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Mission

SLCL is committed to make a positive contribution towards the country's economy by achieving a leading position in the leasing industry.

SLCL intends to achieve its mission by:

Enhancing value for its shareholders and lenders.

Providing efficient and professional services to its customers based on the latest technology.

Developing an efficient and professionally trained human resource.

Following good and ethical business practices.

SLCL has an infrastructure which can cater to substantial business as such SLCL is well poised to avail opportunities which will be available due to an upsurge in the economy.

The future of the leasing sector is linked to the macro-economic performance of the country's economy. New projects and Investment in Balancing, Modernization & Replacement (BMR) tender more opportunities to generate more business for the leasing sector.



BUSINESS STRATEGY

The objective of the Company is to contribute towards the economic development of the country, while maintaining the progressive growth rate of the Company, by providing lease financing to small and medium sized business enterprises and individuals in the most efficient and effective manner.

The business strategy of the Company is based on the following:

- 1. Enhancing value for its shareholders and lenders**
- 3. Developing an efficient and professionally trained human resource**

By investing into a diversified lease portfolio, the Company substantially reduces the risk of potential losses, which in turn promises to shield the shareholders equity and further increase the value of the stakeholders' interests. The increasing trend of the Company's Earning Per Share reflects that the Company has not only safeguarded the stakeholders' interests efficiently but has also been successfully able to increase the value of their interests.

The management philosophy of the Company is to develop and maintain a professional organization with a blend of local culture and management style. The professional staff has been hired on the basis of merit from various business organizations.

- 2. Providing efficient and professional services to its customers**
- 4. Following Shariah injunctions for financing activities**

SLCL is known for its quality service. The main objective of the organization is providing high quality services at economical prices. It has been the company's policy to give a wide variety of options to its customers, in order to facilitate their individual requirements.

The Company is committed towards continued improvement and diversification in its lease portfolio. By adopting an Islamic approach to leasing, the company will be able to improve its image as well as provide innovative ways in leasing to its customers.



COMPANY INFORMATION

BOARD OF DIRECTORS

M R Khan	Chairman & Chief Executive
S M Nadim Shafiqullah	Vice Chairman & Deputy Chief Executive
Mohammed Khalid Ali	Managing Director
S S Hamid	
Zahid Rashid Khwaja	
Fareed Khan	
S Naseem Ahmad	
S M Waleed Shafiqullah	

AUDIT COMMITTEE

S S Hamid	Chairman
Fareed Khan	
S M Waleed Shafiqullah	
M Khalid Ali	Secretary to the Committee

INVESTMENT COMMITTEE

M R Khan	Chairman
S M Nadim Shafiqullah	
M Khalid Ali	

EXECUTIVE COMMITTEE

M R Khan	Chairman
S M Nadim Shafiqullah	
M Khalid Ali	
Zahid Rashid Khwaja	

HUMAN RESOURCE COMMITTEE

S Naseem Ahmad	Chairman
Fareed Khan	
S M Nadim Shafiqullah	
M Khalid Ali	

SENIOR MANAGEMENT

M R Khan	Chairman & Chief Executive
S M Nadim Shafiqullah	Vice Chairman & Deputy Chief Executive
Mohammed Khalid Ali	Managing Director
Ahmad Noor	Head of Marketing
Salman Hameed	Chief Financial Officer

COMPANY SECRETARY Salman Hameed

EXTERNAL AUDITORS	Anjum Asim Shahid Rahman, Chartered Accountants
INTERNAL AUDITORS	Ford, Rhodes, Sidat, Hyder & Company, Chartered Accountants
LEGAL ADVISORS	A K Brohi & Co., Advocates
TAX CONSULTANTS	Ford, Rhodes, Sidat, Hyder & Company, Chartered Accountants
CREDIT RATING AGENCY	JCR-VIS Credit Rating Company (Private) Limited
ENTITY RATING	A2 for short-term; A- for long term; Outlook - Stable

BANKERS & LENDING INSTITUTIONS

Allied Bank of Pakistan	Bank Al-Habib Limited
Bank Alfalah Limited	Faysal Bank Limited
First Women Bank Limited	Meezan Bank Limited
Metropolitan Bank Limited	Muslim Commercial Bank Limited
My Bank Limited	National Bank of Pakistan
Pak Kuwait Investment Company (Private) Limited	Pak Libya Holding Company (Private) Limited
Pak Oman Investment Company (Private) Limited	Soneri Bank Limited
The Bank of Khyber	The Bank of Punjab
Union Bank Limited	United Bank Limited

REGISTERED & HEAD OFFICE

B901/902, Lakson Square No. 3, Sarwar Shaheed Road, Karachi-74200
 Tel: 111-111-902 Fax: 568 9854
 Web: www.seclease.com e-mail: slcl@cyber.net.pk

BRANCH

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

North Karachi - Karachi
 Mezzanine Floor, Haq Terrace ST-2, Plot 4, Sector 15-A/3, Buffer Zone, Karachi.
 Phone: 021 - 6904390, 6904357-58 Fax: 021 - 6904169

SHARE REGISTRAR

Nobel Computer Services (Private) Limited
 2nd Floor, Sohni Centre BS 5 & 6
 Main Karimabad, Block 4, F.B. Area. Karachi
 Phone: 021-6801880-82 Fax: 021-6801129

STATEMENT OF ETHICS & BUSINESS PRACTICES

"Every Director and employee of the Company shall follow the highest moral and ethical standard in their dealings, whether financial and otherwise, for and with the Company, its shareholders, customers, lenders, employees and government. Honesty shall always be expected. Conflict of interest shall be avoided and where such possibility exists, it shall be fully disclosed to the Board of Directors. All applicable laws and regulations shall be followed. All directors and employees of the Company shall adhere to the Statement of Operating Policies as approved by the Board of Directors."

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Thirteenth Annual General Meeting of the members of Security Leasing Corporation Limited will be held on Thursday, 19th October 2006 at 10:00 am at the registered office of the Company situated at B901/902 Lakson Square No. 3, Sarwar Shaheed Road, Karachi 74200, to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Annual General Meeting of the Company held on 21st October 2005.
2. To receive, consider and adopt the audited accounts for the year ended 30th June 2006 and the reports of the Directors and the auditors thereon.
3. To consider and approve cash dividend for the year ended 30th June 2006.
4. To appoint auditors and fix their remuneration.
5. To transact any other business with the permission of the Chair.

By Order of the Board

Salman Hameed
Company Secretary

Karachi: September 22, 2006

Notes:

1. A member entitled to attend, speak and vote at these meetings may appoint a proxy to attend, speak and vote on his/her behalf. A proxy need not be a member. A valid instrument of proxy must be deposited at the registered office of the Company, not less than 48 hours before the time of the meeting.
2. The beneficial owners of shares recorded at Central Depository Company of Pakistan Limited (CDCPL) are required to bring their Computerized National Identity Cards and in case of institutions being the beneficial owner, notarially certified copy of the power of attorney or other authority, together with the proof of identity of such nominee, is required for admittance to the meeting of the members.
3. Members are requested to notify any change in their address.
4. Share transfer books of the Company shall remain closed from 13 to 20 October 2006, both days inclusive.



REPORT OF THE DIRECTORS

The Board of Directors has pleasure in presenting the Thirteenth Annual Report of Security Leasing Corporation Limited (the Company) together with its audited financial statements for the year ended June 30, 2006.

Financial Results

RUPEES

Profit after tax	108,020,773
Unappropriated profits brought forward	38,769,055
	146,789,828
Less: Cash dividend for the year ended June 30, 2005	16,500,000
Profit available for appropriation	130,289,828
Appropriations:	
Transfer to statutory reserves	21,605,000
Bonus shares	77,000,000
	98,605,000
Unappropriated profit carried forward	31,684,828
Earning per share – Basic	3.90
Subsequent Effects:	
For June 30, 2006	
Proposed cash dividend for Ordinary shareholders	10%
Proposed cash dividend for Preference shareholders – Class A	9.1%

Review of Operations

During the year the Company maintained its steady operational growth and various segments of the Company's operations showed significant increase in revenues. The Company repeated last year's performance and earned the highest ever profit after tax of Rs. 108.02 million which is 45% higher than that of the last year. It also achieved the highest level of finance lease disbursements in a single year and made total disbursements of **Rs. 1.98 billion** in new leases which is 40% higher than last year. The net investment in leases increased by 46% to Rs. 3.37 billion.

The total revenue of the Company increased by 62% to Rs. 510.0 million which reflects its focus on diversification and generation of more revenues from non leasing business. Despite continuous competition from the commercial banks and increase in the interest rates, the Company has achieved sizeable increase in leasing business with emphasis on quality clients, good assets and competitive rates. The Company has also consolidated its position in the up-country where a branch was established last year which is now fully functional, giving a good volume of new leases.

During the year, the Company maintained its focus on achieving a constant growth in revenues from the operating lease sector and your directors are pleased to inform that the Company increased its operating lease revenue by 50%. It has one of the largest stocks of generators and sizeable portfolio of saloon cars, billboards, machinery and hi-tech equipments. All these assets were effectively deployed with various clients through out the year to achieve optimal revenues. In order to exercise enhanced prudence and to keep the assets value in alignment with the market, the Company has revised the rates of depreciation for its operating lease portfolio. This revision however would not affect the revenue income from this segment as the assets deployment has increased considerably during the year.

As indicated last year also, the Company has consolidated its sources of revenue to reduce heavy dependence on leasing operations and to keep a constant and steady growth in its revenues. It managed its equity portfolio in a stable and effective manner which resulted in the highest ever growth in revenues during the year through capital gains and dividend income.

The Company has continued to maintain a diversified exposure as would be seen from note 33 to the financial statements. The diversity of its lease portfolio has helped the company in lowering the risk of potential losses. As a measure of prudence however, the company will continue its standing policy to create adequate provisions for potential lease losses.

The cost of borrowings increased very sharply during the year under review and in order to achieve high growth in its revenues, finance lease disbursements and other investments, the Company used financing facilities on both long term and short term basis prudently involving financial charges amounting to Rs. 285.4 million. Most of the long term facilities are linked with Karachi Inter Bank Offer Rate (KIBOR) which rose sharply and therefore, resulted in higher cost of borrowings both on long term as well as short term basis. To mitigate the effects of increasing interest cost, the Company is writing most of the new leases on floating rates linked with KIBOR. Further, the Company continues to pursue fresh financing facilities on competitive rates. During the year, the Company issued privately placed term finance certificates of Rs. 500 million and also obtained new long term lines of credit from the commercial banks.

Adoption of International Accounting Standards and change in Accounting Estimates

In view of the change in International Accounting Standard – 17 “Leases” regarding the treatment of direct cost for writing the lease, the Company has adopted the change retrospectively as mentioned in note 3.3.1. Further, as mentioned earlier the Company has reviewed the useful lives of its operating leased assets and revised the depreciation rates to keep the book values of these assets in line with their market values. The above changes have full concurrence of the external auditors.

Dividends

During the year the Company made a total issue of bonus shares of 43.33% to its shareholders to strengthen its equity base and as a result the total equity of the Company stands at Rs. 405.7 million compared to Rs. 362.7 million last year. The Board is also pleased to announce the final cash dividend @ 10% to its ordinary shareholders and 9.1% to the preference shareholders – Class A as per the terms of the issue.

Economy and Future prospects

During the year the country experienced the worst calamity of its history when on October 8, 2005, a massive earthquake hit its northern areas resulting in huge loss of life and property. The economy which has been showing robust growth during the past few years experienced significant increase in inflation during the year due to higher import bill for crude oil, excess liquidity with the banks which exerted additional pressure on country’s foreign exchange reserves and government’s fiscal imbalance. The Karachi Stock Exchange 100 Index has remained shining star of the economic growth both in terms of new volumes and index heights and breached the 12334 mark before closing at 9989 on June 30, 2006. The turmoil at KSE in March 2006 however affected the general sentiment of investors in the country.

The excess liquidity of funds available with the banks coupled with rapid increase in international oil prices forced the central bank to increase the discount rate by 50 basis points to 9.50% and subsequently to revise upward the cash reserve and statutory liquidity requirements for commercial banks which made the KIBOR shoot above 10%.



All these factors have resulted in shrinking revenue margins and would continue to affect contracts executed in earlier part of the calendar year. However, the Company is writing major portion of its new leases on floating rates basis linked with KIBOR and any change in borrowing costs would be reflected in the lending rates. Due to increase in Continuous Funding System limit from Rs. 25 billion to Rs. 55 billion and other investor oriented initiatives by KSE and the regulators, the stock market would hopefully perform better during the current year. The stability in governmental policies has helped the overall economic conditions and imparted strength to the market which is reflected in healthier corporate results.

The Board takes the opportunity to assure Company's stakeholders that it will continue to exert all out efforts to consolidate its position and to tap opportunities for sustained growth. To ensure efficient and profitable utilization of the available resources, the Company will continue to spread its exposure over a broad spectrum of clients and industries taking exposure on such borrowers only who have a proven track record of timely repayments, good profitability and strong cash flows from their existing operations. Its emphasis being on quality, the Company will continue to strive to write quality leases for quality clients. As Non Bank Finance Institution, the Company will further explore other avenues in future to expand its operations. The Company's business strategy is sound and if the current economic policies continue it would achieve the targeted growth and operating profits for the year ending June 30, 2007.

Code of Corporate Governance

The Company has implemented the Code as required and there has been no material departure from it. Company's mission statement has been re-affirmed. Statement of Ethics and Business Practices has been prepared and accepted by all the directors and employees. The Audit Committee of the Board is in place. The key operating and financial data is set out in the annexure to this report. The financial statements annexed to this report, present fairly its state of affairs, the results of its operations, cash flows and changes in equity. Proper books of accounts have been maintained and appropriate accounting policies have been consistently applied in the preparation of the financial statements, using reasonable and prudent accounting estimates. Applicable International Accounting Standards and relevant directives from the regulatory authorities have been followed. An effective system of internal controls is in place which is being fully implemented. There is no reasonable doubt about the ability of the Company to continue its operations as a going concern.

Board of Directors

During the year, Mr. S M Nadim Shafiqullah was appointed as Vice Chairman and Deputy Chief Executive of the Company to provide and close support to the Company in its diverse operations.

During the year, Mr. Shamshad Nabi resigned from the Board and in his place Mr. S Naseem Ahmad joined the Board. The Board has no doubt that the Company would benefit a great deal from the wide and varied experience of Mr. Naseem Ahmad.

During the year, ten meetings of the Board of Directors were held. Detail of attendance by each member of the Board is as follows.

Directors	Meetings attended	Directors	Meetings attended
Mr. M R Khan	10	Mr. S S Hamid	7
Mr. Mohammed Khalid Ali	10	Mr. Zahid Rashid Khwaja	10
Mr. S M Nadim Shafiqullah	10	Mr. Shamshad Nabi	2
Mr. Fareed Khan	8	– resigned during the year	
Mr. S M Waleed Shafiqullah	5	Mr. S Naseem Ahmad	3
		– joined during the year	

Leave of absence was granted to directors who could not attend the Board meetings for unavoidable reasons. There was no trading by any director, chief executive and the chief financial officer & company secretary or their spouses and minor children.

Employees' Benefits' Funds

The value of investments of recognized employees' Provident Fund as at June 30, 2006 amounted to Rs. 12.556 million (audited) and recognized gratuity fund is Rs. 6.57 million (audited).

Pattern of Shareholding

Statement showing the pattern of shareholding as at June 30, 2006 is annexed to this report.

Auditors

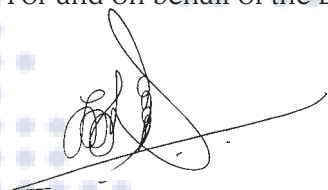
The present auditors Messrs. Anjum, Asim, Shahid, Rahman, Chartered Accountants, would retire at the forthcoming Annual General Meeting and offer themselves for reappointment at terms to be agreed by the members.

Acknowledgement

The Board expresses its gratitude to the investors, lenders and the regulatory authorities for their support to the Company and for their assistance in enabling it to meet the regulatory requirements.

The Board also places on record its deep appreciation of the efforts put in and dedication shown by all personnel of the Company which enabled it to conduct its operations efficiently and achieve steady growth during the year.

For and on behalf of the Board of Directors



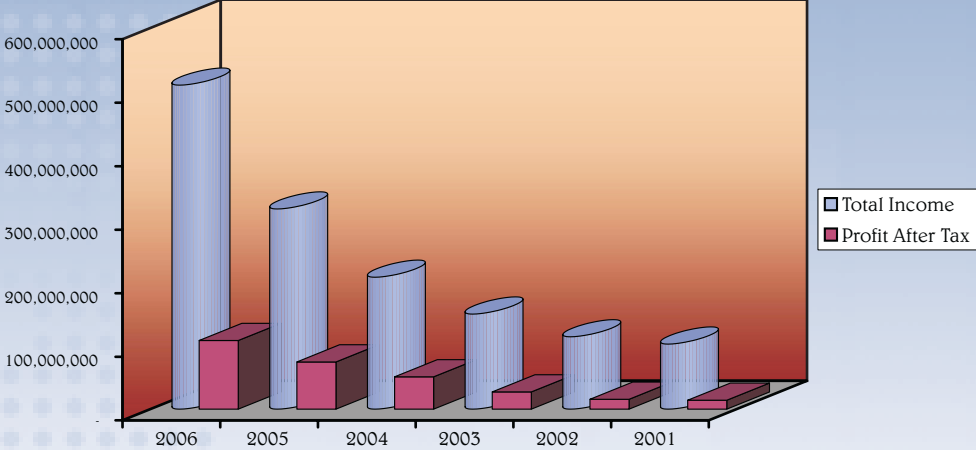
M R Khan
Chairman & Chief Executive
Karachi: September 22, 2006



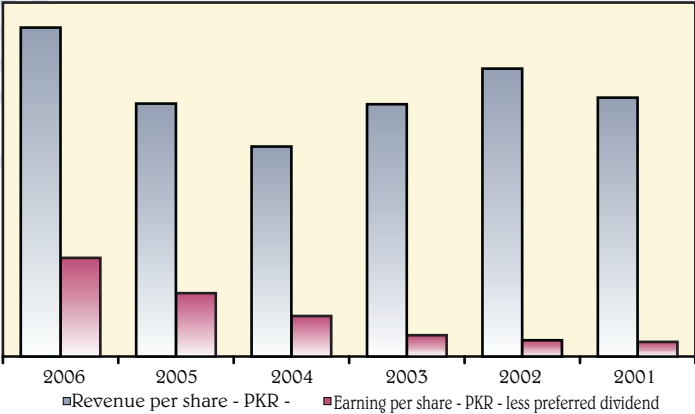
SIX YEARS FINANCIAL SUMMARY

	2006	2005	2004	2003	2002	2001
BALANCE SHEET						
Ordinary share capital outstanding	242,000,000	165,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Preference share capital outstanding	150,000,000	150,000,000	150,000,000	50,000,000	-	-
Shareholders' Fund	392,000,000	315,000,000	250,000,000	150,000,000	100,000,000	100,000,000
Reserves	87,440,111	85,769,055	52,999,398	65,961,541	49,761,092	35,535,416
Networth	390,539,157	346,670,431	302,999,398	215,961,541	149,761,092	135,535,416
Surplus on revaluation of Fixed Assets	15,205,369	16,005,652	-	-	-	-
Certificates of Investment	910,100,000	598,100,000	260,250,000	150,100,000	-	10,000,000
Borrowings from Financial & Other						
Institutions	2,517,885,000	2,090,252,585	1,327,639,000	788,048,183	274,226,511	246,635,998
Lease disbursements	1,992,451,503	1,428,543,000	920,600,000	652,900,000	398,500,000	323,800,000
Net Investment in Leases	3,325,550,857	2,260,342,368	1,542,285,831	1,067,502,053	804,731,683	619,765,823
Investments/Placements	1,000,824,135	1,062,236,676	675,969,090	338,547,545	85,597,397	72,334,802
Term Finances	57,475,203	20,631,239	-	-	-	-
Fixed Assets	221,793,727	173,176,115	69,241,284	36,031,977	12,049,014	6,657,498
Total Current Assets	2,278,292,285	1,734,380,551	1,017,830,983	750,177,476	407,717,241	298,785,139
Total Assets	4,770,552,656	3,647,522,682	2,295,609,017	1,469,879,046	913,262,629	714,117,349
Total Current Liabilities	2,256,198,460	1,707,806,892	751,044,779	452,923,777	383,768,701	248,175,014
Total Liabilities	4,364,808,130	3,284,846,599	1,957,279,147	1,253,917,505	763,501,537	578,581,933
Total Assets to Networth (times)	12.22	10.52	7.58	6.81	6.10	5.27
PROFIT & LOSS						
Total Income	510,016,030	315,103,378	207,608,446	149,673,175	113,864,781	102,397,025
Financial & Other Charges	327,728,487	165,366,702	86,166,557	75,573,345	70,069,403	59,599,312
Admin & Operating Expenses	65,895,053	60,318,842	40,683,284	29,510,033	22,798,154	21,630,812
Provisions & Other Charges	1,488,000	8,752,972	27,426,910	15,717,993	4,064,365	6,000,000
Total Expenses	395,111,540	234,438,516	154,276,751	120,801,369	96,931,922	87,230,124
Profit Before Tax	114,904,490	80,664,862	53,331,695	28,871,806	16,932,859	15,166,901
Profit After Tax	108,020,773	74,280,684	50,879,720	27,127,567	15,531,816	14,004,230
Break-up Value (PKR)	10.35	11.51	12.12	14.40	14.98	13.55
Price per share	15.40	17.50	15.25	8.25	5.55	4.90
KEY RATIOS						
Earning per share - PKR - less preferred dividend	3.90	2.51	1.60	0.84	0.64	0.58
Revenue per share - PKR -	13.01	10.00	8.30	9.98	11.39	10.24
Profit before provisions and tax ratio	22.82%	28.38%	38.90%	29.79%	18.44%	20.67%
Profit before Tax ratio	22.53%	25.60%	25.69%	19.29%	14.87%	14.81%
Price Earning ratio (times)	3.95	6.98	9.53	9.81	8.65	8.47
Return on Capital employed market value per share	17.89%	13.47%	13.35%	21.92%	27.99%	28.58%
Income/ Expense ratio (times)	1.29	1.34	1.35	1.24	1.17	1.17
Current ratio (times)	1.01	1.02	1.36	1.66	1.06	1.20
Debt equity ratio (times)	9.11	7.98	6.46	5.81	5.10	4.27
Return on average equity	29.31%	22.87%	19.61%	14.84%	10.89%	10.90%
Return on average assets	2.57%	2.50%	2.70%	2.28%	1.91%	2.22%
Total assets turnover ratio (times)	9.35	11.58	11.06	9.82	8.02	6.97
Dividend per ordinary share	4.33	5.50	2.00	1.00	-	-
Dividend yield ratio	28.12%	31.43%	13.11%	12.12%	-	-
PAYOUT						
Cash dividend	10%	10%	10%	-	-	-
Stock dividend	43.33%	45%	10%	-	-	-
Total payout	53.33%	55%	20%	10%	-	-

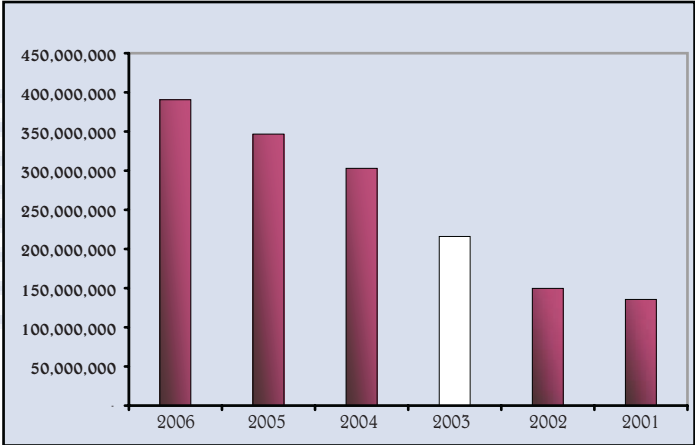
SUMMARY OF SIX YEARS



MAJOR RATIOS



NETWORTH

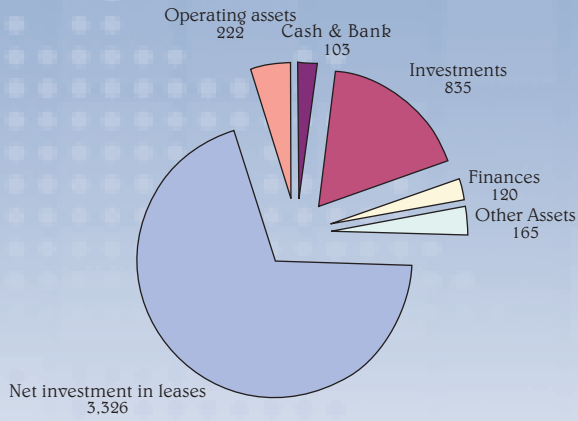




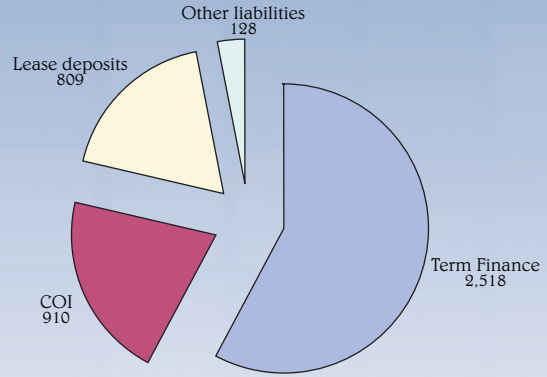
STATEMENT of VALUE Added

	2006	%	2005	%
Revenues from leasing operations	296,391,168		195,541,520	
Other income	213,624,862		112,012,295	
	<u>510,016,030</u>		<u>307,553,815</u>	
Financial charges	223,107,345		104,889,846	
Direct cost of leases and others	33,834,233		26,474,526	
	<u>256,941,578</u>		<u>131,364,372</u>	
Value added	<u>253,074,452</u>	<u>100</u>	<u>176,189,443</u>	<u>100</u>
Distributed as follows				
To Employees				
As remuneration	34,681,437	14	38,477,704	22
To Government				
As income tax	6,883,717	3	6,384,178	4
To Depositors				
As profit on investments	62,300,294	24	35,255,302	20
To Shareholders				
Dividends	90,650,000	36	68,650,000	39
Retained in business				
As reserves and retained profits	17,370,773	7	5,630,684	3
As depreciation	41,188,231	16	21,791,575	12
	<u>253,074,452</u>	<u>100</u>	<u>176,189,443</u>	<u>100</u>

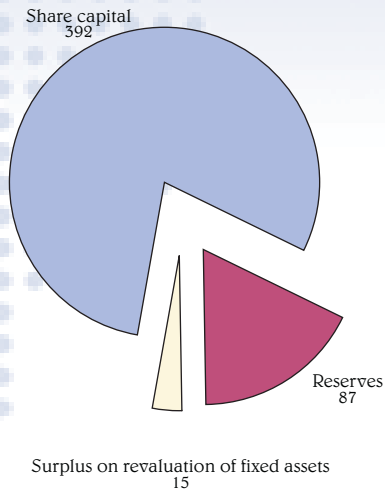
TOTAL ASSETS



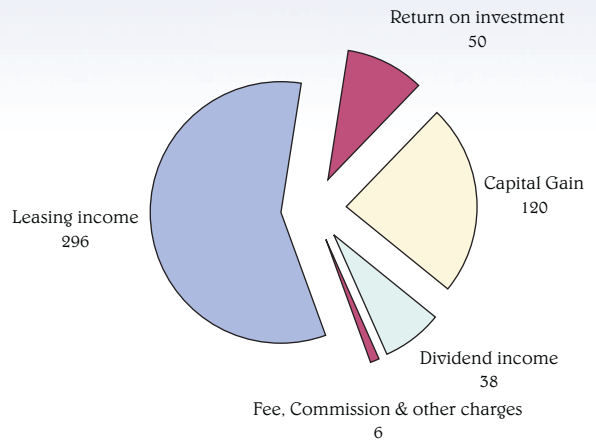
TOTAL LIABILITIES



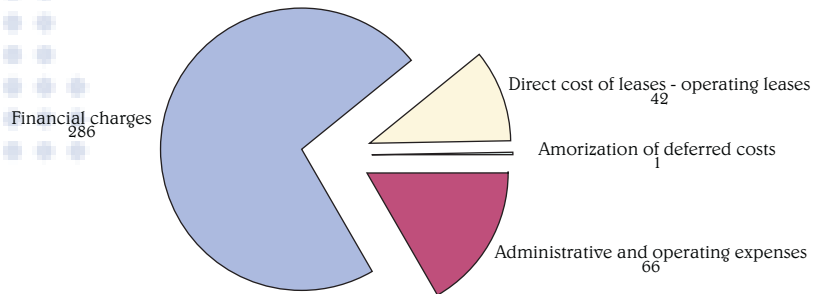
SHAREHOLDERS' EQUITY



INCOME DISTRIBUTION



EXPENSES DISTRIBUTION





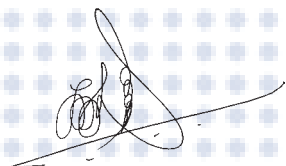
STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

Security Leasing Corporation Limited (SLC) 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 interest on its board. At present the Board includes five non-executive Directors and three Executive Directors i.e. Chairman & CEO, Vice Chairman & Deputy Chief Executive and Managing Director.
- 2) The resident 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 any NBFC.
- 4) During the year one casual vacancy was occurred in the Board due to the resignation of a director which was filled in prescribed time frame.
- 5) The company has adopted a 'Statement of Ethics and Business Practices', which has been signed by all Directors and employees of the company.
- 6) The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company.
- 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 the Chairman & Chief Executive, have been taken by the Board.
- 8) The Board held ten meetings during the year with at-least one in each quarter. The meetings of the Board were presided over by the elected Chairman. Written notices of the Board meetings along with the agenda were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and were timely circulated.
- 9) The Directors were regularly apprised regarding significant matters relating to Code of Corporate Governance through presentations in the board meetings. Both Locally and Internationally published material on Corporate Governance was twice circulated to Directors during the year. Three Directors of the company attended two seminars on Corporate Governance.
- 10) The Board has approved appointment of CFO & Company Secretary including the remuneration and terms and Conditions of employment, as recommended by the Chairman & Chief Executive.
- 11) The Directors' 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) All financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
- 13) The Directors, CEO and the executives do not hold any interest in the shares of the company other than disclosed in the pattern of shareholding.
- 14) The company has complied with all the corporate and financial reporting requirements of the Code.
- 15) The Board has formed an Audit Committee which comprises of three members who are non-executive Directors.
- 16) The meetings of the Audit committee were held at least once in every quarter prior to the approval of interim and final results of the company and as required by the Code. The terms of reference of the Committee have been framed and approved by the Board and has been advised to the committee for compliance.
The Audit committee members also met with External Auditors without CFO and Internal Auditors as required under the Code.
- 17) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of The Institute of Chartered Accountants of Pakistan, that they or any partners of the firm, their spouses and minor children do not hold the shares of the company and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- 18) The statutory auditors or the persons 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 regard.
- 19) We confirm that all other material principles contained in the Code have been complied with.



M R Khan
Chairman & Chief Executive
Karachi – September 22, 2006



PATTERN of SHAREHOLDERS

as on June 30, 2006

SHARE HOLDING		NUMBER OF SHAREHOLDERS	TOTAL SHARES HELD	PERCENTAGE OF ISSUED CAPITAL
FROM	TO			
1	100	15	363	0.00
101	500	53	13,625	0.06
501	1,000	29	20,238	0.08
1,001	5,000	130	274,050	1.13
5,001	10,000	14	95,493	0.39
10,001	15,000	8	96,862	0.40
15,001	20,000	4	69,288	0.29
20,001	25,000	5	116,332	0.48
25,001	30,000	1	30,000	0.12
35,001	40,000	1	37,049	0.15
40,001	45,000	1	41,140	0.17
60,001	65,000	1	61,000	0.25
70,001	75,000	1	70,032	0.29
80,001	85,000	1	83,600	0.35
85,001	90,000	1	86,500	0.36
145,001	150,000	1	146,666	0.61
170,001	175,000	1	170,500	0.70
200,001	205,000	1	202,216	0.84
220,001	225,000	1	221,100	0.91
300,001	305,000	1	303,710	1.26
600,001	605,000	1	605,000	2.50
660,001	665,000	1	664,290	2.75
840,001	845,000	1	842,160	3.48
9,660,001	9,665,000	1	9,663,786	39.93
10,280,001	10,285,000	1	10,285,000	42.50
		<u>275</u>	<u>24,200,000</u>	<u>100.00</u>

Categories of Shareholders

	Number	Shares Held	Percentage
Directors, CEO their spouse and minor children (Note 1)	9	10,757,686	44.45
Individuals	244	1,404,784	5.80
National Investment Trust	1	605,000	2.50
Investment companies	4	2,566	0.01
Modarabas	2	666,078	2.75
Insurance Companies	1	303,710	1.26
Joint Stock Companies	12	28,510	0.12
Others	1	146,666	0.61
Foreign Investors			
- Merrill, Lynch, Pierce, Fenner, Smith, Inc. USA	1	10,285,000	42.50
	<u>275</u>	<u>24,200,000</u>	<u>100.00</u>

Note 1 : Directors, CEO their Spouse and Minor Children

M. R. Khan - CEO	221,100	0.91
S.M. Nadim Shafiqullah	9,663,786	39.93
Mrs. Rehana Nadim Shafiqullah	842,160	3.48
Zahid Rashid Khwaja	12,100	0.05
M. Khalid Ali	14,520	0.06
S.S Hamid	1,210	0.01
Fareed Khan	1,210	0.01
Syed Naseem Ahmad	500	0.00
S.M. Waleed Shafiqullah	1,100	0.00
	<u>10,757,686</u>	<u>44.45</u>

Note 2 :

Chief financial officer (CFO) & Company Secretary does not hold any shares.

PATTERN OF SHAREHOLDING

of preference share capital As on June 30, 2006

SHARE HOLDING		NUMBER OF SHAREHOLDERS	TOTAL SHARES HELD	PERCENTAGE OF ISSUED CAPITAL
FROM	TO			
1	100	2	750	0.01
501	1,000	3	2,250	0.02
1,001	5,000	4	9,600	0.06
5,001	10,000	1	6,000	0.04
195,001	200,000	1	200,000	1.33
995,001	1,000,000	1	1,000,000	6.67
2,995,001	3,000,000	1	3,000,000	20.00
10,780,001	10,785,000	1	10,781,400	71.87
		14	15,000,000	100

Categories of Shareholders

	Number	Shares Held	Percentage
Individuals	9	17,100	0.11
Investment Corporation of Pakistan	1	1,500	0.01
Other Financial Institutions	1	1,000,000	6.67
Mutual Funds	1	3,000,000	20.00
Provident Funds	1	200,000	1.33
Private Limited Companies	1	10,781,400	71.88
	14	15,000,000	100

Note 2 :

None of the Directors, Chief Executive Officer, their spouse & minor children hold any reference shares.

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Security Leasing Corporation Limited (the company) to comply with the Listing Regulation No. 37 and Chapter XIII of the Karachi and Lahore Stock Exchanges respectively 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 enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the 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, 2006.


Chartered Accountants
AASR

Date: September 22, 2006
Karachi:

1st & 3rd Floor, Modern Motors House
Beaumont Road, Karachi - 75530
T : (92-21) 5672951-56
F : (92-21) 5688834
W: www.gti.org

Other offices: Islamabad, Lahore
Member of Grant Thornton International

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Security Leasing Corporation Limited (the company) as at June 30, 2006 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 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 objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2006 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 the 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.


Chartered Accountants
AASR

Date: September 22, 2006
Karachi:

1st & 3rd Floor, Modern Motors House
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BALANCE SHEET

As at June 30, 2006

	Note	2006 Rupees	2005 Rupees
ASSETS			
Current assets			
Balances with banks	4	103,459,982	23,028,435
Investments	5	548,820,072	687,916,073
Short term finances	6	62,072,114	61,056,858
Advances, deposits, prepayments and other receivables	7	161,426,156	126,110,706
Current portion of net investment in leases	8	1,402,513,961	856,268,479
		2,278,292,285	1,734,380,551
Non - current assets			
Net investment in leases	8	1,923,036,896	1,424,073,889
Deferred costs	9	3,061,878	4,549,878
Long term deposits	10	420,700	475,700
Long term finances	11	57,475,203	20,631,239
Long term investments	12	286,471,967	290,235,310
Operating assets	13	221,793,727	173,176,115
		2,492,260,371	1,913,142,131
Total Assets		4,770,552,656	3,647,522,682
LIABILITIES			
Current liabilities			
Accrued expenses and other liabilities	14	127,891,056	78,228,279
Short term finances	16	565,450,000	790,253,585
Current maturity of long term finances	17	319,999,000	107,500,000
Certificate of investments	18	910,100,000	598,100,000
Current maturity of obligation under finance lease	19	-	1,178,096
Current maturity of redeemable capital	20	229,968,000	40,064,000
Current maturity of long term deposits	21	102,790,404	92,482,932
		2,256,198,460	1,707,806,892
Non - current liabilities			
Long term finances	17	672,500,000	692,499,000
Redeemable capital	20	729,968,000	459,936,000
Long term deposits	21	706,141,670	424,604,707
		2,108,609,670	1,577,039,707
Total Liabilities		4,364,808,130	3,284,846,599
NET ASSETS		405,744,526	362,676,083
REPRESENTED BY			
Share capital	22	392,000,000	315,000,000
Reserves	23	87,440,111	85,769,055
		479,440,111	400,769,055
Unrealised loss on remeasurement of available for sale investments to fair value		(88,900,954)	(54,098,624)
		390,539,157	346,670,431
Surplus on revaluation of fixed assets	24	15,205,369	16,005,652
		405,744,526	362,676,083
CONTINGENCIES AND COMMITMENTS	25		

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


M. R. Khan
Chairman & Chief Executive

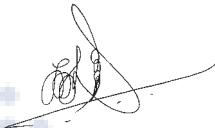

Mohammed Khalid Ali
Managing Director

Profit AND Loss ACCOUNT

For the year ended June 30, 2006

	Note	2006 Rupees	2005 Rupees
REVENUE			
Income from finance leases	26	235,206,257	162,231,748
Income from operating leases		61,184,911	40,859,335
Other income	27	213,624,862	112,012,295
		510,016,030	315,103,378
EXPENSES			
Administrative and operating expenses	28	65,895,053	60,318,842
Finance cost	29	285,407,639	140,145,148
Direct cost of operating leases	30	42,320,848	25,221,554
Provision for potential lease losses		-	7,500,000
Amortization of deferred costs		1,488,000	1,252,972
		395,111,540	234,438,516
Provision against receivables - others		-	13,357,320
Other receivables written off		-	(13,357,320)
		-	-
Operating profit for the year		114,904,490	80,664,862
Provision for taxation			
- Current	31	6,883,717	4,748,863
- Prior period		-	1,635,315
		6,883,717	6,384,178
Profit after taxation		108,020,773	74,280,684
Earnings per share - basic and diluted	32	3.90	2.51

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



M. R. Khan
Chairman & Chief Executive



Mohammed Khalid Ali
Managing Director



STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2006

	Share capital	Statutory reserve	Reserve for issue of bonus shares	Surplus/ (deficit) on investments	Unappropriated profit	Total
	----- Rupees -----					
Balance as at June 30, 2004	250,000,000	32,100,000	-	(36,924,341)	57,823,659	302,999,318
Effect of change in accounting policy						
Final dividend for the year ended June 30, 2004 declared subsequent to the year end	-	-	-	-	10,000,000	10,000,000
Effect of change in accounting policy-net						
Investment previously classified as available for sale reclassified as held to maturity	-	-	-	25,115,840	214,712	25,330,552
Balance as at June 30, 2004 - restated	250,000,000	32,100,000	-	(11,808,501)	68,038,371	338,329,870
Final dividend for the year ended June 30, 2004 declared subsequent to year-end	-	-	-	-	(10,000,000)	(10,000,000)
Reserve for issuance of bonus shares	-	-	65,000,000	-	(65,000,000)	-
Issuance of bonus shares	65,000,000	-	(65,000,000)	-	-	-
Profit for the year ended June 30, 2005	-	-	-	-	74,280,684	74,280,684
Transferred to statutory reserve	-	14,900,000	-	-	(14,900,000)	-
Dividend - Preference shares-Class A @ 9.1%	-	-	-	-	(13,650,000)	(13,650,000)
Surplus / (deficit) on investments	-	-	-	(42,290,123)	-	(42,290,123)
Balance as at June 30, 2005	315,000,000	47,000,000	-	(54,098,624)	38,769,055	346,670,431
Final dividend for the year ended June 30, 2005 declared subsequent to year-end	-	-	-	-	(16,500,000)	(16,500,000)
Reserve for issuance of bonus shares	-	-	77,000,000	-	(77,000,000)	-
Issuance of bonus shares	77,000,000	-	(77,000,000)	-	-	-
Profit for the year ended June 30, 2006	-	-	-	-	108,020,773	108,020,773
Transferred to statutory reserve	-	21,605,000	-	-	(21,605,000)	-
Dividend - Preference shares-Class A @ 9.1%	-	-	-	-	(13,650,000)	(13,650,000)
Surplus / (deficit) on investments	-	-	-	(34,802,330)	-	(34,802,330)
Transferred from surplus on revaluation of fixed assets incremental depreciation	-	-	-	-	800,283	800,283
Balance as at June 30, 2006	392,000,000	68,605,000	-	(88,900,954)	18,835,111	390,539,157

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

M. R. Khan
Chairman & Chief Executive


Mohammed Khalid Ali
Managing Director

CASH FLOW STATEMENT

For the year ended June 30, 2006

	2006 Rupees	2005 Rupees
Cash flows from operating activities		
Profit before taxation	114,904,490	80,664,862
Adjustments for:		
Depreciation	41,188,231	21,791,575
Gain on disposal of listed securities	(119,311,460)	(38,260,690)
Gain on disposal of other investments	(50,000)	(2,687,759)
Gain on disposal of fixed assets	(521,404)	(58,600)
Amortization of deferred costs	1,488,000	1,252,972
Finance cost on leased assets	29,793	185,780
Finance cost	285,377,846	139,959,368
Gratuity expense	1,668,000	1,435,000
Provision for potential lease losses	-	7,500,000
Operating profit before working capital changes	324,773,496	211,782,508
Changes in operating assets/liabilities:		
Advances, deposits, prepayments and other receivables	(35,368,202)	(70,326,306)
Deposits from lessees	291,844,435	193,417,754
Short term finances	(125,000,000)	337,360,000
Accrued expenses and other current liabilities	32,614,575	9,708,195
Finance cost paid	(264,704,649)	(118,590,932)
Gratuity paid	(5,561,600)	(2,160,000)
Income tax paid	(6,638,518)	(4,531,815)
Dividend paid	(30,103,635)	(20,207,450)
Net cash flow from operating activities	181,855,902	536,451,954
Cash flows from investing activities		
Net investment in leases	(1,065,208,489)	(780,786,910)
Capital expenditure	(92,751,466)	(111,037,190)
Obligation under finance leases	(1,178,096)	(1,830,550)
Net decrease/(increase) in investments	227,418,474	(365,944,455)
Long term finance	(36,843,964)	(20,631,239)
Proceeds from disposal of fixed asset	3,467,027	1,375,036
Short term finances	(1,015,256)	(8,855,443)
Long term deposits	55,000	72,900
Net cash used in investing activities	(966,056,770)	(1,287,637,851)
Cash flows from financing activities		
Borrowings from financial institutions	3,358,500,000	2,613,000,000
Repayment to financial institutions	(2,394,064,000)	(1,950,150,000)
Net cash flow from financing activities	964,436,000	662,850,000
Net increase in cash and cash equivalents	180,235,132	(88,335,897)
Cash and cash equivalents at beginning of the year	(76,775,150)	11,560,747
Cash and cash equivalents at end of the year (note 35)	103,459,982	(76,775,150)

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



M. R. Khan
Chairman & Chief Executive



Mohammed Khalid Ali
Managing Director



NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2006

1. LEGAL STATUS AND NATURE OF BUSINESS

The company was incorporated on December 6, 1993 and commenced its operations on May 21, 1995. The company is a Non-Banking Finance Company (NBFC) under NBFC Rules 2003 having leasing and housing finance licences, however, leasing is the core business of the company. The registered office of the company is situated at Karachi, Pakistan. The company is listed on Karachi and Lahore Stock Exchanges.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance), the Non Banking Finance Companies (NBFCs) Rules, 2003 (the Rules) and the Prudential Regulations for NBFCs (the Regulations), along with the requirements 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 Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Ordinance, the Rules, the Regulations or the requirements of the said directives take precedence.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of measurement

These financial statements have been prepared under the historical cost convention except for those as stated in notes 3.8.1 and 3.9.

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

3.2 Use of estimates

In presenting the balance sheet, management makes estimates regarding certain assets and liabilities and other matters that effect the reported amounts and disclosures in the balance sheet. Estimates, by their nature, are based on judgments and available information. Therefore, actual results could differ from estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.3 Revenue recognition

3.3.1 Finance lease and hire purchase

The company follows the financing method in accounting for recognition of lease income and hire purchase income. At the commencement of lease, a portion of the unearned lease income (i.e. the aggregate of lease contract receivables over cost of the leased asset), which approximates the provision for potential lease losses, is taken into income. The remainder of the unearned lease income is taken to income over the term of the lease contract so as to produce a systematic return on the net investment in leases.

Consequent to change in International Accounting Standard 17, "Leases" (IAS 17), effective from accounting period commencing on or after July 01, 2005, the accounting treatment for initial direct cost and hence the related income has changed from a upfront recognition to deferral over the lease term with effect from July 01, 2005. This change in accounting method has been adopted retrospectively in accordance with the transitional provision of IAS 17 and there is no impact on the financial statements of current and prior periods.

3.3.2 Return on investment securities

- Front end fee, profit on bank deposits and profit on term finance certificates are accrued when due.
- Dividend income is taken into account when right to receive the dividend is established.
- Return on government securities is accounted for using effective interest rate method.

3.3.3 Operating lease

Rental income from assets given on operating lease is recognized on an accrual basis over the term of the lease contract.

3.4 Deferred costs and amortization

Deferred costs carried as on July 05, 2004 are written off over a period not exceeding five years in accordance with the requirements of substituted Fourth Schedule. No further deferred cost is included in these accounts.

3.5 Credit and interest rates risk management

Credit risk arises from the failure of counter party to the financial instrument to meet their obligations when due. This risk is managed by incorporating procedures and guidelines relating to evaluation of credit worthiness of the lessees/borrowers, credit approvals, limits on credit exposures, collaterals and guarantee requirements and diversification of exposure over different sectors of the economy.

Interest rates risk relates to changes in interest rates whereby rates earned on interest bearing assets may become lower than the rates payable on interest bearing liabilities. This risk is managed by matching the long term assets with long term liabilities and ensuring that borrowing rates remain below earning rates.

3.6 Provision for potential lease losses

The provision for potential lease losses is maintained at a level which, in the judgment of the company, is sufficient to provide for any potential losses keeping in view the requirements of Prudential Regulations. Any change in the provision is set off against the income of the current period.

Developing the allowance for potential lease, installment and other loan losses is subject to numerous judgments and estimates. In evaluating the adequacy of allowance, management considers various factors, including the requirements of the prudential regulations, the nature and characteristics of the obligator, current economic conditions, credit concentrations or deterioration in pledged collateral, historical loss experience, delinquencies and present value of future cash flows expected to be received. Lease installment and other receivables are charged off, when in the opinion of management, the likelihood of any future collection is believed to be minimal.



3.7 Net investment in finance lease

Leases where the company transfers substantially all the risks and rewards incidental to ownership of an asset to the lessees are classified as finance lease. A receivable is recognized at an amount equal to the present value of the lease payments, including any guaranteed residual value.

3.8 Investments

All investments are initially recognized at cost including the acquisition charges associated with the investments. The investments are subsequently measured as follows:

3.8.1 Available for sale

Investments which are not classified as held for trading, loans and receivables originated by the company or held to maturity are classified as available for sale and are stated at fair values, with any resultant gain or loss being recognized directly in equity through statement of changes in equity on aggregate portfolio basis. Investments sold, collected, or otherwise disposed off, or determined to be impaired at which time the cumulative gain or loss recognized in equity, is transferred to profit and loss account. The fair value of those investments representing listed equity and other securities i.e. debt instruments are determined on the basis of year-end bid prices obtained from stock exchange quotations and quotes from brokers.

3.8.2 Held to maturity

Held to maturity investments are securities of fixed or determinable payments with fixed maturity periods where management has the positive intent and ability to hold these investments till maturity. These are subsequently re-measured at amortized cost less impairment losses other than temporary, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition.

3.9 Operating assets and depreciation

Operating lease and owned assets are stated at cost less accumulated depreciation and impairment, if any, except for office premises which are carried at revalued amount less accumulated depreciation. Depreciation is charged applying the straight line method at the rates specified in note 13. In respect of additions during the year, depreciation is charged from the month of acquisition. No depreciation is charged in the month of disposal.

Revaluation is carried out after every three years and any resultant gain is taken as surplus on revaluation of fixed assets which is adjusted against incremental depreciation charge against revalued assets each year.

Normal repairs and maintenance are charged to income as and when incurred. Major renewals and maintenance are capitalized as and when incurred. Gain or loss on disposal of fixed assets are included in income currently.

3.10 Compensated absences

The company accounts for accumulated absences of employees in the period in which these absences are earned.

3.11 Staff retirement benefits

The company operates :

- a) an approved contributory provident fund for all its permanent employees. Equal monthly contributions are made to the fund in accordance with the laid down policy of the company; and
- b) an approved funded gratuity scheme for all eligible employees. Employees eligible are those who have completed minimum qualifying period of service as per the laid down rules. Contributions are made monthly to this scheme on the basis of actuarial recommendations. Last actuarial valuation was carried out as at June 30, 2006 and contributions are being made at the rates recommended by the actuary. Actuarial gains / losses exceeding 10% of the higher of projected benefit obligation and fair value of plan assets are amortized over average future service of the employees. The significant actuarial assumptions are stated in note 15.

3.12 Foreign currency translations

Monetary assets and liabilities in foreign currencies are translated into rupees at the rate of exchange prevailing at the balance sheet date. Transactions in foreign currencies are converted into Pakistan rupees at the rates of exchange prevailing at the transaction date. Exchange gains or losses are taken to income currently.

3.13 Off-setting

A financial asset and a financial liability is off set and the net amount reported in the balance sheet if the company has a legal enforceable right to set-off the transactions and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.14 Taxation

Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits, rebates and exemptions available, if any, or one-half of one percent of turnover, whichever is higher and in accordance with the presumptive tax regime, where applicable, of the Income Tax Ordinance 2001.

Deferred

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and credits 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.



3.15 Related parties transactions

All transactions with related parties, if any, are recorded at an arm's length price.

3.16 Provisions

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

3.17 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 any such indication exists, the recoverable amount is estimated and impairment losses are recognized in the profit and loss account. Reversal of impairment loss if any is restricted to the original cost of assets.

3.18 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks on current accounts and are presented net of running finance.

3.19 Borrowing cost

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

	Note	2006 Rupees	2005 Rupees
4. BALANCES WITH BANKS			
Balance with the State Bank of Pakistan		69,853	133,728
Balances with other banks - current accounts		103,390,129	22,894,707
		<u>103,459,982</u>	<u>23,028,435</u>
5. INVESTMENTS - Available for sale			
LISTED SECURITIES			
Term finance certificates	5.1	93,156,718	126,284,378
Closed-end mutual funds	5.2	68,025,062	88,186,970
Equity investments	5.3	420,969,051	421,388,135
		582,150,831	635,859,483
OPEN END MUTUAL FUNDS	5.4	15,000,000	60,418,608
UNLISTED SECURITIES			
Term finance certificates	5.5	31,970,195	35,736,606
Preference shares	5.6	-	10,000,000
		31,970,195	45,736,606
MEMBERSHIP CARDS	5.7	8,600,000	-
Carrying value		637,721,026	742,014,697
Unrealized loss on revaluation	23	(88,900,954)	(54,098,624)
Fair market value		<u>548,820,072</u>	<u>687,916,073</u>

No. of shares / units June 30,		Profit rate %	Name of Company / Institution	Cost as at June 30,		Market value as at June 30,	
2006 Rupees	2005 Rupees			2006 Rupees	2005 Rupees	2006 Rupees	2005 Rupees

5.1 Term finance certificates

2,000	2,000	8.00	AI - Zamin Leasing Modaraba	10,000,000	10,000,000	9,962,000	9,863,000
5000	5,000	9.08	Chanda Oil & Gas Securitization	22,800,000	25,000,000	22,886,650	25,062,500
136	136	12.00	Crescent Leasing Corporation Limited - II	740,000	740,000	689,384	683,400
338	338	10.50	Crescent Standard Investment Bank Ltd	844,662	1,407,770	841,451	1,411,289
6,080	6,080	10.50	First Oil & Gas Securitization Company Limited	4,560,483	14,962,394	5,232,995	15,817,441
1,902	1,902	10.00	Ittehad Chemicals Limited	6,419,983	9,587,420	6,374,857	9,787,464
746	746	15.25	Maple Leaf Cement Factory Limited	1,073,145	2,315,981	1,263,097	2,629,840
4,565	4,565	11.18	Naimat Basal Oil & Gas Securitization	18,860,386	22,596,750	19,001,858	22,664,540
-	18	16.25	Network Leasing Corporation Limited	-	22,473	-	23,120
-	600	13.00	Nishat Mills Limited	-	971,310	-	760,641
4,000	4,000	9.75	Pakistan Services Limited	14,277,142	19,988,000	14,384,200	20,213,864
-	1,869	12.00	Securetel SPV Limited	-	2,430,880	-	2,380,172
2,895	2,895	9.50	Trust Leasing Limited	11,886,446	13,710,297	11,791,103	13,909,570
600	600	12.25	World Call Communications Limited	1,694,471	2,551,103	1,297,788	2,200,461
				<u>93,156,718</u>	<u>126,284,378</u>	<u>93,725,383</u>	<u>127,407,302</u>

5.2 Closed end mutual funds

1,001,197	3,889,697		ABAMCO Composite Fund	9,927,288	38,896,970	8,510,175	26,838,909
25	359,000		Atlas Fund of Funds	182	3,590,000	244	3,554,100
1,403,281	-		Dawood Mutual Fund	14,935,804	-	13,050,513	-
1,816,000	1,895,000		Meezan Balance Fund	18,160,000	18,950,000	18,250,800	15,539,000
2,462,000	2,675,000		Pakistan Strategic Allocation Fund	24,620,000	26,750,000	26,220,300	25,813,750
10,000	-		PICIC Growth Fund	381,788	-	316,000	-
				<u>68,025,062</u>	<u>88,186,970</u>	<u>66,348,032</u>	<u>71,745,759</u>



No. of shares / units June 30,		Note	Name of Company / Institution	Cost as at June 30,		Market value as at June 30,	
2006	2005			2006 Rupees	2005 Rupees	2006 Rupees	2005 Rupees

5.3 Equity investments

1,425,500	-		Bank Islami Pakistan Limited	22,832,134	-	17,818,750	-
35,000	25,000		Callmate Telips Telecom Ltd	1,977,979	977,161	1,942,500	975,000
762,000	1,000,000		Dewan Hattar Cement Ltd	13,114,840	12,886,367	8,763,000	9,250,000
600,000	225,000		Dewan Salman Fibre Ltd	12,928,801	5,719,834	6,720,000	3,791,250
15,000	160,000		Engro Chemicals Pakistan Limited	3,035,563	21,447,301	2,541,000	18,440,000
1,000,000	-		Fauji Cement Company Limited	26,752,996	-	19,200,000	-
335,000	-		Fauji Fertilizer Bin Qasim Limited	12,819,301	-	9,798,750	-
340,080	201,250		Fauji Fertilizer Company Ltd	38,805,697	27,667,228	41,149,680	24,421,687
-	1,000,000		First Habib Modaraba	-	9,375,559	-	8,000,000
350,000	2,406,000		First National Equities Ltd	4,250,671	29,218,811	14,875,000	43,428,300
21,000	-		ICI Pakistan Limited	2,673,967	-	2,291,100	-
-	747,000		International Housing Finance Ltd	-	9,337,500	-	6,723,000
1,175,000	-		Karachi Electric Supply Company Limited	13,773,942	-	9,047,500	-
444,500	550,000		Kot Addu Power Company Ltd	20,001,345	25,454,212	18,713,450	20,762,500
150,000	250,000		Lucky Cement Ltd	18,331,530	12,523,946	15,532,500	11,375,000
320,000	-		Maple Leaf Cement Limited	12,245,597	-	8,192,000	-
222,400	-		Nishat Chunian Limited	15,367,199	-	9,896,800	-
70,000	250,000		Oil & Gas Development Company Ltd	9,922,413	31,275,628	9,572,500	26,325,000
12,700	-		Pak Suzuki Motor Company Limited	3,832,223	-	3,975,100	-
35,000	1,000,000		Pakistan Cement Limited (Formerly: Chakwal Cement Company Ltd)	556,205	8,892,682	172,500	7,450,000
-	375,000		Pakistan International Airlines Corporation Ltd	-	4,632,062	-	3,206,250
75,000	130,000		Pakistan Oil Fields Ltd	31,256,571	38,534,748	25,110,000	36,582,000
60,000	-		Pakistan Petroleum Limited	13,217,009	-	12,711,000	-
70,000	70,000		Pakistan State Oil Company Ltd	30,684,416	30,684,416	21,630,000	27,020,000
544,400	305,000		Pakistan Telecommunication Company Ltd	35,031,672	22,719,068	22,102,640	20,114,750
-	25,000		Shell Pakistan Ltd	-	13,709,701	-	13,847,500
-	400,000		Sui Northern Gas Pipeline Ltd	-	28,979,051	-	24,520,003
-	925,000		Telecard Ltd	-	13,422,991	-	11,238,750
2,150,000	2,150,000		The Hub Power Company Limited	73,929,869	73,929,869	49,450,000	56,760,000
343,802	-		Zephyr Textiles Limited	3,627,111	-	2,406,614	-
				420,969,051	421,388,135	333,612,384	374,230,990

5.4 OPEN END MUTUAL FUNDS

84,968	-		Alfalsh GHP Fund	5,000,000	-	4,702,117	-
-	41,424		Atlas Income Fund	-	20,712,500	-	22,614,190
-	100,755		Faysal Bank Growth Fund	-	10,075,508	-	11,375,250
-	227,288		Meezan Islamic Fund	-	9,996,000	-	17,287,496
200,334	-		Pakistan International Element Islamic Fund	10,000,000	-	9,561,960	-
-	392,000		Pakistan Sovereign Fund	-	19,634,600	-	17,518,480
				15,000,000	60,418,608	14,264,077	68,795,416

UNLISTED SECURITIES

5.5 Term finance certificates

1	1	5.5.1	Dewan Cement Limited (Formerly: Pakland Cement Ltd)	27,595,195	30,736,606	27,595,195	30,736,606
1000	1000	5.5.2	Dewan Farooq Spinning Mills Ltd	4,375,000	5,000,000	4,375,000	5,000,000
				31,970,195	35,736,606	31,970,195	35,736,606

5.6 Preference Shares

-	1,000,000	5.6.1	Jamshoro Joint Venture Limited	-	10,000,000	-	10,000,000
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- 5.5.1 The above TFCs have been issued against the amount due from Pakland Cement Limited (PCL). As per scheme of arrangement arrived at by the creditors with PCL and approved by the Honourable High Court, Sindh, Karachi, the outstanding exposure has been converted into TFCs. These are secured by a pari-passu charge / mortgage over the assets and securities of PCL created in favour of the Trustees appointed on behalf of the TFC holders / creditors. The management of the above company has been taken over by Dewan Mushtaq Group and as per the revised terms the TFCs Series 'A' will be repaid in seven years in semi-annual installments commencing from July 15, 2004 to July 15, 2011. The mark-up / return will be paid at six months ASK KIBOR plus 2.5 percent per annum.
- 5.5.2 These represent privately placed Term Finance Certificates (PPTFC's) issued for a term of five years. The principal repayment will be made in 8 equal half - yearly installments with a grace period of eighteen months. Mark-up will be paid on half yearly basis at 6 months KIBOR plus 3.75%. These PPTFC's are secured by way of hypothecation over the present and future fixed assets of the issuer created in favour of the Trustees appointed on behalf of the TFC holders.
- 5.6.1 These represented unlisted privately placed redeemable cumulative preference shares of Rs.10 each issued on August 20, 2004. The company has been granted specific approval by the Securities and Exchange Commission of Pakistan vide their letter No. SC/NBFC(1)-R/JJVL/2004/281 dated May 06, 2004 for investment in these shares. These preference shares carry preferred right to dividend @ 15% on par value. In case the company is unable to payout dividends in any year, the said dividends would be accumulated with a minimum rate of 17.5% for the preference shareholders. The redemption would be made upon completion of 5 years from date of issue at par along with cumulative dividend payable if any. These preference shares have been sold during the year.
- 5.7 This represents Defence Authority Country & Golf Club memberships purchased by the company during the year. These investments are carried at cost which is the consideration paid by the company for the acquisition of these memberships. In absence of an established market value of these memberships, such have not been converted at fair value model which is likely to be higher than its cost.

	Note	2006 Rupees	2005 Rupees
6. SHORT TERM FINANCES			
Financing under Musharika arrangements-secured		-	17,741,862
Short term placements-unsecured	6.1	25,000,000	21,000,000
Morabaha finance-secured	6.2	10,804,018	21,235,915
Current maturity of house loan	11.1	171,170	79,081
Current maturity of long term finance	11.2	5,000,000	1,000,000
Current maturity of long term			
Musharika arrangements-secured	11.3	21,096,926	-
		<u>62,072,114</u>	<u>61,056,858</u>

- 6.1 This represents finance provided under mark-up at the rate of 13 % (2005: 15 %) per annum. This finance is repayable on July 29, 2006.
- 6.2 This represents finance provided under morabaha facility to various customers. The rates of return on these facilities range from 11.59% to 17% (2005: 9.8% to 10.06%) per annum linked with six months KIBOR ASK side applicable at the date of disbursement of facility. This finance is repayable between July 15, 2006 and March 21, 2007.



	Note	2006 Rupees	2005 Rupees
7. ADVANCES, DEPOSITS PREPAYMENTS AND OTHER RECEIVABLES - Considered good			
Advances to:			
executives	7.1	970,812	61,000
other employees		<u>396,038</u>	<u>128,272</u>
		1,366,850	189,272
Advance against leases	7.2	81,843,204	20,902,675
Advance for purchase of shares-unsecured		25,000,000	18,686,890
Advance for purchase of office		-	37,715,233
Advance to suppliers		3,347,480	620,500
Advance to financial institution	7.3	25,500,000	22,750,000
Current portion of long term deposits	10	-	477,841
Prepayments		4,432,347	3,496,904
Accrued return on investments		8,829,015	7,352,673
Operating lease rentals receivable		3,846,328	1,938,659
Other receivables	7.4	<u>7,260,932</u>	<u>11,980,059</u>
		161,426,156	126,110,706

7.1 Maximum aggregate amount due from the executives at the end of any month during the year was Rs. 1,137,896 (2005: Rs. 706,445).

7.2 This represents advances given to suppliers on behalf of lessees in respect of assets to be leased. Lessees are being charged with rate of mark-up ranging from 13 % to 20 % per annum against such advances.

7.3 This represent amount paid to a financial institution for underwriting 22 (2005: 25) memberships of DA Country & Golf Club. These memberships have been subsequently sold.

7.4 This includes receivable from an associated company Rs. 126,550 (2005: Rs. 111, 550).

	2006 Rupees	2005 Rupees
8. NET INVESTMENT IN LEASES		
Minimum lease rentals receivable	2,978,035,068	2,009,723,219
Residual value	816,190,389	529,186,678
Lease contracts receivable	3,794,225,457	2,538,909,897
Less: Unearned income	419,174,600	229,067,529
Net investment in leases	3,375,050,857	2,309,842,368
Less: Provision for potential lease losses	49,500,000	49,500,000
	3,325,550,857	2,260,342,368

The above investment is due as follows:

	2006			2005		
	Lease contracts receivable	Unearned finance income	Net investment in leases	Lease contracts receivable	Unearned finance income	Net investment in leases
	-----Rupees-----					
Less than one year	1,683,675,119	281,161,158	1,402,513,961	998,237,012	161,968,533	836,268,479
More than one year and less than five years	2,110,550,338	138,013,442	1,972,536,896	1,468,973,580	65,351,764	1,403,621,816
More than five years	-	-	-	71,699,305	1,747,232	69,952,073
Total	3,794,225,457	419,174,600	3,375,050,857	2,538,909,897	229,067,529	2,309,842,368

8.1 Long term net investment in leases is stated net of provision for potential lease losses.

8.2 These investment carry mark-up rates ranging from 8.5 % to 26 % (2005: 7 % to 26 %) per annum.

9.	DEFERRED COSTS	Note	2006 Rupees	2005 Rupees
	Term finance certificates - privately placed	9.1	1,031,100	1,595,100
	Preference shares - Class A	9.2	1,305,778	1,929,778
	Loan arrangement expenses	9.3	725,000	1,025,000
			<u>3,061,878</u>	<u>4,549,878</u>
9.1	Term finance certificates - privately placed			
	Trustee fee		150,000	150,000
	Arrangement fee		1,500,000	1,500,000
	Legal & professional charges		150,000	150,000
	Stamp duty		450,000	450,000
			<u>2,250,000</u>	<u>2,250,000</u>
	Less: Amortization to-date		<u>1,218,900</u>	<u>654,900</u>
			<u>1,031,100</u>	<u>1,595,100</u>
9.2	Preference shares - Class A			
	Capital enhancement fee		375,200	375,200
	Advisory fee		750,000	750,000
	Underwriting commission		1,500,000	1,500,000
	Legal fee		40,000	40,000
	Shares issuance expenses		181,742	181,742
	Listing fee		255,536	255,536
			<u>3,102,478</u>	<u>3,102,478</u>
	Less: Amortization to-date		<u>1,796,700</u>	<u>1,172,700</u>
			<u>1,305,778</u>	<u>1,929,778</u>
9.3	Loan arrangement expenses			
	Arrangement fee		1,500,000	1,500,000
	Less: Amortization to-date		775,000	475,000
			<u>725,000</u>	<u>1,025,000</u>
10.	LONG TERM DEPOSITS			
	Deposits - against leases		-	477,841
	Deposits - others		420,700	475,700
			<u>420,700</u>	<u>953,541</u>
	Less than one year		-	477,841
	More than one year		420,700	475,700
			<u>420,700</u>	<u>953,541</u>



	Note	2006 Rupees	2005 Rupees
11. LONG TERM FINANCE - secured			
House loan to staff	11.1	2,915,255	1,710,320
Less: current maturity		171,170	79,081
		<u>2,744,085</u>	<u>1,631,239</u>
Term finances - secured	11.2	10,000,000	20,000,000
Less: current maturity		5,000,000	1,000,000
		<u>5,000,000</u>	<u>19,000,000</u>
Musharika finances - secured	11.3	70,828,044	-
Less: current maturity		21,096,926	-
		<u>49,731,118</u>	<u>-</u>
		<u>57,475,203</u>	<u>20,631,239</u>

11.1 This represents house loans given to employees for purchase, construction and renovation purposes. The loans are repayable in 20 years and carries a variable mark-up rate based on average cost of funds of the company. The loan is secured by way of equitable mortgage and title documents are kept by the company.

11.2 This represents term finance facility provided to customer on mark-up basis, in the normal course of business. The mark-up on this finance is linked with 6 months KIBOR plus 5.85%. The repayment of this facility will be made in quarterly installments with a grace period of 3 months, during which only mark-up will be received. The balance of principal amount is receivable by February 27, 2008. These finances are secured by way of pari-passu charge over the fixed assets.

11.3 This represents financing under Musharika facility to various customers. The rate of return on these facilities range from 13.45 % to 17.42%. The repayment of these facilities is due between July 13, 2006 and June 28, 2007. These are secured by way of equitable mortgage on properties, pledge of shares and charge over certain fixed assets.

	No. of Units 2006	No. of Units 2005	2006 Rupees	2005 Rupees
12. LONG TERM INVESTMENTS-held to maturity				
Pakistan Investment Bonds (PIB's)	5	5	<u>286,471,967</u>	<u>290,235,310</u>

These will mature in the years 2012 and 2013. PIB's amounting to Rs 250 million are given as collateral by the company to different commercial banks against short term finance facilities (note 16.4 refers). The coupon payment is receivable semi-annually at the rates ranging from 8% to 11% (2005: 8% to 11%) per annum.

13. OPERATING ASSETS

Description	Cost / Revalued amounts			Depreciation			Written down value as at June 30, 2006	Depreciation rate %
	As at July 1, 2005	Additions (deletions) during the year	As at June 30, 2006	As at July 1, 2005	Charge for the year/ (transfers/disposal)	As at June 30, 2006		
OWNED								
Office premises - Leasehold	28,132,212	66,133,311	94,265,523	4,406,712	4,713,006	9,119,718	85,145,805	5
Leasehold improvements	2,936,217	846,325	3,782,542	2,186,229	240,615	2,426,844	1,355,698	15
Furniture and fixtures	5,024,559	1,031,918 (572,967)	5,483,510	2,780,832	937,615 (412,012)	3,306,435	2,177,075	20
Office equipment	1,719,375	481,317 (15,000)	2,185,692	1,218,925	492,692 (1,800)	1,709,817	475,875	36
Computer equipment	2,874,640	1,193,550	4,068,190	2,376,693	590,066	2,966,759	1,101,431	36
Generator and air conditioners	1,533,683	179,070 (52,356)	1,660,397	1,159,471	136,664 (52,356)	1,243,779	416,618	20
Vehicles	14,595,125	8,144,175 (4,779,910)	17,959,390	5,380,153	4,102,865 (3,332,298)	6,150,720	11,808,670	24-30
	56,815,811	78,009,666 (5,420,233)	129,405,244	19,509,015	11,213,523 (3,798,466)	26,924,072	102,481,172	
LEASED ASSETS								
Vehicles	4,450,397	- (3,846,397)	604,000	3,622,856	613,288 (3,692,541)	543,603	60,397	24
OPERATING LEASED ASSETS								
Generators	51,634,000	6,351,800	57,985,800	6,865,848	8,915,640	15,781,488	42,204,312	15-25
Machinery	5,400,000	-	5,400,000	749,998	1,174,992	1,924,990	3,475,010	15-25
Commercial vehicles	32,650,178	1,090,000 (1,200,000)	32,540,178	1,950,077	5,612,882 (30,000)	7,532,959	25,007,219	15-20
Motor vehicles	24,945,426	-	24,945,426	4,348,858	4,397,052	8,745,910	16,199,516	15-20
Furniture & fixtures	16,110,000	-	16,110,000	2,592,333	3,222,000	5,814,333	10,295,667	20
Equipment	23,691,549	7,300,000	30,991,549	2,882,261	6,038,854	8,921,115	22,070,434	20-30
	154,431,153	14,741,800 (1,200,000)	167,972,953	19,389,375	29,361,420 (30,000)	48,720,795	119,252,158	
June 30, 2006	215,697,361	92,751,466 (10,466,630)	297,982,197	42,521,246	41,188,231 (7,521,007)	76,188,470	221,793,727	
June 30, 2005	92,420,608	111,037,190 (3,766,089)	215,697,361	23,179,324	21,791,575 (2,449,653)	42,521,246	173,176,115	

13.1 Office premises have been revalued on June 30, 2005 by an independent valuer, Messers Joseph Lobo (Pvt.) Limited. The revaluation resulted in surplus of Rs. 16,005,652. During the year, the incremental depreciation of Rs. 800,283 on revalued premises has been charged against the surplus account.

13.2 During the year, the company has reviewed useful life of its assets and as a result depreciation rates has been revised for operating leased assets. The change in accounting estimate has been accounted for prospectively in accordance with the treatment specified in International Accounting Standard 8, "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no change, depreciation charge for the year would have been lower by Rs. 5,261,603 and net book value of the building would have been higher by Rs. 5,261,603. In subsequent years depreciation charge would be increased and book value would be decreased by respective percentages of written down value for each year till the asset is completely depreciated.



The revised depreciation rates are summarized as follows:

	<u>2006</u>	<u>2005</u>
	%	%
Generator	15-25	10
Machinery	15-25	10
Commercial vehicle	15-20	10
Motor vehicle	15-20	24
Equipment	20-30	20

13.3 The depreciation charge for the year has been allocated as follows:

	<u>2006</u>	<u>2005</u>
	Rupees	Rupees
Administrative and operating expenses	11,826,811	6,456,980
Cost of operating leased assets	29,361,420	15,334,598
	<u>41,188,231</u>	<u>21,791,578</u>

13.4 Disposal of Assets

Description	Cost	Book Value	Sale proceeds	Gain / (Loss) on Disposal	Mode of Disposal	Buyer
-----Rupees-----						
Furniture	209,375	-	-	-	Terms of employment	M.Khalid Ali - Managing Director
Furniture	175,000	32,084	32,084	-	Terms of employment	S.Tariq Hassan-employee
Furniture	188,592	128,871	128,871	-	Terms of employment	Wasif Mustafa Khan-employee
Mobile	15,000	13,200	13,200	-	Negotiation	S.Tariq Hassan-employee
Air conditioner	52,356	-	3,000	3,000	Negotiation	Shakil Aziz-employee
Vehicle	79,500	3,180	38,000	34,820	Negotiation	Tanvir Ahmed Pirzada-employee
Vehicle	975,000	39,000	97,500	58,500	Terms of employment	S.Tariq Hassan-employee
Vehicle	1,285,000	51,400	128,500	77,100	Terms of employment	M.R khan
Vehicle	43,500	22,000	22,000	-	Negotiation	Batla Autos
Vehicle	399,000	159,600	159,600	-	Terms of employment	Tauheed Rehama Syed-employee
Vehicle	36,000	14,400	14,400	-	Terms of employment	Tauheed Rehama Syed-employee
Vehicle	1,247,500	717,312	717,312	-	Terms of employment	Wasif Mustafa Khan-employee
Vehicle	41,825	24,049	24,049	-	Terms of employment	Wasif Mustafa Khan-employee
Vehicle	30,785	18,471	18,471	-	Terms of employment	Wasif Mustafa Khan-employee
Vehicle	609,000	365,400	365,400	-	Terms of employment	Wasif Mustafa Khan-employee
Vehicle	32,800	32,800	120,000	87,200	Negotiation	M.Haroon Ghaziani-employee
Vehicle	1,746,397	69,856	174,640	104,784	Terms of employment	M.Khalid Ali-Managing Director
Vehicle	2,100,000	84,000	210,000	126,000	Terms of employment	M.Khalid Ali-Managing Director
Vehicle	1,200,000	1,170,000	1,200,000	30,000	Insurance claim	EFU General Insurance
Total	<u>10,466,630</u>	<u>2,945,623</u>	<u>3,467,027</u>	<u>521,404</u>		

	Note	2006 Rupees	2005 Rupees
14. ACCRUED EXPENSES AND OTHER LIABILITIES			
Accrued liabilities		650,024	389,106
Accrued mark-up on secured loans		37,412,996	18,953,413
Accrued mark-up on unsecured loans		13,711,703	11,468,296
Accrued employees benefits		479,209	479,209
Advance against leases		55,668,226	19,322,053
Unclaimed dividend		662,377	616,012
Payable to gratuity fund	15	417,000	4,310,600
Provision for taxation		871,225	678,778
Other liabilities		4,368,296	8,360,812
Dividend accrued on preference shares		13,650,000	13,650,000
		<u>127,891,056</u>	<u>78,228,279</u>

15. STAFF RETIREMENT BENEFITS - Gratuity

The gratuity scheme benefit is payable on the basis of last drawn salary for each year of eligible service or part thereof in accordance with the rules of the gratuity scheme.

The obligations under the scheme were determined through an actuarial valuation carried on June 30, 2006 using Projected Unit Credit method. The significant assumptions of the valuations were:

- Discount rate 10 % (2005: 10 %) per annum.
- Expected rate of increase in salaries 10 % (2005: 10 %) per annum.
- Expected rate of return on investment 10 % (2005: 7 %) per annum.

The amounts recognized in balance sheet are as follows:

	2006 Rupees	2005 Rupees
Present value of defined benefit obligations	7,329,000	7,589,600
Fair value of plan assets	(6,155,000)	(2,100,000)
	1,174,000	5,489,600
Unrecognized actuarial losses	(438,000)	(754,000)
Transitional liability not yet recognized	(319,000)	(425,000)
	<u>417,000</u>	<u>4,310,600</u>

Movement in liability is as follows:

Opening	4,310,600	5,035,600
Expense recognized	1,668,000	1,435,000
Contributions made	(5,561,600)	(2,160,000)
Closing net liability	<u>417,000</u>	<u>4,310,600</u>

The following amounts have been charged in the profit and loss account in respect of these benefits:

	2006 Rupees	2005 Rupees
Current service cost	950,000	828,000
Interest cost	759,000	501,000
Expected return on assets	(147,000)	-
Recognized transitional liability	106,000	106,000
	<u>1,668,000</u>	<u>1,435,000</u>
Actual return on plan assets (11.95 %)	<u>358,403</u>	<u>-</u>



16. SHORT TERM FINANCES

		2006 Rupees	2005 Rupees
Musharika arrangement	16.1	450,000	450,000
Running finance - secured	16.2	-	99,803,585
Short term facilities - unsecured	16.3	315,000,000	440,000,000
Facility against repurchase agreement - secured	16.4	250,000,000	250,000,000
		565,000,000	789,803,585
		565,450,000	790,253,585

16.1 This represents financing arrangements and carry mark up-rate of 4.75% per annum. The facility is repayable on demand.

16.2 This represents running finance utilized against aggregate facility of Rupees 245 million from banks. The mark-up rate on these facilities range from average of six months KIBOR plus 2.25 % to 3.5 % and are secured by first charge on certain specific assets leased out and related lease rentals receivable and is payable between October 31, 2006 to May 30, 2007 which is further extendable with mutual agreement.

16.3 This represents finances obtained under mark-up arrangements and carry mark-up rate ranging from 8.85 % to 9.25 % (2005: 10.08%) per annum. These finances are repayable between July 17, 2006 and July 28, 2006.

16.4 This represents borrowing from commercial banks and other financial institutions under repo-arrangements against Pakistan Investment Bonds of Rs. 250 million. These facilities carry mark-up ranging from 9 % to 10.75% (2005: 8.56%) per annum. These are repayable between July 12, 2006 and July 26, 2006.

17. LONG TERM FINANCES

LONG TERM LOANS-secured Term Finance	Repayment commen- cement date	Mode of repayment	2006 Rupees	2005 Rupees
National Bank of Pakistan	24-Sep-03	16 quarterly installments	24,999,000	49,999,000
National Bank of Pakistan	2-Dec-06	5 half yearly installments	300,000,000	300,000,000
MCB Bank Ltd	18-Dec-05	4 half yearly installments	50,000,000	100,000,000
MCB Bank Ltd	18-Feb-06	4 half yearly installments	37,500,000	50,000,000
The Bank of Punjab	7-Jul-05	20 quarterly installments	80,000,000	100,000,000
The Bank of Punjab	26-Jun-06	20 quarterly installments	100,000,000	-
Allied Bank Limited	29-Dec-07	8 half yearly installments	200,000,000	-
			792,499,000	599,999,000
Morabaha Finance				
Faysal Bank Ltd	15-Oct-06	6 half yearly installments	75,000,000	75,000,000
Faysal Bank Ltd	13-Nov-06	6 half yearly installments	75,000,000	75,000,000
Meezan Bank Ltd	6-Sep-06	Lump sum on maturity	50,000,000	50,000,000
			200,000,000	200,000,000
			992,499,000	799,999,000
Payable within one year			319,999,000	107,500,000
Payable between one to five years			672,500,000	692,499,000
			992,499,000	799,999,000

The above facilities are secured by first charge on certain specific assets leased out and related lease rentals receivable. Mark-up rates on these facilities range from 8.25 % to 12 % per annum (2005: 8.25% to 11.33%).

	Note	2006 Rupees	2005 Rupees
18. CERTIFICATE OF INVESTMENTS			
Payable within one year:	18.1		
- from commercial banks		695,000,000	475,000,000
- from other financial institutions		175,000,000	75,000,000
- others		40,100,000	48,100,000
		<u>910,100,000</u>	<u>598,100,000</u>

18.1 These represent deposits on profit and loss sharing basis under the scheme of certificates of investment introduced with the permission of the Securities and Exchange Commission of Pakistan. These are repayable between July 13, 2006 and September 18, 2006. These arrangements carry mark-up between 9 % to 10.9 % per annum.

19. OBLIGATION UNDER FINANCE LEASES		2006 Rupees	2005 Rupees
Lease rentals payable under various lease agreements for vehicles are as detailed below:			
Minimum lease payments			
- within one year		-	1,207,889
Financial charges allocated to future period			
- within one year		-	(29,793)
Present value of minimum lease payments			
- within one year		<u>-</u>	<u>1,178,096</u>

The company accounts for fixed assets acquired under finance leases by recording the assets and the related liability. These amounts are determined at the inception of lease, on the basis of the lower of the fair value and the present value of minimum lease payments. Financial charges are allocated to the accounting period in a manner so as to provide a constant rate of charge on the outstanding liability. Depreciation is charged to income applying the same basis as for owned assets. All leases have been matured during the year.

20. REDEEMABLE CAPITAL	Note	2006 Rupees	2005 Rupees
Privately placed Term Finance Certificates	20.1	300,000,000	300,000,000
Privately placed Term Finance Certificates (2nd Issue)	20.2	159,936,000	200,000,000
Privately placed Term Finance Certificates (3rd Issue)	20.3	500,000,000	-
		<u>959,936,000</u>	<u>500,000,000</u>
Payable within one year		229,968,000	40,064,000
Payable between one to five years		729,968,000	459,936,000
		<u>959,936,000</u>	<u>500,000,000</u>



- 20.1** These represent privately placed Term Finance Certificates (PPTFCs) issued by the company to financial institutions in April 2004 amounting to Rs. 300 million. Profit on these PPTFCs is payable on semi-annual basis at an expected rate of 10.46% calculated on the basis of 6 months KIBOR. TFCs are redeemable in 4 years including 2 years grace period and are secured by a first charge on certain specific assets leased out and related lease rentals receivable. The company can exercise call option after the expiry of 18 months from the issue date by giving 60 days notice for the same.
- 20.2** These represent privately placed Term Finance Certificates (PPTFCs) issued by the company to financial institutions in June 2005 amounting to Rs. 200 million. Transfer of certificates to the lenders has been made on August 16, 2005. Profit on these PPTFCs is payable on quarterly basis at an expected rate of 10.31% calculated on the basis of 3 months KIBOR. TFCs are redeemable in 3 years including six months grace period and are secured by a first charge on certain specific assets leased out and related lease rentals receivable. The company can exercise call option after the expiry of 12 months from the issue date by giving 90 days notice for the same.
- 20.3** These represent privately placed Term Finance Certificates (PPTFCs) issued by the company to financial institutions in March 2006 amounting to Rs. 500 million. Profit on these PPTFCs is payable on semi-annual basis at an expected rate of 11.83% calculated on the basis of 6 months KIBOR. TFCs are redeemable in 5 years including one year grace period and are secured by a first charge on certain specific assets leased out and related lease rentals receivable.

21. LONG TERM DEPOSITS

	2006 Rupees	2005 Rupees
Security deposits on leases	<u>808,932,074</u>	<u>517,087,639</u>
Payable / adjustable within one year	<u>102,790,404</u>	<u>92,482,932</u>
Payable / adjustable between one to five years	<u>706,141,670</u>	<u>394,068,004</u>
Payable / adjustable over five years	<u>-</u>	<u>30,536,703</u>
	<u>808,932,074</u>	<u>517,087,639</u>

These represent interest free security deposits received against lease contracts and are refundable / adjustable at the expiry/termination of the respective leases.

22. SHARE CAPITAL & RESERVES

	2006 Rupees	2005 Rupees
Authorised capital		
50,000,000 (2005: 50,000,000) ordinary shares of Rs. 10 each	500,000,000	500,000,000
50,000,000 (2005: 50,000,000) preference shares of Rs. 10 each	<u>500,000,000</u>	<u>500,000,000</u>
	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid up capital		
10,000,000 (2005: 10,000,000) ordinary shares of Rs. 10 each fully paid in cash	100,000,000	100,000,000
14,200,000 (2005: 6,500,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares	142,000,000	65,000,000
15,000,000 (2005: 15,000,000) preference shares-Class A of Rs. 10 each fully paid in cash	<u>150,000,000</u>	<u>150,000,000</u>
	<u>392,000,000</u>	<u>315,000,000</u>

The company raised additional equity of Rs. 150 million through right issue of 15 million non-convertible and non-cumulative Preference Shares - Class A of Rs. 10 each in September 2003. These Preference Shares carry preferred right to dividend computed @ 35% of profit after tax and statutory reserves subject to a maximum profit of Rs. 40 million. The Preference shareholders have the right to exercise the redemption option after a period of 45 months of the date of issue by giving three months written notice to the company. The redemption would be made in four equal annual trenches. The company has the option to redeem these shares after 12 months from the date of the issue.

	Note	2006 Rupees	2005 Rupees
23. RESERVES			
Statutory reserves	23.1	68,605,000	47,000,000
Un-appropriated profit		<u>18,835,111</u>	<u>38,769,055</u>
		<u>87,440,111</u>	<u>85,769,055</u>

23.1 This represents transfer of after tax profits as required under the relevant provision of the Securities & Exchange Commission of Pakistan's Non-Banking Finance Companies.

	2006 Rupees	2005 Rupees
24. SURPLUS ON REVALUATION OF FIXED ASSETS		
Balance as at June 30	<u>15,205,372</u>	<u>16,005,652</u>

This represents surplus over book values resulting from revaluation of leasehold-office premises carried out by M/S Joseph Lobo (Private) Limited as at June 30, 2005. The revaluation conducted is on the basis of prevailing market prices. The surplus has been worked out as follows:

	2006 Rupees	2005 Rupees
Revalued amount	23,725,500	23,725,500
Cost	12,126,560	12,126,560
Accumulated depreciation	4,406,712	4,406,712
Book value	<u>7,719,848</u>	<u>7,719,848</u>
Surplus	16,005,652	16,005,652
Incremental depreciation charged	(800,280)	-
	<u>15,205,372</u>	<u>16,005,652</u>

25. CONTINGENCIES & COMMITMENTS

Commitments for lease disbursements	<u>225,096,828</u>	<u>96,400,000</u>
Commitments for purchase of office premises-Karachi	-	<u>28,100,000</u>

25.1 Taxation

Assessments have been finalized upto the tax year 2003. Returns for tax year 2004 and 2005 are deemed to be assessment orders passed by the Commissioner of Income Tax under section 120 of Income Tax Ordinance, 2001. For tax year 2003 appeal has been filed with ITAT in respect of certain disallowances maintained by the CIT (Appeals) which is pending. No provision is required on such disallowances in view of available tax losses. The department has also filed the appeal in respect of disallowances and deletions made by the CIT (Appeals).



		2006 Rupees	2005 Rupees
26. INCOME FROM LEASING OPERATIONS	Note		
Income from finance lease contracts		230,141,290	159,528,203
Hire purchase contracts		2,631,301	2,014,473
Front end fee & additional lease rentals		2,433,666	689,072
		<u>235,206,257</u>	<u>162,231,748</u>
27. OTHER INCOME			
Profit from banks under cash management scheme		5,052	740
Mark-up on term finance certificates		15,903,995	12,426,566
Mark-up on government securities		17,736,659	15,363,717
Mark-up on musharika		6,458,071	1,996,714
Mark-up on house finance		287,677	56,021
Profit on Morabaha		309,823	1,157,249
Profit on long term advances		5,540,355	1,203,669
Profit on placements		3,450,650	2,266,495
Dividend income		38,431,963	29,219,903
Fees, commissions and other charges		5,617,753	7,314,172
Gain on disposal of listed securities		119,311,460	38,260,690
Gain on disposal of other investments		50,000	2,687,759
Gain on disposal of fixed assets		521,404	58,600
		<u>213,624,862</u>	<u>112,012,295</u>
28. ADMINISTRATIVE AND OPERATING EXPENSES			
Directors' fee	28.1	227,500	230,000
Salaries, allowances and benefits	28.2 & 28.5	34,681,437	38,477,704
Gratuity	15	1,668,000	1,435,000
Staff training and development		247,300	142,025
Telephone and fax		1,322,818	1,230,491
Postage and courier		78,170	60,403
Electricity		826,283	675,796
Office maintenance		1,382,947	833,143
Software maintenance		166,295	301,037
Security charges		150,016	139,000
Insurance		168,831	123,456
Business promotion expenses		1,260,595	1,098,879
Canteen expenses		325,425	275,911
Vehicle running expenses		4,521,047	3,048,426
Vehicle insurance		758,327	690,178
Travelling and conveyance		850,359	826,424
Advertisement expenses		367,948	517,350
Printing and stationery		1,086,031	591,744
Central depository charges		350,603	240,435
Subscriptions and listing fees		677,578	653,968
Legal and professional charges	28.3	1,893,220	1,330,583
Statutory filing fees		127,140	53,750
Credit rating charges		345,960	209,955
Depreciation		11,826,811	6,456,980
Rent, rates and taxes		319,467	327,708
Donations	28.4	230,000	233,172
Miscellaneous		34,945	115,324
		<u>65,895,053</u>	<u>60,318,842</u>

28.1 Directors' fee

This represents remuneration paid to the non-executive directors of the company for attending the meetings of executive, audit committee and board of directors.

28.2 Remuneration of Chief Executive and Executives

	2006		2005	
	Chief Executive	Executives	Chief Executive	Executive
	-----Rupees-----			
Managerial remuneration	1,020,000	9,537,768	1,020,000	13,292,755
Housing and utilities	493,040	4,644,677	540,489	4,018,770
Medical and other perquisites	200,608	1,623,946	202,942	803,462
Provident fund contribution	-	844,487	-	730,685
	<u>1,713,648</u>	<u>16,650,878</u>	<u>1,763,431</u>	<u>18,845,672</u>
No. of persons	<u>1</u>	<u>6</u>	<u>1</u>	<u>5</u>

In addition, the chief executive and certain executives were also provided with free use of company cars and certain household items in accordance with their terms of employment. All executives were also provided with medical insurance cover.

28.3 Auditors' remuneration

	2006 Rupees	2005 Rupees
These include auditors' remuneration, as follows:		
Annual audit	125,000	125,000
Other services	121,200	83,500
Out-of-pocket expenses	27,254	11,805
	<u>273,454</u>	<u>220,305</u>

28.4 The directors and their spouses do not have any interest in the donee institutions.

28.5 Salaries, allowances and benefits include provident fund contribution of Rs. 1,418,268 (2005: Rs. 1,216,595)

29. FINANCE COST

	2006 Rupees	2005 Rupees
Mark-up on long term finance	77,077,128	46,032,681
Mark-up on short term finance	64,793,196	35,461,383
Mark-up on running finance	6,058,305	1,273,515
Mark-up on certificates of investment	62,300,294	35,255,302
Finance cost on leased assets	29,793	185,780
Mark-up on term finance certificates	73,462,190	20,080,203
Brokerage fee	574,599	475,557
Documentation & other charges	124,475	109,190
Excise duty and bank charges	987,659	1,271,537
	<u>285,407,639</u>	<u>140,145,148</u>



	2006 Rupees	2005 Rupees
30. DIRECT COST OF OPERATING LEASES		
Maintenance contracts	10,013,190	6,966,337
Depreciation on operating lease assets	29,361,420	15,334,598
Insurance	2,586,024	1,969,426
Others	360,214	951,193
	<u>42,320,848</u>	<u>25,221,554</u>
31. TAXATION		
Current		
This represents the provision for minimum tax under section 113 of the Income Tax Ordinance, 2001. The company has sufficient tax losses, therefore, no provision has been made using the normal tax rates.		
Deferred		
The deferred tax debit balance amounting to Rs. 78.578 million (2005: Rs. 41.457 million) arising mainly due to accumulated tax losses has not been recognized in these financial statements in accordance with accounting policy as stated in note 3.14.		
	2006 Rupees	2005 Rupees
Reconciliation between accounting profit and tax expense:		
Accounting profit	<u>114,904,490</u>	<u>80,664,862</u>
Tax @ 35% (2005:35%)	40,216,572	28,232,702
Tax effect of:		
-exempt income	(41,759,011)	(13,391,242)
-income taxed at reduced rates	(13,451,187)	(10,226,966)
-amortisation of deferred cost	520,800	438,540
Others	<u>21,356,543</u>	<u>1,331,144</u>
	<u>6,883,717</u>	<u>6,384,178</u>
Taxation:		
-current	6,883,717	4,748,863
-prior	-	1,635,315
	<u>6,883,717</u>	<u>6,384,178</u>
32. EARNINGS PER SHARE-basic and diluted		
Profit after tax	108,020,773	74,280,684
Minimum dividend attributable to preference shareholders	<u>13,650,000</u>	<u>13,650,000</u>
Profit attributable to ordinary shareholders	<u>94,370,773</u>	<u>60,630,684</u>
Number of ordinary shares issued	<u>24,200,000</u>	<u>24,200,000</u>
Earnings per share	<u>3.90</u>	<u>2.51</u>

Basic earnings per share has been calculated by dividing the net profit for the year attributable to the ordinary shareholders outstanding at the year end by the weighted average number of ordinary shares outstanding during the year. There is no dilutive effect on the earnings.

33. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Net investment in leases amounts to Rs 3,375.050 million (2005:Rs 2,309.842 million). The sector- wise break up is given below:

Sector	2006		2005	
	Rupees	%	Rupees	%
Textile	669,259,233	19.83	474,441,622	20.53
Transport & communication	381,710,637	11.31	366,110,015	15.82
Engineering	267,298,696	7.92	179,705,736	7.78
Food & Beverages	229,836,378	6.81	176,933,925	7.66
Oil & Gas	267,973,692	7.94	133,739,873	5.71
Travel & tourism	154,236,747	4.57	128,889,204	5.58
Consumer leases	160,649,216	4.76	122,883,614	5.32
Cement	108,336,971	3.21	102,557,001	4.44
Sugar	66,487,175	1.97	90,776,805	3.93
Glass & ceramics	56,024,726	1.66	51,278,501	2.22
Plastic	120,824,410	3.58	48,737,674	2.11
Pharmaceutical	53,662,238	1.59	43,425,037	1.88
Health care	130,274,364	3.86	41,577,163	1.80
Publications	49,274,759	1.46	36,726,494	1.56
Auto & allied	94,837,037	2.81	26,563,187	1.15
Energy	14,174,931	0.42	20,095,629	0.87
Others	550,189,647	16.30	265,400,888	11.49
Total	3,375,050,857	100	2,309,842,368	100

34. FAIR VALUE OF FINANCIAL ASSETS

The fair value of all other financial assets and financial liabilities is estimated to approximate their carrying value.

35. CASH AND CASH EQUIVALENTS	Note	2006 Rupees	2005 Rupees
Balances with banks	4	103,436,482	23,028,435
Running finance	16	-	(99,803,585)
		103,436,482	(76,775,150)



36. INTEREST RATE RISK EXPOSURE

	2006				
	Interest Bearing			Non Interest Bearing	Total
	Upto one year	One year to five years	Over five years		
Rupees	Rupees	Rupees	Rupees	Rupees	
Assets					
Balance with banks	-	-	-	103,459,982	103,459,982
Investments	93,725,383	31,970,195	-	422,824,494	548,520,072
Short term finances	62,072,114	-	-	-	62,072,114
Advances and other receivables	81,843,204	-	-	75,150,605	156,993,809
Net investment in leases	1,402,513,961	1,923,036,896	-	-	3,325,550,857
Long term deposits	-	-	-	420,700	420,700
Long term finance	-	57,475,203	-	-	57,475,203
Long term Investments	-	-	286,471,967	-	286,471,967
				-	
	<u>1,640,154,662</u>	<u>2,012,482,294</u>	<u>286,471,967</u>	<u>601,855,781</u>	<u>4,540,964,704</u>
Liabilities					
Accrued expenses and other liabilities	-	-	-	127,891,056	127,891,056
Short term finances	565,450,000	-	-	-	565,450,000
Certificate of investments	910,100,000	-	-	-	910,100,000
Long term finances	319,999,000	672,500,000	-	-	992,499,000
Redeemable capital	229,968,000	729,968,000	-	-	959,936,000
Deposits on lease contracts	-	-	-	808,932,074	808,932,074
	<u>2,025,517,000</u>	<u>1,402,468,000</u>	<u>-</u>	<u>936,823,130</u>	<u>4,364,808,130</u>
On-balance sheet gap (a)	<u>(385,362,338)</u>	<u>610,014,294</u>	<u>286,471,967</u>	<u>(334,967,349)</u>	<u>176,156,574</u>
June 30, 2005	<u>(640,490,128)</u>	<u>(49,134,224)</u>	<u>319,969,351</u>	<u>494,909,142</u>	<u>125,254,141</u>
Total interest rate sensitivity gap	<u>(385,362,338)</u>	<u>610,014,294</u>	<u>286,471,967</u>	<u>-</u>	<u>-</u>
June 30, 2005	<u>(640,490,128)</u>	<u>(49,134,224)</u>	<u>319,969,351</u>	<u>-</u>	<u>-</u>

(a) The on-balance sheet gap represents the net amounts of on-balance sheet items.

(b) The effective interest/ mark-up rates for monetary financial assets and liabilities are mentioned in the respective notes to the financial statements.

37. MATURITIES OF ASSETS AND LIABILITIES

Liquidity risk is the risk that the company will be unable to meet its funding requirements. To guard against the risk, the company has diversified funding resources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the Company's assets and liabilities:

	2006			2005	
	Upto one year	One year to five years	Over five years	Total	Total
-----Rupees-----					
Assets					
Balances with banks	103,459,982	-	-	103,459,982	23,028,435
Investments	516,849,877	31,970,195	-	548,820,072	687,916,073
Short Term Finances	62,072,114	-	-	62,072,114	61,056,858
Advances, prepayments and other receivables	161,426,156	-	-	161,426,156	126,110,706
Net investment in leases	1,402,513,961	1,923,036,896	-	3,325,550,857	2,260,342,368
Deferred costs	1,477,992	1,583,886	-	3,061,878	4,549,878
Long term deposits	-	420,700	-	420,700	475,700
Long Term Finances	-	57,475,203	-	57,475,203	20,631,239
Long term investments	-	-	286,471,967	286,471,967	290,235,310
Tangible fixed assets	26,173,043	107,639,720	87,980,964	221,793,727	173,176,115
	<u>2,273,973,125</u>	<u>2,122,126,600</u>	<u>374,452,931</u>	<u>4,770,552,656</u>	<u>3,647,522,682</u>
Liabilities					
Accrued expenses and other liabilities	127,891,056	-	-	127,891,056	78,228,279
Short term finance	565,450,000	-	-	565,450,000	790,253,585
Certificate of investments	910,100,000	-	-	910,100,000	598,100,000
Obligation under finance lease	-	-	-	-	1,178,096
Long term finances	319,999,000	672,500,000	-	992,499,000	799,999,000
Redeemable capital	229,968,000	729,968,000	-	959,936,000	500,000,000
Long term deposits	102,790,404	706,141,670	-	808,932,074	517,087,639
	<u>2,256,198,460</u>	<u>2,108,609,670</u>	<u>-</u>	<u>4,364,808,130</u>	<u>3,284,846,599</u>
Net Assets	<u>17,774,665</u>	<u>13,516,930</u>	<u>374,452,931</u>	<u>405,744,526</u>	<u>362,676,083</u>



38. TRANSACTIONS WITH RELATED PARTIES

The transactions with related parties apart from those as stated in respective notes are as follows:

	2006 Rupees	2005 Rupees
Lease rentals	<u>3,073,515</u>	<u>3,255,240</u>
Statutory expenses of Security Capital Services Ltd.	<u>15,000</u>	<u>15,000</u>

All transactions with related parties are recorded at an arm's length price.

39. MANPOWER

	2006	2005
As at year end	<u>37</u>	<u>34</u>

40. RECLASSIFICATION OF COMPARATIVE INFORMATION

Certain prior year's figures have been re-classified, wherever necessary. However, there were no material re-classifications to report except for operating lease rentals amounting to Rs. 40,859,335 which is presented separately on the face of profit and loss account for the purpose of better presentation.

41. NON ADJUSTING EVENT AFTER THE BALANCE SHEET

The Board of Directors in its meeting held on September 22, 2006 has proposed dividend in respect of the year ended June 30, 2006 of Rs 1 per share (2005 : Rs 1 per share). The appropriation will be approved in the forthcoming annual general meeting. The financial statements for the year ended June 30, 2006 do not include the effect of proposed dividend and appropriations which will be accounted for in the financial statements for the year ending on June 30, 2007.

42. DATE OF AUTHORIZATION

These financial statements were authorized for issue on September 22, 2006 by the Board of Directors of the Company.

M. R. Khan
Chairman & Chief Executive

Mohammed Khalid Ali
Managing Director

FORM OF PROXY

I/We _____ of _____

being a member **Security Leasing Corporation Limited** do hereby appoint

_____ of _____ or failing him/her

_____ of _____ or failing him/her

_____ of _____

to be proxy and to vote for me at the Annual General Meeting of the Company to be held on October 19, 2006 and at any adjournment thereof in the same manner as I / We would vote if personally present at such meeting.

Signed this _____ day of _____ 20 _____

Signature: _____

Rupees 5/-
Revenue Stamp

Address: _____

Total Shares Held: _____ Folio/CDC A/c No. _____

Holder of Share Nos. From: _____ To _____

Witness:

Witness:

Name: _____ Name: _____

CNIC: _____ CNIC: _____

Signature: _____ Signature: _____

Address: _____ Address: _____

NOTE:

1. Signature should agree with specimen registered with the company.
2. Proxy to be valid must be deposited with the Company at its registered office not less than forty-eight hours before the meeting.
3. Proxy need not be a member.

For CDC Account Holders/ Corporate Entities:

In addition to the above the following have to be met:

- i) The proxy form shall be witnessed by the two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii) The proxy shall produce his/her original CNIC or passport at the time of the Meeting.
- iv) In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature shall be submitted (unless it has provided earlier) alongwith proxy form of the Company.