

## Contents

Corporate Information .....	1
Chairman's Review .....	3
Review Report to the Memebers .....	5
Balance Sheet .....	6
Profit and Loss Account .....	7
Cash Flow Statement .....	8
Statement of Changes in Equity .....	9
Notes to the Accounts .....	10

## Corporate Information

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### BOARD OF DIRECTORS

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

### CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. Shyam Lal, ACA

### AUDITORS

Anjum Asim Shahid Rehman & Co.  
Chartered Accountants

### LEGAL ADVISORS

Mandviwala & Zafar

### AUDIT COMMITTEE

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

### CREDIT RATINGS

Long-term **A-**  
Short-term **A-2**

### BANKS AND FINANCIAL INSTITUTIONS

Standard Chartered Bank	Union Bank Limited
Askari Commercial Bank Limited	United Bank Limited
Oman International Bank S.A.O.G.	National Bank of Pakistan
Muslim Commercial Bank Limited	Saudi Pak Commercial Bank Limited
ABN AMRO Bank N.V.	My Bank Limited

**REGISTERED OFFICE**

6th Floor, Lakson Square, Building # 1,  
Sarwar Shaheed Road, Saddar, Karachi.  
Tel : (021) 5655181-85, (021) 5655215-19  
Fax : (021) 5210607-9

**BRANCHES****Lahore**

Pakistan Engineering Congress Building,  
First Floor, 97/A - D/1, Liberty Market,  
Gulberg-III, Lahore.  
Tel : (042) 5762644-47, (042) 5762634  
Fax : (042) 5762633

**Islamabad**

2nd Floor, High-Rise Block, Saudi Pak Tower  
61-A, Jinnah Avenue, Blue Area, Islamabad.  
Tel : (051) 2272652 Fax : (051) 2272657

**Faisalabad**

Kotwali Road (Allama Iqbal Road), Faisalabad.  
Tel : (041) 619891 , (041) 619973  
Fax : (041) 619984

**Sailkot**

70, Paris Road, Sailkot  
Tel : (0432) 597489, (0432) 597491  
Fax : (0432) 266712

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

Karachi, Lahore and Islamabad

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

**Registrar and Share Transfer Office**

THK Associates (Pvt.) Ltd.  
Ground Floor, Modern Motors House,  
Beaumont Road, Karachi.  
Tel : (021) 5685681, (021) 5686658

## Chairman's Review

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I am pleased to present to the shareholders a review of the accounts and performance of Saudi Pak Leasing Company Limited for the six months ended December 31, 2006.

### **Economic Scenario**

The economy is poised to maintain momentum on the back of positive fundamentals. Declining oil prices are expected to spur the growth. Timely monsoon rains have improved the prospects of wheat, sugarcane and rice crops. Similarly industrial sector is expected to benefit from investment in the textile, cement and fertilizer sectors. Service sector growth also looks promising due to expected contribution from banking and telecom sectors.

Although non-food inflation declined to 5.5 percent by December 2006 from 7.4 percent in the same period last year, acceleration in food inflation to double-digit levels offset the downtrend in headline inflation which remained high at 8.9 percent by December 2006.

In contrast to previous years, the worsening of trade deficit during July-December 2006 was caused by a larger deceleration in exports growth in comparison with growth in imports.

The monetary tightening measures undertaken by State Bank of Pakistan have been successful in reducing excess demand from the economy, without hurting the growth momentum. It is expected that the GDP growth rate target of 7 percent set by the Government for FY 2007 will be met.

Tax collection by CBR was recorded at Rs. 410,512 million for the six months from July - December 2006 as compared to Rs. 323,909 million during the same period last year showing 27 per cent increase. The equities also surged ahead with the index touching 10,041 points as at end December 2006 compared to a low of 8,766 points in June 2006.

### **Financial Performance**

During the period under review, your company maintained diversification of lease and loan portfolio. Disbursements amounted to Rs.1,345 million in July-December 2006 as against Rs.1,426 million in the corresponding period last year showing a reduction of 6 percent. Total gross revenue increased to Rs.353 million in July-December 2006 from Rs.294 million in the corresponding period of last year showing growth of 20 percent. Lease revenue increased to Rs.236 million from Rs.192 million in the corresponding period last year showing an increase of 23 percent while income on investments increased to Rs.112 million from Rs.92 million in the corresponding period last year. During the period under review financial charges increased to Rs.262 million from Rs.194 million in the same period last year due to rise in cost of funds.

Operating profit declined from Rs.57 million to Rs.38 million over the corresponding period last year. Net profit after provisions and tax for the half year was recorded at Rs.22 million compared to Rs.57 million in the corresponding period last year on account of higher financial cost, provisions against infected portfolio of Rs.5.4 million and charge for tax amounting to Rs.11 million.

## Chairman's Review

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The balanced growth in the portfolio mix was maintained whereby exposure to a single party was kept below 20 percent to achieve minimum concentration risk. Approximately, 16 percent was disbursed to Service sector followed by 15 percent to Textile sector. Plant and Machinery accounted for 65 percent of the lease portfolio and Motor Vehicles 18 percent of the lease portfolio.

### **Future Outlook**

Upward movement of the mark up rates, increasing inflation and tough competition from the banks are the vital challenges confronting the NBFC Sector. Being fully alive to the market realities and adopting a pro-active approach, your management keeps on re-aligning its policies and infrastructure to be able to sustain the planned growth and quality of portfolio, for the benefit of all stakeholders.

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



**Muhammad Rashid Zahir**

Chairman

Dated: February 27, 2007

## Review Report to the Members

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We have reviewed the annexed balance sheet of **Saudi Pak Leasing Company Limited** as at **December 31, 2006** and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "financial statements") for the half year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan.



**Anjum Asim Shahid Rahman**  
Chartered accountants

Karachi:  
Date: February 27, 2007

# Balance Sheet

AS AT DECEMBER 31, 2006

	Note	December 31, 2006 (Rupees) (Un-audited)	June 30, 2006 (Rupees)
<b>ASSETS</b>			
Current assets			
Cash and bank balances		128,548,847	164,161,545
Loans and fund placements		497,284,551	450,729,221
Short term investments	4	435,764,482	487,769,472
Loans and receivables		63,772,185	65,583,454
Advances, deposits, prepayments and other receivables		314,936,988	215,918,825
Current maturity of non-current assets	5	2,654,090,969	2,380,757,678
<b>Total current assets</b>		<b>4,094,398,022</b>	<b>3,764,920,195</b>
Non-current assets			
Long term loans	6	419,790,965	357,704,434
Net investment in leases	7	1,611,166,001	1,789,012,338
Long term investments		17,428,900	23,643,400
Property, plant and equipment	8	140,490,135	84,378,311
<b>Total non-current assets</b>		<b>2,188,876,001</b>	<b>2,254,738,483</b>
<b>Total Assets</b>		<b>6,283,274,023</b>	<b>6,019,658,678</b>
<b>LIABILITIES</b>			
Current liabilities			
Borrowings from financial institutions		720,000,000	1,280,000,000
Certificates of investment		2,085,951,871	1,521,923,000
Accrued and other payables		153,919,144	123,344,314
Current maturity of non-current liabilities	9	911,562,784	696,993,691
Taxation		2,399,036	4,749,856
<b>Total current liabilities</b>		<b>3,873,832,835</b>	<b>3,627,010,861</b>
Non-current liabilities			
Borrowings from financial institutions		-	100,000,000
Certificates of investment		332,646,000	161,699,000
Long term finances	10	729,166,668	695,833,334
Deposits against leases		807,070,404	847,557,476
Deferred tax		53,081,969	49,581,968
<b>Total non-current liabilities</b>		<b>1,921,965,041</b>	<b>1,854,671,778</b>
<b>Total Liabilities</b>		<b>5,795,797,876</b>	<b>5,481,682,639</b>
<b>NET ASSETS</b>		<b>487,476,147</b>	<b>537,976,039</b>
<b>FINANCED BY</b>			
Authorized capital		1,000,000,000	1,000,000,000
100,000,000 (June 30,2006: 100,000,000) ordinary shares of Rs. 10 each			
Issued, subscribed and paid-up share capital		430,100,000	430,100,000
Reserves		129,775,804	125,324,754
Unappropriated profit		61,823,991	108,534,789
		621,699,795	663,959,543
Unrealized loss on investments classified as available for sale		(134,223,648)	(125,983,504)
<b>CONTINGENCIES AND COMMITMENTS</b>	11	-	-
<b>Total equity</b>		<b>487,476,147</b>	<b>537,976,039</b>

The annexed notes from 1 to 15 form an integral part of these financial statements.



Farrukh S. Ansari  
Chief Executive Officer



Muhammad Rashid Zahir  
Chairman


## Profit and Loss Account (Unaudited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2006

	July 01, 2006 to December 31, 2006	October 01, 2006 to December 31, 2006	July 01, 2005 to December 31, 2005	October 01, 2005 to December 31, 2005
<b>Rupees</b>				
<b>Income from:</b>				
Finance lease	217,412,683	108,704,371	184,622,319	101,619,167
Operating lease	18,741,516	9,550,464	7,249,560	1,874,500
Investments	111,696,735	57,346,634	91,657,782	51,236,489
Other operating increase	5,536,970	4,748,934	10,318,169	3,636,550
	<b>353,387,904</b>	<b>180,350,403</b>	<b>293,847,830</b>	<b>158,366,706</b>
<b>Expenses</b>				
Financial and other charges	261,754,610	137,075,866	194,349,373	101,562,439
Administrative and operating	53,372,015	29,973,624	42,309,574	21,115,981
	<b>315,126,625</b>	<b>167,049,490</b>	<b>236,658,947</b>	<b>122,678,420</b>
<b>Operating profit before provisions</b>	<b>38,261,279</b>	<b>13,300,913</b>	<b>57,188,883</b>	<b>35,688,286</b>
Provision and fair value changes				
Reversal/(provision) for potential lease losses	(5,459,255)	(621,901)	5,864,210	4,522,852
Increase in market value of investments	453,228	453,228	296,930	753,957
	<b>(5,006,027)</b>	<b>(168,673)</b>	<b>6,161,140</b>	<b>5,276,809</b>
Profit before taxation	<b>33,255,252</b>	<b>13,132,240</b>	<b>63,350,023</b>	<b>40,965,095</b>
Taxation - Current	7,500,000	3,750,000	4,999,998	2,499,998
- Deferred	3,500,000	1,000,000	1,000,000	1,000,000
	<b>11,000,000</b>	<b>4,750,000</b>	<b>5,999,998</b>	<b>3,499,998</b>
Profit after taxation	<b>22,255,252</b>	<b>8,382,240</b>	<b>57,350,025</b>	<b>37,465,097</b>
Earnings per share- Basic and Diluted	<b>0.52</b>	<b>0.19</b>	<b>2.06</b>	<b>1.35</b>

The annexed notes from 1 to 15 form an integral part of these financial statements.

  
Farrukh S. Ansari  
Chief Executive Officer

  
Muhammad Rashid Zahir  
Chairman

## Cash Flow Statement (Unaudited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2006

		July 01, 2006 Note to December 31, 2006	July 01, 2005 to December 31, 2005
		..... Rupees .....	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations after working capital changes	12	118,789,733	77,824,945
Financial charges paid		(140,453,260)	(118,116,619)
Income taxes paid		(9,850,820)	(5,279,690)
Deposits received from lessees		36,582,021	143,021,095
Increase in net investment in leases		(105,426,421)	(692,765,904)
		(219,148,480)	(673,141,118)
<b>Net cash (used-in) operating activities</b>		(100,358,747)	(595,316,173)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Aquisition of property, plant and equipment		(67,318,416)	(12,695,721)
Proceeds from sale of property, plant and equipment-own use		42,000	34,428,700
Decrease in loans and receivables		1,811,269	487,427
Decrease in investments		56,630,537	197,816,014
Increase in long term loans		(64,257,519)	(40,928,291)
(increase) in short term loans		(46,555,330)	(134,363,848)
Dividend received		2,382,000	13,748,827
<b>Net cash (used-in)/generated from investing activities</b>		(117,265,459)	58,493,108
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Increase/(decrease) in borrowing from financial institutions		(660,000,000)	145,000,000
Increase in long term finance		170,833,334	545,833,334
(Decrease)/increase in certificates of investment		734,975,871	(77,950,000)
Share deposit money received against right shares		-	147,198,350
Dividend paid		(63,797,697)	(9,656,381)
<b>Net cash generated from financing activities</b>		182,011,508	750,425,303
<b>Net increase/(decrease) in cash and cash equivalents</b>		(35,612,698)	213,602,238
<b>Cash and cash equivalents as at July 01, 2006</b>		164,161,545	55,520,438
<b>Cash and cash equivalents as at December 31, 2006</b>		128,548,847	269,122,676

The annexed notes from 1 to 15 form an integral part of these financial statements.



**Farrukh S. Ansari**  
Chief Executive Officer



**Muhammad Rashid Zahir**  
Chairman


# Statement of Changes in Equity (Unaudited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2006

	Share capital	Reserve for issue of bonus shares	CAPITAL RESERVES		Total reserves	Share deposit money	Unappropriated profit	Unrealized loss on investments classified as available for sale	Total equity
			Contingency reserve	Statutory reserve					
Balance as at July 01, 2005 brought forward	253,000,000	-	2,600,000	104,136,924	106,736,924	-	84,783,468	(63,230,725)	381,289,667
<b>Changes in equity during the period</b>									
Unrealized gain in market value of investments classified as available for sale	-	-	-	-	-	-	-	25,059,595	25,059,595
Realized loss in market value of investments classified as available for sale of investments	-	-	-	-	-	-	-	(5,090,388)	(5,090,388)
Net income recognized directly in equity	-	-	-	-	-	-	-	19,969,207	19,969,207
Profit for the half year ended December 31, 2005	-	-	-	-	-	-	57,350,025	-	57,350,025
Transfer of profit to reserve for issue of bonus shares declared subsequent to year end	-	25,300,000	-	-	25,300,000	-	(25,300,000)	-	-
Transfer to capital as bonus shares	25,300,000	(25,300,000)	-	-	(25,300,000)	-	-	-	-
Final dividend for the year ended June 30, 2005 declared and issued subsequent to year end	-	-	-	-	-	-	(25,300,000)	-	(25,300,000)
Right shares subscription received	-	-	-	-	-	147,198,350	-	-	147,198,350
Transfer to statutory reserve	-	-	-	11,470,005	11,470,005	-	(11,470,005)	-	-
Balance as at December 31, 2005 carried forward	278,300,000	-	2,600,000	115,606,929	118,206,929	147,198,350	80,063,488	(43,261,518)	580,507,249
Balance as at July 01, 2006 brought forward	430,100,000	-	2,600,000	122,724,754	125,324,754	-	108,534,789	(125,983,504)	537,976,039
<b>Changes in equity during the period</b>									
Unrealized loss in market value of investments classified as available for sale	-	-	-	-	-	-	-	(10,594,144)	(10,594,144)
Realized gain in market value of investments classified as available for sale	-	-	-	-	-	-	-	2,354,000	2,354,000
Net income recognized directly in equity	-	-	-	-	-	-	-	(8,240,144)	(8,240,144)
Profit for the half year ended December 31, 2006	-	-	-	-	-	-	22,255,252	-	22,255,252
Final dividend for the year ended June 30, 2006 declared and issued subsequent to year end	-	-	-	-	-	-	(64,515,000)	(64,515,000)	-
Transfer to statutory reserve	-	-	-	4,451,050	4,451,050	-	(4,451,050)	-	-
Balance as at December 31, 2006 carried forward	430,100,000	-	2,600,000	127,175,804	129,775,804	-	61,823,991	(134,223,648)	487,476,147

The annexed notes from 1 to 15 form an integral part of these financial statements.

  
**Farrukh S. Ansari**  
 Chief Executive Officer

  
**Muhammad Rashid Zahir**  
 Chairman

## Notes to the Accounts

FOR THE HALF YEAR ENDED DECEMBER 31, 2006

### 1. STATUS AND NATURE OF BUSINESS

Saudi Pak Leasing Company Limited was incorporated in Pakistan and is listed on all the three Stock Exchanges in Pakistan. The registered office of the company is situated at 6th floor, Lakson Square Building No.1, Sarwar Shaheed Road, Saddar, Karachi. The main business activity of the company is leasing of moveable assets and housing finance services.

### 2. BASIS OF PREPARATION

These unaudited financial statements are being presented and submitted to the shareholders as required under section 245 of the companies ordinance, 1984 and have been prepared in accordance with the requirements of international accounting standard 34 "interim financial reporting" as applicable in Pakistan.

These financial statements are audited and subject to limited scope review in accordance with the requirement of the code of corporate governance.

### 3. ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these financial statement are same as those applied in preparation of financial statements for the year ended June 30, 2006.

		December 31, 2006 (Unaudited)	June 30, 2006
..... Rupees .....			
<b>4. SHORT TERM INVESTMENTS</b>			
Available for sale			
Investment in securities		376,029,295	436,425,074
Mutual funds		42,132,637	42,354,398
		<u>418,161,932</u>	<u>478,779,472</u>
Held for trading			
Investment in securities		17,602,550	8,990,000
		<u>435,764,482</u>	<u>487,769,472</u>
<b>5. CURRENT MATURITIES OF NON- CURRENT ASSETS</b>			
Term loans	6	75,123,211	72,952,223
Net investment in leases	7	2,561,350,878	2,283,537,375
Long term investments		17,616,880	24,268,080
		<u>2,654,090,969</u>	<u>2,380,757,678</u>
<b>6. TERM LOANS - secured, considered good</b>			
Term loan to customers	6.1	489,071,763	425,495,112
Due from employees		5,842,413	5,161,545
		<u>494,914,176</u>	<u>430,656,657</u>
Less: Recoverable within one year shown as current portion of term loans	5	75,123,211	72,952,223
		<u>419,790,965</u>	<u>357,704,434</u>
<b>6.1</b>			
Term loan due from customers is secured against property and pledge of listed securities. The rate of return on these loans ranges from 11.5% to 20% (June 30, 2006: 11.5% to 20%) per annum.			

## Notes to the Accounts

FOR THE HALF YEAR ENDED DECEMBER 31, 2006

	December 31, 2006 (Unaudited)	June 30, 2006
<b>7. NET INVESTMENT IN LEASES</b>	<b>Rupees</b>	
Minimum lease payments receivable	3,990,167,369	3,879,323,842
Add: Residual value of leased assets	995,488,422	965,000,424
<b>Gross investment in leases</b>	<b>4,985,655,791</b>	<b>4,844,324,266</b>
Less: Unearned lease income	611,157,183	585,823,437
Income suspended	61,187,282	50,615,924
Provision for potential lease losses	140,794,447	135,335,192
	<b>813,138,912</b>	<b>771,774,553</b>
Net investment in leases	<b>4,172,516,879</b>	<b>4,072,549,713</b>
Less: Current portion of net investment in leases	<b>2,561,350,878</b>	<b>2,283,537,375</b>
	<b>1,611,166,001</b>	<b>1,789,012,338</b>
7.1 The internal rate of return on leases disbursed during the year ranges from 10% to 25.04% (June 30, 2006: 10% to 24.59% ) per annum.		
	December 31, 2006 (Unaudited)	June 30, 2006
	<b>Rupees</b>	
<b>8. PROPERTY, PLANT AND EQUIPMENT</b>		
<i>Asset Own use</i>		
Addition during the period	6,626,916	11,555,441
Deletion during the period-net	57,894	873,030
Depreciation for the period	4,279,777	8,047,380
<i>Operating Lease Assets</i>		
Addition during the period	60,691,500	15,125,080
Deletion during the period-net	-	28,365,935
Depreciation for the period	6,868,933	5,942,204
<b>9. CURRENT MATURITIES OF NON- CURRENT LIABILITIES</b>		
Finance under mark-up arrangements	750,000,000	612,500,000
Deposits against lease	161,562,784	84,493,691
	<b>911,562,784</b>	<b>696,993,691</b>
<b>10. LONG TERM FINANCES</b>		
Long-term finance under mark-up arrangements	1,479,166,668	1,308,333,334
Less: Current maturity shown under current liabilities:	750,000,000	612,500,000
	<b>729,166,668</b>	<b>695,833,334</b>
<b>11. CONTINGENCIES AND COMMITMENTS</b>		
Contingencies	-	-
Commitments		
Commitments for lease disbursements	115,861,000	282,521,824

## Notes to the Accounts

FOR THE HALF YEAR ENDED DECEMBER 31, 2006

	July 01, 2006 to December 31, 2006	July 01, 2005 to December 31, 2005
	(Unaudited)	
<b>12. CASH GENERATED FROM OPERATIONS</b>		
Profit for the half year before taxation	33,255,252	63,350,023
Adjustment for non cash charges and other items		
Depreciation - owned assets	4,279,777	4,066,212
- assets under operating lease	6,868,933	3,154,616
Financial charges	151,618,747	123,653,075
Provision for potential lease losses	5,459,255	(5,864,210)
Dividend income	(1,575,000)	(13,748,827)
Gain on disposal of property, plant and equipment	15,892	(5,189,733)
	<u>166,667,604</u>	<u>106,071,133</u>
Cash generated from operations working capital changes	199,922,856	169,421,156
<b>Movement in working capital</b>		
(Increase) in advances, deposits, prepayments and other receivables	(99,825,163)	(72,536,653)
Increase/(decrease) in creditors, accrued and other liabilities	18,692,040	(19,596,558)
	<u>(81,133,123)</u>	<u>(92,133,211)</u>
Cash generated from operations after working capital changes	<u>118,789,733</u>	<u>77,287,945</u>

### 13. TRANSACTIONS WITH RELATED PARTIES AND ASSOCIATED UNDERTAKINGS

The related parties comprises Saudi Pak Industrial & Agricultural Investment Company (Private) Limited (an associated company), related group companies and key management personnel.

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

	December 31, 2006 (Unaudited)	June 30, 2006
	Rupees	
<b>Rent paid</b>	64,715	129,430
Leases		
Lease money disbursed during the period	12,988,000	1,279,000
Rentals received during the period	11,482,160	20,021,462
Lease key money received during the period	1,298,800	127,900
Contract receivables- net	38,977,037	30,991,541
Borrowing		
Long term borrowing	20,000,000	20,000,000
<b>14. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<u>128,548,847</u>	<u>269,122,676</u>
<b>15. DATE OF AUTHORIZATION</b>		

These financial statements were authorized for issue by the Board of Directors on February 27, 2007.



Farrukh S. Ansari  
Chief Executive Officer



Muhammad Rashid Zahir  
Chairman