

1

Finance Lease

2

Housing Finance

3

Operating Lease

4

Syndicate Arrangements

5

Term Loan

... step over for more values

Our Vision

To become industry leader by offering unique business solutions to the customers, driven by a cohesive team of professionals.



Our Mission

For our customers

We will strive to add value for our customers through high quality business solutions with superior services.

For our shareholders

We will maximize our shareholders' value by optimum utilization of resources.

For our employees

We will provide our employees opportunities for self-development in a highly challenging performance-oriented work environment.

For the society

We will maintain high ethical standards and act as responsible corporate citizen.

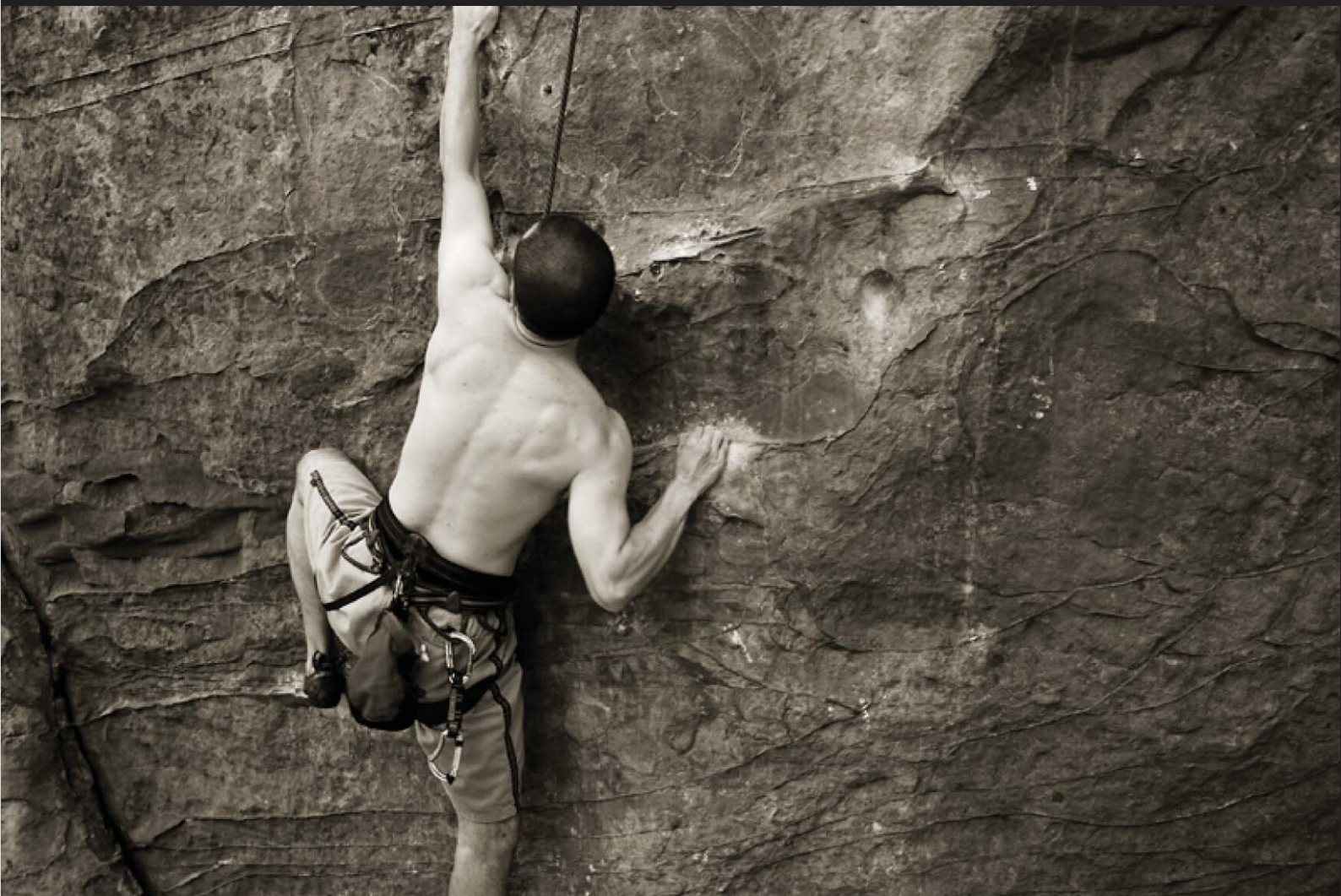
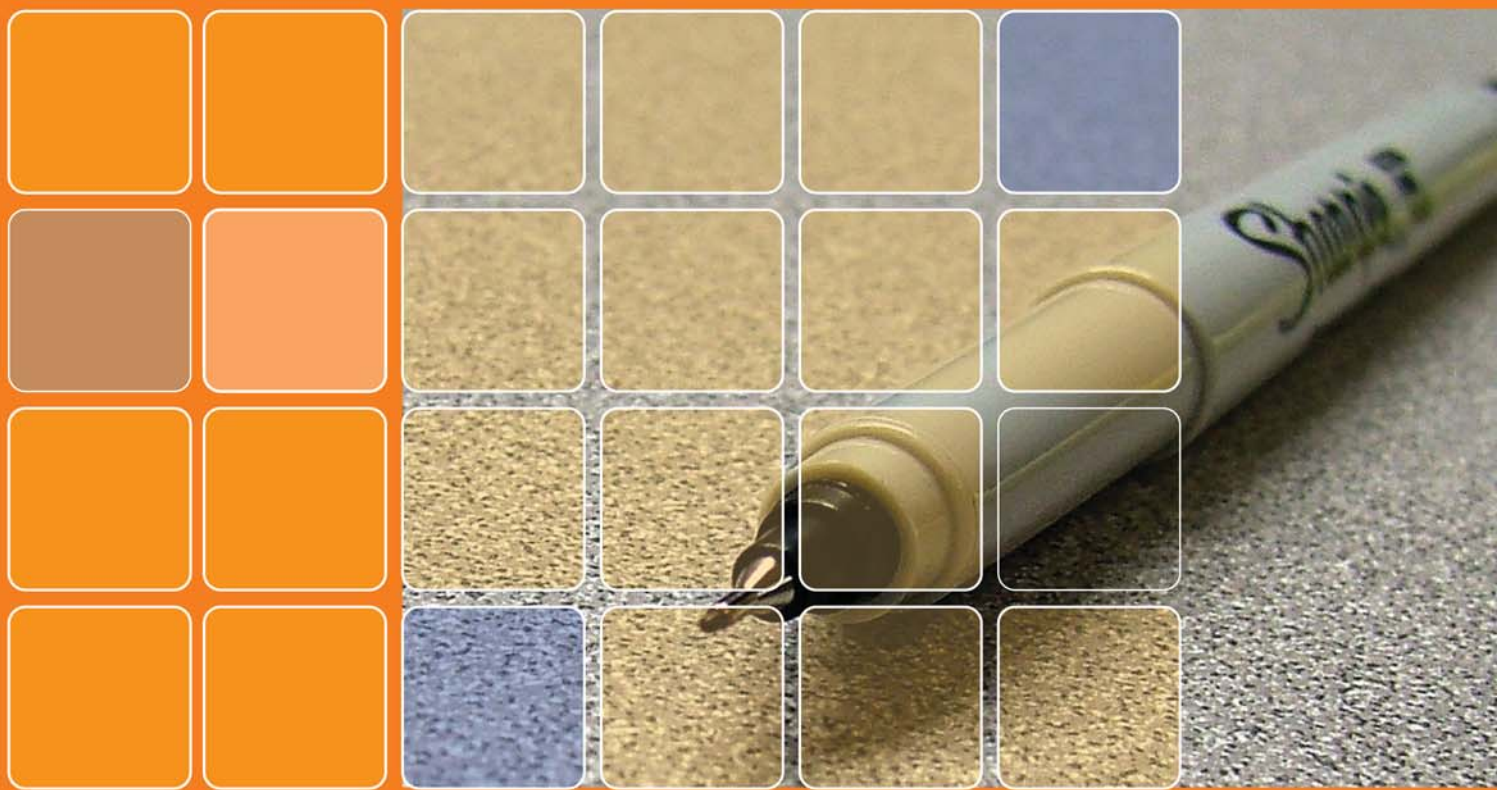


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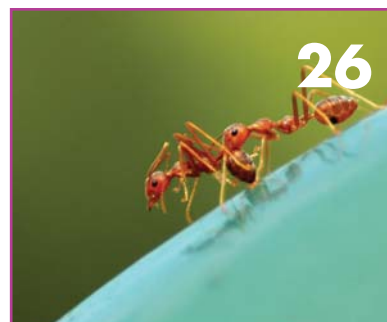
08

Board of Directors



16

Chairman's Review



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Directors' Report

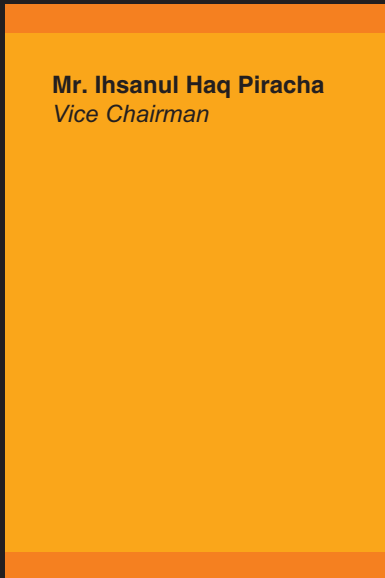


Board of Directors





Mr. Muhammad Rashid Zahir
Chairman



Mr. Ihsanul Haq Piracha
Vice Chairman

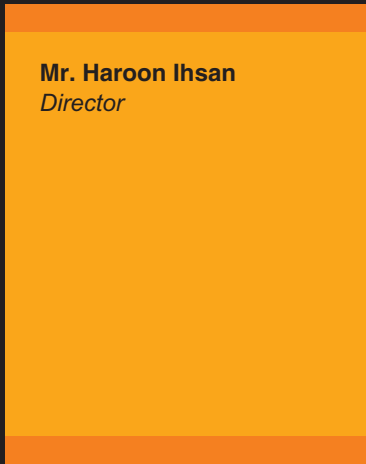


Mr. Farrukh S. Ansari
Chief Executive Officer





Mr. Aasim A. Siddiqui
Director



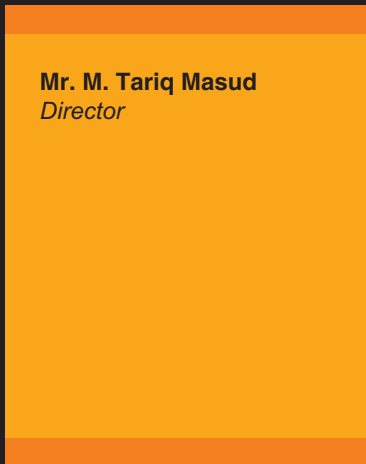
Mr. Haroon Ihsan
Director

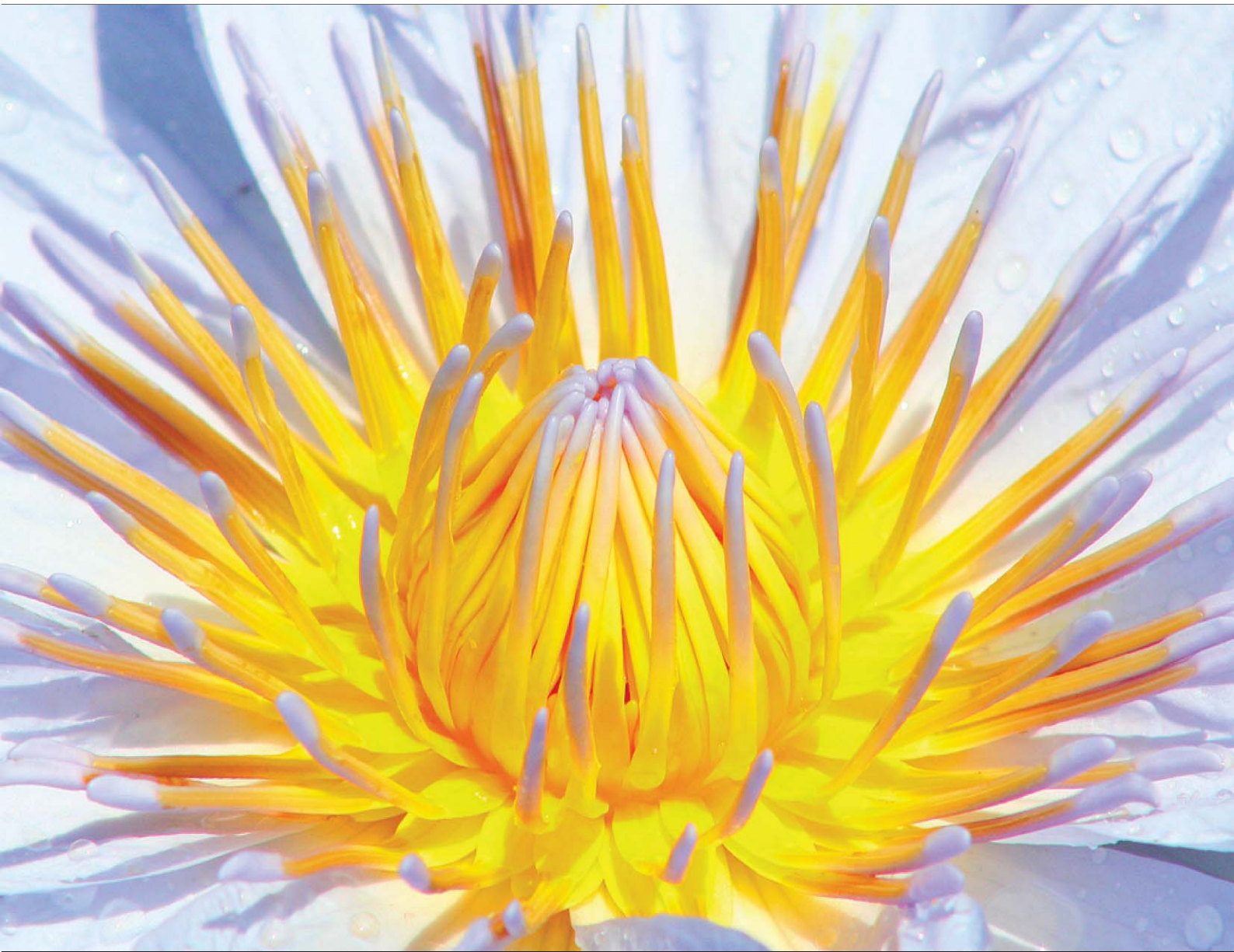


Mr. Faridullah Khan
Director



Mr. M. Tariq Masud
Director





Corporate Info

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

CREDIT COMMITTEE

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

HUMAN RESOURCE COMMITTEE

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

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Mr. Shyam Lal, ACA

HEAD OF INTERNAL AUDIT

Mr. Imran Masood

AUDITORS

Anjum Asim Shahid Rahman
Chartered Accountants

LEGAL ADVISOR

Mandviwalla & Zafar

TAX CONSULTANTS

Anjum Asim Shahid Rahman
Chartered Accountants

CREDIT RATING AGENCY

JCR-VIS Credit Rating Company (Pvt.) Limited

CREDIT RATING

Long-term - (A-)
Short-term - (A-2)

BANKS & LENDING INSTITUTIONS

National Bank of Pakistan
The Bank of Punjab
United Bank Limited
The Royal Bank of Scotland
(Formerly ABN AMRO Bank (Pakistan) Limited)
MCB Bank Limited
Standard Chartered Bank (Pakistan) Limited
Allied Bank Limited
HSBC Bank Middle East Limited
(Formerly The Hong Kong and Shanghai Banking Corp. Limited)
Askari Bank Limited.
Saudi Pak Commercial Bank Limited
Soneri Bank Limited

REGISTERED OFFICE

6th Floor, Lakson Square, Building #1,
Sarwar Shaheed Road, Saddar, Karachi.
Tel: (021) 5655181-85, 5655215-19
Fax: (021) 5210607-09

BRANCHES

Lahore

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

Islamabad

2nd Floor, High-Rise Block, Saudi Pak Tower,
61-A, Jinnah Avenue, Blue Area, Islamabad.
Tel: (051) 2800207, 2800206
Fax: (051) 2800205

Faisalabad

Kotwali Road (Allama Iqbal Road), Faisalabad.
Tel: (041)-2412082

Sialkot

2nd, Floor, Sanori Building,
27, Paris Road, Sialkot.
Tel: (052)-4296364, 3005335
Fax: (052)-4296365

Universal Access Number: 111-888-999

Karachi, Lahore & Islamabad

Website: www.saudipakleasing.com

REGISTRAR AND SHARE TRANSFER OFFICE

THK Associates (Pvt.) Limited.
Ground Floor, State Life Building No. 3,
Dr. Ziauddin Ahmed Road, Karachi 75530.
Tel: (021) 111-000-322
Fax: (021) 5655595



BALANCE
forward

bank

a

b

DEDUCTIONS

Paid into bank c

Cash for expense

Cash for goods

Total cash paid out

WEEKLY CASH BALANCE

Cash difference =

cash in hand carried forward

WEEKLY BANK BALANCE

forward



Notice of Annual General Meeting

Notice is hereby given that the 18th Annual General Meeting of the members of Saudi Pak Leasing Company Limited ("the Company") will be held at Auditorium of Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi, on October 30, 2008 at 10:15 hours to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the 17th Annual General Meeting of the Company held on October 22, 2007.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2008 together with the Directors' and Auditors' Report thereon.
3. To appoint Auditors for the year 2008- 2009 and to fix their remuneration. The Board of Directors has recommended appointment of M/s M. Yousuf Adil Saleem & Co, Chartered Accountants as auditors for the year 2008-2009.
4. To consider any other business with the permission of the Chair.

By Order of the Board

Shyam Lal
Company Secretary

Karachi

Dated: October 10, 2008

NOTES:

1. The Register of members of the Company will remain closed from October 22, 2008 to October 30, 2008 (both days inclusive).
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her.
3. A proxy must be a member of the Company.
4. An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or notarially certified copy of such power of attorney, in order to be valid must be deposited at the registered office of the Company not less than 48 hours before the time of the meeting.
5. Members are advised to lodge shares for transfer at the office of our Registrar, THK Associates (Pvt) Ltd., Ground Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi.
6. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:
 - i) In case of individuals, the account holder or sub-account holder, shall authenticate his/her identity by showing his/her original National Identity Card (NIC) or original passport at the time of attending the meeting. The shareholders registered on CDS are also requested to bring their participants I.D. numbers and account numbers in CDS.
 - ii) In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.



A SEQUENCE OF STEPS
CREATES A PATH. A SEQUENCE
OF RIGHT DECISIONS
CREATES A PROSPECT

Chairman's Review

I am pleased to present the 18th Annual Report along with the audited Financial Statements of Saudi Pak Leasing Company Limited for the year ended June 30, 2008.

Economic Overview

The Year 2007-08 has been a turbulent year for the world economy more so for emerging and developing economies including Pakistan. After registering an average growth rate of 6.8 percent during the last 5 years, Pakistan economy experienced comparatively low growth of 5.8 percent in Financial Year 2007-08 primarily due to a global economic slowdown, an international oil price hike and protracted domestic political uncertainty.

Pakistan's economy faced several challenges including deceleration in growth, rising inflation, growth in fiscal deficit and escalating trade and current account deficit during the year 2007-08. Agriculture performed poorly this year, growing at a meager 1.5 percent as compared to 3.7 percent last year and against target of 4.8 percent for the year. Major decrease over the last year's production was observed in Wheat and Cotton crops. The manufacturing sector which witnessed healthy growth since the turn of decade, growing at an average of 9.7 percent since 2002-03 remained subdued in 2007-08. The manufacturing sector was hard hit by domestic and international factors. The Services sector emerged as the main driver of economic growth in Pakistan. Growth in services sector is attributable mainly to the robust performance of finance and insurance.

Despite record inflow of workers' remittances of USD 6.451 billion and buoyant export USD 16.97 billion, the external current account deficit grew to USD 20.74 billion, equivalent of 8.4 percent of GDP. The FBR collected Rs. 1,002 billion during the year 2007-08 as compared to Rs 847.2 billion in the same period last year thereby posting an increase of 18.3 percent.

Per capita income during the five years rising from USD 586 in 2002-03 to USD 925 in 2006-07 and further to USD 1085 in 2007-08. The main factors which contributed to the sharp rise in per capita income includes acceleration in real GDP growth, and four fold increase in inflows of workers' remittances.

The rising inflation was a major threat for the economy; therefore, the State Bank of Pakistan adopted a tight Monetary Policy to control the inflation besides liquidity in the market. To overcome the inflationary pressure, SBP increased the discount rate twice, taking it to 13 percent till July 2008 and increased the Cash Reserve Requirement and Statutory Liquidity Reserve to 9 percent and 19 percent respectively during the year 2007-08.

Capital market

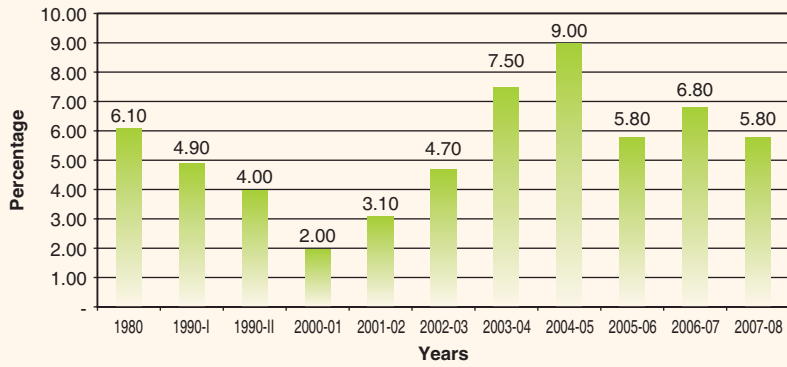
After registering robust performance for the last five years, the Karachi Stock Exchange remained under pressure in 2007-08. Starting the year at 13,772 points, KSE-100 index recorded a high of 15,676 on April 18, 2008 and low of 11,162 on June 23, 2008 and the closing index level on June 30, 2008 was 12,289 points, thus the market declined by 10.77 percent in term of Pak Rupees and 21 percent in term of US Dollars during the year.

The outgoing year 2007-08 has witnessed large-scale merger and acquisition activity. Several key take overs have been taken place in Pakistan's corporate sector during the year 2007-08. A total of 8 Initial Public Offerings (IPOs) worth of Rs. 18 billion came up against the 12 IPOs amounting to Rs 4.2 billion during the same period last year.

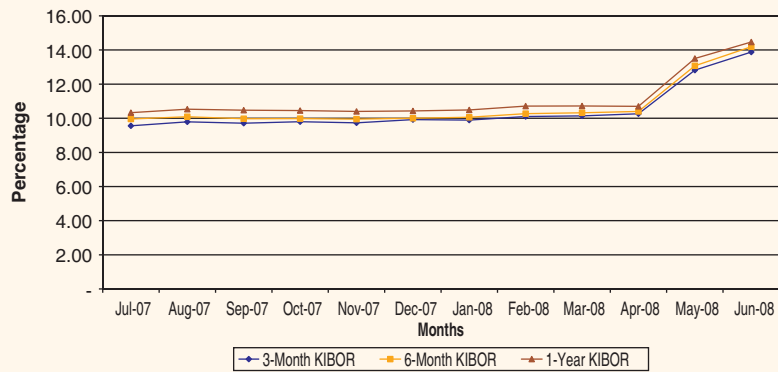
Leasing Industry

The leasing industry historically focused on providing financing to small and medium enterprises (SMEs) and its support contributed significantly in the growth of various critical sectors including transport, fuel and energy, textile, automobiles, construction, health care and agriculture. The performance of leasing sector during the year 2007-08 was affected by strong competition from commercial banks, which also expanded range of their services to the traditional areas of operations of Non-Banking Finance Companies (NBFCs). The average spread, being the difference between the average cost of funds and lending rates, narrowed further to below 2 percent sharply reducing the profitability of leasing industry as compared with the commercial banks whose spreads are large. In order to survive in these hard times, the leasing companies are developing diversified business strategy as well as recapitalization. As a part of consolidation in the industry we expect a spate of mergers and acquisitions. The prevailing circumstances may compel some of the leasing companies to consider the option of merger to meet the regulatory requirements regarding capital adequacy. The cut-throat competition may accelerate this process.

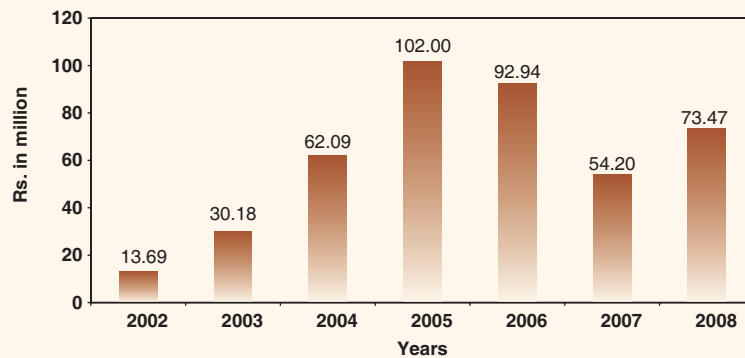
GDP GROWTH RATE



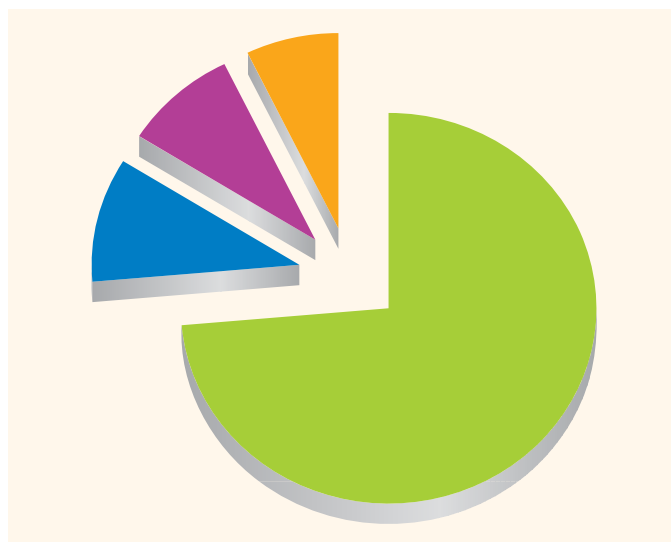
INTEREST RATE ANALYSIS



OPERATING PERFORMANCE

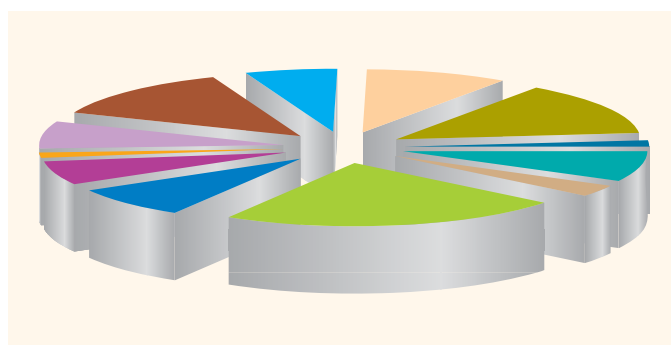


**LEASE PORTFOLIO BY TYPE OF ASSETS
as on June 2008**



■ 74% Plant & Machinery ■ 09% Passenger Vehicles
■ 10% Commercial Vehicles ■ 07% Others

**LEASE PORTFOLIO BY TYPE OF ASSETS
as on June 2008**



■ 23% Textile ■ 06% Services
■ 08% Steel and Engineering ■ 09% Consumer & SME
■ 06% Construction ■ 14% Miscellaneous
■ 01% Leather & Allied ■ 02% Cement
■ 07% Energy oils & Gas ■ 08% Food and Allied
■ 13% Transport & Communication ■ 03% Pharmaceuticals/Fertilizer

Financial Performance

Despite a difficult economic scenario, which was non-conducive for financing/leasing business, your company maintained the tempo of growth through enhancement of lease portfolio and diversification. Disbursements rose to Rs. 3,249 million in 2007-08 as against Rs. 2,486 million in 2006-07 showing an increase of 31 percent. Total gross revenue increased by 21 percent to Rs. 871 million from Rs. 722 million in the same period last year. Revenues from leasing operations increased to Rs. 555 million up from Rs. 481 million in 2006-07. Income on term loans and investment increased to Rs. 317 million from Rs. 241 million in the previous year. The financial charges for the year amounted to Rs. 576 million, increasing by 10 percent as compared to previous year. The financial charges did not increase in the ratio of increase in revenue. The increase in KIBOR and increase in bank borrowing to meet the fresh lease requirements are the major factors in increasing the financial cost during the year. The operating expenses remained under the control during the year 2007-08 and increased only by Rs. 5 million from Rs. 100 million to Rs. 105 million. Direct cost of operating leases increased by 58 percent to Rs. 30 million as compared to Rs. 19 million in the previous year, mainly due to payments for insurance and depreciation cost. Direct cost of operating leases also increased due to further investment in operating leased assets fleet. The operating profit increased by 100 percent to Rs. 160 million in 2007-08 from Rs 80 million in the previous year 2006-07. However, the bottom line was impacted due to higher provisions of Rs. 69 million charged against leases and other receivables during the year 2007-08 as compared to Rs. 18 million during the same period last year. Your company registered net profit after tax of Rs. 73 million, which is 35 percent higher than the same period last year translating into basic earning per share (EPS) of Rs. 1.63.

Even though provisions remained high, we have nevertheless made headway in collections and recoveries. The uncongenial macro-economic environment will continue to challenge our bottom line due to the impact on asset quality and high provisions. The strengthening of our risk management function and monitoring system will provide us shield against the probable risks.

During the year 2007-08 the company successfully floated its third Term Finance Certificates (TFCs) of Rs. 750 million to general public which were over subscribed. It shows confidence of the general public on your company and its management.

The approach of balanced growth in the portfolio mix was maintained whereby exposure to single party was kept below 20 percent to minimize the concentration risk. Plant and Machinery accounted for 74 percent of the lease portfolio and Commercial Vehicles 10 percent of the lease portfolio.

Future Outlook

Upward movement of the mark-up rates and competition with the commercial banks are the vital challenges confronting the NBFC sector. Besides, macro economic conditions will continue to impact growth and profitability of the leasing sector. We believe that political stability will result into enhanced attention on economic management and hence improvement in the operating environment. Your company is cognizant of the existing conditions and is keeping its eyes to take advantage of any positive movements.

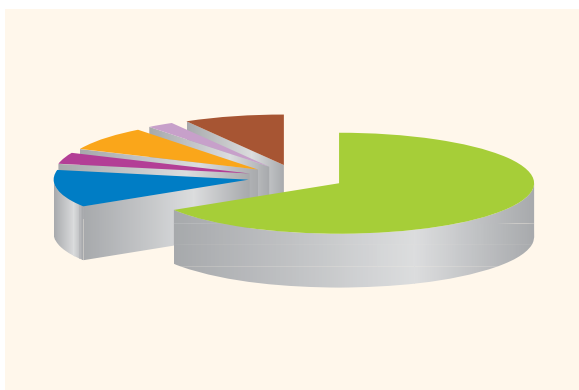
And last, but not the Least

On behalf of the Board of Directors, I avail the opportunity to acknowledge with thanks the guidance of the regulatory authorities and the patronage of customers, COI and TFC 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.



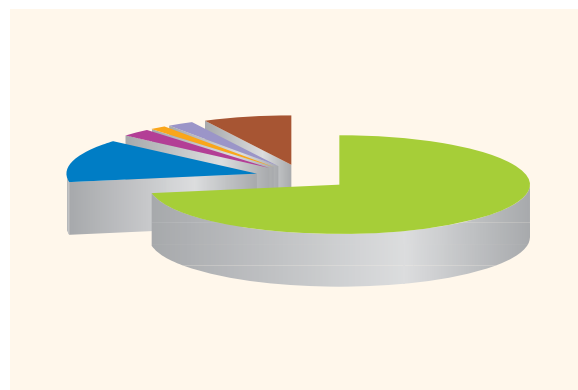
Muhammad Rashid Zahir
Chairman

Key Performance Indicators



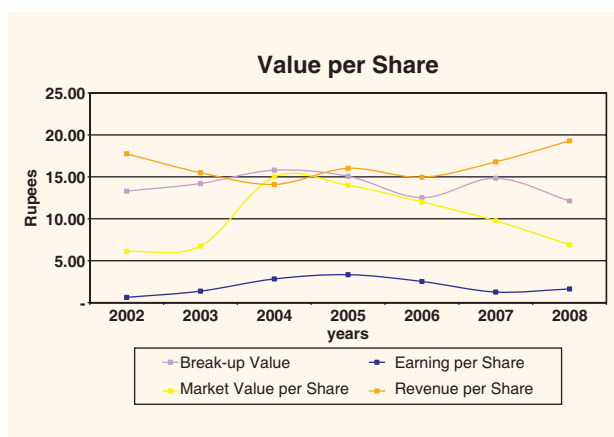
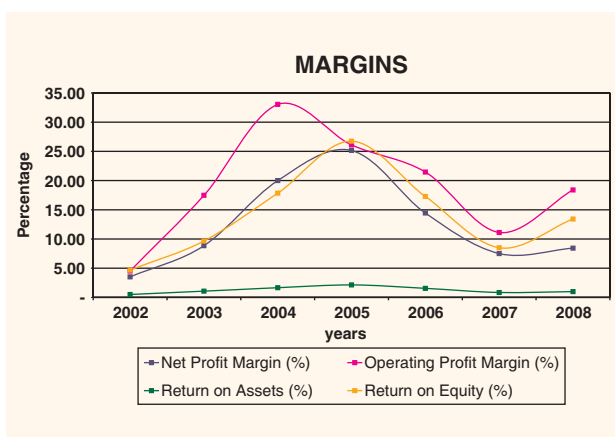
REVENUE DISTRIBUTION FOR 2008

- 67% Financial and Other charges
- 12% Administrative and Operating Expenses
- 03% Direct cost of operating leases
- 08% Provisions
- 02% Taxation
- 08% Profit after Taxation



REVENUE DISTRIBUTION FOR 2007

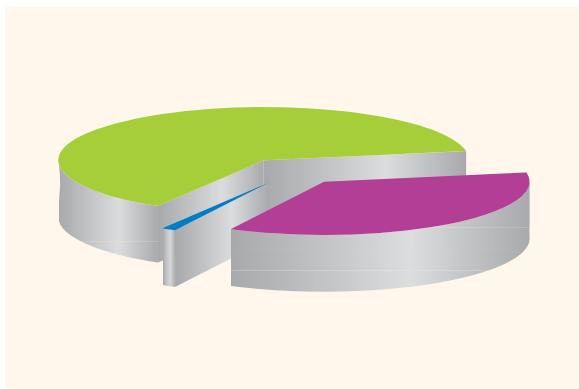
- 72% Financial and Other charges
- 14% Administrative and Operating Expenses
- 03% Direct cost of operating leases
- 01% Provisions
- 02% Taxation
- 08% Profit after Taxation



Ratio	2008	2007	2006	2005	2004	2003
Break up Value (Rs.)	12.12	14.84	12.51	15.07	15.80	14.21
Dividend per Share (Rs.)	-	1.50*	1.50	2.00	2.50	0.75
Dividend Yield (%)	-	15.38	12.50	14.29	16.67	11.11
Earning per Share (Rs.)	1.63	1.26	2.52	3.33	2.82	1.37
Financial Charges / Total Expenses (%)	81.01	81.38	81.25	72.07	69.65	81.30
Financial Charges / Total Revenue (%)	66.11	72.34	63.81	53.24	46.63	67.08
Market Value per Share (Rs.)	6.90	9.75	12.00	14.00	15.00	6.75
Net Profit Margin (%)	8.43	7.51	14.45	25.18	20.01	8.85
Operating Profit Margin (%)	18.39	11.11	21.47	26.12	33.04	17.49
Price Earning Ratio (X)	4.24	7.74	4.75	4.20	5.32	4.92
Return on Assets (%)	0.99	0.83	1.54	2.13	1.66	1.07
Return on Equity (%)	13.42	8.49	17.28	26.75	17.86	9.66
Revenue per Share (Rs.)	19.29	16.78	14.96	16.01	14.10	15.50
Times Interest Earned (X)	1.28	1.15	1.34	1.49	1.71	1.26
Total Assets / Net Worth (X)	13.58	10.24	11.19	12.54	10.78	9.04
Total Financing / Net Worth (X)	9.66	7.30	8.13	9.31	7.95	6.39

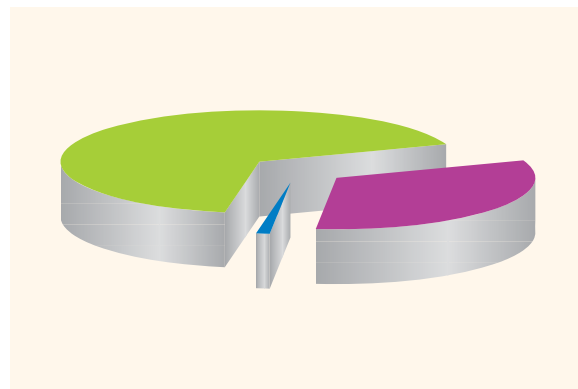
* includes Bonus Shares

Financial Highlights



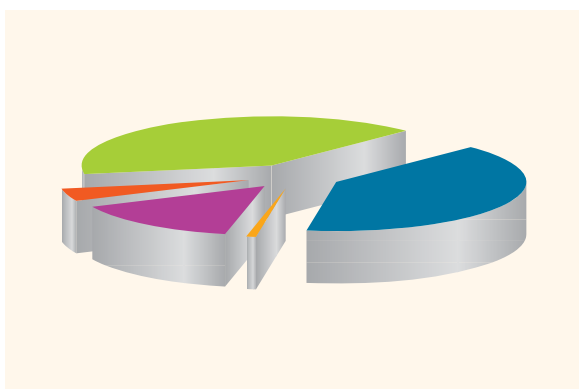
REVENUE ANALYSIS FOR 2008

- 64% Income from leasing operations
- 01% Other income
- 35% Income on term loans investments



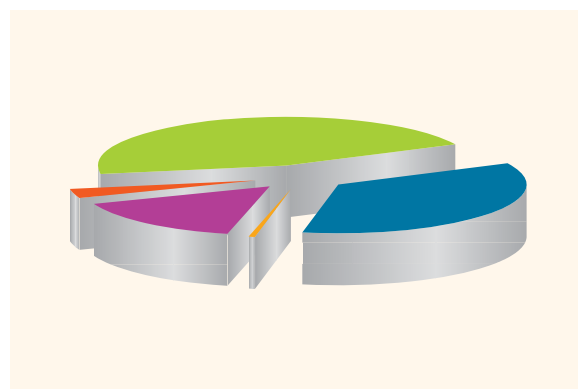
REVENUE ANALYSIS FOR 2007

- 67% Income from leasing operations
- 01% Other income
- 32% Income on term loans investments



EXPENSES ANALYSIS FOR 2008

- 40% Financial charges from financial institutions
- 04% Direct cost of operating leases
- 15% Administrative & Operating Expenses
- 01% Other Charges
- 40% Certificates of Investments

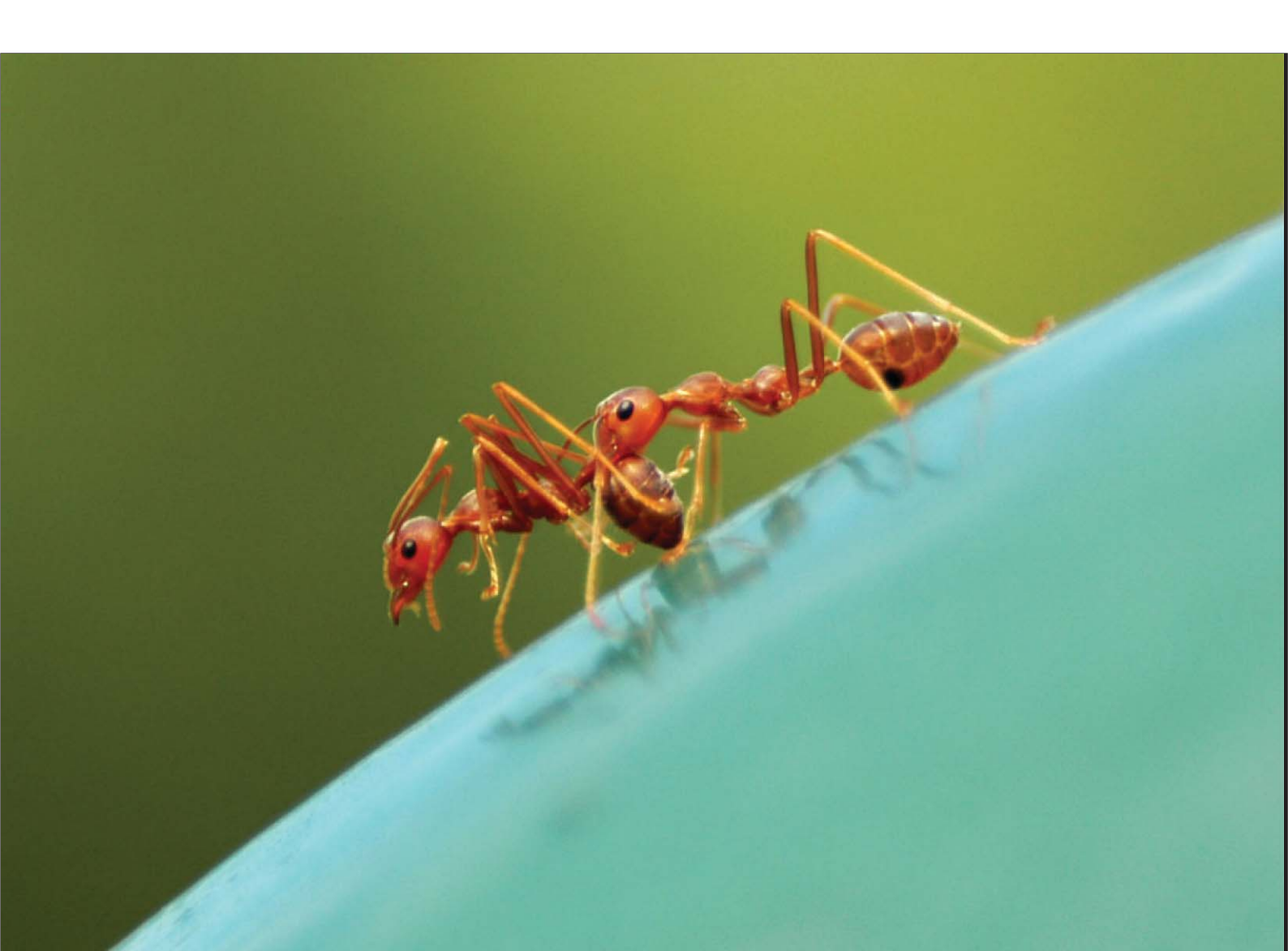


EXPENSES ANALYSIS FOR 2007

- 46% Financial charges from financial institutions
- 03% Direct cost of operating leases
- 15% Administrative & Operating Expenses
- 01% Other Charges
- 35% Certificates of Investments

(Rupees in millions)

	2008	2007	2006	2005	2004	2003
Operational results						
Total disbursements	3,249	2,486	2,258	1,874	1,592	1,012
Revenues	871	722	643	405	310	355
Profit before tax	91	71	103	54	68	66
Profit after tax	73	54	93	102	62	30
Financial charges	576	522	411	216	145	229
Provision for bad debts	69	18	32	43	33	5
Cash dividend	-	13.01	64.52	25.30	22.00	16.50
Balance sheet						
Gross lease receivables	5,937	5,084	4,844	3,866	2,916	2,276
Net investment in leases	4,873	4,248	4,073	3,319	2,533	1,919
Net worth	547	638	537	381	326	313
Reserves	151	136	125	106	86	73
Fixed assets owned & operating	256	209	84	100	42	39
Total assets	7,435	6,538	6,020	4,780	3,746	2,824
Long term liabilities	2,441	2,028	1,855	1,483	1,419	1,328
Long term investments	115	120	381	143	21	-



[Stopless struggle to
bound the future with
no limitation]

Directors' Report to the Shareholders

The Directors of Saudi Pak Leasing Company Limited (the Company) are pleased to present on behalf of the Board of Directors the 18th Annual Report and audited financial statements of the Company for the year ended June 30, 2008.

Financial Results	Rupees
Profit before taxation	90,865,478
Less: Taxation-Current	(10,900,000)
-Deferred	(6,500,000)
<hr/>	
Profit after taxation	73,465,478
Un-appropriated profit brought forward	87,377,946
Less: Cash dividend for the year ended June 30 2007	43,010,000
Transfer to reserve for issue of Bonus Shares	21,505,000
Profit available for appropriation	96,328,424
Transfer to statutory reserve	14,693,096
Un-appropriated profit carried forward	81,635,328
Earning per share	1.63

Dividend

The Board considered the dividend for the period under review. However, it decided not to recommend any dividend for the year which will enable the company to consolidate the reserves.

Board of Directors

No casual vacancy arose during the year.

Corporate Governance

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

Statement of Corporate Governance

The Directors are pleased to state that:

- a) The financial statements, prepared by the management of the company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of account of the company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.

- e) The system of internal control is sound in design and has been effectively implemented and monitored. The ultimate responsibility of the effectiveness of internal control system and its monitoring lies with the Board. An Audit Committee has been formed for the purpose that meets periodically and independently throughout the year with the management and also the internal and external auditors to discuss the effectiveness of internal control system and other financial reporting matters. In addition, there are financial forecasts and budgetary control procedures in place, which are reviewed and monitored throughout the year to indicate and evaluate the variances from the budget.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) During the year four (4) board meetings were held. These meetings were attended by the directors as under:

Name of Directors	Designation	Number of meetings	
		Held during the year	Attended
Mr. Muhammad Rashid Zahir	Chairman	4	4
Mr. Ihsanul Haq Piracha	Vice Chairman	4	2*
Mr. Farrukh Shaukat Ansari	Chief Executive	4	4
Mr. Aasim Azim Siddiqui	Director	4	2*
Mr. Haroon Ihsan	Director	4	3*
Mr. Faridullah Khan	Director	4	4
Mr. Muhammad Tariq Masud	Director	4	4

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

- i) The key information as to operating and financial data of the Company is available in the annual report. The categories and pattern of shareholding as required by the Companies Ordinance, 1984 are also included in the annual report.
- j) No executive owns or has acquired any shares in the Company during the year and no trading was carried out in the shares of the Company during the year by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Chief Internal Auditor or their spouses and minor children.
- k) The value of investments in provident and gratuity funds is Rs.8.047 million (2007: Rs. 7.78 million) and Rs.3.581 million (2007: Rs.2.18 million) respectively as per the audited accounts for provident fund and gratuity fund for the year ended June 30, 2008.

Audit Committee

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

Capital

With regard to emphasis drawn by the auditors in their report in relation to shortfall in equity as against the minimum equity requirements prescribed under Non-Banking Finance Companies and Notified Entities Regulations, 2007, the company is considering various alternatives to meet the capital requirement.

Credit Rating

Based on the results for the year ended June 30, 2007 the entity rating of A - (A- minus) for long term and A-2 for short term assigned by JCR-VIS, a credit rating company, has been maintained.

Auditors

The auditors M/s Anjum Asim Shahid Rahman, Chartered Accountants have retired. On the suggestion of the Audit Committee, the Board recommends the appointment of M/s M. Yousuf Adil Saleem & Co (MYASCO), Chartered Accountants as statutory auditors for the year 2008-2009. The change in the auditors is done in compliance with the requirements of the Code of Corporate Governance.

Pattern of Shareholding

The pattern of shareholding as on June 30, 2008 is annexed with this report.

Financial Highlights

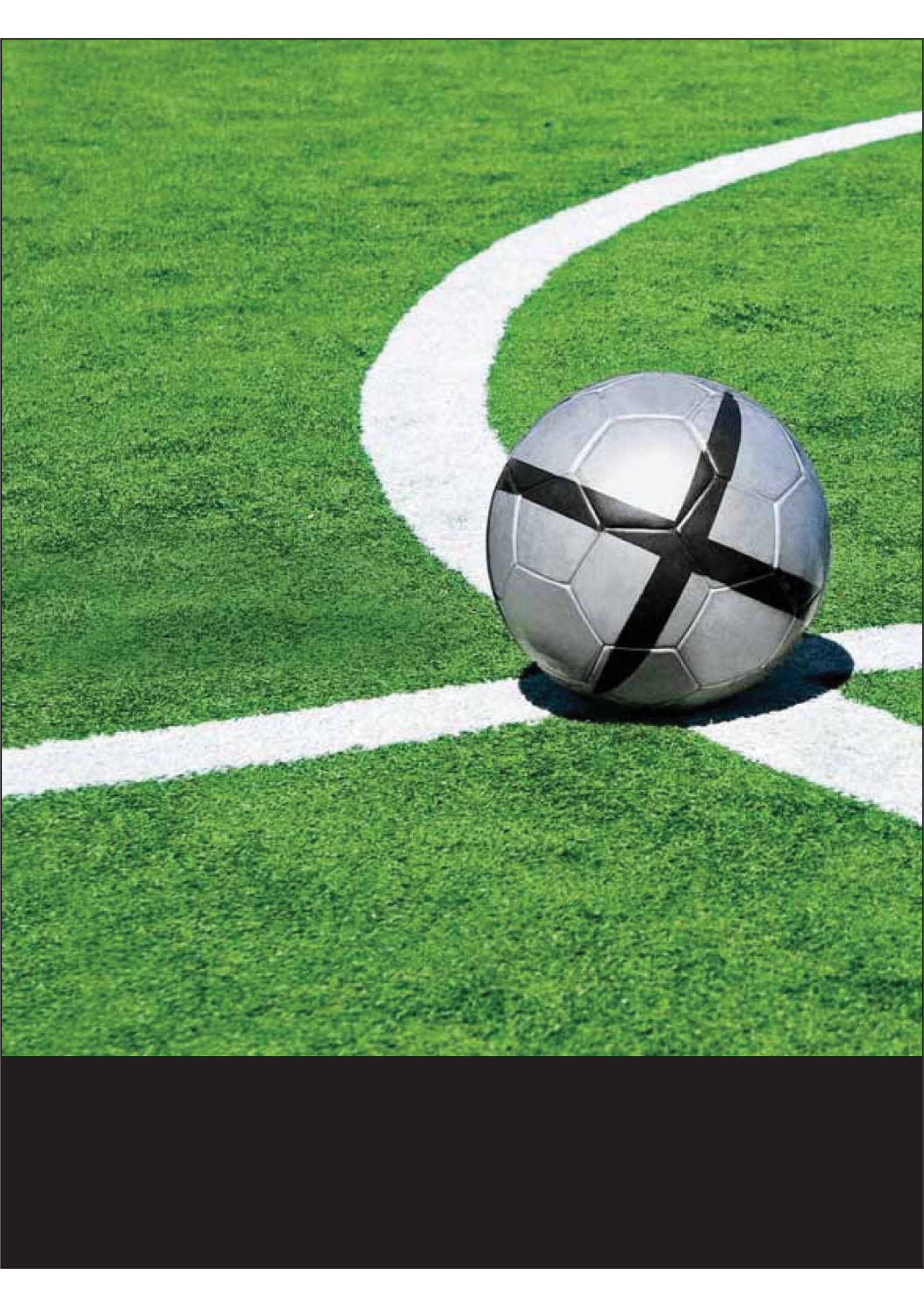
Key financial highlights are summarized and annexed to these financial statements.

For and on behalf of the Board.



Farrukh S. Ansari
Chief Executive Officer

Islamabad:
September 30, 2008





WHEN ACCURACY
BECOMES A GOAL,
ANY GOAL BECOMES
ATTAINABLE.

Statement of Ethics and Business Practices

The Code of Ethics of Saudi Pak Leasing Company Limited imbibes the guiding principles of our operations and conduct of our business with our shareholders, customers, vendors, affiliated companies and other stakeholders. These principles are required to be upheld at all times by all the officers and employees of the Company. The salient features of our commitments are as follows:

Our Shareholders

We strive to achieve optimum value for our shareholders on their investment in the Company through pursuance of prudent and sound risk management policies.

Our Customers

- ▶ We are a customer-friendly Company and seek to serve the needs of our customers with high standards of professional expertise and efficiency.
- ▶ In dealings with our customers, we strictly adhere to the legal, statutory and regulatory requirements.
- ▶ Transparency in business dealings is the cornerstone of our corporate policy.

Our Staff

- ▶ We expect the highest standards of integrity, diligence and responsibility from our staff.
- ▶ We expect our staff to be essentially "team players" and be able to contribute towards achievement of the goals set by the Company.
- ▶ We require of our staff utmost confidentiality of information and data obtained during the course of business with our customers

Compliance with Laws & Regulations

- ▶ Our business policies and plans are formulated in strict compliance with the laws prevailing in the country.
- ▶ The Company attaches high degree of sanctity to proper maintenance of records relating to financial transactions as required under the laws

Credit Operations

- ▶ Our credit operations are conducted under well-defined policies and procedures which are carefully reviewed, from time to time, to meet the emerging business environment.
- ▶ Our credit operations are transparent and the business decisions conform to high standards of financial prudence.
- ▶ We maintain adequate provisions against our receivables and investments as required under the Prudential Regulations.

Social Responsibility

- ▶ We recognize our responsibility in terms of the contribution we make towards the well-being of the society.
- ▶ We do not make donations to or extend any financing to or accept financial exposure towards any political organization.

Maintaining Confidentiality

- ▶ We attach utmost importance to ensure the confidentiality of business data concerning the Company, its customers and other business relationships.
- ▶ We do not disclose information relating to our customers or employees to third parties except with their consent or unless there is a legal or regulatory obligation to do so.

Financial Statements and other Records

- ▶ We have installed adequate control procedures and systems to ensure that all the books, records, accounts and financial statements are maintained appropriately and capture the spirit of the Company's transactions and conform to the legal requirements. The Company will not retain unrecorded or "off-the-books" funds or assets or liabilities in contravention of applicable laws and regulations.
- ▶ We believe in disclosure of all material financial information relating to the operations of the Company as required under the laws.

Statement of Compliance with the Code of Corporate Governance

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

The Company 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 interests on its Board of Directors. At present the Board includes six non-executive directors and no directors representing minority shareholders.
2. The 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 an NBFC or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancies of the Board of Directors arise during the year.
5. The Company has prepared a 'Statement of Ethics and Business Practice's which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of the particulars of significant policies along with the dates on which they were approved or amended has been maintained.
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 Chief Executive Officer have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with the agenda and working papers, were circulated in time before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors are conversant of the relevant laws applicable to the Company, its policies and procedures and provisions of memorandum and article of association and are aware of their duties and responsibilities.
10. The Board of Directors has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit. Future appointment, if any, on statutory positions including their remuneration and terms and conditions of employment as determined by the Chief Executive Officer, will be referred to the Board for approval.
11. 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.
12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before the approval of the Board.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of the shareholdings.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee comprising of three non-executives directors including the Chairman of the committee.
16. The meeting of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance in the form of Audit Committee Charter.
17. The Board has set-up an effective internal audit function with employees who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis. The Internal Audit Department reports to the Audit Committee.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all his partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the person 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 regards.
20. The quarterly un-audited financial statements of the Company were circulated along with the review of the Directors. Half yearly financial statements were subject to the limited review by the statutory auditors. Financial Statements for the year ended June 30, 2008 have been audited and will be circulated in accordance with clause (xxii) of the Code.
21. All material information as described in clause (xxiii) of the Code is disseminated to the stock exchanges and Securities and Exchange Commission of Pakistan in a timely fashion.
22. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board

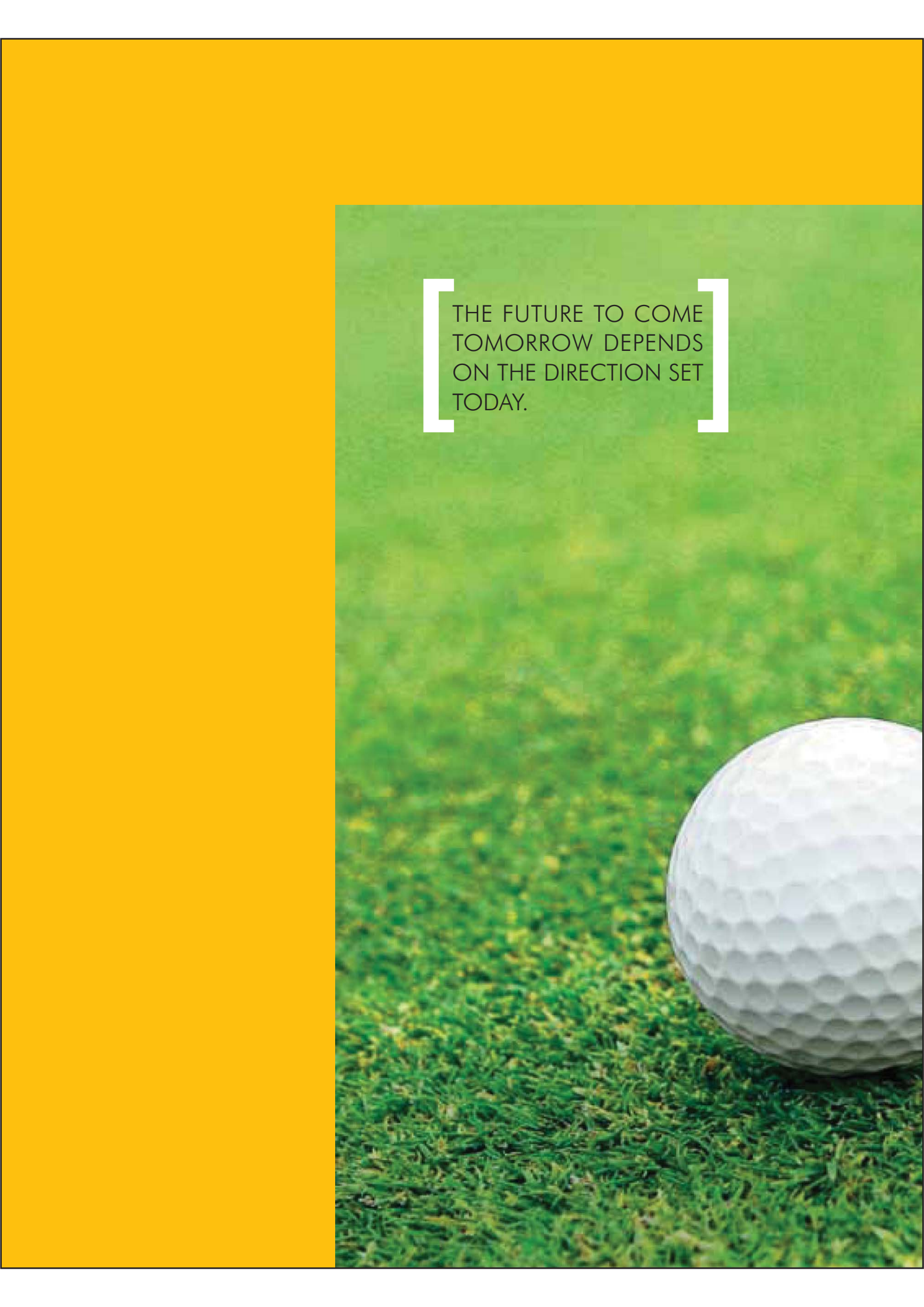


FARRUKH S. ANSARI
Chief Executive Officer



MUHAMMAD RASHID ZAHIR
Chairman

Dated: September 30, 2008

A white golf ball is positioned in the lower right corner of the frame, resting on a vibrant green lawn. The background is a solid, bright yellow color that occupies the left and top portions of the image. The text is centered in the upper half of the green area, enclosed in large white brackets.

THE FUTURE TO COME
TOMORROW DEPENDS
ON THE DIRECTION SET
TODAY.



Review report to the members of Saudi Pak Leasing Company on Statement of Compliance with the 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 Saudi Pak Leasing Company Limited (the company) to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange, Chapter XIII of the Listing Regulations of the Lahore Stock Exchange and Section 36 (Chapter XI) of the Listing Regulations of the Islamabad Stock Exchange 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 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, 2008.

Karachi

Date: September 30, 2008



Anjum Asim Shahid Rahman

Chartered Accountants

Auditors' report to the members of Saudi Pak Leasing Company Limited

We have audited the annexed balance sheet of Saudi Pak Leasing Company Limited as at June 30, 2008 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, 2008 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.

Without qualifying our opinion, we draw attention to note 1.1 and 22.3 to the financial statements which explains shortfall in equity as against the minimum equity requirements prescribed under Non-Banking Finance Companies and Notified Entities Regulations, 2007 and step taken by management to address the shortfall.

Karachi
Date: September 30, 2008


Anjum Asim Shahid Rahman
Chartered Accountants

Balance Sheet

As at June 30, 2008

	Note	2008 Rupees	2007 Rupees
ASSETS			
Current assets			
Cash and bank balances	5	49,704,341	104,618,359
Short-term loans	6	1,098,672,015	851,069,387
Short-term investments	7	482,387,001	407,293,928
Loans and receivables	8	11,250,000	36,960,916
Advances, deposits, prepayments and other receivables	9	419,779,041	437,258,882
Current maturity of non-current assets	10	2,060,326,732	2,091,038,978
Total current assets		4,122,119,130	3,928,240,450
Non-current assets			
Long term loans	11	109,818,110	103,473,089
Net investment in leases	12	2,941,966,308	2,281,114,477
Long term investments	13	5,100,000	16,641,900
Property, plant and equipment	14	256,383,013	208,860,551
Total non-current assets		3,313,267,431	2,610,090,017
Total assets		7,435,386,561	6,538,330,467
LIABILITIES			
Current liabilities			
Borrowings from financial institutions	15	1,245,000,000	965,000,000
Certificates of investment	16	2,392,498,000	1,811,676,000
Accrued and other payables	17	232,300,330	150,849,930
Current maturity of non-current liabilities	18	576,603,025	942,136,470
Provision for taxation - net		-	1,834,633
Total current liabilities		4,446,401,355	3,871,497,033
Non-current liabilities			
Certificates of investment	16	199,469,000	571,139,000
Long term finances	19	1,110,722,870	555,833,340
Deposits against leases	20	1,070,375,836	846,942,192
Deferred tax	21	61,081,968	54,581,968
Total non-current liabilities		2,441,649,674	2,028,496,500
Total liabilities		6,888,051,029	5,899,993,533
NET ASSETS		547,335,532	638,336,934
FINANCED BY			
Authorized capital 100,000,000 (2007: 100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000
Issued, subscribed and paid-up share capital	22	451,605,000	430,100,000
Reserves	23	150,857,389	136,164,293
Unappropriated profit		81,635,328	87,377,946
		684,097,717	653,642,239
Unrealized loss on available for sale investments		(136,762,185)	(15,305,305)
Total equity		547,335,532	638,336,934
CONTINGENCIES AND COMMITMENTS			
	24		

The annexed notes from 1 to 47 form an integral part of these financial statements.



FARRUKH S. ANSARI
Chief Executive Officer



MUHAMMAD RASHID ZAHIR
Chairman

Profit and Loss Account

For the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
Revenue			
Income from:			
Finance leases	25	479,904,810	442,388,541
Operating leases		74,834,950	38,237,366
		554,739,760	480,625,907
Other operating income	26	316,561,540	241,055,791
		871,301,300	721,681,698
Expenses			
Financial and other charges	27	575,993,770	522,088,562
Administrative, selling and other operating expenses	28	105,282,984	100,664,319
Direct cost of operating leases	29	29,759,970	18,769,672
		711,036,724	641,522,553
Operating profit before provisions		160,264,576	80,159,145
Provisions and fair value changes			
Provision for doubtful leases, loans and other receivable	30	69,397,898	18,158,572
Unrealized loss/(gain) in the market value of investment classified as held for trading		1,200	(8,697,123)
		69,399,098	9,461,449
Profit before taxation		90,865,478	70,697,696
Taxation			
Current	31	10,900,000	11,500,000
Deferred	21	6,500,000	5,000,000
		17,400,000	16,500,000
Profit for the year		73,465,478	54,197,696
Earnings per share - basic and diluted	32	1.63	1.20

The annexed notes from 1 to 47 form an integral part of these financial statements.


FARRUKH S. ANSARI
 Chief Executive Officer


MUHAMMAD RASHID ZAHIR
 Chairman

Cash Flow Statement

For the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations after working capital changes	36	553,477,224	(12,733,156)
Financial charges paid		(533,995,930)	(509,906,799)
Taxes paid		(13,224,048)	(14,415,223)
Deposits received from lessees		271,766,864	103,694,162
Increase in net investment in leases		(679,489,063)	(184,809,088)
		(954,942,177)	(605,436,948)
Net cash used in operating activities		(401,464,953)	(618,170,104)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	14	(1,553,849)	(42,042,783)
Investment in operating lease assets		(113,613,442)	(111,935,500)
Proceeds from sale of repossessed asset		-	2,200,000
Proceeds from sale of property, plant and equipment		33,225,805	3,531,708
Decrease in loans and receivables		21,832,759	28,622,538
(Increase)/decrease in investments		(179,754,997)	219,011,790
(Increase)/decrease in long term loans		(15,875,068)	215,041,322
Dividend received		14,898,389	23,392,434
Net cash (used in)/from investing activities		(240,840,403)	337,821,509
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds of long term finances		141,022,865	833,339
Increase in certificates of investment		209,152,000	699,193,000
Increase/(decrease) in borrowings from financial institutions		280,000,000	(415,000,000)
Dividend paid		(42,783,527)	(64,220,930)
Net cash from financing activities		587,391,338	220,805,409
Net decrease in cash and cash equivalents		(54,914,018)	(59,543,186)
Cash and cash equivalents at beginning of the year		104,618,359	164,161,545
Cash and cash equivalents at end of the year	37	49,704,341	104,618,359

The annexed notes from 1 to 47 form an integral part of these financial statements.



FARRUKH S. ANSARI
Chief Executive Officer



MUHAMMAD RASHID ZAHIR
Chairman

Statement of Changes in Equity

For the year ended June 30, 2008

	Share capital	Reserve for issue of bonus shares	Capital Reserves		Total reserves	Unappropriated profit	Unrealized loss on investments classified as available for sale	Total equity
			Contingency reserve	Statutory reserve				
----- R u p e e s -----								
Balance as at June 30, 2006	430,100,000	-	2,600,000	122,724,754	125,324,754	108,534,789	(125,983,504)	537,976,039
Realized loss in market value of investment classified as available for sale	-	-	-	-	-	-	164,987,967	164,987,967
Unrealized loss in market value of investments classified as available for sale	-	-	-	-	-	-	(54,309,768)	(54,309,768)
Net income recognized directly in equity	-	-	-	-	-	-	110,678,199	110,678,199
Profit for the year ended June 30, 2007	-	-	-	-	-	54,197,696	-	54,197,696
Final dividend for the year ended June 30, 2006 declared and paid subsequent to year end	-	-	-	-	-	(64,515,000)	-	(64,515,000)
Transfer to statutory reserve	-	-	-	10,839,539	10,839,539	(10,839,539)	-	-
Balance as at June 30, 2007 carried forward	430,100,000	-	2,600,000	133,564,293	136,164,293	87,377,946	(15,305,305)	638,336,934
Realized loss in market value of investment classified as available for sale	-	-	-	-	-	-	9,259,157	9,259,157
Unrealized loss in market value of investment classified as available for sale	-	-	-	-	-	-	(130,716,037)	(130,716,037)
Net income recognized directly in equity	-	-	-	-	-	-	(121,456,880)	(121,456,880)
Profit for the year ended June 30, 2008	-	-	-	-	-	73,465,478	-	73,465,478
Transfer to reserve for issue of bonus shares	-	21,505,000	-	-	21,505,000	(21,505,000)	-	-
Issue of bonus shares	21,505,000	(21,505,000)	-	-	(21,505,000)	-	-	-
Final dividend for the year ended June 30, 2007 declared and paid subsequent to year end	-	-	-	-	-	(43,010,000)	-	(43,010,000)
Transfer to statutory reserve	-	-	-	14,693,096	14,693,096	(14,693,096)	-	-
Balance as at June 30, 2008	451,605,000	-	2,600,000	148,257,389	150,857,389	81,635,328	(136,762,185)	547,335,532

The annexed notes from 1 to 47 form an integral part of these financial statements.


FARRUKH S. ANSARI
 Chief Executive Officer


MUHAMMAD RASHID ZAHIR
 Chairman

Notes to the Financial Statements

For the year ended June 30, 2008

1. STATUS AND NATURE OF BUSINESS

Saudi Pak Leasing Company Limited (the company) was incorporated in Pakistan on January 08, 1991 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 business.

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

1.1 As per the S.R.O. 1132(I)2007 dated November 21, 2007 issued by Securities and Exchange Commission of Pakistan (SECP), all Non-Banking Finance Companies were required to raised their equity to Rs. 350 million for leasing business and Rs. 300 million for housing finance services by June 30, 2008. On September 24, 2008, the company has requested to SECP to grant extension for the housing finance license in respect of minimum equity requirement till May 2009 against which response from SECP is awaited (note 22.3).

2. BASIS OF MEASUREMENT

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

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

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards, 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 Non-Banking Finance Companies and Notified Entities Regulations, 2007 (The Regulations). Approved accounting standards comprise such International Financial Reporting Standard (IFRS) issued by International Accounting Standard Board (IASB) as are notified under the provisions of the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever, the requirements of the Ordinance, NBFC Rules and Regulations differ with the requirements of IFRS, the requirements of the Ordinance, the Rules or the Regulations shall prevail.

3.1 Standards, interpretations and amendments to published approved accounting standards that are not yet effected

Following standards and interpretations have been issued but are not effective. Consequently, respective requirements have not been followed while preparing these financial statements.

		Effective dates
Presentation of Financial Statements (revised in September 2007)	IAS 1	01 January 2009
Amendments to IAS 23 Borrowing Costs	IAS 23	01 January 2009
Customer Loyalty Programmes	IFRIC 13	01 July 2008
Financial instruments: Disclosure	IFRS 7	01 July 2008
Operating Segments	IFRS 8	01 January 2009

The company expects that the adoption of the above standards, amendments and interpretations will have no impact on the company's financial statement in the period of initial application.

Notes to the Financial Statements

For the year ended June 30, 2008

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, the Prudential Regulations for NBFs (refer note. 4.10) and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

In the process of applying the company's accounting policies, management has made the following estimates and judgment which are significant to the financial statement.

- a) determining the residual values and useful lives of the property, plant and equipment (note 4.5);
- b) allowance for potential lease and loan losses (note 4.10);
- c) classification of investments (note 4.8);
- d) valuation of derivatives (note 4.9);
- e) provisions (note 4.14);
- f) recognition of taxation and deferred tax (note 4.4);
- g) accounting for post employment benefits (note 4.3), and
- h) impairment (note 4.15)

4.2 Loans and Finances

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

4.3 Employees benefits

Defined benefit plan

The company operates an approved gratuity fund for its permanent employees who complete the eligible period of service. Provision has been made in accordance with actuarial recommendations using the projected unit credit method. The results of current valuation are summarized in note 33. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceeded ten percent of the higher of defined benefit obligation and fair value of the plan assets at that date. The excess amount of gains or losses are recognized over the expected remaining working lives of the employees participating in the plans.

Defined contribution plan

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

Notes to the Financial Statements

For the year ended June 30, 2008

4.4 Taxation

Current

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

Deferred

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

4.5 Property, plant and equipment and depreciation

Property, plant and equipment (including assets given under operating lease arrangements) are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to income applying the straight-line method over the estimated useful life of the assets (refer note 14). In respect of addition and disposal of an asset during the year, depreciation is charged from the month of acquisition and upto the month preceding the month of disposal respectively.

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

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

Capital work-in-progress

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

4.6 Finance leases (as lessor)

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

4.7 Loans and receivables

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

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

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

Notes to the Financial Statements

For the year ended June 30, 2008

4.8 Investments

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

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

At fair value through profit or loss

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

Held-to-maturity

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

Available for sale

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

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

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

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

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

Notes to the Financial Statements

For the year ended June 30, 2008

Repurchase and resale transactions

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

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

Derecognition

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

4.9 Derivative financial instruments

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

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

4.10 Allowance for potential lease and loans losses

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

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

4.11 Cash and cash equivalents

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

4.12 Borrowing cost

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

4.13 Revenue recognition

Finance leases, loans and placements

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

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

Notes to the Financial Statements

For the year ended June 30, 2008

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

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

Operating lease

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

Return on investments

Return on investments is recognized using effective interest method.

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

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

4.14 Provisions

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

4.15 Impairment

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

4.16 Financial instruments

Financial assets carried on the balance sheet include cash and bank balances, advances and deposits, and are at fair value through profit or loss. Loans and finances, finance leases, loans and receivables and investments have been categorized as per the policies mentioned in note 4.2, 4.6, 4.7 and 4.8 respectively.

Financial liabilities carried on the balance sheet include certificates of investment, accrued and other payables and are at fair value through profit or loss.

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

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

Financial liabilities are de-recognized only when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires.

4.17 Off-setting

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

Notes to the Financial Statements

For the year ended June 30, 2008

4.18 Related party transactions

Related party transactions are entered into on an arm's length basis.

4.19 Foreign currencies

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

4.20 Dividend distribution

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

4.21 Segmental reporting

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

4.22 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 is the company's functional and presentation currency.

4.23 General

Figures have been rounded-off to nearest Rupee.

	Note	2008 Rupees	2007 Rupees
5. CASH AND BANK BALANCES			
With State Bank of Pakistan in current account		306,918	2,530,153
With banks:			
- in current accounts - local currency		1,073,399	757,928
- in current accounts - foreign currency		5,401	5,401
- in savings accounts	5.1	48,208,174	101,223,616
Cash in hand		110,449	101,261
		<u>49,704,341</u>	<u>104,618,359</u>
6. SHORT-TERM LOANS - secured			
Considered good		1,094,422,015	844,269,387
Considered doubtful		8,500,000	8,500,000
Allowance for doubtful loans	6.1	(4,250,000)	(1,700,000)
		4,250,000	6,800,000
	6.2	<u>1,098,672,015</u>	<u>851,069,387</u>

Notes to the Financial Statements

For the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
6.1 Allowance for doubtful loans			
Balance at beginning of the year		1,700,000	-
Charged during the year		2,550,000	1,700,000
Balance at end of the year		4,250,000	1,700,000

6.2 This represents loans to customers for a period up to one year on mark-up basis and are secured against properties and pledge of listed securities and hypothecation of stock and receivables. The rate of mark-up ranges from 11% to 25% (2007:11.75% to 19%) per annum.

7. SHORT-TERM INVESTMENTS

	Note	2008 Rupees	2007 Rupees
Related party			
Available for sale			
Investment in equity securities		25,000,000	58,920,000
Other than related party			
Available for sale	7.1	457,379,720	322,314,908
At fair value through profit or loss - held for trading			
Investment in equity securities		7,281	26,059,020
		482,387,001	407,293,928
7.1 Available for sale			
Investment in equity securities	7.1.1	352,448,824	220,768,655
Mutual funds units		70,430,896	101,546,253
Membership cards	7.1.2	34,500,000	-
		457,379,720	322,314,908

7.1.1 Fifteen per cent of the resources raised through Certificates of Investments other than those held by financial institutions, amounting to Rs. 95,732,550 (2007: Rs. 111,422,250) have been invested in listed securities to comply with the requirement of Non Banking Finance Companies and Notified Entities Regulations, 2007.

7.1.2 These represent 46 club memberships of 750,000 each of ACAIA Country and Golf Club, purchased from Quality Golf Pakistan (Private) Limited. These investments are carried at cost which is the consideration paid by company for acquisition of memberships. In the absence of an established market, these have not been converted at fair value which may not be different than the cost.

8. LOANS AND RECEIVABLES- considered good

Other than related parties

	Number of Certificates		Face value (Rs)	Tenure	Profit rate	Note	2008	2007
	2008	2007					----- Rupees -----	----- Rupees -----
Term Finance Certificates- secured								
Dewan Cement Limited				7 years from July 15, 2004	KIBOR plus 2.5%	8.1	-	21,960,916
Preference shares- secured								
Pak Electron Limited	1,500,000	1,500,000	10	-	9.50%		11,250,000	15,000,000
							11,250,000	36,960,916

Notes to the Financial Statements

For the year ended June 30, 2008

8.1 During the period Dewan Cement Limited pre-paid the outstanding amount of the TFCs whereby the TFC series "A" representing the principle amount was paid in full, while TFC series "B" representing the mark-up portion was paid after discounting the sum outstanding there against.

9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2008 Rupees	2007 Rupees
Advances			
Advance to employees, considered good			
- Chief executive	9.1	303,074	497,762
- Other employees		2,992,193	1,513,557
Advance to suppliers against lease		105,656,834	154,910,019
Advance to suppliers		62,539,617	61,881,830
Advance tax - net of provision		489,419	-
Advance for investment		38,333,333	-
		210,314,470	218,803,168
Deposits and prepayments			
Trade deposits		620,045	610,045
Prepayments		2,761,157	3,989,862
		3,381,202	4,599,907
Accrued			
Income on operating leases		18,603,102	7,203,666
Return on investments		232,833	3,922,367
Mark-up on term loans and advances		58,851,362	40,266,103
		77,687,297	51,392,136
Less: Provision for accrued income on operating lease		(1,292,166)	(1,292,166)
		76,395,131	50,099,970
Other receivables			
Corporate asset tax recoverable		2,057,589	2,057,589
Cost of assets repossessed		134,070,567	41,355,017
Receivable against sale of securities		-	119,677,969
Other receivables		14,892,459	8,775,010
		151,020,615	171,865,585
Less: Provision for doubtful other receivables	9.2	(21,332,377)	(8,109,748)
		129,688,238	163,755,837
		419,779,041	437,258,882

9.1 The maximum aggregate amount due from the chief executive and other employees at the end of any month during the year was Rs. 497,762 (2007: Rs. 819,788) and Rs. 5,590,338 (2007: Rs. 4,565,865) respectively.

	Note	2008 Rupees	2007 Rupees
9.2 Provision for doubtful other receivables			
Balance at beginning of the year		8,109,748	1,107,425
Charged during the year		13,222,629	7,002,323
Balance at end of the year		21,332,377	8,109,748

10. CURRENT MATURITY OF NON- CURRENT ASSETS

Current portion of :			
Long term loans	11	121,672,293	112,142,246
Net investment in leases	12	1,931,800,039	1,966,788,076
Long term investments	13	6,854,400	12,108,656
		2,060,326,732	2,091,038,978

Notes to the Financial Statements

For the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
11. LONG TERM LOANS - secured, considered good			
Other than related party			
Term loan to customers	11.1	209,975,331	203,985,649
Due from employees		21,515,072	11,629,686
		231,490,403	215,615,335
Less: Recoverable within one year shown as current portion of long term loans	10	121,672,293	112,142,246
		109,818,110	103,473,089

11.1 Term loan due from customers is secured against property and pledge of listed securities. The rate of return on these loans ranges from 14.55% to 21.30% (2007: 11.5% to 20%) per annum.

	Note	2008 Rupees	2007 Rupees
12. NET INVESTMENT IN LEASES			
Minimum lease payments receivable	12.2	4,611,303,800	4,018,724,432
Add: Residual value of leased assets		1,326,101,505	1,064,967,670
Gross investment in leases		5,937,405,305	5,083,692,102
Less: Unearned lease income		745,310,581	601,469,115
Income suspended	12.4	127,754,841	90,721,566
Provision for potential lease losses	12.5	190,573,536	143,598,868
		1,063,638,958	835,789,549
Net investment in leases	12.3	4,873,766,347	4,247,902,553
Less: Current portion of net investment in leases	10	1,931,800,039	1,966,788,076
		2,941,966,308	2,281,114,477

12.1 The internal rate of return on leases disbursed during the year ranges from 15% to 28.34% (2007: 10% to 30.82%) per annum. Certain lease rentals have been hypothecated against long term finances obtained (refer note 19.)

	2008 Rupees	2007 Rupees
12.2 Minimum lease payments receivable		
Less than one year	2,335,587,562	2,968,818,945
More than one year and less than five years	2,275,716,238	1,049,905,487
	4,611,303,800	4,018,724,432
12.3 Net investment in leases		
Less than one year	1,931,800,039	1,966,788,076
More than one year to five years	2,941,966,308	2,281,114,477
	4,873,766,347	4,247,902,553
12.4 Income suspended		
Balance at beginning of the year	90,721,566	50,615,924
Income suspended during the year	47,246,322	51,236,768
Reversal of suspension	(7,922,793)	(11,055,760)
Write-off during the year	(2,290,254)	(75,366)
Balance at end of the year	127,754,841	90,721,566

Notes to the Financial Statements

For the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
12.5 Provision for potential lease losses			
Balance at beginning of the year		143,598,868	135,335,192
Charge for the year		86,102,372	45,500,421
Reversed during the year		(32,477,103)	(36,044,173)
Write offs against provision		(6,650,601)	(1,192,572)
Balance at end of the year		<u>190,573,536</u>	<u>143,598,868</u>

12.6 Net investment in lease finance includes lease contract receivables amounting to Rs. 15,943,226 (2007: Rs.29,706,694) from related parties.

	Note	2008 Rupees	2007 Rupees
13. LONG TERM INVESTMENTS			
Held to maturity - other than related party			
Term finance certificates - secured	13.1	11,954,400	20,313,056
Term loan - secured	13.2	-	8,437,500
		11,954,400	28,750,556
Less: current portion	10	6,854,400	12,108,656
		<u>5,100,000</u>	<u>16,641,900</u>

13.1 Term Finance Certificates- secured

	Number of Certificates		Face value Rupees	Tenure	Profit rate	2008	2007
	2008	2007				Rupees	
Crescent Standard Investment Bank Limited (formerly Pacific Leasing Company Limited)	-	800	5,000	4 years from July 08, 2003	10.50%	-	1,804,256
Al-Zamin Leasing Modaraba-I	702	1,032	5,000	5 years from Dec 24, 2003	8.00%	1,754,400	3,508,800
Al-Zamin Leasing Modaraba-II	3,000	3,000	5,000	5 years from July 01, 2005	9.50%	10,200,000	15,000,000
						<u>11,954,400</u>	<u>20,313,056</u>

13.2 Term-Loan- secured

Jamshoro Joint Venture Company Limited	-	-	4 years from Nov 2004	KIBOR + 4.50%	-	8,437,500
					<u>-</u>	<u>8,437,500</u>

Notes to the Financial Statements

For the year ended June 30, 2008

14. PROPERTY, PLANT AND EQUIPMENT

	Own assets					Operating lease assets					
	Building improvements	Offices premises	Furniture, fixtures and fittings	Vehicles	Office equipment and appliances	Sub total	Generators	Plant and machinery	Vehicles	Sub total	Total
----- Rupees -----											
As at July 1, 2006											
Cost	3,526,371	28,548,042	6,162,238	25,565,957	22,394,387	86,196,995	14,090,000	32,000,000	3,625,080	49,715,080	135,912,075
Accumulated depreciation	(3,073,546)	(7,244,833)	(5,382,112)	(10,911,480)	(18,697,383)	(45,309,354)	(2,056,908)	(4,046,666)	(120,836)	(6,224,410)	(51,533,764)
Net book value (Rs.)	452,825	21,303,209	780,126	14,654,477	3,697,004	40,887,641	12,033,092	27,953,334	3,504,244	43,490,670	84,378,311
Year ended June 30, 2007											
Opening net book value (Rs.)	452,825	21,303,209	780,126	14,654,477	3,697,004	40,887,641	12,033,092	27,953,334	3,504,244	43,490,670	84,378,311
Additions	-	28,712,000	624,895	8,361,000	4,344,889	42,042,784	6,200,000	35,000,000	70,735,500	111,935,500	153,978,284
Disposals - net	-	-	-	(20,910)	(57,901)	(78,811)	-	-	(2,393,233)	(2,393,233)	(2,472,044)
Depreciation charge	(155,255)	(1,573,235)	(339,969)	(5,628,603)	(1,665,491)	(9,362,553)	(4,057,994)	(6,408,328)	(7,195,125)	(17,661,447)	(27,024,000)
Closing net book value (Rs.)	297,570	48,441,974	1,065,052	17,365,964	6,318,501	73,489,061	14,175,098	56,545,006	64,651,386	135,371,490	208,860,551
As at July 1, 2007											
Cost	3,526,371	57,260,042	6,787,133	32,764,371	25,889,366	126,227,283	20,290,000	67,000,000	71,763,580	159,053,580	285,280,863
Accumulated depreciation	(3,228,801)	(8,818,068)	(5,722,081)	(15,398,407)	(19,570,865)	(52,738,222)	(6,114,902)	(10,454,994)	(7,112,194)	(23,682,090)	(76,420,312)
Net book value (Rs.)	297,570	48,441,974	1,065,052	17,365,964	6,318,501	73,489,061	14,175,098	56,545,006	64,651,386	135,371,490	208,860,551
Year ended June 30, 2008											
Opening net book value (Rs.)	297,570	48,441,974	1,065,052	17,365,964	6,318,501	73,489,061	14,175,098	56,545,006	64,651,386	135,371,490	208,860,551
Additions	-	80,000	-	588,090	885,759	1,553,849	23,055,135	-	90,558,307	113,613,442	115,167,291
Disposals - net	-	(21,339,667)	-	(1,428,187)	(22,000)	(22,789,854)	-	-	(7,356,483)	(7,356,483)	(30,146,337)
Depreciation charge	(155,253)	(2,282,424)	(385,195)	(3,827,964)	(1,995,174)	(8,646,010)	(4,477,720)	(4,460,006)	(19,914,756)	(28,852,482)	(37,498,492)
Closing net book value (Rs.)	142,317	24,899,883	679,857	12,697,903	5,187,086	43,607,046	32,752,513	52,085,000	127,938,454	212,775,967	256,383,013
As at June 30, 2008											
Cost	3,526,371	35,548,042	6,787,133	29,710,536	26,735,125	102,307,207	43,345,135	67,000,000	152,965,307	263,310,442	365,617,649
Accumulated depreciation	(3,384,054)	(10,648,159)	(6,107,276)	(17,012,633)	(21,548,039)	(58,700,161)	(10,592,622)	(14,915,000)	(25,026,853)	(50,534,475)	(109,234,636)
Net book value (Rs.)	142,317	24,899,883	679,857	12,697,903	5,187,086	43,607,046	32,752,513	52,085,000	127,938,454	212,775,967	256,383,013
Rate of depreciation (%)	20	5	20	20	20		20	10	20		

Notes to the Financial Statements

For the year ended June 30, 2008

14.1 The following assets were disposed off during the year:

Particulars	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/ (loss) on sale	Particulars of purchaser	Mode of disposal
----- Rupees -----							
Assets - Own use							
	590,000	424,800	165,200	355,000	189,800	Mr. Ajjaz Ahmed Siddiqui, Karachi.	Negotiation
	434,000	117,180	316,820	400,000	83,180	Saudi Pak Insurance Company Limited	Insurance claim
	849,000	598,545	250,455	736,000	485,545	Mr. Azhar Aziz Khan, Karachi.	Negotiation
	399,000	239,400	159,600	330,000	170,400	Mr. Zahid Jawaid Chaudhry, Karachi.	Negotiation
	434,000	136,710	297,290	375,000	77,710	Mr. Amjad Aziz, Sialkot.	Negotiation
	399,000	251,370	147,630	336,000	188,370	Mrs. Farhat Iqbal, Karachi.	Negotiation
Book value not exceeding Rs. 50,000 each	432,292	389,063	43,229	315,000	271,771	Various	Negotiation
	42,133	37,920	4,213	23,000	18,787	Various	Negotiation
	62,500	18,750	43,750	50,000	6,250	Saudi Pak Insurance Company Limited (Related party)	Insurance claim
	3,641,925	2,213,738	1,428,187	2,920,000	1,491,813		
Office equipment & appliances							
Book value not exceeding Rs. 50,000 each	40,000	18,000	22,000	15,525	(6,475)	M/s. Hascomba Business Solution Limited, Karachi	Negotiation
	40,000	18,000	22,000	15,525	(6,475)		
Office premises							
	21,792,000	452,333	21,339,667	22,420,000	1,080,333	M/s. Saudi Pak Real Estate Limited - Related party	Negotiation
Operating lease assets							
Vehicles							
	1,309,000	333,795	975,205	1,059,945	84,740	Mr. Fasih-ud Biyabani, Karachi.	Negotiation
	1,330,500	219,533	1,110,967	1,113,918	2,951	Mr. Sheikh Abdul Hafeez, Lahore.	Negotiation
	879,000	158,220	720,780	720,780	-	Mr. Fawad Ikram Khawaja, Lahore.	Negotiation
	846,500	88,883	757,617	857,220	99,603	Mr. Farooq Qamar Khan, Lahore.	Negotiation
	895,500	161,190	734,310	887,452	153,142	Mr. Sohail A. Chaudhry, Lahore.	Negotiation
	1,249,080	412,196	836,884	858,241	21,357	Mr. Farooq Ilyas Paracha, Lahore.	Negotiation
	840,500	126,075	714,425	767,013	52,588	Mr. M. Arshad Nadeem, Lahore.	Negotiation
	1,037,500	311,250	726,250	813,923	87,673	Mr. Farooq Ilyas Paracha, Lahore.	Negotiation
	969,000	188,955	780,045	791,788	11,743	Mr. Shahzad A. Khan, Lahore.	Negotiation
	9,356,580	2,000,097	7,356,483	7,870,280	513,797		
	34,830,505	4,684,168	30,146,337	33,225,805	3,079,468		

14.2 During the current year the management of the company revised the residual values of operating lease assets and owned vehicles for the purposes of calculating depreciation charges thereon, in the light of the amended definition of residual value as given in the revised IAS-16 "Property, Plant and Equipment". Previously, residual values of these assets were considered as nil. Had the accounting estimate not been revised, depreciation charge for the year would have been higher by Rs. 6,819,582 whereas profit before tax for the year would have been lower by the same amount.

Notes to the Financial Statements

For the year ended June 30, 2008

15. BORROWINGS FROM FINANCIAL INSTITUTIONS-unsecured (Other than related party)

Borrowings carry mark-up ranges from 10.45% to 18.00% (2007: 10.00% to 11.50%) per annum. These facilities are repayable at various dates by October 2008.

	Note	2008 Rupees	2007 Rupees
16. CERTIFICATES OF INVESTMENT			
Long term certificates of investments		1,651,859,000	618,242,000
Less :Current maturity		<u>1,452,390,000</u>	<u>47,103,000</u>
		<u>199,469,000</u>	<u>571,139,000</u>
Short term certificates of investments		940,108,000	1,764,573,000
Add: current maturity of long term certificates of investments		<u>1,452,390,000</u>	<u>47,103,000</u>
		<u>2,392,498,000</u>	<u>1,811,676,000</u>

The company has issued certificates of investment under permission granted by the Federal Government. These certificates of investment are for periods ranging from 3 months to 5 years and return on these certificates ranges from 8.75 % to 15% (2007: 6.00% to 13.07%) per annum.

	Note	2008 Rupees	2007 Rupees
17. ACCRUED AND OTHER PAYABLES			
Accrued liabilities			
Accrued expenses		7,761,707	9,290,991
Accrued return on certificates of investment		66,001,542	51,520,501
Accrued mark-up on:			
- long term finances		16,734,704	29,850,418
- term finance certificates		26,401,239	-
- short term borrowings from financial institutions		19,665,549	9,312,428
		136,564,741	99,974,338
Other liabilities			
Rentals received in advance		11,787,413	11,979,399
Tax deducted at source		1,018,177	798,521
Unclaimed dividend		1,729,107	1,502,634
Payable against investment in securities		672,634	-
Payable on termination / maturity of leases		14,075,094	8,172,749
Payable in respect of undisbursed leases		49,262,901	15,228,982
Payable in respect of operating lease		6,742,586	7,330,647
Others		10,447,677	5,862,660
		95,735,589	50,875,592
		<u>232,300,330</u>	<u>150,849,930</u>
18. CURRENT MATURITY OF NON- CURRENT LIABILITIES			
Current portion of:			
Long term finances	19	339,466,668	753,333,333
Deposits against lease	20	237,136,357	188,803,137
		<u>576,603,025</u>	<u>942,136,470</u>

Notes to the Financial Statements

For the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
19. LONG TERM FINANCES			
Long term finance - secured	19.1	712,500,003	1,309,166,673
Term finance certificates - secured	19.2	737,689,535	-
		1,450,189,538	1,309,166,673
Less: Current maturity shown under current liabilities	18	339,466,668	753,333,333
		1,110,722,870	555,833,340

19.1 Long term finance

From Banking Companies	Repayment period		Price	Principal outstanding	
	from	to			
National Bank of Pakistan -I	Jan-05	Jul-08	6 month KIBOR+1.5% (payable semi annually)	25,000,000	75,000,000
National Bank of Pakistan -II	Sep-05	Mar-09	6 month KIBOR+1.5% (payable semi annually)	25,000,000	50,000,000
Allied Bank Limited - I	Nov-05	May-08	6 month KIBOR+1.25% (payable semi annually)	-	50,000,000
Allied Bank Limited - II	Jun-06	Dec-08	6 month KIBOR+2.0% (payable semi annually)	33,333,335	100,000,001
Allied Bank Limited -III	Sep-07	Mar-10	6 month KIBOR+2.00% (payable semi annually)	-	200,000,000
Askari Bank Limited - III	Mar-05	Dec-07	6 month KIBOR+1.5% (payable quarterly)	-	16,666,669
Standard Chartered Bank (Pakistan) Limited	Dec-05	Sep-08	3 month KIBOR+1.5% (payable quarterly)	29,166,667	145,833,335
First National Bank Modaraba	Dec-06	Jun-08	6 month KIBOR+2.0% (payable semi annually)	-	25,000,000
The Bank of Punjab	Jun-06	Dec-08	6 month KIBOR+2.35% (payable semi annually)	-	100,000,001
HSBC Bank Middle East Limited - I	Apr-07	Jul-09	3 month KIBOR+1.75% (payable quarterly)	100,000,000	180,000,000
HSBC Bank Middle East Limited. - II	Sep-08	Dec-10	3 month KIBOR+1.25% (payable quarterly)	200,000,000	-
Soneri Bank Limited	-	Mar-08	6 month KIBOR+2.00% (payable at maturity)	-	50,000,000
Faysal Bank Limited - I	Jun-07	Dec-08	6 month KIBOR+2.25% (payable semi annually)	-	150,000,000
Faysal Bank Limited - II	Dec-08	Jun-11	6 month KIBOR+1.25% (payable semi annually)	200,000,000	-
				612,500,002	1,142,500,006
From related party					
Saudi Pak Industrial and Agricultural Company (Private) Limited	Jan-07	Jul-09	6 month KIBOR+2.0% (payable semi annually)	100,000,001	166,666,667
				712,500,003	1,309,166,673

* KIBOR-Karachi Interbank Offer Rate

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

19.2 This represents third issue of registered and listed TFCs issued by the Company to financial institutions, trusts and general public. These are secured by way of a first exclusive charge on specific leases including lease rental and receivables against lease with 25% margin available at all times to the TFCs holders on total outstanding amount of the issue.

Profit on these TFCs is payable on a semi-annual basis at the rate of six month KIBOR plus 1.50% per annum without any Floor or Cap. The principal to be repaid in eight (8) semi-annual installments in arrears after a grace period of 12 months from the date of issuance.

Notes to the Financial Statements

For the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
20. DEPOSITS AGAINST LEASES			
Security deposits on finance leases		1,307,512,193	1,035,745,329
Less: Current maturity of security deposits	18	<u>237,136,357</u>	<u>188,803,137</u>
		<u>1,070,375,836</u>	<u>846,942,192</u>

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

	2008 Rupees	2007 Rupees
21. DEFERRED TAX		
Balance at beginning of the year	54,581,968	49,581,968
For the year	<u>6,500,000</u>	<u>5,000,000</u>
Balance at end of the year	<u>61,081,968</u>	<u>54,581,968</u>
Deferred tax has been created as under:		
Taxable temporary differences		
Net investment in leases	1,701,202,369	1,484,640,685
Deductible temporary differences		
Property, plant and equipment	(911,551,071)	(861,047,645)
Provisions	(7,466,332)	(2,838,412)
Unabsorbed depreciation and carry forward losses	(493,823,995)	(390,443,677)
Overdue rentals	(227,279,003)	(175,728,983)
	<u>(1,640,120,401)</u>	<u>(1,430,058,717)</u>
	<u>61,081,968</u>	<u>54,581,968</u>

22. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2008	2007		2008	2007
Number of shares				
25,180,000	25,180,000	Ordinary shares of Rs. 10 each fully paid in cash	251,800,000	251,800,000
19,980,500	17,830,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	199,805,000	178,300,000
<u>45,160,500</u>	<u>43,010,000</u>		<u>451,605,000</u>	<u>430,100,000</u>

Notes to the Financial Statements

For the year ended June 30, 2008

	2008	2007
	No. of shares	
22.1 Following is the reconciliation of number of shares:		
Number of shares at beginning of the year	43,010,000	43,010,000
Bonus shares issued during the year	2,150,500	-
Number of shares at end of the year	<u>45,160,500</u>	<u>43,010,000</u>

22.2 Saudi Pak Industrial & Agricultural Investment Company (Private) Limited holds 35.06% (2007: 35.06%) of the issued, subscribe and paid-up share capital of the company.

22.3 Capital management policies and procedures

The Company's objective for managing capital is to safeguard its ability to continue as a going concern in order to continue providing returns to its shareholders. Further, the Company ensures to comply with all the regulatory requirements regarding capital and its management.

Capital requirements applicable to the Company are set and regulated by the Securities and Exchange Commission of Pakistan (SECP). These requirements are put in place to ensure sufficient solvency margins. The Company manages its capital requirement by assessing its capital structure against the required capital level on a regular basis. During the current year, the SECP introduced the following increase in minimum equity for the leasing and housing finance businesses:

Year ending on	Leasing	Housing finance services	Total equity
----- Rupees -----			
June 30, 2008	350,000,000	300,000,000	650,000,000
June 30, 2009	500,000,000	500,000,000	1,000,000,000
June 30, 2010	700,000,000	700,000,000	1,400,000,000
	2008		2007
	Rupees		Rupees

The Company's capital comprise of:

Issued, subscribed and paid-up share capital	451,605,000	430,100,000
Reserves	150,857,389	136,164,293
Unappropriated profit	81,635,328	87,377,946
	684,097,717	653,642,239
Unrealized loss on available for sale investments	(136,762,185)	(15,305,305)
	<u>547,335,532</u>	<u>638,336,934</u>

As at June 30, 2008, the Company has an equity of Rs. 547,335,532 against the minimum required equity of Rs. 650,000,000 prescribed by SECP for leasing and house finance businesses, which is less than the regulatory requirement by Rs. 102,664,468.

The management of the Company is considering various alternatives to meet the capital requirement. On September 24, 2008 the company has requested SECP to grant extension in respect of above minimum equity requirement, against which response from SECP is awaited.

The Company manages the capital structure and made adjustments to it in the light of changes in economic conditions, risk of the recovery of the leased rentals and the regulatory requirements. In order to maintain the capital structure, the Company may adjust the amount of dividend and / or issue new shares.

Notes to the Financial Statements

For the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
23. RESERVES			
Capital reserve			
Statutory reserve	23.1	148,257,389	133,564,293
Contingency reserve	23.2	2,600,000	2,600,000
		<u>150,857,389</u>	<u>136,164,293</u>
23.1 Balance at beginning of the year		133,564,293	122,724,754
Transferred during the year		14,693,096	10,839,539
		<u>148,257,389</u>	<u>133,564,293</u>
Statutory reserve represents profits set aside to comply with the Regulations.			
23.2 Contingency reserve has been created in respect of the demand raised by the Wealth Tax Officer for Corporate Asset Tax of Rs. 2,000,000 along with the additional tax of Rs. 557,589. The company has filed a writ petition in the High Court of Sindh against this demand.			
24. CONTINGENCIES AND COMMITMENTS		2008 Rupees	2007 Rupees
Contingencies		-	-
Commitments			
Commitments for lease disbursement		84,792,648	243,223,300
25. INCOME FROM FINANCE LEASE			
Income on finance lease contracts		439,945,398	406,649,043
Document fee, front end fee and other charges		31,874,446	26,756,822
Gain on cancellation of lease contracts		4,693,391	1,871,176
Syndicate lease income		3,391,575	7,111,500
		<u>479,904,810</u>	<u>442,388,541</u>
26. OTHER OPERATING INCOME			
Income from financial assets			
Short-term loans		139,264,997	110,834,732
Income on Term Finance Certificates		5,056,723	11,617,730
Return on placements		9,429,490	1,317,683
Long-term loan		40,337,638	28,986,878
Income from savings accounts		7,127,080	5,163,025
Dividend income		15,049,514	23,392,434
Advance against lease		18,842,441	13,746,189
Gain on sale of investments from:			
- derivatives		28,972,728	21,247,695
- investment in equity securities		43,028,688	16,985,583
		<u>72,001,416</u>	<u>38,233,278</u>
Other income			
Mark-up, commission and fee income		3,245,031	4,148,703
Write back of liabilities no longer payable		-	61,848
Rental income		1,652,000	-
Gain on sale of repossessed assets		-	1,000,000
Gain on sale of property, plant and equipments		3,079,468	1,059,664
Other		1,475,742	1,493,627
		<u>9,452,241</u>	<u>7,763,842</u>
		<u>316,561,540</u>	<u>241,055,791</u>

Notes to the Financial Statements

For the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
27. FINANCIAL AND OTHER CHARGES			
Mark-up on:			
- Long term loans	27.1	105,365,196	186,362,667
- Term Finance Certificates		68,323,061	-
- Short-term borrowings		112,130,949	105,661,711
Return on certificates of investment		285,228,187	227,305,134
Arrangement fee		-	1,950,000
Bank charges		418,299	210,414
Loss on settlement of term finance certificate Dewan Cement Limited	8.1	3,607,468	-
Crescent Standard Investment Bank Limited		270,689	-
		3,878,157	-
Others		649,921	598,636
		575,993,770	522,088,562

27.1 Mark-up on long term loans include markup of Rs. 19,026,325 (2007: Rs. 22,236,164) on finance availed from a related party.

28. ADMINISTRATIVE, SELLING AND OTHER OPERATING EXPENSES

	Note	2008 Rupees	2007 Rupees
Salaries, allowances and benefits	28.1	63,359,636	58,778,240
Rent		2,550,037	2,604,440
Repairs and maintenance		1,198,894	2,296,190
Utilities		1,607,354	1,456,769
Depreciation	14	8,646,010	9,362,553
Insurance		1,764,675	1,917,358
Vehicle running		6,079,226	5,710,175
Printing and stationery		1,558,811	1,663,206
Telephone and postage		2,857,926	2,904,071
Traveling and conveyance		3,450,679	2,726,436
Fees and subscriptions		2,120,656	1,926,720
Legal and professional charges		3,845,654	3,480,323
Training and development		164,082	274,220
Brokerage		2,799,822	2,528,479
Advertising and entertainment		851,589	1,139,453
Auditors' remuneration	28.2	595,135	546,645
Write-offs		191,049	-
Donation	28.3	-	2,805
Miscellaneous		1,641,749	1,346,236
		105,282,984	100,664,319

28.1 Salaries, allowances and benefits include Rs. 2,557,334 (2007: Rs.4,041,506) in respect of staff retirement benefits.

28.2 Auditors' remuneration

Annual audit fee	250,000	250,000
Half yearly review	100,000	80,000
Special certifications	50,000	50,000
Taxation services	130,000	130,000
Out of pocket expenses	65,135	36,645
	595,135	546,645

Notes to the Financial Statements

For the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
28.3 The donor had no interest in the donee.			
29. DIRECT COST OF OPERATING LEASES			
Insurance and other expenses		907,488	640,265
Depreciation on operating lease assets	14	28,852,482	17,661,447
Management fee		-	467,960
		29,759,970	18,769,672
30. PROVISION FOR DOUBTFUL LEASES, LOANS AND OTHER RECEIVABLES			
Provision for potential lease losses	12.5	53,625,269	9,456,248
Provision for doubtful loans	6.1	2,550,000	1,700,000
Provision for other doubtful receivable	9.2	13,222,629	7,002,324
		69,397,898	18,158,572

31. TAXATION

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

31.1 Effective tax rate reconciliation

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

31.2 Current status of tax assessments

Tax assessments have been finalized upto the tax year 2007 and no appeals are pending.

	Note	2008 Rupees	2007 Rupees
32. EARNINGS PER SHARE - BASIC AND DILUTED			
Profit after taxation attributable to ordinary shareholders- Rupees		73,465,478	54,197,696
Weighted average number of ordinary shares issued and subscribed		45,160,500	45,160,500
Earnings per share- Rupees		1.63	1.20

Corresponding figure of weighted average number of shares have been adjusted to take affect of bonus shares issued during the year 2008.

33. STAFF RETIREMENT GRATUITY

33.1 General description

The scheme provides for terminal benefits for all permanent employees who complete qualifying period of service with the company at last drawn salary multiplied by year of services.

The latest actuarial valuation of the gratuity fund was carried out as at June 30, 2008. The fair value of the fund's assets and liabilities at the latest valuation date were as follows:

Notes to the Financial Statements

For the year ended June 30, 2008

	2008 % per annum	2007 % per annum
33.2 Principal actuarial assumptions		
Following principal actuarial assumptions were used for the valuation.		
Discount rate	12	10
Expected long-term rate of increase in salary level	11	9
Expected long-term rate of interest	12	10
	2008 Rupees	2007 Rupees
33.3 Reconciliation of provision for gratuity scheme		
Present value of defined benefit obligation	10,328,338	7,909,082
Less: fair value of plan assets	(7,754,353)	(3,653,041)
Deficit	2,573,985	4,256,041
Unrecognized net actuarial loss	(2,328,571)	(936,659)
	<u>245,414</u>	<u>3,319,382</u>
33.4 Movement in the balance sheet liability		
Balance at beginning of the year	3,141,506	-
Add: Charge for the year	2,557,334	4,041,506
Payments made during the year	(5,453,426)	(900,000)
Balance at end of the year	<u>245,414</u>	<u>3,141,506</u>
33.5 Gratuity scheme expense		
Current service cost	2,085,498	679,214
Interest cost	790,908	274,179
Expected return on plan assets	(365,304)	(254,069)
Actuarial loss recognised	46,232	-
	2,557,334	699,324
Past service cost due to change in benefits during the year	-	3,342,182
	<u>2,557,334</u>	<u>4,041,506</u>

33.6 Actual return on plan assets during the year was Rs. (30,538) (2007: Rs. 303,932).

33.7 Five years data on surplus /deficit of the plans and experience adjustment

	2008	2007	2006	2005	2004
	-----Rupees-----				
Present value of defined benefit obligation	(10,328,338)	(7,909,082)	(3,046,433)	(2,370,116)	(1,758,607)
Fair value of plan assets	7,754,353	3,653,041	2,822,993	2,818,553	2,306,829
(Deficit)/Surplus	<u>(2,573,985)</u>	<u>(4,256,041)</u>	<u>(223,440)</u>	<u>448,437</u>	<u>548,222</u>
Experience adjustments on plan liabilities Loss	<u>(864,426)</u>	<u>(940,958)</u>	<u>(41,186)</u>	<u>(563,690)</u>	<u>(107,286)</u>
Experience adjustments on plan assets (Loss)/gain	<u>(395,842)</u>	<u>49,863</u>	<u>(274,592)</u>	<u>201,944</u>	<u>89,276</u>

Notes to the Financial Statements

For the year ended June 30, 2008

34. TRANSACTIONS WITH RELATED PARTIES

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

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

	2008 Rupees	2007 Rupees
<u>Controlling entity</u>		
Rent paid	355,935	1,100,155
<u>Other group Companies</u>		
Rent received	1,652,000	-
Leases		
Lease money disbursed during the year	6,194,650	12,988,000
Rentals received during the year	17,424,014	22,933,251
Lease key money received during the year	487,280	1,298,800

35. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

	Chief Executive		Executives		Total	
	2008	2007	2008	2007	2008	2007
-----Rupees-----						
Managerial remuneration	5,066,111	4,540,197	8,084,012	5,567,952	13,150,123	10,108,149
Bonus	567,525	709,406	1,310,735	840,200	1,878,260	1,549,606
House rent, utilities etc	2,533,050	2,837,626	4,909,989	3,044,540	7,443,039	5,882,166
Retirement benefits	916,978	620,288	1,463,241	760,707	2,380,219	1,380,995
Leave passage	831,150	153,950	568,800	406,000	1,399,950	559,950
	9,914,814	8,861,467	16,336,777	10,619,399	26,251,591	19,480,866
Number of persons	1	1	10	7	11	8

Chief Executive and Executives are provided with free use of company maintained cars.

Notes to the Financial Statements

For the year ended June 30, 2008

	Note	2008 Rupees	2007 Rupees
36. CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES			
Profit for the year before taxation		90,865,478	70,697,696
Adjustment for non-cash charges and other items:			
Depreciation - owned assets	14	8,646,010	9,362,553
Depreciation - assets under operating lease	14	28,852,482	17,661,447
Financial charges and other charges	27	575,993,770	519,539,926
Provision for doubtful leases, loans and other receivables	30	69,397,898	18,158,572
Dividend income		(15,049,514)	(23,392,434)
Unrealized loss/(gain) in market value of investments classified as held for trading		1,200	(8,697,123)
Gain on sale of repossessed asset		-	(1,000,000)
Gain on sale of property, plant and equipment		(3,079,468)	(1,059,664)
		<u>664,762,378</u>	<u>530,573,277</u>
Profit before working capital changes		<u>755,627,856</u>	<u>601,270,973</u>
Working capital changes			
Decrease/(Increase) in advances, deposits, prepayments and other receivables		4,897,756	(229,542,380)
Increase in short-term loans and fund placements		(250,152,628)	(402,040,166)
		(245,254,872)	(631,582,546)
Increase in accrued and other payables		43,104,240	17,578,417
		<u>(202,150,632)</u>	<u>(614,004,129)</u>
Cash generated from/(used in) operations after working capital changes		<u>553,477,224</u>	<u>(12,733,156)</u>
37. CASH AND CASH EQUIVALENTS			
Cash and bank balances		<u>49,704,341</u>	<u>104,618,359</u>
38. SEGMENT INFORMATION			

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

Lease operation includes leasing of moveable assets and includes finance and operating lease. Term loans include secured loans for tenure ranging from 3 months to 5 years whereas investments include securities and derivative transactions.

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

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

Notes to the Financial Statements

For the year ended June 30, 2008

June 30, 2008						
-----Rupees-----						
	Finance Lease	Operating lease	Term loans	Investment	Others	Total
Segment revenue	479,904,810	74,834,950	189,032,125	92,107,653	35,421,762	871,301,300
Segment results	426,279,541	45,074,980	186,482,125	92,106,453	22,199,133	772,142,232
Unallocated cost						575,993,770
Financial and bank charges						105,282,984
Administrative, selling and other operating						681,276,754
Profit before taxation						90,865,478
Taxation						17,400,000
Profit for the year						73,465,478
Other information						
Segment assets	4,873,766,347	212,775,967	1,330,162,418	505,591,401	-	6,922,296,133
Unallocated assets					513,090,428	513,090,428
Total assets						7,435,386,561
Segment liabilities	1,307,512,193	6,742,586	-	672,634	-	1,314,927,413
Unallocated liabilities					5,573,123,616	5,573,123,616
Total liabilities						6,888,051,029
Net assets						547,335,532

June 30, 2007						
-----Rupees-----						
	Finance Lease	Operating lease	Term loans	Investment	Others	Total
Segment revenue	442,388,541	38,237,366	141,139,293	73,243,442	26,673,056	721,681,698
Segment results	432,932,293	20,107,959	139,439,293	81,940,565	19,670,732	694,090,842
Unallocated cost						522,088,562
Financial and bank charges						101,304,584
Administrative, selling and other operating						623,393,146
Profit before taxation						70,697,696
Taxation						16,500,000
Profit for the year						54,197,696
Other information						
Segment assets	4,247,902,553	135,371,490	1,066,684,722	473,005,400	-	5,922,964,165
Unallocated assets					615,366,302	615,366,302
Total assets						6,538,330,467
Segment liabilities	1,071,126,459	7,330,647	-	-	-	1,078,457,106
Unallocated liabilities	4,821,536,427					4,821,536,427
Total liabilities						5,899,993,533
Net assets						638,336,934

Notes to the Financial Statements

For the year ended June 30, 2008

	2008		2007	
	Rupees			
	Book value	Fair value	Book value	Fair value
39. FAIR VALUE OF FINANCIAL INSTRUMENTS				
Assets				
Cash and bank balances	49,704,341	49,704,341	104,618,359	104,618,359
Short-term loans	1,098,672,015	1,098,672,015	851,069,387	851,069,387
Investments	631,103,586	494,341,401	442,652,667	436,044,484
Loans and receivables	11,250,000	11,250,000	36,960,916	36,960,916
Advances, deposits and other receivables	417,017,884	417,017,884	433,269,020	433,269,020
Long-term loans	231,490,403	231,490,403	215,615,335	215,615,335
Net investment in leases	4,873,766,347	4,873,766,347	4,247,902,553	4,247,902,553
Total Assets	7,313,004,576	7,176,242,391	6,332,088,237	6,325,480,054
Liabilities				
Borrowings from financial institutions	1,245,000,000	1,245,000,000	965,000,000	965,000,000
Certificate of investment	2,591,967,000	2,591,967,000	2,382,815,000	2,382,815,000
Long-term finances	1,450,189,538	1,450,189,538	1,309,166,673	1,309,166,673
Deposits against leases	1,307,512,193	1,307,512,193	1,035,745,329	1,035,745,329
Accrued and other payables	232,300,330	232,300,330	150,051,409	150,051,409
Total Liabilities	6,826,969,061	6,826,969,061	5,842,778,411	5,842,778,411

40. MATURITIES OF ASSETS AND LIABILITIES

	Total	Up to 3 months	Over 3 months to one year	Over 1 year to five years	Over 5 years
Rupees					
Assets					
Cash and bank balances	49,704,341	49,704,341	-	-	-
Short-term loans	1,098,672,015	496,938,958	601,733,057	-	-
Investments	494,341,401	447,887,001	41,354,400	5,100,000	-
Loans and receivables	11,250,000	-	11,250,000	-	-
Advances, deposits, prepayments and other receivables	419,779,041	216,568,081	203,210,960	-	-
Long-term loan	231,490,403	59,365,184	62,307,110	84,988,253	24,829,856
Net Investment in lease	4,873,766,347	973,849,237	957,950,802	2,941,966,308	-
Property, plant and equipment	256,383,013	13,421,724	40,252,233	166,397,163	36,311,893
Total Assets	7,435,386,561	2,257,734,526	1,918,058,562	3,198,451,724	61,141,749
Liabilities					
Borrowings from financial institutions	1,245,000,000	1,225,000,000	20,000,000	-	-
Certificates of Investment	2,591,967,000	1,012,462,000	1,380,036,000	199,469,000	-
Long-term finances	1,450,189,538	140,150,000	199,316,668	1,110,722,870	-
Deposits on leases	1,307,512,193	46,547,706	190,588,651	1,070,375,836	-
Accrued and other payables	232,300,330	142,693,004	89,607,327	-	-
Deferred Tax	61,081,968	-	-	61,081,968	-
Total Liabilities	6,888,051,029	2,566,852,710	1,879,548,646	2,441,649,674	-
Net assets - 2008	547,335,532	(309,118,184)	38,509,916	756,802,050	61,141,749
Net assets-2007	638,336,934	(404,152,378)	471,074,878	530,436,193	40,978,241

Notes to the Financial Statements

For the year ended June 30, 2008

41. INTEREST RATE SENSITIVITY ANALYSIS

The information about the company's exposure to interest rate risk as at June 30, 2008 on contractual refinancing or maturity dates whichever is earlier is as follows:

Particulars	Effective yield %	Total	Exposed to interest rate risk				Not exposed to interest rate risk
			Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	
----- Rupees -----							
On-balance sheet financial instrument							
Assets							
Cash and bank balances	1% - 3%	49,704,341	48,208,174	-	-	-	1,496,167
Short-term loans	11% - 25%	1,098,672,015	496,938,958	601,733,057	-	-	-
Investments	9.5% - 15%	494,341,401	-	6,854,400	5,100,000	-	482,387,001
Loans and receivables	9.5% - 12.56%	11,250,000	-	11,250,000	-	-	-
Advances, deposits and other receivables	-	417,017,884	-	-	-	-	417,017,884
Long-term loans	14.55% - 21.30%	231,490,403	59,365,184	62,307,110	84,988,253	24,829,856	-
Net investment in leases	15% - 28.34%	4,873,766,347	973,849,237	957,950,802	2,941,966,308	-	-
Total Financial Assets		7,176,242,391	1,578,361,553	1,640,095,369	3,032,054,561	24,829,856	900,901,051
Liabilities							
Borrowings from financial institutions	10.45% - 18%	1,245,000,000	1,225,000,000	20,000,000	-	-	-
Certificate of investment	5% - 15%	2,591,967,000	1,012,462,000	1,380,036,000	199,469,000	-	-
Long-term finances	15.44% - 16.54%	1,450,189,538	140,150,000	199,316,668	1,110,722,870	-	-
Deposits on leases	-	1,307,512,193	-	-	-	-	1,307,512,193
Accrued and other payables	-	232,300,330	-	-	-	-	232,300,330
Total Financial Liabilities		6,826,969,061	2,377,612,000	1,599,352,668	1,310,191,870	-	1,539,812,523
On balance sheet gap-2008		349,273,330	(799,250,447)	40,742,701	1,721,862,691	24,829,856	(638,911,472)
On balance sheet gap-2007		482,701,643	(896,151,597)	449,071,977	1,254,562,884	19,694,241	(344,475,862)
Off balance sheet items							

42. CONCENTRATION OF CREDIT RISK

The company manages concentration of credit risk exposure through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments. An analysis of class of business of the company's net investment in finance leases and installment loans, term finance and other financial assets is as follows:

Sector	Percentage		Amount	
	2008	2007	2008	2007
----- Rupees -----				
Sugar and Allied	2.35	2.12	153,372,918	117,797,296
Cement	1.37	0.83	89,413,148	46,133,809
Energy Oils and Gas	5.81	6.38	379,190,065	354,361,812
Steel and Engineering & Auto Mobiles	5.73	7.58	373,968,859	420,647,741
Electric and Electric Goods	1.12	1.83	73,096,880	101,341,322
Transport and Communications	10.83	12.94	706,820,723	718,298,247
Chemicals / Fertilizer / Pharmaceutical	2.55	2.14	166,425,932	118,733,021
Textile	18.77	19.24	1,225,025,391	1,067,844,467
Paper and Boards	4.00	4.44	261,060,286	246,271,356
Construction	4.90	11.34	319,798,850	629,177,508
Food, Tobacco and Beverages	4.73	3.09	308,703,788	171,494,245
Glass and Ceramics	1.61	1.91	105,076,765	106,150,206
Hotels	3.88	1.25	253,228,477	69,441,491
Health Care	1.36	2.12	88,760,497	117,914,281
Dairy and Poultry	1.09	0.79	71,138,928	44,117,619
Services	2.69	11.25	175,563,042	624,172,968
Miscellaneous	13.26	3.56	865,414,847	197,491,887
Consumer	13.95	7.19	910,447,746	399,218,435
	100.00	100.00	6,526,507,142	5,550,607,710

Notes to the Financial Statements

For the year ended June 30, 2008

43. 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:

43.1 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.

43.2 Credit risk

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

43.3 Liquidity risk

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

43.4 Cash flow interest rate risk

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

44. SUBSEQUENT EVENT

There were no significant adjustable events subsequent to June 30, 2008, that might require an adjustment to the financial statements or that may require disclosure and have not already been disclosed in these financial statements.

45. DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors on September 30, 2008.

46. APPROPRIATIONS

The Board of Directors of the company proposed the following appropriations during their meeting held on September 30, 2008.

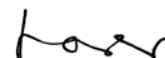
	2008		2007	
	Rupees	Per share	Rupees	Per share
Cash dividend	-	-	43,010,000	Re.1.0
Issue of Bonus shares	-	-	21,505,000	Re.0.5

47. RECLASSIFICATION

Direct cost of operating lease has been reclassified from "Administrative, selling and other operating expenses" to a separate line item on the face of profit and loss account.



FARRUKH S. ANSARI
Chief Executive Officer



MUHAMMAD RASHID ZAHIR
Chairman

Pattern of Shareholding

As on June 30, 2008

NO. OF SHAREHOLDERS	FROM	HAVING SHARES TO	SHARES HELD	PERCENTAGE
425	1	100	14,046	0.0311
369	101	500	96,342	0.2133
179	501	1000	133,027	0.2945
484	1001	5000	1,138,771	2.5216
94	5001	10000	664,120	1.4705
54	10001	15000	685,150	1.5171
18	15001	20000	307,636	0.6812
15	20001	25000	335,703	0.7433
11	25001	30000	296,795	0.6572
3	30001	35000	95,185	0.2107
4	35001	40000	146,672	0.3247
4	40001	45000	169,267	0.3748
2	45001	50000	92,160	0.2040
4	50001	55000	203,259	0.4500
1	55001	60000	55,341	0.1225
2	60001	65000	126,008	0.2790
4	70001	75000	293,016	0.6488
2	75001	80000	158,445	0.3508
2	80001	85000	166,856	0.3694
1	90001	95000	95,000	0.2103
4	100001	105000	415,650	0.9203
1	105001	110000	109,018	0.2414
1	115001	120000	115,531	0.2558
1	120001	125000	122,195	0.2705
1	125001	130000	126,925	0.2810
1	130001	135000	130,835	0.2897
1	155001	160000	157,796	0.3494
2	165001	170000	331,662	0.7344
1	180001	185000	184,553	0.4086
1	210001	215000	210,745	0.4666
1	215001	220000	215,261	0.4766
1	220001	225000	222,075	0.4917
2	225001	230000	451,604	0.9999
1	230001	235000	232,225	0.5142
2	245001	250000	496,764	1.0999
1	260001	265000	263,431	0.5833
1	315001	320000	318,255	0.7047
1	450001	455000	451,080	0.9988
1	510001	515000	511,432	1.1324
1	580001	585000	581,945	1.2886
1	1035001	1040000	1,038,211	2.2989
1	1215001	1220000	1,218,536	2.6982
1	1520001	1525000	1,522,920	3.3722
1	1805001	1810000	1,806,420	4.0000
1	1995001	2000000	1,997,822	4.4238
1	3105001	3110000	3,105,752	6.8771
1	3195001	3200000	3,199,182	7.0840
1	4510001	4515000	4,514,473	9.9965
1	15835001	15840000	15,835,403	35.0647
1713			45,160,500	100.0000

Categories of Share Holders

		SHAREHOLDERS	SHAREHOLDING	PERCENTAGE
1	Individuals	1656	8,770,039	19.420
2	Shares held by Associated Companies, undertakings and related parties:			-
	Saudi Pak Industrial & Agricultural Investment Co.(Pvt) Ltd.	1	15,835,403	35.0647
	Saudi Pak Insurance Company Ltd.	1	16,065	0.0355
	Premier Mercantile Services (Pvt) Ltd	1	4,516,050	10.0000
	Marine Services (Pvt) Ltd	1	64,352	0.1425
3	Investment Corporation of Pakistan	1	500	0.0011
4	National Investment Trust	1	6,304,934	13.9612
5	Directors, Chief Executive Officer and their spouse and minor children			-
	Senator(R) Ihsanul Haq Piracha	1	2,032,222	4.5000
	Mr. Haroon Ihsan	1	2,421,847	5.3628
	Mrs. Khurshid Ihsan Piracha	1	1,748,722	3.8722
6	INSURANCE COMPANIES	1	1,997,822	4.4238
7	PUBLIC SECTOR COMPANIES & CORPORATIONS	4	6,495	0.0143
8	FINANCIAL INSTITUTION	9	301,017	0.6665
9	MODARABAS	1	12,132	0.0268
10	OTHERS	32	1,062,400	2.3525
11	NON RESIDENT	1	70,500	0.1561
		1713	45,160,500	100.000
	Shareholders holding ten percent or more voting interest in the Company:			
	Saudi Pak Industrial & Agricultural Investment Co.(Pvt) Ltd.		15,835,403	35.0647
	Premier Mercantile Services (Pvt) Ltd		4,516,050	10.0000
	National Bank of Pakistan, Trustee Deptt		6,304,934	13.9612

Proxy Form

I/We _____ of _____
_____ (full address)

being member(s) of Saudi Pak Leasing Company Limited hereby appoint _____

Mr. / Ms. _____
of _____ (full address)

or failing him/her _____

Mr./Ms. _____ of _____
_____ (full address)

(being member of the Company) as my / our Proxy to attend, act and vote for me/us and on my /our behalf at the 18th Annual General Meeting of the Company to be held on October 30, 2008 and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2008

Signed by _____

In presence of _____

Signature and address of witness

Signature of Members(s)

Please affix
Rs. 5/- revenue
stamp

Shareholder's Folio No. _____

Number of Shares held _____

A member entitled to attend and vote at a general Meeting is entitled to appoint a proxy to attend and vote for him/her. A proxy must be a member of the Company.

The instrument appointing a proxy shall be in written under the hand of the appointer or of his/her attorney duly authorised in writing, if the appointer is a corporation, under its common seal of the hand of any officer or attorney duly authorised.

The instrument appointing a proxy, together with the Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at the Registered Office not less than 48 hours before the time of holding the Meeting.

AFFIX
CORRECT
POSTAGE

The Company Secretary
SAUDI PAK LEASING COMPANY LIMITED
6th Floor Lakson Square, Building # 1,
Sarwar Shaheed Road, Saddar,
Karachi-74200, Pakistan.