



*Audited Financial Statements*

*For the Year ended June 30, 2006*

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

Mr. Muhammad Rashid Zahir	Chairman
Mr. Ihsanul Haq Piracha	Vice Chairman
Mr. Farrukh Shaukat Ansari	Chief Executive
Mr. Aasim Azim Siddiqui	Director
Mr. Haroon Ihsan	Director
Mr. Faridullah Khan	Director
Mr. Muhammad Tariq Masud	Director

### **AUDIT COMMITTEE**

Mr. Muhammad Rashid Zahir	Chairman
Mr. Ihsanul Haq Piracha	Vice Chairman
Mr. Aasim Azim Siddiqui	Director

### **CREDIT COMMITTEE**

Mr. Ihsanul Haq Piracha	Chairman
Mr. Aasim Azim Siddiqui	Director
Mr. Faridullah Khan	Director

### **HUMAN RESOURCE COMMITTEE**

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

### **COMPANY SECRETARY**

Mr. Shyam Lal, ACA

### **CHIEF FINANCIAL OFFICER**

Mr. Rizwan Qamar Lari, ACA

### **HEAD OF INTERNAL AUDIT**

Mr. Imran Masood

### **AUDITORS**

Anjum Asim Shahid Rahman  
Chartered Accountants

### **LEGAL ADVISOR**

Mandviwalla & Zafar

### **TAX CONSULTANTS**

Anjum Asim Shahid Rahman  
Chartered Accountants

## **CREDIT RATING**

Long-term- (A-)

Short-term-(A-2)

## **BANKS & LENDING INSTITUTIONS**

National Bank of Pakistan

United Bank Limited

Muslim Commercial Bank Limited

Allied Bank Limited

Askari Commercial Bank Limited.

The Bank of Punjab

ABN AMRO Bank N.V.

Standard Chartered Bank

Oman International Bank S.A.O.G.

Saudi Pak Commercial Bank Limited.

## **REGISTERED OFFICE**

6<sup>th</sup> Floor, Lakson Square, Building #1,  
Sarwar Shaheed Road, Saddar, Karachi.

Tel: 5655181-85, 5655215-19

Fax: 5210607-9

## **BRANCHES**

### **Lahore**

Pakistan Engineering Congress (PEC) Building

First Floor, 97/A-D/1, Liberty Market,

Gulberg-III, Lahore.

Tel: (042) 5762644-47, 5762634

Fax: (042) 5672633

### **Islamabad**

2<sup>nd</sup> Floor, High-Rise Block, Saudi Pak Tower

61-A, Jinnah Avenue, Blue Area, Islamabad

Tel: (051) 2800207, 2800206

Fax: (051) 2800205

### **Faisalabad**

Kotwali Road (Allama Iqbal Road), Faisalabad.

Tel: (041)-619891, 619973

Fax: (041)-619984

### **Sialkot**

2<sup>nd</sup>, Floor, Sanori Building

27, Paris Road, Sialkot

Tel: (052)-4296364, 3005335

Fax: (052)-4296365

**Universal Access Number:** 111-888-999

Karachi, Lahore & Islamabad

**Website :** [www.saudipakleasing.com](http://www.saudipakleasing.com)

## **REGISTRAR AND SHARE TRANSFER OFFICE**

THK Associates (Pvt.) Ltd.

Ground Floor, State Life Building No.3

Dr. Ziauddin Ahmed Road, Karachi 75530.

Tel: (021) 111-000-322

Fax: (021) 5655595

## **CHAIRMAN'S REVIEW**

I take immense pleasure in presenting the 16<sup>th</sup> Annual Report along with the audited Financial Statements of Saudi Pak Leasing Company Limited for the year ended June 30, 2006.

### **Pakistan's Economic Scenario**

The fiscal year 2005-06 has seen yet another year of solid economic growth in spite of formidable difficulties. Rising oil prices, which for a short period hovered around \$70 per barrel, exerted severe pressure on the trade balance and the budget. The massive earthquake of October 8, 2005 caused extensive damage to property and infrastructure and a loss of over 70,000 human lives. The rescue and relief operations and reconstruction of earthquake affected areas also put Pakistan's budget under stress. In spite of these odds the economy showed remarkable resilience. The GDP grew at 6.6 percent as against 8.4 percent in the previous year and 7 percent target for the year. Pakistan's economy has grown at an average rate of almost 7 percent per annum during the last four years (2002/03 – 2005/06).

The key drivers of this year's growth were the service sectors and industry. Large-scale manufacturing grew by 9 percent as against 15.6 percent in the previous year and 14.5 percent target for the year. Agriculture grew by 2.5 percent, as against 6.7 percent in the previous year and 4.2 percent target for the year. The services sector continued to perform strongly at 8.8 percent. Consumer spending remained buoyant and investors remained upbeat on the strength and sustainability of the current growth momentum.

While the pace of economic expansion this year was bolstered by the macroeconomic policies pursued by the government, Pakistan has also benefited from the encouraging global economic environment undeterred by the rising and volatile energy prices. The global economy continued its strong expansion, becoming geographically more broad-based, and global growth is expected to remain strong over the near term.

The easy and accommodative monetary policy stance that had been pursued during the last few years by the SBP underwent considerable change, switching from a broadly accommodative to aggressive tightening in the second half of the last fiscal year. The same tight monetary policy stance continued during the current fiscal year. As a result the overall inflation decelerated from 9 percent in July 2005 to 7.6 percent in July 2006. Tight monetary policy stance is likely to continue until inflationary pressures are significantly eased off.

### **Capital market**

The stock market continued to maintain its strong performance and achieved new heights during the fiscal year 2005-06. The KSE-100 Index touched an all time high of 12,274 points on April 17, 2006, showing a growth of 65 percent over June 2005. Similarly, the total market capitalization also increased to Rs.3,419.4 billion on April 17, 2006 (US\$ 57 billion) from Rs.2,013.2 billion (US\$33.7 billion) showing a growth of 70 percent over June 2005.

Market capitalization as on June 30, 2006 declined to Rs.2,803 billion (US\$ 46.71 billion) or 36% of GDP. At current levels, the index is trading at PE multiples of 9.9x and offering dividend yields of 6 percent. The market sentiment is expected to remain cautious in the next year.

### **Leasing Industry**

The NBFC sector (of which Leasing is a part) has played a key role in deepening of the financial sector. Leasing Companies and Modarabas have been the major intermediaries in creating awareness and delivering credit for development to the Small and Medium Enterprises (SMEs). They are the only institutions that provide funds to small start up and green field projects. However due to tough interest rate regime and competition from banks the number of industry players has reduced to 24 in 2005 from 28 in 2003. The industry has total equity of over Rs.15 billion and total assets of over Rs.98 billion.

The entry of commercial banks in the leasing business and SME sector over the last 4 years created an environment in which leasing companies had to make fundamental changes in their business plans. Increasing interest rates have further placed the NBFC sector at disadvantage vis-à-vis commercial banks whose spreads are large, as the deposit rates offered by them have not moved in line with the lending rates. In order to survive in these hard times the leasing companies are developing diversified business strategy as well as recapitalization. As a part of consolidation in the industry we expect a spate of mergers and acquisitions

### **Financial Performance**

During the period under review, your company maintained the tempo of growth through enhancement of lease portfolio and diversification. Disbursements rose to Rs.2,258 million in 2005-06 as against Rs.1,874 million in 2004-05. Total gross revenue increased to Rs.643 million from Rs.405 million in the same period last year on the back of improved IRR. Lease revenue increased to Rs.420 million up from Rs.264 million in 2004-05. Income on investment increased to Rs.212 million from Rs.131 million in the previous year. Operating profit for the year showed an increase of 30 percent increasing to Rs.138 million in 2005-06 from Rs.106 million in the previous year. Net profit after tax for the year stood at Rs.93 million compared to Rs.102 million during the comparable period. The company had received a significant write back of tax provision amounting to Rs.57 million in the previous year. Without counting this one time gain the net profit posted a growth of 106 percent over the previous year.

During the period under review financial charges increased to Rs.410 million from Rs.215 million in 2004-05 due to spiraling interest rates. In the same period, a provision of Rs.32 million was made against the infected portfolio compared to Rs.43 million during 2004-05. The decrease is mainly attributed to significant recoveries made during the year.

Despite considerable growth in the portfolio and stiff competition with other financial institutions the company was able to maintain a balanced portfolio. The exposure to a single sector was kept below 20 percent to achieve minimum concentration risk. Approximately, 19 percent was disbursed to Textile sector followed by 10 percent to Steel Engineering and Auto Mobiles. Plant and Machinery accounted for 75 percent of the lease portfolio and Commercial Vehicles 13 percent of the lease portfolio.

## **Future Outlook**

The leasing industry will continue to face challenging environment. The competition will remain fierce and profit margins will remain under pressure. The banks have ventured into SME sector and consumer finance aggressively which used to be the main forte of leasing industry.

The State Bank of Pakistan has shown its intentions of following a tight monetary policy to combat inflation. The interest rates are expected to stay at the current level for some time.

The company had applied to the Securities and Exchange Commission of Pakistan for Housing Finance license in order to diversify its business and enhance product range. The license has been approved by the Commission in June 2006, which will allow the company to venture in the Housing Finance sector.

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

On behalf of the Board of Directors, I avail the opportunity to acknowledge with thanks the guidance of the regulatory authorities and the patronage of customers, COI holders, banks and lending institutions. I would also like to place on record the dedicated efforts and hard work of the management and the employees.



Muhammad Rashid Zahir  
Chairman



## Directors' Report to the Shareholders

It is our privilege to present on behalf of the Board of Directors the 16<sup>th</sup> Annual Report and audited financial statements of Saudi Pak Leasing Company Limited for the year ended June 30, 2006. By the grace of Almighty Allah, the Company has shown appreciable progress in terms of profitability and is fully committed to achieve its long-term goals of fast track growth and prosperity.

### *Financial Results*

	<b>Rupees</b>
Profit before taxation	103,939,151
Less: Taxation-Current	(10,000,000)
-Deferred	(1,000,000)
Profit after taxation	92,939,151
Earning per share	2.52
<b>Subsequent effect:</b>	
Proposed dividend @ Rs.1.5 per share	64,515,000

### *Dividend*

The Directors are pleased to recommend a cash dividend of 15% (2005: cash 10% , bonus 10%).

### *Board of Directors*

No casual vacancy arose during the year.

### *Corporate Governance*

The Board of Directors of the Company is responsible to the shareholders for the management of the Company. It acknowledges the responsibility for the system of sound internal controls and is committed to uphold the highest standards of Corporate Governance. Your Company has also implemented provisions of the Code of Corporate Governance. Review report on compliance with best practices of the Code of Corporate Governance by statutory auditors is annexed with the report.

## ***Statement of Corporate Governance***

The Directors are pleased to state that:

- a) The financial statements, prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of account of the company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored. The ultimate responsibility of the effectiveness of internal control system and its monitoring lies with the Board. An Audit Committee has been formed for the purpose that meets periodically and independently throughout the year with the management and also the internal and external auditors to discuss the effectiveness of internal control system and other financial reporting matters. In addition, there are financial forecasts and budgetary control procedures in place, which are reviewed and monitored throughout the year to indicate and evaluate the variances from the budget.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) During the year 4 board meetings were held. These meetings were attended by the directors as under:

Name of Directors	Designation	Number of meetings	
		Held during the year	Attended
Mr. Muhammad Rashid Zahir	Chairman	4	4
Mr. Ihsanul Haq Piracha	Vice Chairman	4	3*
Mr. Farrukh Shaukat Ansari	Chief Executive	4	4
Mr. Aasim Azim Siddiqui	Director	4	1*
Mr. Haroon Ihsan	Director	4	4
Mr. Faridullah Khan	Director	4	4
Mr. Muhammad Tariq Masud	Director	4	4

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

- i) The key information as to operating and financial data of the Company is available in the annual report. The categories and pattern of shareholding as required by the Companies Ordinance, 1984 are also included in the annual report.
- j) No executive owns or has acquired any shares in the Company during the year and no trading was carried out in the shares of the Company during the year by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Chief Internal Auditor or their spouses and minor children.

- k) The value of investments in provident and gratuity funds is Rs. 6.17 million and Rs. 2.05 million respectively as per the audited accounts for provident fund and gratuity fund for the year ended June 30, 2006.

### ***Audit Committee***

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

### ***Credit Rating***

Based on the results for the year ended June 30, 2005 the entity rating of A – (A- minus) for long term and A-2 for short term assigned by JCR-VIS, a credit rating company, has been maintained.

### ***Auditors***

The present auditors, M/s Anjum Asim Shahid Rahman, Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the year 2006-2007. On the suggestion of the Audit Committee, the Board recommends the appointment of M/s Anjum Asim Shahid Rahman, Chartered Accountants as statutory auditors for the year 2006-2007.

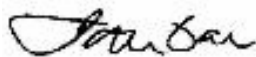
### ***Pattern of Shareholding***

The pattern of shareholding as on June 30, 2006 is annexed with this report.

### ***Financial Highlights***

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

For and on behalf of the Board.



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



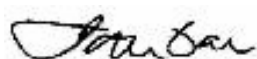
**Muhammad Rashid Zahir**  
*Chairman*

Karachi: September 12, 2006

**SAUDI PAK LEASING COMPANY LIMITED**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2006**

	Note	2006 Rupees	2005 Rupees Restated
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	4	164,161,545	55,520,438
Loans and fund placements	5	450,729,221	464,442,873
Short term investments	6	487,769,472	412,854,643
Loans and receivables	7	65,583,454	57,882,150
Advances, deposits, prepayments and other receivables	8	215,918,825	192,581,258
Current maturity of non-current assets	9	2,380,757,678	1,663,527,688
<b>Total current assets</b>		<b>3,764,920,195</b>	<b>2,846,809,050</b>
<b>Non-current assets</b>			
Long term loans	10	357,704,434	99,125,329
Net investment in leases	11	1,789,012,338	1,712,069,092
Long term investments	12	23,643,400	20,652,096
Property, plant and equipment	13	84,378,311	100,926,339
<b>Total non-current assets</b>		<b>2,254,738,483</b>	<b>1,932,772,856</b>
<b>Total Assets</b>		<b>6,019,658,678</b>	<b>4,779,581,906</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings from financial institutions	14	1,280,000,000	905,000,000
Certificates of investment	15	1,521,923,000	1,454,848,000
Accrued and other payables	16	123,344,314	113,399,122
Current maturity of non-current liabilities	17	696,993,691	438,702,248
Taxation		4,749,856	3,377,078
<b>Total current liabilities</b>		<b>3,627,010,861</b>	<b>2,915,326,448</b>
<b>Non-current liabilities</b>			
Borrowings from financial institutions	14	100,000,000	65,000,000
Certificates of investment	15	161,699,000	311,917,000
Long term finances	18	695,833,334	462,500,000
Deposits against leases	19	847,557,476	594,966,823
Deferred tax	20	49,581,968	48,581,968
<b>Total non-current liabilities</b>		<b>1,854,671,778</b>	<b>1,482,965,791</b>
<b>Total Liabilities</b>		<b>5,481,682,639</b>	<b>4,398,292,239</b>
<b>NET ASSETS</b>		<b>537,976,039</b>	<b>381,289,667</b>
<b>FINANCED BY</b>			
Authorized capital 100,000,000 (2005: 40,000,000) ordinary shares of Rs. 10 each		1,000,000,000	400,000,000
Issued, subscribed and paid-up capital	21	430,100,000	253,000,000
Reserves	22	125,324,754	106,736,924
Unappropriated profit		108,534,789	84,783,468
		663,959,543	444,520,392
Unrealized loss on investments classified as available for sale		(125,983,504)	(63,230,725)
<b>CONTINGENCIES AND COMMITMENTS</b>	23	-	-
<b>Total equity</b>		<b>537,976,039</b>	<b>381,289,667</b>

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



**FARRUKH S. ANSARI**  
**CHIEF EXECUTIVE**

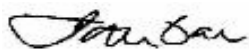


**MUHAMMAD RASHID ZAHIR**  
**CHAIRMAN**

**SAUDI PAK LEASING COMPANY LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Note	2006 Rupees	2005 Rupees
<b>Revenue</b>			
Finance leases	24	401,252,883	261,109,237
Operating leases		18,572,804	3,073,989
		<b>419,825,687</b>	264,183,226
Other operating income	25	223,531,587	140,941,470
		<b>643,357,274</b>	405,124,696
<b>Expenses</b>			
Financial and bank charges	26	410,541,234	215,706,804
Administrative, selling and other operating	27	94,715,890	83,594,899
		<b>505,257,124</b>	299,301,703
<b>Operating profit before provisions</b>		<b>138,100,150</b>	105,822,993
<b>Provisions and fair value changes</b>			
Provision for potential lease losses-net		32,024,846	43,439,352
Unrealized loss in the market value of investments classified as held for trading		2,136,153	8,264,759
		<b>34,160,999</b>	51,704,111
<b>Profit before taxation</b>		<b>103,939,151</b>	54,118,882
<b>Taxation</b>			
Current	28	10,000,000	7,898,895
Prior years		-	(56,782,908)
Deferred	20	1,000,000	1,000,000
		<b>11,000,000</b>	(47,884,013)
<b>Profit for the year</b>		<b>92,939,151</b>	102,002,895
<b>Earnings per share - basic and diluted</b>	29	<b>2.52</b>	Restated 3.33

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



**FARRUKH S. ANSARI**  
**CHIEF EXECUTIVE**




**MUHAMMAD RASHID ZAHIR**  
**CHAIRMAN**

**SAUDI PAK LEASING COMPANY LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Note	2006 Rupees	2005 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations after working capital changes	33	366,077,268	281,739,936
Financial charges paid		(240,995,373)	(103,633,332)
Lease deposits received		248,382,096	182,432,032
Taxes (paid) / refund		(8,627,222)	81,718,739
Increase in net investment in leases		(785,773,277)	(828,695,499)
		<u>(787,013,776)</u>	<u>(668,178,060)</u>
<b>Net cash (used in) operating activities</b>		<b>(420,936,508)</b>	<b>(386,438,124)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(26,680,521)	(70,782,578)
Proceeds from sale of property, plant and equipment		34,532,700	1,269,000
Increase in loans and receivables		(7,701,304)	(19,434,150)
Increase in investments		(122,896,254)	(284,222,253)
Increase in long term loans		(318,902,720)	(77,310,695)
Dividend received		21,884,828	24,634,925
<b>Net cash (used in) investing activities</b>		<b>(419,763,271)</b>	<b>(425,845,751)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds/(repayments) of finances		495,833,334	(239,037,667)
(Decrease)/Increase in certificates of investment		(83,143,000)	431,296,000
Increase in borrowings from financial institutions		410,000,000	590,000,000
Subscription received against right shares		151,800,000	-
Dividend paid		(25,149,448)	(21,861,661)
<b>Net cash generated from financing activities</b>		<b>949,340,886</b>	<b>760,396,672</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>108,641,107</b>	<b>(51,887,203)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>55,520,438</b>	<b>107,407,641</b>
<b>Cash and cash equivalents at end of the year</b>	34	<b><u>164,161,545</u></b>	<b><u>55,520,438</u></b>

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

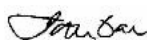
  
**FARRUKH S. ANSARI**  
**CHIEF EXECUTIVE**

  
**MUHAMMAD RASHID ZAHIR**  
**CHAIRMAN**

**SAUDI PAK LEASING COMPANY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Share capital	Reserve for issue of bonus shares	CAPITAL RESERVES		Total reserves	Share deposit money	Unappropriated profit	Unrealized loss on investments classified as available for sale	Total equity
			Contingency reserve	Statutory reserve					
<b>Rupees</b>									
<b>Balance as at June 30, 2004</b>	<b>220,000,000</b>	<b>-</b>	<b>2,600,000</b>	<b>83,736,345</b>	<b>86,336,345</b>	<b>-</b>	<b>58,181,152</b>	<b>(16,938,755)</b>	<b>347,578,742</b>
Unrealized loss in market value of investments classified as available for sale	-	-	-	-	-	-	-	(54,559,440)	(54,559,440)
Realized loss in market value of investments classified as available for sale	-	-	-	-	-	-	-	8,267,470	8,267,470
<b>Net income recognized directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(46,291,970)</b>	<b>(46,291,970)</b>
Profit after taxation for the year ended June 30, 2004	-	-	-	-	-	-	102,002,895	-	102,002,895
Transfer of profit to reserve for issue of bonus shares declared subsequent to year end	-	33,000,000	-	-	33,000,000	-	(33,000,000)	-	-
Transfer to capital as bonus shares	33,000,000	(33,000,000)	-	-	(33,000,000)	-	-	-	-
Final dividend for the year ended June 30, 2004 declared and issued subsequent to year end	-	-	-	-	-	-	(22,000,000)	-	(22,000,000)
Transfer to statutory reserve	-	-	-	20,400,579	20,400,579	-	(20,400,579)	-	-
<b>Balance as at June 30, 2005 carried forward</b>	<b>253,000,000</b>	<b>-</b>	<b>2,600,000</b>	<b>104,136,924</b>	<b>106,736,924</b>	<b>-</b>	<b>84,783,468</b>	<b>(63,230,725)</b>	<b>381,289,667</b>
Unrealized loss in market value of investments classified as available for sale	-	-	-	-	-	-	-	(65,909,282)	(65,909,282)
Realized loss in market value of investments classified as available for sale	-	-	-	-	-	-	-	3,156,503	3,156,503
<b>Net income recognized directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(62,752,779)</b>	<b>(62,752,779)</b>
Profit after taxation for the year ended June 30, 2005	-	-	-	-	-	-	92,939,151	-	92,939,151
Transfer of profit to reserve for issue of bonus shares declared subsequent to year end	-	25,300,000	-	-	25,300,000	-	(25,300,000)	-	-
Transfer to capital as bonus shares	25,300,000	(25,300,000)	-	-	(25,300,000)	-	-	-	-
Final dividend for the year ended June 30, 2005 declared and issued subsequent to year end	-	-	-	-	-	-	(25,300,000)	-	(25,300,000)
Right shares subscription received	-	-	-	-	-	151,800,000	-	-	151,800,000
Transfer to share capital against right shares	151,800,000	-	-	-	-	(151,800,000)	-	-	-
Transfer to statutory reserve	-	-	-	18,587,830	18,587,830	-	(18,587,830)	-	-
<b>Balance as at June 30, 2006</b>	<b>430,100,000</b>	<b>-</b>	<b>2,600,000</b>	<b>122,724,754</b>	<b>125,324,754</b>	<b>-</b>	<b>108,534,789</b>	<b>(125,983,504)</b>	<b>537,976,039</b>

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

  
**FARRUKH S. ANSARI**  
**CHIEF EXECUTIVE**

  
**MUHAMMAD RASHID ZAHIR**  
**CHAIRMAN**

# **SAUDI PAK LEASING COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2006**

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#### **1. STATUS AND NATURE OF BUSINESS**

Saudi Pak Leasing Company Limited (the company) was incorporated in Pakistan and is listed on all the three Stock Exchanges in Pakistan. The registered office of the company is situated at 6th floor, Lakson Square Building No.1, Sarwar Shaheed Road, Saddar, Karachi. The main business activity of the company is leasing of moveable assets. During the year the company has been granted a license by the Securities and Exchange Commission of Pakistan to undertake Housing Finance Services.

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

#### **2. STATEMENT OF COMPLIANCE**

These accounts have been prepared in accordance with the International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC) and interpretations issued by the Standards Interpretations Committee of the IASC, as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance), the Non-Banking Finance Companies (NBFCs) Rules, 2003, (the Rules) and the Prudential Regulations for NBFCs (the Regulations), along with the directives of the Securities and Exchange Commission of Pakistan (SECP). Wherever, the requirements of the Ordinance, the Rules, the Regulations or the directive issued by the SECP differ with the requirements of these IAS, the requirements of the Ordinance, the Rules, the Regulations or the requirements of the said directives take precedence.

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

In the current year, the company has adopted all of the applicable revised IAS and Interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) of IASB, effective for accounting period beginning on January 01, 2005.

As a consequence of revised International Accounting Standard 17 'Leases' (IAS-17) effective for the period commencing on or after January 01, 2005, accounting of initial cost has been changed from recognition as expense to deferral of the same over the lease term. However, this change does not significantly affect the financial statements of the company.

#### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **3.1 Basis of measurement**

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

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

##### **3.2 Use of critical accounting estimates and judgments**

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



# **SAUDI PAK LEASING COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2006**

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

### **3.3 Loans and Finances**

These are initially recognized at cost being the fair value of the consideration received together with the associated transaction cost. Subsequently, these are recognized at amortized cost using the effective interest method.

### **3.4 Employees benefits**

#### **Defined benefit plan**

The company operates an approved gratuity fund for its permanent employees who complete the eligible period of service. Provision has been made in accordance with actuarial recommendations using the projected unit credit method. The results of current valuation are summarized in note 30. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceeded ten percent of the higher of defined benefit obligation and fair value of the plan assets at that date. These gains or losses are recognized over the expected remaining working lives of the employees participating in the plans.

#### **Defined contribution plan**

In addition, the company operates a provident fund scheme for its permanent employees. Equal monthly contributions at a rate of 10 percent of basic salary are made by the company and its employees.

### **3.5 Taxation**

#### **Current**

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

#### **Deferred**

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

# SAUDI PAK LEASING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2006

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#### **3.6 Property, plant and equipment and depreciation-owned assets**

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

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

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

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

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

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

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

#### **3.8 Loans and receivables**

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

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

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

#### **3.9 Investments**

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

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

**SAUDI PAK LEASING COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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**At fair value through profit or loss**

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

**Held to maturity**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the company has the positive intent and ability to hold to maturity other than at fair value through profit or loss, available for sale and loans and receivables.

**Available for sale**

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

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

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

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

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

# SAUDI PAK LEASING COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2006

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#### Repurchase and resale transactions

The company enters into transactions of re-purchase (repo) and re-sale (reverse repo) of securities at contracted rates for a specified period of time following the trade date accounting. These transactions are recorded as follows:

- a) in case of sale under re-purchase obligations, the securities remain on the balance sheet and a liability is recorded in respect of the consideration received as 'Borrowing'. Charges arising from the differential in sale and re-purchase values are accrued on a prorata basis; and
- b) in case of purchases under re-sale obligations, the securities are not recognized on the balance sheet and the consideration paid is recorded as 'Placement with financial institutions' and the differential of the purchase price and contracted re-sale price is recognized over the period of the contract.

#### Derecognition

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

#### 3.10 Derivative financial instruments

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

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

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

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

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

#### 3.12 Cash and cash equivalents

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

#### 3.13 Borrowing cost

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

**SAUDI PAK LEASING COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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**3.14 Revenue recognition**

**Finance leases, loans and placements**

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

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

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

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

**Operating lease**

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

**Return on investments**

Return on investments is recognized using effective interest method.

Capital gain or losses arising on sale of investments are taken to income in the period in which they arise.

Dividend income from investments is recognized when the company's right to receive dividend is established.

**3.15 Provisions**

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

**3.16 Impairment**

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

**3.17 Financial instruments**

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

Financial liabilities carried on the balance sheet include certificates of investment, accrued and other payables and are at fair value through profit or loss. Finances and borrowings have been categorized as per policies mentioned in note 3.3 and 3.9 respectively.

# **SAUDI PAK LEASING COMPANY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2006**

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

#### **Off-setting**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

#### **3.18 Related party transactions**

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

#### **3.19 Foreign currencies**

Transactions in foreign currencies are accounted for in rupees at the rates prevailing on the date of the transaction. Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange prevailing at the balance sheet date. Exchange gains or losses are included in income currently.

#### **3.20 Dividend distribution**

Dividend distribution to the company's shareholders is recognized in the financial statements in the period in which the dividend is approved by the Board of Directors of the company.

#### **3.21 Segment reporting**

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

**SAUDI PAK LEASING COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

		<b>2006</b>	2005
		<b>Rupees</b>	Rupees
<b>4. CASH AND BANK BALANCES</b>			
With State Bank of Pakistan in current account		<b>728,546</b>	607,151
With banks:			
- in current accounts - local currency		<b>35,511,439</b>	295,565
- in current accounts - foreign currency		<b>5,401</b>	5,401
- in savings accounts	4.1	<b>127,829,207</b>	54,526,110
Cash in hand		<b>86,952</b>	86,211
		<b><u>164,161,545</u></b>	<u>55,520,438</u>
<b>4.1</b>	Return on these savings accounts is earned at rates ranging from 0.5% to 0.8% (2005: 0.5% to 0.65%) per annum.		
<b>5. LOANS AND FUND PLACEMENTS</b>			
<b>Short term loans- other than related party</b>			
Secured			
Loans to customers - considered good	5.1	<b>450,729,221</b>	339,442,873
<b>Placements with banks and financial institution-considered good</b>			
Secured		-	65,000,000
Unsecured		-	60,000,000
		-	125,000,000
		<b><u>450,729,221</u></b>	<u>464,442,873</u>
<b>5.1</b>	These represent loans to customers for a period up to one year on mark-up basis and are secured by way of charge on immovable properties or pledge of listed securities . The rate of mark-up ranges from 10% to 19% (2005: 8.5% to 15% ) per annum.		
<b>6. SHORT TERM INVESTMENTS</b>			
<b>Related party</b>			
Available for sale			
Investment in equity securities		<b>35,430,000</b>	20,000,000
<b>Other than related party</b>			
Available for sale	6.1	<b>443,349,472</b>	312,050,643
At fair value through profit or loss- Held for trading			
Investment in equity securities		<b>8,990,000</b>	80,804,000
		<b><u>487,769,472</u></b>	<u>412,854,643</u>
<b>6.1 Available for sale</b>			
Investment in equity securities		<b>400,995,074</b>	263,943,509
Federal Government securities		-	2,291,733
Mutual funds		<b>42,354,398</b>	45,815,401
		<b><u>443,349,472</u></b>	<u>312,050,643</u>

**SAUDI PAK LEASING COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**7. LOANS AND RECEIVABLES- considered good**  
**Other than related parties**

	Number of Certificates	Face value	Tenure	Profit rate		2006 Rupees	2005 Rupees
				2006	2005		
<b><u>Term Finance Certificates- secured</u></b>							
Dewan Cement Limited		(refer note 7.1)	7 years from July 15, 2004	KIBOR plus 2.5%	KIBOR plus 2.5%	<b>25,583,454</b>	27,882,150
<b><u>Preference shares- secured</u></b>							
Jamshoro Joint Venture Company Limited	1,500,000	10	-	15.00%	15.00%	<b>15,000,000</b>	15,000,000
Pak Electron Limited	1,500,000	10	-	9.50%	9.50%	<b>15,000,000</b>	15,000,000
Cyber Soft Technologies	100,000	100	-	KIBOR plus 4.50%	-	<b>10,000,000</b>	-
						<b>65,583,454</b>	<b>57,882,150</b>

**7.1 Dewan Cement Limited**

<b>TFC Series "A" (One certificate of Rs. 24,435,000)</b>	<b>22,346,181</b>	24,435,000
Less: redemption to date	<b>(2,298,696)</b>	(2,088,819)
	<b>20,047,485</b>	22,346,181
<b>TFC Series "B" (One certificate of Rs. 19,991,000)</b>	<b>7,073,738</b>	7,073,738
Less: redemption to date	<b>(1,537,769)</b>	(1,537,769)
	<b>5,535,969</b>	5,535,969
	<b>25,583,454</b>	<b>27,882,150</b>

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

According to the Revised Scheme, the TFC series 'A' is repayable in seven years from July 15, 2004 in semi annual installments and carry mark up based on KIBOR plus 2.5% (2005: KIBOR plus 2.5%) per annum. TFC series 'B' carry no mark up and are redeemable in four semi annual installments starting from January 15, 2012 to July 15, 2013.



**SAUDI PAK LEASING COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

		2006 Rupees	2005 Rupees
<b>8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
<b>Advances</b>			
Advance to employees, considered good			
- chief executive	8.1	819,788	256,105
- other employees		2,320,468	1,387,162
Advance to suppliers against lease		155,709,789	165,507,161
Advance to suppliers		11,334,582	1,808,000
		<b>170,184,627</b>	<b>168,958,428</b>
<b>Deposits and prepayments</b>			
Trade deposits		610,045	637,045
Prepayments		1,934,944	962,473
		<b>2,544,989</b>	<b>1,599,518</b>
<b>Accrued:</b>			
income on operating leases		1,292,166	1,292,166
return on investments		7,984,119	5,313,796
mark-up on short-term loans and advances		21,966,893	12,080,840
		<b>31,243,178</b>	<b>18,686,802</b>
Less: Provision for accrued income on operating lease		<b>(1,292,166)</b>	<b>(1,292,166)</b>
		<b>29,951,012</b>	<b>17,394,636</b>
<b>Other receivables</b>			
Corporate asset tax recoverable		2,057,589	2,057,589
Cost of assets repossessed		9,433,083	1,200,000
Other receivables		2,854,950	2,478,512
		<b>14,345,622</b>	<b>5,736,101</b>
Less: Provision for other receivables	8.2	<b>(1,107,425)</b>	<b>(1,107,425)</b>
		<b>13,238,197</b>	<b>4,628,676</b>
		<b>215,918,825</b>	<b>192,581,258</b>
<b>8.1</b>	The maximum aggregate amount due from the chief executive and other employees at the end of any month during the year was Rs. 1,000,000 (2005: Rs 1,000,000) and Rs. 3,982,013 (2005: Rs. 635,000) respectively.		
<b>8.2</b>	<b>Provision for other receivables</b>		
		1,107,425	1,607,425
Balance at beginning of the year		-	-
Charged during the year		-	(500,000)
Reversal during the year		<b>1,107,425</b>	<b>1,107,425</b>
Balance at end of the year			
<b>9. CURRENT MATURITY OF NON- CURRENT ASSETS</b>			
Current portion of :			
Long term loans	10	72,952,223	12,628,608
Net investment in leases	11	2,283,537,375	1,606,732,189
Long term investments	12	24,268,080	44,166,891
		<b>2,380,757,678</b>	<b>1,663,527,688</b>
<b>10. LONG TERM LOANS - secured, considered good</b>			
<b>Other than related party</b>			
Term loan to customers	10.1	425,495,112	110,894,917
Due from employees		5,161,545	859,020
		<b>430,656,657</b>	<b>111,753,937</b>
Less: Recoverable within one year shown as current portion of long term loans	9	<b>72,952,223</b>	<b>12,628,608</b>
		<b>357,704,434</b>	<b>99,125,329</b>
<b>10.1</b>	Term loan due from customers is secured against property and pledge of listed securities. The rate of return on these loans ranges from 11.5% to 20% (2005: 9.69% to 14.55%) per annum.		

**SAUDI PAK LEASING COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

		2006 Rupees	2005 Rupees
<b>11. NET INVESTMENT IN LEASES</b>			
Minimum lease payments receivable	11.2	3,879,323,842	3,161,536,190
Add: Residual value of leased assets		<u>965,000,424</u>	<u>703,992,264</u>
<b>Gross investment in leases</b>		<b>4,844,324,266</b>	<b>3,865,528,454</b>
Less: Unearned lease income		<u>585,823,437</u>	<u>393,501,960</u>
Income suspended	11.3	<u>50,615,924</u>	<u>39,961,691</u>
Provision for potential lease losses	11.4	<u>135,335,192</u>	<u>113,263,522</u>
		<u>771,774,553</u>	<u>546,727,173</u>
Net investment in leases	11.2	<b>4,072,549,713</b>	<b>3,318,801,281</b>
Less: Current portion of net investment in leases	9	<u>2,283,537,375</u>	<u>1,606,732,189</u>
		<u><b>1,789,012,338</b></u>	<u><b>1,712,069,092</b></u>

**11.1** The internal rate of return on leases disbursed during the year ranges from 10% to 24.59% (2005: 8.5% to 19.47% ) per annum. Certain lease rentals have been hypothecated against long term finances obtained (refer note 18).

**11.2 Minimum lease payments receivable**

Less than one year	2,566,901,766	1,506,631,625
More than one year and less than five years	<u>1,312,422,076</u>	<u>1,654,904,565</u>
	<u><b>3,879,323,842</b></u>	<u><b>3,161,536,190</b></u>

**Net investment in leases**

Less than one year	2,283,537,375	1,606,732,189
More than one year and less than five years	<u>1,789,012,338</u>	<u>1,712,069,092</u>
	<u><b>4,072,549,713</b></u>	<u><b>3,318,801,281</b></u>

**11.3 Income suspended**

Balance at beginning of the year	39,961,691	35,424,138
Income suspended during the year	21,250,971	13,308,363
Reversal of suspension	<u>(10,596,738)</u>	<u>(8,770,810)</u>
Balance at end of the year	<u><b>50,615,924</b></u>	<u><b>39,961,691</b></u>

**11.4 Provision for potential lease losses**

Balance at beginning of the year	113,263,522	69,824,170
Charge for the year	67,983,369	55,105,385
Reversed during the year	<u>(35,958,631)</u>	<u>(10,350,344)</u>
Write offs against provision	<u>(9,953,068)</u>	<u>(1,315,689)</u>
Balance at end of the year	<u><b>135,335,192</b></u>	<u><b>113,263,522</b></u>

**11.5** Net investment in lease finance includes lease contract receivables amounting to Rs. 30,991,541 (2005: Rs. 71,504,460) from related parties.

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			2006 Rupees	2005 Rupees
<b>12. LONG TERM INVESTMENTS</b>				
<b>Other than related party</b>				
Held to maturity investments- other than related party	12.1		<b>47,911,480</b>	64,818,987
Less: current portion	9		<b>24,268,080</b>	44,166,891
			<b>23,643,400</b>	<b>20,652,096</b>

	Number of Certificates	Face value	Tenure	Profit rate		2006 Rupees	2005 Rupees
				2006	2005		
<b>12.1 Term Finance Certificates- secured</b>							
Nishat Mills Limited	1,559	5,000	4 years from Sep 19, 2001	13.00%	13.00%	-	1,947,191
Sui Southern Gas Company Limited	87	100,000	5 years from June 01,	13.00%	13.00%	-	2,897,796
Dawood Leasing Company Limited	1,000	5,000	5 years from Sep 11, 2001	13.50%	13.50%	<b>5,000,000</b>	5,000,000
Sitara Chemical Industries Limited	2,630	5,000	5 years from July 01, 2003	12.00%	12.00%	<b>8,564,780</b>	13,150,000
Crescent Standard Investment Bank Limited (formerly Pacific Leasing Company Limited)	800	5,000	4 years from July 08, 2003	10.50%	10.50%	<b>1,999,200</b>	3,332,000
Shahmurad Sugar Mills Limited	2,000	5,000	4 years from May 21, 2002	15.50%	15.50%	-	3,332,000
Al-Zamin Leasing Modaraba-I	1,032	5,000	5 years from Dec 24, 2003	8.00%	8.00%	<b>5,160,000</b>	5,160,000
Al-Zamin Leasing Modaraba-II	3,000	5,000	5 years from July 01, 2005	9.50%	8.50%	<b>15,000,000</b>	15,000,000
						<b>35,723,980</b>	49,818,987
<b>Term-Loan- secured</b>							
Jamshoro Joint Venture Company Limited	-	-	4 years from Nov 2004	KIBOR + 4.50%	9.75%	<b>12,187,500</b>	15,000,000
						<b>47,911,480</b>	<b>64,818,987</b>

**12.2** Due to revised International Accounting Standard 39 (IAS 39) 'Financial Instruments: Recognition and Measurement' an amount of Rs. 47,911,480 has been reclassified as held to maturity investments, which was previously classified as originated loans and receivables. Comparative figures have also been restated. This reclassification has no other effects.

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**13. PROPERTY, PLANT AND EQUIPMENT**

	Own assets					Sub total	Operating lease assets			Sub total	Total
	Building Improvements	Offices premises	Furniture, fixtures and fittings	Vehicles	Office equipment and appliances		Generators	Plant and machinery	Vehicles		
Rupees											
<b>As at July 1, 2004</b>											
Cost	3,526,371	24,415,134	5,943,311	17,589,289	20,225,565	71,699,670	9,336,876	-	-	9,336,876	81,036,546
Accumulated depreciation	(2,763,035)	(4,596,671)	(3,851,498)	(4,498,318)	(15,505,469)	(31,214,991)	(7,686,893)	-	-	(7,686,893)	(38,901,884)
<i>Net book value</i>	<u>763,336</u>	<u>19,818,463</u>	<u>2,091,813</u>	<u>13,090,971</u>	<u>4,720,096</u>	<u>40,484,679</u>	<u>1,649,983</u>	<u>-</u>	<u>-</u>	<u>1,649,983</u>	<u>42,134,662</u>
<b>Year ended June 2005</b>											
Opening net book amount	763,336	19,818,463	2,091,813	13,090,971	4,720,096	40,484,679	1,649,983	-	-	1,649,983	42,134,662
Additions	-	-	134,131	4,259,565	1,578,882	5,972,578	2,590,000	62,220,000	-	64,810,000	70,782,578
Disposals -net	-	-	-	(273,645)	(14,879)	(288,524)	-	-	-	-	(288,524)
Depreciation charge	(155,256)	(1,220,760)	(894,512)	(3,640,607)	(2,004,980)	(7,916,115)	(1,719,596)	(2,066,666)	-	(3,786,262)	(11,702,377)
<b>Closing net book value</b>	<u>608,080</u>	<u>18,597,703</u>	<u>1,331,432</u>	<u>13,436,284</u>	<u>4,279,119</u>	<u>38,252,618</u>	<u>2,520,387</u>	<u>60,153,334</u>	<u>-</u>	<u>62,673,721</u>	<u>100,926,339</u>
<b>As at July 1, 2005</b>											
Cost	3,526,371	24,415,134	6,077,442	20,294,890	21,200,747	75,514,584	11,926,876	62,220,000	-	74,146,876	149,661,460
Accumulated depreciation	(2,918,291)	(5,817,431)	(4,746,010)	(6,858,606)	(16,921,628)	(37,261,966)	(9,406,489)	(2,066,666)	-	(11,473,155)	(48,735,121)
<i>Net book value</i>	<u>608,080</u>	<u>18,597,703</u>	<u>1,331,432</u>	<u>13,436,284</u>	<u>4,279,119</u>	<u>38,252,618</u>	<u>2,520,387</u>	<u>60,153,334</u>	<u>-</u>	<u>62,673,721</u>	<u>100,926,339</u>
<b>Year ended June 30, 2006</b>											
Opening net book amount	608,080	18,597,703	1,331,432	13,436,284	4,279,119	38,252,618	2,520,387	60,153,334	-	62,673,721	100,926,339
Additions	-	4,132,908	99,380	6,129,513	1,193,640	11,555,441	11,500,000	-	3,625,080	15,125,080	26,680,521
Disposals - net	-	-	(14,584)	(858,446)	-	(873,030)	(115,935)	(28,250,000)	-	(28,365,935)	(29,238,965)
Depreciation charge	(155,255)	(1,427,402)	(636,102)	(4,052,874)	(1,775,755)	(8,047,388)	(1,871,360)	(3,950,000)	(120,836)	(5,942,196)	(13,989,584)
<b>Closing net book value</b>	<u>452,825</u>	<u>21,303,209</u>	<u>780,126</u>	<u>14,654,477</u>	<u>3,697,004</u>	<u>40,887,641</u>	<u>12,033,092</u>	<u>27,953,334</u>	<u>3,504,244</u>	<u>43,490,670</u>	<u>84,378,311</u>
<b>As at June 30, 2006</b>											
Cost	3,526,371	28,548,042	6,162,238	25,565,957	22,394,387	86,196,995	23,310,941	33,970,000	3,625,080	60,906,021	147,103,016
Accumulated depreciation	(3,073,546)	(7,244,833)	(5,382,112)	(10,911,480)	(18,697,383)	(45,309,354)	(11,277,849)	(6,016,666)	(120,836)	(17,415,351)	(62,724,705)
<i>Net book value</i>	<u>452,825</u>	<u>21,303,209</u>	<u>780,126</u>	<u>14,654,477</u>	<u>3,697,004</u>	<u>40,887,641</u>	<u>12,033,092</u>	<u>27,953,334</u>	<u>3,504,244</u>	<u>43,490,670</u>	<u>84,378,311</u>
<i>Rate of depreciation (%)</i>	20	5	20	20	20		20	10	20		

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13.1 The following assets were disposed off during the year:

Particulars	Cost	Accumulated depreciation	Book value	Sale Proceeds	Gain/ (loss) on sale	Particulars of purchaser	Mode of disposal	
<b>Rupees</b>								
<b>Assets - Own use</b>								
<b>Vehicles</b>								
	457,585	114,396	343,189	290,000	(53,189)	Kar Corner, 107 D block-2 Khalid Bin Walid Road, Karachi.	Negotiation	
	770,000	680,167	89,833	695,000	605,167			
	559,000	167,701	391,299	450,000	58,701			
Book value not exceeding Rs. 50,000 each	367,000	367,000	-	255,000	255,000	Various	Negotiation	
	396,325	396,325	-	246,000	246,000			
	41,700	41,700	-	30,000	30,000			
	58,000	58,000	-	37,500	37,500			
	58,500	24,375	34,125	40,000	5,875			
	2,708,110	1,849,664	858,446	2,043,500	1,185,054			
<b>Office equipment &amp; appliances</b>								
Book value not exceeding Rs. 50,000 each	829,230	814,640	14,590	89,200	74,610	Various	Negotiation	
<b>Operating lease</b>								
<b>Plant &amp; Machinery</b>								
	30,000,000	1,750,000	28,250,000	30,000,000	1,750,000	Aquatech, 11 & 12 Shaheen Tower Block 6 P.E.C.H.S, Karachi.	Negotiation	
<b>Generators</b>								
	2,067,000	1,951,065	115,935	250,000	134,065	TS Generator & Engg. Works, Khalid Apartments Block-B North Nazimabad, Karachi.		
Book value not exceeding Rs. 50,000 each	2,376,756	2,376,756	-	300,000	300,000	Various		
	2,475,920	2,475,920	-	1,400,000	1,400,000			
	1,077,500	1,077,500	-	200,000	200,000			
	1,559,700	1,559,700	-	250,000	250,000			
	9,556,876	9,440,941	115,935	2,400,000	2,284,065			
	43,094,216	13,855,245	29,238,971	34,532,700	5,293,729			

		2006 Rupees	2005 Rupees
<b>14. BORROWINGS FROM FINANCIAL INSTITUTIONS</b>			
<b>Other than related party</b>			
Secured	14.1	200,000,000	175,000,000
Unsecured	14.2	1,180,000,000	795,000,000
		1,380,000,000	970,000,000
Less: due within one year		1,280,000,000	905,000,000
		<u>100,000,000</u>	<u>65,000,000</u>

14.1 Secured borrowings are against pledge of shares valuing Rs. 333.69 million (2005: Rs. 249.55 million). The facility carry mark-up rate of 11.7% (2005:12% to 18%) per annum and is repayable by September 2007.

14.2 Unsecured finance facilities carry mark-up ranges from 9.75% to 11.3% (2005: 8.75% to 11%) per annum. These facilities are repayable at various dates by October 2006.

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	2006 Rupees	2005 Rupees
<b>15. CERTIFICATES OF INVESTMENT</b>		
<b>Long term certificates of investment</b>	<b>246,924,000</b>	427,677,000
Current maturity	<u>(85,225,000)</u>	<u>(115,760,000)</u>
	<u><b>161,699,000</b></u>	<u>311,917,000</u>
<b>Short term certificates of investment</b>	<b>1,436,698,000</b>	1,339,088,000
Add: current maturity of long term certificates of investment	<u>85,225,000</u>	<u>115,760,000</u>
	<u><b>1,521,923,000</b></u>	<u>1,454,848,000</u>

The company has issued certificates of investment under permission granted by the Federal Government. These certificates of investment are for periods ranging from 3 months to 5 years and return on these certificates ranges from 5.25% to 11.9% (2005: 4% to 11%) per annum.

	2006 Rupees	2005 Rupees
<b>16. ACCRUED AND OTHER PAYABLES</b>		
<b>Accrued liabilities</b>		
Accrued expenses	<b>4,442,527</b>	4,092,966
Accrued return on certificates of investment	<b>45,807,381</b>	28,841,745
Accrued mark-up on:		
- long term finances	<b>15,644,938</b>	15,146,178
- short- term borrowing from financial institutions	<b>13,884,779</b>	5,843,149
	<b>79,779,625</b>	53,924,038
<b>Other liabilities</b>		
Rentals received in advance	<b>3,123,961</b>	6,439,212
Tax deducted at source	<b>993,631</b>	467,331
Contractors' retention money	-	105,720
Zakat payable	-	100,133
Unclaimed dividend	<b>1,208,564</b>	1,058,012
Payable on termination / maturity of leases	<b>15,446,693</b>	5,699,996
Payable in respect of undisbursed leases	<b>18,465,042</b>	38,687,754
Others	<b>4,326,798</b>	6,916,926
	<b>43,564,689</b>	59,475,084
	<u><b>123,344,314</b></u>	<u>113,399,122</u>

**17. CURRENT MATURITY OF NON- CURRENT LIABILITIES**

Current portion of:			
Long term finances	18	<b>612,500,000</b>	350,000,000
Deposits against lease	19	<b>84,493,691</b>	88,702,248
		<u><b>696,993,691</b></u>	<u>438,702,248</u>

**18. LONG TERM FINANCES**

Long term finance	18.1	<b>1,308,333,334</b>	812,500,000
Less: Current maturity shown under current liabilities	17	<b>612,500,000</b>	350,000,000
		<u><b>695,833,334</b></u>	<u>462,500,000</u>

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**18.1 Long term finance**

From Banking Companies	Repayment Period		Price	2006 Rupees	2005 Rupees
	from	to			
National Bank of Pakistan -I	Jan-05	Jul-08	*6 month KIBOR+1.5% (payable semi annually)	<b>125,000,000</b>	175,000,000
United Bank Limited	Oct-04	Apr-07	6 month KIBOR+2% (payable semi annually)	<b>100,000,000</b>	200,000,000
Allied Bank of Pakistan Limited	Nov-05	May-09	6 month KIBOR+1.25% (payable quarterly)	<b>100,000,000</b>	150,000,000
Askari Commercial Bank Limited - II	Mar-04	Dec-06	6 month KIBOR+1.5% (payable quarterly)	<b>12,500,000</b>	37,500,000
Askari Commercial Bank Limited - III	Mar-05	Mar-08	6 month KIBOR+1.5% (payable quarterly)	<b>50,000,000</b>	83,333,333
My Bank Limited	Jun-05	Jun-06	6 month KIBOR+1.4% (payable semi annually)	-	66,666,667
National Bank of Pakistan II	Sep-05	Mar-09	6 month KIBOR+1.5% (payable semi annually)	<b>75,000,000</b>	100,000,000
Standard Chartered Bank	Dec-06	Sep-08	3 month KIBOR+2% (payable semi annually)	<b>262,500,000</b>	-
First National Bank	Dec-06	Jun-08	6 month KIBOR+2.0% (payable semi annually)	<b>50,000,000</b>	-
Allied Bank of Pakistan	Jun-06	Dec-08	6 month KIBOR+2.0% (payable semi annually)	<b>166,666,667</b>	-
Bank of Punjab	Jun-06	Dec-08	6 month KIBOR+2.35% (payable semi annually)	<b>166,666,667</b>	-
<b>From related party</b>				<b>1,108,333,334</b>	812,500,000
Saudi Pak Industrial and Agricultural Company (Private) Limited	Dec-06	Jun-09	6 month KIBOR+2.0% (payable semi annually)	<b>200,000,000</b>	-
				<b><u>1,308,333,334</u></b>	<b><u>812,500,000</u></b>

\* KIBOR-Karachi Interbank Offered Rate

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

**19. DEPOSITS AGAINST LEASES**

		2006 Rupees	2005 Rupees
Security deposits on finance leases		<b>932,051,167</b>	683,669,071
Less: Current maturity shown under current liabilities	17	<b>84,493,691</b>	88,702,248
		<b><u>847,557,476</u></b>	<b><u>594,966,823</u></b>

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

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	<b>2006</b>	2005
	<b>Rupees</b>	Rupees
<b>20. DEFERRED TAX</b>		
Balance at beginning of the year	<b>48,581,968</b>	47,581,968
For the year	<b>1,000,000</b>	1,000,000
Balance at end of the year	<b><u>49,581,968</u></b>	<u>48,581,968</u>
Deferred tax has been created as under:		
<b>Taxable temporary differences</b>		
Net investment in leases	<b>1,395,775,192</b>	1,137,103,213
<b>Deductible temporary differences</b>		
Property, plant and equipment	<b>(923,981,824)</b>	(767,378,063)
Provisions	<b>(839,857)</b>	(839,857)
Unabsorbed depreciation and carry forward losses	<b>(320,092,333)</b>	(238,621,517)
Overdue rentals	<b>(101,279,210)</b>	(81,681,808)
	<b><u>(1,346,193,224)</u></b>	<u>(1,088,521,245)</u>
	<b><u>49,581,968</u></b>	<u>48,581,968</u>

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

<b>2006</b>	2005			
Number of shares				
<b>25,180,000</b>	10,000,000	Ordinary shares of Rs. 10 each fully paid in cash	<b>251,800,000</b>	100,000,000
<b>17,830,000</b>	15,300,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	<b>178,300,000</b>	153,000,000
<b><u>43,010,000</u></b>	<u>25,300,000</u>		<b><u>430,100,000</u></b>	<u>253,000,000</u>

	<b>No. of shares</b>	
	<b>2006</b>	2005
<b>21.1</b> Following is the reconciliation of number of shares:		
Number of shares at beginning of the year	<b>25,300,000</b>	22,000,000
Shares issued during the year:		
Right issue	<b>15,180,000</b>	-
Bonus issue	<b>2,530,000</b>	3,300,000
Number of shares at end of the year	<b><u>43,010,000</u></b>	<u>25,300,000</u>

**21.2** Saudi Pak Industrial & Agricultural Investment Company (Private) Limited holds 33.65% (2005: 32.65%) of the issued, subscribe and paid-up capital of the company.

**22. RESERVES**

		<b>2006</b>	2005
		<b>Rupees</b>	Rupees
<b>Capital reserve</b>			
Statutory reserve	22.1	<b>122,724,754</b>	104,136,924
Contingency reserve	22.2	<b>2,600,000</b>	2,600,000
		<b><u>125,324,754</u></b>	<u>106,736,924</u>
<b>22.1</b> Balance at beginning of the year		<b>104,136,924</b>	83,736,345
Transferred during the year		<b>18,587,830</b>	20,400,579
		<b><u>122,724,754</u></b>	<u>104,136,924</u>

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

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



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	2006 Rupees	2005 Rupees
<b>23. CONTINGENCIES AND COMMITMENTS</b>		
<b>Contingencies</b>	-	-
<b>Commitments</b>		
Commitments for lease disbursements	<u>282,521,824</u>	<u>356,513,100</u>
<b>24. INCOME FROM FINANCE LEASE OPERATIONS</b>		
Income on finance lease contracts	369,192,710	238,530,520
Document fee, front end fee and other charges	18,162,891	8,414,764
Gain on cancellation of lease contracts	3,922,282	7,030,582
Syndicate lease income	9,975,000	7,133,371
	<u>401,252,883</u>	<u>261,109,237</u>
<b>25. OTHER OPERATING INCOME</b>		
<b>Income from financial assets</b>		
Mark-up on:		
-Federal Government securities	200,541	1,726,442
-Short-term loans	65,029,997	39,561,149
Income on Term Finance Certificates	15,998,689	13,610,177
Return on placements	25.1 10,504,184	2,581,733
Return on long term loan	34,917,970	5,852,501
Income from savings accounts	945,819	2,039,204
Dividend income	22,691,828	24,634,925
Gain on sale of investments from;		
-derivates	24,287,092	44,823,042
-investments in equity securities	37,521,679	2,802,967
-investments in government securities	-	(6,757,191)
	<u>61,808,771</u>	<u>40,868,818</u>
<b>Other income</b>		
Mark-up, commission and fee income	3,667,808	6,648,884
Write back of liabilities no longer payable	2,276,349	2,354,009
Gain on sale of property, plant an equipments	5,293,730	980,476
Other	195,901	83,151
	<u>11,433,788</u>	<u>10,066,520</u>
	<u>223,531,587</u>	<u>140,941,469</u>
<b>25.1</b> Return on placements includes an amount of Rs. 199,316 (2005: Rs. 34,726) from a related party.		
<b>26. FINANCIAL AND BANK CHARGES</b>		
Mark-up on:		
-Long term loans	26.1 119,447,163	46,789,683
-Term finance certificates	-	33,251,294
-Short-term borrowings	130,088,600	36,797,175
Return on certificates of investment	155,972,461	92,966,186
Arrangement fee	3,296,900	305,000
Bank charges	1,250,861	1,603,502
Others	485,249	3,993,964
	<u>410,541,234</u>	<u>215,706,804</u>
<b>26.1</b> Markup on long term loans include markup of Rs. 576,986 (2005: Nil) on finance availed from a related party.		

**SAUDI PAK LEASING COMPANY LIMITED**  
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		2006 Rupees	2005 Rupees
<b>27. ADMINISTRATIVE, SELLING AND OTHER OPERATING EXPENSES</b>			
Salaries, allowances and benefits	27.1	43,239,400	37,588,864
Rent		1,938,633	1,635,837
Repairs and maintenance		879,247	1,182,790
Utilities		1,630,760	1,296,083
Depreciation	13	13,989,584	11,702,377
Insurance		2,018,288	988,385
Vehicle running		4,362,753	3,290,852
Printing and stationery		1,601,091	1,794,900
Telephone and postage		2,907,274	2,820,922
Traveling and conveyance		2,245,050	2,380,786
Fees and subscriptions		4,497,059	2,393,280
Legal and professional charges		2,997,122	1,025,273
Training and development		29,095	157,500
Brokerage		7,913,571	8,806,223
Advertising and entertainment		1,156,190	1,140,219
Auditors' remuneration	27.2	585,711	810,934
Donation	27.3	-	40,000
Write off of leases, loans and other receivable		-	2,669,940
Management fee		1,053,764	83,157
Miscellaneous		1,671,298	1,786,577
		<u>94,715,890</u>	<u>83,594,899</u>

27.1 Salaries, allowances and benefits include Rs. 2,589,824 (2005: Rs. 2,149,973) in respect of staff retirement benefits.

**27.2 Auditors' remuneration**

Annual audit fee	225,000	225,000
Half yearly review	80,000	80,000
Special certifications	55,000	40,000
Taxation services	200,000	435,100
Out of pocket expenses	25,711	30,834
	<u>585,711</u>	<u>810,934</u>

27.3 The donor had no interest in the donee.

**28. TAXATION**

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

**28.1 Effective tax rate reconciliation**

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

**28.2 Current status of tax assessments**

Tax assessments have been finalized upto the tax year 2005 and no appeals are pending.

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29. EARNINGS PER SHARE - BASIC AND DILUTED	2006	Restated 2005
Profit after taxation attributable to ordinary shareholders - Rupees	<b>92,939,151</b>	102,002,895
Weighted average number of ordinary shares issued and subscribed during the year	<b>36,821,511</b>	30,633,022
Earnings per share - Rupees	<b>2.52</b>	3.33

29.1 Prior period earnings per share has been adjusted to give effect of bonus element included in right shares and bonus shares issued by the company.

**30. STAFF RETIREMENT GRATUITY**

**30.1 General description**

The scheme provides for terminal benefits for all permanent employees who complete qualifying period of service with the company at varying percentages of last drawn salary. The percentage depends on the number of service years with the company.

The latest actuarial valuation of the gratuity fund was carried out as at June 30, 2006. The fair value of the fund's assets and liabilities at the latest valuation date were as follows:

30.2 Principal actuarial assumptions	2006	2005
Following principal actuarial assumptions were used for the valuation.		
	<b>% per annum</b>	<b>% per annum</b>
Discount rate	<b>9</b>	9
Expected long-term rate of increase in salary level	<b>8</b>	8
Expected long-term rate of interest	<b>9</b>	9

**30.3 Reconciliation of provision for gratuity scheme**

	Rs. in millions	Rs. in millions
Present value of defined benefit obligation	<b>3.046</b>	2.370
Less: fair value of plan assets	<b>(2.823)</b>	(2.819)
Surplus/(Deficit)	<b>0.223</b>	(0.449)
Payable to outgoing members	-	0.356
Unrecognized net actuarial gain	<b>(0.046)</b>	0.270
	<b>0.177</b>	0.177

**30.4 Gratuity asset / (liability)**

Balance at beginning of the year		-	0.178
Add: Charge for the year	30.5	<b>0.631</b>	0.448
Payments made during the year		<b>(0.631)</b>	(0.626)
Balance at end of the year		-	-

**30.5 Gratuity scheme expense**

Current service cost		<b>0.672</b>	0.572
Interest cost		<b>0.213</b>	0.141
Expected return on plan assets		<b>(0.254)</b>	(0.185)
		<b>0.631</b>	0.528
Less: actuarial gain for the year		-	(0.080)
		<b>0.631</b>	0.448

**SAUDI PAK LEASING COMPANY LIMITED**  
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**31. TRANSACTIONS WITH RELATED PARTIES**

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

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

	<b>2006</b>	2005
	<b>Rupees</b>	Rupees
Rent paid	<b>129,430</b>	508,475
Office premises purchased	<b>4,132,908</b>	-
Leases:		
lease money disbursed during the year	<b>1,279,000</b>	5,492,886
rentals received during the year	<b>20,021,462</b>	28,565,654
lease key money received during the year	<b>127,900</b>	549,289

**32. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES**

The aggregate amount charged in financial statements for remuneration including all benefits, to the Chief Executive and Executives is as follows:

	<b>Chief Executive</b>		<b>Executives</b>		<b>Total</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
				Rupees		
Managerial remuneration	<b>4,244,358</b>	2,713,462	<b>2,056,160</b>	1,993,406	<b>6,300,518</b>	5,419,968
Bonus	<b>603,750</b>	525,000	<b>310,000</b>	188,100	<b>913,750</b>	713,100
House rent, utilities etc	<b>2,316,300</b>	1,442,692	<b>1,908,232</b>	1,480,744	<b>4,224,532</b>	2,923,436
Retirement benefits	<b>641,692</b>	396,303	<b>313,186</b>	265,726	<b>954,878</b>	662,029
Leave passage	<b>112,650</b>	-	<b>103,064</b>	46,085	<b>215,714</b>	46,085
	<b>7,918,750</b>	5,077,457	<b>4,690,642</b>	3,974,061	<b>12,609,392</b>	9,764,618
Number of persons	<b>1</b>	1	<b>3</b>	3	<b>4</b>	4

Executives are provided with free use of company maintained cars.

**33. CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES**

	<b>2006</b>	2005
	<b>Rupees</b>	Rupees
Profit for the year before taxation	<b>103,939,151</b>	54,118,882
Adjustment for non-cash charges and other items:		
Depreciation - owned assets	<b>8,047,382</b>	7,916,115
Depreciation - assets under operating lease	<b>5,942,196</b>	3,786,262
Financial charges	<b>249,535,763</b>	116,258,402
Provision for potential lease losses-net	<b>32,024,846</b>	43,439,352
Amortization of transaction cost on TFCs	-	3,575,372
Dividend income	<b>(22,691,828)</b>	(24,634,925)
Unrealized loss in market value of investment	<b>2,136,153</b>	8,264,759
Gain on disposal of property, plant and equipment	<b>(5,293,730)</b>	(980,476)
	<b>269,700,782</b>	157,624,861
Profit before working capital changes	<b>373,639,933</b>	211,743,743
<b>Working capital changes</b>		
(Increase)/decrease in advances, deposits, prepayments and other receivables	<b>(22,530,567)</b>	177,402,220
(Increase)/decrease in short-term loans	<b>13,713,652</b>	(121,508,707)
	<b>(8,816,915)</b>	55,893,513
Increase in accrued and other payables	<b>1,254,250</b>	14,102,680
	<b>(7,562,665)</b>	69,996,193
Cash generated from operations after working capital changes	<b>366,077,268</b>	281,739,936

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	<b>2006</b>	2005
	<b>Rupees</b>	Rupees
<b>34. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<u><b>164,161,545</b></u>	<u>55,520,438</u>

**35. SEGMENT INFORMATION**

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

Lease operation includes leasing of moveable assets and includes finance and operating lease. Term loans and placements include secured loans for tenure ranging from 12 months to 5 years and also includes unsecured overnight short term money market placements whereas investments include securities and derivative transactions.

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

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

	<u><b>2006</b></u>				
	<u><b>Rupees</b></u>				
	<b>Lease operations</b>	<b>Term loans and placements</b>	<b>Investments</b>	<b>Others</b>	<b>Total</b>
<b>Segment revenue</b>	419,825,687	110,452,151	100,699,829	12,379,607	<b>643,357,274</b>
<b>Segment results</b>	387,800,841	110,452,151	98,563,676	12,379,607	<b>609,196,275</b>
<b>Unallocated cost</b>					
Financial and bank charges					<b>410,541,234</b>
Administrative, selling and other operating expenses					<b>94,715,890</b>
					<u><b>505,257,124</b></u>
<b>Profit before taxation</b>					<b>103,939,151</b>
Taxation					<b>11,000,000</b>
<b>Profit for the year</b>					<u><b>92,939,151</b></u>
<b>Other information</b>					
Segment assets	4,213,260,686	808,433,655	576,996,326	-	<b>5,598,690,667</b>
Unallocated assets					<b>420,968,011</b>
<b>Total assets</b>					<u><b>6,019,658,678</b></u>
Segment liabilities	969,086,863	-	-	-	<b>969,086,863</b>
Unallocated liabilities					<b>4,512,595,776</b>
<b>Total liabilities</b>					<u><b>5,481,682,639</b></u>
<b>Net assets</b>					<u><b>537,976,039</b></u>

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	2005				
	Rupees				
	Lease operations	Term loans and placements	Investments	Others	Total
<b>Segment revenue</b>	264,183,226	47,995,383	80,840,362	12,105,725	<b>405,124,696</b>
<b>Segment results</b>	220,743,874	47,995,383	72,575,603	12,105,725	<b>353,420,585</b>
<b>Unallocated cost</b>					
Financial and bank charges					215,706,804
Administrative, selling and other operating expenses					<u>83,594,899</u>
					<b>299,301,703</b>
<b>Profit before taxation</b>					54,118,882
Taxation- reversal					<u>47,884,013</u>
<b>Profit for the year</b>					<u><b>102,002,895</b></u>
<b>Other information</b>					
Segment assets	3,394,103,610	563,568,202	535,555,780	-	4,493,227,592
Unallocated assets					<u>286,354,314</u>
<b>Total assets</b>					<u><b>4,779,581,906</b></u>
Segment liabilities	734,496,033	-	-	-	734,496,033
Unallocated liabilities					<u>3,663,796,206</u>
<b>Total liabilities</b>					<u><b>4,398,292,239</b></u>
<b>Net assets</b>					<u><b>381,289,667</b></u>

**SAUDI PAK LEASING COMPANY LIMITED**  
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**36. FAIR VALUE OF FINANCIAL INSTRUMENTS**

	2006		2005	
	Rupees			
	Book value	Fair value	Book value	Fair value
<b>Assets</b>				
Cash and bank balances	164,161,545	164,161,545	55,520,438	55,520,438
Loans and fund placements	450,729,221	450,729,221	464,442,873	464,442,873
Investments	663,800,610	535,680,952	540,904,355	477,673,630
Loans and receivables	65,583,454	65,583,454	57,882,150	57,882,150
Advances, deposits and other receivables	213,983,881	213,983,881	191,618,785	191,618,785
Long term loans	430,656,657	430,656,657	111,753,937	111,753,937
Net Investment in leases	4,072,549,713	4,072,549,713	3,318,801,281	3,318,801,281
<b>Total Assets</b>	<b>6,061,465,081</b>	<b>5,933,345,423</b>	<b>4,740,923,819</b>	<b>4,677,693,094</b>
<b>Liabilities</b>				
Borrowings from financial institutions	1,380,000,000	1,380,000,000	970,000,000	970,000,000
Certificates of investment	1,683,622,000	1,683,622,000	1,766,765,000	1,766,765,000
Long term finances	1,308,333,334	1,308,333,334	812,500,000	812,500,000
Deposits on leases	932,051,167	932,051,167	683,669,071	683,669,071
Accrued and other payables	122,350,683	122,350,683	112,831,658	112,831,658
<b>Total Liabilities</b>	<b>5,426,357,184</b>	<b>5,426,357,184</b>	<b>4,345,765,729</b>	<b>4,345,765,729</b>

**37. MATURITIES OF ASSETS AND LIABILITIES**

	Total	Up to 3 months	Over 3 months to one year	Over 1 year to five years	Over 5 years
	<b>Assets</b>				
Cash and bank balances	164,161,545	164,161,545	-	-	-
Loans and fund placements	450,729,221	184,600,000	266,129,221	-	-
Investments	535,680,952	494,373,372	17,664,180	23,643,400	-
Loan and receivable	65,583,454	-	65,583,454	-	-
Advances, deposits, prepayments and other receivables	215,918,825	185,967,811	29,951,014	-	-
Long term loans	430,656,657	15,631,688	57,320,535	357,704,434	-
Net Investment in leases	4,072,549,713	1,280,181,625	1,003,355,750	1,789,012,338	-
Property, plant and equipment	84,378,311	3,549,483	10,648,460	44,280,835	25,899,533
<b>Total Assets</b>	<b>6,019,658,678</b>	<b>2,328,465,524</b>	<b>1,450,652,614</b>	<b>2,214,641,007</b>	<b>25,899,533</b>
<b>Liabilities</b>					
Borrowings from financial institutions	1,380,000,000	950,000,000	330,000,000	100,000,000	-
Certificates of investment	1,683,622,000	1,102,320,000	419,603,000	161,699,000	-
Long term finances	1,308,333,334	147,916,667	464,583,334	695,833,333	-
Long term deposits on leases	932,051,167	22,384,764	62,108,926	847,557,477	-
Accrued and other payables	123,344,314	94,279,135	29,065,179	-	-
Taxation	4,749,856	-	4,749,856	-	-
Deferred tax	49,581,968	-	-	49,581,968	-
<b>Total Liabilities</b>	<b>5,481,682,639</b>	<b>2,316,900,566</b>	<b>1,310,110,295</b>	<b>1,854,671,778</b>	<b>-</b>
<b>Net assets-2006</b>	<b>537,976,039</b>	<b>11,564,958</b>	<b>140,542,319</b>	<b>359,969,229</b>	<b>25,899,533</b>
Net assets-2005-restated	381,289,667	97,711,323	(131,338,678)	373,489,769	41,427,253

**SAUDI PAK LEASING COMPANY LIMITED**  
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**38. INTEREST RATE SENSITIVITY ANALYSIS**

The information about the company's exposure to interest rate risk as at June 30, 2006 on contractual refinancing or maturity dates whichever is earlier is as follows:

Particulars	Effective yield %	Total	Exposed to interest rate risk				Not exposed to interest rate risk
			Up to 3 months	3 months to 1 year	1 year to 5 year	Over 5 years	
<b>Rupees</b>							
<b>On-balance sheet financial instrument</b>							
<b>Assets</b>							
Cash and bank balances	0.5%-0.8%	164,161,545	127,829,207	-	-	-	36,332,338
Loans and fund placements	10% - 19%	450,729,221	184,600,000	266,129,221	-	-	-
Investments	9.5%-13%	535,680,952	6,603,901	17,664,180	23,643,400	-	487,769,471
Loans and receivables	9.5%-15%	65,583,454	40,000,000	25,583,454	-	-	-
Advances, deposits and other receivables	-	213,983,881	-	-	-	-	213,983,881
Long term loans	11.5% - 20%	430,656,657	15,631,688	57,320,535	357,704,434	-	-
Net Investment in leases	10% to 24.59%	4,072,549,713	1,280,181,625	1,003,355,750	1,789,012,338	-	-
<b>Total Financial Assets</b>		<b>5,933,345,423</b>	<b>1,654,846,421</b>	<b>1,370,053,140</b>	<b>2,170,360,172</b>	<b>-</b>	<b>738,085,690</b>
<b>Borrowings from financial institutions</b>							
Borrowings from financial institutions	9.75% - 11.7%	1,380,000,000	950,000,000	330,000,000	100,000,000	-	-
Certificates of investment	5.25% -11.9%	1,683,622,000	1,102,320,000	419,603,000	161,699,000	-	-
Long term finances	10.37% - 11.96%	1,308,333,334	147,916,667	464,583,334	695,833,333	-	-
Deposits on leases	-	932,051,167	-	-	-	-	932,051,167
Accrued and other payables	-	122,350,683	-	-	-	-	122,350,683
<b>Total Financial Liabilities</b>		<b>5,426,357,184</b>	<b>2,200,236,667</b>	<b>1,214,186,334</b>	<b>957,532,333</b>	<b>-</b>	<b>1,054,401,850</b>
<b>On balance sheet gap-2006</b>		<b>506,988,239</b>	<b>(545,390,246)</b>	<b>155,866,806</b>	<b>1,212,827,839</b>	<b>-</b>	<b>(316,316,160)</b>
<b>On balance sheet gap-2005-restated</b>		<b>331,927,365</b>	<b>(340,317,904)</b>	<b>(106,207,446)</b>	<b>971,777,421</b>	<b>-</b>	<b>(193,324,706)</b>
<b>Off balance sheet items</b>							
Commitments for lease disbursement	<b>2006</b>	<b>282,521,824</b>	<b>282,521,824</b>				
	2005	356,513,100	356,513,100				

**39. CONCENTRATION OF CREDIT RISK**

The company manages concentration of credit risk exposure through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments. An analysis of sector-wise gross exposure is as follows:

Sector	Percentage		Amount	
	2006	2005	2006 Rupees	2005 Rupees
Sugar and Allied	2.90	3.84	123,646,911	133,289,339
Cement	2.77	1.84	118,167,908	64,001,174
Energy Oils and Gas	4.84	4.93	206,078,238	171,062,112
Steel and Engineering & Auto Mobiles	9.76	8.16	415,436,702	283,349,935
Electric and Electric Goods	1.89	1.96	80,382,168	62,346,470
Transport and Communications	5.60	5.86	238,437,114	203,611,660
Chemicals / Fertilizer / Pharmaceutical	2.01	2.63	85,525,617	91,146,459
Textile	19.11	20.20	813,777,621	701,224,437
Paper and Boards	5.24	2.57	222,994,804	89,065,346
Construction	6.89	3.89	293,545,359	135,075,904
Food, Tobacco and Beverages	4.25	3.97	180,961,128	138,023,284
Glass and Ceramics	1.67	0.87	71,293,696	31,112,449
Hotels	0.59	0.96	25,009,652	33,188,168
Health Care	3.73	4.36	158,703,061	151,536,130
Dairy and Poultry	0.43	0.38	18,418,299	13,389,367
Services	8.21	9.96	349,608,911	345,876,134
Miscellaneous	16.22	17.32	690,888,779	604,344,860
Consumer	3.89	6.30	165,624,861	220,383,266
	<b>100.00</b>	<b>100.00</b>	<b>4,258,500,829</b>	<b>3,472,026,494</b>



**SAUDI PAK LEASING COMPANY LIMITED**  
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**40. RISK MANAGEMENT**

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

**40.1 Market risk**

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

**40.2 Credit risk**

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

**40.3 Liquidity risk**

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

**40.4 Cash flow interest rate risk**

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

**41. DATE OF AUTHORIZATION**

These financial statements were authorized for issue by the Board of Directors on September 12, 2006.

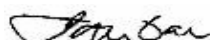
**42. APPROPRIATIONS**

The Board of Directors of the company proposed following appropriations during their meeting held on September 12, 2006.

	2006		2005	
	Rupees	Per share	Rupees	Per share
Cash dividend	64,515,000	Rs. 1.5	25,300,000	Re. 1
Issue of Bonus shares	-	-	25,300,000	Re. 1

**43. GENERAL**

Figures have been rounded-off to nearest Rupee.



**FARRUKH S. ANSARI**  
**CHIEF EXECUTIVE**



**MUHAMMAD RASHID ZAHIR**  
**CHAIRMAN**