTS - Available for sale Other than related party		
6.1 Listed securities		
Term finance certificates	4,080,000	4,813,866
Closed end mutual funds	49,737,966	69,885,231
Equity investments	155,425,019	199,840,315
	<u>209,242,985</u>	<u>274,539,412</u>
6.2 Open end mutual funds	3,979,770	4,839,430
6.3 Unlisted securities		
Term finance certificates	1,875,000	2,500,000
Ordinary shares	20,000,000	20,000,000
	<u>21,875,000</u>	<u>22,500,000</u>
6.4 Membership cards	8,600,000	8,600,000
	<u>243,697,755</u>	<u>310,478,842</u>
7 CURRENT MATURITY OF NON - CURRENT ASSETS		
Current portion of:		
Net investments in leases	1,755,181,107	1,701,198,501
House loan to staff	759,617	816,352
Musharika finance	23,922,003	23,712,723
Murabaha finance	5,293,057	4,279,511
	<u>1,785,155,784</u>	<u>1,730,007,087</u>
7 NET INVESTMENT IN LEASES		
Lease rentals receivable	3,152,788,885	3,241,936,465
Add: Residual value of leased assets	1,341,677,249	1,330,970,350
Gross investment in finance leases	<u>4,494,466,134</u>	<u>4,572,906,815</u>
Less: Unearned lease income	534,599,456	507,919,019
Provision for potential lease losses	63,176,008	61,157,229
	<u>597,775,464</u>	<u>569,076,248</u>
Net investment in leases	<u>3,896,690,670</u>	<u>4,003,830,567</u>
Less: current portion of net investment in leases	<u>1,755,181,107</u>	<u>1,701,198,501</u>
	<u>2,141,509,563</u>	<u>2,302,632,066</u>

	September 30, 2008 Rupees	June 30, 2007 Rupees
7.1 Gross investment in finance leases		
Less than one year	2,049,243,476	2,081,295,832
More than one year and less than five years	2,445,222,658	2,491,610,983
	<u>4,494,466,134</u>	<u>4,572,906,815</u>
7.2 Present value of investment in finance leases		
Less than one year	1,755,181,107	1,701,198,501
More than one year and less than five years	2,141,509,563	2,302,632,066
	<u>3,896,690,670</u>	<u>4,003,830,567</u>
8 LONG TERM FINANCE - secured, considered good		
House loan to staff - related party		
- Chief executive	6,416,670	7,000,000
- Executives	3,292,174	3,303,142
- Employees	3,991,704	3,596,941
Less: current portion	759,617	816,352
	12,940,931	13,083,731
Musharika finances - other than related party	146,625,730	59,822,508
Less: current portion	23,922,003	23,712,723
	122,703,727	36,109,785
Morabaha finance - other than related party	12,355,709	12,891,985
Less: current portion	5,293,057	4,279,511
	7,062,652	8,612,474
	<u>142,707,310</u>	<u>57,805,990</u>
9 CURRENT MATURITY OF NON- CURRENT LIABILITIES		
Current maturity of:		
Long term finances	560,000,000	516,250,000
Long term deposits	388,006,517	302,123,711
	<u>948,006,517</u>	<u>818,373,711</u>



	September 30, 2008 Rupees	June 30, 2007 Rupees
10. LONG-TERM FINANCES - secured		
Term finance certificates	312,500,000	375,000,000
SUKUKs	1,484,518,853	1,483,456,833
Long term loans	260,000,000	260,000,000
	2,057,018,853	2,118,456,833
Less: Current maturity shown under current liabilities		
Term finance certificates	125,000,000	125,000,000
SUKUKs	375,000,000	281,250,000
Long term loans	60,000,000	110,000,000
	560,000,000	516,250,000
	1,497,018,853	1,602,206,833
11 SHARE CAPITAL		
Authorised capital		
75,000,000 (2008: 75,000,000) ordinary shares of Rs. 10 each	750,000,000	750,000,000
50,000,000 (2008: 50,000,000) preference shares of Rs. 10 each		
	500,000,000	500,000,000
	1,250,000,000	1,250,000,000
Issued, subscribed and paid-up share capital		
22,100,000 (2008: 22,100,000) ordinary shares of Rs. 10 each fully paid in cash	221,000,000	221,000,000
14,200,000 (2008: 14,200,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares	142,000,000	142,000,000
	363,000,000	363,000,000
Preference shares		
11,250,000 (2008: 11,250,000) preference shares-Class A of Rs. 10 each fully paid in cash	112,500,000	112,500,000
	475,500,000	475,500,000
12 RESERVES		
Capital reserve		
Statutory reserves	118,867,005	118,867,005
Revenue reserve		
Unappropriated profit	105,355,292	125,972,937
	224,222,297	244,839,942


M. R. Khan
Chairman


Mohammed Khalid Ali
Chief Executive



	September 30, 2008 Rupees	September 30, 2007 Rupees
13 EARNINGS PER SHARE - basic and diluted		
Profit/(Loss) after taxation-Rupees	(21,090,055)	11,247,747
Minimum dividend attributable to preference shareholders	-	-
Profit/(loss) attributable to ordinary shareholders-Rupees	<u>(21,090,055)</u>	<u>11,247,747</u>
Number of ordinary shares issued and subscribed	<u>36,300,000</u>	<u>36,300,000</u>
Earnings per share-Rupees	<u>(0.58)</u>	<u>0.31</u>

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

14 TAXATION

Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits, rebates and exemptions available and in accordance with the presumptive tax regime, where applicable, of the Income Tax Ordinance 2001.

Deferred

Deferred taxation is accounted for using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization on settlement of the carrying amount of assets and liabilities using the tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

15 CASH AND CASH EQUIVALENTS

Balances with banks	2,234,952	16,186,566
Running Finance	(204,684,257)	(46,966,237)
	<u>(202,449,305)</u>	<u>(30,779,671)</u>

16 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 31, 2008 by the Board of Directors of the company.

17 GENERAL

-Certain prior period's figure have been reclassified, wherever necessary. However, there were no material re-classifications.

- The figures have been rounded off to the nearest rupee.


M. R. Khan
Chairman


Mohammed Khalid Ali
Chief Executive

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