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**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. Mobeen Alam	
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
Mr. Naeem Shafi	Member

## **HUMAN RESOURCE & REMUNERATION COMMITTEE**

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

## **COMPANY SECRETARY**

Muhammad Abid Khan

## **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.seclearse.com](http://www.seclearse.com) e-mail: [slcl@seclearse.com](mailto:slcl@seclearse.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](mailto:fdregistrar@yahoo.com)



# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty First Annual General Meeting of the members of Security Leasing Corporation Limited will be held on Friday, 28th November, 2014 at 11:30 a.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 Annual General Meeting of the Company held on October 31, 2013.
2. To receive, consider and adopt the audited accounts for the year ended June 30, 2014 and the reports of the Directors and the auditors thereon.
3. To appoint auditors and fix their remuneration for the year ending June 30, 2015.
4. To transact any other business with the permission of the Chair.

By order of the Board  
Muhammad Abid Khan  
Company Secretary

Karachi: November 07, 2014

## Notes:

1. The Share Transfer Books of the Company shall remain closed from November 21, 2014 to November 28, 2014 (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 November 20, 2014 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 Twenty First Annual Report of Security Leasing Corporation Limited (the Company) together with its audited financial statements for the year ended June 30, 2014.

The financial results of the Company are summarized below:

	2014 Rupees	2013 Rupees
<b>Loss after tax</b>	<b>(134,926,991)</b>	<b>(128,888,488)</b>
<b>Earnings per share - Basic &amp; diluted</b>	<b>(3.72)</b>	<b>(3.55)</b>
<b>Appropriations:</b>		
- Transfer to statutory reserves	-	-

## OVERVIEW OF THE ECONOMY

The general lack of infrastructural facilities including electricity shortfall, law & order situation and absence of investor friendly business environment and large fiscal deficit were the main reasons for below expected overall performance of the economy during the year.

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 and ever growing circular debt put already frail economy into further stress. Recent political instability also had a negative impact on the economy and may cause significant damage to transport sector and small and medium size factories in some cities.

## 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.


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 and now the Company has requested all its lenders to make full and final settlement by offering Specific lease assets under charge, additional lease assets from the portfolio and all the property owned by the Company.

In addition to these measures, the Company is also taking drastic steps to reduce the administrative costs by laying off its staff from all cadres as well as revising certain staff benefits.

## 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. 36 million as compared to Rs. 50 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 negligible 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 & and entire Lahore to earn extra cash flow. These contracts are with reputed companies and timely payments are being received.

Further, in the recent budget, the government reduced the rate of corporate income tax to 33% and therefore, the company had made a reversal in the deferred tax accordingly. The current amount is Rs. 325 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 36 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 operation, your board is also contemplating different options to increase its equity which includes bringing fresh equity partner, merger with any suitable financial institution and other options. Any positive development in this regard 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.



## **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, 2014 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, 2014 was Rs. 3.57 million (un-audited) and as at June 30, 2013 was Rs. 4.37 million (audited).
10. No trading in shares of the Company was carried out in the shares by the Directors, Executives and their spouses and minor children during the year.
11. During the year five 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	4	Mr. Mobeen Alam	-
Mr. S M Nadim Shafiqullah	3	Mr. Abdul Ghafoor	4
Mr. Mohammed Khalid Ali	5	Mr. Shafiq-ur-Rehman	5
Mr. Naeem Shafi	5		

### Audit Committee Meetings

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

### 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, 2015.

### PATTERN OF SHAREHOLDING

The pattern of shareholding as at June 30, 2014 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

November 7, 2014



# 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

	2014 Rs '000	2013 Rs '000	2012 Rs '000	2011 Rs '000	2010 Rs '000	2009 Rs '000
<b>BALANCE SHEET</b>						
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	75,028	75,027
Shareholders' Fund	438,028	438,028	438,028	438,028	438,028	438,028
Reserves	-313,123	-184,638	-59,933	-176,145	(384,454)	(111,728)
Unrealised loss on Investment	-	-	-	-170	(19,125)	110,513
Networth	124,905	253,390	378,095	261,883	80,768	238,995
Surplus on revaluation of Fixed Assets	37,436	41,129	44,193	48,376	21,319	22,547
Certificates of Investment	-	-	-	-	-	110,200
Borrowings from Financial & Other Institutions	494,973	488,384	517,988	986,549	1,749,185	2,378,326
Lease/Musharika disbursements	58,261	110,383	85,959	265,184	293,586	483,836
Net Investment in Leases	383,150	654,527	898,560	1,249,425	1,868,785	2,759,686
Long Term Finances	450	470	27,808	31,338	22,070	165,258
Fixed Assets	114,967	125,857	136,847	145,434	161,314	204,684
Total Current Assets	514,778	561,933	706,495	1,097,058	1,635,193	1,955,314
Total Assets	918,949	1,168,004	1,452,398	1,934,087	2,749,705	3,966,829
Total Current Liabilities	708,464	350,283	425,202	700,660	1,236,035	1,915,227
Total Liabilities	756,609	873,485	1,030,110	1,598,998	2,668,937	3,727,834
Total Assets to Networth (times)	7.36	4.61	3.84	7.39	34.04	16.60
<b>PROFIT &amp; LOSS</b>						
Total Income	36,060	50,066	93,176	117,239	130,115	198,172
Net Of Gain on De-recognition and unwinding of Financial Liabilities	-69,786	-72,979	166,598	258,241		
Financial & Other Charges	3,378	352	65	45,808	286,545	521,606
Admin & Operating Expenses	78,600	77,194	83,379	86,112	93,118	99,936
Provisions & Other Charges	17,895	20,395	60,438	26,829	37,737	44,742
Total Expenses	99,873	97,358	143,826	158,124	417,401	666,286
(Loss)/Profit Before Tax	-133,599	-120,854	115,894	216,731	(287,286)	(468,113)
(Loss)/Profit After Tax	-134,927	-128,888	112,029	205,845	(273,954)	(357,796)
Break-up Value (PKR)	3.71	6.72	9.64	7.08	1.84	5.46
Price per share	3.98	3.11	2	2	2.84	1.98
<b>KEY RATIOS</b>						
Earning per share - PKR - less preferred dividend	(3.72)	(3.63)	3.09	5.67	(7.55)	(9.86)
Revenue per share - PKR -	0.82	1.14	2.13	2.68	2.97	4.52
Profit before unwinding of Financial Liabilities, provisions and tax ratio	-127.34%	-54.89%	10.45%	-12.52%	-191.79%	-213.64%
Profit before Tax ratio	-370.49%	-241.39%	124.38%	184.86%	-220.79%	-236.22%
Price Earning ratio (times)	-1.07	-0.86	0.65	0.35	-0.38	-0.20
Return on Capital employed market value per share	-77.40%	-94.61%	127.88%	234.97%	-220.22%	-412.54%
Income/ Expense ratio (times)	0.36	0.51	0.65	0.74	0.31	0.30
Current ratio (times)	0.73	1.60	1.66	1.57	1.32	1.02
Long term Debt equity ratio (times)	0.39	2.06	1.60	3.43	19.13	10.03
Return on average equity	-71.33%	-40.82%	35.01%	120.15%	-171.35%	-86.07%
Return on average assets	-12.93%	-9.84%	6.62%	8.79%	-8.16%	-7.50%
Total assets turnover ratio (times)	25.48	23.33	15.59	16.50	21.13	20.02

# Statement Of Value Added

	2014 Rupees	2013 Rupees
Revenues from leasing operations	26,910,982	46,020,906
Other income	9,148,837	4,044,757
Gain on de-recognition of financial liabilities	-	-
Unwinding of financial liability	-69,786,028	-72,978,751
	<u>-33,726,209</u>	<u>-22,913,088</u>
Direct cost of leases and others	-37,500,634	-39,108,083
Impairment on Investment	-	-583,358
Value added	<u>(71,226,843)</u>	<u>(62,604,529)</u>
<b>Distributed as follows</b>		
<b>To Employees</b>		
As remuneration	43,703,432	42,742,113
<b>To Government</b>		
As income tax	1,327,959	8,034,423
<b>To Provider of Finance</b>		
Financial charges	3,377,672	352,323
<b>To Depositors</b>		
As profit on investments	-	-
<b>To Shareholders</b>		
Dividends	-	-
<b>Retained in business</b>		
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:

<b>Category</b>	<b>Name of Directors</b>
<b>Non Executive Directors</b>	Mr. M. R. Khan Mr. S.M. Nadim Shafiqullah
<b>Independent Directors</b>	Mr. Shafiq ur Rahman Mr. Mobeen Alam Mr. Abdul Ghafoor Mr. Naeem Shafi
<b>Executive Director</b>	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 NBFIs. None of the Directors is a member of any of the Stock Exchanges.
4. During the year casual vacancy was created in the Board which was properly filled in.
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. No new appointment of CEO has been made neither there is any change in the remuneration of non-executive Directors during the year.
8. 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.
9. In accordance with the criteria specified in clause (xi) of CCG, the Directors are exempted from the requirement of Directors' Training Program.



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10. 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.
  11. 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.
  12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
  13. 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.
  14. The company has complied with all the corporate and financial reporting requirements of the CCG.
  15. 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.
  16. 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.
  17. The board has formed an HR and Remuneration Committee. It comprises of four (4) members, of whom three (3) are non-executive directors including the Chairman of the Committee.
  18. The board has outsourced the Internal Audit function and M/s Anjum, Asim, Shahid, Rahman 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.
  19. 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.
  20. 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.
  21. 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.
  22. Material/price sensitive information has been disseminated among all the market participants at once through Stock Exchanges.
  23. Subsequent to the year end the board has developed a mechanism for annual evaluation of board's own performance.
  24. Subsequent to the year end the Company ensure that all key appointments and designations are made after having taken into account the recommendations of HR committee.
  25. We confirm that all other material principles enshrined in the CCG have been complied with.



**Mohammed Khalid Ali**  
Chief Executive Officer

**November 7, 2014**

## PATTERN OF SHAREHOLDING OF ORDINARY SHARE CAPITAL AS ON JUNE 30, 2014

Share holding		Number of Shareholders	Total Shares held	Percentage of Issued capital
From	To			
1	100	66	942	0.00
101	500	56	17,979	0.05
501	1,000	31	25,833	0.07
1,001	5,000	83	188,232	0.52
5,001	10,000	30	244,129	0.67
10,001	15,000	8	96,892	0.27
15,001	20,000	1	20,000	0.06
20,001	25,000	6	136,504	0.38
25,001	30,000	2	58,500	0.16
30,001	35,000	1	35,000	0.10
40,001	45,000	3	127,009	0.35
45,001	50,000	1	50,000	0.14
50,001	55,000	1	55,000	0.15
55,001	60,000	1	56,647	0.16
85,001	90,000	1	90,000	0.25
95,001	100,000	1	100,000	0.28
100,001	105,000	1	103,048	0.28
200,001	205,000	1	201,500	0.56
215,001	220,000	1	219,999	0.61
220,001	225,000	1	221,500	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
355,001	360,000	1	358,935	0.99
415,001	420,000	1	417,026	1.15
455,001	460,000	1	455,565	1.26
690,001	695,000	1	693,901	1.91
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
		<b>308</b>	<b>36,300,000</b>	<b>100</b>

### Categories of Shareholders

	Number	Shares Held	Percentage
Directors, CEO their Spouse and Minor Children (Note 1)	8	16,805,175	46.30
Individuals	276	4,859,762	13.39
Investment Companies	3	536	0.00
Banks, DFIs, NBFIs, Insurance Companies	2	455,816	1.26
Modarabas & Mutual Funds	2	418,814	1.15
Joint Stock Companies	11	3,202,521	8.82
Cooperative Societies	1	219,999	0.61
Foreign Investors	2	10,295,000	28.36
Others	3	42,377	0.12
	<b>308</b>	<b>36,300,000</b>	<b>100</b>

#### 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 Shafiqulla	1,263,240	3.48
Mohammed Khalid Ali - Chief Executive Officer	693,901	1.91
Naeem Shafi	600	0.00
Abdul Ghafoor	500	0.00
Shafiqur Rahman	500	0.00
Mobeen Alam	500	0.00
	<b>16,805,175</b>	<b>46.30</b>

#### 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
	<b>24,780,679</b>	<b>68.27</b>

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

# PATTERN OF SHAREHOLDING OF PREFERENCE SHARE CAPITAL

AS ON JUNE 30, 2014

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
		<u>16</u>	<u>7,502,775</u>	<u>100</u>

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
	<u>16</u>	<u>7,502,775</u>	<u>100</u>

**Note 2 :**

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

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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 enclosed statement of compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Security Leasing Corporation Limited** for the year ended June 30, 2014 to comply with the requirements of listing regulations No. 35 of the Karachi Stock Exchange Limited and chapter XI of Lahore Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of financial statements 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 are not required to consider whether the Board of Directors' statement on internal control covers all risk and controls or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

The Code requires the company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the board of Directors for their review and approval its 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's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Company for the year ended June 30, 2014.

**Other Offices at:**

Lahore : +92 (42) 3587 2731/2/3  
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Peshawar : +92 (91) 527 8310/527 7205  
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Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Paragraph Reference	Description
i. 23	No mechanism was put in place for an annual evaluation of the Board's own performance, however subsequent to the year end Board has developed such a mechanism
ii. 24	No recommendation by HR Committee were made in connection with the elevation to the position of Head of Finance & Accounts, Company Secretary, Compliance Officer and Head of Internal Audit. However the company put in place policies to ensure that subsequent to the year ended all key appointments and promotions are made after taking into account the recommendations of HR committee

Karachi.  
Dated: November 07, 2014

  
Chartered Accountants  
Engagement Partner: Adnan Zaman

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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, 2014 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, 2014 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, 2014 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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- (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. The note 1.2 of the financial statements 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. 324.958 million (June 30 2013: Rs 322.209 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.



Karachi  
Date: November 07, 2014

CHARTERED ACCOUNTANTS  
Engagement Partner: Adnan Zaman

**Other Offices at:**

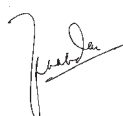
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# BALANCE SHEET

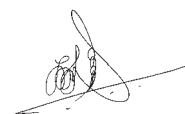
AS AT JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	5	36,562,506	4,491,392
Short term investments	6	-	-
Short term finances	7	10,000,000	10,000,000
Advances, prepayments and other receivables	8	2,736,534	15,913,322
Accrued return on investments		208,356	-
Taxation-net		2,566,597	1,888,060
Current maturity of non-current assets	9	157,415,438	529,640,676
Assets classified as held for sale	10.1	305,288,663	-
<b>Total current assets</b>		<b>514,778,094</b>	<b>561,933,450</b>
<b>Non-current assets</b>			
<b>Net investment in finance leases</b>	11	<b>62,291,472</b>	<b>154,529,750</b>
Long-term deposits	12	819,650	3,004,500
Long-term finances	13	449,941	469,691
Property and equipment	14	15,651,680	125,857,142
Deferred tax asset	15	324,958,352	322,209,280
<b>Total non-current assets</b>		<b>404,171,095</b>	<b>606,070,363</b>
<b>Total assets</b>		<b>918,949,189</b>	<b>1,168,003,813</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short term finances	16	15,000,000	-
Accrued and other liabilities	17	67,756,217	96,947,280
Current maturity of non-current liabilities	18	55,903,610	253,336,042
Liabilities directly associated with the assets classified as held for sale	10.2	569,804,025	-
<b>Total current liabilities</b>		<b>708,463,852</b>	<b>350,283,322</b>
<b>Non-current liabilities</b>			
Long -term finances	19	15,772,570	453,914,130
Long-term deposits	20	30,107,208	69,287,976
Obligation under Finance Lease	21	2,265,133	-
<b>Total non-current liabilities</b>		<b>48,144,911</b>	<b>523,202,106</b>
<b>Total liabilities</b>		<b>756,608,763</b>	<b>873,485,428</b>
<b>NET ASSETS</b>		<b>162,340,427</b>	<b>294,518,385</b>
<b>REPRESENTED BY SHAREHOLDERS' EQUITY</b>			
<b>Share capital and reserve</b>			
Issued, subscribed and paid-up share capital	22	438,027,750	438,027,750
Reserves	23	(313,123,197)	(184,638,234)
		124,904,553	253,389,516
Surplus on revaluation of fixed assets	24	37,435,874	41,128,869
<b>Total shareholders' equity</b>		<b>162,340,427</b>	<b>294,518,385</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	25		

The annexed notes from 1 to 40 form an integral part of these financial statements.



**Mohammed Khalid Ali**  
Chief Executive Officer



**M R Khan**  
Chairman



# PROFIT AND LOSS ACCOUNT

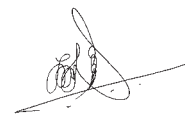
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
<b>REVENUE</b>			
Income from:			
Finance leases	26	26,910,982	46,020,906
Other operating income	27	9,148,837	4,044,756
		<u>36,059,819</u>	<u>50,065,662</u>
Gain on De-recognition of financial liabilities		-	-
Unwinding of financial liability		(69,786,028)	(72,978,751)
		<u>(69,786,028)</u>	<u>(72,978,751)</u>
Impairment		-	(583,358)
		<u>(33,726,209)</u>	<u>(23,496,447)</u>
<b>EXPENSES</b>			
Administrative and selling	28	(78,600,276)	(77,193,778)
Finance costs	29	(3,377,672)	(352,323)
Direct cost of finance leases	30	(1,478,500)	(2,094,183)
Provision & Write-offs	30 & 13	(16,416,375)	(17,717,334)
		<u>(99,872,823)</u>	<u>(97,357,618)</u>
<b>Operating Loss before Income tax</b>		<b>(133,599,032)</b>	<b>(120,854,065)</b>
<b>Income tax expense</b>			
- current	32	(1,328,000)	(1,055,000)
- deferred		41	(6,979,423)
		<u>(1,327,959)</u>	<u>(8,034,423)</u>
Loss for the period from continuing operations		<u>(134,926,991)</u>	<u>(128,888,488)</u>
Profit/(Loss) for the period from discontinued operations		-	-
<b>Loss for the period</b>		<b>(134,926,991)</b>	<b>(128,888,488)</b>
Loss per share from continued operation		(3.72)	(3.55)
Earning/ (Loss) per share from discontinued operation		-	-
<b>Loss per share</b>	33	<b>(3.72)</b>	<b>(3.55)</b>

The annexed notes from 1 to 40 form an integral part of these financial statements.



**Mohammed Khalid Ali**  
Chief Executive Officer



**M R Khan**  
Chairman

# STATEMENT OF COMPREHENSIVE INCOME

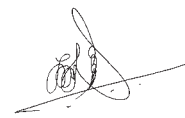
FOR THE YEAR ENDED JUNE 30, 2014

	2014 Rupees	2013 Rupees
Loss for the year	(134,926,991)	(128,888,488)
<b>Other comprehensive income</b>		
Surplus on remeasurement of available for sale investments	-	-
Surplus on revaluation of property	6,442,027	4,183,184
Other comprehensive income for the year	6,442,027	4,183,184
<b>Total Comprehensive loss for the year</b>	<b>(128,484,964)</b>	<b>(124,705,304)</b>

The annexed notes from 1 to 40 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, 2014

	Note	2014 Rupees	2013 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax including discontinued operation		(133,599,032)	(120,854,065)
Depreciation	14.1	15,291,085	15,155,093
Gain on disposal of property and equipment	27.2	(49,759)	(62,181)
Finance costs	29	3,377,672	352,323
Unwinding of financial liability		69,786,028	72,978,751
Impairment on investment		-	583,358
Provision for potential lease and other losses	31	(14,464,183)	5,259,204
		<u>73,940,843</u>	<u>94,266,548</u>
<b>Operating loss before working capital changes</b>		<b>(59,658,190)</b>	<b>(26,587,518)</b>
<b>Working capital changes</b>			
Decrease in net investment in finance leases	11	285,841,258	239,753,563
Decrease in advances, prepayments and other receivables		13,176,788	2,378,701
(Increase) / Decrease in accrued return on investments		(208,356)	729,451
Decrease in deposits from leases		(97,249,511)	(128,960,648)
(Decrease) / Increase in accrued and other liabilities		(29,757,979)	1,940,419
		<u>171,802,200</u>	<u>115,841,486</u>
<b>Cash from operations after working capital changes</b>		<b>112,144,010</b>	<b>89,253,968</b>
Financial charges paid	29	(2,810,756)	(352,323)
Taxes paid		(2,006,537)	(1,180,545)
		<u>(4,817,293)</u>	<u>(1,532,868)</u>
<b>Net cash from operating activities</b>		<b>107,326,717</b>	<b>87,721,100</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	14.1	(3,924,494)	(5,125,177)
Long term finance		(12,867,195)	18,616,923
Proceeds from disposal of property and equipment(net)		2,724,868	1,021,924
Long term deposits		2,184,850	-
<b>Net cash from investing activities</b>		<b>(11,881,971)</b>	<b>14,513,670</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Borrowings		59,344,309	-
Repayment of long term finances		(122,717,941)	(102,583,420)
<b>Net cash used in financing activities</b>		<b>(63,373,632)</b>	<b>(102,583,420)</b>
<b>Net increase in cash and cash equivalents</b>		<b>32,071,114</b>	<b>(348,650)</b>
Cash and cash equivalents at beginning of the year		4,491,392	4,840,042
<b>Cash and cash equivalents at end of the year</b>	34	<b>36,562,506</b>	<b>4,491,392</b>

**Mohammed Khalid Ali**  
Chief Executive Officer

**M R Khan**  
Chairman

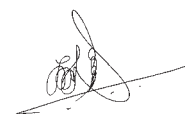
# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2014

	Share Capital	Reserves		Unrealised (loss)/gain on remeasurement of available for sale Investment	Total
		Capital Statutory reserve	Revenue Unappropriated profit		
	Rupees				
<b>Balance as at June 30, 2012</b>	438,027,750	181,867,005	(241,799,934)	-	378,094,822
<b>Change in equity for the year ended June 30, 2013</b>					
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	-	-	-	-	-
<b>Net income recognised directly in equity</b>	-	-	4,183,184	-	4,183,184
Loss for the year	-	-	(128,888,488)	-	(128,888,488)
<b>Total recognised expense for the year</b>	-	-	(124,705,304)	-	(124,705,304)
Transferred to statutory reserve	-	-	-	-	-
<b>Balance as at June 30, 2013</b>	438,027,750	181,867,005	(366,505,238)	-	253,389,517
<b>Change in equity for the year ended June 30, 2014</b>					
Transferred from surplus on revaluation of fixed assets - incremental depreciation (net of tax)	-	-	6,442,027	-	6,442,027
Unrealized loss on change in market value of investments classified as available for sale	-	-	-	-	-
<b>Net income recognised directly in equity</b>	-	-	6,442,027	-	6,442,027
Loss for the year	-	-	(134,926,991)	-	(134,926,991)
<b>Total recognised expense for the year</b>	-	-	(128,484,964)	-	(128,484,964)
<b>Balance as at June 30, 2014</b>	438,027,750	181,867,005	(494,990,202)	-	124,904,552



**Mohammed Khalid Ali**  
Chief Executive Officer



**M R Khan**  
Chairman

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

## 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 shareholder's equity of the Company as at June 30, 2014 is Rs. 162.440 million (2013: Rs. 294.518 million as compared to the minimum equity level of Rs. 700 million (2013: Rs. 700 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 and now the Company has requested all its lenders to make full and final settlement by offering Specific leased assets under charge, additional lease assets from the portfolio and all the properties owned by the Company.

### Mitigating Factors

The main objective of requesting the lenders for full and final settlements of financial liabilities was to increase cash flows and equity of the Company. In addition to these measure, the Company also taking drastic steps to reduce the administrative costs by laying of its staff from all cadres as well as revising certain staff benefits. These measures helped operationally for the Company as a going concern entity.

The finalization of the settlement agreement will result in reduction of borrowing by Rs.349.215 million through waiver in principal.

The Management is hopeful that settlement with lenders will assist in reducing losses and improving the equity of the Company. This will make the company attractive for equity participation/merger along with an opportunity for the existing shareholders to inject additional equity.

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 21.4.

The company is constantly looking for options to increase the equity levels by soliciting investor for cash and in kind equity investment. 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 (Revised) 'Employee benefits' which became effective for annual periods beginning on or after January 1, 2013 amends the accounting for employee benefits. The standard requires immediate recognition of past service cost and also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year.

Further, a new term "remeasurements" has been introduced. This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The standard requires "remeasurements" to be recognised in the balance sheet immediately, with a charge or credit to other comprehensive income in the periods in which these occur. During the year the Company has changed its accounting policy to comply with the changes made in IAS 19. Previously, actuarial gains and losses were recognised by the Company in the profit and loss account over the future expected average remaining working lives of the employees to the extent of the greater of 10% of the present value of defined benefit obligation at that date and 10% of the fair value of plan assets at that date.

- IAS 1 'Presentation of Financial Statements' (Amendment). The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either as required by IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' or voluntarily. When an entity produces an additional balance sheet as required by IAS 8, the balance sheet should be as at the date of the beginning of the preceding period, i.e. the opening position. No notes are required to support this balance sheet. In light of this amendment and with the change in accounting policy with respect to accounting for remeasurement gains / (losses) on defined benefit plan, a third balance sheet has been presented during the current year stating restated balances.

### **3.1.1 Other standards, interpretations and amendments to published approved accounting standards that are effective in the current year**

There are certain other new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 1, 2013 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

### **3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

There are certain new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 1, 2014 but are considered not to be relevant or do not have any material effect on the Company's operations and are, therefore, not detailed in these financial statements.

## **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**

##### **Owned**

##### **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.


## Leased

Assets subject to finance lease are accounted for by recording the asset at the lower of present value of minimum lease payments under the lease agreements and fair value of assets acquired. The related obligations under the lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged in a manner similar to owned assets.

## 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 plan assets at that date. The excess amount of gains or losses are recognized over the expected remaining working lives of the employees participating in the plans. 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	2014 Rupees	2013 Rupees
<b>5 CASH AND BANK BALANCES</b>			
Cash in hand		2,787	19,792
Balance with State Bank of Pakistan in current account		5,719	17,058
Balances with other banks in:			
-Current accounts		3,540,642	4,442,386
-Saving accounts	5.1	13,358	12,156
Term deposit receipt	5.2	33,000,000	-
		<b>36,562,506</b>	<b>4,491,392</b>

5.1 Return on saving account is 7 % (2013: 6 %) per annum.

5.2 This represents clean placement to NIB Bank Ltd at a rate of return of 7% per annum with a maturity of 7 days.

## 6 SHORT TERM INVESTMENTS - Available for sale

Other than related party		Units/Shares			
		2014	2013		
<b>Listed securities</b>					
Term finance certificates	(Invest Capital Investment Bank Limited - Formerly Al-Zamin Leasing Corporation Limited)	136	136	680,000 (680,000)	680,000 (680,000)
Impairment					
<b>Unlisted securities</b>					
Ordinary shares	(First Pakistan Securities Limited)	1,399,141	1,399,141	20,000,000 (20,000,000)	20,000,000 (20,000,000)
Impairment				-	-
				-	-

## 7 SHORT TERM FINANCES

Other than related party			
Placement- considered doubtful		54,000,000	54,000,000
Less:Provision		(54,000,000)	(54,000,000)
		-	-
Musharika finance- secured - considered good		10,000,000	10,000,000
		<b>10,000,000</b>	<b>10,000,000</b>

	Note	2014 Rupees	2013 Rupees
<b>8 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances considered good: -to suppliers		-	1,596,210
Prepayments		1,354,246	3,359,462
Operating lease rentals receivables - considered doubtful Less: provision for operating lease rental receivables		3,702,153 (3,702,153)	3,702,153 (3,702,153)
Other receivables		1,382,288	10,957,650
Transfer to assets held for sale	10.1	-	-
		1,382,288	10,957,650
		<b>2,736,534</b>	<b>15,913,322</b>
<b>9 CURRENT MATURITY OF NON - CURRENT ASSETS</b>			
Net investments in leases	11	114,884,967	499,997,150
House loan to staff	13	19,750	18,328
Musharika finance	13	42,510,721	29,625,198
		<b>157,415,438</b>	<b>529,640,676</b>

## 10 ASSETS CLASSIFIED AS HELD FOR SALE AND RELATED LIABILITIES

### 10.1 Assets classified as held for sale

The assets classified as held for sale and liabilities directly associated with such assets under IFRS 5 'Non Current Assets Held For Sale and Discontinued Operations' in their respective categories are summarized hereunder:

	Note	Carrying Value	
		2014 Rupees	2013 Rupees
<b>Assets held for sale</b>			
Net investment in finance leases	11	205,973,386	-
Property and equipment - (Cost less accumulated depreciation)	14	99,315,277	-
Total assets classified as held for sale		<b>305,288,663</b>	-
<b>10.2 Liabilities directly associated with the assets held for sale</b>			
Long -term finances	19	454,915,003	-
Long-term deposits	20	114,889,022	-
Total liabilities directly associated with the assets held for sale		<b>569,804,025</b>	-



10.2.1 This represents liabilities which are currently under negotiation with relevant financial institutions in exchange of assets mentioned in note 10.1. The company as mentioned in note 1.2, is hopeful to settle these liabilities in near future against these assets.

The above treatment is made in accordance with the requirements of IFRS-5 as the negotiations are at an advance stage and the company intends to transfer/sale the above assets to the lenders.

	Note	2014 Rupees	2013 Rupees
<b>11 NET INVESTMENT IN FINANCE LEASE</b>			
Net investment in finance leases		<b>177,176,439</b>	654,526,900
Less: current portion of net investment in finance leases		<b>(114,884,967)</b>	(499,997,150)
		<b>62,291,472</b>	<b>154,529,750</b>

	Note	2014			2013		
		Not Later than one year	Later than one year	Total	Not Later than one year	Later than one year	Total
Lease rentals receivable		366,027,495	36,042,721	402,070,216	515,593,038	89,965,353	605,558,391
Add: Residual value of leased assets		161,166,457	30,110,209	191,276,666	223,178,710	69,544,477	292,723,187
Gross investment in finance leases		527,193,952	66,152,930	593,346,882	738,771,748	159,509,830	898,281,578
Less:							
Unearned lease income		5,275,236	3,861,458	9,136,694	20,959,055	4,980,080	25,939,135
Income suspended	11.1	56,896,057	-	56,896,057	59,187,054	-	59,187,054
		465,022,659	62,291,472	527,314,131	658,625,639	154,529,750	813,155,389
Provision for potential lease losses	11.2	144,164,306	-	144,164,306	158,628,489	-	158,628,489
Net investment in leases		320,858,353	62,291,472	383,149,825	499,997,150	154,529,750	654,526,900
Transfer to Assets Held for sale	10.1	205,973,386	-	205,973,386	-	-	-
		114,884,967	62,291,472	177,176,439	499,997,150	154,529,750	654,526,900

	Note	2014 Rupees	2013 Rupees
<b>11.1 Income suspended</b>			
Balance at beginning of the year		<b>59,187,054</b>	62,339,448
Income suspended during the year		<b>2,599,794</b>	710,167
Income reversed during the year		<b>(4,890,791)</b>	(3,862,561)
Balance at end of the year		<b>56,896,057</b>	<b>59,187,054</b>

## 11.2 Provision for potential lease and other losses

	Note	2014 Rupees	2013 Rupees
Balance at beginning of the year		158,628,489	154,348,580
Provision for the year		3,997,344	5,611,641
Reversed for the year		(18,461,527)	(1,331,732)
Balance at end of the year		<u>144,164,306</u>	<u>158,628,489</u>

11.3 There are no finance lease contract receivables over five years. The Company's implicit rate of return on leases ranges between 16% to 21.17% (2013: 15% to 24%) per annum.

## 12 LONG TERM DEPOSITS

	Note	2014 Rupees	2013 Rupees
National Clearing Company of Pakistan Limited - security deposit		-	2,500,000
Others		819,650	504,500
		<u>819,650</u>	<u>3,004,500</u>

## 13 LONG TERM FINANCE - secured and considered good

House loan to staff			
- Employees	13.1	469,691	488,019
Less: current portion	9	19,750	18,328
		<u>449,941</u>	<u>469,691</u>
Musharika finances - other than related party	13.2	43,490,016	30,604,493
Less: Provision	13.3	979,295	979,295
Current portion	9	42,510,721	29,625,198
		-	-
		<u>449,941</u>	<u>469,691</u>

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% (2013: 7.50%). These loans are secured against terminal benefits of employees and original documents of the property are kept by the Company.

13.2 Particulars of finances provided as Musharaka are as follows;

Particulars	Security	Repayment period		Profit rate per annum	Amount outstanding (Rupees)	
		from	to		2014	2013
Zainab Garments	Personal Guarantees of Directors and Registered Mortgage on the Land & Building (Excluding Plant & machinery)	13-Mar-08	30-Jun-15	6 monthly KIBOR plus spread of 4%	8,490,016	10,604,493
Mr. Zafar Mehmood	Personal Guarantee of Mr. Zafar Mehmood and Mortgage of Residential property	25-Feb-08	25-Jan-11	6 monthly KIBOR plus spread of 5%	20,000,000	20,000,000
M/s Popular Sugar Mill	Guarantee of Popular Fabric (Pvt) Limited	14-Mar-14	14-Jul-14	17.10%	15,000,000	-
Less: Provision					(979,295)	(979,295)
Total					<u>42,510,721</u>	<u>29,625,198</u>

13.3 Provision for non-performing assets

	Note	2014 Rupees	2013 Rupees
Opening provision		979,295	-
Provision for the year		-	979,295
Reversal during the year		-	-
Closing provision		<u>979,295</u>	<u>979,295</u>

13.4 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	2014 Rupees	2013 Rupees
Property and equipment - owned	14.1	12,689,270	125,857,142
- leased		2,962,410	-
		<u>15,651,680</u>	<u>125,857,142</u>

## 14.1 OPERATING ASSETS

Description	Cost / Revalued amounts			2014 Depreciation				Written down value as at June 30, 2014	Depreciation rate in %	
	As at July 1, 2013	Additions (deletions) during the year	Transfers *	As at June 30, 2014	As at July 1, 2013	Charge for the year/ (Transfers/ disposal)	Transfers *			As at June 30, 2014
	Rupees									
<b>OWNED</b>										
Office premises	104,955,000	-	(104,955,000)	-	11,807,444	5,247,734	(17,055,178)	-	-	5
Leasehold Improvements	22,274,000	-	(22,274,000)	-	7,517,480	3,341,065	(10,858,545)	-	-	15
Furniture and fixtures	8,913,225	278,000		8,676,264	3,854,718	1,739,176	(386,768)	5,207,126	3,469,138	20
Office equipment	2,350,828	74,100		2,267,328	2,202,047	94,689	(120,192)	2,176,544	90,784	36
Computer equipment	3,145,564	(367,184)		2,778,380	3,133,685	4,511	(367,178)	2,771,018	7,362	36
Generator and air conditioners	3,688,070			3,688,070	3,688,063			3,688,063	7	20
Vehicles	26,346,129	3,572,394		19,649,598	13,612,232	4,674,820	(7,759,438)	10,527,614	9,121,984	24-30
		(10,268,925)								
Subtotal - owned assets	171,672,816	3,924,494	(127,229,000)	37,059,640	45,815,669	15,101,995	(8,633,576)	24,370,365	12,689,270	-
		(11,308,670)				(27,913,723)		-	-	
<b>LEASED ASSETS</b>										
Vehicles	-	3,151,500		3,151,500	-	189,090		189,090	2,962,410	24-30
Subtotal - leased assets	-	3,151,500		3,151,500	-	189,090		189,090	2,962,410	
<b>Grand Total</b>	<b>171,672,816</b>	<b>7,075,994</b>	<b>(127,229,000)</b>	<b>40,211,140</b>	<b>45,815,669</b>	<b>15,291,085</b>	<b>(8,633,576)</b>	<b>24,559,455</b>	<b>15,651,680</b>	

\* Transfers represents assets having cost of Rs. 127.229 million and WDV of Rs. 99.315 million transferred to assets classified as held for sale (Refer Note 10.1).

Description	Cost / Revalued amounts			2013 Depreciation				Written down value as at June 30, 2013	Depreciation rate in %	
	As at July 1, 2012	Additions (deletions) during the year	Transfers *	As at June 30, 2013	As at July 1, 2012	Charge for the year/ (Transfers/ disposal)	Transfers *			As at June 30, 2013
	Rupees									
<b>OWNED</b>										
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		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		2,350,828	2,383,959	93,704	(275,616)	2,202,047	148,781	36
Computer equipment	4,403,960	12,600		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		26,346,129	11,163,168	4,622,851	(2,173,787)	13,612,232	12,733,897	24-30
		(3,116,770)								
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	-

## 14.2 The following assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of Buyers
-----Rupees-----							
<b>Vehicles</b>							
	539,000	269,500	269,500	269,500	-	Term of Employment	Zeshan Ahmed
	38,500	38,499	1	10,000	9,999	Term of Employment	Laeq Mirza
	2,933,825	2,640,442	293,383	293,383	-	Term of Employment	M.K.A
	1,719,000	1,547,100	171,900	171,900	-	Term of Employment	Salman Hameed
	1,290,000	490,200	799,800	799,800	-	Term of Employment	Salman Hameed
	42,475	42,474	1	1	-	Term of Employment	Salman Hameed
	625,000	237,500	387,500	387,500	-	Term of Employment	Rouf-ur- Rehman
	1,899,000	1,709,100	189,900	189,900	-	Negotiation	S.M.Nadim
	41,760	41,759	1	1	-	Negotiation	S.M.Nadim
	625,000	275,000	350,000	350,000	-	Term of Employment	Sohaib Ahmed
	40,365	40,364	1	17,000	16,999	Bid	Ejaz Enterprises
	475,000	427,500	47,500	47,500	-	Term of Employment	Saquib Waseem
	<b>10,268,925</b>	<b>7,759,438</b>	<b>2,509,487</b>	<b>2,536,485</b>	<b>26,998</b>		
<b>Furniture &amp; fixture</b>							
	24,900	24,899	1	1	-	Terms of Employment	Shehzad Zaidi
	5,500	5,499	1	1	-	Terms of Employment	Shehzad Zaidi
	24,850	24,848	2	2	-	Terms of Employment	Shehzad Zaidi
	24,750	24,749	1	1	-	Terms of Employment	Shehzad Zaidi
	42,000	41,999	1	1	-	Terms of Employment	Salman Hameed
	18,100	18,099	1	1	-	Terms of Employment	Salman Hameed
	39,000	38,999	1	1	-	Terms of Employment	Salman Hameed
	11,500	11,499	1	1	-	Terms of Employment	Salman Hameed
	24,800	24,799	1	1	-	Terms of Employment	Shahid M.Shah
	24,900	24,899	1	1	-	Terms of Employment	Shahid M.Shah
	57,000	37,050	19,950	19,950	-	Terms of Employment	Salman Hameed
	88,000	41,072	46,928	46,928	-	Terms of Employment	Salman Hameed
	61,425	16,384	45,041	45,041	-	Terms of Employment	Salman Hameed
	49,500	40,425	9,075	9,075	-	Terms of Employment	Salman Hameed
	<b>496,225</b>	<b>375,220</b>	<b>121,005</b>	<b>121,005</b>	<b>-</b>		
<b>Computer &amp; Monitor</b>							
	88,083	88,082	1	1	-	Terms of Employment	Salman Hameed
	62,600	62,599	1	3,078	3,077	Bid	Abdul Latif
	48,180	48,179	1	2,370	2,369	Bid	Abdul Latif
	48,180	48,179	1	2,370	2,369	Bid	Abdul Latif
	62,600	62,599	1	3,079	3,078	Bid	Abdul Latif
	57,541	57,540	1	2,830	2,829	Bid	Abdul Latif
	<b>367,184</b>	<b>367,178</b>	<b>6</b>	<b>13,728</b>	<b>13,722</b>		
<b>Mobile Phone &amp; Office Equipment</b>							
	6,000	1,260	4,740	4,740	-	Terms of Employment	Laeq Mirza
	3,000	2,999	1	200	199	Negotiation	Amjad
	2,600	2,599	1	1	-	Negotiation	Naeem Khan
	3,100	372	2,728	2,970	242	Negotiation	Claim From EFU
	34,000	10,200	23,800	23,800	-	Terms of Employment	Salman Hameed
	6,500	6,499	1	1	-	Term of Employment	Rouf Ur Rehman
	12,400	10,416	1,984	5,000	3,016	Negotiation	Claim From EFU
	15,000	14,999	1	7,000	6,999	Negotiation	Claim From EFU
	8,500	4,335	4,165	4,165	-	Term of Employment	Sohaib Ahmed
	8,500	8,499	1	2,000	1,999	Negotiation	M.Qasim
	58,000	57,999	1	2,852	2,851	Bid	Abdul Latif
	<b>157,600</b>	<b>120,177</b>	<b>37,423</b>	<b>52,729</b>	<b>15,306</b>		
<b>Furnitur &amp; Fixture</b>							
	18,736	11,548	7,188	921	(6,267)		
	<b>18,736</b>	<b>11,548</b>	<b>7,188</b>	<b>921</b>	<b>(6,267)</b>		
	<b>11,308,670</b>	<b>8,633,561</b>	<b>2,675,109</b>	<b>2,724,868</b>	<b>49,759</b>		

14.2.1 Fixed assets costing to Rs. 3,540,083 were transferred to Mr. Salman Hameed at book value in accordance with the employment policy of the company, who was the Chief Financial Officer during the year .

	Note	2014 Rupees	2013 Rupees
<b>15 DEFERRED TAX ASSET</b>			
<b>Debit balances arising due to:</b>			
Overdue rentals not taxable in future		102,778,885	126,994,638
Provision for potential lease losses		47,574,221	53,933,686
Provision for other non performing assets		19,364,878	19,951,692
Unabsorbed tax depreciation		285,498,546	271,730,655
Minimum turnover tax		1,328,000	1,055,000
		<b>456,544,530</b>	<b>473,665,671</b>
<b>Credit balances arising due to:</b>			
Accelerated tax depreciation		(2,962,783)	(2,564,434)
Net investment in finance lease		(110,184,827)	(127,704,358)
Surplus on revlaution of leasehold land and office building		(18,438,568)	(21,187,599)
		<b>(131,586,177)</b>	<b>(151,456,391)</b>
		<b>324,958,352</b>	<b>322,209,280</b>
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.		
<b>16 SHORT TERM FINANCE</b>			
Musharaka finances - other than related party	16.1	15,000,000	-
		<b>15,000,000</b>	<b>-</b>
16.1	This represents musharika facility for a period of 4 months and carries markup at the rate of 13.5% per annum.		
<b>17 ACCRUED AND OTHER LIABILITIES</b>			
Accrued liabilities		1,359,208	1,058,842
Advance against leases		60,835,709	90,744,276
Unclaimed dividend		807,122	807,122
Other liabilities		4,754,178	4,337,040
		<b>67,756,217</b>	<b>96,947,280</b>
<b>18 CURRENT MATURITY OF NON- CURRENT LIABILITIES</b>			
Long term finances	19	9,285,713	34,469,472
Long term deposits	20	45,908,805	218,866,570
Obligation under finance lease	21	709,092	-
		<b>55,903,610</b>	<b>253,336,042</b>

	Note	2014 Rupees	2013 Rupees
<b>19 LONG-TERM FINANCES - secured</b>			
Other than related party			
Privately Placed Term finance certificates	19.3	45,704,734	48,708,328
Privately Placed SUKUKs	19.4	250,018,601	266,258,602
Long-term loans	19.5	159,191,668	173,416,672
Term Finance Certificates	19.6	25,058,283	-
		479,973,286	488,383,602
Transfer to liabilities directly associated with the assets held for sale		(454,915,003)	-
		25,058,283	488,383,602
Less: Current maturity shown under current liabilities			
Privately Placed Term finance certificates		-	3,003,598
Privately Placed SUKUKs		-	17,080,784
Long-term loans		-	14,385,090
Term Finance Certificates		9,285,713	-
		9,285,713	34,469,472
		15,772,570	453,914,130

19.1 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 liabilities to record the gain and unwinding of the related liabilities accordingly.

19.2 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.

### 19.3 Principal terms of term finance certificates (TFCs)

Particulars	Security	Repayment period		Profit rate per annum	Amount outstanding (Rupees)	
		from	to		2014	2013
<b>From financial institutions</b>						
Privately placed term finance certificates (3rd Issue)	Secured against specific lease rentals receivable and related lease assets	Sep-07	Jan-22	Zero % (2013: Zero)	45,704,734	48,708,328

## 19.4

## Principal terms of SUKUKs

Particulars	Security	Repayment period		Profit rate per annum	Amount outstanding (Rupees)	
		from	to		2014	2013
<b>From financial institutions</b>						
Privately placed SUKUK-1	Secured against specific lease rentals receivable and related lease assets	Dec-08	Jan-22	Zero % (2013: Zero%)	113,407,783	120,747,336
Privately placed SUKUK-2	Secured against specific lease rentals receivable and related lease assets	Mar-09	Jan-22	Zero % (2013: Zero%)	136,610,818	145,511,266

## 19.5

## Principal terms of Long -Term Loans

Particulars	Security	Repayment period		Profit rate per annum	Amount outstanding (Rupees)	
		from	to		2014	2013
United Growth & Income Fund	Clean	Dec-07	Feb-19	Zero % (2013: Zero%)	36,022,857	41,235,112
The Bank of Khyber	Secured against property	Apr-10	Jan-22	Zero % (2013: Zero%)	63,669,337	68,473,495
United Bank Limited	Secured against specific lease rentals receivable and related lease assets	Apr-10	Feb-22	Zero % (2013: Zero%)	12,337,276	12,993,759
The Bank of Punjab	Secured against specific lease rentals receivable and related lease assets	Apr-10	Jan-22	Zero % (2013: Zero%)	22,687,717	24,151,457
Soneri Bank Limited	Secured against specific lease rentals receivable and related lease assets	Apr-10	Jan-22	Zero % (2013: Zero%)	11,654,003	12,438,834
KASB Funds	Clean	Jul-12	Jun-20	Zero % (2013: Zero%)	12,820,478	14,124,015

## 19.6

## Term Finance Certificates

Particulars	Security	Repayment period		Profit rate per annum	Amount outstanding (Rupees)	
		from	to		2014	2013
Walter Pharmaceuticals	Secured against motor vehicle	Mar-14	Mar-17	14%	23,879,719	-
Dynamic Resources	Secured against motor vehicle	Apr-14	Mar-17	14%	1,178,564	-



	Note	2014 Rupees	2013 Rupees
<b>20 LONG-TERM DEPOSITS</b>			
Security deposits against leases		190,905,035	288,154,546
Transfer to liabilities directly associated with the assets held for sale	10.2	114,889,022	-
Less: current maturity of security deposits	18	45,908,805	218,866,570
		<u>30,107,208</u>	<u>69,287,976</u>

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

## 21 OBLIGATION UNDER FINANCE LEASE

Obligation under finance lease	2,974,225	-
Less: Current maturity	(709,092)	-
	<u>2,265,133</u>	<u>-</u>

	2014			2013		
	Not Later than one year	Later than one year	Total	Not Later than one year	Later than one year	Total
Minimum Lease Payments	1,105,886	2,734,749	3,840,635	-	-	-
Less: Financial charges allocated to future periods	396,794	469,616	866,410	-	-	-
Present value of Minimum Lease payments	<u>709,092</u>	<u>2,265,133</u>	<u>2,974,225</u>	<u>-</u>	<u>-</u>	<u>-</u>

21.1 Rental are payable in monthly installments. The company has a right to exercise purchase option at the end of the lease term. Implicit rate of 17% has been used as a discounting factor.

## 22 SHARE CAPITAL

### Authorised capital

75,000,000 (2013: 75,000,000) ordinary shares of Rs. 10 each	750,000,000	750,000,000
50,000,000 (2013: 50,000,000) preference shares of Rs. 10 each	500,000,000	500,000,000
	<u>1,250,000,000</u>	<u>1,250,000,000</u>

### Issued, subscribed and paid-up share capital

22,100,000 (2013: 22,100,000) ordinary shares of Rs. 10 each fully paid in cash	221,000,000	221,000,000
14,200,000 (2013: 14,200,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares	142,000,000	142,000,000
	<u>363,000,000</u>	<u>363,000,000</u>

### Preference shares

7,502,775 preference shares-class A of Rs. 10 each fully paid in cash	75,027,750	75,027,750
	<u>438,027,750</u>	<u>438,027,750</u>

## 22.1 Movement in number of shares

### Ordinary shares

Number of the shares at beginning of the year  
Issued during the year  
Number of the shares at end of the year

### Preference shares

Number of the shares at beginning of the year  
Redeemed during the year  
Number of the shares at end of the year

Note	2014 Rupees	2013 Rupees
	36,300,000	36,300,000
	-	-
	<u>36,300,000</u>	<u>36,300,000</u>
	7,502,775	7,502,775
22.2	-	-
	<u>7,502,775</u>	<u>7,502,775</u>

22.2 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-09	November-09
3,750,000 shares (4th redemption)	June-10	November-10

22.3 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.

## 22.4 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. and the committee has proposed minimum equity requirement to be reduced to Rs. 50 million in case of non-deposit taking leasing companies. Currently, the Commission is deliberating on the recommendations of the Committee. The introduction of revised NBF Sector model is expected by end December 2014.

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	2014 Rupees	2013 Rupees
The Company's capital consist of:			
Issued, subscribed and paid-up share capital	22	438,027,750	438,027,750
Reserves	23	(313,123,197)	(184,638,234)
		124,904,553	253,389,516
Unrealized loss on available for sale investments		-	-
		<u>124,904,553</u>	<u>253,389,516</u>
<b>23 RESERVES</b>			
Capital reserve			
Statutory reserves	23.1	181,867,005	181,867,005
Revenue reserve		-	-
Accumulated loss		(494,990,202)	(366,505,238)
		<u>(313,123,197)</u>	<u>(184,638,234)</u>
<b>23.1 Movement in statutory reserves</b>			
Balance at beginning of the year		181,867,005	181,867,005
Transferred during the year		-	-
Balance at end of the year		<u>181,867,005</u>	<u>181,867,005</u>
Statutory reserve represents profit set aside to comply with the NBFC Regulations, 2008.			
<b>24 SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
Surplus on revaluation of fixed assets		55,874,442	62,316,469
Deferred tax liability recognised		(18,438,568)	(21,187,600)
		<u>37,435,874</u>	<u>41,128,869</u>
<b>24.1 Reconciliation of surplus on revaluation of fixed assets</b>			
At the beginning of the year		62,316,474	68,752,141
Surplus during the year		-	-
Surplus realized on account of incremental depreciation		(6,442,027)	(6,435,667)
At the end of the year		<u>55,874,447</u>	<u>62,316,474</u>
<b>24.2 Deferred tax liability</b>			
At the beginning of the year		21,187,600	24,559,280
Deferred tax liability arise/(adjusted) during the year		(623,163)	(1,119,196)
Deferred tax liability realized on account of incremental depreciation		(2,125,869)	(2,252,484)
At the end of the year		<u>18,438,568</u>	<u>21,187,600</u>

	Note	2014 Rupees	2013 Rupees
<b>25 CONTINGENCIES AND COMMITMENTS</b>			
25.1 Commitments for lease disbursements		-	-

#### 25.2 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.

<b>26 INCOME FROM FINANCE LEASE</b>			
Income from finance lease contracts		26,910,982	46,020,906
		<u>26,910,982</u>	<u>46,020,906</u>
<b>27 OTHER OPERATING INCOME</b>			
Income from financial assets	27.1	4,019,584	1,795,061
Other than financial assets	27.2	5,129,253	2,249,695
		<u>9,148,837</u>	<u>4,044,756</u>
<b>27.1 Income from financial assets</b>			
<b>Loans and receivables</b>			
Profit from bank under cash management scheme		812	2,290
Profit on musharika		3,976,471	1,735,640
Mark-up on house finance to staff		35,972	57,131
Profit on placements		6,329	-
		<u>4,019,584</u>	1,795,061

	Note	2014 Rupees	2013 Rupees
<b>27.2 Other than financial assets</b>			
Fees, commissions and other charges		(19,267)	(51,516)
Gain on disposal of property and equipment		49,759	62,181
Rental Income		5,098,761	2,239,030
		5,129,253	2,249,695
<b>28 ADMINISTRATIVE AND SELLING EXPENSES</b>			
Salaries, allowances and benefits	28.2 & 28.3	43,703,432	42,742,113
Directors' fee	28.1	198,000	444,000
Staff training and development		217,000	11,256
Telephone and fax		1,122,443	1,162,876
Postage and courier		83,778	83,025
Electricity		980,321	1,111,268
Office maintenance		1,143,274	1,698,051
Software maintenance		148,423	103,286
Insurance		535,591	604,132
Business promotion expenses		1,771,170	1,625,774
Canteen expenses		447,586	517,216
Vehicle running expenses		5,659,169	5,888,829
Vehicle insurance		915,007	940,727
Traveling and conveyance		816,973	524,616
Advertisement expenses		124,000	171,300
Printing and stationery		1,070,374	610,935
Central depository charges		200,572	197,064
Subscriptions and listing fees		1,049,712	894,118
Legal and professional charges		2,078,714	1,668,194
Auditors' remunerations	28.5	639,050	685,810
Statutory filing fees		19,620	29,600
Depreciation		15,291,085	15,155,093
Rent, rates and taxes		332,582	276,795
Miscellaneous		52,400	47,700
		<b>78,600,276</b>	<b>77,193,778</b>

#### 28.1 Directors' fee

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

## 28.2 Remuneration of chief executive and executives

	2014		2013	
	Chief Executive	Executives	Chief Executive	Executives
Managerial remuneration	18,870,395	6,873,014	14,137,361	9,036,422
Other benefits	-	652,964	1,500,000	627,818
	<u>18,870,395</u>	<u>7,525,978</u>	<u>15,637,361</u>	<u>9,664,240</u>
No. of persons	<u>1</u>	<u>5</u>	<u>1</u>	<u>5</u>

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.

28.3 Salaries, allowances and benefits include provident fund contribution of Rs. 367,620 (2013: Rs. 538,980).

### 28.4 Provident fund

The company operates a staff provident fund for its employees. The following information is based on financial statements of the fund:

	Note	2014 (Unaudited) Rupees	2013 (Audited) Rupees
Size of the fund - Total assets		3,569,894	4,369,200
Cost/Fair value of investments		2,532,662	967,820
Percentage of investments made		70.95%	22.15%
Number of employees at year end		22	22
Average number of employees during the year		22	22

#### 27.4.1 Breakup of investments according to section 227 of Companies Ordinance 1984;

- National Saving Schemes	-	-
- Special bank account	1,002,091	3,272,000
- Government securities	-	-
- Bonds, redeemable capital debt securities or instruments issued by the Pakistan Water and Power Development Authority	-	-
- Listed securities subject to the conditions prescribed by the Commission	2,500,000	1,000,000

27.4.2 The above investments of provident fund have been made in accordance with the provision of section 227 of the Companies Ordinance 1984 and the Rules formulated for this purpose.

	Note	2014 Rupees	2013 Rupees
<b>28.5 Auditors' remuneration</b>			
Annual audit		325,000	325,000
Half yearly review		130,000	125,000
Other certifications		100,000	100,000
Out-of-pocket expenses		84,050	135,810
		<u>639,050</u>	<u>685,810</u>
<b>29 FINANCE COSTS</b>			
Markup on :			
Term finance certificates & Sukuks		3,259,641	352,323
Finance Lease		118,031	-
		<u>3,377,672</u>	<u>352,323</u>
<b>30 DIRECT COST OF FINANCE LEASES</b>			
Court fee, stamp duty and others		1,478,500	2,094,183
<b>31 PROVISION AND WRITE-OFFS</b>			
Provision on leases	11	(14,464,183)	4,279,909
Provision on other financing	13	-	979,295
Write-offs		30,880,558	12,458,130
		<u>16,416,375</u>	<u>17,717,334</u>
<b>32 INCOME TAX EXPENSE</b>			
<b>Current</b>			

The tax charge for the current year represents minimum charge at 1 % of gross income under section 113 of the Income Tax Ordinance, 2001

Assessments of the Company have been finalized upto the tax year 2013. 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.

### 32.1 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	2014 Rupees	2013 Rupees
<b>33 (LOSS)/EARNINGS PER SHARE - basic and diluted</b>			
Loss for the year from continuing operations		(134,926,991)	(128,888,488)
(Loss)/Profit for the year from discontinuing operations		-	-
Loss attributable to ordinary shareholders		<u>(134,926,991)</u>	<u>(128,888,488)</u>
		<b>Numbers</b>	<b>Numbers</b>
Number of ordinary shares issued and subscribed		<u>36,300,000</u>	<u>36,300,000</u>
		<b>Rupees</b>	<b>Rupees</b>
Loss per share from continuing business		(3.72)	(3.55)
Earnings per share from discontinue business		-	-
Loss per share		<u>(3.72)</u>	<u>(3.55)</u>

(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, 2014.

#### 34 CASH AND CASH EQUIVALENTS

Cash and Bank balances	5	3,562,506	4,491,392
Term deposit receipt		33,000,000	-
		<u>36,562,506</u>	<u>4,491,392</u>

#### 35 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.





	Note	2014 Rupees	2013 Rupees
Classes of financial assets - carrying value			
<b>Cash and cash equivalent</b>			
Cash and bank balances	5	36,562,506	4,491,392
<b>Loans and receivables</b>			
Short term finances	7	10,000,000	10,000,000
Accrued return on investments		208,356	-
Long-term deposits	12	819,650	3,004,500
Long-term finances	13	43,959,707	31,092,512
<b>Lease receivables</b>			
Net investment in finance leases	11	383,149,825	654,526,900
		<b>474,700,044</b>	<b>703,115,304</b>

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

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

36.1.3 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	2014		2013	
	Rupees	%	Rupees	%
Textile	174,898,727	26.59	187,436,022	22.27
Construction	27,351,133	4.16	28,788,021	3.42
Transport and communication	115,054,025	17.49	137,784,390	16.37
Oil and gas	14,212,766	2.16	44,363,745	5.27
Food and beverages	17,612,079	2.68	25,608,812	3.04
Engineering	24,329,619	3.70	36,050,638	4.28
Plastic	-	0.00	10,728,200	1.27
Consumer leases	19,893,744	3.02	30,620,159	3.64
Health care	15,246,963	2.32	16,142,134	1.92
Travel and tourism	3,082,053	0.47	15,760,827	1.87
Pharmaceutical	41,510,270	6.31	30,986,424	3.68
Advertisement	1,130,866	0.17	2,004,573	0.24
Cement	-	0.00	37,747,731	4.48
Auto and allied	45,968,823	6.99	43,697,179	5.19
Publications	10,507,404	1.60	9,988,159	1.19
Sugar	15,000,000	2.28	20,051,052	2.38
Glass and ceramics	12,039,919	1.83	12,466,452	1.48
Others	120,007,574	18.24	151,512,316	18.00
Total	<u>657,845,965</u>	<u>100</u>	<u>841,736,834</u>	<u>100</u>

### 36.1.4 Analysis of financial assets that are past due:

	Total	Loans and receivables	Net investment in finance lease	Operating lease receivables
.....R u p e e s .....				
<b>Gross carrying amount</b>				
Not past due	160,539,967	24,939,002	135,600,965	-
Past due by more than 30 days but not more than 180 days	2,180,557	-	2,180,557	-
Past due by more than 180 days but not more than 360 days	-	-	-	-
Past due by more than 360	477,234,762	84,000,000	389,532,609	3,702,153
	639,955,286	108,939,002	527,314,131	3,702,153
<b>Impairment loss on</b>				
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	202,845,754	54,979,295	144,164,306	3,702,153
<b>Total impairment loss</b>	<b>202,845,754</b>	<b>54,979,295</b>	<b>144,164,306</b>	<b>3,702,153</b>
<b>Net carrying amount</b>	<b>437,109,532</b>	<b>53,959,707</b>	<b>383,149,825</b>	<b>-</b>

36.1.5 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.

### 36.2 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:

Financial liabilities	2 0 1 4				Total
	Within 6 month	6 month to 1 year	One to five years	Over five years	
<b>Financial Assets</b>	-----Rupees-----				
Cash and cash equivalent	36,562,506	-	-	-	36,562,506
Loans and receivables	54,987,713	-	-	-	54,987,713
Lease receivables	376,393,631	44,271,483	106,649,017	-	527,314,131
	528,930,001	44,271,483	106,649,017	-	618,864,350
<b>Financial liabilities</b>					
Accrued and other liabilities	67,756,258	-	-	-	67,756,258
Long -term finances	43,940,117	20,750,817	220,541,742	194,740,610	479,973,286
Long-term deposits	130,878,179	16,803,258	43,223,598	-	190,905,035
	242,574,554	37,554,075	263,765,340	194,740,610	738,634,579
	286,355,447	6,717,408	(157,116,323)	(194,740,610)	(119,770,229)

Financial liabilities	2013				Total
	Within 6 month	6 month to 1 year	One to five years	Over five years	
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
	<u>592,042,458</u>	<u>112,167,085</u>	<u>157,534,250</u>	<u>-</u>	<u>861,743,793</u>
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
	<u>285,392,154</u>	<u>64,891,168</u>	<u>268,055,035</u>	<u>255,147,071</u>	<u>873,485,428</u>
	<u>306,650,304</u>	<u>47,275,917</u>	<u>(110,520,785)</u>	<u>(255,147,071)</u>	<u>(11,741,635)</u>

### 36.3 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, 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.

#### 36.3.1 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.

### 37 FAIR VALUE OF FINANCIAL ASSETS

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

### 38 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:



			2014	
Name of related party	Nature of relationship	Description of transaction	Total value of transaction	Closing balance
			.....Rupees.....	
Provident fund	Other related party	Contribution paid	367,620	-

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

**39 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, where necessary, for the purpose of comparison. However no significant reclassification has been made.

**40 DATE OF AUTHORIZATION**

These financial statements were authorized for issue on November 07, 2014 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 November 28, 2014, at 11:30 a.m. 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.