



**Security Leasing  
Corporation Limited**

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**Security Leasing  
Corporation Limited**

## COMPANY INFORMATION

### BOARD OF DIRECTORS

M R Khan	Chairman & Chief Executive
Mohammed Khalid Ali	Managing Director
S M Nadim Shafiqullah	
Shamshad Nabi	
S S Hamid	
Zahid Rashid Khwaja	
Fareed Khan	
S M Waleed Shafiqullah	

### AUDIT COMMITTEE

S S Hamid	Chairman
Shamshad Nabi	
Fareed Khan	
Mohammed Khalid Ali	Secretary to the Committee

### INVESTMENT COMMITTEE

M R Khan	Chairman
Mohammed Khalid Ali	
S M Nadim Shafiqullah	
Shamshad Nabi	

### EXECUTIVE COMMITTEE

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

### HUMAN RESOURCE COMMITTEE

M R Khan	Chairman
Mohammed Khalid Ali	
S M Nadim Shafiqullah	
Shamshad Nabi	

### SENIOR MANAGEMENT

M R Khan	Chairman & Chief Executive
Mohammed Khalid Ali	Managing Director
Wasif Mustafa Khan	General Manager
Syed Tariq Hasan	Head of Marketing
Salman Hameed	Chief Financial Officer

### COMPANY SECRETARY

Salman Hameed

### EXTERNAL AUDITORS

Anjum Asim Shahid Rahman  
Chartered Accountants



**Security Leasing  
Corporation Limited**

**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**

A1 for short-term; A for long term; Outlook - Stable

**BANKERS & LENDING INSTITUTIONS**

Allied Bank of Pakistan	Askari Commercial Bank Limited
Atlas Asset Management Company Limited	Bank Al-Habib Limited
Faysal Bank Limited	First International Investment Bank Limited
First Women Bank Limited	Habib Bank Limited
Meezan Bank Limited	Metropolitan Bank Limited
Muslim Commercial Bank Limited	My Bank Limited
National Bank of Pakistan	NDLC-IFIC Bank Limited
Pak Kuwait Investment Company (Private) Limited	Pak Libya Holding Company (Private) Limited
Pak Oman Investment Company (Private) Limited	PICIC Commercial Bank Limited
Saudi Pak Commercial Bank Limited	Soneri Bank Limited
The Bank of Khyber	The Bank of Punjab
Union Bank Limited	
United Asset Management Company Limited	
United Bank Limited	

**REGISTERED & HEAD OFFICE**

B901/902, Lakson Square No. 3, Sarwar Shaheed Road, Karachi 74200  
Tel: 021 - 111-111-902 Fax: 021 - 568 9854  
Web: www.seclease.com e-mail: seclease@cyber.net.pk

**BRANCHES**

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

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

**SHARE REGISTRAR**

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



**Security Leasing  
Corporation Limited**

## DIRECTORS' REVIEW

The directors are pleased to present their report and unaudited accounts of your Company for the quarter ended September 30, 2005.

Your Company has continued to consolidate its growth in the period under review. Compared to 30th June 2005 its total assets increased to Rs. 3,797.8 million from Rs. 3,647.5 million while the net investment in leases increased to Rs. 2,521.4 million from Rs. 2,309.8 million. The revenue amounted to Rs. 109.5 million including income from non-leasing operations amounting to Rs. 45.0 million. The profit after tax was Rs. 18.8 million, compared to Rs. 13.4 million in the previous corresponding period. On annualized basis, the earning per share amounted to Rs. 3.73.

As reported previously also, the sharp increase in inflation and the international oil prices had forced the central bank to increase the discount rate by 150 basis points to tighten its monetary policy. Due to increase in the discount rate, borrowing costs of companies have also increased considerably. Kibor is presently ranging between 8.9 to 9.1 percent. All these factors resulted in shrinking of revenue margins during the last six months of previous financial year. However, your Company having recognized the potential impact of rise in interest rates has started writing majority of fresh leases on floating rates linked with Kibor to mitigate the effect of borrowing costs. The effects of the tragic earthquake, which hit the northern parts of the country on its economy, are yet to be seen.

Your Company is, however, well poised to take stock of these problems and is adopting measures, which will minimize the adverse effects and further improve its profitability in the coming years as already reflected in the results relating to the quarter ended September 30, 2005. Financing facilities on short and long-term basis are being arranged combined with accent on the quality leases, timely recovery of lease rentals, cost control measures and measured expansion of other business activities. Efforts to obtain additional long-term credit lines are being undertaken on a continuing basis. Adequate resource mobilization at reasonable cost remains a challenging task for sustained growth and higher return for the shareholders.

The lease portfolio of your Company has remained well diversified with investments in different sectors of the economy, with exposure not exceeding 20% in any one sector. As a result, the lease rental recovery remained high during the period even though some borrowers were experiencing cash-flow problems.

Your directors recognize and appreciate the support of the lending institutions and the dedicated services rendered by the management and other members of staff of the Company to promote its steady growth during the period under review.

For and on behalf of the Board of Directors

M. R. Khan  
Chairman & Chief Executive

Karachi: October 28, 2005

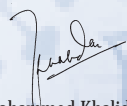


**Security Leasing  
Corporation Limited**

**BALANCE SHEET AS AT**

	Note	Sept. 30, 2005 Rupees Unaudited	June 30, 2005 Rupees Audited
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and balances with banks	4	2,550,611	23,028,435
Investments	5	644,556,633	687,916,073
Short term finance		59,851,649	61,056,858
Advances, deposits, prepayments and other receivables		62,943,843	126,110,706
Current portion of net investment in leases	6	946,654,455	836,268,479
		<u>1,716,557,191</u>	<u>1,734,380,551</u>
Net investment in leases	6	1,525,276,192	1,424,073,889
Deferred costs		4,177,879	4,549,878
Long term deposits		475,700	475,700
Long term finances		20,713,518	20,631,239
Long term investments - held to maturity	7	294,690,026	290,235,310
Tangible fixed assets		235,882,233	173,176,115
		<u>3,797,772,739</u>	<u>3,647,522,682</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued and other liabilities		84,043,152	78,228,279
Short term finance		968,905,579	790,253,585
Current maturity of long term loans		107,500,000	107,500,000
Certificate of investments		416,600,000	598,100,000
Current maturity of obligation under finance lease		881,655	1,178,096
Current maturity of redeemable capital - secured		40,064,000	40,064,000
Current maturity of long term deposits		111,941,043	92,482,932
		<u>1,729,935,429</u>	<u>1,707,806,892</u>
Long term loans		681,249,000	692,499,000
Redeemable capital		459,896,000	459,936,000
Long term deposits		484,152,450	424,604,707
		<u>3,355,232,879</u>	<u>3,284,846,599</u>
<b>NET ASSETS</b>		<u><u>442,539,860</u></u>	<u><u>362,676,083</u></u>
<b>REPRESENTED BY</b>			
Share capital	8	315,000,000	315,000,000
Reserves	9	111,734,278	31,670,431
<b>SHAREHOLDERS' EQUITY</b>		<u>426,734,278</u>	<u>346,670,431</u>
Surplus on revaluation of fixed assets		15,805,582	16,005,652
		<u>442,539,860</u>	<u>362,676,083</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
		<u>-</u>	<u>-</u>

  
M. R. Khan  
Chairman & Chief Executive


  
Mohammed Khalid Ali  
Managing Director



**Security Leasing  
Corporation Limited**

**PROFIT & LOSS ACCOUNT (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2005**

	Quarter Ended	
	September 2005 Rupees	September 2004 Rupees
<b>REVENUE</b>		
Income from leasing operations	64,540,958	38,404,586
Other income	45,006,139	19,930,198
	<u>109,547,097</u>	<u>58,334,784</u>
<b>EXPENDITURE</b>		
Financial charges	64,696,538	17,655,924
Administrative and operating expenses	14,825,924	11,261,892
Direct cost of lease - operating lease	10,042,324	4,171,302
Amotization of deferred costs	156,000	171,000
Provision against money/capital market fluctutation	-	6,000,000
Provision for potential losses	-	5,000,000
	<u>89,720,786</u>	<u>44,260,118</u>
Operating profit for the period	19,826,311	14,074,666
Provision for taxation - current year	1,045,000	714,000
	<u>18,781,311</u>	<u>13,360,666</u>
Profit after taxation		
	<u>18,781,311</u>	<u>13,360,666</u>
Earnings per share - Basic (annualised)	<u>3.73</u>	<u>2.41</u>

  
M. R. Khan  
Chairman & Chief Executive


  
Mohammed Khalid Ali  
Managing Director



**Security Leasing  
Corporation Limited**

**STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2005**

	Share Capital	Statutory reserve	Reserve for issue of Bonus Shares	Surplus/ (Deficit) on investments	Unappro- priated profit	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2004	250,000,000	32,100,000	-	(36,924,341)	57,823,659	302,999,318
Effect of change in accounting policy						
Final dividend for the year ended June 30, 2004	-	-	-	-	10,000,000	10,000,000
Effect of change in accounting policy						
Investment previously classified as available for sale reclassified as held to maturity	-	-	-	25,115,840	214,712	25,330,552
Balance as at June 30, 2004 - restated	250,000,000	32,100,000	-	(11,808,501)	68,038,371	338,329,870
Profit for quarter ended September 30, 2004	-	-	-	-	13,360,666	13,360,666
Final dividend for the year ended June 30, 2004 declared subsequent to year end	-	-	-	-	(10,000,000)	(10,000,000)
Reserve for issuance of bonus shares	-	-	10,000,000	-	(10,000,000)	-
Surplus on investments	-	-	-	27,995,700	-	27,995,700
Balance as at September 30, 2004	250,000,000	32,100,000	10,000,000	16,187,199	61,399,037	369,686,236
Reserve for issuance of bonus shares	-	-	55,000,000	-	(55,000,000)	-
Issuance of bonus shares	65,000,000	-	(65,000,000)	-	-	-
Profit for nine months ended June 30, 2005	-	-	-	-	60,920,018	60,920,018
Transferred to statutory reserves	-	14,900,000	-	-	(14,900,000)	-
Dividend - Preference shares Class A @ 9.1%	-	-	-	-	(13,650,000)	(13,650,000)
Surplus/(Deficit) on investments	-	-	-	(70,285,823)	-	(70,285,823)
Balance as at June 30, 2005	315,000,000	47,000,000	-	(54,098,624)	38,769,055	346,670,431
Profit for quarter ended September 30, 2005	-	-	-	-	18,781,311	18,781,311
Surplus/(Deficit) on investments	-	-	-	61,082,466	-	61,082,466
Adjustment of incremental depreciation on revalued assets	-	-	-	-	200,070	200,070
Balance as at September 30, 2005	315,000,000	47,000,000	-	6,983,842	57,750,436	426,734,278

  
M. R. Khan  
Chairman & Chief Executive


  
Mohammed Khalid Ali  
Managing Director



**Security Leasing  
Corporation Limited**

**CASH FLOW STATEMENT (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2005**

	Note	September 2005 Rupees	September 2004 Rupees
Cash flows from operating activities			
Net profit before taxation		19,826,310	14,074,666
Adjustments for items not involving movement of funds:			
Depreciation		10,169,644	3,883,322
Amortization of deferred costs		156,000	171,000
Amortization of investment bonds		-	6,000,000
Gain on disposal of listed securities		(10,283,008)	(1,254,586)
Gain on disposal of fixed assets		(33,000)	(45,100)
Gain on disposal of other assets		(50,000)	-
Provision for gratuity		-	495,000
Finance charges on leased assets		17,455	61,584
Financial charges		64,679,083	17,594,340
Provision for potential lease losses		-	5,000,000
Operating profit before working capital changes		<u>84,482,484</u>	<u>45,980,226</u>
Advances, prepayments and other receivables		40,449,260	3,974,576
Deposits from lessees		79,005,853	61,955,595
Short term finances		270,000,000	87,360,000
Deferred cost		1,468,972	2,332,099
Accrued and other current liabilities		(12,337,044)	5,732,898
Payment of gratuity		(4,361,000)	-
Payment of tax		(2,314,677)	(99,540)
Financial charges paid		(46,489,620)	(8,179,665)
Net cash flow from Operating activities		<u>409,904,228</u>	<u>199,056,189</u>
Cash flows from investing activities			
Net investment in leases		(211,588,279)	(226,347,422)
Capital expenditure		(72,845,761)	(23,083,149)
Obligation under finance lease		(296,441)	(322,531)
Net (increase)/decrease in investments		114,468,226	(165,392,201)
Proceeds from disposal of fixed assets		63,000	93,575
Finance/Musharika placements		<u>23,955,209</u>	<u>(2,200,947)</u>
Net cash used in investing activities		<u>(146,244,046)</u>	<u>(417,252,675)</u>
Cash flows from financing activities			
Proceeds from long term loans		<u>413,500,000</u>	<u>470,000,000</u>
Repayment of long term loans		<u>(606,290,000)</u>	<u>(316,250,000)</u>
Net cash flow from financing activities		<u>(192,790,000)</u>	<u>153,750,000</u>
Net (decrease)/increase in cash and cash equivalents		<u>70,870,182</u>	<u>(64,446,486)</u>
Cash and cash equivalents at beginning of the period		<u>(76,775,150)</u>	<u>11,560,747</u>
Cash and cash equivalents at end of the period	11	<u>(5,904,968)</u>	<u>(52,885,739)</u>

  
M. R. Khan  
Chairman & Chief Executive

  
Mohammed Khalid Ali  
Managing Director



**Security Leasing  
Corporation Limited**

## NOTES TO THE FINANCIAL STATEMENTS

1. The Company was incorporated on December 6, 1993 and commenced its operations on May 21, 1995. The Company is a Non Banking Finance Company (NBFC) under NBFC rules, 2003 having leasing and housing finance licences, however, leasing is the core business of the Company. The Company is listed on the Karachi & Lahore Stock Exchanges.

2. These accounts are unaudited and are being submitted to the shareholders as required under section 245 of the Companies Ordinance 1984. These financial statements are prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IASs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

3. Cash and cash equivalents

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

	September 2005 Rupees	June 2005 Rupees
4. Balances with banks		
Balance with State Bank of Pakistan	129,284	133,728
Balance with other banks - current accounts	2,421,327	22,894,707
	<u>2,550,611</u>	<u>23,028,435</u>

5. INVESTMENTS

Available for sale:

Listed Securities

Term finance certificates	119,710,178	126,284,378
Shares - quoted	383,672,974	421,388,135
Open end mutual funds	-	60,418,608
Close end mutual funds	89,119,154	88,186,970
	<u>592,502,306</u>	<u>696,278,091</u>

Unlisted Securities

Shares	10,000,000	10,000,000
Term finance certificates	35,070,485	35,736,606
	<u>45,070,485</u>	<u>45,736,606</u>
	<u>637,572,791</u>	<u>742,014,697</u>

Surplus/(deficit) in investment at beginning of the year	(54,098,624)	(11,808,501)
Surplus/(deficit) during the period	61,082,466	(42,290,123)
	<u>6,983,842</u>	<u>(54,098,624)</u>
Fair market value	<u>644,556,633</u>	<u>687,916,073</u>



**Security Leasing  
Corporation Limited**

## NOTES TO THE FINANCIAL STATEMENTS

	September 2005 Rupees	June 2005 Rupees
<b>6. NET INVESTMENT IN LEASES</b>		
Minimum lease rentals receivable	2,177,552,591	2,009,723,219
Residual value of leased assets	611,588,698	529,186,678
Lease contracts receivable	2,789,141,289	2,538,909,897
Less: Unearned lease income	267,710,642	229,067,529
Net investment in leases	2,521,430,647	2,309,842,368
Less: Provision for potential lease losses	49,500,000	49,500,000
	<u>2,471,930,647</u>	<u>2,260,342,368</u>

	Less than one year	One year to five year	September 2005 Rupees	June 2005 Rupees
Lease contracts receivable	1,074,574,404	1,714,566,885	2,789,141,289	2,538,909,897
Less: Unearned lease income	127,919,949	139,790,693	267,710,642	229,067,529
	<u>946,654,455</u>	<u>1,574,776,192</u>	<u>2,521,430,647</u>	<u>2,309,842,368</u>

	September 2005 Rupees	June 2005 Rupees
<b>7. LONG TERM INVESTMENTS</b>		
Pakistan Investment Bonds	<u>294,690,026</u>	<u>290,235,310</u>

These investments have fixed or determinable payments with a fixed maturity and the management has both the intent and ability to hold these investments till maturity and are stated at amortized costs.

	September 2005 Rupees	June 2005 Rupees
<b>8. SHARE CAPITAL</b>		
Authorised capital		
50,000,000 (2005: 50,000,000) ordinary shares of Rs. 10 each	500,000,000	500,000,000
50,000,000 (2005: 50,000,000) preference shares of Rs. 10 each	500,000,000	500,000,000
	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid up capital		
10,000,000 ordinary shares of Rs. 10 each fully paid in cash	100,000,000	100,000,000
6,500,000 ordinary shares of Rs. 10 each issued as fully paid bonus shares	65,000,000	65,000,000
15,000,000 preference shares - Class A of Rs. 10 each fully paid in cash	150,000,000	150,000,000
	<u>315,000,000</u>	<u>315,000,000</u>



**Security Leasing  
Corporation Limited**

## NOTES TO THE FINANCIAL STATEMENTS

	September 2005 Rupees	June 2005 Rupees
<b>9. RESERVES</b>		
Statutory reserves	47,000,000	47,000,000
Unappropriated profit	57,750,436	38,769,055
Unrealised (Loss)/profit on rearmament of available for sale investments to fair value	6,983,842	(54,098,624)
	<u>111,734,278</u>	<u>31,670,431</u>
	Quarter Ended	
	September 2005 Rupees	September 2004 Rupees
<b>10. EARNING PER SHARE</b>		
Profit after tax (Rupees)	18,781,311	13,360,666
Minimum dividend attributable to Preference shareholders	3,412,500	3,412,500
Profit attributable to ordinary shareholders (Rupees)	<u>15,368,811</u>	<u>9,948,166</u>
Number of ordinary shares issued	<u>16,500,000</u>	<u>16,500,000</u>
Earning Per Share - Basic (annualised)	<u>3.73</u>	<u>2.41</u>

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

	September 2005 Rupees	September 2004 Rupees
<b>11. CASH AND CASH EQUIVALENTS</b>		
Balance with banks	2,550,611	562,255
Running finance	(8,455,579)	(53,447,994)
	<u>(5,904,968)</u>	<u>(52,885,739)</u>

### 12. TAXATION

#### 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.



**Security Leasing  
Corporation Limited**

## NOTES TO THE FINANCIAL STATEMENTS

### 13. GENERAL

Previous period's figures have been rearranged wherever necessary to facilitate comparison.

### 14. DATE OF AUTHORISATION

These financial statements were authorized for issue on October 28, 2005 by the Board of Directors of the Company.

M. R. Khan  
Chairman & Chief Executive

Mohammed Khalid Ali  
Managing Director