Security Leasing
Corporation Limited

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Mission

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

SLCL intends to achieve its mission by:

- Enhancing value for its shareholders and lenders.
- Providing efficient and professional services to its customers based on the latest technology.
- Developing an efficient and professionally trained human resource.
- Following good and ethical business practices.

Vision

- SLCL has an infrastructure which can cater to substantial business as such SLCL is well poised to avail opportunities which will be available due to an upsurge in the economy.
- The future of the leasing sector is linked to the macro-economic performance of the country's economy. New projects and Investment in Balancing, Modernization & Replacement (BMR) tender more opportunities to generate more business for the leasing sector.

Business Strategy

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

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

1. **Enhancing value for its shareholders and lenders**

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

2. **Providing efficient and professional services to its customers**

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

3. **Developing an efficient and professionally trained human resource**

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

4. **Following Shariah injunctions for financing activities**

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

Company Information

BOARD OF DIRECTORS

Mr. M R Khan	Chairman
Mr. S M Nadim Shafiqullah	Vice Chairman
Mr. Mohammed Khalid Ali	Chief Executive Officer
Mr. Subho Sadiq Hamid	
Mr. Shafiq-ur-Rehman	
Mr. Abdul Ghafoor	
Mr. Naeem Shafi	

AUDIT COMMITTEE

Mr. Naeem Shafi	Chairman
Mr. S M Nadim Shafiqullah	Member
Mr. Abdul Ghafoor	Member

EXECUTIVE COMMITTEE

Mr. M R Khan	Chairman
Mr. S M Nadim Shafiqullah	Member
Mr. Mohammed Khalid Ali	Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Abdul Ghafoor	Chairman
Mr. Mohammed Khalid Ali	Member
Mr. Shafiq-ur-Rehman	Member

COMPANY SECRETARY	Salman Hameed
EXTERNAL AUDITORS	Avais Hyder Liaquat Nauman Chartered Accountants
INTERNAL AUDITORS	Anjum Asim Shahid Rahman & Company, Chartered Accountants
LEGAL ADVISORS	Ali Raza Habb & Co. Advocates, Solicitors & Legal Advisor
TAX CONSULTANTS	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants

Company Information

REGISTERED & HEAD OFFICE

Block 'B', 5th Floor, Lakson Square No. 3, Sarwar Shaheed Road, Karachi 74200

Tel: UAN 021 - 111-111-902 PRI 021-35205379 Fax: 021 - 3568 9854

Web: www.seclease.com e-mail: slcl@seclease.com

BRANCH

Lahore - North Region

D-802, 8th Floor, City Towers,

6-K, Main Boulevard, Gulberg-II, Lahore-54600.

Phone: 042 - 35788660-62 Fax: 042 - 35788659

SHARE REGISTRAR

F. D. Registrar Services (SMC-Pvt) Ltd.

Office # 1705, 17th Floor, Saima Trade Tower-A,

I.I. Chundrigar Road, Karachi-74000.

Tel: 92-21-35478192-93 / 32271906

Fax: 92-21-32621233 E-mail: fdregistrar@yahoo.com

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twentieth Annual General Meeting of the members of Security Leasing Corporation Limited will be held on Thursday, 31st October 2013 at 12.00 p.m. at the registered office of the Company situated at Block B, 5th Floor, Lakson Square Building No.3, Sarwar Shaheed Road, Karachi 74200, to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Extra ordinary General Meeting of the Company held on March 07, 2013.

2. To receive, consider and adopt the audited accounts for the year ended 30th June 2013 and the reports of the Directors and the auditors thereon.

3. To appoint auditors and fix their remuneration for the year ending June 30, 2014.

4. To transact any other business with the permission of the Chair.

By order of the Board
Salman Hameed
Company Secretary

Karachi: October 9, 2013

Notes:

1. The Share Transfer Books of the Company shall remain closed from October 25, 2013 to November 1, 2013 (both days inclusive). Transfers received in order at the office of our Shares Registrar M/s F.D. Registrar Services (SMC-Pvt.) Ltd., Office # 1705, 17th Floor, Saima Trade Tower, I. I. Chundrigar Road, Karachi - 74000, by the close of the business on October 24, 2013 will be treated in time for the purpose of attending the meeting.

2. A Member entitled to be present and vote at the meeting may appoint another Member as proxy to attend, speak and vote instead of him.

3. The instrument appointing a proxy, duly stamped and signed, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of the power of attorney or authority must be deposited Registered Office of the Company, B- 501, 5th Floor, Lakson Square # 3, Sarwar Shaheed Road, Karachi not later than 48 hours before the time of the meeting. A form of proxy is enclosed.

4. Shareholders are requested to notify any change of address immediately to the Share Registrars M/s F.D. Registrar Services (SMC-Pvt.) Ltd., Office # 1705, 17th Floor, Saima Trade Tower, I. I. Chundrigar Road, Karachi - 74000.

5. The CDC account holders will have to follow the under mentioned guidelines as laid down by the Securities & Exchange Commission of Pakistan:

A. For attending the meeting:

(i) In case of individuals, the account holders or sub-account holders and / or the persons whose shares are in group accounts and their registration details are uploaded as per CDC Regulations shall authenticate their identity by showing their original Computerized National Identity Cards (CNICs) or original passports at the time of attending the meeting.

(ii) In case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the nominees shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies:

(i) In case of individuals, the account holders or sub-account holders and / or persons whose shares are in group accounts and their registration details are uploaded as per CDC Regulations, shall submit the proxy forms accordingly.

(ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

(iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy forms.

(iv) The proxy shall produce their original CNIC or original passport at the time of the meeting.

(v) In case of corporate entities, the Board of Directors resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

REPORT OF THE DIRECTORS

The Board of Directors has pleasure in presenting the Twentieth Annual Report of Security Leasing Corporation Limited (the Company) together with its audited financial statements for the year ended June 30, 2013.

The financial results of the Company are summarized below:

	2013 Rupees	2012 Rupees
(Loss) / Profit after tax	**(128,888,488)**	112,028,968
Earnings per share - Basic & diluted	**(3.55)**	3.09
Appropriations:		
- Transfer to statutory reserves	**-**	22,000,000

OVERVIEW OF THE ECONOMY

The general lack of infrastructural facilities including electricity shortfall, law & order situation and absence of investor friendly business environment were the main reasons for below expected overall performance of the economy during the year. The targets for the year including collection of tax revenue were widely missed as the elections were due to held in May 2013 and since December 2012, most of the activities remained focused towards elections.

The serious challenges to the economy of Pakistan aggravated as the talks of going back to IMF program and resultant conditionalities for excessive increase in electricity tariffs, petroleum levies and ever growing circular debt put already frail economy into further stress. Pak Rupee parity with US Dollar and other currencies has remained the highlight of the current and outgoing financial year. Though the government is desperately trying to control the fiscal deficit and in this regard, over Rs. 500 billion was paid to IPPs for clearing out the circular debt but increasing domestic borrowings from banking sector has pushed the private sector in a tight corner. State Bank of Pakistan in its recent quarterly report elaborated worrying signs about the less than appreciative progress of economy and increased the Discount rate by 0.50% to 9.50%, which again hit the lending margins.

COMPANY OVERVIEW

The non availability of credit lines from banks and other DFIs remained the reason for the low business volume and shrinking income levels during the year. The Company is managing its business dynamics only through internal generation of funds from recoveries of existing portfolio which is however not enough to show an appreciable growth in business volumes.

All the lenders accepted the request of the Company in March 2012 and extended the repayment period to 10 years at zero percent rate of markup. The necessary legal formalities were completed with respect to all papers issued by the Company during the year after obtaining approvals in writing of the required 51% majority. Now the Company is making payment to all lenders according to the agreed plan on monthly basis. You would appreciate that in the last 5 years since September 2008, the Company has paid over Rs. 3 billion to lenders in form of principal and markup which reduced the current outstanding to around Rs. 800 million from Rs. 3.60 Billion and is not in default with any financial institution.

Apart from obtaining concessions from lenders, the Company did a significant internal restructuring of staff levels and cut down employees' benefits to bring in more efficiency in business. More than 50% of the staff was laid off while reducing substantial recurring and post employment benefits of the remaining employees.

OPERATIONAL REVIEW

The revenue from leasing business is substantially reduced due to continuous reduction in leasing portfolio during the year. The total revenue of the Company remained at Rs. 51 million as compared to Rs. 93 million. The Company is charging the unwinding of financial liability to the profit & loss account which was recorded as a gain of over Rs. 400 million during 2011 and 2012 under the provisions of International Accounting Standard - 39 on account of long term 10 years restructuring of financial liabilities.

The Company is trying to recover as much as is possible from the non performing portfolio and therefore, offered concessions to customers for encouraging them to pay early. This policy helped in arriving at settlement with customers and few of them settled in full while others have agreed in repayment of amount in installments.

The fresh portfolio of the Company written so far has less than 0.50% infection level and most of the assets leased are motor vehicle therefore, recovery of rentals is around 100%. This has provided most important support for the repayment of all liabilities on timely basis. The Company as explained earlier, has a limited pool of funds due to reducing portfolio therefore, the amount of fresh business is also affected.

Furthermore to utilize effectively its other assets especially office premises, the Company rented out a sizeable portion of its offices in Karachi & Lahore to earn extra cash flow. These contracts are with reputed companies and timely payments are received.

Further, in the recent budget, the government reduced the rate of corporate income tax to 34% and therefore, the company had made a reversal in the deferred tax accordingly. The current amount is Rs. 322 million. Your directors feel that in view of the long term restructuring and the recent updates mentioned in the subsequent paragraphs, the Company would be able to realize the probable benefit of these taxable losses in future years based on the restructuring and related projections.

The Company has continued to maintain a diversified exposure as can be seen from note 35 to the financial statements. The diversity of its lease and other financing portfolio has helped the company in lowering the risk of potential losses and made it possible to make payments to its lenders on time. As a measure of prudence however, the company will continue its current policy of creating adequate provisions for potential lease losses.

SHARE CAPITAL & LICENSING

As briefed earlier during the year, the Securities & Exchange Commission of Pakistan (SECP) formed a Non Bank Financial Sector Reform Committee to review the overall structure of the sector and recommend necessary changes to streamline it for future viability. It submitted its report to the Commission where certain significant measures were proposed including transfer of leasing companies to State Bank of Pakistan, reduction in minimum capital requirement for non deposit taking leasing companies to Rs. 50 million and measures related to provisioning and other operational areas. This report is under review of the Commission and hopefully, revised changes would be introduced soon. Further to these efforts for bringing stability in the company's operations, during the year, your Company developed proposal to bring in new equity partners in the form of in-kind equity and approached certain investors in this regard. We are pleased to inform you that a certain investor has agreed to bring in assets in the form of real estate and other investments to the extent of Rs. 500 Million into the equity of the Company. The Company would soon complete the necessary legal formalities in this regard so the assets can be used for raising funds as well as writing fresh business. As soon as any further positive development emerges, the shareholders would be promptly informed.

CORPORATE SOCIAL RESPONSIBILITY

Your Company always takes pride in demonstrating responsible corporate citizen by participating directly and indirectly in various social causes. During earthquake, floods or in any other natural calamity, the Company directly or by the voluntary help of its staff supported work for the betterment of the underprivileged and people in need with cash and in kind.

ELECTION OF BOARD OF DIRECTORS

During the year, the previous Board completed its term of 3 years in March 2013 and elections were held to elect new directors. The Board after consideration reduced the number of directors from 8 to 7. The following gentlemen were elected to the Board.

Mr. M R Khan
Mr. S M Nadim Shafiqullah
Mr. Mohammed Khalid Ali
Mr. Naeem Shafi
Mr. S S Hamid
Mr. Abdul Ghafoor
Mr. Shafiq-ur-Rehman

Mr. M R Khan was elected as the Chairman of the Board while Mr. S M Nadim Shafiqullah was elected as the Vice Chairman of the Board. No change in the remuneration of Chairman and Vice Chairman was made. An abstract of their remuneration was already circulated among the members after the election on March 18, 2013.

Mr. Mohammed Khalid Ali was re-appointed as the Chief Executive Officer of the Company. His remuneration was revised to Rs. 1.42 Million per month with effect from March 2013. Other benefits remained as per Company remuneration policies. The last change in his remuneration was made in March 2007. An abstract of the remuneration was already circulated among the members after the election on March 18, 2013.

BUSINESS ETHICS

The Code of conduct of the Company provides a clear guiding framework for the Directors as well as the employees to operate in the environment of integrity, honesty and dedication towards the common goal of achieving positive results for the Company and its various stakeholders. The detailed code of conduct is annexed to this report.

DIRECTORS' DECLARATION

The Directors have implemented the revised Code of Corporate Governance as advised under Regulation # 35 of the Karachi and Lahore Stock Exchanges. In this regard, the requirements with immediate implementation are made and the Directors are pleased to report that:

1. The financial statements prepared by the management presents fairly its state of affairs, the results of its operations, cash flows and changes in equity.

2. Proper books of accounts of the Company have been maintained.

3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

4. International Financial Reporting Standards as applicable in Pakistan have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.

5. The system of internal control is sound in design and has been effectively implemented and monitored.

6. There are no significant doubts upon the Company's ability to continue as a going concern.

7. Reasons for significant deviations in the Company's operating results during the year ended June 30, 2013 have been explained in the Directors' Report.

8. Key operating and financial data for the last six years in summarized form is given as annexure to this report.

9. The value of investments of the recognized provident fund as at June 30, 2013 was Rs. 4.37 million (un-audited) and as at June 30, 2012 was Rs. 4.05 million (audited).

10. No trading in shares of the Company was carried out by the Directors, Executives and their spouses and minor children during the year.

11. During the year six meetings of the Board of Directors and four meetings of the Audit Committee were held. The detail of attendance by each member of the Board is as follows:

Board of Directors' Meetings

Name of Directors	Meetings attended	Name of Directors	Meetings attended
Mr. M R Khan	6	Mr. S S Hamid	5
Mr. S M Nadim Shafiqullah	5	Mr. Abdul Ghafoor	5
Mr. Mohammed Khalid Ali	6	Mr. Shafiq-ur-Rehman	6
Mr. Naeem Shafi	5	Mr. Ahmed Ali Khan	4

After the election of the Board, Mr. Ahmed Ali Khan stood retired. Leave of absence was granted to directors who could not attend the Board meetings.

Audit Committee Meetings

Name of Directors	Meetings attended	Name of Directors	Meetings attended
Mr. Naeem Shafi	4	Mr. Ahmed Ali Khan	3
Mr. Abdul Ghafoor	4		
Mr. S M Nadim Shafiqullah	1		

EXTERNAL AUDITORS

The present auditors M/s. Avais, Hyder, Liaquat, Nauman,. Chartered Accountants would retire at the forthcoming Annual General Meeting and being eligible, the Board recommends on the suggestion of the Audit Committee for their reappointment for the year ending June 30, 2014.

PATTERN OF SHAREHOLDING

The pattern of shareholding as at June 30, 2013 is attached as annexure to this report.

ACKNOWLEDGEMENT

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

The Board also places on record its deep appreciation of the efforts put in and dedication shown by all personnel of the Company, which enabled it to conduct its operations in a very difficult environment during the year.

For and on behalf of the Board of Directors

Mohammed Khalid Ali
Chief Executive Officer

October 9, 2013

Code of Conduct

The Code of Conduct of Security Leasing Corporation Limited (SLC) reflects our standard for proper behavior and corporate values. It is a fundamental policy of the Company to conduct its business with honesty, integrity and in accordance with the highest professional, ethical and legal standards. This Code of Conduct applies to all the people relating to SLC including Directors, Officers and Employees.

The Code fosters the culture that each member of the Board and staff is responsible to reflect integrity and leadership with the provisions of the Mission, Vision, Company policies and all applicable statutory guidelines for the Company.

It encourages the employees to work proficiently with due diligence in following the internal policies of the Company for dealing with each other, customers and all third parties related directly or indirectly with the Company.

The Salient features of the Code are explained below:

1. **Conflict of Interest**
   Each Director and employee should exercise its judgment in order to avoid association with any other activity, person or company that conflicts with or appear to conflict with the best interests of the Company. Any situation which may involve a conflict of interest or reasonably expected to involve such conflict should be disclosed promptly.

2. **Protection of the Proprietary information**
   All the trade secrets, other proprietary information and business data of the Company are valuable assets. All the Directors and employees who are entrusted with such information are responsible to properly safeguard and do not disclose such information, data and knowledge to any person except such information which is made public in compliance with statutory requirement by the Company or is given proper authority in writing to disclose such information for any specific purpose.

3. **Honesty, integrity and ethical standards**
   All Directors and employees must act honestly, fairly and exhibit highest level of integrity and ethical standards in dealing with all the stakeholders of the Company. Employees must deal ethically with all the customers, suppliers and other parties with fair consideration and without any personal favour. During the course of any business interaction, the employees should ensure that SLC name, integrity and reputation should not be damaged if such interaction becomes public in any manner.

4. **Political contribution**
   No funds or assets of the Company may be contributed to any political party or organization or any person who holds an office of public importance.

5. **Bribes**
   No amount may be paid or received in cash or in kind on account of bribes or for any such matter which helps in influencing any decision relating to the Company interests or compromise independent judgment to government staff or customer.

Code of Conduct

6. **Compliance with laws and regulations**
   All Directors and employees must ensure to comply with all the laws, guidelines, regulations and directives as issued by Securities & Exchange Commission of Pakistan, Stock Exchanges and other bodies relating to the Company.

7. **Charity and voluntary work**
   The Company encourages the culture of mutual help, assistance, charity and voluntary work in time of need of any person or community. All Directors and employees are encouraged to participate in such activities of national calamity like floods, earthquake or other social work.

8. **Communication and disclosure**
   The Directors should take steps to ensure that employees are encouraged to communicate with their seniors or any other appropriate person in regard to ethical practices or when in doubt about a course of action in any particular situation. Employees must be encouraged to report violation of rules, regulations, laws or internal policies of the Company without any fear of retaliation or retribution.

9. **Family connections and employment of relatives**
   Any dealing with any customer or third party or organization where the employee has a direct or indirect or family connection must be promptly disclosed to the Company.

10. **General Discipline**
    No assets of the Company or belongings of the employees should be used without specific permission. All employees must adhere to the Services' Rules of the Company.

SIX YEARS FINANCIAL SUMMARY

	2013 Rs '000	2012 Rs '000	2011 Rs '000	2010 Rs '000	2009 Rs '000	2008 Rs '000
BALANCE SHEET						
Ordinary share capital outstanding	363,000	363,000	363,000	363,000	363,000	363,000
Preference share capital outstanding	75,028	75,028	75,028	75,028	75,027	112,500
Shareholders' Fund	438,028	438,028	438,028	438,028	438,028	475,500
Reserves	(184,638)	(59,933)	(176,145)	(384,454)	(111,728)	244,840
Unrealised loss on Investment	-	-	(170)	(19,125)	110,513	127,971
Networth	253,390	378,095	261,883	80,768	238,995	592,369
Surplus on revaluation of Fixed Assets	41,129	44,193	48,376	21,319	22,547	23,776
Certificates of Investment	-	-	-	-	110,200	562,100
Long Term Finances-Borrowings	488,384	517,988	986,549	1,749,185	2,378,326	2,923,907
Lease/Musharika disbursements	110,383	85,959	265,184	293,586	483,836	1,916,701
Net Investment in Leases	654,527	898,560	1,249,425	1,868,785	2,759,686	4,003,830
Long Term Finances	470	27,808	31,338	22,070	165,258	57,806
Fixed Assets	125,857	136,847	145,434	161,314	204,684	246,681
Total Current Assets	561,933	706,495	1,097,058	1,635,193	1,955,314	2,468,444
Total Assets	1,168,004	1,452,398	1,934,087	2,749,705	3,966,829	5,577,274
Total Current Liabilities	350,283	425,202	700,660	1,236,035	1,915,227	2,328,460
Total Liabilities	873,485	1,030,110	1,598,998	2,668,937	3,727,834	4,961,129
Total Assets to Networth (times)	4.61	3.84	7.39	34.04	16.60	9.42
PROFIT & LOSS						
Total Income	50,066	93,176	117,239	130,115	198,172	556,615
Net Gain on De-recognition and unwinding of Financial Liablities	(72,979)	166,598	258,241	-	-	-
Financial & Other Charges	352	65	45,808	286,545	521,606	465,802
Admin & Operating Expenses	77,194	83,379	86,112	93,118	99,936	89,305
Provisions, Write-offs & Other Charges	20,395	60,438	26,829	37,737	44,742	11,548
Total Expenses	97,358	143,826	158,124	417,401	666,286	566,655
(Loss)/Profit Before Tax	(120,854)	115,894	216,731	(287,286)	(468,113)	(10,039)
(Loss)/Profit After Tax	(128,888)	112,029	205,845	(273,954)	(357,796)	211,810
KEY RATIOS						
Earning per share - PKR - less preferred dividend	(3.55)	3.09	5.67	(7.55)	(9.86)	5.55
Break-up Value (PKR)	6.05	9.57	6.48	0.75	5.14	13.87
Price per share	3.11	2.00	2.00	2.84	1.98	6.89
Price Earning ratio (times)	(0.88)	0.65	0.35	(0.38)	(0.20)	1.24
Income/ Expense ratio (times)	0.51	0.65	0.74	0.31	0.30	0.98
Current ratio (times)	1.60	1.66	1.57	1.32	1.02	1.06
Long term Debt equity ratio (times)	2.06	1.60	3.43	19.13	10.03	6.13
Return on average equity	(40.82%)	35.01%	120.15%	(171.35%)	(86.07%)	38.17%
PAYOUT						
Cash dividend	-	-	-	-	-	9.1%
Stock dividend	-	-	-	-	-	-
Total payout	-	-	-	-	-	9.1%

STATEMENT OF VALUE ADDED

	2013 Rupees	2012 Rupees
Revenues from leasing operations	**46,020,906**	78,899,453
Other income	**4,044,757**	14,276,848
Gain on de-recognition of financial liabilities	**-**	278,137,063
Unwinding of financial liability	**(72,978,751)**	(111,538,616)
	(22,913,088)	259,774,748
Direct cost of leases and others	**(39,108,083)**	(82,428,751)
Impairment	**(583,358)**	(55,000)
(Loss) / Profit From Discontinued Operations	**-**	(780,420)
Value added	**(62,604,529)**	176,510,577
Distributed as follows		
To Employees		
As remuneration	**42,742,113**	43,630,879
To Government		
As income tax	**8,034,423**	3,084,285
To Provider of Finance		
Financial charges	**352,323**	64,713
To Depositors		
As profit on invesments	**-**	-
To Shareholders		
Dividends	**-**	-
Retained in business		
As reserves and retained profits	**-**	-

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of Listing Regulations of Karachi & Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG 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:

Category	**Name of Directors**
Non Executive Directors	Mr. M. R. Khan Mr. S.M. Nadim Shafiqullah Mr. Subho Sadiq Hamid
Independent Directors	Mr. Shafiq ur Rahman Mr. Abdul Ghafoor Mr. Naeem Shafi
Executive Director	Mr. Mohammed Khalid Ali

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the Directors is a member of any of the Stock Exchanges.

4. No casual vacancy occurred on the Board during the year.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of 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 the CEO.

8. During the year, after elections of directors in March 2013, the Board approved the re-appointment of the CEO. There is no change in the remuneration of non-executive Directors during the year.

9. The meetings of the board were presided over by the Chairman and, in his absence, by a Director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

10. In accordance with the criteria specified in clause (xi) of CCG, the Directors are exempted from the requirement of Directors' Training Program.

11. The existing CFO & Company Secretary continue to serve as per their terms of appointment as approved by the Board of Directors. The Company has designated one of its employees as Head of Internal Audit to act as coordinator between the firm providing internal audit services and the Audit Committee of the Board of Directors.

12. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

13. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

14. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

15. The company has complied with all the corporate and financial reporting requirements of the CCG.

16. The board has formed an Audit Committee. It comprises of three (3) members, all of whom are non-executive directors including the Chairman of the Committee.

17. The meetings 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 CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

18. The board has formed an Human Resource and Remuneration Committee. It comprises of three (3) members, of whom two (2) are non-executive directors including the Chairman of the Committee.

19. The board has outsourced the Internal Audit function and M/s Anjum, Asim, Shahid, Rahman, Chartered Accountants, continue to work as Internal Auditor during the year, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

20. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and Stock Exchanges.

23. Material/price sensitive information has been disseminated among all the market participants at once through Stock Exchanges.

24. We confirm that all other material principles enshrined in the CCG have been complied with.

Mohammed Khalid Ali
Chief Executive Officer

October 9, 2013

PATTERN OF SHAREHOLDING OF ORDINARY SHARE CAPITAL
AS ON JUNE 30, 2013

Share holding From	Share holding To	Number of Shareholders	Total Shares held	Percentage of Issued capital
1	100	66	878	0.00
101	500	55	17,651	0.05
501	1,000	27	21,013	0.06
1,001	5,000	86	188,295	0.52
5,001	10,000	28	224,884	0.62
10,001	15,000	7	83,804	0.23
15,001	20,000	3	54,529	0.15
20,001	25,000	6	134,504	0.37
25,001	30,000	1	25,500	0.07
35,001	40,000	1	36,300	0.10
40,001	45,000	3	127,009	0.35
55,001	60,000	1	56,647	0.16
60,001	65,000	1	60,153	0.17
105,001	110,000	1	105,048	0.29
160,001	165,000	1	162,500	0.45
215,001	220,000	1	219,999	0.61
255,001	260,000	1	255,750	0.70
295,001	300,000	1	300,000	0.83
350,001	355,000	1	350,255	0.96
445,001	450,000	1	447,026	1.23
455,001	460,000	1	455,565	1.26
690,001	695,000	1	693,901	1.91
855,001	860,000	1	858,935	2.37
1,260,001	1,265,000	1	1,263,240	3.48
2,200,001	2,205,000	1	2,201,500	6.06
3,170,001	3,175,000	1	3,174,435	8.75
10,280,001	10,285,000	1	10,285,000	28.33
14,495,001	14,500,000	1	14,495,679	39.93
		300	36,300,000	100

Categories of Shareholders	Number	Shares Held	Percentage
Directors, CEO their spouse and minor children (Note 1)	8	16,805,885	46.30
Individuals	264	3,910,576	10.77
Investment companies	3	536	0.00
Banks, DFIs, NBFIs, Insurance Companies Modarabas & Mutual Funds	5	1,763,565	4.86
Charitable Trusts	1	36,300	0.10
Joint Stock Companies	14	3,225,836	8.89
Cooperative Societies	1	219,999	0.61
Foreign Investors	2	10,295,000	28.36
Others	2	42,303	0.12
	300	36,300,000	100

Note 1 : **Directors, CEO their Spouse and Minor Children**

M. R. Khan - Chairman	350,255	0.96
S.M. Nadim Shafiqullah - Vice Chairman	14,495,679	39.93
Mrs. Rehana Nadim Shafiqullah	1,263,240	3.48
Mohammed Khalid Ali - Chief Executive Officer	693,901	1.91
Abdul Ghafoor	500	0.00
S.S Hamid	1,210	0.00
Shafiqur Rahman	500	0.00
Naeem Shafi	600	0.00
	16,805,885	46.30

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

S.M. Nadim Shafiqullah - Vice Chairman	14,495,679	39.93
Merrill, Lynch, Pierce, Fenner, Smith, Inc. USA	10,285,000	28.33
	24,780,679	68.27

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

PATTERN OF SHAREHOLDING OF PREFERENCE SHARE CAPITAL
AS ON JUNE 30, 2013

Share holding		Number of Shareholders	Total Shares held	Percentage of Issued capital
From	To			
1	500	5	576	0.01
501	1,000	4	2,687	0.04
1,001	5,000	2	3,825	0.05
95,001	150,000	1	100,000	1.33
495,001	750,000	1	500,000	6.66
996,238	1,010,000	1	1,001,237	13.34
2,000,001	3,000,000	1	2,449,200	32.64
3,000,001	3,445,250	1	3,445,250	45.92
		16	7,502,775	100

Categories of Shareholders	Number	Shares Held	Percentage
Individuals	10	6,526	0.09
Mutual Funds	2	4,446,487	59.26
Provident Funds	1	100,000	1.33
Private Limited Companies	3	2,949,762	39.32
	16	7,502,775	100

Note 2 :

None of the Directors, Chief Executive Officer, their spouses & minor children hold any preference shares.

Avais Hyder Liaquat Nauman
Chartered Accountants

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REVIEW REPORT TO THE MEMBERS OF SECURITY LEASING CORPORATION LIMITED ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the statement of compliance with best practices ("the statement") contained in the Code of Corporate Governance prepared by the Board of Directors of **SECURITY LEASING CORPORATION LIMITED** ("the Company"), to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges, 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 provision 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 statement we are required to obtain an understanding of the accounting and internal control system 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 and effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of Karachi and Lahore Stock Exchanges require the Company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm length price recording proper justification for using such alternative price mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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, 2013.

Avais Hyder Liaquat Nauman

Chartered Accountants
Engagement Partner: Moazzam Saddique

Karachi.
Dated: October 9, 2013

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AUDITORS' REPORT TO THE MEMBERS OF SECURITY LEASING CORPORATION LIMITED

We have audited the annexed balance sheet of SECURITY LEASING CORPORATION LIMITED (the "Company") as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year June 30, 2013 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 account 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, statement of comprehensive income, 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, 2013 and of the loss, its comprehensive loss, its cash flows and its changes in equity for the year then ended; and

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Avais Hyder Liaquat Nauman
Chartered Accountants

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(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980

(e) Without qualifying our opinion, we draw attention to the following matters:

1. We draw attention to the note 1.2 of the financial statement that discloses the adverse financial conditions of the Company including renewal of the license to operate as a leasing business and non-compliance of minimum equity requirements. These conditions along with other matters as fully explained in note 1.2, indicate the existence of material uncertainty which may cast significant doubt on the ability of the Company to continue as a going concern.

2. As disclosed in note 15 of the financial statements that the Company has recorded deferred tax asset aggregating to Rs. 322.209 million (June 30 2012: Rs 328.069 million). The company has recognized the deferred tax asset on the basis of future business plan of the company which projects that future taxable profits would be available against which such deferred tax asset could be utilized. However there is a material uncertainty involved in the assumption underlying these future business plans, as disclosed in note 1.2, which are dependent on future events due to which there is a possibility that sufficient future taxable profits or sufficient taxable temporary differences may not be available against which deferred tax asset could be utilized.

(f) The financial statements of the company as of June 30, 2012, were audited by another auditor. whose report dated October 2, 2012, expressed an unqualified opinion on those statements. However, their report was modified by adding emphasis of matter paragraphs highlighting matters related to going concern, deferred tax and restructuring of financial liabilities.

Avais Hyder Liaquat Nauman

Karachi
Date: October 9, 2013

CHARTERED ACCOUNTANTS
Engagement partner: Moazzam Saddique

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BALANCE SHEET
AS AT JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
ASSETS			
Current assets			
Cash and bank balances	5	4,491,392	4,840,042
Short term investments	6	-	-
Short term finances	7	10,000,000	10,000,000
Advances, prepayments and other receivables	8	15,913,322	18,292,023
Accrued return on investments		-	729,451
Taxation-net		1,888,060	1,762,515
Current maturity of non-current assets	9	529,640,676	670,287,715
		561,933,450	705,911,746
Non Current assets classified as held for sale	10	-	583,358
Total current assets		561,933,450	706,495,104
Non-current assets			
Net investment in finance leases	11	154,529,750	250,174,544
Long-term deposits	12	3,004,500	3,004,500
Long-term finances	13	469,691	27,807,548
Property and equipment	14	125,857,142	136,846,804
Deferred tax asset	15	322,209,280	328,069,507
Total non-current assets		606,070,363	745,902,903
Total assets		1,168,003,813	1,452,398,007
LIABILITIES			
Current liabilities			
Accrued and other liabilities	16	96,947,280	95,006,861
Current maturity of non-current liabilities	17	253,336,042	330,195,601
Total current liabilities		350,283,322	425,202,462
Non-current liabilities			
Long -term finances	18	453,914,130	488,178,107
Long-term deposits	19	69,287,976	116,729,757
Total non-current liabilities		523,202,106	604,907,864
Total liabilities		873,485,428	1,030,110,326
NET ASSETS		294,518,385	422,287,682
REPRESENTED BY SHAREHOLDERS' EQUITY			
Share capital and reserve			
Issued, subscribed and paid-up share capital	20	438,027,750	438,027,750
Reserves	21	(184,638,234)	(59,932,929)
		253,389,516	378,094,821
Surplus on revaluation of fixed assets	22	41,128,869	44,192,861
TOTAL SHAREHOLDERS' EQUITY		294,518,385	422,287,682
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes from 1 to 39 form an integral part of these financial statements.

Mohammed Khalid Ali
Chief Executive Officer

M R Khan
Chairman

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
REVENUE			
Income from:			
Finance leases	24	46,020,906	78,899,453
Other operating income	25	4,044,756	14,276,848
		50,065,662	93,176,301
Gain on De-recognition of financial liabilities		-	278,137,063
Unwinding of financial liability		(72,978,751)	(111,538,616)
		(72,978,751)	166,598,447
Impairment		(583,358)	(55,000)
		(23,496,447)	259,719,748
EXPENSES			
Administrative and selling	27	(77,193,778)	(83,378,715)
Finance costs	28	(352,323)	(64,713)
Direct cost of finance leases	29	(2,094,183)	(3,389,842)
Provision & Write-offs	30 & 13	(17,717,334)	(56,992,805)
		(97,357,618)	(143,826,075)
Operating (Loss)/ Profit before Income tax		(120,854,065)	115,893,673
Income tax expense			
- current	31	(1,055,000)	(3,084,285)
- deferred		(6,979,423)	-
		(8,034,423)	(3,084,285)
(Loss)/ Profit for the period from continuing operations		(128,888,488)	112,809,388
Profit/(Loss) for the period from discontinued operations	26	-	(780,420)
(Loss)/Profit for the period		(128,888,488)	112,028,968
(Loss)/Earning per share from continued operation		(3.55)	3.11
Earning/ (Loss) per share from discontinued operation		-	(0.02)
(Loss)/Earning per share	32	(3.55)	3.09

The annexed notes from 1 to 39 form an integral part of these financial statements.

Mohammed Khalid Ali
Chief Executive Officer

M R Khan
Chairman

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2013

	2013 Rupees	2012 Rupees
(Loss)/ Profit for the year	**(128,888,488)**	112,028,968
Other comprehensive income		
Surplus on remeasurement of available for sale investments	**-**	170,000
Surplus on revaluation of property	**4,183,184**	4,183,184
Other comprehensive income for the year	**4,183,184**	4,353,184
Total Comprehensive (loss)/income for the year	**(124,705,304)**	116,382,153

The annexed notes from 1 to 39 form an integral part of these financial statements.

Mohammed Khalid Ali
Chief Executive Officer

M R Khan
Chairman

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before income tax including discontinued operation		(120,854,065)	115,123,968
Depreciation	14.1	15,155,093	17,701,732
Gain on disposal of property and equipment	25.2	(62,181)	846,182
Gain on De-recognition		-	(278,137,063)
Finance costs	28	352,323	64,713
Unwinding of financial liability		72,978,751	111,538,616
Impairment on investment		583,358	55,000
Provision for potential lease and other losses	30	5,259,204	40,638,327
		94,266,548	(107,292,493)
Operating (loss)/profit before working capital changes		(26,587,518)	7,831,475
Working capital changes			
Decrease in net investment in finance leases	11	239,753,563	337,226,144
Decrease in advances, prepayments and other receivables		2,378,701	2,652,896
Decrease in accrued return on investments		729,451	802,763
Decrease in deposits from leases		(128,960,648)	(120,127,601)
Increase in accrued and other liabilities		1,940,419	6,729,453
		115,841,486	227,283,655
Cash from operations after working capital changes		89,253,968	235,115,130
Financial charges paid	28	(352,323)	(64,713)
Taxes paid		(1,180,545)	(3,260,997)
		(1,532,868)	(3,325,710)
Net cash from operating activities		87,721,100	231,789,420
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	14.1	(5,125,177)	(11,298,312)
Investments		-	1,305,000
Long term finance		18,616,923	52,272,592
Short term finances		-	12,000,000
Proceeds from disposal of property and equipment(net)		1,021,924	18,093,769
Long term deposits		-	1,055,000
Net cash from investing activities		14,513,670	73,428,049
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term finances		(102,583,420)	(307,458,841)
Net cash used in financing activities		(102,583,420)	(307,458,841)
Net increase in cash and cash equivalents		(348,650)	(2,241,372)
Cash and cash equivalents at beginning of the year		4,840,042	7,081,414
Cash and cash equivalents at end of the year	34	4,491,392	4,840,042

The annexed notes from 1 to 39 form an integral part of these financial statements.

Mohammed Khalid Ali
Chief Executive Officer

M R Khan
Chairman

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013

	Share Capital	Reserves: Capital Statutory reserve	Reserves: Revenue Unappropriated profit	Unrealised (loss)/gain on remeasurement of available for sale Investment	Total
	Rupees				
Balance as at June 30, 2011 - Restated	438,027,750	159,867,005	(336,012,086)	(170,000)	261,712,670
Change in equity for the year ended June 30, 2012					
Transferred from surplus on revaluation of fixed assets - incremental depreciation (net of tax)	-	-	4,183,184	-	4,183,184
Unrealized loss on change in market value of investments classified as available for sale	-	-	-	170,000	170,000
Net income recognised directly in equity	-	-	4,183,184	170,000	4,353,184
Profit/(Loss) for the year	-	-	112,028,968	-	112,028,968
Total recognised income and (expense) for the year	-	-	116,212,152	170,000	116,382,152
Transferred to statutory reserve	-	22,000,000	(22,000,000)	-	-
Balance as at June 30, 2012	438,027,750	181,867,005	(241,799,934)	-	378,094,821
Change in equity for the year ended June 30, 2013					
Transferred from surplus on revaluation of fixed assets - incremental depreciation (net of tax)	-	-	4,183,184	-	4,183,184
Unrealized loss on change in market value of investments classified as available for sale	-	-	-	-	-
Net income recognised directly in equity	-	-	4,183,184	-	4,183,184
Profit/(Loss) for the year	-	-	(128,888,488)	-	(128,888,488)
Total recognised income and (expense) for the year	-	-	(124,705,304)	-	(124,705,304)
Balance as at June 30, 2013	438,027,750	181,867,005	(366,505,238)	-	253,389,516

The annexed notes from 1 to 39 form an integral part of these financial statements.

Mohammed Khalid Ali
Chief Executive Officer

M R Khan
Chairman

1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 Security Leasing Corporation Limited ("the Company") was incorporated in Pakistan on December 6, 1993 and commenced its operations on May 21, 1995. The Company is a Non-Banking Finance Company (NBFC) under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and engaged in the business of leasing.

The registered office of the Company is situated at Block B, 5th Floor, Lakson Square Building No.3, Sarwar Shaheed Road, Karachi, Pakistan. The Company is listed on Karachi and Lahore Stock Exchanges.

1.2 The Company is licensed to operate as leasing Company by Securities and Exchange Commission of Pakistan (SECP) and its forbearance of the license was extended up to July 2011. The renewal request is submitted with the Commission.

Net shreholder's equity of the Company as at June 30, 2013 is Rs.294.518 million (2012: Rs. 422.287 million as compared to the minimum equity level of Rs. 700 million(2012:Rs. 500 million)

Since the start of the financial and economic crisis in Pakistan in October 2008, the financing facilities of the Company were abruptly withdrawn by the banks which resulted in reduction of portfolio of leasing and other finances.The private sector especially NBFCs could not attract any funding in form of either equity or financing facility due to crowding out by high fiscal borrowings of government in the last 4 years. The Company was feeling extraordinary pressure on its repayment capacity due to constant reduction of portfolio and absence of sizeable fresh business. Therefore , the Company negotiated on different occasion in last four years with its lenders of long and short term funding for the reprofiling of its financial liabilities.

Mitigating Factors

The main objective requesting the lenders for reprofiling the financial liabilities was to remain current on its payment obligations within the available cash flows from its lease portfolio. The Company with the support of its lenders achieved to reduce the markup rate to zero percent and subsequently, extended the repayment period over 10 years with effect from February 2012. In addition to these measure, the Company also took drastic steps to reduce the administrative costs by laying off more than 60% of its staff of all cadres in the last 3 years as well as revising certain staff benefits. These measures helped operationally for the Company as a going concern entity.

In order to streamline minimum capital requirement and other issues of NBFC Sector, SECP is reviewing a report submitted by NBF Reform Committee as detailed in Note 20.4.

The company is constantly looking for options to increase the equity levels by soliciting investor for cash and in kind equity investment.We have received a letter of Intent from certain investor who has shown interest in investing in the equity of the Company through assets in real estate and other investments to the extent of Rs.500 million. The Board and its management are hopeful that these measures would bring stability to the Company and results would start to improve in the coming periods.

2 BASIS OF MEASUREMENT

These financial statements have been prepared under historical cost convention except for certain property and equipment which have been stated at revalued amounts and financial assets and financial liabilities which have been stated at their fair values, cost or amortized cost.

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 (Establishment and Regulation) Rules, 2003 (the Rules) and the Non- Banking Finance Companies and Notified Entities Regulations, 2008 (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, the Rules and the 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 EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow- scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

- IAS 28 Investments in Associates and Joint Ventures (2011)-(effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

- Annual Improvements 2009-2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.

- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period - which is the preceding period is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- Amendment to IAS 36 Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.01 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 Regulations 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 statements:

a) allowance for potential lease and loan losses (note 4.06);
b) classification of investments (note 4.07);
c) determining the residual values and useful lives of depreciable assets (note 4.09 & 4.10);
d) impairment (note 4.09);
e) accounting for post employment benefits (note 4.12);
f) income tax and deferred tax (note 4.16); and
g) provisions (note 4.18).

4.02 Revenue recognition

Finance lease and hire purchase income

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. Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

Income from finance leases and hire purchases is suspended if rent is past due by the minimum criteria prescribed by the Regulations.

Front end fee and other lease related income is recognised as income on receipt.

Operating lease income

Rental income from operating leases is recognised on accrual basis over the term of the lease contract.

Return on investments

Markup/Return on loans, advances and investments is recognised on accrual basis using the effective interest method.

Fees and commission income are recognised on accrual basis when the service has been provided.

Dividend income is recognised when the Company's right to receive dividend is established.

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

Return on deposits, short term placements and other money market securities is recognised on a time proportion basis.

4.03 Long term 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 stated at amortized cost using the effective interest method.

4.04 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 or 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.

4.05 Net investment in finance lease

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

4.06 Provision for potential lease losses and provision for other doubtful loans and receivables

The provision for potential leases and provision for other doubtful loans and receivables are made based on the appraisal of each lease or loan that takes into account the Regulations issued by SECP from time to time.

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

4.07 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.

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.

4.08 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.

4.09 Property and equipment

Initial recognition

An item of property and equipment is initially recognized at cost which is equal to the fair value of consideration paid at the time of acquisition or construction of the asset.

Measurement subsequent to initial recognition

Carried at revaluation model

Office premises, leasehold improvements and furniture & fixture are stated at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair value is determined by professional valuers with sufficient regularity such that the carrying amount does not differ materially from fair value at the balance sheet date.

Carried at cost model

Property and equipment other than those mentioned above are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

All items of property and equipment are depreciated on a straight line basis at rates which will write off their cost or revalued amount over their expected useful lives. The estimated useful lives, residual values and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions during the year is charged from the month of acquisition. No depreciation is charged in the month of disposal.

Subsequent expenditure relating to an item of property and equipment is capitalized to the initial cost of the item when the expenditure meets the recognition criteria. All other subsequent expenditure is expensed in the period in which it is incurred.

Profit and loss on disposal of property and equipment is included in income currently.

Impairment

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the reversal of an impairment loss is recognized immediately in profit or loss unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as a revaluation increase.

Capital work - in - progress

Capital work-in-progress are carried at cost, less any recognized impairment loss. These expenditures are transferred to relevant category of property and equipments as and when assets start operation.

4.10 Intangible Assets

Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the assets will flow to the company and that the cost of such assets can also be measured reliably.

Generally, cost associated with the development or maintenance of computer software programmes are recognized as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefits exceeding one year, are recognized as an intangible assets. Direct costs include the purchase cost of software and related overhead cost. Computer software costs that are directly associated with the computer and computer controlled machines, which cannot operate without the related specific software, are included in the costs of the respective assets. When the software is not an integral part of the related hardware, it is classified an intangible asset. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Expenditures, which enhance or extend the performance of computer software beyond their original specification and useful life are recognized as capital improvement and added to the original cost of the software.

4.11 Compensated absences

The Company provides its employees with non-accumulated compensated absences that are recognized when the absences occur.

4.12 Staff retirement benefits

Defined contribution plan

The Company operates an approved contributory provident fund for all its permanent employees. Equal monthly contributions are made to the fund in accordance with the laid down policy of the Company.

Contributions to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

In view to save portion of cost to the Company, in February 2010, Upon the recommendation of the management the Company had discontinued contribution towards provident fund for employees of manager and above cadre.

Defined benefit plan

Company also operates an approved funded gratuity scheme for all eligible employees. Eligible employees are those who have completed minimum qualifying period of service as laid down in rules. Provision has been made in accordance with actuarial recommendations using the projected unit credit method. 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 planed 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. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

In order to bring efficiency in the cost ,the Company upon recommendation of the management had discontinued the gratuity scheme.

4.13 Foreign currency translation

Transactions in foreign currencies are accounted for in rupees at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies as at the balance sheet date are expressed in rupees at rates of exchange prevailing on that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions. Exchange gains and losses are included in income currently.

4.14 Financial instruments

Financial assets and liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the de-recognition of the financial assets and liabilities is included in the profit and loss account currently.

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 carried on the balance sheet include cash and bank balances, advances and deposits. Loans and receivables, finance leases and investments have been stated as per the policies mentioned in note 4.5, 4.6 and 4.8 respectively.

Financial liabilities carried on the balance sheet include certificates of investment, deposits, accrued and other payables. Loans and finances have been stated as per the policies mentioned in note 4.4.

4.15 Off-setting

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to set-off the recognised amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.16 Taxation

Current tax

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.

4.17 Related parties transactions

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

4.18 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.19 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks, running finance facilities availed by the Company, which are payable on demand (if any) and short term investments realisable within three months (if any) are included as part of cash and cash equivalent for the purpose of statement of cash flow.

4.20 Repossessed leased assets

These are stated at lower of the original cost of the related asset, exposure to the Company and the net realisable value of the assets repossessed. Gain or losses on the disposal of such assets are recognized in the profit and loss account.

4.21 Functional and presentation currency

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

4.22 Certificate of investments

Return on certificate of investments issued by the Company is recognised on a time proportion basis.

4.23 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.

4.24 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.

4.25 Discontinued operations

A discontinued operation is a component of the Company’s business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative profit and loss account is restated as if the operation had been discontinued from the start of the comparative period.

Non-current (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Company’s accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

4.26 General

Figures have been rounded-off to nearest Pakistani Rupee.

	Note	2013 Rupees	2012 Rupees
5 CASH AND BANK BALANCES			
Cash in hand		**19,792**	-
Balance with State Bank of Pakistan in current account		**17,058**	12,151
Balances with other banks in:			
-Current accounts		**4,442,386**	4,620,404
-Saving accounts	5.1	**12,156**	207,487
		4,491,392	4,840,042

5.1 Return on saving account is 6 % (2012: 6 %) per annum.

6 SHORT TERM INVESTMENTS - Available for sale

Other than related party		Units/Shares 2013	Units/Shares 2012	2013 Rupees	2012 Rupees
Listed securities					
Term finance certificates	(Invest Capital Investment Bank Limited - Formerly Al-Zamin Leasing Corporation Limited)	**136**	136	**680,000**	680,000
Impairment				**(680,000)**	(680,000)
				-	-
Unlisted securities					
Ordinary shares	(First Pakistan Securities Limited)	**1,399,141**	1,399,141	**20,000,000**	20,000,000
Impairment				**(20,000,000)**	(20,000,000)
				-	-
				-	-

	Note	2013 Rupees	2012 Rupees
7 SHORT TERM FINANCES			
Other than related party			
Placement- considered doubtful	7.1	**54,000,000**	54,000,000
Less:Provision		**(54,000,000)**	(54,000,000)
		-	-
Musharika finance- secured - considered good	7.2	**10,000,000**	10,000,000
		10,000,000	10,000,000

7.1 This represents financing under markup arrangement to a customer and is secured by way of floating charge against all present and future assets of the customer to the extent of Rs. 72 million.

7.2 This represents financing under musharika facility to customer and is secured by way of equitable mortgage on property.

	Note	2013 Rupees	2012 Rupees

8 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2013 Rupees	2012 Rupees
Advances considered good:			
- to suppliers		1,596,210	-
Prepayments		3,359,462	4,629,589
Operating lease rentals receivables - considered doubtful		3,702,153	3,702,153
Less: provision for operating lease rental receivables		(3,702,153)	(3,702,153)
		-	-
Other receivables		10,957,650	13,662,434
		15,913,322	18,292,023

9 CURRENT MATURITY OF NON - CURRENT ASSETS

	Note	2013 Rupees	2012 Rupees
Net investments in leases	11	499,997,150	648,385,828
House loan to staff	13	18,328	40,560
Musharika finance	13	29,625,198	21,333,366
Murabaha finance	13	-	527,961
		529,640,676	670,287,715

10 NON CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Note	2013 Rupees	2012 Rupees
Non current assets classified as held for sale		583,358	583,358
Less: Impaired during the year		(583,358)	-
		-	583,358

During the year 2011-12, the Company discontinued its operating lease business division and most of the assets were disposed off. The balance amount represents the value being non recoverable and hence impaired during the year.

11 NET INVESTMENT IN FINANCE LEASE

	Note	2013 Rupees	2012 Rupees
Net investment in finance leases		654,526,900	898,560,372
Less: current portion of net investment in finance leases		(499,997,150)	(648,385,828)
		154,529,750	250,174,544

	Note	2013 Not Later than one year	2013 Later than one year	2013 Total	2012 Not Later than one year	2012 Later than one year	2012 Total
Lease rentals receivable		515,593,038	89,965,353	605,558,391	593,714,888	145,134,420	738,849,308
Add: Residual value of leased assets		223,178,710	69,544,477	292,723,187	303,498,867	117,054,768	420,553,635
Gross investment in finance leases		738,771,748	159,509,830	898,281,578	897,213,755	262,189,188	1,159,402,943
Less:							
Unearned lease income		20,959,055	4,980,080	25,939,135	32,139,899	12,014,644	44,154,543
Income suspended	11.1	59,187,054	-	59,187,054	62,339,448	-	62,339,448
		658,625,639	154,529,750	813,155,389	802,734,408	250,174,544	1,052,908,952
Provision for potential lease losses	11.2	158,628,489	-	158,628,489	154,348,580	-	154,348,580
Net investment in leases		499,997,150	154,529,750	654,526,900	648,385,828	250,174,544	898,560,372

	Note	2013 Rupees	2012 Rupees
11.1 Income suspended			
Balance at beginning of the year		**62,339,448**	70,973,193
Income suspended during the year		**710,167**	3,853,176
Income reversed during the year		**(3,862,561)**	(12,486,921)
Balance at end of the year		**59,187,054**	62,339,448
11.2 Provision for potential lease and other losses			
Balance at beginning of the year		**154,348,580**	140,710,253
Provision for the year		**5,611,641**	22,701,647
Reversed for the year		**(1,331,732)**	(9,063,320)
Balance at end of the year		**158,628,489**	154,348,580

11.3 There are no finance lease contract receivables over five years. The Company's implicit rate of return on leases ranges between 15% to 24% (2012: 14% to 24%) per annum.

12 LONG TERM DEPOSITS

	2013	2012
National Clearing Company of Pakistan Limited - security deposit	**2,500,000**	2,500,000
Others	**504,500**	504,500
	3,004,500	3,004,500

	Note	2013 Rupees	2012 Rupees
13 LONG TERM FINANCE - secured and considered good			
House loan to staff			
- Employees	13.1	**488,019**	964,277
Less: current portion	9	**18,328**	40,560
		469,691	923,717
Musharika finances - other than related party	13.2	**30,604,493**	48,217,197
Less: Provision		**979,295**	-
: current portion	9	**29,625,198**	21,333,366
		-	26,883,831
Murabaha finance - other than related party		**-**	527,961
Less: current portion	9	**-**	527,961
		-	-
		469,691	27,807,548

13.1 These house loans are given to employees for purchase, construction and renovation purposes over the term of 20 years in accordance with the employment policy. Markup is charged at the rate of 7.50% (2012: 7.50%). These loans are secured against terminal benefits of employees and original documents of the property are kept by the Company.

13.2 This represents financing under musharika facility to various customers. Profit is charged at 6 months KIBOR + 4%. These are secured by way of equitable mortgage on properties. Due to reduction in the forced sale value of the property mortgaged against a musharika facility representing 50% of the total value, therefore, provision is made accordingly.

14 PROPERTY AND EQUIPMENT

	Note	2013 Rupees	2012 Rupees
Property and equipment - own use	14.1	**125,857,142**	136,846,804
		125,857,142	136,846,804

14.1 OPERATING ASSETS

Description	Cost / Revalued amounts: As at July 1, 2012	Additions (deletions) during the year	As at June 30, 2013	Depreciation: As at July 1, 2012	Charge for the year/ (Transfers/ disposal)	As at June 30, 2013	Written down value as at June 30, 2013	Depreciation rate in %
	...... Rupees							
OWNED								
Office premises	104,955,000	-	104,955,000	6,559,688	5,247,756	11,807,444	**93,147,556**	5
Leasehold Improvements	22,274,000	-	22,274,000	4,176,375	3,341,105	7,517,480	**14,756,520**	15
Furniture and fixtures	8,985,657	1,188,925 (1,261,357)	8,913,225	3,299,026	1,800,358 (1,244,666)	3,854,718	**5,058,507**	20
Office equipment	2,527,282	99,200 (275,654)	2,350,828	2,383,959	93,704 (275,616)	2,202,047	**148,781**	36
Computer equipment	4,403,960	12,600 (1,270,996)	3,145,564	4,355,331	49,319 (1,270,965)	3,133,685	**11,879**	36
Generator and air conditioners	3,688,070	- -	3,688,070	3,688,063	-	3,688,063	**7**	20
Vehicles	25,638,447	3,824,452 (3,116,770)	26,346,129	11,163,168	4,622,851 (2,173,787)	13,612,232	**12,733,897**	30
June 30, 2013	**172,472,416**	**5,125,177 (5,924,777)**	**171,672,816**	**35,625,610**	**15,155,093 (4,965,034)**	**45,815,669**	**125,857,142**	
June 30, 2012	174,839,894	11,298,312 (13,240,950)	172,897,256	29,406,317	17,701,732 (11,057,597)	36,050,452	136,846,804	

14.2 The following assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/ (loss)on diposal	Mode of disposal	Particulars of Buyers
	------------------Rupees------------------						
Vehicles							
	455,000	409,500	45,500	45,500	-	Term of Employment	Abdul Muhaimin
	39,000	38,999	1	13,000	12,999	Negotiation	Abdul Ghafoor
	455,000	409,500	45,500	45,500	-	Term of Employment	Abid Hussain
	38,295	38,294	1	16,000	15,999	Negotiation	Amjad Hussain
	1,462,000	672,520	789,480	789,480	-	Term of Employment	M.Taqi Lakhani
	42,475	42,474	1	1	-	Term of Employment	M.Taqi Lakhani
	625,000	562,500	62,500	62,500	-	Term of Employment	Shahzad Ali Zaidi
	3,116,770	**2,173,787**	**942,983**	**971,981**	**28,998**		
Furniture & fixture							
	80,000	79,996	4	4	-	Terms of Employment	Abid Khan
	924,707	924,695	12	12	-	Terms of Employment	Mohammed Khalid Ali
	125,000	108,332	16,668	16,668	-	Terms of Employment	M.Taqi Lakhani
	86,650	86,645	5	5	-	Terms of Employment	Salman Hameed
	45,000	44,998	2	2	-	Terms of Employment	Shahid M.Shah
	1,261,357	**1,244,666**	**16,691**	**16,691**	-		
Computer & Monitor							
	1,270,996	1,270,965	31	21,450	21,419	Bid	Meesa Enterprises
Mobile Phone & Office Equipment							
	11,800	11,799	1	1	-	Term of Employment	M.Taqi Lakhani
	246,804	246,770	34	11,301	11,267	Negotiation	Meesa Enterprises
	4,550	4,548	2	200	198	Term of Employment	Munir Ahmed
	12,500	12,499	1	300	299	Term of Employment	Shahzad Ali Zaidi
	275,654	275,616	38	11,802	11,764		
	5,924,777	4,965,034	959,743	1,021,924	62,181		

	Note	2013 Rupees	2012 Rupees
15 DEFERRED TAX ASSET			
Debit balances arising due to:			
Overdue rentals not taxable in future		126,994,638	136,989,270
Provision for potential lease losses		53,933,686	54,022,003
Provision for other non performing assets		19,951,692	18,900,000
Unabsorbed tax depreciation		271,730,655	281,399,652
Minimum turnover tax		1,055,000	-
		473,665,671	491,310,925
Credit balances arising due to:			
Accelerated tax depreciation		(2,564,434)	(3,304,531)
Net investment in finance lease		(127,704,358)	(135,377,607)
Surplus on revlaution of leasehold land and office building		(21,187,599)	(24,559,280)
		(151,456,391)	(163,241,418)
		322,209,280	328,069,507

15.1 This represents the probable benefits expected to be realized in future years determined on the projected financial statements under prevailing circumstances for the next few years.

	Note	2013 Rupees	2012 Rupees
16 ACCRUED AND OTHER LIABILITIES			
Accrued liabilities		1,058,842	744,690
Advance against leases		90,744,276	87,076,421
Unclaimed dividend		807,122	809,102
Other liabilities		4,337,040	6,376,648
		96,947,280	95,006,861
17 CURRENT MATURITY OF NON- CURRENT LIABILITIES			
Long term finances	18	34,469,472	29,810,164
Long term deposits	19	218,866,570	300,385,437
		253,336,042	330,195,601
18 LONG-TERM FINANCES - secured			
Other than related party			
Privately Placed Term Finance Certificates	18.3	48,708,328	51,293,396
Privately Placed Sukuks	18.4	266,258,602	280,580,829
Long-term loans	18.5	173,416,672	186,114,046
		488,383,602	517,988,271
Less: Current maturity shown under current liabilities			
Privately Placed Term Finance Certificates		3,003,598	2,585,075
Privately Placed Sukuks		17,080,784	14,761,376
Long-term loans		14,385,090	12,463,713
		34,469,472	29,810,164
		453,914,130	488,178,107

18.1 In January 2012, in view of the difficult financial situation with no bright prospects of new funding in form of direct equity or financing, the Company requested the lenders to modify the terms of the long term finance by extending the repayment period from 4 years to 10 years with effect from February 2012. In order to reflect the impact of this extension in the tenure according to the Para 40 of International Accounting Standard 39 - Financial Instruments, the Company has recomputed the accounting effect on derecognition of all the financial liablities to record the gain and unwinding of the related liabilities accordingly.

18.2 The amount of gain arisen due to difference between the existing carrying amount of original financial liability and new financial liability recognised is recorded as income through both equity and Profit & loss account. This amount would be amortized as unwinding of financial liability over the repayment term.

18.3 Principal terms of term finance certificates (TFCs)

Particulars	Security	Repayment period		Profit rate per annum	Amount outstanding (Rupees)	
		from	to		2013	2012
From financial institutions						
Privately placed term finance certificates (3rd Issue)	Secured against specific lease rentals receivable and related lease assets	Sep-07	Jan-22	**Zero % (2012: Zero)**	**48,708,328**	51,293,396

18.4 Principal terms of SUKUKs

Particulars	Security	Repayment period		Profit rate per annum	Amount outstanding (Rupees)	
		from	to		2013	2012
From financial institutions						
Privately placed SUKUK-1	Secured against specific lease rentals receivable and related lease assets	Dec-08	Jan-22	**Zero % (2012: Zero%)**	**120,747,336**	129,344,470
Privately placed SUKUK-2	Secured against specific lease rentals receivable and related lease assets	Mar-09	Jan-22	**Zero % (2012: Zero%)**	**145,511,266**	156,380,665

18.5 Principal terms of Long -Term Loans

Particulars	Security	Repayment period		Profit rate per annum	Amount outstanding (Rupees)	
		from	to		2013	2012
United Growth & Income Fund	Clean	Dec-07	Feb-19	**Zero % (2012: Zero%)**	**41,235,112**	45,666,539
The Bank of Khyber	Secured against property	Apr-10	Jan-22	**Zero % (2012: Zero%)**	**68,473,495**	72,725,980
United Bank Limited	Secured against specific lease rentals receivable and related lease assets	Apr-10	Feb-22	**Zero % (2012: Zero%)**	**12,993,759**	13,932,939
The Bank of Punjab	Secured against specific lease rentals receivable and related lease assets	Apr-10	Jan-22	**Zero % (2012: Zero%)**	**24,151,457**	25,406,593
Soneri Bank Limited	Secured against specific lease rentals receivable and related lease assets	Apr-10	Jan-22	**Zero % (2012: Zero%)**	**12,438,834**	13,117,635
KASB Funds	Clean	Jul-12	Jun-20	**Zero % (2012: Zero%)**	**14,124,015**	15,264,360

19 LONG-TERM DEPOSITS

	Note	2013 Rupees	2012 Rupees
Security deposits against leases		288,154,546	417,115,194
Less: current maturity of security deposits	17	218,866,570	300,385,437
		69,287,976	116,729,757

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

20 SHARE CAPITAL

	Note	2013 Rupees	2012 Rupees
Authorised capital			
75,000,000 (2012: 75,000,000) ordinary shares of Rs. 10 each		750,000,000	750,000,000
50,000,000 (2012: 50,000,000) preference shares of Rs. 10 each		500,000,000	500,000,000
		1,250,000,000	1,250,000,000
Issued, subscribed and paid-up share capital			
22,100,000 (2012: 22,100,000) ordinary shares of Rs. 10 each fully paid in cash		221,000,000	221,000,000
14,200,000 (2012: 14,200,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares		142,000,000	142,000,000
		363,000,000	363,000,000
Preference shares			
7,502,775 preference shares-class A of Rs. 10 each fully paid in cash	20.2	75,027,750	75,027,750
		438,027,750	438,027,750

20.1 Movement in number of shares

	Note	2013	2012
Ordinary shares			
Number of the shares at beginning of the year		36,300,000	36,300,000
Issued during the year		-	-
Number of the shares at end of the year		36,300,000	36,300,000
Preference shares			
Number of the shares at beginning of the year		7,502,775	7,502,775
Redeemed during the year	20.2	-	-
Number of the shares at end of the year		7,502,775	7,502,775

20.2 The Company raised additional equity of Rs. 150 million through right issue of 15 million non-convertible and non-cumulative preference shares - class A of Rs. 10 each in September 2003. These preference shares carry preferred right to dividend computed @ 35% of profit after tax and statutory reserves subject to a maximum profit of Rs. 40 million. The Company has the option to redeem these shares after 12 months from the date of the issue. The preference shareholders have the right to exercise the put option in tranches by giving three months advance notice as per the following schedule:

Percentage of redemption	**Period to exercise put option**	
	From	**To**
3,750,000 shares (1st redemption)	June-07	November-07
3,750,000 shares (2nd redemption)	June-08	November-08
3,750,000 shares (3rd redemption)	June-10	November-09
3,750,000 shares (4th redemption)	June-10	November-10

20.3 Due to huge losses for the last 4 years, the Company has not been able to redeem the remaining portion of the preference shares – class A. In this regard, the Company offered certain proposals to the major preference shareholders to devise a practical mechanism for redemption of shares in accordance with the terms of the issue of preference shares.

20.4 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.

In order to streamline the regulatory regime of the companies in NBFC Sector, SECP had constituted an NBF Sector Reform Committee comprising of prominent market participants and representatives of SECP. The Committee has given its recommendation/report to SECP for consideration, which includes review of minimum equity requirements for NBFCs (including leasing companies/investment banks) and introduction of concept of deposit taking and non-deposit taking NBFCs etc. Currently, the Commission is deliberating on the recommendations of the Committee. The tentative deadline for introduction of revised NBF Sector model is expected by end December 2013.

Upon the introduction of these revised regulations, the following minimum equity requirements would be revised/changed accordingly.

To be complied by	**Minimum equity**
	Rupees
June 30, 2011	350,000,000
June 30, 2012	500,000,000
June 30, 2013	700,000,000

	Note	2013 Rupees	2012 Rupees
The Company's capital consist of:			
Issued, subscribed and paid-up share capital	20	438,027,750	438,027,750
Reserves	21	(184,638,234)	(59,932,929)
		253,389,516	378,094,821
Unrealized loss on available for sale investments		-	-
		253,389,516	378,094,821

21 RESERVES

	Note	2013 Rupees	2012 Rupees
Capital reserve			
Statutory reserves	21.1	181,867,005	181,867,005
Revenue reserve			
(Accumulated loss)/Unappropriated profit		(366,505,238)	(241,799,934)
		(184,638,234)	(59,932,929)

	2013 Rupees	2012 Rupees
21.1 Balance at beginning of the year	181,867,005	159,867,005
Transferred during the year	-	22,000,000
Balance at end of the year	181,867,005	181,867,005

Statutory reserve represents profit set aside to comply with the NBFC Regulations, 2008.

22 SURPLUS ON REVALUATION OF FIXED ASSETS

	2013 Rupees	2012 Rupees
Surplus on revaluation of fixed assets	62,316,469	68,752,141
Deferred tax (liability) recognised	(21,187,600)	(24,559,280)
	41,128,869	44,192,861

22.1 Reconciliation of surplus on revaluation of fixed assets

	2013 Rupees	2012 Rupees
At the beginning of the year	68,752,141	75,187,808
Surplus during the year	-	-
Surplus realized on account of incremental depreciation	(6,435,667)	(6,435,667)
At the end of the year	62,316,474	68,752,141

22.2 Deferred tax liability

	2013 Rupees	2012 Rupees
At the beginning of the year	24,559,280	26,811,763
Deferred tax liability arise/(adjusted) during the year	(1,119,196)	-
Deferred tax liability realized on account of incremental depreciation	(2,252,484)	(2,252,483)
At the end of the year	21,187,600	24,559,280

23 CONTINGENCIES AND COMMITMENTS

	2013 Rupees	2012 Rupees
23.1 Commitments for lease disbursements	-	13,284,300

23.2 Contingencies

The company had been issued with a notice of demand under section 14 of the Federal Excise Act, 2005 for the payment of Federal Excise Duty (FED) for the periods 2007-11 amounting to Rs.111.434 million/- on account of leasing related income.

In response to the demand raised by the Deputy Commissioner Inland Revenue (DCIR), Large Taxpayer Unit Karachi, the Company filed an appeal with Commissioner Inland Revenue Appeals against the order and notice of demand. Simultaneously the Company also filed Constitutional petition with the Honourable Sindh High Court which stayed all recovery proceedings.

In the order made by the CIR Appeals against the appeal filed by the Company, the CIR Appeals reduced the demand of FED reassessed the amount to Rs.48.8 million. The company has filed an appeal before the Appellate Tribunal Inland Revenue against this order of CIR Appeals .The appeal is pending adjudication before the Appellate Tribunal.

However, based on the facts and legal aspects of the case, we anticipate a favourable outcome and hence no further provision is required in this regard.

		Note	2013 Rupees	2012 Rupees
24	**INCOME FROM FINANCE LEASE**			
	Income from finance lease contracts		**46,020,906**	78,899,453
			46,020,906	78,899,453
25	**OTHER OPERATING INCOME**			
	Income from financial assets	25.1	**1,795,061**	11,701,401
	Other than financial assets	25.2	**2,249,695**	2,575,447
			4,044,756	14,276,848
25.1	**Income from financial assets**			
	Loans and receivables			
	Profit from bank under cash management scheme		**2,290**	309,706
	Profit on term finance certificates		**-**	22,691
	Profit on musharika		**1,735,640**	10,760,835
	Mark-up on house finance to staff		**57,131**	73,857
	Profit on murabaha		**-**	424,683
	Profit on placements- net of income suspended		**-**	109,629
			1,795,061	11,701,401
25.2	**Other than financial assets**			
	Fees, commissions and other charges		**(51,516)**	(27,500)
	Gain/(Loss) on disposal of property and equipment		**62,181**	810,822
	Rental Income		**2,239,030**	1,792,125
			2,249,695	2,575,447

	Note	2013 Rupees	2012 Rupees
26 Discontinued Operation			
Operating leases Revenue		-	1,071,550
Direct Cost of Operating Lease			
Maintenance contracts		-	93,083
Depreciation		-	-
Insurance		-	91,167
		-	184,250
(Loss)/Gain on disposal		-	(1,657,004)
Profit/(Loss) before taxation		-	(769,704)
Taxation		-	(10,716)
Loss after tax		-	(780,420)
Cash flows			
Net cash from operating activities		-	-
Net cash from investing activities		-	15,099,594
Net cash inflows from discontinued operation for the year		-	15,099,594
27 ADMINISTRATIVE AND SELLING EXPENSES			
Salaries, allowances and benefits	27.2 & 27.3	**42,742,113**	43,630,879
Directors' fee	27.1	**444,000**	252,000
Staff training and development		**11,256**	50,275
Telephone and fax		**1,162,876**	1,452,939
Postage and courier		**83,025**	61,763
Electricity		**1,111,268**	1,056,454
Office maintenance		**1,698,051**	1,695,490
Software maintenance		**103,286**	162,023
Insurance		**604,132**	559,868
Business promotion expenses		**1,625,774**	1,775,114
Canteen expenses		**517,216**	671,840
Vehicle running expenses		**5,888,829**	7,601,725
Vehicle insurance		**940,727**	987,284
Traveling and conveyance		**524,616**	348,202
Advertisement expenses		**171,300**	85,325
Printing and stationery		**610,935**	704,618
Central depository charges		**197,064**	205,524
Subscriptions and listing fees		**894,118**	813,119
Legal and professional charges		**1,668,194**	2,155,250
Auditors' remunerations	27.4	**685,810**	623,410
Statutory filing fees		**29,600**	27,097
Depreciation		**15,155,093**	17,701,732
Rent, rates and taxes		**276,795**	727,384
Miscellaneous		**47,700**	29,400
		77,193,778	83,378,715

27.1 Directors' fee

This represents remuneration paid to the non-executive directors of the Company for attending meetings of the Board and Board's committees.

27.2 Remuneration of chief executive and executives

	2013		2012	
	Chief Executive	**Executives**	Chief Executive	Executives
Managerial remuneration	**14,137,361**	**9,036,422**	12,392,248	12,104,850
Other benefits	**1,500,000**	**627,818**	600,000	859,909
	15,637,361	**9,664,240**	12,992,248	12,964,759
No. of persons	**1**	**5**	1	7

The Chairman, Vice Chairman, Chief Executive and certain Executives were also provided with free use of Company owned and maintained cars and certain household items in accordance with their terms of employment.

27.3 Salaries, allowances and benefits include provident fund contribution of Rs. 538,980 (2012: Rs. 568,770).

	Note	2013 Rupees	2012 Rupees
27.4 Auditors' remuneration			
Annual audit		**325,000**	325,000
Half yearly review		**125,000**	125,000
Other certifications		**100,000**	100,000
Out-of-pocket expenses		**135,810**	73,410
		685,810	623,410
28 FINANCE COSTS			
Markup on :			
Term finance certificates & Sukuks		**352,323**	64,713
		352,323	64,713
29 DIRECT COST OF FINANCE LEASES			
Court fee, stamp duty and others		**2,094,183**	3,389,842
30 PROVISION AND WRITE-OFFS			
Provision on leases	11	**4,279,909**	13,638,327
Provision on other financing	13	**979,295**	27,000,000
Write-offs		**12,458,130**	16,354,478
		17,717,334	56,992,805

31 INCOME TAX EXPENSE

Current

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

Assessments of the Company have been finalized upto the tax year 2012. Returns are deemed to be an assessment order passed by the Commissioner of Income Tax under section 120 of Income Tax Ordinance, 2001.The said returns have so far not been selected for audit by the tax department.

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.

	Note	2013 Rupees	2012 Rupees
32 (LOSS)/EARNINGS PER SHARE - basic and diluted			
Loss for the year from continuing operations		(128,888,488)	112,809,389
(Loss)/Profit for the year from discontinuing operations		-	(780,420)
Loss attributable to ordinary shareholders-Rupees		(128,888,488)	112,028,969
Number of ordinary shares issued and subscribed		36,300,000	36,300,000
Loss per share from continuing business		(3.55)	3.11
Earnings per share from discontinue business		-	(0.02)
Loss per share		(3.55)	3.09

(Loss)/Earnings per share has been calculated by dividing (loss)/profit for the year attributable to the ordinary shareholders outstanding at the period end by the weighted average number of shares outstanding during the year.

Diluted earnings per share

There is no dilution effect on the basic earning per share of the Company as the Company has no convertible dilutive potential ordinary shares outstanding on June 30, 2013.

33 CASH AND CASH EQUIVALENTS

	Note	2013 Rupees	2012 Rupees
Cash and Bank balances	5	4,491,392	4,840,042

34 SEGMENT INFORMATION

The primary sources of revenue segments are Finance Lease ,Musharika business and Capital Market Operations based on the nature of business and related risk associated with each type of business segment. Other operations, which are not deemed by the management to be sufficiently significant to disclose as separate items are reported under Others.

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

Segment revenue and expenses included all revenue and expenses related to the segment and relevant proportion of the revenue and expenses allocated to the segment on reasonable basis.

	Finance lease	Capital market	Musharika	Others	Operating Lease Discontinued Operations	Total
	June 30, 2013					
	Rupees					
Segment revenues	46,020,906		1,735,640	2,309,117		50,065,663
Segment result	(8,961,284)		(933,962)	(4,229,757)		(14,125,003)
Unallocated cost						
Finance cost						(352,323)
Administrative and selling exp						(33,397,988)
Unwinding of financial liability						(72,978,751)
Gain on de-recognition of financial liability						-
Loss before income tax						(120,854,065)
Income tax expense						(8,034,423)
Loss for the year						(128,888,488)
Other information						
Segment assets	654,526,900		30,604,493	118,392,095		803,523,488
Unallocated assets						364,480,336
Total assets	**654,526,900**		**30,604,493**	**118,392,095**		**1,168,003,824**
Segment liabilities	667,867,149		17,754,674	68,683,152		754,304,975
Unallocated liabilities						119,180,452
Total liabilities	**667,867,149**		**17,754,674**	**68,683,152**		**873,485,427**
Net assets						**294,518,397**
Capital expenditure				**5,125,177**		**5,125,177**

	Finance lease	Capital market	Musharika	Others	Operating Lease Discontinued Operations	Total
	June 30, 2012					
	Rupees					
Segment revenues	78,899,453		10,760,835	3,516,013	1,071,550	**94,247,851**
Segment result	1,885,927		8,449,978	(24,003,770)	(797,359)	**(14,465,224)**
Unallocated cost						
Finance cost						**(248,528)**
Administrative and selling exp						**(36,680,917)**
Unwinding of financial liability						**(111,538,616)**
Gain on de-recognition of financial liability						**278,137,063**
Profit before income tax						**115,123,970**
Income tax expense						**(3,095,001)**
Profit for the year						**112,028,968**
Other information						
Segment assets	899,107,872		48,745,158	10,964,278	583,358	**959,400,666**
Unallocated assets						**479,926,275**
Total assets						**1,439,326,941**
Segment liabilities	827,318,557		22,254,154	5,005,640	266,327	**854,844,677**
Unallocated liabilities						**162,194,582**
Total liabilities						**1,017,039,259**
Net assets						**422,287,683**
Capital expenditure				11,298,312		11,298,312

35 RISK MANAGEMENT

The Company is primarily exposed to credit risk, liquidity risk and market risk. The Company has designed and implemented a framework of controls to identify, monitor and manage these risks as follows:

35.1 Credit risk

Credit risk is the risk that one party to financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly effected by changes in economics, political and other conditions. Concentration of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company manages its credit risk by monitoring credit exposure, limiting transaction with specific counter party and continually assessing the credit worthiness of counter parties. Management considers that all the financial assets that are neither past due nor impaired are of good credit quality. The maximum exposure of the Company to credit risk at reporting date without taking account any collateral held or other credit enhancements is as follows:

	Note	2013 Rupees	2012 Rupees
Classes of financial assets - carrying value			
Cash and cash equivalent			
Cash and bank balances	5	**4,491,392**	4,840,042
Loans and receivables			
Short term finances	7	**10,000,000**	10,000,000
Accrued return on investments		**-**	729,451
Long-term deposits	12	**3,004,500**	3,004,500
Long-term finances	13	**31,092,512**	49,709,435
Lease receivables			
Net investment in finance leases	11	**654,526,900**	898,560,372
		703,115,304	966,843,800

35.1.1 The credit risk to cash and cash equivalent is negligible, since the counter parties are reputable banks with high quality external credit rating.

35.1.2 Loans and receivables of the Company are secured by collaterals that are disclosed in their relevant notes.

35.1.3 The Company manages concentration of credit risk exposure through diversification of activities to avoid undue concentrations of risks with individuals, groups of specific industry segment. An analysis by class of business of the Company's net investments in finance leases, hire purchase contracts, investment and other financial assets is given below:

Sector	2013		2012	
	Rupees	%	Rupees	%
Textile	**187,436,022**	**22.27**	195,718,216	20.64
Construction	**28,788,021**	**3.42**	47,112,334	4.97
Transport and communication	**137,784,390**	**16.37**	160,398,432	16.91
Oil and gas	**44,363,745**	**5.27**	100,530,885	10.60
Food and beverages	**25,608,812**	**3.04**	37,691,334	3.97
Engineering	**36,050,638**	**4.28**	47,186,499	4.98
Plastic	**10,728,200**	**1.27**	11,454,836	1.21
Consumer leases	**30,620,159**	**3.64**	36,777,703	3.88
Health care	**16,142,134**	**1.92**	13,282,012	1.40
Travel and tourism	**15,760,827**	**1.87**	23,806,570	2.51
Pharmaceutical	**30,986,424**	**3.68**	33,086,860	3.49
Advertisement	**2,004,573**	**0.24**	1,234,550	0.13
Cement	**37,747,731**	**4.48**	39,438,185	4.16
Auto and allied	**43,697,179**	**5.19**	44,222,179	4.66
Publications	**9,988,159**	**1.19**	13,640,973	1.44
Sugar	**20,051,052**	**2.38**	70,156,662	7.40
Glass and ceramics	**12,466,452**	**1.48**	12,761,322	1.35
Others	**151,512,316**	**18.00**	59,770,255	6.30
Total	**841,736,834**	**100**	948,269,807	100

35.1.4 Analysis of financial assets that are past due:

	Total	Loans and receivables	Net investment in finance lease	Operating lease receivables
	................................Rupees................................			
Gross carrying amount				
Not past due	442,936,753	-	442,936,753	-
Past due by more than 30 days but not more than 180 days	3,643,632	-	3,643,632	-
Past due by more than 180 days but not more than 360 days	17,423,598	10,604,493	6,819,105	-
Past due by more than 360 days	447,458,052	84,000,000	359,755,899	3,702,153
	911,462,035	94,604,493	813,155,389	3,702,153
Impairment loss on				
Past due by more than 180 days	-	-	-	-
Past due by more than 180 days but not more than 360 days	-	-	-	-
Past due by more than 360 days	217,309,937	54,979,295	158,628,489	3,702,153
Total impairment loss	**217,309,937**	**54,979,295**	**158,628,489**	**3,702,153**
Net carrying amount	**694,152,098**	**39,625,198**	**654,526,900**	**-**

35.1.5 Financial assets that are past due and impaired are disclosed in notes . Impairment is determined after considering the forced sale value of the collateral held.

35.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulties in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities, including interest payments and excluding impact of netting agreements:

	2013				
Financial liabilities	Within 6 month	6 month to 1 year	One to five years	Over five years	Total
Financial Assets	----------------------------------Rupees----------------------------------				
Cash and cash equivalent	4,491,392	-	-	-	4,491,392
Loans and receivables	41,092,512	-	3,004,500	-	44,097,012
Lease receivables	546,458,554	112,167,085	154,529,750	-	813,155,389
	592,042,458	**112,167,085**	**157,534,250**	**-**	**861,743,793**
Financial liabilities					
Accrued and other liabilities	96,947,280	-	-	-	96,947,280
Long -term finances	16,669,694	17,799,778	198,767,059	255,147,071	488,383,602
Long-term deposits	171,775,180	47,091,390	69,287,976	-	288,154,546
	285,392,154	**64,891,168**	**268,055,035**	**255,147,071**	**873,485,428**
	306,650,304	**47,275,917**	**(110,520,785)**	**(255,147,071)**	**(11,741,635)**

Financial liabilities	Within 6 month	6 month to 1 year	One to five years	Over five years	Total
	2012				
	------Rupees------				
Financial Assets					
Cash and cash equivalent	4,840,042	-	-	-	4,840,042
Loans and receivables	51,283,102.00	5,276,110	6,884,174	-	63,443,386
Lease receivables	666,024,913	136,709,495	250,174,544	-	1,052,908,952
	722,148,057	141,985,605	257,058,718	-	1,121,192,380
Financial liabilities					
Accrued and other liabilities	81,935,794	-	-	-	81,935,794
Accrued mark-up	-	-	-	-	-
Short-term finances	-	-	-	-	-
Certificates of investment	-	-	-	-	-
Long -term finances	27,058,124	17,313,675	473,616,472	-	517,988,271
Long-term deposits	72,824,969	227,560,468	116,729,757	-	417,115,194
	181,818,887	244,874,143	590,346,229	-	1,017,039,259
	540,329,170	(102,888,538)	(333,287,511)	-	104,153,121

35.3 Market risk

Market risk is the risk that the value of a financial instruments will fluctuate as a result of changes in interest rates or market prices due to a change in credit rating of the issuer of the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is not exposed to currency risk as it is not involved in foreign currency transactions. However, it is exposed to interest rate risk and market price risk.

35.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Due to restructuring of the long & short term borrowings the Company, the rate of markup is now zero percent for the next 12 months and therefore,the Company is exposed to changes in market interest rates only for net investment in lease.

Cash flow sensitivity analysis for variable rate instruments

Due to restructuring of the long & short term borrowings of the Company, the rate of markup is now zero percent for the next 12 months and therefore, the sensitivity analysis is not performed.

36 FAIR VALUE OF FINANCIAL ASSETS

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

37 TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company include staff provident fund, staff gratuity fund, directors, key management personnel and companies in which directors are common or a director hold office. Transactions with directors and key management personnel are disclosed in their relevant notes. Transactions with other related parties and the balances outstanding at the year end are given below:

Name of related party	Nature of relationship	Description of transaction	2013 Total value of transaction	2013 Closing balance
			...........Rupees..........	
Provident fund	Other related party	Contribution paid	497,520	-

Name of related party	Nature of relationship	Description of transaction	2012 Total value of transaction	2012 Closing balance
			...........Rupees..........	
Provident fund	Other related party	Contribution paid	1,398,660	-

38 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparision. Significant reclassification has been made in long term finance (liability) and net investment in lease which are as follows:

Reclassification from components	Reclassification to components	in "Rupees"
Net investment in lease (not later than one year)	Net investment in lease (later than one year)	131,198,147
Long term finance (current maturity)	Long term finance (non - current maturity)	14,561,635
Accrued and other liabilities - Advance agiant lease	Advances, deposits, prepayments and other receivables	13,071,067
Finance lease income	Provision against potential lease losses	16,354,478

39 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 09, 2013 by the Board of Directors of the Company.

Mohammed Khalid Ali
Chief Executive Officer

M R Khan
Chairman

FORM OF PROXY

I/We ____ of ______________

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

________________________________ of ____________________ or failing him/her

________________________________ of ____________________ or failing him/her

________________________________ of ______________________________

to be proxy and to vote for me at the Annual General Meeting of the Company to be held on October 31, 2013, at 12:00 pm and at any adjournment thereof in the same manner as I / We would vote if personally present at such meeting.

Signed this ______________ day of ____________ 20 ________

Signature: ______________

Rupees 5/- Revenue Stamp

Address: ____

Total Shares Held: ______________________ Folio/CDC A/c No. ____________________

Holder of Share Nos. From: ________________________ To ____________________

Witness:	**Witness:**
Name: ______________________	Name: ______________________
CNIC: ______________________	CNIC: ______________________
Signature: ______________________	Signature: ______________________
Address: ______________________	Address: ______________________
______________________	______________________

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

For CDC Account Holders/ Corporate Entities:

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