

Contents

2		Mission and Vision Statement
3		Business Strategy
4		Company Information
6		Statement of Ethics & Business Practices
7		Notice of Annual General Meeting
8		Report of the Directors
11		Six Years Financial Summary
12		Statement of Value Added
13		Statement of Compliance With Code of Corporate Governance
15		Pattern of Shareholding of Ordinary Share Capital
17		Pattern of Shareholding of Preference Share Capital
18		Review Report to the Members on statement of compliance
19		Auditors' Report to the Members
20		Balance Sheet
21		Profit and Loss Account
22		Statement of Changes in Equity
23		Cash Flow Statement
24		Notes to the Financial Statements
		Form of Proxy

Mission

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

SLCL intends to achieve its mission by:

Enhancing value for its shareholders and lenders.

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

Developing an efficient and professionally trained human resource.

Following good and ethical business practices.

Vision

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

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

Business Strategy

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

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

1. Enhancing value for its shareholders and lenders

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

2. Providing efficient and professional services to its customers

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

3. Developing an efficient and professionally trained human resource

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

4. Following Shariah injunctions for financing activities

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

Company Information

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Fareed Khan	Chairman
M R Khan	
S.M. Nadim Shafiqullah	
M Khalid Ali	Secretary to the Committee

INVESTMENT COMMITTEE

M R Khan	Chairman
S M Nadim Shafiqullah	
M Khalid Ali	

EXECUTIVE COMMITTEE

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

HUMAN RESOURCE COMMITTEE

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

SENIOR MANAGEMENT

Mohammed Khalid Ali	Chief Executive
Ahmad Noor	Head of Marketing
Salman Hameed	Chief Financial Officer

COMPANY SECRETARY

Salman Hameed

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

BANKERS & LENDING INSTITUTIONS

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

REGISTERED & HEAD OFFICE

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

BRANCHES

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

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

SHARE REGISTRAR

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

Statement of Ethics & Business Practices

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

Notice of Annual General Meeting

Notice is hereby given that the Fourteenth Annual General Meeting of the members of Security Leasing Corporation Limited will be held on Monday, 22nd October 2007 at 10:00 am at the registered office of the Company situated at Block B, 5th floor, Lakson Square No. 3, Sarwar Shaheed Road, Karachi 74200, to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Extra-ordinary General Meeting of the Company held on March 2, 2007.
2. To receive, consider and adopt the audited accounts for the year ended 30th June 2007 and the reports of the Directors and the auditors thereon.
3. To consider and approve cash dividend for the preference shareholders for the year ended 30th June 2007.
4. To appoint auditors and fix their remuneration.
5. To transact any other business with the permission of the Chair.

Special Business:

6. To consider and pass, with or without amendment(s), resolutions as special resolutions relating to increasing the Authorised Ordinary Share Capital of the Company.

Text of the special resolution and the Statement under section 160 (1) (b) is annexed to this notice.

By Order of the Board
Salman Hameed
Company Secretary

Karachi: October 1, 2007

Notes:

1. A member entitled to attend, speak and vote at these meetings may appoint a proxy to attend, speak, and vote on his/her behalf. A proxy need not be a member. A valid instrument of proxy must be deposited at the registered office of the Company, not less than 48 hours before the time of the meeting.
2. The beneficial owners of shares recorded at Central Depository Company of Pakistan Limited (CDCPL) are required to bring their Computerized National Identity Cards and in case of institutions being the beneficial owner, notarially certified copy of the power of attorney or other authority, together with the proof of identity of such nominee, is required for admittance to the meeting of the members.
3. Members are requested to notify any change in their address to the Company Registrar M/s Noble Computer Services (Private) Limited 2nd Floor, Sohni Centre, BS 5 & 6, Federal B Area Karachi.
4. Share transfer books of the Company shall remain closed from October 16 to 22, 2007, both days inclusive.

Statement under section 160 (1) (b) of the Companies Ordinance, 1984

The present authorized ordinary share capital of the company is Rs. 500 million whereas the issued ordinary share capital is Rs. 363 million. The company may issue more ordinary shares in future and therefore the authorized capital needs to increase to Rs. 750 million. Permission from SECP would be sought to increase the authorized capital after the approval of members. The directors are interested in this resolution to the extent of their shareholding only.

SPECIAL RESOLUTION:

"RESOLVED THAT Clause V of the Memorandum of Association of the Company be and is hereby substituted with the following:

The Authorized Capital of the Company is Rs. 1,250,000,000 (Rupees One Billion Two Hundred Fifty Million) divided into 75,000,000 (Seventy Five Million) ordinary shares of Rupees Ten each and 50,000,000 (Fifty million) redeemable preference shares of Rupees Ten each. The said preference shares shall have the rights given by in the Articles of Association of the Company. The Company shall have powers to increase, reduce, or reorganize the capital of the Company and divide the shares in the capital into several classes in accordance with the provisions of the law applicable for the time being.

FURTHER RESOLVED THAT the Chief Executive Officer and Company Secretary are hereby authorized to take all steps necessary in implementing this resolution including but not limited to the regulatory approvals."

Report of the Directors

The Board of Directors has pleasure in presenting the Fourteenth Annual Report of Security Leasing Corporation Limited (the Company) together with its audited financial statements for the year ended June 30, 2007.

Financial Results

	Rupees
Profit after tax	40,257,893
Unappropriated profits brought forward	18,835,111
	59,093,004
Less: Cash dividend for the year ended June 30, 2006	24,200,000
Profit available for appropriation	34,893,004
Appropriations:	
Transfer to statutory reserves	7,900,000
Dividend for preference shareholders @ 9.10%	13,650,000
	21,550,000
Unappropriated profit carried forward	13,343,004
Earning per share - Basic and diluted	0.97

Review of Operations

The Company maintained its steady operational growth during the year and various segments of the Company's operations showed significant increase in revenues. The total revenue from leasing business continued to increase in comparison to last year. The finance lease disbursement of new leases made during the year amounted to **Rs. 2 billion**. The net investment in lease increased by 21% to Rs. 4.02 billion.

The total revenue of the Company increased by 15% to Rs. 586.8 million and the major part of which was accounted for by finance lease business. Despite continuous competition from the commercial banks and increase in the interest rates, the Company has achieved sizeable increase in leasing business with emphasis on quality clients, good assets and competitive rates. The Company has also established a new branch in Hyderabad city to tap more leasing business.

During the year, the revenues from the operating lease sector remained at almost same level of Rs. 60.31 million. All the operating leased assets were effectively deployed with various clients through out the year to achieve optimal revenues. Due to imposition of general ban on billboards advertising by the local municipal authorities, the billboards could not be properly deployed which affected the revenue stream. However, this situation would improve in coming months since the advertising industry is facing huge losses and considering the economic situation, we expect that the local authorities may lift the ban very soon.

As indicated last year also, the Company has diversified its sources of revenue to reduce heavy dependence on leasing operations and to keep a constant and steady growth in its revenues. It managed its equity portfolio in a stable and effective manner, which resulted in better returns in the form of higher dividends than last year due to investment in good companies with higher returns. However, the ongoing downward pressure on the stock prices has resulted in low contribution in the form of capital gains for the Company during the period, which adversely affected its profitability. Your directors however feel that the pressure in this regard will continue for sometime due to prevailing political uncertainty but as soon as this situation settles down, stock markets would improve and company's income from this source will show positive improvement.

The Company has continued to maintain a diversified exposure as would be seen from note 36 to the financial statements. The diversity of its lease portfolio has helped the company in lowering the risk of potential losses. As a measure of prudence however, the company will continue its standing policy to create adequate provisions for potential lease losses.

Another reason for lower profitability has been the sharp increase in the interest rates. The raising of cash reserve ratio and liquidity reserve requirement by the central bank to curtail excessive liquidity in the economy and control sharp rise in inflation have exerted upward pressure resulting in considerable increase in Kibor during the last one year. Furthermore, during the year the interest rates increased very steeply due to increased interest of commercial banks to enhance their year-end balance sheets through inter-bank money market operations on short-term basis. This increase in interest rates significantly affected the cost of borrowing of the whole financial sector, which affected your Company also.

To mitigate the effects of increasing interest cost, the Company is writing most of the new leases on floating rates linked with KIBOR. Further, the Company continues to pursue fresh financing facilities on competitive rates. During the year, your Company took the lead by issuing first Islamic Bonds - Sukuk in the financial sector of Rs. 750 million and obtained new long-term lines of credit from the commercial banks.

Right issue

During the year, the Company made a new issue of ordinary shares by issuing 50% right shares to its shareholders to strengthen its equity base and as a result the total ordinary share capital of the Company has increased to Rs. 363 million compared to Rs. 242 million last year. The total shareholders' equity stands at Rs. 570.15 million as of June 30, 2007.

Economy and Future prospects

The economy which has been showing robust growth during the past few years, experienced significant increase in inflation during the year due to higher import bill for crude oil, increased remittances from overseas Pakistanis which created excess liquidity with the banks, government's fiscal imbalance and demand & supply gap of food items. The excess liquidity of funds available with the banks coupled with rapid increase in international oil prices forced the central bank again to increase the discount rate by 50 basis points to 10.00% and to revise upward the cash reserve and statutory liquidity requirements for commercial banks subsequently which made the KIBOR to shoot above 10%.

All these factors have resulted in shrinking of revenue margins and would continue to affect contracts executed earlier. However, the Company is writing major portion of its new leases on floating rates basis linked with KIBOR and any change in borrowing costs would be reflected in the lending rates.

As indicated above the stock market also remained subdued in the major part of the last year due to June 2006 crises and continued uncertainty in the political situation. The Company did realize some capital gains during the last quarter when the market crossed 14000 mark. However, the Company did realize very handsome dividends which reflects the portfolio strength and hopefully it would help the realization of healthier capital gains when the market starts moving upward.

The Board takes the opportunity to assure Company's stakeholders that it will continue to make all out efforts to consolidate its position and to tap opportunities for sustained growth. To ensure efficient and profitable utilization of the available resources, the Company will continue to spread its exposure over a broad spectrum of clients and industries taking exposure on such borrowers only who have a proven track record of timely repayments, good profitability and strong cash flows from their existing operations. Its emphasis being on quality, the Company will continue to strive to write quality leases for quality clients. As Non Bank Finance Institution, the Company will further explore other avenues in future to expand and consolidate its operations. Directors' feel that the Company's business strategy is sound and if the current political situation settles down it would achieve the targeted growth and operating profits for the year ending June 30, 2008.

Code of Corporate Governance

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

Board of Directors

During the year, the previous board completed its tenure of 3 years in March 2007 and the same board was re-elected. Mr. M R Khan and Mr. S M Nadim Shafiqullah were appointed as the Chairman and Vice Chairman of the Board respectively. The Board also appointed Mr. M Khalid Ali as the new Chief Executive Officer of the Company.

During the year, 5 meetings of the Board of Directors were held. Detail of attendance by each member of the Board is as follows.

Directors	Meetings attended	Directors	Meetings attended
Mr. M R Khan	5	Mr. S S Hamid	5
Mr. Mohammed Khalid Ali	5	Mr. Zahid Rashid Khwaja	5
Mr. S M Nadim Shafiqullah	5	Mr. Fareed Khan	5
Mr. S Naseem Ahmad	2	Mr. S M Waleed Shafiqullah	1

Leave of absence was granted to directors who could not attend the Board meetings.

There was no trading by any director, chief executive and the chief financial officer & company secretary or their spouses and minor children.

Employees' Benefits' Fund

The value of investments of recognized employees' Provident Fund as at June 30, 2007 amounted to Rs. 15.10 million while the recognized gratuity fund was in the amount of Rs. 8.50 million.

Pattern of Shareholding

Statement showing the pattern of shareholding as at June 30, 2007 is annexed to this report.

Auditors

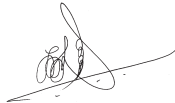
The present auditors Messrs. Anjum, Asim, Shahid, Rahman, Chartered Accountants, would retire at the forthcoming Annual General Meeting and offer themselves for reappointment at terms to be agreed by the members.

Acknowledgement

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

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

For and on behalf of the Board of Directors



M. R. Khan

Chairman

Karachi: September 12, 2007

Six years Financial Summary

Six Years Financial Summary	2007	2006	2005	2004	2003	2002
BALANCE SHEET						
Ordinary share capital outstanding	363,000,000	242,000,000	165,000,000	100,000,000	100,000,000	100,000,000
Preference share capital outstanding	150,000,000	150,000,000	150,000,000	150,000,000	50,000,000	-
Shareholders' Fund	513,000,000	392,000,000	315,000,000	250,000,000	150,000,000	100,000,000
Reserves	90,559,898	87,440,111	85,769,055	52,999,398	65,961,541	49,761,092
Unrealised loss on Investment	38,266,073	88,900,954	54,098,624	-	-	-
Networth	565,293,825	390,539,157	346,670,431	302,999,398	215,961,541	149,761,092
Surplus on revaluation of Fixed Assets	4,859,380	15,205,369	16,005,652	-	-	-
Certificates of Investment	443,447,754	910,100,000	598,100,000	260,250,000	150,100,000	-
Borrowings from Financial & Other Institutions	3,139,950,000	2,517,885,000	2,090,252,585	1,327,639,000	788,048,183	274,226,511
Lease disbursements	1,995,674,374	1,992,451,503	1,428,543,000	920,600,000	652,900,000	398,500,000
Net Investment in Leases	4,020,124,850	3,327,280,699	2,260,342,368	1,542,285,831	1,067,502,053	804,731,683
Investments/Placements	1,010,313,550	1,000,824,135	1,062,236,676	675,969,090	338,547,545	85,597,397
Term Finances	39,895,858	57,475,203	20,631,239	-	-	-
Fixed Assets	209,844,080	221,793,727	173,176,115	69,241,284	36,031,977	12,049,014
Total Current Assets	2,399,105,902	2,276,562,443	1,734,380,551	1,017,830,983	750,177,476	407,717,241
Total Assets	5,400,483,012	4,770,552,656	3,647,522,682	2,295,609,017	1,469,879,046	913,262,629
Total Current Liabilities	2,369,164,043	2,256,198,460	1,707,806,892	751,044,779	452,923,777	383,768,701
Total Liabilities	4,830,329,807	4,364,808,130	3,284,846,599	1,957,279,147	1,253,917,505	763,501,537
Total Assets to Networth (times)	9.55	12.22	10.52	7.58	6.81	6.10
PROFIT & LOSS						
Total Income	586,829,832	510,016,030	315,103,378	207,608,446	149,673,175	113,864,781
Financial & Other Charges	455,480,644	327,728,487	165,366,702	86,166,557	75,573,343	70,069,403
Admin & Operating Expenses	78,817,018	65,895,053	60,318,842	40,683,284	29,510,033	22,798,154
Provisions & Other Charges	3,675,857	1,488,000	8,752,972	27,426,910	15,717,993	4,064,365
Total Expenses	537,973,539	395,111,540	234,438,516	154,276,751	120,801,369	96,931,922
Profit Before Tax	48,856,293	114,904,490	80,664,862	53,331,695	28,871,806	16,932,859
Profit After Tax	40,257,893	108,020,773	74,280,684	50,879,720	27,127,567	15,531,816
Break-up Value (PKR)	11.11	10.35	11.51	12.12	14.40	14.98
Price per share	10.95	15.40	17.50	15.25	8.25	5.55
KEY RATIOS						
Earning per share - PKR - less preferred dividend	0.97	3.76	2.51	1.60	0.84	0.64
Revenue per share - PKR -	11.44	13.01	10.00	8.30	9.98	11.39
Profit before provisions and tax ratio	8.95%	22.82%	28.38%	38.90%	29.79%	18.44%
Profit before Tax ratio	8.33%	22.53%	25.60%	25.69%	19.29%	14.87%
Price Earning ratio (times)	11.31	4.10	6.98	9.53	9.81	8.65
Return on Capital employed market value per share	7.17%	17.89%	13.47%	13.35%	21.92%	27.99%
Income/ Expense ratio (times)	1.09	1.29	1.34	1.35	1.24	1.17
Current ratio (times)	1.01	1.01	1.02	1.36	1.66	1.06
Debt equity ratio (times)	6.56	9.11	7.98	6.46	5.81	5.10
Return on average equity	8.42%	29.31%	22.87%	19.61%	14.84%	10.89%
Return on average assets	0.79%	2.57%	2.50%	2.70%	2.28%	1.91%
Total assets turnover ratio (times)	9.20	9.35	11.58	11.06	9.82	8.02
Dividend per ordinary share	-	4.33	5.50	2.00	1.00	-
Dividend yield ratio	-	28.12%	31.43%	13.11%	12.12%	-
PAYOUT						
Cash dividend	-	10.0%	10.0%	10.0%	10%	-
Stock dividend	-	43.3%	45.0%	10.0%	-	-
Total payout	-	53.3%	55.0%	20.0%	10.0%	-

Statement of Value Added

	2007	%	2006	%
Revenues from leasing operations	440,664,044		296,391,168	
Other income	146,165,788		213,624,862	
	586,829,832		510,016,030	
Financial charges	332,909,644		223,107,345	
Direct cost of leases and others	40,425,740		33,834,233	
	373,335,384		256,941,578	
Value added	213,494,448	100	253,074,452	100
Distributed as follows				
To Employees				
As remuneration	40,860,426	19	34,681,437	14
To Government				
As income tax	8,598,400	4	6,883,717	3
To Depositors				
As profit on investments	83,084,893	39	62,300,294	25
To Shareholders				
Dividends	13,650,000	6	90,650,000	36
Retained in business				
As reserves and retained profits	27,319,787	13	17,370,773	7
As depreciation	39,980,942	19	41,188,231	16
	213,494,448	100	253,074,452	100

Statement of Compliance with Code of Corporate Governance

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


Security Leasing Corporation Limited (SLCL) has applied the principles contained in the Code in the following manner:

- 1) The company encourages representation of independent non-executive directors and directors representing minority interest on its board. At present the Board includes seven non-executive Directors and one Executive Directors i.e. Chief Executive.
- 2) The resident directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
- 3) All the directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or any NBFC.
- 4) During the year no casual vacancy was occurred in the Board.
- 5) The company has adopted a 'Statement of Ethics and Business Practices', which has been signed by all Directors and employees of the company.
- 6) The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company.
- 7) All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chairman and Chief Executive, have been taken by the Board.
- 8) The Board held five meetings during the year with at-least one in each quarter. The meetings of the Board were presided over by the elected Chairman. Written notices of the Board meetings along with the agenda were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and were timely circulated.
- 9) The Chief Financial Officer & Company Secretary was appointed last year. Future appointment, if any, on these positions including the remuneration, terms and conditions of employment, as determined by the Chief Executive, will be referred to the board for approval.
- 10) The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- 11) All financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
- 12) The Directors, CEO and the executives do not hold any interest in the shares of the company other than disclosed in the pattern of shareholding.
- 13) The company has complied with all the corporate and financial reporting requirements of the Code.
- 14) The Board has formed an Audit Committee which comprises of three members who are non-executive Directors.

- 15) The meetings of the Audit committee were held at least once in every quarter prior to the approval of interim and final results of the company and as required by the Code. The terms of reference of the Committee have been framed and approved by the Board and has been advised to the committee for compliance.

The Audit committee members also met with External Auditors without CFO and Internal Auditors as required under the Code.

- 16) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of The Institute of Chartered Accountants of Pakistan, that they or any partners of the firm, their spouses and minor children do not hold the shares of the company and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- 17) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 18) We confirm that all other material principles contained in the Code have been complied with.



M R Khan

Chairman

Karachi - September 12, 2007

Pattern of Shareholders as on June 30, 2007

SHARE HOLDING		NUMBER OF SHAREHOLDERS	TOTAL SHARES HELD	PERCENTAGE OF ISSUED CAPITAL
FROM	TO			
1	100	18	606	0.00
101	500	73	21,669	0.06
501	1,000	32	25,998	0.07
1,001	5,000	128	298,095	0.82
5,001	10,000	28	205,944	0.57
10,001	15,000	7	88,889	0.24
15,001	20,000	7	125,665	0.35
20,001	25,000	4	92,680	0.26
25,001	30,000	1	27,750	0.08
35,001	40,000	2	74,050	0.20
40,001	45,000	3	131,140	0.36
45,001	50,000	1	50,000	0.14
50,001	55,000	2	102,493	0.28
55,001	60,000	1	56,647	0.16
105,001	110,000	2	211,668	0.58
130,001	135,000	1	134,650	0.37
150,001	155,000	1	151,855	0.42
180,001	185,000	1	180,698	0.50
215,001	220,000	1	219,999	0.61
255,001	260,000	1	255,750	0.70
300,001	305,000	1	303,710	0.84
350,001	355,000	1	350,255	0.96
445,001	450,000	1	447,026	1.23
460,001	465,000	1	460,474	1.27
860,001	865,000	1	863,935	2.38
1,260,001	1,265,000	1	1,263,240	3.48
5,370,001	5,375,000	1	5,374,435	14.81
10,280,001	10,285,000	1	10,285,000	28.33
14,495,001	14,500,000	1	14,495,679	39.93
		323	36,300,000	100.00

Categories of Shareholders	Number	Shares Held	Percentage
Directors, CEO their spouse and minor children (Note 1)	9	16,154,877	44.50
Individuals	286	1,972,306	5.43
National Investment Trust/ICP	2	907,500	2.50
Investment companies	4	2,066	0.01
Banks, DFIs, NBFIs, Insurance Companies			
Modarabas & Mutual Funds	4	1,321,288	3.64
Charitable Trusts	2	256,299	0.71
Joint Stock Companies	15	5,400,664	14.88
Foreign Investors			
- Merrill, Lynch, Pierce, Fenner, Smith, Inc. USA	1	10,285,000	28.33
	323	36,300,000	100.00

Categories of Shareholders	Shares Held	Percentage
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Note 1 : Directors, CEO their Spouse and Minor Children

M. R. Khan - Chairman	350,255	0.96
S.M. Nadim Shafiqullah - Vice Chairman	14,495,679	39.93
Mrs. Rehana Nadim Shafiqullah	1,263,240	3.48
M. Khalid Ali - Chief Executive Officer	21,780	0.06
Zahid Rashid Khwaja	18,150	0.05
S.S Hamid	1,210	0.00
Fareed Khan	1,815	0.01
Syed Naseem Ahmad	1,098	0.00
S.M. Waleed Shafiqullah	1,650	0.00
	16,154,877	44.49

Note 2 : Shareholders holding ten percent or more voting interest in the Company

S.M. Nadim Shafiqullah - Vice Chairman	14,495,679	39.93
Merrill, Lynch, Pierce, Fenner, Smith, Inc. USA	10,285,000	28.33
First Pakistan Securities Limited	5,374,435	14.81
	30,155,114	83.07

Note 3 : Chief financial officer (CFO) & Company Secretary does not hold any shares.

Pattern of Shareholding of preference shares as on June 30, 2007

FROM	SHARE HOLDING TO	NUMBER OF SHAREHOLDERS	TOTAL SHARES HELD	PERCENTAGE OF ISSUED CAPITAL
1	500	2	750	0.01
501	1,000	4	3,250	0.02
1,001	5,000	3	5,100	0.03
5,001	10,000	1	9,500	0.06
195,001	200,000	1	200,000	1.33
995,001	1,000,000	1	1,000,000	6.67
2,995,001	3,000,000	1	3,000,000	20.00
10,780,001	10,785,000	1	10,781,400	71.88
		14	15,000,000	100.00

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	7	7,350	0.05
Mutual Funds	2	3,009,500	20.06
Provident Funds	1	200,000	1.33
Private Limited Companies	4	11,783,150	78.55
	14	15,000,000	100.00

Note 2 : None of the Directors, Chief Executive Officer, their spouse & minor children hold any preference shares.

Review Report to the Members on Statement of Compliance with best practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Security Leasing Corporation Limited (the company) to comply with the Listing Regulation No. 37 Chapter XI of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange respectively where the company is listed.

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

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

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2007.

Chartered Accountants



Date: September 12, 2007

Karachi:

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

Other offices: Islamabad, Lahore
Member of Grant Thornton International

Auditors' Report to the Members

We have audited the annexed balance sheet of Security Leasing Corporation Limited (the company) as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2007 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Chartered Accountants



Date: September 12, 2007
Karachi:

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

AS AT JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
ASSETS			
Current assets			
Balances with banks	4	39,109,860	103,459,982
Investments - available for sale	5	536,808,259	548,820,072
Short - term finances	6	94,048,622	35,804,018
Advances, deposits, prepayments and other receivables	7	117,191,396	159,696,314
Current portion of non-current assets	8	1,611,947,765	1,428,782,057
Total current assets		2,399,105,902	2,276,562,443
Non - current assets			
Net investment in leases	9	2,467,054,182	1,924,766,738
Deferred costs	10	1,573,878	3,061,878
Long - term deposits	11	539,400	420,700
Long - term finances	12	39,895,858	57,475,203
Long - term investments	13	282,469,712	286,471,967
Property and equipments	14	209,844,080	221,793,727
Total non - current assets		3,001,377,110	2,493,990,213
Total Assets		5,400,483,012	4,770,552,656
LIABILITIES			
Current liabilities			
Accrued and other liabilities	15	123,278,854	127,891,056
Short - term finances	16	1,052,450,000	565,450,000
Current maturity of long - term finances	17	568,750,000	549,967,000
Certificates of investment	18	440,861,287	910,100,000
Current maturity of long - term deposits	19	183,823,902	102,790,404
Total current liabilities		2,369,164,043	2,256,198,460
Non - current liabilities			
Long - term finances	17	1,518,750,000	1,402,468,000
Certificates of investment	18	2,586,467	-
Long - term deposits	19	939,829,297	706,141,670
Total non - current liabilities		2,461,165,764	2,108,609,670
Total Liabilities		4,830,329,807	4,364,808,130
NET ASSETS		570,153,205	405,744,526
REPRESENTED BY			
Share capital	20	513,000,000	392,000,000
Reserves	21	90,559,898	87,440,111
		603,559,898	479,440,111
Unrealised loss on remeasurement of available for sale investments to fair value		(38,266,073)	(88,900,954)
		565,293,825	390,539,157
Surplus on revaluation of fixed assets	22	4,859,380	15,205,369
		570,153,205	405,744,526
CONTINGENCIES AND COMMITMENTS			
	23		

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


CHAIRMAN


CHIEF EXECUTIVE

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
REVENUE			
Income from finance leases	24	380,356,939	235,206,257
Income from operating leases		60,307,105	61,184,911
Other income	25	146,165,788	213,624,862
		586,829,832	510,016,030
EXPENSES			
Administrative and operating expenses	26	78,817,018	65,895,053
Finance cost	27	415,994,537	285,407,639
Direct cost of operating leases	28	39,486,127	42,320,848
Provision for potential lease and other losses	29	2,187,857	-
Amortization of deferred costs	9	1,488,000	1,488,000
		537,973,539	395,111,540
Profit for the year before taxation		48,856,293	114,904,490
Taxation - current	30	8,598,400	6,883,717
Profit for the year		40,257,893	108,020,773
Earnings per share - basic and diluted	31	0.97	3.76

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


CHAIRMAN


CHIEF EXECUTIVE

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2007

	Share capital	Statutory reserve	Reserve for issue of bonus shares	Unrealised gain/(loss) on remeasurement of available for sale investment	Unappropriated profit	Total
	----- Rupees -----					
Balance as at June 30, 2005	315,000,000	47,000,000	-	(54,098,624)	38,769,055	346,670,431
Transferred from surplus on revaluation of fixed assets - incremental depreciation	-	-	-	-	800,283	800,283
Gain / (loss) on investments	-	-	-	(34,802,330)	-	(34,802,330)
Income/(expense) recognised directly in equity	-	-	-	(34,802,330)	800,283	(34,002,047)
Profit for the year	-	-	-	-	108,020,773	108,020,773
Total recognised income and (expense) for the year	-	-	-	(34,802,330)	108,821,056	74,018,726
Reserve for issuance of bonus shares	-	-	77,000,000	-	(77,000,000)	-
Issuance of bonus shares	77,000,000	-	(77,000,000)	-	-	-
Dividend - Preference shares-Class A @ 9.1%	-	-	-	-	(13,650,000)	(13,650,000)
Final dividend for the year ended June 30, 2005 declared subsequent to year end	-	-	-	-	(16,500,000)	(16,500,000)
Transferred to statutory reserve	-	21,605,000	-	-	(21,605,000)	-
Balance as at June 30, 2006	392,000,000	68,605,000	-	(88,900,954)	18,835,111	390,539,157
Transferred from surplus on revaluation of fixed assets - incremental depreciation	-	-	-	-	711,894	711,894
Gain / (loss) on investments	-	-	-	50,634,881	-	50,634,881
Income/(expense) recognised directly in equity	-	-	-	50,634,881	711,894	51,346,775
Profit for the year	-	-	-	-	40,257,893	40,257,893
Total recognised income and (expense) for the year	-	-	-	50,634,881	40,969,787	91,604,668
Issuance of right shares	121,000,000	-	-	-	-	121,000,000
Final dividend for the year ended June 30, 2006 declared subsequent to year end	-	-	-	-	(24,200,000)	(24,200,000)
Dividend - Preference shares-Class A @ 9.1%	-	-	-	-	(13,650,000)	(13,650,000)
Transferred to statutory reserve	-	7,900,000	-	-	(7,900,000)	-
Balance as at June 30, 2007	513,000,000	76,505,000	-	(38,266,073)	14,054,898	565,293,825

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


CHAIRMAN


CHIEF EXECUTIVE

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 Rupees	2006 Rupees
Cash flows from operating activities			
Profit before taxation		48,856,293	114,904,490
Adjustments for:			
Depreciation	14.1.3	40,692,837	41,188,231
Gain on disposal of listed securities	25	(29,294,121)	(119,311,460)
Gain on disposal of other investments	25	(400,000)	(50,000)
Gain on disposal of fixed assets	25	(18,841,371)	(521,404)
Amortization of deferred costs	10	1,488,000	1,488,000
Finance cost on leased assets		-	29,793
Finance cost	27	415,994,537	285,377,846
Provision for gratuity	15.1	1,668,000	1,668,000
Provision for potential lease and other losses	29	2,187,857	-
Operating profit before working capital changes		413,495,739	209,869,006
Changes in operating assets/liabilities:			
Net investment in leases	9	(694,344,151)	(1,065,208,489)
Advances, prepayments and other receivables	7	42,643,548	(35,368,202)
Deposits from lessees	19	314,721,125	291,844,435
Short term running finances	16	20,347,754	(125,000,000)
Accrued and other current liabilities	15	(16,748,146)	32,614,575
Financial charges paid		(402,716,194)	(264,704,649)
Gratuity paid		(2,085,000)	(5,561,600)
Taxes paid		(10,296,112)	(6,638,518)
Dividend paid		(37,704,173)	(30,103,635)
		(786,181,349)	(1,208,126,083)
Net cash flows from operating activities		(323,829,317)	(883,352,587)
Cash flows from investing activities			
Capital expenditure	14.1 & 14.2	(50,932,132)	(92,751,466)
Obligation under finance lease		-	(1,178,096)
Net (increase)/decrease in available for sale investments	5	95,943,070	227,418,474
Long term finance	12	16,784,477	(36,843,964)
Proceeds from disposal of fixed asset	14.1.4	31,796,217	3,467,027
Short term finances	6	(90,058,737)	(1,015,256)
Long term deposits	11	(118,700)	55,000
Net cash flow from investing activities		3,414,195	99,151,719
Cash flows from financing activities			
Borrowings from financial institutions	17 & 18	995,000,000	3,358,500,000
Issuance of right shares	20	121,000,000	-
Repayment to financial institutions		(859,935,000)	(2,394,064,000)
Net cash flow from financing activities		256,065,000	964,436,000
Net (decrease)/ increase in cash and cash equivalents		(64,350,122)	180,235,132
Cash and cash equivalents at beginning of the year		103,459,982	(76,775,150)
Cash and cash equivalents at end of the year	38	39,109,860	103,459,982

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


CHAIRMAN


CHIEF EXECUTIVE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

1 LEGAL STATUS AND NATURE OF BUSINESS

The company was incorporated on December 6, 1993 and commenced its operations on May 21, 1995. The company is a Non Banking Finance Company (NBFC) under NBFC Rules 2003 having leasing and housing finance licenses, however, leasing is the core business of the company. The registered office of the company is situated at 501, 5th floor, Lakson Square Building No.3, Sarwar Shaheed Road, Karachi, Pakistan. The company is listed on Karachi and Lahore Stock Exchanges.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the Standards Interpretations Committee of the IASB, 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 IASs, the requirements of the Ordinance, the Rules, the Regulations or the requirements of the said directives take precedence.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparations

These financial statements have been prepared under the historical cost convention except for those as stated in notes 3.10.1 and 3.11.1

3.2 Use of estimates

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

The areas where required assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- a) Useful lives of depreciable assets
- b) Impairment of assets
- c) Staff retirement benefits - gratuity
- d) Provision for income taxes
- e) Provision for potential lease losses

3.3 Standards, Interpretations and amendments to published approved accounting standards

Following amendments to existing standards have been published which are mandatory for the Company's accounting period beginning on or after January 01, 2006 or later periods:

- i) IAS 1 Presentation of Financial Statements effective from January 01, 2007

International Accounting Standard (IAS) 1: 'Presentation of Financial Statements' - Capital disclosure have been revised and the amendments are applicable to the financial statements of the company covering accounting periods beginning on or after January 01, 2007.

- ii) IAS 19 (Amendments) - Employees Benefits effective from January 01, 2006

- iii) IAS 39 Financial Instruments;
(Recognition and measurement - Fair Value Option) effective from January 01, 2006

Adoption of these amendments would results in an impact on the extent of disclosure presented in the future financials statements of the company.

3.4 Revenue recognition

3.4.1 Finance lease and hire purchase

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

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

3.4.2 Return on investment securities

- ▶ Front end fee, profit on bank deposits and profit on term finance certificates are accrued when due.
- ▶ Dividend income is taken into account when right to receive the dividend is established.
- ▶ Return on government securities is accounted for using effective interest rate method.
- ▶ Capital gain or loss arising on sale of 'available for sale investments' are taken to income in the period in which they arises.

3.4.3 Operating lease

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

3.5 Deferred costs and amortization

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

3.6 Loans and finances

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

3.7 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments they are not quoted in an active market other than (a) those that the company intends to sale 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 than 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 amortised cost using the effective interest rate method. Gains/losses arising on remeasurement of loans and receivables are taken to the profit and loss account.

Gain or loss is also recognised in profit and loss account when loans and receivables are derecognised or impaired, and through the amortisation process.

3.8 Provision for potential lease and other losses

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

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

3.9 Net investment in lease finance

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

3.10 Investments

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

3.10.1 Available for sale

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

3.10.2 Held to maturity

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

3.11 Property and equipments

3.11.1 Operating assets

Operating lease and owned assets are stated at cost less accumulated depreciation and impairment, if any, except for office premises which are carried at revalued amount less accumulated depreciation. Depreciation is charged applying the straight line method at the rates specified in note 14. In respect of additions during the year, depreciation is charged from the month of acquisition. No depreciation is charged in the month of disposal.

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

3.11.2 Capital work - in - progress

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

3.12 Compensated absences

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

3.13 Staff retirement benefits

The Company operates

- a) an approved contributory provident fund for all its permanent employees. Equal monthly contributions are made to the fund in accordance with the laid down policy of the company; and
- b) an approved funded gratuity scheme for all eligible employee. Employees eligible are those who have completed minimum qualifying period of service as per laid down rules. Contributions are made monthly to this scheme on the basis of actuarial recommendations. Last actuarial valuations was carried out as at June 30, 2006 and contributions are made at the rates recommended by the actuary. Actuarial gains / losses exceeding 10 % of the higher of projected benefit obligation and fair value of the plan assets are amortised over average future services of the employees. The significant actuarial assumptions are stated in note 15.1.

3.14 Foreign currency translations

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

3.15 Off-setting

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

3.16 Taxation

Current

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

Deferred

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

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

3.17 Related parties transactions

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

3.18 Provisions

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

3.19 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated and impairment losses are recognized in the profit and loss account. Reversal of impairment loss if any is restricted to the original cost of assets.

3.20 Cash and cash equivalents

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

3.21 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in Pakistani Rupees, which the company's functional and presentation currency.

4 BALANCES WITH BANKS

	Note	2007 Rupees	2006 Rupees
Balance with State Bank of Pakistan in current account		86,339	69,853
Balances with other banks in current accounts		39,023,521	103,390,129
		39,109,860	103,459,982

	Note	2007 Rupees	2006 Rupees
5 INVESTMENTS - Available for sale			
5.1 Listed securities			
Term finance certificates		20,742,742	93,156,718
Closed end mutual funds		77,892,393	68,025,062
Equity investments		396,669,582	420,969,051
		495,304,717	582,150,831
5.2 Open end mutual funds		25,400,000	15,000,000
5.3 Unlisted securities			
Term finance certificates		25,769,615	31,970,195
Ordinary shares		20,000,000	-
		45,769,615	31,970,195
5.4 Membership cards		8,600,000	8,600,000
Carrying value		575,074,332	637,721,026
Unrealised loss on remeasurement to fair value		(38,266,073)	(88,900,954)
Fair market value		536,808,259	548,820,072
6 SHORT TERM FINANCES - Secured			
Short term placements	6.1	79,000,000	25,000,000
Morabaha finance	6.2	15,048,622	10,804,018
		94,048,622	35,804,018
6.1	This represents finances provided under mark-up arrangements to various customers. The rate of return on these facilities ranges from 9.90% to 17.00 % per annum (2006: 13%). This finances is repayable between July 7, 2007 and March 31, 2008. These finances are secured against charge on certain fixed assets.		
6.2	This represents finance provided under morabaha facility to various customers. The rates of return on these facilities ranges from 16.60% to 17.10% (2006: 11.59% to 17%) per annum linked with six months KIBOR ASK side applicable at that date. This finance is repayable between March 22, 2008 and May 31, 2010. These finances are secured against mortgage of property.		
7 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - considered good			
- executives	7.1	999,452	970,812
- other employees		825,640	396,038
		1,825,092	1,366,850
Advance against leases - unsecured	7.2	49,459,360	81,843,204
Advance for purchase of shares-unsecured		-	25,000,000
Advance to suppliers		1,129,440	3,347,480
Advance to financial institution	7.3	17,250,000	25,500,000
Prepayments		14,244,909	4,432,347
Advance taxation		826,487	-
Accrued return on investments		17,417,188	8,829,015
Operating lease rentals receivable		6,285,175	3,846,328
Other receivables	7.4	11,171,444	7,260,932
Less: provision for doubtful receivables	29	2,417,699	1,729,842
		8,753,745	5,531,090
		117,191,396	159,696,314

7.1 Maximum aggregate amount due from the executives at the end of any month during the year was Rs.890,456 (2006: Rs.1,137,896).

7.2 This represents advances given to suppliers on behalf of lessees in respect of assets to be leased. Lessees are being charged with rate of mark-up ranging from 14.90 % to 20 % per annum (2006: 13 % to 20 %) against such advances.

7.3 This represent amount paid to a financial institution for underwriting fifteen memberships of a DHA Country & Golf Club.

7.4 This includes receivable from an associated company Rs. 141,550 (2006: Rs.126,550).

8 CURRENT PORTION OF NON - CURRENT ASSETS

	Note	2007 Rupees	2006 Rupees
Current portion of:			
Net investments in leases	9	1,553,070,668	1,402,513,961
House loan	12.1 & 12.2	967,358	171,170
Long term finance	12.3	4,999,999	5,000,000
Musharika arrangements-secured	12.4	52,909,740	21,096,926
		1,611,947,765	1,428,782,057

9 NET INVESTMENT IN LEASES

Minimum lease rentals receivable	9.1	3,453,003,300	2,978,035,068
Add: Residual value of leased assets		1,125,141,365	816,190,389
Gross investments in leases		4,578,144,665	3,794,225,457
Less: Unearned income		508,749,657	419,174,600
Less: Provision for potential lease losses	29	49,270,158	47,770,158
		558,019,815	466,944,758
Net investment in leases		4,020,124,850	3,327,280,699
Less: current portion of net investment in leases		1,553,070,668	1,402,513,961
		2,467,054,182	1,924,766,738

9.1 Minimum lease rentals receivable

Less than one year		1,631,146,454	1,316,389,444
More than one year and less than five years		1,821,856,846	1,661,645,624
		3,453,003,300	2,978,035,068

9.2 Net investment in leases

Less than one year		1,553,070,668	1,402,513,961
More than one year and less than five years		2,467,054,182	1,924,766,738
		4,020,124,850	3,327,280,699

9.3 These investment carry mark-up rates ranging from 8.5 % to 26 % (2006: 8.5 % to 26 %) per annum.

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

10 DEFERRED COSTS

Term finance certificates - privately placed	10.1	467,100	1,031,100
Preference shares - Class A	10.2	816,778	1,305,778
Loan arrangement expenses	10.3	290,000	725,000
		1,573,878	3,061,878

10.1 Term finance certificates - privately placed

Trustee fee		150,000	150,000
Arrangement fee		1,500,000	1,500,000
Legal & professional charges		150,000	150,000
Stamp duty		450,000	450,000
		2,250,000	2,250,000
Less: Amortisation to-date		1,782,900	1,218,900
		467,100	1,031,100

	Note	2007 Rupees	2006 Rupees
10.2 Preference shares - Class A			
Capital enhancement fee		375,200	375,200
Advisory fee		750,000	750,000
Underwriting commission		1,500,000	1,500,000
Legal fee		40,000	40,000
Share issue expenses		181,742	181,742
Listing fee		255,536	255,536
		3,102,478	3,102,478
Less: Amortisation to-date		2,285,700	1,796,700
		816,778	1,305,778
10.3 Loan arrangement expenses			
Arrangement fee		1,500,000	1,500,000
Less: Amortisation to-date		1,210,000	775,000
		290,000	725,000
11 LONG TERM DEPOSITS			
Deposits - others		539,400	420,700
12 LONG TERM FINANCE-secured			
House loan to staff	12.1 & 12.2	18,074,516	2,915,255
Less: current portion	8	967,358	171,170
		17,107,158	2,744,085
Term finances	12.3	4,999,999	10,000,000
Less: current portion	8	4,999,999	5,000,000
		-	5,000,000
Musharika finances	12.4	75,698,440	70,828,044
Less: current portion	8	52,909,740	21,096,926
		22,788,700	49,731,118
		39,895,858	57,475,203
12.1	This represents house loans given to employees for purchase, construction and renovation purposes. The loan is repayable in 20 years and carries a variable mark-up rate based on average cost of funds of the Company. The loan is secured by way of equitable mortgage and title documents are kept by the company.		
12.2	This includes housing loan of Rs.15.235 million (2006:nil) availed by the Chief Executive Officer repayable in eleven years. The company has, after the balance sheet date, applied for specific permission from Securities & Exchange Commission of Pakistan (SECP). Pending such permission, the entire amount of loan has been settled.		
12.3	This represents term finance facility provided to customer on mark-up basis, in the normal course of business. The mark-up on this finance is linked with 6 months KIBOR plus 5.85% (2006: KIBOR plus 5.85%). The repayment of this facility will be made in quarterly equal installments with a grace period of 3 months, during which only mark-up will be received. The balance of principal amount is receivable by February 27, 2008. These finances are secured by way of first pari-passu charge over the fixed assets.		
12.4	This represents financing under musharika facility to various customers. The rate of return on these facilities ranges from 14.32 % to 15.90% (2006: 13.45 % to 17.42 %). The repayment of these facilities is due between September 20, 2007 and October 14, 2010. These are secured by way of equitable mortgage on properties, pledge of shares and charge over certain fixed assets.		
13 LONG TERM INVESTMENTS-held to maturity			
	No. of Units 2007	No. of Units 2006	
			2007 Rupees
			2006 Rupees
Pakistan Investment Bonds (PIB's)	5	5	282,469,712
			286,471,967

These comprises Pakistan Investment Bonds (PIB's) which will mature in the year 2012 and 2013. PIB's amounting to Rs 250 million are given as collateral by the Company to different commercial banks against short term finance facilities (refer note 16.3). The coupon payment is receivable semi-annually at the rates ranging from 8% to 11% (2006: 8% to 11%) per annum.

14 PROPERTY AND EQUIPMENTS

	Note	2007 Rupees	2006 Rupees
Operating assets	14.1	208,905,373	221,793,727
Capital work in progress	14.2	938,707	-
		209,844,080	221,793,727

14.1 OPERATING ASSETS

Description	Cost / Revalued amounts			Depreciation			Written down value as at June 30, 2007	Depreciation rate in %
	As at July 1, 2006	Additions (deletions) during the year	As at June 30, 2007	As at July 1, 2006	Charge for the year/ (transfers/ disposals)	As at June 30, 2007		
OWNED								
Office premises	94,265,523	-	76,352,617	9,119,718	4,564,001	8,357,979	67,994,638	5
		(17,912,906)			(5,325,740)			
Leasehold improvements	3,782,542	10,926,620	11,772,945	2,426,844	418,112	358,743	11,414,202	15
		(2,936,217)			(2,486,213)			
Furniture and fixtures	5,483,510	3,801,457	5,916,015	3,306,435	869,758	1,361,115	4,554,900	20
		(3,368,952)			(2,815,078)			
Office equipment	2,185,692	1,090,673	2,298,219	1,709,817	325,097	1,081,359	1,216,860	36
		(978,146)			(953,555)			
Computer equipment	4,068,190	1,569,945	4,426,128	2,966,759	856,363	2,611,136	1,814,992	36
		(1,212,007)			(1,211,986)			
Generator and air conditioners	1,660,397	3,462,800	3,724,820	1,243,779	181,525	197,803	3,527,017	20
		(1,398,377)			(1,227,501)			
Vehicles	17,959,390	14,303,875	25,022,015	6,150,720	6,576,503	8,808,350	16,213,665	24-30
		(7,241,250)			(3,918,873)			
LEASED								
Vehicles	604,000	-	-	543,601	-	-	-	24
		(604,000)			(543,601)			
	31,961,179	35,155,370	129,512,759	27,467,673	13,791,359	22,776,485	106,736,274	
		(35,651,855)			(18,482,547)			
OPERATING LEASED ASSETS								
Generators	57,985,800	6,335,000	59,956,800	15,781,488	6,909,720	20,888,471	39,068,329	10-25
		(4,364,000)			(1,802,737)			
Machinery	5,400,000	-	5,400,000	1,924,990	540,000	2,464,990	2,935,010	10
Commercial vehicles	32,540,178	364,900	32,905,078	7,532,959	4,443,714	11,976,673	20,928,405	10-20
Motor vehicles	24,945,426	4,992,475	22,520,301	8,745,910	4,773,058	8,559,741	13,960,560	15-20
		(7,417,600)			(4,959,227)			
Furniture & fixtures	16,110,000	2,500,000	18,610,000	5,814,333	3,638,670	9,453,003	9,156,997	20
Equipment	30,991,549	645,680	31,637,229	8,921,115	6,596,316	15,517,431	16,119,798	20-30
	167,972,953	14,838,055	171,029,408	48,720,795	26,901,478	68,860,309	102,169,099	
		(11,781,600)			(6,761,964)			
June 30, 2007	200,538,132	49,993,425	300,542,167	76,188,468	40,692,837	91,636,794	208,905,373	
		(47,433,455)			(25,244,511)			
June 30, 2006	215,697,361	92,751,466	297,982,197	42,521,246	41,188,231	76,188,470	221,793,727	
		(10,466,630)			(7,521,007)			

14.1.1 Office premises revalued by an independent valuer, Messer Joseph Lobo (Pvt.) Limited at the year ended 2005. The revaluation resulted in surplus of Rs. 16,005,652. During the year, the incremental depreciation Rs. 711,894 on revalued premises has been charged against the surplus account. Had the revaluation been not carried out the original written down value would be Rs.3,655,179.

14.1.2 During the year, the company has reviewed useful life of its assets and as a result depreciation rates has been revised for operating leased assets. The change in the accounting estimate has been accounted for prospectively in accordance with the treatment specified in International Accounting Standard 8, "Accounting Policies, Change in Accounting Estimates and Errors". Had there been no change, depreciation charge for the year would have been higher by Rs. 4,350,551 whereas profit for the year would have been lower by the same amount. In subsequent years depreciation charge would be increased and book value would be decreased by respective percentages of written down value for each year till the asset is completely depreciated.

The revised depreciation rates are summarized as follows

	2007 %	2006 %
Generator	10-25	15-25
Machinery	10	15-25
Commercial vehicle	10-20	15-20

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

	Note	2007 Rupees	2006 Rupees
Administrative and operating expenses	26	13,791,359	11,826,811
Cost of operating leases	28	26,901,478	29,361,420
		40,692,837	41,188,231

14.1.4 Disposal of assets

Description	Cost	Book value	Sale proceeds	Gain / (Loss) on disposal	Mode of disposal	Particulars of buyers
Daihatsu Cuore	435,000	97,140	97,140	-	Terms of Employment	Aftab Ahmed
Suzuki Cultus	620,000	511,500	511,500	-	Terms of Employment	Aftab Ahmed
Toyota Corolla	975,000	214,500	214,500	-	Terms of Employment	Ahmed Noor
Honda Accord	4,600,000	996,659	1,240,000	243,341	Finance lease	Amin Yousuf
Generator	568,000	220,093	444,933	224,840	Negotiation	APL Co. (Pvt) Ltd.
Daihatsu Cuore	435,000	115,260	115,260	-	Terms of Employment	Arslan Subzwari
Suzuki Cultus	609,000	158,340	158,340	-	Terms of Employment	Asim Ilyas
Suzuki Cultus	609,000	411,075	411,075	-	Terms of Employment	Farhan Khurshid
Suzuki Cultus	657,475	510,604	550,000	39,396	Negotiation	Haji Sons
Generators	1,896,000	1,027,000	1,048,894	21,894	Negotiation	International Power Service
Generator	1,900,000	1,314,170	1,051,106	(263,064)	Negotiation	International Power Service
Furniture & fixture	456,516	131,619	131,619	-	Terms of Employment	M.R.Khan
Suzuki Cultus	567,600	434,214	510,000	75,786	Negotiation	Perfect transport Network
Toyota Hilux	2,250,000	1,027,500	1,550,000	522,500	Insurance claim	PICIC Insurance Co. Ltd.
Furniture & fixture	125,000	58,333	58,333	-	Terms of Employment	Razi Aziz
Toyota Corolla	980,825	411,932	411,932	-	Terms of Employment	Razi Aziz
Toyota Corolla	975,000	431,190	431,190	-	Terms of Employment	Salman Hameed
Generator	1,336,877	135,001	2,091,309	1,956,308	Negotiation	Saudi Pak Leasing Co. Ltd.
Furniture & fixture	2,228,775	293,883	3,486,527	3,192,644	Negotiation	Saudi Pak Leasing Co. Ltd.
Lease hold improvement	2,936,217	450,004	4,519,143	4,069,139	Negotiation	Saudi Pak Leasing Co. Ltd.
Lease hold Property	7,306,560	2,953,068	11,429,829	8,476,761	Negotiation	Saudi Pak Leasing Co. Ltd.
Daihatsu Cuore	445,000	222,500	222,500	-	Terms of Employment	Taqi Lakhani
Daihatsu Cuore	499,950	237,471	237,471	-	Terms of Employment	Waheed Ullah Nasri

14.2 Capital work in progress

	Note	2007 Rupees	2006 Rupees
Electrical equipments		832,383	-
Civil works		106,324	-
		938,707	-

	Note	2007 Rupees	2006 Rupees
15 ACCRUED AND OTHER LIABILITIES			
Accrued liabilities		822,261	650,024
Accrued mark-up on secured loans		46,464,135	37,412,996
Accrued markup on unsecured loans		17,938,907	13,711,703
Advance against leases		39,644,450	55,668,226
Unclaimed dividend		808,204	662,377
Payable to gratuity Fund		-	417,000
Accrued employees benefits	15.1	184,600	479,209
Provision for taxation		-	871,225
Other liabilities		3,766,296	4,368,296
Dividend accrued on preference shares	20.2	13,650,000	13,650,000
		123,278,854	127,891,056

15.1 STAFF RETIREMENT BENEFITS

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

The obligations under the scheme were determined through an actuarial valuation using Projected Unit Credit method. Last actuarial valuations was carried out as at June 30, 2006, the significant assumptions of the valuation used by the management for determining their best estimate for the current year are as follows:

- Discount rate 10 % (2006: 10 %) per annum.
- Expected rate of increase in salaries 10 % (2006: 10 %) per annum.
- Expected rate of return on investment 10 % (2006: 7 %) per annum.

The amounts recognized in balance sheet are as follows:

Present value of defined benefit obligation		7,329,000	7,329,000
Fair value of plan assets		(8,578,259)	(6,155,000)
		(1,249,259)	1,174,000
Unrecognized actuarial Gain/(losses)		1,462,259	(438,000)
Transitional liability not yet recognised		(213,000)	(319,000)
		-	417,000

Movement in liability is as follows:

Opening balance		417,000	4,310,600
Expense recognised during the year		1,668,000	1,668,000
Contributions made during the year		(2,085,000)	(5,561,600)
Closing balance		-	417,000

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

Current service cost		950,000	950,000
Interest cost		759,000	759,000
Expected return on plan assets		(147,000)	(147,000)
Recognised transitional liability		106,000	106,000
		1,668,000	1,668,000

Actual return on plan assets		678,939	358,403
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16 SHORT TERM FINANCES

Musharika arrangement	16.1	450,000	450,000
Short term facilities - unsecured	16.2	802,000,000	315,000,000
Facility against repurchase agreement - secured	16.3	250,000,000	250,000,000
		1,052,450,000	565,450,000

16.1 This represents financing arrangements and carry mark up rate of 10% (2006: 4.5%) per annum The facility is repayable on demand.

16.2 This represents finances obtained under mark-up arrangements and carry mark-up rate ranging from 9.25 % to 10.75% (2006: 8.85% to 9.25%) per annum. These finances are repayable between July 7, 2007 and September 21, 2007.

16.3 This represents borrowing from commercial banks and financial institutions under repo-arrangements against Pakistan Investment Bonds of Rs. 250 million. These facilities carry mark-up ranging from 9.30 % to 9.65% (2006: 9% to 10.75%) per annum. These are repayable between July 16, 2007 and July 26, 2007.

17 LONG TERM FINANCES

	Note	2007 Rupees	2006 Rupees
Payable within one year			
Long term loans	17.1	293,750,000	319,999,000
Term finance certificates	17.2	275,000,000	229,968,000
		568,750,000	549,967,000
Payable between one to five years			
Long term loans	17.1	393,750,000	672,500,000
Term finance certificates	17.2	1,125,000,000	729,968,000
		1,518,750,000	1,402,468,000
17.1 Long term loans			
	Repayment commencement date	Mode of repayment	
Term finance	17.1.1		
National Bank of Pakistan	24-Sep-03	16 quarterly installments	-
National Bank of Pakistan	02-Dec-06	5 half yearly installments	180,000,000
Muslim Commercial bank Ltd	18-Dec-05	4 half yearly installments	-
Muslim Commercial bank Ltd	18-Feb-06	4 half yearly installments	12,500,000
The Bank of Punjab	07-Jul-05	20 quarterly installments	-
The Bank of Punjab	26-Jun-06	20 quarterly installments	-
Allied Bank Limited	29-Dec-06	8 half yearly installments	445,000,000
			637,500,000
Morabaha Finance	17.1.1		
Faysal Bank Ltd	15-Oct-06	6 half yearly installments	-
Faysal Bank Ltd	13-Nov-06	6 half yearly installments	-
Meezan Bank Ltd	11-Oct-07	Lump sum on maturity	50,000,000
			50,000,000
			687,500,000
Payable with in one year		293,750,000	319,999,000
Payable between one to five years		393,750,000	672,500,000
		687,500,000	992,499,000
17.2 Term finance certificates			
Privately placed term finance certificates	17.2.1	150,000,000	300,000,000
Privately placed term finance certificates (2nd Issue)	17.2.2	-	159,936,000
Privately placed term finance certificates (3rd Issue)	17.2.3	500,000,000	500,000,000
Privately placed SUKUK	17.2.4	750,000,000	-
		1,400,000,000	959,936,000
Payable with in one year		275,000,000	229,968,000
Payable between one to five years		1,125,000,000	729,968,000
		1,400,000,000	959,936,000

17.1.1 These facilities are secured by first charge on certain specific assets leased out and related lease rentals receivable. Mark-up rates on these facilities range from 8.25% to 12.54% (2006: 8.25 % to 12 %).

17.2.1 These represent privately placed Term Finance Certificates (PPTFCs) issued by the Company to financial institutions in April 2004 amounting to Rs. 300 million. Profit on these PPTFCs is payable on semi-annual basis at an expected rate of 10.46% (2006: 10.46%) calculated on the basis of 6 months KIBOR. TFCs are redeemable in 4 years including 2 years grace period and are secured by a first charge on certain specific assets leased out and related lease rentals receivable. The Company can exercise call option after the expiry of 18 months from the issue date by giving 60 days notice for the same.

17.2.2 These represent privately placed Term Finance Certificates (PPTFCs) issued by the Company to financial institutions in June 2005 amounting to Rs. 200 million. The Company had exercised call option at the expiry of 12 months and repaid the full outstanding amount on June 24, 2007.

17.2.3 These represent privately placed Term Finance Certificates (PPTFCs) issued by the Company to financial institutions in March 2006 amounting to Rs. 500 million. Profit on these PPTFCs is payable on half yearly basis at an expected rate of 12.60% calculated on the basis of 6 months KIBOR. TFCs are redeemable in 5 years including one year grace period and are secured by a first charge on certain specific assets leased out and related lease rentals receivable.

17.2.4 These represent privately placed SUKUK (Islamic Term Finance Certificates) issued by the Company to financial institutions in June 2007 amounting to Rs.750 million. Transfer of certificate to the investor has been made on July 3, 2007. Profit on these SUKUK is payable on half yearly basis at an expected rate of 12.10% calculated on the basis of 6 months KIBOR. SUKUK are redeemable in 5 years including one year grace period and are secured by a first charge on certain specific assets leased out and related lease rentals receivable.

18 CERTIFICATE OF INVESTMENTS

	Note	2007 Rupees	2006 Rupees
- from commercial banks	18.1	275,000,000	695,000,000
- from other financial institutions	18.1	125,000,000	175,000,000
- others	18.1	43,447,754	40,100,000
		443,447,754	910,100,000
Payable within one year		440,861,287	910,100,000
Payable between one to five years		2,586,467	-
		443,447,754	910,100,000

18.1 These represents deposits on profit and loss sharing basis under the scheme of certificates of investment introduced with the permission of the Securities and Exchange Commission of Pakistan. These are repayable between July 3, 2007 and May 10, 2010. These arrangements carry mark-up between 10.15 % and 12.0 % per annum (2006: 9 % to 10.9 %).

19 LONG TERM DEPOSITS

Security deposits on leases	19.1	1,123,653,199	808,932,074
Payable/adjustable within one year		183,823,902	102,790,404
Payable/adjustable between one to five years		939,829,297	706,141,670
		1,123,653,199	808,932,074

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

	Note	2007 Rupees	2006 Rupees
20 SHARE CAPITAL & RESERVES			
Authorised capital			
50,000,000 (2006: 50,000,000) ordinary shares of Rs. 10 each		500,000,000	500,000,000
50,000,000 (2006: 50,000,000) preference shares of Rs. 10 each		500,000,000	500,000,000
		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up share capital	20.1		
22,100,000 (2006: 10,000,000) ordinary shares of Rs. 10 each fully paid in cash		221,000,000	100,000,000
14,200,000 (2006: 14,200,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares		142,000,000	142,000,000
15,000,000 preference shares-Class A of Rs. 10 each fully paid in cash	20.2	150,000,000	150,000,000
		513,000,000	392,000,000
20.1 Reconciliation of issued, subscribed and paid-up shares			
Number of the shares at beginning of the year		39,200,000	39,200,000
Issued during the year	20.1.1	12,100,000	-
Number of the shares at end of the year		51,300,000	39,200,000
20.1.1 The company has raised ordinary share capital of Rs. 121 million through issue of 50% right shares in March 2007.			
20.2 The company raised additional equity of Rs. 150 million through right issue of 15 million non-convertible and non-cumulative Preference Shares - Class A of Rs. 10 each in September 2003. These Preference Shares carry preferred right to dividend computed @ 35% of profit after tax and statutory reserves subject to a maximum profit of Rs. 40 million. The Preference shareholders have the right to exercise the redemption option after a period of 45 months of the date of issue by giving three months written notice to the Company. The redemption would be made in four equal annual tranches. The Company has the option to redeem these shares after 12 months from the date of the issue.			
21 RESERVES			
Capital Reserve			
Statutory reserves	21.1	76,505,000	68,605,000
Revenue Reserve			
Unappropriated profit		14,054,898	18,835,111
		90,559,898	87,440,111
21.1 Balance at beginning of the year		68,605,000	47,000,000
Transferred during the year		7,900,000	21,605,000
		76,505,000	68,605,000

This represents profit set aside as required under Regulation No. 2 of Part III of the Prudential Regulations for Non-Banking Finance Companies Undertaking the Business of Leasing Only.

	Note	2007 Rupees	2006 Rupees
22 SURPLUS ON REVALUATION OF FIXED ASSETS			
Balance as at June 30		4,859,380	15,205,372
<p>This represents surplus over book values resulting from revaluation of leasehold-office premises carried out by Joseph Lobo (Private) Limited as at June 30, 2005. The revaluation conducted is on the basis of prevailing market prices. The surplus has been worked out as follows:</p>			
Revalued amount		23,725,500	23,725,500
Cost		12,126,560	12,126,560
Accumulated depreciation		4,406,712	4,406,712
Book value		7,719,848	7,719,848
Surplus		16,005,652	16,005,652
Surplus realised on assets disposed off		(9,634,098)	-
Incremental depreciation charged		(1,512,174)	(800,280)
		4,859,380	15,205,372
23 CONTINGENCIES & COMMITMENTS			
23.1 Commitments for lease disbursements		44,541,046	225,096,828
23.2 Contingencies			
Taxation			
<p>Assessments have been finalized upto the tax year 2003. Returns for tax years 2004 and 2005 are deemed to be assessment orders passed by the Commissioner of Income Tax under section 120 of Income Tax Ordinance, 2001. For tax year 2003 an appeal has been filed with ITAT in respect of certain disallowances maintained by the CIT (Appeals) which is pending. The department has also filed an appeal in respect of disallowances and deletions by the CIT (Appeals). The management is confident that disallowance shall be given in favour of the company. The possible financial impact of the above can not be ascertained at this stage.</p>			
24 INCOME FROM FINANCE LEASE			
Income from finance lease contracts		377,283,789	230,141,290
Hire purchase contracts		1,440,640	2,631,301
Front end fee & additional lease rentals		1,632,510	2,433,666
		380,356,939	235,206,257
25 OTHER OPERATING INCOME			
Financial assets			
Profit from banks under cash management scheme		5,386	5,052
Mark-up on term finance certificates		11,763,336	15,903,995
Mark-up on government securities		17,497,745	17,736,659
Mark-up on musharika		10,916,225	6,458,071
Mark-up on house finance		2,351,715	287,677
Profit on Morabaha		1,860,007	309,823
Profit on long term advances		1,561,488	5,540,355
Profit on placements		6,391,776	3,450,650
Gain on disposal of available for sale investments		29,294,121	119,311,460
Dividend income		41,015,526	38,431,963
		122,657,325	207,435,705
Other than financial assets			
Fees, commissions and other charges		4,267,092	5,617,753
Gain on disposal of other investments		400,000	50,000
Gain on disposal of fixed assets		18,841,371	521,404
		23,508,463	6,189,157
		146,165,788	213,624,862

	Note	2007 Rupees	2006 Rupees
26 ADMINISTRATIVE AND OPERATING EXPENSES			
Directors' fee	26.1	419,000	227,500
Salaries, allowances and benefits	26.2 & 26.5	40,860,426	34,681,437
Gratuity	15.1	1,668,000	1,668,000
Staff training and development		505,284	247,300
Telephone and fax		1,645,257	1,322,818
Postage and courier		132,583	78,170
Electricity		1,429,201	826,283
Office maintenance		1,390,244	1,382,947
Software maintenance		185,871	166,295
Security guards charges		156,000	150,016
Insurance		449,560	168,831
Business promotion expenses		1,364,250	1,260,595
Canteen expenses		280,069	325,425
Vehicle running expenses		6,149,246	4,521,047
Vehicle insurance		753,878	758,327
Traveling and conveyance		1,354,702	850,359
Advertisement expenses		486,586	367,948
Printing and stationery		1,213,791	1,086,031
Central depository charges		30,043	350,603
Subscriptions and listing fees		862,456	677,578
Legal and professional charges		2,206,621	1,619,766
Auditors' remunerations	26.3	452,275	273,454
Statutory filing fees		103,180	127,140
Credit rating charges		358,000	345,960
Depreciation	14.1.3	13,791,359	11,826,811
Rent, rates and taxes		462,736	319,467
Donations	26.4	-	230,000
Miscellaneous		106,400	34,945
		78,817,018	65,895,053

26.1 Directors' fee

This includes amount of Rs.283,000 (2006: Rs.120,000) remuneration paid to the non-executive directors of the company for attending the meetings of executives, audit committee and board of directors.

26.2 Remuneration of chief executive and executives

	2007		2006	
	Chief Executive	Executives	Chief Executive	Executives
Managerial remuneration	2,504,000	7,460,400	1,020,000	9,537,768
Housing and utilities	1,406,470	4,103,220	493,040	4,644,677
Medical and other perquisites	151,368	355,288	200,608	1,623,946
Provident fund contribution	182,400	746,040	-	844,487
	4,244,238	12,664,948	1,713,648	16,650,878
No. of persons	2	6	1	6

26.2.1 During the year, the new board was elected on March 1, 2007 and Mr. M. Khalid Ali was appointed as the new Chief executive officer of the company in place of Mr. R. M. Khan. His remuneration for the period July 2006 to February, 2007 is classified under executives.

26.2.2 The Chairman, Chief Executive and certain executives were also provided with free use of company cars and certain household items in accordance with their terms of employment.

	Note	2007 Rupees	2006 Rupees
26.3 Auditors' remunerations			
These include auditors' remuneration as follows:			
Annual audit		250,000	125,000
Other services		172,275	121,200
Out-of-pocket expenses		30,000	27,254
		452,275	273,454

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

26.5 Salaries, allowances and benefits include provident fund contribution of Rs.1,594,930 (2006: Rs.1,418,268)

27 FINANCE COST

Mark-up on long term finance		120,898,453	77,077,128
Mark-up on short term finance		92,899,005	64,793,196
Mark-up on running finance		3,558,271	6,058,305
Mark-up on certificates of investment		83,084,893	62,300,294
Financial charges on leased assets		-	29,793
Mark-up on term finance certificates		114,646,764	73,462,190
Brokerage fee		686,331	574,599
Documentation & other charges		138,072	124,475
Excise duty and bank charges		82,748	987,659
		415,994,537	285,407,639

28 DIRECT COST OF OPERATING LEASES

Maintenance contracts		9,116,708	10,013,190
Depreciation on operating lease assets		26,901,477	29,361,420
Insurance		2,725,293	2,586,024
Others		742,649	360,214
		39,486,127	42,320,848

29 PROVISION FOR POTENTIAL LEASE AND OTHER LOSSES

	2007			2006		
	Net investment in leases	Other receivables	Total	Net investment in leases	Other receivables	Total
----- Rupess -----						
Balance at beginning of the year	47,770,158	1,729,842	49,500,000	47,770,158	1,729,842	49,500,000
Provision for the year	1,500,000	-	1,500,000	-	-	-
Write offs	-	687,857	687,857	-	-	-
Balance at end of the year	49,270,158	2,417,699	51,687,857	47,770,158	1,729,842	49,500,000

30 TAXATION

Current

This represents the provision for minimum tax under section 113 of the Income Tax Ordinance, 2001. The company has sufficient tax losses, therefore, no provision has been made using the normal tax rates.

Deferred

The net deferred tax asset of Rs 90,867,004 (2006: Rs. 78,578,451) arising principally on account of accumulated tax losses has not been recognised in these financial statements. According to the management estimates it is not probable that taxable profits will be available against which the deferred tax asset can be utilised.

	Note	2007 Rupees	2006 Rupees		
Reconciliation between accounting profit and tax expense:					
Accounting profit		48,856,293	114,904,490		
Tax @ 35% (2006: 35%)		17,099,702	40,216,572		
Tax effect of:					
-exempt income		(10,252,942)	(41,759,011)		
-income taxed at reduced rates		(14,355,434)	(13,451,187)		
-amortisation of deferred cost		520,800	520,800		
Others		15,586,274	21,356,543		
		8,598,400	6,883,717		
Taxation - current		8,598,400	6,883,717		
31 EARNINGS PER SHARE - basic and diluted					
Profit after tax		40,257,893	108,020,773		
Minimum dividend attributable to preference shareholders		13,650,000	13,650,000		
Profit attributable to ordinary shareholders		26,607,893	94,370,773		
Number of ordinary shares issued		27,487,167	25,130,769		
Earnings per share		0.97	3.76		
Earnings per share has been calculated by dividing the net profit for the year attributable to the ordinary shareholders outstanding at the period end by the weighted average number of shares outstanding during the year.					
32 SEGMENT INFORMATION					
The company has three primary sources of revenue segments i.e. Finance Lease, Operating Lease and Capital Market Operations based on the nature of business and related risk associated with each type of business segment. Other operations, which are not deemed by the management to be sufficiently significant to disclose as separate items are reported under Others.					
Segment assets and liabilities included all assets and liabilities related to the segment and relevant proportion of the assets and liabilities allocated to the segment on reasonable basis.					
Segment revenue and expenses included all revenue and expenses related to the segment and relevant proportion of the revenue and expenses allocated to the segment on reasonable basis.					
June 30, 2007					
	Finance Lease	Operating Lease	Capital Market	Others	TOTAL
	----- Rupees -----				
Segment revenues	380,356,939	60,307,105	99,570,728	46,595,060	586,829,832
Segment result	343,224,586	19,981,035	92,692,166	40,298,431	496,196,218
Unallocated cost					
Finance cost					411,283,115
Administrative expenses					36,056,810
					447,339,925
Profit before taxation					48,856,293
Provision for taxation					8,598,400
Profit for the year					40,257,893
Other information					
Segment assets	4,069,584,210	102,169,099	836,695,159	192,821,577	5,201,270,045
Unallocated assets					199,212,967
Total assets					5,400,483,012
Segment liabilities	4,034,612,444	60,708,047	497,157,451	114,573,011	4,707,050,953
Unallocated liabilities					123,278,854
Total liabilities					4,830,329,807
Net assets					570,153,205
Capital expenditure	-	14,838,055	-	35,155,370	49,993,425

	June 30, 2006				TOTAL
	Finance Lease	Operating Lease	Capital Market	Others	
	----- Rupees -----				
Segment revenues	235,206,257	61,184,911	191,384,077	22,240,785	510,016,030
Segment result	206,664,717	17,917,722	184,685,446	21,292,102	430,559,988
Unallocated cost					
Finance cost					285,407,639
Administrative expenses					30,247,859
					315,655,498
Profit before taxation					114,904,490
Provision for taxation					6,883,717
Profit for the year					108,020,773
Other information					
Segment assets	3,409,123,903	119,252,158	844,121,054	119,547,317	4,492,044,432
Unallocated assets					278,508,224
Total assets					4,770,552,656
Segment liabilities	3,190,501,100	115,232,244	815,666,276	115,517,454	4,236,917,074
Unallocated liabilities					127,891,056
Total liabilities					4,364,808,130
Net assets					405,744,526
Capital expenditure	-	14,741,800	-	78,009,666	92,751,466

33 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:-

33.1 Market risk

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

33.2 Credit risk

Credit risk is the risk that one party to 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 transaction with specific counter party and continually assessing the credit worthiness of counter parties.

33.3 Liquidity risk

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

33.4 Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of 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.

34 INTEREST RATE SENSITIVITY ANALYSIS

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

	Interest Bearing			Non Interest Bearing	Total
	Upto one year	One year to five years	Over five years		
	----- Rupees -----				
Financial assets					
Balances with banks				39,109,860	39,109,860
Investments	20,299,121	25,769,615	-	490,739,523	536,808,259
Short term finances	94,048,622				94,048,622
Advances and other receivables	49,459,360			53,487,126	102,946,486
Net investment in leases	1,553,070,668	2,467,054,182			4,020,124,850
Long term deposits				539,400	539,400
Long term finances	58,877,097	38,652,289	1,243,569		98,772,955
Long term Investments			282,469,712		282,469,712
				-	-
	1,775,754,868	2,531,476,086	283,713,281	583,875,909	5,174,820,144
Financial liabilities					
Accrued and other liabilities				123,094,254	123,094,254
Short term finances	1,052,450,000				1,052,450,000
Certificate of investments	440,861,287	2,586,467			443,447,754
Long term loans	568,750,000	1,518,750,000			2,087,500,000
Redeemable capital	-	1,518,750,000			1,518,750,000
Deposits on lease contracts				1,123,653,199	1,123,653,199
	2,062,061,287	3,040,086,467	-	1,246,747,453	6,348,895,207
On-balance sheet gap - 2007	(286,306,419)	(508,610,381)	283,713,281	(662,871,543)	(1,174,075,063)
On-balance sheet gap - 2006	(385,362,338)	610,014,294	286,471,967	(334,967,142)	176,156,781

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

35 MATURITIES OF ASSETS AND LIABILITIES

	2007				Total
	Up to three months	Over three months to one year	Over one year to five year	Over five years	
	----- Rupees -----				
Assets					
Balance with banks	39,109,859	-	-	-	39,109,859
Investments	20,299,121	-	516,509,138	-	536,808,259
Short term finances	94,048,622	-	-	-	94,048,622
Advances and other receivables	49,459,360	70,149,735	-	-	119,609,095
Net investment in leases	1,553,070,668	-	2,467,054,182	-	4,020,124,850
Deferred Cost	-	1,488,000	85,878	-	1,573,878
Long term deposits	-	-	539,400	-	539,400
Long term finance	58,877,097	-	38,652,289	1,243,569	98,772,955
Long term investments	-	-	-	282,469,712	282,469,712
Tangible fixed assets	-	31,791,343	127,165,374	50,887,363	209,844,080
	1,814,864,727	103,429,078	3,150,006,261	334,600,644	5,402,900,710
Liabilities					
Accrued and other liabilities	123,278,854	-	-	-	123,278,854
Short term finances	1,052,450,000	-	-	-	1,052,450,000
Certificate of investments	440,861,287	-	2,586,467	-	443,447,754
Long term finances	293,750,000	-	393,750,000	-	687,500,000
Redeemable capital	275,000,000	-	1,125,000,000	-	1,400,000,000
Deposits on lease contracts	183,823,902	-	939,829,297	-	1,123,653,199
	2,369,164,043	-	2,461,165,764	-	4,830,329,807
Net assets - 2007	(554,299,316)	103,429,078	688,840,497	334,600,644	572,570,903
Net assets - 2006	17,774,665	-	13,516,930	374,452,931	405,744,526

36 CREDIT RISK AND CONCENTRATION OF CREDIT RISK

The company manages concentration of credit risk exposure through diversification of activities to avoid undue concentrations of risks with individuals, groups of specific industry segment.

An analysis by class of business of the company's net investments in finance leases, installment loan, term finance and other financial assets is given below:

Sector	2007		2006	
	Rupees	%	Rupees	%
Textile	798,558,419	16.92	685,937,647	16.88
Transport & communication	516,385,599	10.94	407,053,565	10.02
Engineering	255,151,067	5.41	267,298,696	6.58
Food & Beverages	212,422,419	4.50	229,836,378	5.66
Oil & Gas	424,080,101	8.98	384,118,695	9.45
Travel & tourism	126,558,185	2.68	154,236,747	3.80
Consumer leases	170,914,590	3.62	160,649,216	3.95
Cement	170,211,503	3.61	189,055,263	4.65
Sugar	56,971,530	1.21	66,487,175	1.64
Glass & ceramics	34,182,918	0.72	56,024,726	1.38
Plastic	307,239,323	6.51	120,824,410	2.97
Pharmaceutical	137,545,551	2.91	53,662,238	1.32
Health care	107,025,089	2.27	130,274,364	3.21
Publications	44,763,345	0.95	49,274,759	1.21
Auto & allied	69,993,594	1.48	94,837,037	2.33
Energy	45,294,093	0.96	41,935,881	1.03
Others	1,242,727,519	26.33	971,460,133	23.91
Total	4,720,024,844	100	4,062,966,930	100

37 FAIR VALUE OF FINANCIAL ASSETS

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

38 CASH AND CASH EQUIVALENTS

	Note	2007 Rupees	2006 Rupees
Balances with banks		39,109,860	103,436,482

39 TRANSACTIONS WITH RELATED PARTIES

The related parties comprises of Baluchistan Wheels Limited & Security Capital Services Limited, key management personnel and companies in which directors are common or a director hold office.

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

Lease rentals	447,725	3,073,515
Statutory expenses	15,000	15,000

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

40 NUMBER OF EMPLOYEES

	2007	2006
As at year end	55	37

41 DATE OF AUTHORIZATION

These financial statements were authorized for issue on September 12, 2007 by the Board of Directors of the company.

42 GENERAL

- Certain prior year's figure have been reclassified, wherever necessary. However, there were no material re-classifications.
- The figures have been rounded off to the nearest rupee.



CHAIRMAN



CHIEF EXECUTIVE

Form of Proxy

I/We _____ of _____

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

_____ of _____ or failing him/her

_____ of _____ or failing him/her

_____ of _____

to be proxy and to vote for me at the Annual General Meeting of the Company to be held on October 22, 2007 and at any adjournment thereof in the same manner as I / We would vote if personally present at such meeting.

Signed this _____ day of _____ 20_____

Signature: _____

Rupees 5/-
Revenue Stamp

Address: _____

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

Holder of Share Nos. From: _____ To _____

Witness:

Witness:

Name: _____ Name: _____

CNIC: _____ CNIC: _____

Signature: _____ Signature: _____

Address: _____ Address: _____

NOTE:

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

For CDC Account Holders/ Corporate Entities:

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

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