

Dear Shareholders,

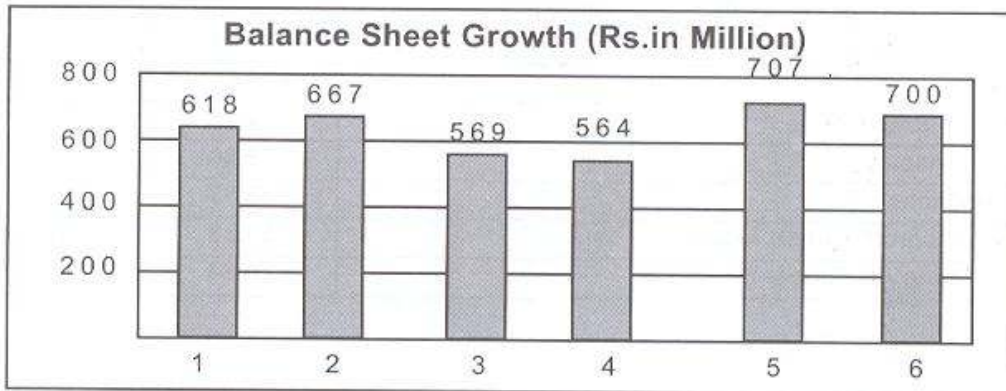
Your directors are pleased to present the 17th Annual Report of the **Pak-Gulf Leasing Company Limited** and the financial statements along with the auditor's report thereon for the year ended June 30, 2010.

Review of Operations

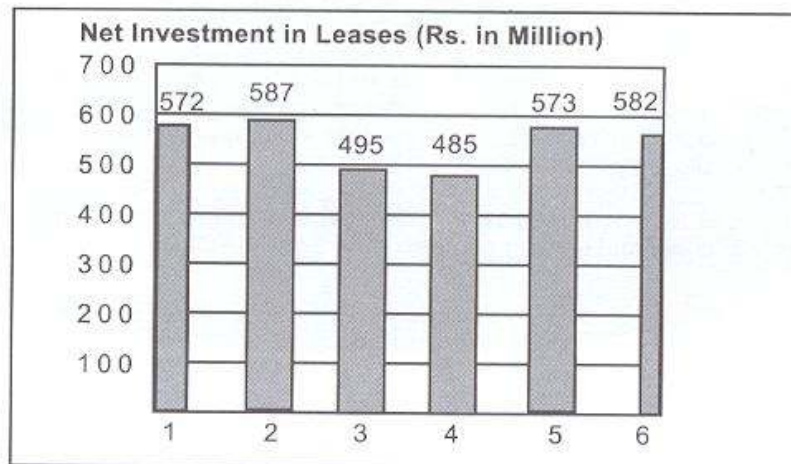
Despite the rising cost of capital and competitive markets, the overall performance of the company remained satisfactory. In the prevailing adverse market conditions and tougher competition with commercial lenders, higher interest rates, and trends of pre-mature termination of contractual legal obligations, your company's growth is quite reasonable.

Financial Strength

During the financial year under review, the balance sheet footing of your company was Rs.700 million as on June 30, 2010 as compared to Rupees 707 million on June 30, 2009 reflecting a decrease of 1 percent which is mainly due to payment of 5 percent interim dividend to share holders. During the year 2009-10, 90 new leases worth Rs.247 million were written as compared to Rs.280 million of last financial year representing a decrease of 11.79 percent which is quite reasonable under prevailing economic and market conditions.



After taking the effect of leases that matured during the year, the lease portfolio of the company wound up the year 2010 at Rupees 667 million (2009 Rs.666 million)



Financial Performance

It is matter of great satisfaction that your Company has improved well in terms of profitability. After tax profit for the year was Rs.21.25 million as against Rs.16.05 million of the corresponding period. Gross revenue for the period under review was Rupees 69.38 million representing 17.20 percent increase over last year. Administrative expenses remained almost at same level as were last year. During the year under review, an interim cash dividend of Rs. 0.5 per share was paid to shareholders of the Company. The directors have come to the conclusion that in order to expand the operations of the company, it is imperative that the company retains its post tax profits to expand its equity base. Consequently no final dividend is being announced for the year ended June 30, 2010.

	2010	2009
	(Rupees in Million)	
Profit before taxation	32.27	23.02
Provision for taxation(including deferred tax of Rs.8.08 million)	11.02	6.97
Profit after taxation	21.25	16.05
Un-appropriated profit brought forward	48.45	33.19
Transferred form surplus on revaluation to un appropriated profit	2.61	2.19
Profit available for appropriation	72.31	51.43
Appropriations:		
Transfer to statutory reserve	4.25	2.98
Interim cash dividend	12.68	-
Total appropriations	16.93	2.98
Un-appropriated profit carried forward	55.38	48.45
Earning Per Share (In Rupees)	0.84	0.69

Economic Scenario

The fiscal year 2009-10 was a year of economic recession. The demand push coupled with lack of adequate administrative measures to monitor the supply position and control hoarding resulted in pressure on food prices which coupled with ever increasing inflation in the country and cartelization by sugar, cement producers along with increasing gap in demand & supply of electricity had worsen the socio economic conditions of the common man.

Leasing companies, one of the major constituents of NBFCs sector have witnessed a reasonable growth rate in the past. However due to stiff competition with banks and some other constraints such as availability of finance at higher rates, smaller leasing companies have opted for merger with stronger institutions or voluntary liquidation.

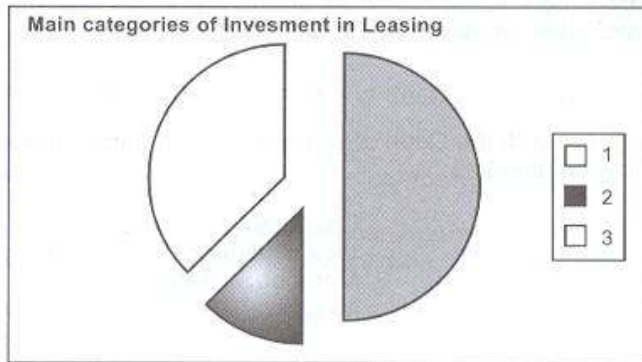
The commercial banks in leasing business with nominal cost of funds have made competition very tougher and one sided as against leasing companies.

Review of fiscal year 2010

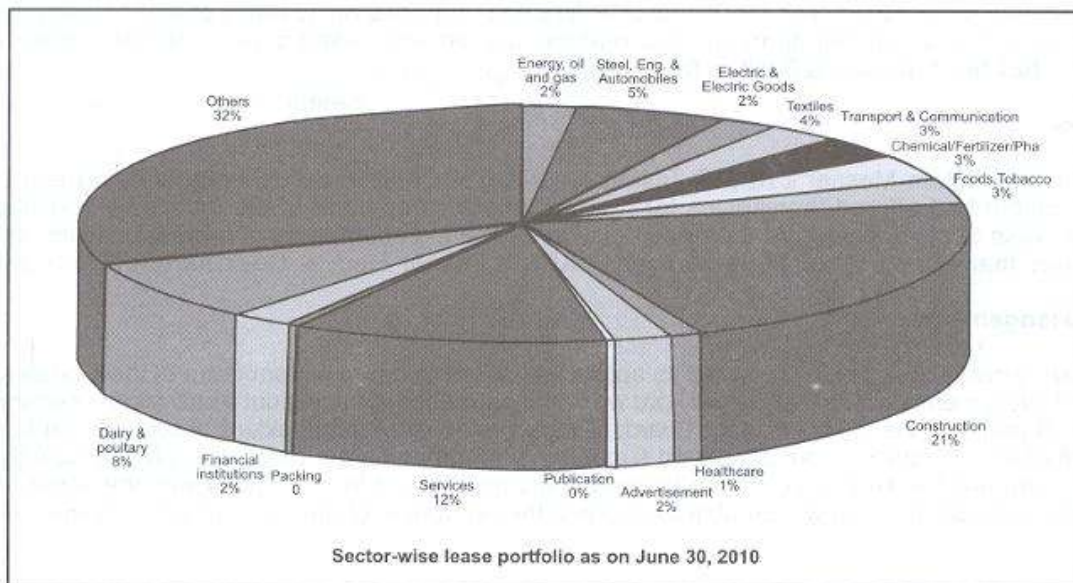
Pakistan's economy grew at provisional rate of 4.1% in the current year, after a modest growth from 1.2% in 2008-09. However, the recovery is still fragile and the stabilization needs to be consolidated so that the gains over the past two difficult years are not lost.

The fiscal year 2009-10 was a year of recoveries for Pakistan economy. The benchmark equities index, KSE 100 which had witnessed a sharp decline of below 5000 in last year from its all time high at 15,676 in April 2008 had witnessed a good recovery and had crossed 10,000 land marks. Amid still global economic conditions, large costs to exports imposed by the war on terror¹ and a severe energy crisis faced by Pakistan's economy, the external sector witnessed an overall improvement during 2009-10. This recovery was mainly contributed by a sharp narrowing of the current account deficit which more than offset the declining financial account surplus during the period. In addition, macroeconomic stabilization measures taken by the government also significantly contributed to overall improvement in the external sector of Pakistan. The external current account deficit is expected to contract to around 2.8 percent of GDP in the outgoing year. This large improvement is mainly on the back of a steep decline in imports for much of the year, improving exports as world demand is gradually restored, and a continued increase in worker remittances, which are expected to reach 4.8 percent of GDP for the full fiscal year.

PGL has continued with its historic growth pace and had shown even better performance during the year 2010. Following is the break up of investment in leasing during the year under reference.



(1)- Vehicles (50%) (2)- Equipments (14%) (3)- Others (36%)



Sector-wise lease portfolio as on June 30, 2010

Future Prospects

The arrangements with the banks for credit lines at rates to be more competitive are being arranged and with the borrowing cost at lesser level, the Company hopes to gradually improve its profitability and performance in administering and writing leases by aggressive marketing. Negotiations with the banks are in process to meet additional requirements. Efforts are being made to further reduce the cost of borrowing and keep check on other expenses to achieve the desired profit margin.

After the successful operations in war against terror and development in global economy, it is hoped that economic directions of the country would be reset. However the entire economic environment appears to be challenging for the year 2010-11. Short fall in electricity supply, loan from IMF with stringent terms and tough market competition on international front along with corruption and cartelization by different manufacturers had worsen the situation. Recent floods in the country will impose a long lasting impact on the economy. It seems quite difficult to continue with same momentum in near future. Besides all these challenges, your company has performed well and we are quite hopeful that with strict control over expenses, improved risk assessment procedures and conservative approach towards new business, PGL would perform even better in years to come. For the business risks, associated with repayment behavior of lessees and increasing financial costs, your company is taking strong measures to cope up with the situation.

Corporate Governance

The company has implemented the "The Code of Corporate Governance" (the 'Code') in its letter & spirit. The review report of the external auditor to the members on the statement of compliance with the best practices of the code of corporate governance is appended in this report.

Audit Committee

The Board of Directors, in compliance with the Code of Corporate Governance, has established an Audit Committee consisting of the following directors:

*	Mr.Rizwan Humayun	Chairman
*	Air Marshal (R) Syed Masood Hatif	Vice Chairman
*	Mr. Pervez Inam	Member/Secretary
*	Mr.Shaheed H Gaylani	Member

Credit Rating

It is a matter of great satisfaction for us that JCR-VIS had upgraded entity rating of the Company to BBB from BBB-for medium to long-term and had reaffirmed short term rating at A-3 whereas outlook of the Company has been revised to Positive from stable.

Auditors

The retiring auditors Messer's KPMG Taseer Hadi & Co. Chartered Accountants being eligible for reappointment had offered themselves for reappointment as auditors of the company. The Board of Directors wish to place on record their appreciation for the high standards of professionalism, integrity and ethics maintained by auditors Messer's KPMG Taseer Hadi & Co. Chartered Accountants.

Acknowledgements

The Board would like to place on record its appreciation for the management team of the Company and each and every member of its staff for the hard work and dedication in turning out a satisfactory performance in a difficult year. We, the Members of the Board, as representatives of shareholders, assure the management and staff of the Company of our continued support in strengthening the Company. We are sure that the management and the staff will continue to serve the customers of the Company with the same zeal as demonstrated last year and will be able to improve the reputation of the Company in financial services sector.

The Board also acknowledges the cooperation and guidance extended to the Company by the Securities and Exchange Commission of Pakistan (SECP), State Bank of Pakistan and other regulatory authorities. Their role is critical in developing the Financial Services Sector and we hope that their actions will continue to strengthen this sector.

At the end, we would like to thank our valued shareholders, customers, bankers, and financiers and other stakeholders for their valuable support and look forward to reinforce and build further an excellent relationship in coming years.

Statements in compliance with the Code of Corporate Governance

The Board of Directors has reviewed the Code of Corporate Governance and confirms the correctness of the following statements to the best of our knowledge and belief:

- Financial statements prepared by the management of the Pak -Gulf Leasing Company Limited, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the listed company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and the accounting estimates presented in the report are based on reasonable and prudent judgment.
- International Accounting Standards (IAS), as applicable in Pakistan, have been followed in preparation of the financial statements, and there has been no departure from them.
- The system of internal control is sound in design, and has been effectively implemented and monitored.
- There is no significant doubt upon the company's ability to continue as a going concern.
- There was no trade in shares of the company, carried out by its directors, CEO, CFO, Company Secretary and their spouses and minor children.
- There has been no material departure from best practices of corporate governance, as detailed in the listing regulations.

Pattern of shareholding: Pattern of share holdings as required by the Code of Corporate Governance as at June 30, 2010 is appended at the end of the report.

Significant deviations from last year in operating results have been highlighted at the beginning of this report, along with the reasons thereof.

Key operating and financial data of last six years is summarized below:

	2010	2009	2008	2007	2006	2005
	----- Rupees -----					
Operational Results:						
Revenues	69,383,320	59,198,876	50,620,517	51,169,516	54,893,665	47,618,705
Lease revenue	64,157,818	53,666,448	49,767,447	49,243,427	53,425,096	46,627,610
Profit before taxation	32,272,693	23,022,809	12,163,778	500,389	8,024,600	14,420,191
Profit after taxation	21,249,408	16,055,008	10,848,668	2,660,483	9,416,239	10,708,453
Finance cost	9,650,487	9,621,569	9,591,157	20,719,037	22,495,317	13,906,101
Provision for potential lease losses	7,505,698	7,378,303	10,362,393	4,995,226	3,948,112	2,967,846
Dividend/(stock) %	5 %	-	-	8%	5.50%	-
Balance Sheet						
Shareholders Equity	346,117,010	334,943,418	256,702,410	246,667,370	241,944,930	231,236,407
Surplus on revaluation of assets	43,814,496	46,423,612	24,871,032	24,562,394	25,902,161	-
Reserves	92,419,010	81,245,418	63,004,410	52,969,370	62,594,930	38,693,332
Fixed assets	77,531,795	82,709,719	47,894,065	51,530,224	55,201,141	12,370,029
Working capital	179,305,685	135,443,949	77,929,799	115,509,916	52,306,505	49,886,000
Long- term liabilities	235,872,082	227,756,845	151,143,864	157,981,518	210,574,741	215,176,286
Long-term loans	25,000,000	71,666,667	8,581,857	54,020,456	51,937,119	85,135,706
Investments	4,444,271	1,457,955	2,842,605	3,347,595	7,722,671	7,377,682
Financial Ratios						
Income / expense ratio	2.34	2.05	1.80	1.12	1.28	1.43
Earning per share (In Rupees)	0.84	0.69	0.56	0.14	0.49	0.60
Debt / Equity ratio	6.41	18.77	0.02	0.17	0.32	0.37
Current ratio	3.41	2.39	1.59	1.82	1.28	1.29

Information Technology

In order to meet the ever changing requirements of business and to keep PGL in competition with other market players in the field of information technology, your directors have decided to shift from outdated foxpro based lease management system to Financial Oracle. New management system is in its final testing phase and will be fully implemented soon. This will result to cater business needs more efficiently and effectively.

Election of Directors

On April 20, 2010, elections of Directors of PGL were held. Mr. Shoab Salim Malik, Brig. Naveed Nasar Khan (R) and Mr. Rizwan Humayun were elected as new Directors. In addition to these three, Mr. Sohail Inam Ellahi, Mr. Pervez Inam, Shaikh Aftab Ahmad, Mr. Shaheed H Gayalani and Air Marshal (R) Syed Masood Hatif were re elected as directors of the Company for next term of three years. Board of Directors welcomes the incoming members on Board and also places on record its appreciation for the services rendered by the outgoing members of the Company.

Board Meetings

Five Board Meetings were held during the year under review. Details of attendance are as follows:

	Name of Director	No. of Meetings Held	No. of Meetings Attended
1.	Mr.Sohail Inam Ellahi	5	5
2.	Mr.Fawad Salim Malik	4	4
3.	Shaikh Aftab Ahmad	5	3
4.	Mr.Shaheed H Gayalani	5	2
5.	Shaikh Mohammad Jawed	4	3
6.	Mr.Yousaf Jan Muhammad	4	3
7.	Air Marshal® Syed Masood Hatif	5	2
8.	Mr.Pervez Inam	5	5
9.	Mr.Shoaib Salim Malik	1	1
10.	Brig. Naveed Nasar Khan(R)	1	1
11.	Mr.Rizwan Humayun	1	1

No statutory payment on account of taxes, duties, levies and charges was outstanding against the company on June 30, 2010.

Value of investments of provident fund was Rupees 2,637,161 as at June 30, 2010. This represents funds placed with a bank at special rates and investment in National Investment Trust units.

Karachi: September 30, 2010



Chairman/Chief Executive



Director