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**BOARD OF DIRECTORS**

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

**AUDIT COMMITTEE**

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

**INVESTMENT COMMITTEE**

M R Khan	Chairman
S M Nadim Shafiqullah	
M Khalid Ali	

**EXECUTIVE COMMITTEE**

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

**HUMAN RESOURCE COMMITTEE**

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

**SENIOR MANAGEMENT**

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

**COMPANY SECRETARY**

Salman Hameed

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

**BANKERS & LENDING INSTITUTIONS**

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

**REGISTERED & HEAD OFFICE**

B901/902, Lakson Square No. 3, Sarwar Shaheed Road, Karachi-74200  
Tel: 111-111-902 Fax: 568 9854  
Web: [www.seclearse.com](http://www.seclearse.com) e-mail: [slcl@cyber.net.pk](mailto:slcl@cyber.net.pk)

**BRANCH**

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

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

**SHARE REGISTRAR**

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

The directors are pleased to present their report and limited review of the accounts of your Company for the quarter ended September 30, 2006.

As you will notice, your Company continued to consolidate its growth during the period under review. Compared to 30<sup>th</sup> June 2006 its total assets increased from Rs. 4,770.5 million to Rs. 4,862.9 million while the net investment in leases increased from Rupees 3,375.1 million to Rupees 3,484.2 million. The revenue amounted to Rupees 136.98 million including income from non-leasing operations which amounted to Rupees 34.9 million & represented mainly dividend income from equity investments. The profit after tax was Rupees 17.3 million compared to Rs. 18.8 million in the previous corresponding period. The earning per share has been Rs. 0.57.

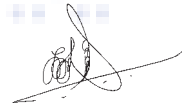
As reported previously also, the raising of cash reserve ratio and liquidity reserve requirement by the central bank to curtail excessive liquidity in the banking sector and control sharp rise in inflation combined with higher domestic oil prices, have exerted upward pressure on interest rates, which because of their linkage with Kibor, have increased considerably during the last one-year. Kibor has moved between 9.51 to 10.65 percent and is presently ranging between 10.45 and 10.50 percent. This has resulted in the shrinkage of revenue margins and consequently reduced earnings during the first quarter.

Your company is, however, well positioned to take care of these problems and is adopting measures, which will minimize as in the past the adverse effects and improve its profitability during the current year as also in the coming years. The company has been successful in arranging financing facilities on short and long-term basis with accent on quality leases, timely recovery of lease rentals, cost control measures and measured expansion of its other business activities. It has been able to utilize Rs. 445 million from the new long-term lines arranged during the quarter ended September 30, 2006.

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

Your directors recognize and appreciate the support of the lending institutions and the dedicated service rendered by the management and other members of the staff of the Company to promote its steady growth on sound lines.

For and on behalf of the Board of Directors



**M. R. Khan**  
Chairman & Chief Executive

Karachi: October 27, 2006

## BALANCE SHEET AS AT

	Note	Sept. 30, 2006 Rupees Unaudited	June 30, 2006 Rupees Audited
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and balances with banks	4	8,794,745	103,459,982
Investments	5	572,131,813	548,820,072
Short term finance		102,107,019	62,072,114
Advances, deposits, prepayments and other receivables		190,896,775	161,426,156
Current portion of net investment in leases	6	1,454,081,851	1,402,513,961
		<b>2,328,012,203</b>	<b>2,278,292,285</b>
Net investment in leases	6	1,980,659,672	1,923,036,896
Deferred costs		2,689,878	3,061,878
Long term deposits		421,700	420,700
Long term finances		41,495,180	57,475,203
Long term investments	7	290,868,325	286,471,967
Tangible fixed assets		218,756,656	221,793,727
Total Assets		<b>4,862,903,614</b>	<b>4,770,552,656</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued and other liabilities		111,621,024	127,891,056
Short term finance		886,870,850	565,450,000
Current maturity of long term loans		303,750,000	319,999,000
Certificate of investments		585,100,000	910,100,000
Current maturity of redeemable capital		292,468,000	229,968,000
Current maturity of long term deposits		92,506,355	102,790,404
		<b>2,272,316,229</b>	<b>2,256,198,460</b>
Long term loans		749,999,000	672,500,000
Redeemable capital		697,476,000	729,968,000
Long term deposits		719,973,753	706,141,670
		<b>4,439,764,982</b>	<b>4,364,808,130</b>
<b>NET ASSETS</b>		<b>423,138,632</b>	<b>405,744,526</b>
<b>REPRESENTED BY</b>			
Share capital	8	392,000,000	392,000,000
Reserves	9	104,955,584	87,440,111
<b>SHAREHOLDERS' EQUITY</b>			
Surplus / Defecit on revaluation of investments		496,955,584	479,440,111
		<b>(88,822,254)</b>	<b>(88,900,954)</b>
		<b>408,133,330</b>	<b>390,539,157</b>
Surplus on revaluation of fixed assets		15,005,302	15,205,369
		<b>423,138,632</b>	<b>405,744,526</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
		-	-

  
M. R. Khan  
Chairman & Chief Executive

  
Mohammed Khalid Ali  
Managing Director

## Profit & Loss Account (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2006

	Quarter Ended	
	September 2006 Rupees	September 2005 Rupees
<b>REVENUE</b>		
Income from leasing operations	86,137,411	50,128,429
Income from operating leases	15,943,226	14,412,529
Income from Investments	30,373,649	42,351,446
Other income	4,533,439	2,654,693
	<u>136,987,725</u>	<u>109,547,097</u>
<b>EXPENDITURE</b>		
Financial charges	90,913,191	64,696,538
Administrative and operating expenses	17,076,409	14,825,924
Direct cost of lease - Operating Leases	9,779,676	10,042,324
Amotization of deferred costs	156,000	156,000
	<u>117,925,276</u>	<u>89,720,786</u>
<b>Operating profit for the period</b>	<u>19,062,449</u>	<u>19,826,311</u>
Provision for taxation - current year	1,747,046	1,045,000
<b>Profit after taxation</b>	<u>17,315,403</u>	<u>18,781,311</u>
<b>Earnings per share - Basic</b>	<u>0.57</u>	<u>0.64</u>



**M. R. Khan**  
Chairman & Chief Executive

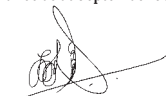


**Mohammed Khalid Ali**  
Managing Director

## STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2006

	Share Capital	Statutory reserve	Reserve for issue of Bonus Shares	Surplus/ (Deficit) on investments	Unapprop- riated profit	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Balance as at June 30, 2005</b>	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 September 30, 2005	-	-	-	-	200,070	200,070
<b>Balance as at September 30, 2005</b>	315,000,000	47,000,000	-	6,983,842	57,750,436	426,734,278
Final dividend for the year ended June 30, 2005 declared subsequent to year end	-	-	-	-	(16,500,000)	(16,500,000)
Reserve for issuance of bonus shares	-	-	77,000,000	-	(77,000,000)	-
Issuance of bonus shares	77,000,000	-	(77,000,000)	-	-	-
Profit for nine months ended June 30, 2006	-	-	-	-	89,239,462	89,239,462
Transferred to statutory reserves	-	21,605,000	-	-	(21,605,000)	-
Dividend - Preference Shares- Class A @ 9.1%	-	-	-	-	(13,650,000)	(13,650,000)
Adjustment of incremental depreciation on revalued assets June 30, 2006	-	-	-	-	600,213	600,213
Surplus/(Deficit) on investments	-	-	-	(95,884,796)	-	(95,884,796)
<b>Balance as at June 30, 2006</b>	392,000,000	68,605,000	-	(88,900,954)	18,835,111	390,539,157
Profit for quarter ended September 30, 2006	-	-	-	-	17,315,403	17,315,403
Adjustment of incremental depreciation on revalued assets September 30, 2006	-	-	-	-	200,070	200,070
Surplus/(Deficit) on investments	-	-	-	78,700	-	78,700
<b>Balance as at September 30, 2006</b>	392,000,000	68,605,000	-	(88,822,254)	36,350,584	408,133,330



**M. R. Khan**  
Chairman & Chief Executive



**Mohammed Khalid Ali**  
Managing Director

## CASH FLOW STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2006

	Note	September 2006 Rupees	September 2005 Rupees
<b>Cash flows from operating activities</b>			
Net profit before taxation		19,062,449	19,826,311
Adjustments for items not involving movement of funds:			
Depreciation		10,915,994	10,169,644
Amortization of deferred costs		156,000	156,000
Gain on disposal of listed securities		(1,436,669)	(10,283,008)
Gain on disposal of fixed assets		(404,994)	(33,000)
Gain on disposal of other assets		-	(50,000)
Provision for gratuity		417,000	-
Finance charges on leased assets		-	17,455
Financial charges		90,713,121	64,679,083
Operating profit before working capital changes		119,422,901	84,482,485
Advances, prepayments and other receivables		(82,146,783)	40,449,260
Deposits from lessees		3,548,034	79,005,853
Short term finances		275,000,000	270,000,000
Deferred cost		-	1,468,972
Accrued and other current liabilities		1,574,242	(12,337,044)
Payment of gratuity		(819,200)	(4,361,000)
Payment of tax		(337,050)	(2,314,677)
Financial charges paid		(88,073,773)	(46,489,620)
Net cash flow from Operating activities		228,168,371	409,904,229
<b>Cash flows from investing activities</b>			
Net investment in leases		(109,190,666)	(211,588,279)
Capital expenditure		(8,522,408)	(72,845,761)
Obligation under finance lease		-	(296,441)
Net (increase)/decrease in investments		(26,544,327)	114,468,226
Proceeds from disposal of fixed assets		1,616,079	63,000
Finance/Musharika placements		7,129,863	23,955,209
Long term deposits		(1,000)	-
Net cash used in investing activities		(135,512,459)	(146,244,046)
<b>Cash flows from financing activities</b>			
Proceeds from long term loans		750,000,000	413,500,000
Repayment of long term loans		(983,742,000)	(606,290,000)
Net cash flow from financing activities		(233,742,000)	(192,790,000)
Net (decrease)/increase in cash and cash equivalents		(141,086,088)	70,870,183
Cash and cash equivalents at beginning of the period		103,459,982	(76,775,150)
Cash and cash equivalents at end of the quarter (Note 12)		(37,626,106)	(5,904,968)

  
M. R. Khan  
Chairman & Chief Executive

  
Mohamjed Khalid Ali  
Managing Director

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## NOTES TO THE FINANCIAL STATEMENTS

- 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.
- 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 ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these quarterly accounts are the same as those applied in the preparation of the preceding annual published accounts of the company for the year ended June 30, 2006.

	September 2006 Rupees	June 2006 Rupees
<b>4. Balances with banks</b>		
Balance with State Bank of Pakistan	69,853	69,853
Balance with other banks - current accounts	8,724,892	103,390,129
	<u>8,794,745</u>	<u>103,459,982</u>

### 5. INVESTMENTS

#### Available for sale:

#### Listed Securities

Term finance certificates	88,956,646	93,156,719
Shares - quoted	440,877,457	420,969,053
Open end mutual funds	24,999,997	14,999,997
Close end mutual funds	68,025,062	68,025,062
	<u>622,859,162</u>	597,150,831

#### Unlisted Securities

Term finance certificates	29,494,905	31,970,195
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#### Membership Cards

	8,600,000	8,600,000
	<u>660,954,067</u>	657,721,026

Surplus/(deficit) in investment at beginning of the period	(88,900,954)	(54,098,625)
Surplus/(deficit) during the period	78,700	(34,802,329)
	<u>(88,822,254)</u>	<u>(88,900,954)</u>
Fair market value	<u>572,131,813</u>	<u>548,820,072</u>

	September 2006 Rupees	June 2006 Rupees
<b>6. NET INVESTMENT IN LEASES</b>		
Minimum lease rentals receivable	3,105,168,608	2,978,035,068
Residual value of leased assets	814,855,119	816,190,389
Lease contracts receivable	3,920,023,727	3,794,225,457
Less: Unearned lease income	435,782,204	419,174,600
Net investment in leases	3,484,241,523	3,375,050,857
Less: Provision for potential lease losses	49,500,000	49,500,000
	<u>3,434,741,523</u>	<u>3,325,550,857</u>

	Less than one year	One year to five year	September 2006 Rupees	June 2006 Rupees
Lease contracts receivable	1,684,555,536	2,235,468,191	3,920,023,727	3,794,225,457
Less: Unearned lease income	230,473,685	205,308,519	435,782,204	419,174,600
	<u>1,454,081,851</u>	<u>2,030,159,672</u>	<u>3,484,241,523</u>	<u>3,375,050,857</u>

	September 2006 Rupees	June 2006 Rupees
<b>7. LONG TERM INVESTMENTS</b>		
Pakistan Investment Bonds	290,868,325	286,471,967

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 2006 Rupees	June 2006 Rupees
<b>8. SHARE CAPITAL</b>		
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
	<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
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	150,000,000	150,000,000
	<u>392,000,000</u>	<u>392,000,000</u>

	September 2006 Rupees	June 2006 Rupees
<b>9. RESERVES</b>		
Statutory reserve	68,605,000	68,605,000
Unappropriated profit	36,350,584	18,855,111
	<u>104,955,584</u>	<u>87,440,111</u>
	<b>Quarter Ended</b>	
	September 2006 Rupees	September 2005 Rupees
<b>10. EARNING PER SHARE</b>		
Profit after tax (Rupees)	17,315,403	18,781,311
Minimum dividend attributable to Preference shareholders	3,412,500	3,412,500
Profit attributable to ordinary shareholders (Rupees)	<u>13,902,903</u>	<u>15,368,811</u>
Number of ordinary shares issued	<u>24,200,000</u>	<u>24,200,000</u>
Earning Per Share - Basic	<u>0.57</u>	<u>0.64</u>

Basic earning per share has been calculated by dividing the net profit 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.

**11. EMPLOYEES' COMPENSATED ABSENCES AND BENEFITS**

Adequate provisions are made in respect of employees' compensated absences and benefits.

**12. 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.

Quarter Ended	
September 2006	September 2005
Rupees	Rupees

**13. CASH AND CASH EQUIVALENTS**

Cash & bank balances	8,794,745	2,550,611
Running finance	(46,420,851)	(8,455,579)
	<u>(37,626,106)</u>	<u>(5,904,968)</u>


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

**14. GENERAL**

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

**15. DATE OF AUTHORISATION**

These financial statements were authorized for issue on October 27, 2006 by the Board of Directors of the Company.



**M. R. Khan**  
Chairman & Chief Executive



**Mohammed Khalid Ali**  
Managing Director