

**Inspiring**  
Creativity

**Saudi Pak Leasing Company Limited**  
Annual Report 2007

The prerequisite for creativity is an open and inventive mind which can think of infinite possibilities. Creativity can be experienced in many spheres of life including the financial sector. The nature around us abounds with inspiration and ideas. Flexibility in approach is the key to inspire from things around us for generating innovative thoughts.



**SAUDI PAK**  
L E A S I N G



## 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 with 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 the society**

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

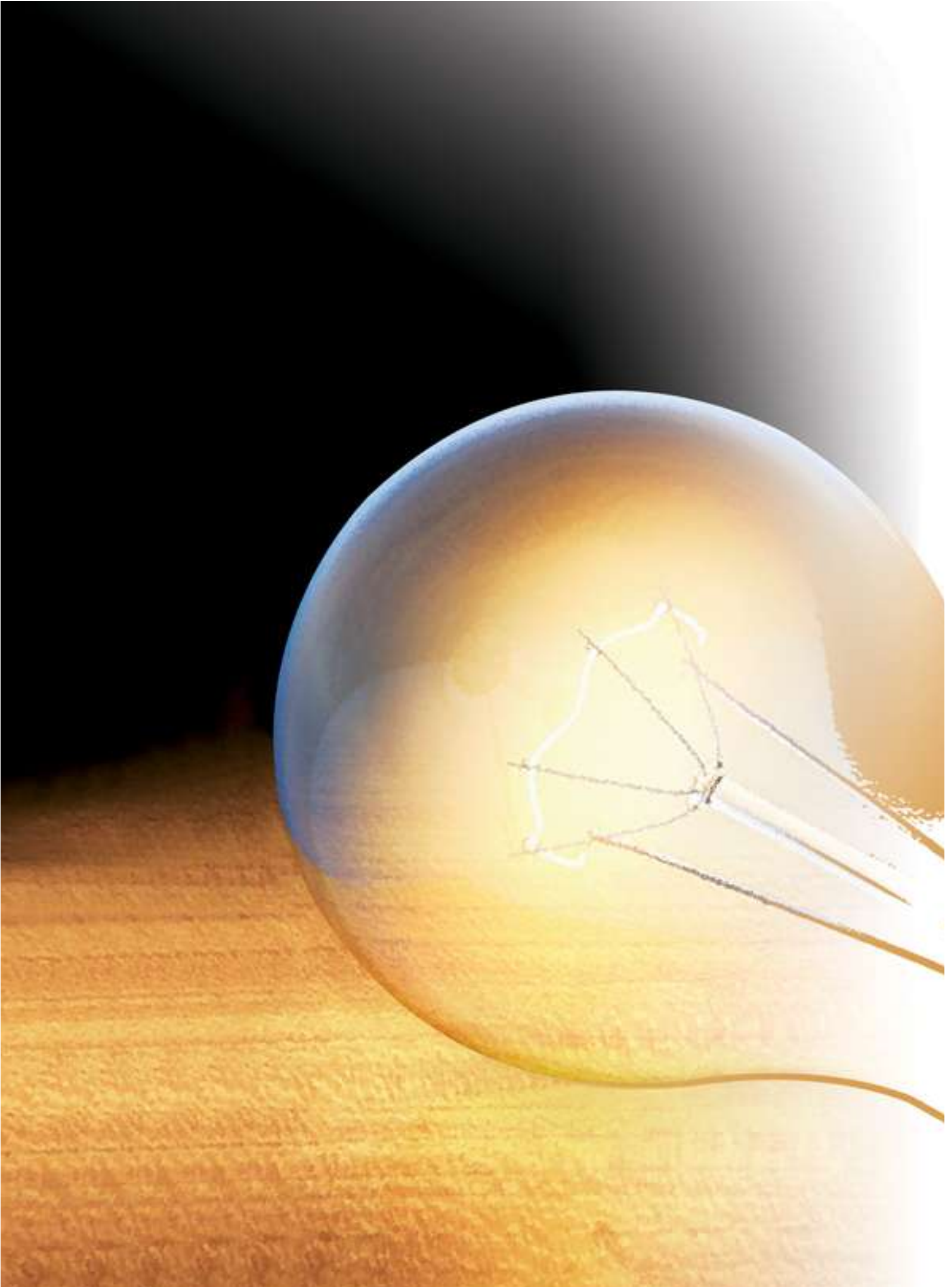


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Radiant  
**Inspiration**

“ Enthusiasm is excitement with inspiration, motivation and a pinch of creativity. ”

- Bo Bennett



# Management Team

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From Left to Right:

**Farrukh Shaukat Ansari**  
*Chief Executive Officer*

**Ahmed Haroon**  
*Head of Corporate Finance & Syndication*

**Nayyar Alam Ilyas**  
*General Manager - North*

**Farooq Khan**  
*Head of Human Resource, Administration & Recovery*

**Faraz Zaidi**  
*Head of Treasury*

**Rashid Kamal Siddiqui**  
*General Manager – South*

**Shyam Lal**  
*Chief Financial Officer & Company Secretary*

**Abdul Jalil Shakil**  
*Branch Manager – Lahore*



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*“If I have seen farther than others, it is because I was standing on the shoulder of giants.”*

*- Isaac Newton*

From Right to Left:

**Kamran Anwar**  
*Branch Manager – Faisalabad*

**Amjad Aziz**  
*Branch Manager – Sialkot*

**Manzar Masood**  
*Head of Product Support*

**Khurram Rauf Malik**  
*Branch Manager – Islamabad*

**Imran Masood**  
*Head of Internal Audit*

**Rais Ahmed Sheikh**  
*Head of Information Technology*

**Usman Iqbal**  
*Head of Operating Lease*



# Directors' Profile

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**Mr. Muhammad Rashid Zahir**  
*Chairman*



**Mr. Ihsanul Haq Piracha**  
*Vice Chairman*



**Mr. Farrukh S. Ansari**  
*Chief Executive Officer*



**Mr. Aasim A. Siddiqui**  
*Director*



**Mr. Haroon Ihsan**  
*Director*



**Mr. Faridullah Khan**  
*Director*



**Mr. M. Tariq Masud**  
*Director*

# Corporate Info

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## **BOARD OF DIRECTORS**

Mr. Muhammad Rashid Zahir  
*Chairman*

Mr. Ihsanul Haq Piracha  
*Vice Chairman*

Mr. Farrukh Shaukat 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*

Mr. Ihsanul Haq Piracha  
*Vice Chairman*

Mr. Aasim Azim Siddiqui  
*Director*

## **CREDIT COMMITTEE**

Mr. Ihsanul Haq Piracha  
*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. Shyam Lal, ACA

## **HEAD OF INTERNAL AUDIT**

Mr. Imran Masood

## **AUDITORS**

Anjum Asim Shahid Rahman  
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 (A-)

Short-term (A-2)

## **BANKS & LENDING INSTITUTIONS**

National Bank of Pakistan

The Bank of Punjab

United Bank Limited

ABN AMRO Bank N.V.

MCB Bank Limited

Standard Chartered Bank

Allied Bank Limited

The Hong Kong and Shanghai Banking Corp. Limited

Askari Bank Limited

Saudi Pak Commercial Bank Limited

## **REGISTERED OFFICE**

6th Floor, Lakson Square, Building # 1,  
Sarwar Shaheed Road, Saddar, Karachi.

Tel: (021) 5655181-85, 5655215-19

Fax: (021) 5210607-9

## **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**

2nd Floor, High-Rise Block, Saudi Pak Tower  
61-A, Jinnah Avenue, Blue Area, Islamabad

Tel: (051) 2800207, 2800206

Fax: (051) 2800205

### **Faisalabad**

Kotwali Road (Allama Iqbal 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](http://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) 5655595

# Notice of Annual General Meeting

Notice is hereby given that the 17th Annual General Meeting of the members of Saudi Pak Leasing Company Limited ("the Company") will be held at Auditorium of Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi, on October 22, 2007 at 1030 hours to transact the following business:

## **ORDINARY BUSINESS:**

1. To confirm the minutes of the Extra Ordinary General Meeting of the Company held on December 15, 2006.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2007 together with the Directors' and Auditors' Report thereon.
3. To approve the payment of cash dividend. The Board of Directors has recommended payment of cash dividend @ 10% i.e. Re. 1/- per share of Rs. 10/- each for the year ended June 30, 2007.
4. To appoint Auditors for the year 2007- 2008 and to fix their remuneration. The present Auditors, M/s. Anjum Asim Shahid Rahman, Chartered Accountants, retire and being eligible, offer themselves for reappointment. The Board of Directors has recommended appointment of M/s. Anjum Asim Shahid Rahman, Chartered Accountants as auditors for the year 2007-2008.
5. To consider any other business with the permission of the Chair.

## **SPECIAL BUSINESS:**

6. To approve the issue of bonus shares in the proportion of 5 shares for every 100 shares held i.e. 5% as recommended by the Board of Directors.

A statement under section 160 (1) (b) of the Companies Ordinance, 1984 and the draft of the resolution proposed to be considered by the shareholders at the Annual General Meeting of the Company as required by section 164 (1) of the Companies Ordinance, 1984 are enclosed.

By Order of the Board

Karachi  
Dated: October 2, 2007

**Shyam Lal**  
Company Secretary

## **NOTES:**

1. The Register of members of the Company will remain closed from October 12, 2007 to October 22, 2007 (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 National Identity Card (NIC) 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.

### **STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984**

This statement sets out the material facts concerning the special business to be transacted at the Annual General Meeting of shareholders of the Company to be held at 10:30 hours on October 22, 2007 at the Auditorium of Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi.

#### **Issuance of Bonus Shares**

The Directors have recommended capitalization of Rs. 21,505,000 from the unappropriated profit and reserves of the Company to enable issue of bonus shares in the ratio of 5 shares for every 100 shares held. The Directors are interested in the business to the extent of their entitlement to bonus shares as shareholders. In this regard, if thought fit, to pass with or without modification(s) the following resolution:

“Resolved that a sum of Rs. 21,505,000 out of the free reserve of the Company be capitalized and be applied for the issue of 2,150,500 ordinary shares of Rs. 10/- each and allotted as fully paid up bonus shares to the members of the Company who are registered in the book of the Company as at October 11, 2007, in the proportion of 5 shares for every 100 shares held and that such new shares shall rank pari-passu with the existing shares of the Company except that they shall not qualify for dividend for the year ended June 30, 2007.”

“Resolved further that for the purpose of giving effect to the above, the Directors be and are hereby authorized to take all necessary actions and to settle any question or difficulty that may arise with regard to the distribution of the said bonus shares or in the payment of sale proceeds of the fractional entitlements as they deem fit.”









Prolific

# Inspiration

“An individual has not started living until he can rise above the narrow confines of his individualistic concerns to the broader concerns of all humanity.”

- *Martin Luther King, Jr.*

# Chairman's Review

I am pleased to present on behalf of the Board of Directors the 17th Annual Report along with the audited Financial Statements of Saudi Pak Leasing Company Limited for the year ended June 30, 2007.

## **Pakistan's Economic Scenario**

The economy has witnessed another year of impressive growth on the back of strong economic fundamentals. Real GDP grew at 7 percent as against the revised estimates of 6.6 percent for the last year. All the three major sectors of the economy contributed to the growth in economy. The single largest sector of the economy agriculture made a modest recovery from the dismal performance of last year, as overall it grew by 5 percent with record wheat and sugar cane crops and contributed about 1.1 percent to the GDP. The manufacturing sector growth was moderate as compared to last year as it grew 8.4 percent and contributed 1.6 percent to the GDP. The services sector showed a robust growth powered by stellar performance in construction, banking and insurance sectors. It grew by 8 percent and contributed about 4.2 percent to the GDP.

The reforms and policies pursued over the last seven years are now attracting foreign investors. Record foreign investment flows at around US\$ 6.5 billion coupled with highest ever workers remittances of US\$ 5.5 billion has compensated for widening trade deficit thus resulting in stable exchange rate.

The successful floatation of a new US\$ 750 million 10 years sovereign bond in international debt capital market with seven times over subscription has set the tone for offshore fund raising and reflect confidence of global investors on Pakistan's current economic prospects and future economic outlook. The per capita income in dollar term has grown to US\$ 925 in 2006-07. The main factors responsible for the sharp rise in per capita income include acceleration in real GDP growth, stable exchange rate and four fold increase in the inflows of workers' remittance.

The Year 2006-07 was a landmark in the history of Karachi Stock Exchange. The KSE 100 index closed at 13,772 points as against 9,989 points a year ago thus rising by 38 percent during the year. Continuation of economic reforms, stability in exchange rate, large scale merger and acquisition in banking, successful GDR offering of OGDC and MCB and increase in Pakistan's coverage by large international brokerage firms were the main driving forces.

## **Leasing Industry**

The NBFC sector of which Leasing is a part continues to play a key role in deepening of the financial sector. Leasing Companies and Modarabas have been the major intermediaries in creating awareness and delivering credit for development to the Small and Medium Enterprises (SMEs). They are the only institutions that provide funds to small start up and green field projects. However due to high interest rate regime and competition from banks, the number of industry players has reduced to 22 in 2007 from 28 in 2003. The industry has total equity of over Rs. 20 billion and total assets of over Rs. 123 billion.

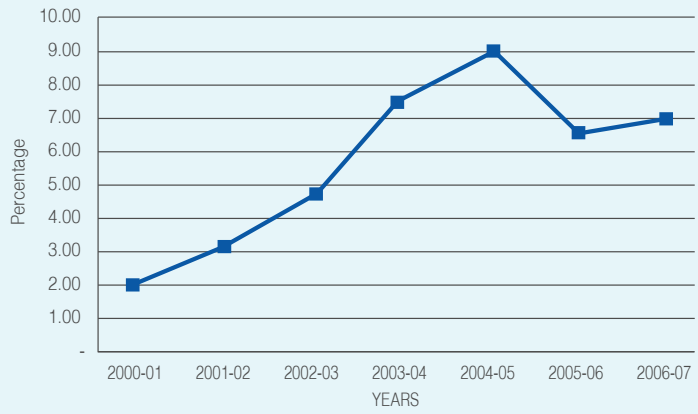
## **Financial Performance**

During the period under review, your company maintained the tempo of growth through enhancement of lease portfolio and diversification. Disbursements rose to Rs. 2,486 million in 2006-07 as against Rs. 2,258 million in 2005-06. Total gross revenue increased to Rs. 722 million from Rs. 643 million in the same period of the last year. Lease revenue increased to Rs. 481 million up from Rs. 420 million in 2005-06. Income on investment increased to Rs. 233 million from Rs. 212 million. Financial charges amounted to Rs. 522 million, increasing from Rs. 411 million as compared to the previous year. The increase in KIBOR rate and increase in bank borrowing to meet fresh business requirements are the major factors in increasing the financial cost. During the period under review operating expenses increased by Rs. 24 million to Rs. 119 million from Rs. 95 million due to increase in direct cost of operating leases comprising mainly of payments to assets manager, depreciation and insurance. The operating profit for the year decreased by 42 percent to Rs. 80 million in 2006-07 down from Rs. 138 million in the previous year. However due to effective recovery drive during the year, the provision for potential lease / loan losses came down to Rs. 18 million against a provision of Rs. 32 million in 2005-06. Net profit after tax for the year stood at Rs. 54 million compared to Rs. 93 million during the last year.

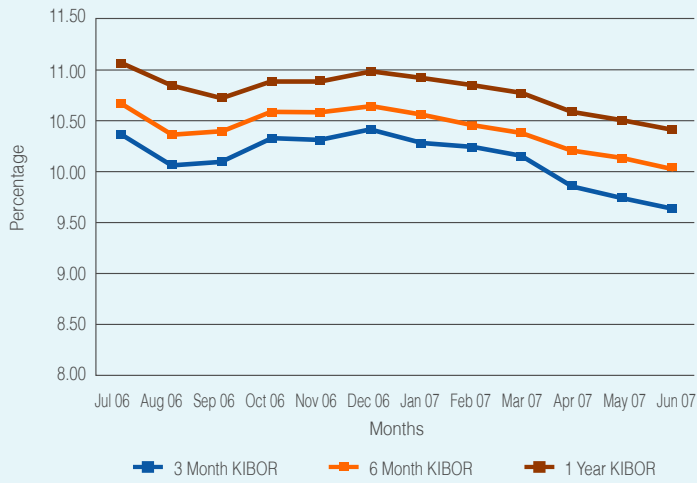
Balanced growth in the portfolio mix was maintained whereby exposure to single sector was kept around 20 percent to achieve minimum concentration risk. Approximately, 16 percent was disbursed to Textile sector followed by 12 percent to Energy, Oil and Gas sector. Plant and Machinery accounted for 74 percent of the lease portfolio and Commercial Vehicles 12 percent of the lease portfolio.



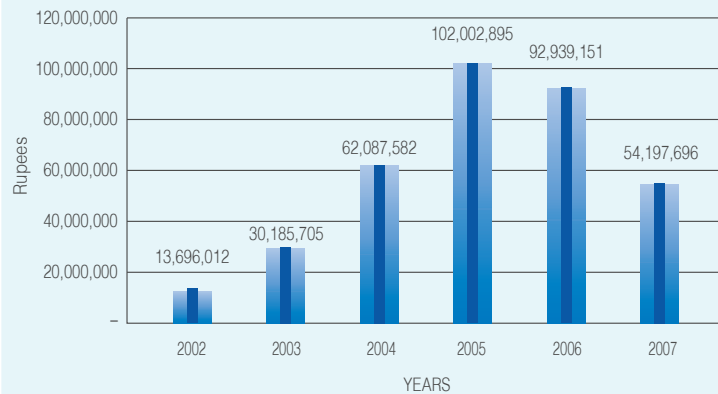
### GDP GROWTH RATE



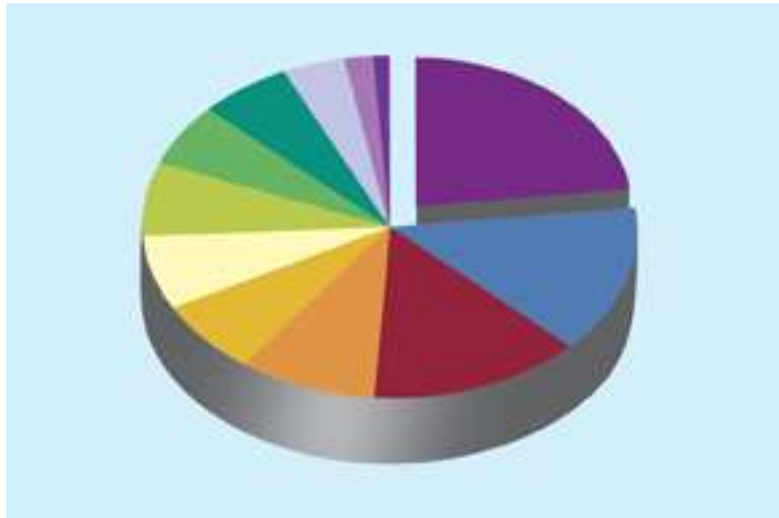
### INTEREST RATE ANALYSIS



### OPERATING PERFORMANCE



**LEASE PORTFOLIO BY TYPE OF CUSTOMER  
AS ON JUNE 30, 2007**



- 23% Textile
- 14% Transport & Communication
- 14% Services
- 9% Construction
- 7% Consumer & SME
- 7% Food & Allied
- 7% Energy Oil & Gas
- 6% Steel & Engineering
- 6% Miscellaneous
- 4% Leather & Allied
- 2% Pharmaceuticals / Fertilizer
- 1% Cement

**LEASE PORTFOLIO BY TYPE OF ASSETS  
AS ON JUNE 2007**



- 74% Plant & machinery
- 12% Commercial vehicles
- 9% Passenger vehicles
- 5% Others

## **Future Outlook**

The continuation and consistency of macro economic policies over the last seven years have built strong fundamentals in the economy. A stable government with investor friendly policies will enable the economy to continue up the path of prosperity. The stock market has shown volatility in the face of uncertain political direction and is seeking a new level post election. The State Bank continues to implement a tight monetary policy to control inflation. The record workers remittances and foreign investment has created excess liquidity in the market, which is driving the interest rates downward.

The company has sharpened focus on recoveries and careful risk assessment. It is constantly devising new products and services to enhance and diversify business generating activities. The operating lease segment of the business has started to contribute satisfactorily. Similarly, housing finance activities are picking up and are expected to contribute significantly to the operations of the company. Our pilot project for providing tractors and agricultural implements to farmers has met with great success. We are also tapping the immense potential of the agricultural sector for providing crop support and farm development financing.

## **And last, but not the least**

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 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 Rashid Zahir**  
*Chairman*







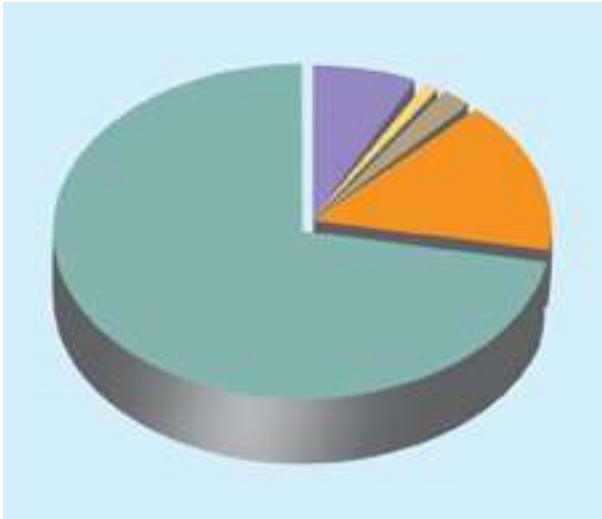
Eternal  
**Inspiration**

“ I shall be telling this with a sigh  
somewhere ages and ages  
hence: Two roads diverged in a  
wood, and I took the one less  
traveled by, and that has made  
all the difference.”

- *Robert Frost*

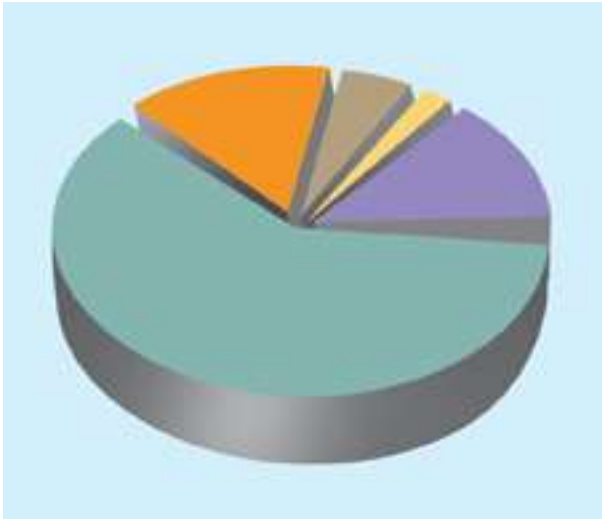


# Key Performance Indicators



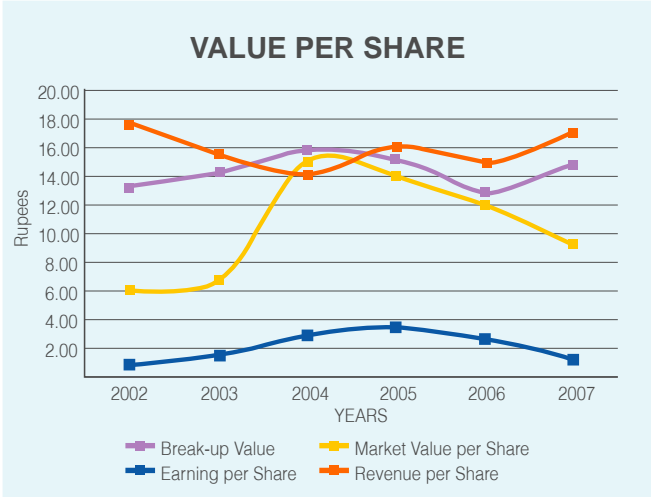
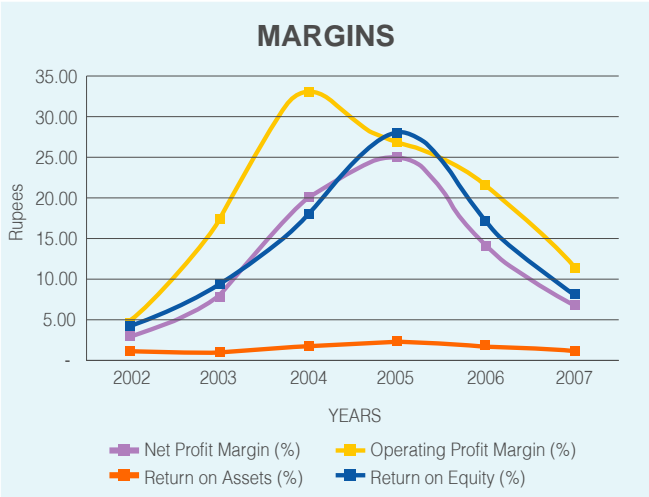
**REVENUE DISTRIBUTION FOR 2007**

- 72% Financial and other charges
- 17% Administrative and operating expenses
- 1% Provision for potential lease-losses
- 2% Taxation
- 8% Net profit after tax



**REVENUE DISTRIBUTION FOR 2006**

- 64% Financial and other charges
- 15% Administrative and operating expenses
- 5% Provision for potential lease-losses
- 2% Taxation
- 14% Net profit after tax



Ratio	2007	2006	2005	2004	2003	2002
Break-up Value (Rs.)	<b>14.84</b>	12.51	15.07	15.80	14.21	13.30
Current Ratio (X)	<b>1.01</b>	1.04	0.98	1.10	1.40	2.09
Debt Leverage	<b>7.62</b>	8.46	9.74	8.34	6.84	7.64
Dividend per share (Rs.)	<b>1.50*</b>	1.50	2.00*	2.50*	0.75	-
Dividend Yield (%)	<b>15.38</b>	12.50	14.29	16.67	11.11	-
Earning per Share (Rs.)	<b>1.26</b>	2.52	3.33	2.82	1.37	0.62
Financial Charges / Total Expenses (%)	<b>81.38</b>	81.25	72.07	69.65	81.30	87.69
Financial Charges / Total Revenue (%)	<b>72.34</b>	63.81	53.24	46.63	67.08	83.73
Market Value per share (Rs.)	<b>9.75</b>	12.00	14.00	15.00	6.75	6.10
Net Profit Margin (%)	<b>7.51</b>	14.45	25.18	20.01	8.85	3.51
Operating Profit Margin (%)	<b>11.11</b>	21.47	26.12	33.04	17.49	4.51
Price Earning Ratio (X)	<b>7.74</b>	4.75	4.20	5.32	4.92	9.80
Return on Assets (%)	<b>0.83</b>	1.54	2.13	1.66	1.07	0.49
Return on Equity (%)	<b>8.49</b>	17.28	26.75	17.86	9.66	4.68
Revenue per Share (Rs.)	<b>16.78</b>	14.96	16.01	14.10	15.50	17.75
Times Interest Earned (X)	<b>1.15</b>	1.34	1.49	1.71	1.26	1.05
Total Assets / Net worth (X)	<b>10.24</b>	11.19	12.54	10.78	9.04	9.59
Total Financing / Net Worth (X)	<b>7.30</b>	8.13	9.31	7.95	6.39	7.13

\* includes Bonus Shares



# Growing Inspiration

“Imagination is the beginning of creation. You imagine what you desire, you will what you imagine and at last you create what you will.”

- *George Bernard Shaw*



# Financial Highlights



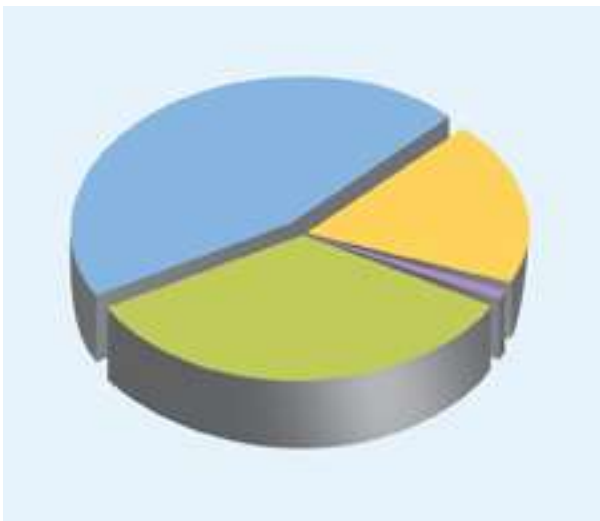
## REVENUE ANALYSIS FOR 2007

- 67% Income from leasing operations
- 32% Income on term loans investments
- 1% Other income



## REVENUE ANALYSIS FOR 2006

- 65% Income from leasing operations
- 33% Income on term loans investments
- 2% Other income



## EXPENSES ANALYSIS FOR 2007

- 46% Financial changes from financial institutions
- 35% Certificates of investments
- 18% Administrative & operating expenses
- 1% Other charges



## EXPENSES ANALYSIS FOR 2006

- 49% Financial changes from financial institutions
- 31% Certificates of investments
- 19% Administrative & operating expenses
- 1% Other charges

(Rupees in millions)

	2007	2006	2005	2004	2003	2002
<b>Operational results</b>						
Total disbursements	2,486	2,258	1,874	1,592	1,012	614
Revenues	722	643	405	310	355	392
Profit before tax	71	103	54	68	66	17
Profit after tax	54	93	102	62	30	14
Financial charges	522	411	216	145	229	327
Provision for bad debts	18	32	43	33	5	2
Cash Dividend	43.01	64.52	25.30	22.00	16.50	-
<b>Balance Sheet</b>						
Gross lease receivables	5,084	4,844	3,866	2,916	2,276	2,123
Net investment in lease	4,248	4,073	3,319	2,533	1,919	1,775
Net worth	638	537	381	326	313	293
Reserves	136	125	106	86	73	83
Fixed assets owned & operating	209	84	100	42	39	46
Total assets	6,538	6,020	4,780	3,746	2,824	2,807
Long term liabilities	2,028	1,855	1,483	1,419	1,328	1,658
Long term investments	120	381	143	21	-	48









Flourishing

# Inspiration

“ If seeds in the black earth can turn into such beautiful roses, what might not the heart of man become in its long journey toward the stars? ”

- G.K. Chesterton

# Directors' Report to the Shareholders

**It is our privilege to present on behalf of the Board of Directors the 17th Annual Report and audited financial statements of the Company for the year ended June 30, 2007.**

## Financial Results

	Rupees
Profit before taxation	70,697,696
Less: Taxation-Current	(11,500,000)
-Deferred	(5,000,000)
	(16,500,000)
Profit after taxation	54,197,696
Un-appropriated profit brought forward	108,534,789
Less: cash dividend for the year ended June 30, 2006	64,515,000
Profit available for appropriation	98,217,485
Transfer to statutory reserve	10,839,539
Un-appropriated profit carried forward	87,377,946
Earning per share	1.26

### Subsequent effect:

Proposed dividend @ Re. 1 per share	43,010,000
Bonus shares @ 5 shares for every 100 shares	21,505,000

## Dividend

The Directors are pleased to recommend a cash dividend of 10% (2006: Cash 15%) and bonus shares @ 5% (2006: nil).

## Board of Directors

No casual vacancy arose during the year.

## Corporate Governance

The Board of Directors of the company is responsible to the shareholders for the management of the Company. It acknowledges the responsibility for the system of sound internal controls and is committed to uphold the 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) International 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 5 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 Rashid Zahir	Chairman	5	5
Mr. Ihsanul Haq Piracha	Vice Chairman	5	5
Mr. Farrukh Shaukat Ansari	Chief Executive	5	5
Mr. Aasim Azim Siddiqui	Director	5	4*
Mr. Haroon Ihsan	Director	5	4*
Mr. Faridullah Khan	Director	5	5
Mr. Muhammad Tariq Masud	Director	5	5

\* Leave of absence was granted to Mr. Aasim Azim Siddiqui and Mr. Haroon Ihsan who could not attend the Board Meeting.

- 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. 7.78 million and Rs. 2.18 million respectively as per the audited accounts for provident fund and gratuity fund for the year ended June 30, 2007.

## Audit Committee

The Audit Committee comprises of three non-executive directors namely Mr. Muhammad Rashid Zahir, Mr. Ihsanul Haq Piracha and Mr. Aasim Azim Siddique.

## Credit Rating

Based on the results for the year ended June 30, 2006 the entity rating of A – (A- minus) for long term and A-2 for short term assigned by JCR-VIS, a credit rating company, has been maintained.

## Auditors

The present auditors, M/s. Anjum Asim Shahid Rahman, Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the year 2007-2008. On the suggestion of the Audit Committee, the Board recommends the appointment of M/s. Anjum Asim Shahid Rahman, Chartered Accountants as statutory auditors for the year 2007-2008.

## **Pattern of Shareholding**

The pattern of shareholding as on June 30, 2007 is annexed with this report.

## **Financial Highlights**

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

For and on behalf of the Board,



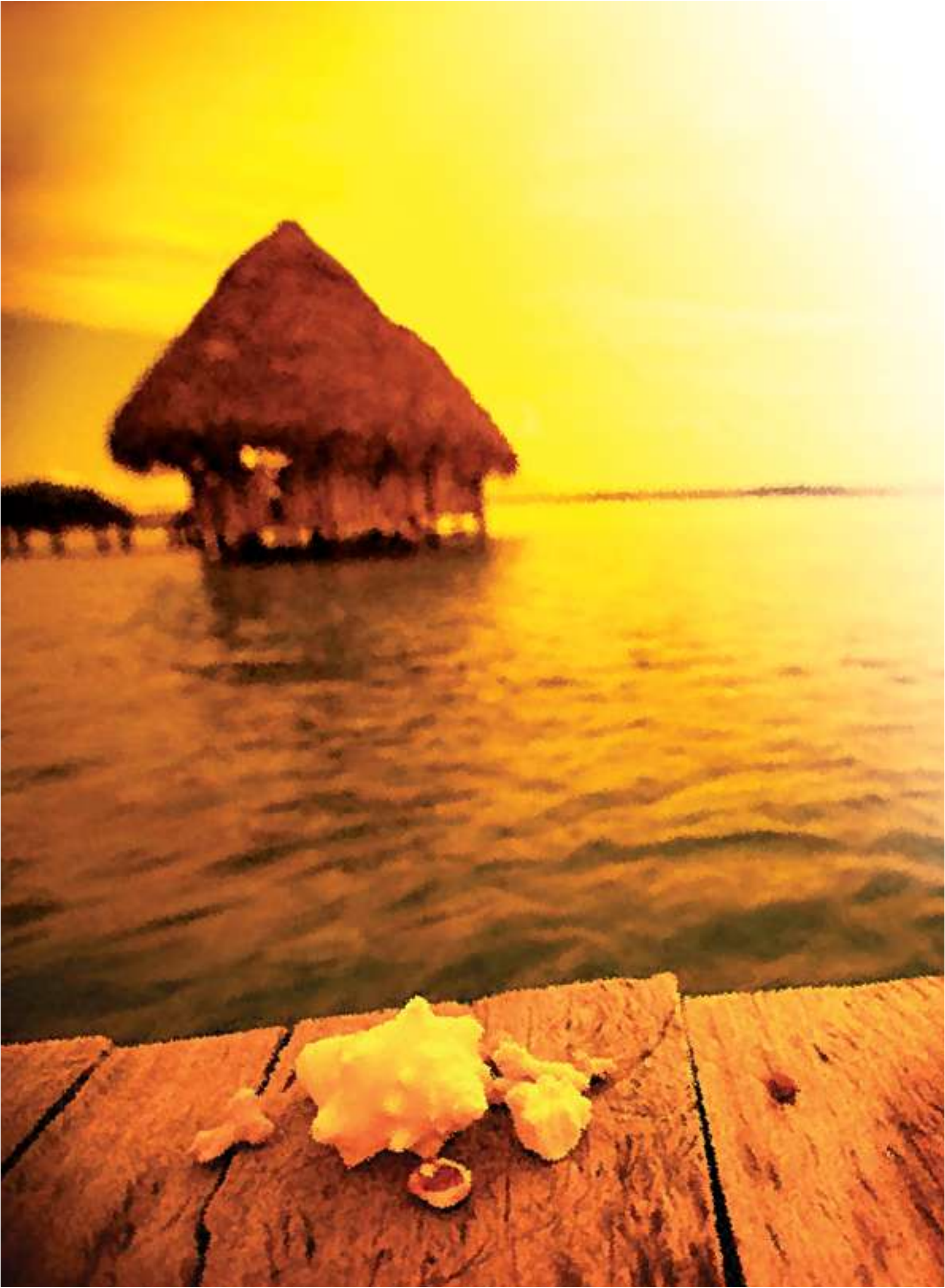
**Farrukh S. Ansari**  
*Chief Executive Officer*



**Muhammad Rashid Zahir**  
*Chairman*

Karachi  
Dated: September 8, 2007





An aerial photograph of a wide river valley during sunset. The sun is low on the horizon, creating a warm, golden glow over the landscape. The river winds through the valley, reflecting the light. The surrounding hills and fields are bathed in the same warm light, with some shadows cast across the terrain.

## Emerging Inspiration

“ The pessimist sees difficulty in every opportunity. The optimist sees the opportunity in every difficulty. ”

- *Winston Churchill*



# 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 and 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 the 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:

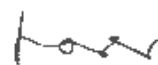
1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes six non-executive directors and no directors representing minority shareholders.
2. The directors have confirmed that 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 NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange
4. No casual vacancies of the Board of Directors arise during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practice's which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of the particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of Chief Executive Officer have been taken by the Board.
8. 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.
9. The Directors are conversant of the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and article of association and are aware of their duties and responsibilities.
10. During the year, the Board of Directors has approved appointment of Chief Financial Officer. Future appointment, if any, on statutory positions including their remuneration and terms and conditions of employment as determined by the Chief Executive Officer, will be referred to the Board for approval.
11. 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.
12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before the approval of the Board.
13. The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of the shareholdings.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee comprising of three non-executives directors including the Chairman of the committee.

16. 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.
17. 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.
18. 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.
19. 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.
20. 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, 2007 have been audited and will be circulated in accordance with clause (xxii) of the Code.
21. 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.
22. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board



**Farrukh S. Ansari**  
*Chief Executive Officer*



**Muhammad Rashid Zahir**  
*Chairman*

Dated: September 8, 2007

# Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Saudi Pak Leasing Company Limited (the company) to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange, Chapter XIII of the Listing Regulations of the Lahore Stock Exchange and Section 36 (Chapter XI) of the Listing Regulations of the Islamabad Stock Exchange where the company is listed.

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and effectiveness of such internal controls.

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, 2007.

Karachi  
Dated: September 8, 2007



**Anjum Asim Shahid Rahman**

# Auditors' Report to the Members

We have audited the annexed balance sheet of Saudi Pak Leasing Company Limited as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, 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 above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these 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 above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said 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 accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion -
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (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 objectives 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, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.



**Anjum Asim Shahid Rahman**  
Chartered Accountants

Karachi  
Dated: September 8, 2007







Progressive

# Inspiration

“Success is the sum of small efforts,  
repeated day in and day out.”

- Robert Collier

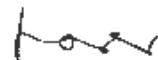
# Balance Sheet As at June 30, 2007

	Note	2007	2006
		Rupees	
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	4	104,618,359	164,161,545
Short-term loans	5	851,069,387	450,729,221
Short-term investments	6	407,293,928	487,769,472
Loans and receivables	7	36,960,916	65,583,454
Advances, deposits, prepayments and other receivables	8	437,258,882	215,918,825
Current maturity of non-current assets	9	2,091,038,978	2,380,757,678
<b>Total current assets</b>		<b>3,928,240,450</b>	<b>3,764,920,195</b>
<b>Non-current assets</b>			
Long-term loans	10	103,473,089	357,704,434
Net investment in leases	11	2,281,114,477	1,789,012,338
Long-term investments	12	16,641,900	23,643,400
Property, plant and equipment	13	208,860,551	84,378,311
<b>Total non-current assets</b>		<b>2,610,090,017</b>	<b>2,254,738,483</b>
<b>Total Assets</b>		<b>6,538,330,467</b>	<b>6,019,658,678</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings from financial institutions	14	965,000,000	1,280,000,000
Certificates of investment	15	1,811,676,000	1,521,923,000
Accrued and other payables	16	150,849,930	123,344,314
Current maturity of non-current liabilities	17	942,136,470	696,993,691
Provision for taxation - net		1,834,633	4,749,856
<b>Total current liabilities</b>		<b>3,871,497,033</b>	<b>3,627,010,861</b>
<b>Non-current liabilities</b>			
Borrowings from financial institutions	14	-	100,000,000
Certificates of investment	15	571,139,000	161,699,000
Long-term finances	18	555,833,340	695,833,334
Deposits against leases	19	846,942,192	847,557,476
Deferred tax	20	54,581,968	49,581,968
<b>Total non-current liabilities</b>		<b>2,028,496,500</b>	<b>1,854,671,778</b>
<b>Total Liabilities</b>		<b>5,899,993,533</b>	<b>5,481,682,639</b>
<b>NET ASSETS</b>		<b>638,336,934</b>	<b>537,976,039</b>
<b>FINANCED BY EQUITY</b>			
Authorized share capital 100,000,000 (2006: 100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up share capital	21	430,100,000	430,100,000
Reserves	22	136,164,293	125,324,754
Unappropriated profit		87,377,946	108,534,789
Unrealized loss on available for sale investments		653,642,239 (15,305,305)	663,959,543 (125,983,504)
<b>CONTINGENCIES AND COMMITMENTS</b>	23		
<b>Total equity</b>		<b>638,336,934</b>	<b>537,976,039</b>

The annexed notes from 1 to 43 form an integral part of these financial statements.



**Farrukh S. Ansari**  
Chief Executive Officer



**Muhammad Rashid Zahir**  
Chairman

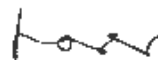
# Profit and Loss Account For the year ended June 30, 2007

	Note	2007	Rupees	2006
<b>Revenues</b>				
<b>Income from:</b>				
Finance leases	24	442,388,541		401,252,883
Operating leases		38,237,366		18,572,804
		480,625,907		419,825,687
Other operating income	25	241,055,791		223,531,587
		721,681,698		643,357,274
<b>Expenses</b>				
Financial and bank charges	26	522,088,562		410,541,234
Administrative, selling and other operating	27	119,433,991		94,715,890
		641,522,553		505,257,124
<b>Operating profit before provisions</b>		80,159,145		138,100,150
<b>Provisions and fair value changes</b>				
Provision for doubtful leases, Loans and other receivable	28	18,158,572		32,024,846
Unrealized (gain) / loss in the market value of investment classified as held for trading		(8,697,123)		2,136,153
		9,461,449		34,160,999
<b>Profit before taxation</b>		70,697,696		103,939,151
<b>Taxation</b>				
Current	29	11,500,000		10,000,000
Deferred	20	5,000,000		1,000,000
		16,500,000		11,000,000
<b>Profit for the year</b>		54,197,696		92,939,151
<b>Earnings per share - basic and diluted</b>	30	1.26		2.52

The annexed notes from 1 to 43 form an integral part of these financial statements.



**Farrukh S. Ansari**  
Chief Executive Officer



**Muhammad Rashid Zahir**  
Chairman

# Cash Flow Statement For the year ended June 30, 2007

	Note	2007	2006
		Rupees	Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash (used in)/generated from operations after working capital changes	34	(12,733,156)	523,300,590
Financial charges paid		(509,906,799)	(398,218,695)
Lease deposits received		103,694,162	248,382,096
Taxes paid		(14,415,223)	(8,627,222)
Increase in net investment in leases		(184,809,088)	(785,773,277)
		(605,436,948)	(944,237,098)
<b>Net cash used in operating activities</b>		<b>(618,170,104)</b>	<b>(420,936,508)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	13	(153,978,283)	(26,680,521)
Proceeds from sale of repossessed assets		2,200,000	-
Proceeds from sale of property, plant and equipment		3,531,708	34,532,700
Decrease / (Increase) in loans and receivables		28,622,538	(7,701,304)
Decrease / (Increase) in investments		219,011,790	(122,896,254)
Decrease / (Increase) in long-term loans		215,041,322	(318,902,720)
Dividend received		23,392,434	21,884,828
<b>Net cash from / (used in) investing activities</b>		<b>337,821,509</b>	<b>(419,763,271)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds of long-term finances		833,339	495,833,334
Increase / (Decrease) in certificates of investment		699,193,000	(83,143,000)
(Decrease) / Increase in borrowings from financial institutions		(415,000,000)	410,000,000
Subscription received against right shares		-	151,800,000
Dividend paid		(64,220,930)	(25,149,448)
<b>Net cash from financing activities</b>		<b>220,805,409</b>	<b>949,340,886</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(59,543,186)</b>	<b>108,641,107</b>
Cash and cash equivalents at the beginning of the year		164,161,545	55,520,438
<b>Cash and cash equivalents at the end of the year</b>	35	<b>104,618,359</b>	<b>164,161,545</b>

The annexed notes from 1 to 43 form an integral part of these financial statements.



**Farrukh S. Ansari**  
Chief Executive Officer



**Muhammad Rashid Zahir**  
Chairman




# Statement of Changes in Equity For the year ended June 30, 2007

	Share capital	Reserve for issue of bonus shares	CAPITAL RESERVES		Total reserves	Share deposit money	Unappropriated profit	Unrealized loss on investments classified as available for sale	Total equity
			Contingency reserve	Statutory reserve					
Rupees									
<b>Balance as at June 30, 2005</b>	253,000,000	-	2,600,000	104,136,924	106,736,924	-	84,783,468	(63,230,725)	381,289,667
Unrealized loss in market value of investments classified as available for sale	-	-	-	-	-	-	-	(65,909,282)	(65,909,282)
Realized loss in market value of investments classified as available for sale	-	-	-	-	-	-	-	3,156,503	3,156,503
<b>Net income recognized directly in equity</b>	-	-	-	-	-	-	-	(62,752,779)	(62,752,779)
Profit for the year ended June 30, 2006	-	-	-	-	-	-	92,939,151	-	92,939,151
Transfer of profit to reserve for issue of bonus shares declared subsequent to year end	-	25,300,000	-	-	25,300,000	-	(25,300,000)	-	-
Transfer to share capital as bonus shares	25,300,000	(25,300,000)	-	-	(25,300,000)	-	-	-	-
Final dividend for the year ended June 30, 2005 declared and issued subsequent to year end	-	-	-	-	-	-	(25,300,000)	-	(25,300,000)
Right shares subscription received	-	-	-	-	-	151,800,000	-	-	-
Transfer to share capital against right shares	151,800,000	-	-	-	-	(151,800,000)	-	-	151,800,000
Transfer to statutory reserve	-	-	-	18,587,830	18,587,830	-	(18,587,830)	-	-
<b>Balance as at June 30, 2006 carried forward</b>	430,100,000	-	2,600,000	122,724,754	125,324,754	-	108,534,789	(125,983,504)	537,976,039
Unrealized loss in market value of investments classified as available for sale	-	-	-	-	-	-	-	(54,309,768)	(54,309,768)
Realized loss in market value of investments classified as available for sale	-	-	-	-	-	-	-	164,987,967	164,987,967
<b>Net income recognized directly in equity</b>	-	-	-	-	-	-	-	110,678,199	110,678,199
Profit for the year ended June 30, 2007	-	-	-	-	-	-	54,197,696	-	54,197,696
Final dividend for the year ended June 30, 2006 declared and issued subsequent to year end	-	-	-	-	-	-	(64,515,000)	-	(64,515,000)
Transfer to statutory reserve	-	-	-	10,839,539	10,839,539	-	(10,839,539)	-	-
<b>Balance as at June 30, 2007</b>	430,100,000	-	2,600,000	133,564,293	136,164,293	-	87,377,946	(15,305,305)	638,336,934

The annexed notes from 1 to 43 form an integral part of these financial statements.



**Farrukh S. Ansari**  
Chief Executive Officer



**Muhammad Rashid Zahir**  
Chairman



# Notes to the Accounts For the year ended June 30, 2007

## 1. STATUS AND NATURE OF BUSINESS

Saudi Pak Leasing Company Limited (the company) was incorporated in Pakistan 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 moveable assets and housing finance business.

Saudi Pak Industrial & Agricultural Investment Company (Private) Limited, is the holding company.

## 2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards and interpretations, as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance), the Non-Banking Finance Companies (NBFCs) Rules, 2003, (the Rules) and the Prudential Regulations for NBFCs (the Regulations), along with the directives of the Securities and Exchange Commission of Pakistan (SECP). Approved accounting standards comprise such International Accounting Standards (IASs) as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Ordinance, the Rules, the Regulations or the directives issued by the SECP differ with the requirements of these IASs, the requirements of the Ordinance, the Rules, the Regulations or the requirements of the said directives take precedence. □

### 2.1 Standards, interpretations and amendments to published approved accounting standards

International Accounting Standard (IAS) 1: 'Presentation of Financial Statements' - Capital Disclosures has been revised and the amendments are applicable to the financial statements of the company covering accounting periods beginning on or after January 1, 2007. Adoption of these amendments would result in an impact on the extent of disclosures presented in the future financial statements of the company.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES □

### 3.1 Basis of measurement

The financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities which are stated at fair value or amortized cost as applicable.

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

### 3.2 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, the Prudential Regulations for NBFCs (refer note. 3.11) and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised. Significant areas requiring the use of management estimates in these financial statements relate to the useful life of depreciable assets, provision for doubtful lease, loans and receivables. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year. □

### 3.3 Loans and Finances

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. □

### 3.4 Employees 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 31. 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 exceeded 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.

# Notes to the Accounts For the year ended June 30, 2007

## **Defined contribution plan**

In addition, the company 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. □

## **3.5 □ Taxation**

### **Current**

The charge of current tax is based on taxable income at the applicable rate of taxation after taking into account available tax credits and rebates. Income for the purpose of computing current taxation is determined under the provisions of tax laws.

### **Deferred**

Deferred tax is accounted for using the balance sheet liability method in respect of temporary timing differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. □

## **3.6 □ Property, plant and equipment and depreciation**

Property, plant and equipment (including assets given under operating lease arrangements) are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to income applying the straight-line method over the estimated useful life of the assets (refer note 13). In respect of addition and disposal of an asset during the year, depreciation is charged from the month of acquisition and up to the month preceding the month of disposal respectively.

Maintenance and normal repairs are charged to income as and when incurred. Major renovations and enhancements are capitalized.

Gains and losses on disposal of assets, if any, are included in current year's income. □□□

### **Capital work-in-progress**

Capital work-in-progress is stated at cost and represents expenditure incurred on property, plant and equipment in the course of construction. These expenditure are transferred to relevant category of property, plant and equipment as and when the assets start operation. □

## **3.7 □ Finance leases (as lessor)**

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

## **3.8 □ Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than (a) those that the company intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the company upon initial recognition designates as at fair value through profit and loss account; (b) those that the company upon initial recognition designates as available for sale; or (c) those for which the company may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

Subsequent to initial measurement loans and receivables are measured at amortized cost using the effective interest method. Gains/losses arising on remeasurement of loans and receivables are taken to the profit and loss account.

Gain or loss is also recognized in profit and loss account when loans and receivables are derecognized or impaired, and through the amortization process. □

## **3.9 □ Investments**

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the company commits to purchase or sell the asset.

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standard 39 "Financial Instruments: Recognition and Measurement (IAS-39)" at the time of purchase and re-evaluates this classification on a regular basis. The investments of the company have been categorised as per the requirements of IAS 39 as follows:

# Notes to the Accounts For the year ended June 30, 2007

## **At fair value through profit or loss**

- a) These are classified as 'held for trading' if (a) acquired or incurred principally for the purpose of selling or re-purchasing it in the near term; (b) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or (c) a derivative (except for a derivative that is a designated and effective hedging instrument).
- b) Upon initial recognition these are designated by the company as 'at fair value through profit or loss' except for equity instruments that do not have a quoted market price in an active market, and whose fair value can not be reliably measured.

## **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 other than at fair value through profit or loss, available for sale and loans and receivables.

## **Available for sale**

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.

All quoted investments except 'at fair value through profit or loss' and held for trading are initially recognised at cost inclusive of transaction costs. Investments at fair value through profit or loss and held for trading are initially recognised at cost. All quoted investments are subsequently marked to market using the year end bid prices obtained from stock exchange quotations and quotes from brokers. Held to maturity investments are subsequently measured at amortized cost using the effective interest method. Investments in delisted / unquoted investments are carried at cost less impairment in value, if any. Investments other than shares are stated at their principal amounts less provision for amounts considered doubtful.

Unrealised gains / losses on investments classified as at fair value through profit or loss are taken to profit and loss account while unrealised gains / losses on investments classified as available for sale are taken to equity until these are derecognized, at which time the cumulative gain or loss previously recognised in equity is taken to profit and loss account.

Gain or loss is also recognized in profit and loss account when held to maturity investments are derecognized or impaired, and through the amortization process.

Impairment of investments is recognised in profit and loss account when there is a permanent diminution in their value. On impairment of available for sale investments, cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit and loss account even though the investments have not been derecognized. Impairment losses recognised in profit and loss account for an investment in equity instrument classified as available for sale are not reversed through profit and loss account. Impairment loss related to investments carried at cost is not reversed.

## **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 prorata 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.

## **Derecognition**

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. □□

### **3.10 □ Derivative financial instruments**

A derivative is financial instrument or other contract with all of the three characteristics: a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract; b) it requires no initial net investment or an initial net investment that is smaller than would be required for other type of contracts that would be expected to have a similar response to changes in market factors; and c) it is settled at a future date.

# Notes to the Accounts For the year ended June 30, 2007

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

### **3.11 □ Allowance for potential lease and loans losses**

The allowance for potential lease and term loan losses is maintained at a level which is adequate to provide for potential losses on lease and loan portfolio in accordance with the Prudential Regulations for NBFCs. Specific / general allowance for potential lease and loan losses is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on lease and loan portfolio that can be reasonably anticipated. The allowance is increased by provisions charged to income and is decreased by charge offs, net of recoveries.

The Leases, Loans and Advances are written-off where there are no realistic prospects of recovery. □

### **3.12 □ Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and bank balances. For the purpose of cash flow statement, cash and cash equivalents include debit balance of the short-term running finance accounts.

### **3.13 Borrowing cost**

The borrowing cost incurred on debts of the company is charged to income. □

### **3.14 □ Revenue recognition**

#### ***Finance leases, loans and placements***

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of leases.

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

Processing, front end and commitment fees and commission are recognized as income when received.

Revenue on finance lease is not recognized when rental is past due for the prescribed period in the Regulations.

#### ***Operating lease***

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

#### ***Return on investments***

Return on investments 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. □□

### **3.15 □ 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. □

### **3.16 □ Impairment**

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the assets' recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

# Notes to the Accounts For the year ended June 30, 2007

## **3.17 Financial instruments**

Financial assets carried on the balance sheet include cash and bank balances, advances and deposits, and are at fair value through profit or loss. Loans and finances, finance leases, loans and receivables and investments have been categorized as per the policies mentioned in note 3.3, 3.7, 3.8 and 3.9 respectively.

Financial liabilities carried on the balance sheet include certificates of investment, accrued and other payables and are at fair value through profit or loss. Loans and finances have been categorized as per policies mentioned in note 3.3.

At the time of initial recognition, all financial assets and financial liabilities are measured at cost, which is the fair value for the consideration given or received for it. Transaction costs are included in the initial measurement of all financial assets and liabilities except for transaction costs incurred on financial assets and liabilities classified as 'at fair value through profit or loss' and held for trading and that may be incurred on disposal. The particular recognition methods adopted for the measurement of financial assets and liabilities subsequent to initial measurement are disclosed in the policy statements associated with each item.

Financial assets are de-recognized when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Financial liabilities are de-recognized only when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

### ***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.

## **3.18 Related party transactions**

Related party transactions are entered into on an arm's length basis by following comparable uncontrolled price method.

## **3.19 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.

## **3.20 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 Board of Directors of the company.

## **3.21 Segmental reporting**

A business segment is a distinguishable component of the company that is engaged in providing an individual product or service or a group of related products or services and that is subject to risk and returns that are different from those of other business segments. As the risk and rate of return are predominantly affected by difference in these products or services, the primary format for reporting segment information is based on business segment.

## **3.22 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.

## **3.23 General**

Figures have been rounded-off to nearest Rupee.

# Notes to the Accounts For the year ended June 30, 2007

4. CASH AND BANK BALANCES	Note	2007	2006
		Rupees	
With State Bank of Pakistan in current account		2,530,153	728,546
With banks:			
- in current accounts - local currency		757,928	35,511,439
- in current accounts - foreign currency		5,401	5,401
- in savings accounts	4.1	101,223,616	127,829,207
Cash in hand		101,261	86,952
		<b>104,618,359</b>	<b>164,161,545</b>

4.1 Return on these savings accounts is earned at rates ranging from 0.5% to 1.0% (2006: 0.5% to 0.8%) per annum.

5. SHORT TERM LOANS - secured	Note	2007	2006
		Rupees	
Considered Good		844,269,387	450,729,221
Considered doubtful		8,500,000	-
Allowance for doubtful loans		(1,700,000)	-
		6,800,000	-
	5.1	<b>851,069,387</b>	<b>450,729,221</b>

5.1 This represents loans to customers for a period up to one year on mark-up basis and are secured by way of charge on immovable properties, pledge of listed securities and hypothecation of stock and receivables. The rate of mark-up ranges from 11.75% to 19% (2006: 10% to 19%) per annum.

6. SHORT TERM INVESTMENTS	Note	2007	2006
		Rupees	
<b>Related party</b>			
<b>Available for sale</b>			
Investment in equity securities		58,920,000	35,430,000
<b>Other than related party</b>			
Available for sale	6.1	322,314,908	443,349,472
<b>At fair value through profit or loss- held for trading</b>			
Investment in equity securities		26,059,020	8,990,000
		<b>407,293,928</b>	<b>487,769,472</b>
<b>6.1 Available for sale</b>			
Investment in equity securities		220,768,655	400,995,074
Mutual funds		101,546,253	42,354,398
		<b>322,314,908</b>	<b>443,349,472</b>

## 7. LOANS AND RECEIVABLES- considered good other than related parties

	Number of Certificates		Face value	Tenure	Profit rate	2007	2006
	2007	2006				Rupees	
<b>Term Finance Certificates- secured</b>							
Dewan Cement Limited		(refer note 7.1)		7 years from July 15, 2004	KIBOR plus 2.5%	21,960,916	25,583,454
<b>Preference shares- secured</b>							
Jamshoro Joint Venture Company Limited	-	1,500,000	10	-	-	-	15,000,000
Pak Electron Limited	1,500,000	1,500,000	10	-	9.50%	15,000,000	15,000,000
Cyber Soft Technologies Limited	-	100,000	100	-	KIBOR plus 4.5%	-	10,000,000
						<b>36,960,916</b>	<b>65,583,454</b>



# Notes to the Accounts For the year ended June 30, 2007

<b>7.1 Dewan Cement Limited</b>	Note	2007	2006
		Rupees	
<b>TFC Series "A" (One certificate of Rs. 24,435,000)</b>		<b>20,047,485</b>	22,346,181
Less: redemption to date		<b>(3,622,538)</b>	(2,298,696)
		<b>16,424,947</b>	20,047,485
<b>TFC Series "B" (One certificate of Rs. 19,991,000)</b>		<b>7,073,738</b>	7,073,738
Less: redemption to date		<b>(1,537,769)</b>	(1,537,769)
		<b>5,535,969</b>	5,535,969
		<b>21,960,916</b>	25,583,454

This represents TFC's of Dewan Cement Limited (DCL) (formerly Pakland Cement Limited). In May 2004, Dewan Mushtaq Group acquired management control of DCL and agreed with the creditors to repay the entire principal amount represented by TFC series 'A' and 30% of TFC series 'B' issued for accrued profits for the period from 1995 to 2000. The revised scheme of arrangement (Revised Scheme) has been approved by the Honorable High Court of Sindh.

According to the Revised Scheme, the TFC series 'A' is repayable in seven years from July 15, 2004 in semi annual installments and carry mark up based on KIBOR plus 2.5% (2006: KIBOR plus 2.5%) per annum. TFC series 'B' carry no mark up and are redeemable in four semi annual installments starting from January 15, 2012 to July 15, 2013.

## 8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

		2007	2006
		Rupees	
<b>Advances</b>			
Advance to employees, considered good			
- Chief executive	8.1	<b>497,762</b>	819,788
- Other employees		<b>1,513,557</b>	2,320,468
Advance to suppliers against lease		<b>154,910,019</b>	155,709,789
Advance to suppliers		<b>61,881,830</b>	11,334,582
		<b>218,803,168</b>	170,184,627
<b>Deposits and prepayments</b>			
Trade deposits		<b>610,045</b>	610,045
Prepayments	8.2	<b>3,989,862</b>	1,934,944
		<b>4,599,907</b>	2,544,989
<b>Accrued</b>			
Income on operating leases		<b>7,203,666</b>	1,292,166
Return on investments		<b>3,922,367</b>	7,984,119
Mark-up on term loans and advances		<b>40,266,103</b>	21,966,893
		<b>51,392,136</b>	31,243,178
Less: Provision for accrued income on operating lease		<b>(1,292,166)</b>	(1,292,166)
		<b>50,099,970</b>	29,951,012
<b>Other receivables</b>			
Corporate asset tax recoverable		<b>2,057,589</b>	2,057,589
Cost of Assets repossessed		<b>41,355,017</b>	9,433,083
Receivable against sale of securities		<b>119,677,969</b>	-
Other receivables		<b>8,775,010</b>	2,854,950
		<b>171,865,585</b>	14,345,622
Less: Provision for other receivables	8.3	<b>(8,109,748)</b>	(1,107,425)
		<b>163,755,837</b>	13,238,197
		<b>437,258,882</b>	215,918,825

**8.1** The maximum aggregate amount due from the chief executive officer (CEO) and other employees at the end of any month during the year was Rs. 819,788 (2006: Rs. 1,000,000) and Rs. 4,565,865 (2006: Rs. 3,982,013) respectively.

**8.2** Prepayments include an amount of Rs. 1,770,000 paid for issue of Term Finance Certificates after June 30, 2007.

# Notes to the Accounts For the year ended June 30, 2007

	Note	2007	2006
		Rupees	
<b>8.3 Provision for other receivables</b>			
Balance at beginning of the year		1,107,425	1,107,425
Charged during the year		7,002,323	-
Balance at end of the year		8,109,748	1,107,425
<b>9. CURRENT MATURITY OF NON- CURRENT ASSETS</b>			
Current portion of			
Long-term loans	10	112,142,246	72,952,223
Net investment in leases	11	1,966,788,076	2,283,537,375
Long-term investments	12	12,108,656	24,268,080
		2,091,038,978	2,380,757,678
<b>10. LONG TERM LOANS - secured, considered good</b>			
<b>Other than related party</b>			
Term loan to customers	10.1	203,985,649	425,495,112
Due from employees		11,629,686	5,161,545
		215,615,335	430,656,657
Less: Recoverable within one year shown as current portion of long-term loans	9	112,142,246	72,952,223
		103,473,089	357,704,434
<b>10.1</b> Term loan due from customers is secured against property and pledge of listed securities. The rate of return on these loans ranges from 11.5% to 20% (2006: 9.69% to 14.55%) per annum.			
<b>11. NET INVESTMENT IN LEASES</b>			
Minimum lease payments receivable	11.2	4,018,724,432	3,879,323,842
Add: Residual value of leased assets		1,064,967,670	965,000,424
<b>Gross investment in leases</b>		5,083,692,102	4,844,324,266
Less: Unearned lease income		601,469,115	585,823,437
Income suspended	11.3	90,721,566	50,615,924
Provision for potential lease losses	11.4	143,598,868	135,335,192
		835,789,549	771,774,553
Net investment in leases	11.2	4,247,902,553	4,072,549,713
Less: Current portion of net investment in leases	9	1,966,788,076	2,283,537,375
		2,281,114,477	1,789,012,338
<b>11.1</b> The internal rate of return on leases disbursed during the year ranges from 10% to 30.82% (2006: 10% to 24.59%) per annum. Certain lease rentals have been hypothecated against long-term finances obtained (refer note 18).			
<b>11.2 Minimum lease payments receivable</b>			
Less than one year		2,968,818,945	2,566,901,766
More than one year and less than five years		1,049,905,487	1,312,422,076
		4,018,724,432	3,879,323,842
<b>Net investment in leases</b>			
Less than one year		1,966,788,076	2,283,537,375
More than one year to five years		2,281,114,477	1,789,012,338
		4,247,902,553	4,072,549,713
<b>11.3 Income suspended</b>			
Balance at beginning of the year		50,615,924	39,961,691
Income suspended during the year		51,236,768	21,250,971
Reversal of suspension		(11,055,760)	(10,596,738)
Write-offs during the year		(75,366)	-
Balance at end of the year		90,721,566	50,615,924

# Notes to the Accounts For the year ended June 30, 2007

11.4 Provision for potential lease losses	Note	2007	2006
		Rupees	
Balance at beginning of the year		135,335,192	113,263,522
Charge for the year		45,500,421	67,983,369
Reversed during the year		(36,044,173)	(35,958,631)
Write-offs against provision		(1,192,572)	(9,953,068)
Balance at end of the year		<u>143,598,868</u>	<u>135,335,192</u>

11.5 Net investment in lease finance includes lease contract receivables amounting to Rs. 29,706,694 (2006: Rs. 30,991,541) from related parties.

12. LONG TERM INVESTMENTS	Note	2007	2006
		Rupees	
<b>Held to maturity</b>			
other than related party	12.1	28,750,556	47,911,480
Less: current portion	9	12,108,656	24,268,080
		<u>16,641,900</u>	<u>23,643,400</u>

## 12.1 Term Finance Certificates- secured

	Number of Certificates		Face value Rupees	Tenure	Profit rate	2007	2006
	2007	2006				Rupees	
Dawood Leasing Company Limited	-	1,000	5,000	5 years from Sep 11, 2001	13.50%	-	5,000,000
Sitara Chemical Industries Limited	-	2,630	5,000	5 years from July 01, 2003	12.00%	-	8,564,780
Crescent Standard Investment Bank Limited (formerly Pacific Leasing Company Limited)	800	800	5,000	4 years from July 08, 2003	10.50%	1,804,256	1,999,200
Al-Zamin Leasing Modaraba-I	702	1,032	5,000	5 years from Dec 24, 2003	8.00%	3,508,800	5,160,000
Al-Zamin Leasing Modaraba-II	3,000	3,000	5,000	5 years from July 01, 2005	9.50%	15,000,000	15,000,000
						<u>20,313,056</u>	35,723,980
<b>Term-Loan- secured</b>							
Jamshoro Joint Venture Company Limited	-	-	-	4 years from Nov 2004	KIBOR + 4.50%	8,437,500	12,187,500
						<u>28,750,556</u>	<u>47,911,480</u>

# Notes to the Accounts For the year ended June 30, 2007

## 13. PROPERTY, PLANT AND EQUIPMENT

	Own assets					Operating lease assets					
	Building Improvements	Offices premises	Furniture, fixtures and fittings	Vehicles	Office equipment and appliances	Sub total	Generators	Plant and machinery	Vehicles	Sub total	Total
	Rupees										
<b>As at July 1, 2005</b>											
Cost	3,526,371	24,415,134	6,077,442	20,294,890	21,200,747	75,514,584	11,926,876	62,220,000	-	74,146,876	149,661,460
Accumulated depreciation	(2,918,291)	(5,817,431)	(4,746,010)	(6,858,606)	(16,921,628)	(37,261,966)	(9,406,489)	(2,066,666)	-	(11,473,155)	(48,735,121)
Net book amount (Rs.)	608,080	18,597,703	1,331,432	13,436,284	4,279,119	38,252,618	2,520,387	60,153,334	-	62,673,721	100,926,339
<b>Year ended June 30, 2006</b>											
Opening net book amount	608,080	18,597,703	1,331,432	13,436,284	4,279,119	38,252,618	2,520,387	60,153,334	-	62,673,721	100,926,339
Additions	-	4,132,908	99,380	6,129,513	1,193,640	11,555,441	11,500,000	-	3,625,080	15,125,080	26,680,521
Disposals	-	-	(14,584)	(858,446)	-	(873,030)	(115,935)	(28,250,000)	-	(28,365,935)	(29,238,965)
Depreciation charge	(155,255)	(1,427,402)	(636,102)	(4,052,874)	(1,775,755)	(8,047,388)	(1,871,360)	(3,950,000)	(120,835)	(5,942,196)	(13,989,584)
<b>Closing net book amount</b>	<b>452,825</b>	<b>21,303,209</b>	<b>780,126</b>	<b>14,654,477</b>	<b>3,697,004</b>	<b>40,887,641</b>	<b>12,033,092</b>	<b>27,953,334</b>	<b>3,504,244</b>	<b>43,490,670</b>	<b>84,378,311</b>
<b>As at July 1, 2006</b>											
Cost	3,526,371	28,548,042	6,162,238	25,565,957	22,394,387	86,196,995	14,090,000	32,000,000	3,625,080	49,715,080	135,912,075
Accumulated depreciation	(3,073,546)	(7,244,833)	(5,382,112)	(10,911,480)	(18,697,383)	(45,309,354)	(2,056,908)	(4,046,666)	(120,836)	(6,224,410)	(51,533,764)
Net book amount (Rs.)	452,825	21,303,209	780,126	14,654,477	3,697,004	40,887,641	12,033,092	27,953,334	3,504,244	43,490,670	84,378,311
<b>Year ended June 30, 2007</b>											
Opening net book amount	452,825	21,303,209	780,126	14,654,477	3,697,004	40,887,641	12,033,092	27,953,334	3,504,244	43,490,670	84,378,311
Additions	-	28,712,000	624,895	8,361,000	4,344,889	42,042,784	6,200,000	35,000,000	70,735,500	111,935,500	153,978,284
Disposals - net	-	-	-	(20,910)	(57,901)	(78,811)	-	-	(2,393,233)	(2,393,233)	(2,472,044)
Depreciation charge	(155,255)	(1,573,235)	(339,969)	(5,628,603)	(1,665,491)	(9,362,553)	(4,057,994)	(6,408,328)	(7,195,125)	(17,661,447)	(27,024,000)
<b>Closing net book amount</b>	<b>297,570</b>	<b>48,441,974</b>	<b>1,065,052</b>	<b>17,365,964</b>	<b>6,318,501</b>	<b>73,489,061</b>	<b>14,175,098</b>	<b>56,545,006</b>	<b>64,651,386</b>	<b>135,371,490</b>	<b>208,860,551</b>
<b>As at June 30, 2007</b>											
Cost	3,526,371	57,260,042	6,787,133	33,906,047	26,681,375	128,160,968	20,290,000	67,000,000	71,967,347	159,257,347	287,418,315
Accumulated depreciation	(3,228,801)	(8,818,068)	(5,722,081)	(16,540,083)	(20,362,874)	(54,671,907)	(6,114,902)	(10,454,994)	(7,315,961)	(23,885,857)	(78,557,764)
Net book amount (Rs.)	297,570	48,441,974	1,065,052	17,365,964	6,318,501	73,489,061	14,175,098	56,545,006	64,651,386	135,371,490	208,860,551
<b>Rate of depreciation (%)</b>	20	5	20	20	20		20	10	20		

# Notes to the Accounts For the year ended June 30, 2007

## 13.1 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
-------------	------	--------------------------	------------	---------------	----------------------	--------------------------	------------------

Rupees

### Assets - Own use Vehicles

Book value	769,000	769,000	-	535,000	535,000	Various	Negotiation
not exceeding	352,586	346,709	5,877	315,000	309,123		Negotiation
Rs. 50,000	41,000	25,967	15,033	20,500	5,467		Negotiation
each							
	1,162,586	1,141,676	20,910	870,500	849,590		

### Office equipment & appliances

	141,900	84,006	57,894	42,002	(15,892)	Al-Salam Hi-Tech Solution, GB-20 Technocity Mall Hasrat Mohani Road, Karachi.	Negotiation
Book value	350,000	349,999	1	185,000	184,999		
not exceeding	358,010	358,004	6	41,000	40,994		
Rs. 50,000							
each							
	849,910	792,009	57,901	268,002	210,101		

### Operating lease assets Vehicles

	879,000	73,250	805,750	826,785	21,035	Mr. Shafiq-ur-Rehman Engro Management colony, Daharki.	Negotiation
	839,000	27,967	811,033	797,004	(14,029)		
	879,000	102,550	776,450	769,417	(7,033)		
	2,597,000	203,767	2,393,233	2,393,206	(27)	Mr. Imran Ghani, House # 113, Agric Town 4-Km, Raiwand Road Lahore.	
	4,609,496	2,137,452	2,472,044	3,531,708	1,059,664		

2007

2006

Note \_\_\_\_\_ Rupees \_\_\_\_\_

## 14. BORROWINGS FROM FINANCIAL INSTITUTIONS

### Other than related party

Secured  
Unsecured

Less: due within one year

14.1

	-	200,000,000
	<b>965,000,000</b>	1,180,000,000
	<b>965,000,000</b>	1,380,000,000
	<b>965,000,000</b>	1,280,000,000
	-	100,000,000

**14.1** unsecured finance facilities carry mark-up ranges from 10.00% to 11.50% (2006:9.75% 11.3%) per annum. These facilities are repayable at various dates by October 2007.



# Notes to the Accounts For the year ended June 30, 2007

	Note	2007	2006
		Rupees	
<b>15. CERTIFICATES OF INVESTMENT</b>			
<b>Long-term certificates of investments</b>		<b>618,242,000</b>	246,924,000
Current maturity		(47,103,000)	(85,225,000)
		<b>571,139,000</b>	161,699,000
<b>Short-term certificates of investments</b>		<b>1,764,573,000</b>	1,436,698,000
Add: current maturity of long-term certificates of investments		47,103,000	85,225,000
		<b>1,811,676,000</b>	1,521,923,000

The company has issued certificates of investment under permission granted by the Federal Government. These certificates of investment are for periods ranging from 3 months to 5 years and return on these certificates ranges from 6.00% to 13.07% (2006: 5.25% to 11.9%) per annum.

		2007	2006
		Rupees	
<b>16. ACCRUED AND OTHER PAYABLES</b>			
<b>Accrued liabilities</b>			
Accrued expenses		9,290,991	4,442,527
Accrued return on certificates of investment		51,520,501	45,807,381
Accrued mark-up on:			
- long-term finances		29,850,418	15,644,938
- short-term borrowing from financial institutions		9,312,428	13,884,779
		<b>99,974,338</b>	79,779,625
<b>Other liabilities</b>			
Rentals received in advance		11,979,399	3,123,961
Tax deducted at source		798,521	993,631
Unclaimed dividend		1,502,634	1,208,564
Payable on termination / maturity of leases		8,172,749	15,446,693
Payable in respect of undisbursed leases		15,228,982	18,465,042
Payable in respect of operating lease		7,330,647	-
Others		5,862,660	4,326,798
		<b>50,875,592</b>	43,564,689
		<b>150,849,930</b>	123,344,314
<b>17. CURRENT MATURITIES OF NON-CURRENT LIABILITIES</b>			
Current portion of:			
Long-term finances	18	753,333,333	612,500,000
Deposits against lease	19	188,803,137	84,493,691
		<b>942,136,470</b>	696,993,691

		2007	2006
		Rupees	
<b>18. LONG TERM FINANCES</b>			
Long-term finance	18.1	1,309,166,673	1,308,333,334
Less: Current maturity shown under current liabilities	17	753,333,333	612,500,000
		<b>555,833,340</b>	695,833,334

# Notes to the Accounts For the year ended June 30, 2007

## 18.1 Long-term finance

From Banking Companies	Repayment Period		Price	2007	2006
	from	to		Rupees	
				Principal outstanding	
National Bank of Pakistan -I	Jan-05	Jul-08	*6 month KIBOR+1.5% (payable semi annually)	<b>75,000,000</b>	125,000,000
United Bank Limited	Oct-04	Apr-07	6 month KIBOR+2% (payable semi annually)	-	100,000,000
Allied Bank of Pakistan Limited	Nov-05	May-08	6 month KIBOR+1.25% (payable semi annually)	<b>50,000,000</b>	100,000,000
Askari Commercial Bank Limited - II	Mar-04	Dec-06	6 month KIBOR+1.5% (payable quarterly)	-	12,500,000
Askari Commercial Bank Limited - III	Mar-05	Dec-07	6 month KIBOR+1.5% (payable quarterly)	<b>16,666,669</b>	50,000,000
National Bank of Pakistan II	Sep-05	Mar-09	6 month KIBOR+1.5% (payable semi annually)	<b>50,000,000</b>	75,000,000
Standard Chartered Bank	Dec-06	Sep-08	3 month KIBOR+1.5% (payable quarterly)	<b>145,833,335</b>	262,500,000
First National Bank Modaraba	Dec-06	Jun-08	6 month KIBOR+2.0% (payable semi annually)	<b>25,000,000</b>	50,000,000
Allied Bank of Pakistan	Jun-06	Dec-08	6 month KIBOR+2.0% (payable semi annually)	<b>100,000,001</b>	166,666,667
Bank of Punjab	Jun-06	Dec-08	6 month KIBOR+2.35% (payable semi annually)	<b>100,000,001</b>	166,666,667
Hongkong & Shanghai Banking Corporation	Apr-07	Jul-09	3 month KIBOR+1.75% (payable quarterly)	<b>180,000,000</b>	-
Soneri Bank Limited	-	Mar-08	6 month KIBOR+2.00% (payable at maturity)	<b>50,000,000</b>	-
Faysal Bank	June-07	Dec-08	6 month KIBOR+2.25% (payable semi annually)	<b>150,000,000</b>	-
Allied Bank of Pakistan Limited	Sep-07	Mar-10	6 month KIBOR+2.0% (payable semi annually)	<b>200,000,000</b>	-
				<b>1,142,500,006</b>	1,108,333,334
<b>From related party</b>					
Saudi Pak Industrial and Agricultural Company (Private) Limited	Jan-07	Jul-09	6 month KIBOR+2.0% (payable semi annually)	<b>166,666,667</b>	200,000,000
				<b>1,309,166,673</b>	1,308,333,334

\* KIBOR-Karachi Interbank Offer Rate

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

Note 2007 Rupees 2006

## 19. DEPOSITS AGAINST LEASES

Security deposits on finance leases		<b>1,035,745,329</b>	932,051,167
Less: Current maturity shown under current liabilities	17	<b>188,803,137</b>	84,493,691
		<b>846,942,192</b>	847,557,476

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

# Notes to the Accounts For the year ended June 30, 2007

<b>20. DEFERRED TAX</b>	Note	2007	2006
		Rupees	
Balance at beginning of the year		49,581,968	48,581,968
For the year		5,000,000	1,000,000
Balance at end of the year		<u>54,581,968</u>	<u>49,581,968</u>

Deferred tax has been created as under:

**Taxable temporary differences**

Net investment in leases		1,484,640,685	1,395,775,192
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**Deductible temporary differences**

Property, plant and equipment		(861,047,645)	(923,981,824)
Provisions		(2,838,412)	(839,857)
Unabsorbed depreciation and carry forward losses		(390,443,677)	(320,092,333)
Overdue rentals		(175,728,983)	(101,279,210)
		<u>(1,430,058,717)</u>	<u>(1,346,193,224)</u>
		<u>54,581,968</u>	<u>49,581,968</u>

**21. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL**

2007	2006		2007	2006
No. of Shares			Rupees	
25,180,000	25,180,000	Ordinary shares of Rs. 10 each fully paid in cash	251,800,000	251,800,000
17,830,000	17,830,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	178,300,000	178,300,000
<u>43,010,000</u>	<u>43,010,000</u>		<u>430,100,000</u>	<u>430,100,000</u>

**21.1** Following is the reconciliation of number of shares:

	2007	2006
	No of shares	
Number of shares at beginning of the year	43,010,000	25,300,000
Shares issued during the year:		
Right issue	-	15,180,000
Bonus issue	-	2,530,000
Number of shares at end of the year	<u>43,010,000</u>	<u>43,010,000</u>

**21.2** Saudi Pak Industrial & Agricultural Investment Company (private) Limited holds 35.06% (2006: 33.65%) of the issued, subscribed and paid-up share capital of the company.

<b>22. RESERVES</b>		2007	2006
		Rupees	
<b>Capital reserve</b>			
Statutory reserve	22.1	133,564,293	122,724,754
Contingency reserve	22.2	2,600,000	2,600,000
		<u>136,164,293</u>	<u>125,324,754</u>
<b>22.1</b> Balance at beginning of the year		122,724,754	104,136,924
Transferred during the year		10,839,539	18,587,830
		<u>133,564,293</u>	<u>122,724,754</u>

Statutory reserve represents profits set aside to comply with the Regulations.

**22.2** Contingency reserve has been created in respect of the demand raised by the Wealth Tax Officer for Corporate Asset Tax of Rs 2,000,000 along with the additional tax of Rs 557,589. The company has filed a writ petition in the High Court of Sindh against this demand.

<b>23. CONTINGENCIES AND COMMITMENTS</b>		2007	2006
		Rupees	
<b>Contingencies</b>		-	-
<b>Commitments</b>			
Commitments for lease disbursements		243,223,300	282,521,824

# Notes to the Accounts For the year ended June 30, 2007

	Note	2007	2006
		Rupees	
<b>24. INCOME FROM FINANCE LEASE OPERATIONS</b>			
Income on finance lease contracts		406,649,043	369,192,710
Document fee, front end fee and other charges		26,756,822	18,162,891
Gain on cancellation of lease contracts		1,871,176	3,922,282
Syndicate lease income		7,111,500	9,975,000
		<b>442,388,541</b>	<b>401,252,883</b>
<b>25. OTHER OPERATING INCOME</b>			
<b>Income from financial assets</b>			
- Federal Government securities		-	200,541
- Short-term loans		110,834,732	65,029,997
Income on Term Finance Certificates		11,617,730	15,998,689
Return on placements		1,317,683	10,504,184
Long-term loan		28,986,878	34,917,970
Income from savings accounts		5,163,025	945,819
Dividend income		23,392,434	22,691,828
Advance against lease		13,746,189	-
Gain on sale of investment from			
- derivatives		21,247,695	24,287,092
- Investment in equity securities		16,985,583	37,521,679
		<b>38,233,278</b>	<b>61,808,771</b>
<b>Other income</b>			
Mark-up, commission and fee income		4,148,703	3,667,808
Write back of liabilities no longer payable		61,848	2,276,349
Gain on sale of repossessed assets		1,000,000	-
Gain on sale of property, plant and equipments	13.1	1,059,664	5,293,730
Other		1,493,627	195,901
		<b>7,763,842</b>	<b>11,433,788</b>
		<b>241,055,791</b>	<b>223,531,587</b>
<b>26. FINANCIAL AND BANK CHARGES</b>			
Mark-up on:			
- Long-term loans	26.1	186,362,667	119,447,163
- Short-term borrowings		105,661,711	130,088,600
Return on certificates of investment		227,305,134	155,972,461
Arrangement fee		1,950,000	3,296,900
Bank charges		210,414	1,250,861
Others		598,636	485,249
		<b>522,088,562</b>	<b>410,541,234</b>
<b>26.1</b> Markup on long-term loans include markup of Rs. 22,236,164 (2006: 576,986) on finance availed from a related party.			
<b>27. ADMINISTRATIVE, SELLING AND OTHER OPERATING EXPENSES</b>			
		2007	2006
		Rupees	
Salaries, allowances and benefits	27.1	58,778,240	43,239,400
Rent		2,604,440	1,938,633
Repairs and maintenance		2,296,190	879,247
Utilities		1,456,769	1,630,760
Depreciation	13	27,024,000	13,989,584
Insurance		2,191,074	2,018,288
Vehicle running		5,710,175	4,362,753
Printing and stationery		1,663,206	1,601,091
Telephone and postage		2,904,071	2,907,274
Traveling and conveyance		2,726,436	2,245,050
Fees and subscriptions		1,926,720	4,497,059
Legal and professional charges		3,480,323	2,997,122
Training and development		274,220	29,095
Brokerage		2,528,479	7,913,571
Advertising and entertainment		1,139,453	1,156,190
Auditors' remuneration	27.2	546,645	585,711
Donation	27.3	2,805	-
Management fee		467,960	1,053,764
Miscellaneous		1,712,785	1,671,298
		<b>119,433,991</b>	<b>94,715,890</b>

# Notes to the Accounts For the year ended June 30, 2007

**27.1** Salaries, allowances and benefits include Rs. 4,041,506 (2006: Rs. 2,589,824) in respect of staff retirement benefits.

	2007	2006
	Rupees	
<b>27.2 Auditors' remuneration</b>		
Annual audit fee	250,000	225,000
Half yearly review	80,000	80,000
Special certifications	50,000	55,000
Taxation services	130,000	200,000
Out of pocket expenses	36,645	25,711
	<b>546,645</b>	<b>585,711</b>

**27.3** The donor had no interest in the donee.

## 28. PROVISION FOR DOUBTFUL LEASES, LOANS AND OTHER RECEIVABLES

Provision for potential lease losses	9,456,248	32,024,846
Provision for doubtful loans	1,700,000	-
Provision for other doubtful receivable	7,002,324	-
	<b>18,158,572</b>	<b>32,024,846</b>

## 29. TAXATION

The tax charge for the current year represents minimum charge at 0.5 % of gross income under section 113 of the Income Tax Ordinance, 2001 and tax on dividend income.

### 29.1 Effective tax rate reconciliation

Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as provision for current year income tax has been made under section 113 of the Income Tax Ordinance, 2001 related to minimum tax. The company's tax computation gives rise to a tax loss due to unabsorbed tax depreciation.

### 29.2 Current status of tax assessments

Tax assessments have been finalized up to the tax year 2006 and no appeals are pending.

	2007	2006
	Rupees	
<b>30. EARNINGS PER SHARE - BASIC AND DILUTED</b>		
Profit after taxation attributable to ordinary shareholders- Rupees	54,197,696	92,939,151
Weighted average number of ordinary shares issued and subscribed	43,100,000	36,821,511
Earnings per share- Rupees	1.26	2.52

## 31. STAFF RETIREMENT GRATUITY

### 31.1 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, 2007. The fair value of the fund's assets and liabilities at the latest valuation date were as follows:

	2007	2006
<b>31.2 Principal actuarial assumptions</b>		
Following principal actuarial assumptions were used for the valuation.	% per annum	% per annum
Discount rate	10	9
Expected long-term rate of increase in salary level	9	8
Expected long-term rate of interest	10	9
<b>31.3 Reconciliation of provision for gratuity scheme</b>	Rupees	Rupees
Present value of defined benefit obligation	7,909,082	3,046,433
Less: fair value of plan assets	(3,653,041)	(2,822,993)
Deficit	4,256,041	223,440
Unrecognized net actuarial loss	(936,659)	(45,564)
	<b>3,319,382</b>	<b>177,876</b>

# Notes to the Accounts For the year ended June 30, 2007

	Note	2007	2006
		Rupees	
<b>31.4 Movement in the balance sheet liability</b>			
Balance at beginning of the year		-	-
Add: Charge for the year	31.5	4,041,506	630,879
Payments made during the year		(900,000)	(630,879)
Balance at end of the year		3,141,506	-
<b>31.5 Gratuity scheme expense</b>			
Current service cost		679,214	671,239
Interest cost		274,179	213,310
Expected return on plan assets		(254,069)	(253,670)
		699,324	630,879
Past service cost due to change in benefits during the year		3,342,182	-
		4,041,506	630,879

**31.6** Actual return on plan assets during the year was Rs. 303,932 (2006: Rs. (20,922)).

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

	2007	2006	2005	2004	2003
	Rupees				
Present value of defined benefit obligation	(7,909,082)	(3,046,433)	(2,370,116)	(1,758,607)	(1,408,263)
Fair value of plan assets	3,653,041	2,822,993	2,818,553	2,306,829	2,846,743
Surplus / (deficit)	(4,256,041)	(223,440)	448,437	548,222	1,438,480
Experience adjustments on plan liabilities [gain/(loss)]	(940,958)	(41,186)	(563,690)	(107,286)	986,569
Experience adjustments on plan assets [gain/(loss)]	49,863	(274,592)	201,944	89,276	(112,569)

## 32. TRANSACTIONS WITH RELATED PARTIES

The related parties comprises Saudi Pak Industrial & Agricultural Investment Company (Private) Limited, related group companies, key management personnel and companies in which directors are common or a director hold office.

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

	2007	2006
	Rupees	
<b>Controlling entity</b>		
Rent paid	1,100,155	129,430
Office premises purchased	-	4,132,908
<b>Other Group Companies</b>		
Lease money disbursed during the year	12,988,000	1,279,000
Rentals received during the year	22,933,251	20,021,462
Lease key money received during the year	1,298,800	127,900



# Notes to the Accounts For the year ended June 30, 2007

## 33. 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	
	2007	2006	2007	2006	2007	2006
	Rupees					
Managerial remuneration	4,540,197	4,244,358	5,567,952	2,056,160	10,108,149	6,300,518
Bonus	709,406	603,750	840,200	310,000	1,549,606	913,750
House rent, utilities etc.	2,837,626	2,316,300	3,044,540	1,908,232	5,882,166	4,224,532
Retirement benefits	620,288	641,692	760,707	313,186	1,380,995	954,878
Leave passage	153,950	112,650	406,000	103,064	559,950	215,714
	<b>8,861,467</b>	<b>7,918,750</b>	<b>10,619,399</b>	<b>4,690,642</b>	<b>19,480,866</b>	<b>12,609,392</b>
Number of persons	1	1	7	3	8	4

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

## 34. CASH (USED IN)/GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES

	2007	2006
	Rupees	
Profit for the year before taxation	70,697,696	103,939,151
Adjustment for non-cash charges and other items		
Depreciation - owned assets	13 9,362,553	8,047,382
Depreciation - assets under operating lease	13 17,661,447	5,942,196
Financial charges	519,539,926	406,759,085
Provision for doubtful leases, loans & other receivables	28 18,158,572	32,024,846
Dividend income	25 (23,392,434)	(22,691,828)
Unrealized (gain)/loss in market value of investments classified as held for trading	(8,697,123)	2,136,153
Gain on sale of repossessed asset	(1,000,000)	-
Gain on sale of property, plant and equipment	13.1 (1,059,664)	(5,293,730)
	<b>530,573,277</b>	426,924,104
Profit before working capital changes	<b>601,270,973</b>	530,863,255
<b>Working capital changes</b>		
Increase in advances, deposits, prepayments and other receivables	(229,542,380)	(22,530,567)
(Increase)/Decrease in short-term loans	(402,040,166)	13,713,652
	(631,582,546)	(8,816,915)
Increase in accrued and other payables	17,578,417	1,254,250
	(614,004,129)	(7,562,665)
Cash (used in)/generated from operations after working capital changes	<b>(12,733,156)</b>	523,300,590
<b>35. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	4 <b>104,618,359</b>	164,161,545
<b>36. SEGMENT INFORMATION</b>		

The business of the company is divided into three primary reporting segments namely Lease operations, Term loans and placements and Investments based on the nature of business and the related risks and returns associated with these segments. Other operations, which are not considered by management to be sufficiently significant to disclose as separate items and do not fall into the above segment category, are reported as 'Others'.

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

# Notes to the Accounts For the year ended June 30, 2007

Segment assets and liabilities include all assets and liabilities related to the segment and relevant proportion of the assets and liabilities allocated to the segment on a reasonable basis.

Segment revenues and expenses include all revenues and expenses related to the segment and relevant proportion of the revenues and expenses allocated to the segment on a reasonable basis.

June 30, 2007

	Rupees					
	Finance Lease	Operating Lease	Term loans	Investment	Others	Total
<b>Segment revenue</b>	442,388,541	38,237,366	141,139,293	73,243,442	26,673,056	<b>721,681,698</b>
<b>Segment results</b>	432,932,293	20,107,959	139,439,293	81,940,565	19,670,732	<b>694,090,842</b>
<b>Unallocated cost</b>						<b>522,088,562</b>
Financial and bank charges						<b>101,304,584</b>
Administrative, selling and other operating						<b>623,393,146</b>
<b>Profit before taxation</b>						<b>70,697,696</b>
Taxation						<b>16,500,000</b>
<b>Profit for the year</b>						<b>54,197,696</b>
<b>Other information</b>						
Segment assets	4,247,902,553	135,371,490	1,066,684,722	473,005,400	-	<b>5,922,964,165</b>
Unallocated assets					615,366,302	<b>615,366,302</b>
<b>Total assets</b>						<b>6,538,330,467</b>
Segment liabilities	1,071,126,459	7,330,647	-	-	-	<b>1,078,457,106</b>
Unallocated liabilities					4,821,536,427	<b>4,821,536,427</b>
<b>Total liabilities</b>						<b>5,899,993,533</b>
<b>Net assets</b>						<b>638,336,934</b>

June 30, 2006

	Rupees					
	Finance Lease	Operating Lease	Term loans	Investment	Others	Total
<b>Segment revenue</b>	401,252,883	18,572,804	110,452,151	100,699,829	12,379,607	<b>643,357,274</b>
<b>Segment results</b>	369,228,037	11,576,844	110,452,151	98,563,676	12,379,607	<b>602,200,315</b>
<b>Unallocated cost</b>						<b>410,541,234</b>
Financial and bank charges						<b>87,719,930</b>
Administrative, selling and other operating						<b>498,261,164</b>
<b>Profit before taxation</b>						<b>103,939,151</b>
Taxation						<b>11,000,000</b>
<b>Profit for the year</b>						<b>92,939,151</b>
<b>Other information</b>						
Segment assets	4,072,549,713	43,490,670	881,385,878	601,264,406	-	<b>5,598,690,667</b>
Unallocated assets					420,968,011	<b>420,968,011</b>
<b>Total assets</b>						<b>6,019,658,678</b>
Segment liabilities	969,086,863	-	-	-	-	<b>969,086,863</b>
Unallocated liabilities					4,512,595,776	<b>4,512,595,776</b>
<b>Total liabilities</b>						<b>5,481,682,639</b>
<b>Net assets</b>						<b>537,976,039</b>

# Notes to the Accounts For the year ended June 30, 2007

## 37. FAIR VALUE OF FINANCIAL INSTRUMENTS

	2007		2006	
	Rupees			
	Book value	Fair value	Book value	Fair value
<b>Assets</b>				
Cash and bank balances	104,618,359	104,618,359	164,161,545	164,161,545
Short-term loans	851,069,387	851,069,387	450,729,221	450,729,221
Investments	442,652,667	436,044,484	663,800,610	535,680,952
Loans and receivables	36,960,916	36,960,916	65,583,454	65,583,454
Advances, deposits and other receivables	433,269,020	433,269,020	213,983,881	213,983,881
Long-term loans	215,615,335	215,615,335	430,656,657	430,656,657
Net Investment in leases	4,247,902,553	4,247,902,553	4,072,549,713	4,072,549,713
<b>Total Assets</b>	<b>6,332,088,237</b>	<b>6,325,480,054</b>	<b>6,061,465,081</b>	<b>5,933,345,423</b>
<b>Liabilities</b>				
Borrowings from financial institutions	965,000,000	965,000,000	1,380,000,000	1,380,000,000
Certificate of Investment	2,382,815,000	2,382,815,000	1,683,622,000	1,683,622,000
Long-term finances	1,309,166,673	1,309,166,673	1,308,333,334	1,308,333,334
Deposits on leases	1,035,745,329	1,035,745,329	932,051,167	932,051,167
Accrued and other payables	150,051,409	150,051,409	122,350,683	122,350,683
<b>Total Liabilities</b>	<b>5,842,778,411</b>	<b>5,842,778,411</b>	<b>5,426,357,184</b>	<b>5,426,357,184</b>

## 38. MATURITIES OF ASSETS AND LIABILITIES

	Total	Up to 3 months	Over 3 months to one year	Over 1 year to five years	Over 5 years
Rupees					
<b>Assets</b>					
Cash and bank balances	104,618,359	104,618,359	-	-	-
Short-term loans	851,069,387	187,876,891	663,192,496	-	-
Investments	436,044,484	410,035,684	9,366,900	16,641,900	-
Loan and receivables	36,960,916	-	36,960,916	-	-
Advances, prepayments and other receivables	437,258,883	226,920,509	210,338,374	-	-
Long-term loan	215,615,335	39,249,786	72,892,460	83,778,848	19,694,241
Net Investment in lease	4,247,902,553	1,001,079,872	965,708,204	2,281,114,477	-
Property, plant and equipment	208,860,550	7,832,270	2,346,811	177,397,469	21,284,000
<b>Total Assets</b>	<b>6,538,330,467</b>	<b>1,977,613,371</b>	<b>1,960,806,161</b>	<b>2,558,932,694</b>	<b>40,978,241</b>
<b>Liabilities</b>					
Borrowings from financial institutions	965,000,000	765,000,000	200,000,000	-	-
Certificate of Investment	2,382,815,000	1,337,627,000	474,049,000	571,139,000	-
Long-term finances	1,309,166,673	128,333,333	624,999,999	555,833,341	-
Deposits on leases	1,035,745,329	46,640,036	142,163,101	846,942,192	-
Accrued and other payables	150,849,930	104,165,380	46,684,550	-	-
Taxation	1,834,633	-	1,834,633	-	-
Deferred liabilities	54,581,968	-	-	54,581,968	-
<b>Total Liabilities</b>	<b>5,899,993,533</b>	<b>2,381,765,749</b>	<b>1,489,731,283</b>	<b>2,028,496,501</b>	<b>-</b>
<b>Net assets-2007</b>	<b>638,336,934</b>	<b>(404,152,378)</b>	<b>471,074,878</b>	<b>530,436,193</b>	<b>40,978,241</b>
Net assets-2006	537,976,039	11,564,958	140,542,319	359,969,229	25,899,533

# Notes to the Accounts For the year ended June 30, 2007

## 39. INTEREST RATE SENSITIVITY ANALYSIS

The information about the company's exposure to interest rate risk as at June 30, 2007 on contractual refinancing or maturity dates whichever is earlier is as follows: □

Particulars	Effective yield %	Total	Exposed to interest rate risk				Not exposed to interest rate risk
			Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	
Rupees							
<b>On-balance sheet financial instrument □</b>							
<b>Assets</b>							
Cash and bank balances	0.50% - 10.00%	104,618,359	103,860,431	-	-	-	757,928
Short-term loans	11.75%-19.00%	851,069,387	187,876,891	663,192,496	-	-	-
Investments	9.50%-15.00%	436,044,484	2,741,756	9,366,900	16,641,900	-	407,293,928
Loans and receivables	9.50%-12.01%	36,960,916	-	36,960,916	-	-	-
Advances, deposits and other receivable	-	433,269,020	-	-	-	-	433,269,020
Long-term loans	11.50%-20.00%	215,615,335	39,249,786	72,892,460	83,778,848	19,694,241	-
Net Investment in leases	10.00%-30.82%	4,247,902,553	1,001,079,872	965,708,204	2,281,114,477	-	- □
<b>Total Financial Assets □</b>		<b>6,325,480,054</b>	<b>1,334,808,736</b>	<b>1,748,120,976</b>	<b>2,381,535,225</b>	<b>19,694,241</b>	<b>841,320,876</b>
<b>Liabilities</b>							
Borrowings from financial institutions	10.00%-11.50%	965,000,000	765,000,000	200,000,000	-	-	-
Accrued and other payables	-	150,051,409	-	-	-	-	150,051,409
Long-term finances	11.50%-13.00%	1,309,166,673	128,333,333	624,999,999	555,833,341	-	-
Deposits on leases	-	1,035,745,329	-	-	-	-	1,035,745,329
Certificate of Investment	6.00%-13.70%	2,382,815,000	1,337,627,000	474,049,000	571,139,000	-	- □
<b>Total Financial Liabilities □</b>		<b>5,842,778,411</b>	<b>2,230,960,333</b>	<b>1,299,048,999</b>	<b>1,126,972,341</b>	<b>-</b>	<b>1,185,796,738 □</b>
<b>On balance sheet gap-2007 □</b>		<b>482,701,643</b>	<b>(896,151,597)</b>	<b>449,071,977</b>	<b>1,254,562,884</b>	<b>19,694,241</b>	<b>(344,475,862) □</b>
<b>On balance sheet gap-2006 □</b>		<b>506,988,239</b>	<b>(545,390,246)</b>	<b>155,866,806</b>	<b>1,212,827,839</b>	<b>-</b>	<b>(316,316,160)</b>

## 40. CONCENTRATION OF CREDIT RISK

The company manages concentration of credit risk exposure through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments. An analysis of class of business of the company's net investment in finance leases and installment loans, term finance and other financial assets is as follows:

Sector	Percentage		Amount	
	2007	2006	2007	2006
		Restated	(Rupees)	Restated
Sugar and Allied	2.12	2.41	117,797,296	123,646,911
Cement	0.83	2.30	46,133,809	118,167,908
Energy Oils and Gas	6.38	5.42	354,361,812	278,517,502
Steel and Engineering & Auto Mobiles	7.58	10.72	420,647,741	551,228,369
Electric and Electric Goods	1.83	1.56	101,341,322	80,382,168
Transport and Communications	12.94	5.26	718,298,247	270,312,113
Chemicals / Fertilizer / Pharmaceutical	2.14	1.82	118,733,021	93,792,283
Textile	19.24	20.60	1,067,844,467	1,058,977,985
Paper and Boards	4.44	4.53	246,271,356	232,994,804
Construction	11.34	7.66	629,177,508	393,545,359
Food, Tobacco and Beverages	3.09	4.01	171,494,245	205,961,128
Glass and Ceramics	1.91	1.39	106,150,206	71,293,696
Hotels	1.25	0.49	69,441,491	25,009,652
Health Care	2.12	3.09	117,914,281	158,703,061
Dairy and Poultry	0.79	0.36	44,117,619	18,418,299
Services	11.25	10.31	624,172,968	530,097,800
Miscellaneous	3.56	10.84	197,491,887	557,420,108
Consumer	7.19	7.23	399,218,435	371,417,561
	<b>100.00</b>	<b>100.00</b>	<b>5,550,607,711</b>	<b>5,139,886,707</b>

# Notes to the Accounts For the year ended June 30, 2007

## 41. RISK MANAGEMENT

The company is primarily subject to market risk, cash flow interest rate risk, credit risk and liquidity risk. The company has designed and implemented a framework of controls to identify, monitor and manage these risks as follows:

### 41.1 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The company's market risk is managed by following the internal guidelines established by the management.

### 41.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company controls credit risk by monitoring credit exposure, limiting transactions with specific counter party and continually assessing the credit worthiness of counter parties.

### 41.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The company manages liquidity risk by following internal guidelines of the management such as monitoring maturities of financial assets and financial liabilities.

### 41.4 Cash Flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. The company has adopted appropriate policies to minimize its exposure to this risk.

## 42. DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors on September 08, 2007.

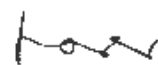
## 43. APPROPRIATIONS

The Board of Directors of the company proposed the following appropriations during their meeting held on September 08, 2007.

	2007		2006	
	Rupees	Per Share	Rupees	Per Share
Cash dividend	43,010,000	Re. 1.0	64,515,000	Rs. 1.5
Issue of Bonus shares	21,505,000	Re. 0.5	-	-



**Farrukh S. Ansari**  
Chief Executive Officer



**Muhammad Rashid Zahir**  
Chairman

# Pattern of Shareholding As at June 30, 2007

No. of Shareholders	Having Shares		Shares held	Percentage
	From	to		
406	1	100	13,955	0.0324
373	101	500	100,999	0.2348
188	501	1000	147,453	0.3428
453	1001	5000	1,151,621	2.6776
89	5001	10000	663,565	1.5428
41	10001	15000	516,930	1.2019
12	15001	20000	211,636	0.4921
13	20001	25000	286,706	0.6666
9	25001	30000	245,987	0.5719
2	30001	35000	68,510	0.1593
2	35001	40000	79,000	0.1837
3	40001	45000	125,612	0.2921
4	45001	50000	194,270	0.4517
1	50001	55000	52,706	0.1225
1	55001	60000	58,720	0.1365
2	60001	65000	124,288	0.2890
2	70001	75000	149,000	0.3464
2	75001	80000	154,529	0.3593
1	80001	85000	80,282	0.1867
5	95001	100000	500,000	1.1625
1	100001	105000	103,827	0.2414
1	110001	115000	110,030	0.2558
2	115001	120000	234,958	0.5463
1	150001	155000	150,282	0.3494
2	155001	160000	315,870	0.7344
1	175001	180000	175,765	0.4087
1	200001	205000	200,710	0.4667
1	205001	210000	205,011	0.4767
1	210001	215000	211,500	0.4917
2	215001	220000	430,100	1.0000
2	235001	240000	473,110	1.1000
1	250001	255000	250,887	0.5833
1	300001	305000	303,100	0.7047
1	425001	430000	429,600	0.9988
1	440001	445000	444,162	1.0327
1	450001	455000	453,032	1.0533
1	485001	490000	487,079	1.1325
1	605001	610000	607,500	1.4125
1	615001	620000	615,677	1.4315
1	865001	870000	870,000	2.0228
1	1160001	1165000	1,160,511	2.6982
1	1450001	1455000	1,450,400	3.3722
1	1720001	1725000	1,720,400	4.0000
1	1900001	1905000	1,902,688	4.4238
1	2955001	2960000	2,957,858	6.8771
1	3045001	3050000	3,046,838	7.0840
1	4295001	4300000	4,299,499	9.9965
1	14470001	14475000	14,473,837	33.6524
<b>1641</b>			<b>43,010,000</b>	<b>100.0000</b>



# Categories of Shareholders

	SHAREHOLDERS	SHAREHOLDING	PERCENTAGE
1. Individuals	1583	7,399,718	17.205
2. Shares held by Associated Companies, undertakings and related parties:			
Saudi Pak Industrial & Agricultural Investment Co.(Pvt) Ltd.	1	15,081,337	35.065
Saudi Pak Insurance Company Ltd.	1	15,300	0.036
Premier Mercantile Services (Pvt) Ltd.	1	4,301,000	10.000
Marine Services (Pvt) Ltd.	1	61,288	0.142
3. Investment Corporation of Pakistan	1	500	0.001
4. National Investment Trust	1	6,004,696	13.961
5. Directors, Chief Executive Officer and their spouse and minor children			
Senator(R) Ihsanul Haq Piracha	1	1,935,450	4.500
Mr. Haroon Ihsan	1	2,306,523	5.363
Mrs. Khurshid Ihsan Piracha	1	1,665,450	3.872
6. Insurance Companies	2	2,355,720	5.477
7. Public Sector Companies & Corporations	3	27,376	0.064
8. Financial Institution	4	657,313	1.528
9. Modarabas	4	187,170	0.435
10. Others	31	987,739	2.297
11. Non-Resident	5	23,420	0.054
	1641	43,010,000	100.000

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

Saudi Pak Industrial & Agricultural Investment Co.(Pvt) Ltd.	15,081,337	35.065
Premier Mercantile Services (Pvt) Ltd.	4,301,000	10.000
National Bank of Pakistan, Trustee Deptt.	6,004,696	13.961

# Notes

A series of horizontal dotted lines for writing notes.

# Proxy Form

I/We \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_

being member(s) of Saudi Pak Leasing Company Limited hereby appoint

Mr./Ms. \_\_\_\_\_  
of \_\_\_\_\_ (full address)

or failing him/her

Mr./Ms. \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_

(being member of the Company) as my/our Proxy to attend, act and vote for me/us and on my /our behalf at the 17th Annual General Meeting of the Company to be held on October 22, 2007 and at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_

Signed by \_\_\_\_\_

In presence of \_\_\_\_\_

Signature and address of witness

Signature of Members(s)

Please affix  
Rs. 5/- revenue  
stamp

Shareholder's Folio No. \_\_\_\_\_

Number of Shares held \_\_\_\_\_

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

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

The instrument appoint 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.

**SAUDI PAK LEASING COMPANY LIMITED**  
6th Floor, Lakson Square, Building # 1,  
Sarwar Shaheed Road, Saddar, Karachi-74200, Pakistan.  
UAN: 111-888-999 Fax: (021) 5210607-9  
Email: [info@saudipakleasing.com](mailto:info@saudipakleasing.com)

Designed & Produced by *///BBCL*