



## Annual Report

June 30, 2014

Standard Chartered Leasing Limited





# Vision

**To be the preferred provider  
of Leasing Products  
in the market.**

# Mission

**To create exceptional value  
for our clients, investors and  
staff; through market leadership  
in providing innovative  
Leasing Products & Solutions,  
and by adopting and living our  
core values.**

# Our Values

## Courageous

Stand up for what we believe to be right. We accept accountability and take calculated risks.

## International

We value our diversity. We share standards and best practice. We work together, as one team across the organization for the benefit of our customers.

## Trustworthy

We do what is best for the organization and our customers. We deliver on our promises and work to high standards. We are reliable, open and honest.

## Responsive

We listen to our customers and colleagues and build strong relationships based on mutual respect. We work quickly, thoughtfully and effectively to deliver the best solution.

## Creative

We are innovative and imaginative in working with opportunities and challenges. We continuously improve the way we work, making it simpler, better and faster.

# Corporate Information

## Board of Directors

Mr. Najam Siddiqi	- Chairman	- Non-Executive Director
Mr. Arjumand Ahmed Minai	- Chief Executive	- Executive Director
Mr. Najam I. Chaudhri		- Independent Non-Executive Director
Mr. Moin Mohajir		- Independent Non-Executive Director
Mr. Khurram Shahzad Khan		- Non-Executive Director
Syed Naseer ul Hasan		- Non-Executive Director
Mr. Shahid Mustafa		- Non-Executive Director

## Company Secretary

Mr. Mahmood Ghafoor

## Audit Committee

Mr. Najam I. Chaudhri	- Chairman
Mr. Najam Siddiqi	- Member
Mr. Moin Mohajir	- Member
Mr. Khurram Shahzad Khan	- Member

## Human Resources & Remuneration Committee

Syed Naseer ul Hasan	- Chairman
Mr. Najam Siddiqi	- Member
Mr. Khurram Shahzad Khan	- Member
Mr. Arjumand Ahmed Minai	- Member

## Banker/Financial Institution

Standard Chartered Bank (Pakistan) Limited  
Allied Bank Limited

## Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road,  
Karachi-75530

## Legal Advisor

Mansoor Ahmad Khan & Company  
F/2-3, Block 8, Kehkashan, K.D.A. Scheme 5  
Clifton, Karachi 75600

## Registrar and Share Transfer Office

Hameed Majeed Associates (Pvt) Limited  
H.M. House, 7 Bank Square  
Lahore  
Tel : (042) 37235081, 37235082  
Fax : (042) 37358817

## Registered Office/Principal Office Karachi Branch

1<sup>st</sup> Floor, Plot No. SC-7, Street-17, Sector-15,  
Korangi Industrial Area, Korangi, Karachi  
Tel: (021) 38183333 Fax: (021) 35114210

## Lahore Branch

1st Floor, SCB Building, 27 Ali Block,  
New Garden Town, Lahore-54000  
Tel : (042) 35908680  
Fax : (042) 36372778

## Islamabad Branch

2nd Floor, Union Arcade  
6A, F/7 Markaz, Islamabad  
Tel : (051) 8432331  
Fax : (051) 8375071

## Faisalabad Branch

P-69, Kotwali Road  
Faisalabad  
Tel : (041) 2620686  
Fax : (041) 2610446

## Table of Contents

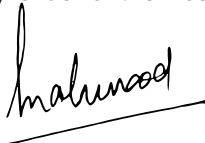
Notice of Annual General Meeting	05
Directors' Report and Chairman's Review	06
Statement of Compliance with the Code of Corporate Governance	10
Review Report to the members on Statement of Compliance with Best Practices of Code of Corporate Governance	12
Financial Highlights	13
Auditors' Report to the Members	16
Balance Sheet	17
Profit and Loss Account	18
Statement of Comprehensive Income	19
Cash Flow Statement	20
Statement of Changes in Equity	21
Notes to the Financial Statements	22
Pattern of Shareholding	44
Categories of Shareholders	45
Form of Proxy	

## Notice of Annual General Meeting

Notice is hereby given that the 21<sup>st</sup> Annual General Meeting of the shareholders of **Standard Chartered Leasing Limited (“Company”)** will be held on Friday, October 24, 2014 at 11:00 a.m. at The Institute Of Chartered Accountants Of Pakistan, Chartered Accountants Avenue Clifton, Karachi, to transact the following business:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2014, along with the Directors’ and Auditors’ Reports thereon.
2. To consider the appointment of external auditors namely KPMG Taseer Hadi & Co., Chartered Accountants and to authorize the Chief Executive Officer and Chief Financial Officer to fix their remuneration. KPMG Taseer Hadi & Co., Chartered Accountants, being eligible have offered themselves for re-appointment.
3. To consider and approve cash dividend @ Rs 0.80 per share of Rs. 10 each (i.e 8%) for the year ended June 30, 2014 as recommended by Board of Directors.
4. Any other business with the permission of the Chair.

By Order of the Board



**Muhammad Ghafoor**  
Company Secretary

Karachi: September 24, 2014

### NOTES:

- a) The Share Transfer Books of the Company shall remain closed from October 18, 2014 to October 24, 2014 (both days inclusive).
- b) A member is eligible to attend and cast vote at this meeting or may appoint another member as his/her proxy to attend and vote instead of him /her. Proxies in order to be effective must be received at the Share Registrar’s Office not less than 48 hours before the time for holding the meeting.
- c) CDC account holders will have to follow the under mentioned guidelines as laid down in Circular # 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for attending the meeting.
- i) **In case of individuals**, the account holder or sub account holder and / or the person whose securities are in group account; and their registration details are uploaded as per the regulation, shall authenticate his / her identity by showing his/ her Computerized Original National Identity Card (CNIC) or original Passport at time of attending the meeting. The shareholders registered on CDC are also requested to bring their Participants’ I.D. no. and account no. in CDS.
- ii) **In case of corporate entity**, the Board of Directors’ resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
- d) Shareholders are requested to notify the change of their addresses, if any, to Share Registrar, **M/s Hameed Majeed Associates (Pvt.) Limited, H. M. House, 7-Bank Square, Lahore. Tel: 042-37235081-2**

# Directors' Report and Chairman's Review

On behalf of the Board of Directors, I am pleased to present the Twenty-First Annual Report of Standard Chartered Leasing Limited (SCLL) along with audited financial statements for the year ended June 30, 2014.

## Economy

The year started on a positive note for the economy with pick up in private sector credit growth and higher manufacturing output. Improved energy supply, compared to earlier months, has led to higher output in the petroleum, fertiliser, and food and beverages sectors. Private-sector credit growth has also enhanced by PKR 308bn during the first nine months of FY14, after declining by PKR 20bn in FY13.

Key tax and energy sector reforms targeted under the IMF program are expected to reduce the fiscal deficit to 5.8% of GDP in FY14 vs. 8% of GDP in FY13, helping to reduce the build up in debt and improving the credit metrics. Progress on these reforms gave confidence to the government, which launched new Eurobonds in the international credit market and raised USD 2bn against the target of USD 500mn. Pakistan Rupee (PKR) has also strengthened nearly 9% to 98.8 by end of June 2014 on higher FX aid and investment inflows, while inflation remains within the manageable zone and have given space for SBP to keep policy rate on hold at 10%.

However, key risks to the economy are the security environment and energy shortfall that continue to be significant, which are dragging the economic activity. Moreover, a weak external position also continues to be a concern for investors. The recent flood and the current political uncertainty will have a dampening impact on GDP and growth targets.

## Operating Results and Business Overview

	June 30, 2014 (PKR millions)	June 30, 2013 (PKR millions)
<b>Balance Sheet</b>		
Paid-up capital	978.35	978.35
Total equity	959.56	928.00
Certificates of Investment	2,387.59	2,663.65
Net investment in Finance leases	4,955.97	4,903.67
	June 30, 2014 (PKR millions)	June 30, 2013 (PKR millions)
<b>Profit and Loss</b>		
Net Revenue	261.37	250.07
Administrative Expenses	(117.94)	(101.19)
Profit before provision	143.43	148.88
Net Reversal against finance leases	14.52	8.93
Profit before tax	157.94	157.82
Profit after tax	109.82	106.21
Earnings per share – basic and diluted	1.12	1.09

## Review of Business and Operations

The financial results for 2014 show stable performance despite uncertain political and security conditions that adversely impacted overall economy. As a result of consistent policies, dynamic strategy and dedicated effort by the employees your company maintained stable growth and balance sheet strength.

Net Revenue of the Company grew by 4.52% from Rs. 250.07 million in 2013 to Rs. 261.37 million in 2014. Fresh leases booked during the period amounted to Rs. 2,284 million, compared to Rs. 2,512 million in 2013. Earnings per share increased from Rs.1.09 to Rs. 1.12 in 2014, an increase of 2.7%.

Liquidity of approximately Rs. 1.94 billion was generated through mobilization of deposits (COI). The COI base as at June 30, 2014 was Rs. 2.39 billion compared to Rs. 2.66 billion at June 30, 2013.

The focus on effective management of rental recovery and collection during the period yielded Rs. 2,197 Million, achieving recovery / collection level of around 99.7% for the entire portfolio, compared to 99.0% for 2013.

The robust business performance was achieved by focusing on operational efficiency, selective business growth, implementation of prudent risk management policies, effective fund management, cost control and a relentless collection and recovery drive.



# Directors' Report and Chairman's Review

## Dividend

Final cash dividend of 8% i.e. PKR 0.80 per share has been recommended by the Board of Directors for approval at the Twenty First Annual General Meeting of the Shareholders. In 2013 dividend was 8% i.e. PKR 0.80 per share.

## Outlook

Despite the challenging external environment i.e. the law and order issue, political turmoil and recent floods in the country, we believe opportunities exist that can be capitalised by deepening relationship with our valued customers. Continuous focus on achieving excellence in customer service will be the focal point.

## Credit Rating

The Pakistan Credit Rating Agency (PACRA) has rated the Company (Standard Chartered Leasing Limited) as 'AA+' (Double A Plus) for long-term, and for short-term 'A1+' (A One Plus) being the highest rating. These ratings denote very low expectation of credit risk emanating from very strong capacity for timely payments of financial commitments.

## Sustainability

Financial Institutions play an essential and immensely valuable role in society, fuelling economic activity and enabling people, businesses and communities to thrive. At Standard Chartered, we are very clear about our purpose. Sustainability is integrated into how we do business. It guides everything we do, from the services we provide to our clients, to the way we run our business and support local communities, where we live and work. Our approach to sustainability is captured in our brand promise, Here for good. In Pakistan, community efforts are focused on education and health, with youth as a target demographic.

### Standard Chartered's global health programme dedicated to tackling avoidable blindness

"Seeing is Believing", celebrated its 10<sup>th</sup> anniversary in 2013. Over a million children have been screened for refractive errors since 2011 through Standard Chartered's support to the 'Pakistan Urban Paediatric Eye Care Programme'. In recognition of this contribution for the cause of tackling avoidable blindness, the Government of Pakistan has made Standard Chartered its official and only corporate partner on both the National and Sindh Eye Health Councils.

The education initiatives focus on building the financial capability of young people, and vocational training to help them make the most of the opportunities offered by economic growth. In Pakistan, Standard Chartered has awarded over 3,500 scholarships to date as part of the community investment agenda.

We support local communities by volunteering our time and seek to maximise the impact by encouraging skills-based volunteering. Our employee volunteering programme allows communities to benefit from the skills and experience of our staff. In 2013, our staff donated over 45 employee volunteering days to the community. All our employees are entitled to take up to three days' paid leave per year for volunteering.

## Board of Directors

The following changes have taken place in the Board of Directors since the last Directors' report:

In compliance with applicable regulation, the casual vacancy created by resignation of Mr. Khalid Elgibaly in April 2014, was filled in by appointing Mr. Shahid Mustafa on Board of the Company.

## Corporate Governance

Consistent and high level of Corporate Governance was maintained this year as well. The Board of SCLL consists of two Independent Directors, four Non-Executive Directors and an Executive Director. Independent Directors are members of the Audit Committee and one of them is the Chairman of the Committee.

### Directors' Statement in Compliance to the Code of Corporate Governance

This part of the Directors' report to shareholders is given as required under section 236 of the Companies Ordinance 1984:

1. The financial statements prepared by the management of Standard Chartered Leasing Limited present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of Standard Chartered Leasing Limited have been maintained.

## Directors' Report and Chairman's Review

3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
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 ability of Standard Chartered Leasing Limited to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. The value of the funded Provident Fund of Standard Chartered Leasing Limited as on June 30, 2014 was Rs.14.78 million (2013: Rs. 10.99 Million). The Provident Fund has been audited up to June 30, 2013.
9. The value of the funded Gratuity Fund of Standard Chartered Leasing Limited as on June 30, 2014 was Rs. 8.89 million (2013: Rs. 6.38 Million). The Gratuity Fund has been audited up to June 30, 2013.
10. No trading in shares was carried out by the Directors, Chief Executive, Chief Financial Officer/Company Secretary and their spouses and minor children during the year.

### Directors' Meetings

Five (5) meetings of the Board of Directors of SCLL were held during the year. Attendance by each director was as follows:

S. No.	Names of Director	No. of meeting(s) held during the Tenor in the year	Total no. of meeting(s) attended *
1	Mr. Mohsin Ali Nathani (Resigned on February 04, 2014)	3	3
2	Mr. Khalid Elgibaly (Appointed on February 04, 2014 and resigned on April 25, 2014)	1	1
3	Mr. Najam Siddiqi, Chairman	5	5
4	Mr. Arjumand A. Minai, Chief Executive Officer	5	5
5	Syed Naseer ul Hasan, Director	5	4
6	Mr. Najam I. Chaudhri, Director	5	5
7	Mr. Khurram Shahzad Khan, Director	5	5
8	Mr. Moin Mohajir, Director	5	5

### Audit Committee's Meetings

Five (5) meetings of the Audit Committee of SCLL were held during the year. Attendance by each director was as follows:

S. No.	Names of Director	No. of meeting(s) held during the Tenor in the year	Total no. of meeting(s) attended *
1	Mr. Najam I. Chaudhri, Chairman	5	5
2	Mr. Khurram Shahzad Khan, Member	5	5
3	Mr. Najam Siddiqi, Member	5	5
4	Mr. Moin Mohajir	5	5

### Human Resources & Remuneration Committee's Meetings

Two (02) meetings of the Human Resources & Remuneration Committee of SCLL were held during the year. Attendance by each director was as follows:

S. No.	Names of Director	No. of meeting(s) held during the Tenor in the year	Total no. of meeting(s) attended *
1	Syed Naseer ul Hasan, Chairman	2	1
2	Mr. Najam Siddiqi, Member	2	2
3	Mr. Khurram Shahzad Khan, Member	2	2
4	Mr. Arjumand A. Minai, Member	2	2

\*Leave of absence was granted to the Directors who could not attend some of the meetings.

# Directors' Report and Chairman's Review

## Pattern of Shareholding

The pattern of Shareholding as on June 30, 2014 is annexed to the Annual Report.

Key Operating and Financial Data

Key operating and financial data of last six years is annexed to the Annual Report.

## Director's Training

Mr. Khurram Shahzad Khan, Director has successfully completed the Directors Training Course from The Institute of Chartered Accountants of Pakistan (ICAP). In compliance with requirements of the revised Code of Corporate Governance, orientation of new directors is also conducted.

## External Auditors

The Audit Committee has recommended the name of KPMG Taseer Hadi & Co., Chartered Accountants as external auditors of the company for the next term. The Board of Directors, on the recommendation of the Audit Committee has proposed the name of retiring auditors KPMG Taseer Hadi & Co., Chartered Accountants as external auditors for the next term. The retiring auditors, being eligible, offer themselves for re-appointment in the forthcoming Annual General Meeting.

## Prospective divestment by Standard Chartered Bank (Pakistan) Limited

Subsequent to the Balance Sheet date Standard Chartered Bank (Pakistan) Limited (SCBPL), which owns a 86.45% stake in the Company, informed us that SCBPL has entered into a non-binding Memorandum of Understanding with ORIX Leasing Pakistan Limited with regard to a prospectus divestment of its stake in the Company. There is no certainty the MOU will result in a binding transaction.

## Appreciation and Acknowledgement

The Board takes this opportunity to thank its valued shareholders and customers for their confidence and patronage. Board also appreciates the guidance and support provided by the regulators i.e. Securities & Exchange Commission of Pakistan and the State Bank of Pakistan.

The Board also wishes to place on record its appreciation for the hard work and dedication shown by the staff.

On behalf of the Board



Najam Siddiqi  
Chairman  
September 24, 2014

# Statement of Compliance with the Code of Corporate Governance

For the year ended June 30, 2014

The Board of Directors of Standard Chartered Leasing Limited (“the Company”) has always supported and reconfirms its commitments to continue support and implementation of the highest standards of Corporate Governance at all times.

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi, Lahore and Islamabad 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:

Categories	Names
Independent Directors	Mr. Najam I. Chaudhri
	Mr. Moin Mohajir
Executive Director	Mr. Arjumand A. Minai
Non-Executive Directors	Mr. Najam Siddiqi
	Mr. Khurram Shahzad Khan
	Syed Naseer ul Hasan
	Mr. Shahid Mustafa

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies, where applicable).
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 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the Board on April 25, 2014 was filled up by the directors within 66 days.
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. The Company has also uploaded its ‘Code of Conduct’ on the Company’s website.
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 and non-executive directors, have been taken by the Board.
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.

# Statement of Compliance with the Code of Corporate Governance

For the year ended June 30, 2014

9. The Board has arranged training program from Institute of Chartered Accountants of Pakistan for one of its directors, Mr. Khurram Shahzad Khan. Director's hand book containing relevant documents were also distributed to the newly appointed director.
10. 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.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
12. 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.
13. The Company has complied with all the corporate and financial reporting requirements of the CCG.
14. The Board has formed an Audit Committee. It comprises of four members, of whom two are non-executive directors, two are Independent non-executive directors and the chairman of the committee is an independent non-executive director.
15. 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.
16. HR & Remuneration Committee comprises of four members, of whom one is executive director, three are non-executive directors and the chairman of the committee is a non-executive director.
17. The Board has outsourced the internal audit function to its holding company, Standard Chartered Bank (Pakistan) Limited, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. The Board has further approved appointment of Head of Internal Audit, to act as co-ordinator between the Internal Audit Department of the holding company and the Board.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the 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.
19. 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.
20. 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 exchange(s).
21. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
22. We confirm that all other material principles enshrined in the CCG have been complied with.



**ARJUMAND A. MINAI**  
Chief Executive Officer  
September 24, 2014



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
First Floor  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi 75530 Pakistan

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet [www.kpmg.com.pk](http://www.kpmg.com.pk)

## Review Report to the Members on Statement of Compliance with 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 **Standard Chartered Leasing Limited** (“the Company”) for the year ended 30 June 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges 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 provisions 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 part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Director’s statement on internal control covers all risks 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 requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of 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 30 June 2014.

**Date: 24 September 2014**

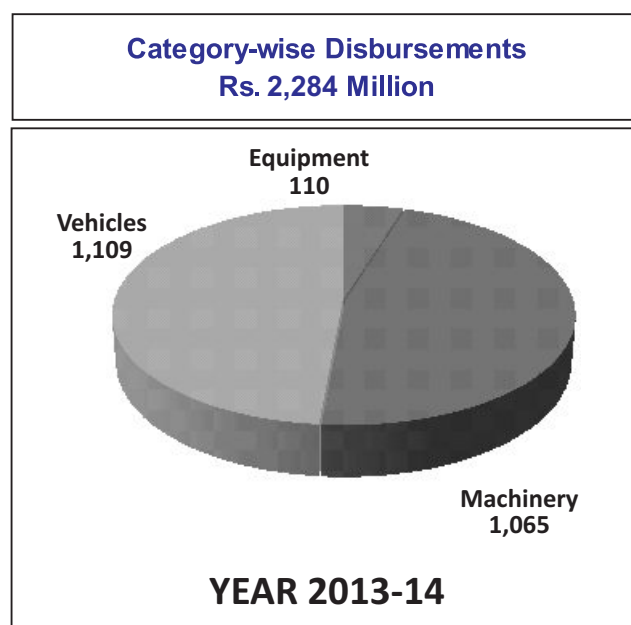
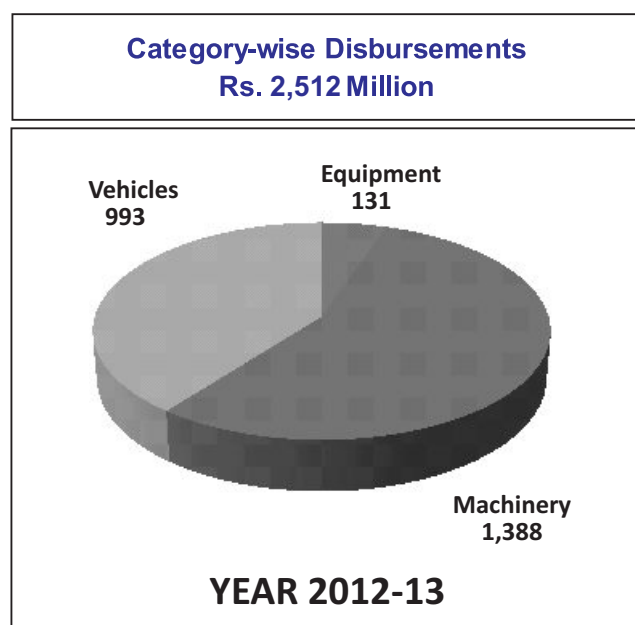
**Karachi**

---

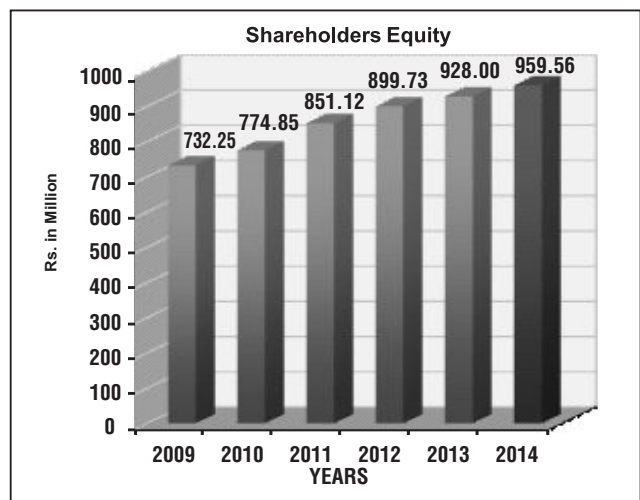
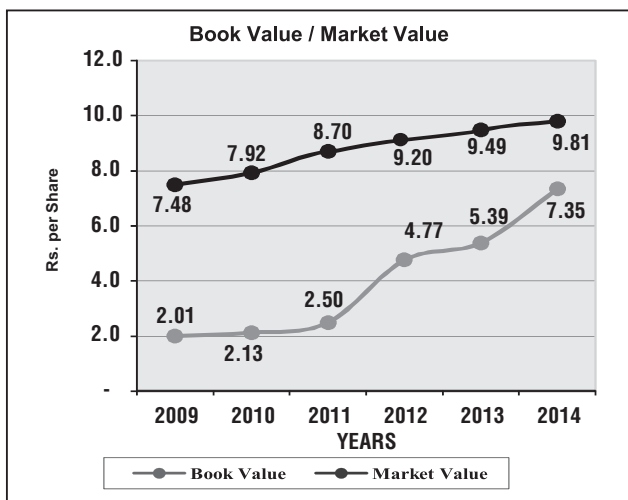
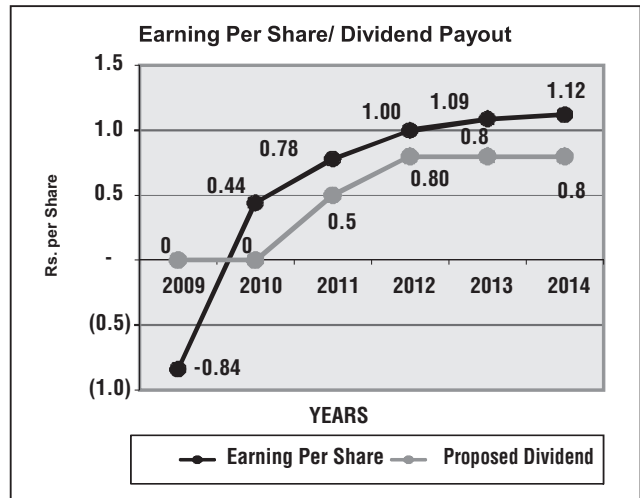
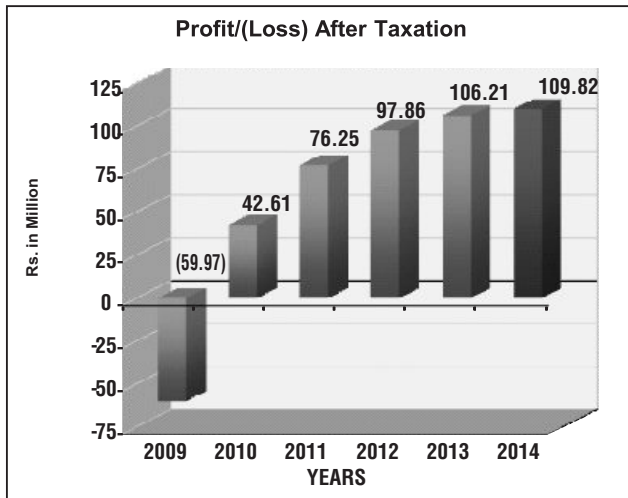
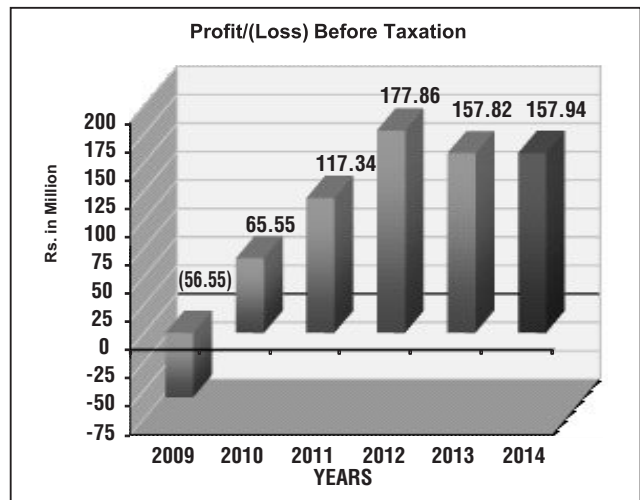
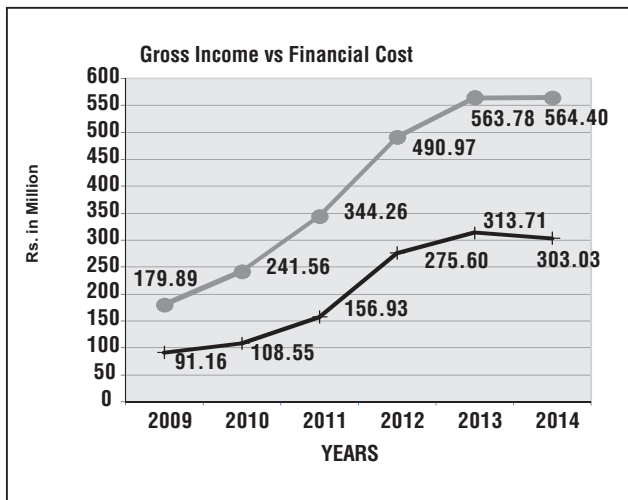
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

## Financial Highlights

	2009	2010	2011	2012	2013	2014
<b>Operational Results</b>						<b>Rs. in Million</b>
Gross Revenue	179.89	241.56	344.26	490.97	563.78	<b>564.40</b>
Financial Charges	91.16	108.55	156.93	275.60	313.71	<b>303.03</b>
Gross Margin	88.72	133.01	187.33	215.37	250.07	<b>261.37</b>
Profit/(Loss) Before Taxation	(56.55)	65.55	117.34	177.86	157.82	<b>157.94</b>
Profit/(Loss) After Taxation	(59.97)	42.61	76.25	97.86	106.21	<b>109.82</b>
<b>Balance Sheet</b>						<b>Rs. in Million</b>
Net Investment in Finance Leases	1,684.68	1,978.69	2,938.45	4,215.62	4,903.67	<b>4,955.97</b>
Shareholders' Equity	732.25	774.85	851.12	899.73	928.00	<b>959.56</b>
Total Liabilities	1,269.28	1,580.41	2,412.76	3,813.38	4,517.65	<b>4,565.52</b>
Total Assets	2,001.53	2,355.26	3,263.88	4,713.12	5,445.65	<b>5,525.09</b>
<b>Financial Ratios</b>						
Earnings Per Share (Rs.)	(0.84)	0.44	0.78	1.00	1.09	1.12
Proposed Dividend	-	-	5%	8%	8%	8%
Book Value (Rs.)	7.48	7.92	8.70	9.20	9.49	9.81
Market Value (Rs.)	2.01	2.13	2.50	4.77	5.39	7.35
Return on Assets	(3.00%)	1.81%	2.34%	2.08%	1.95%	1.99%
Return on Equity	(8.19%)	5.50%	8.96%	10.88%	11.45%	11.45%
Current Ratio	1.09 : 1	0.74 : 1	0.61 : 1	0.60 : 1	0.66 : 1	1.31 : 1
Gearing Ratio (Total Debts/Equity)	0.96 : 1	1.44 : 1	1.98:1	3.01:1	3.44 : 1	3.35 : 1

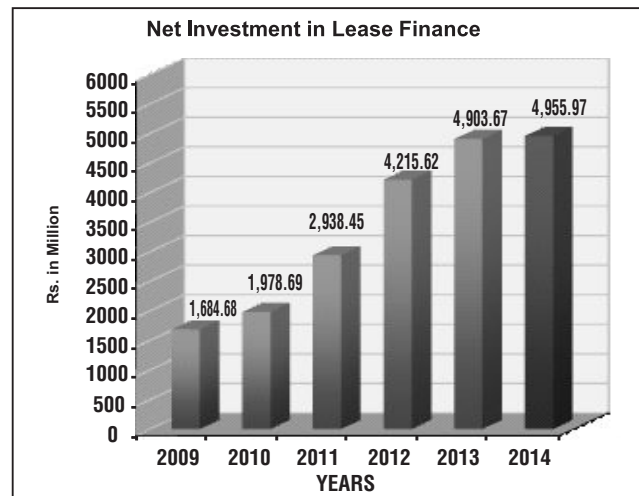
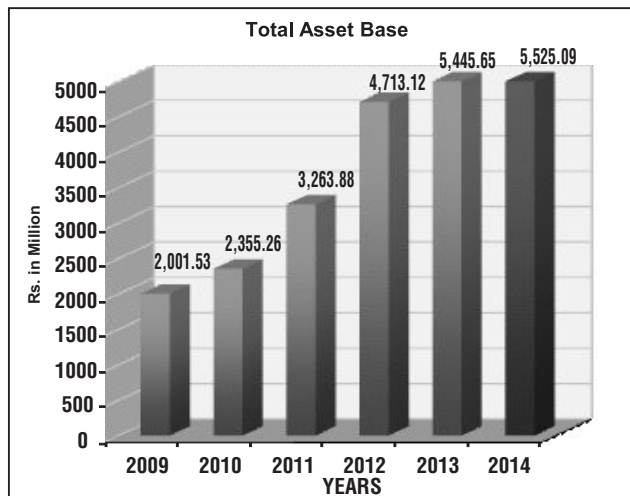
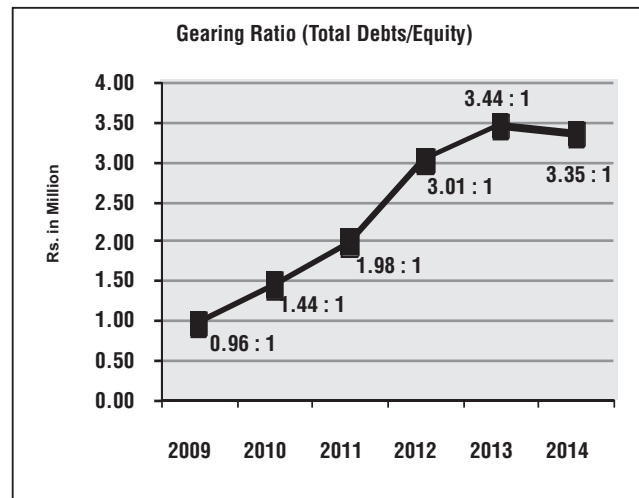
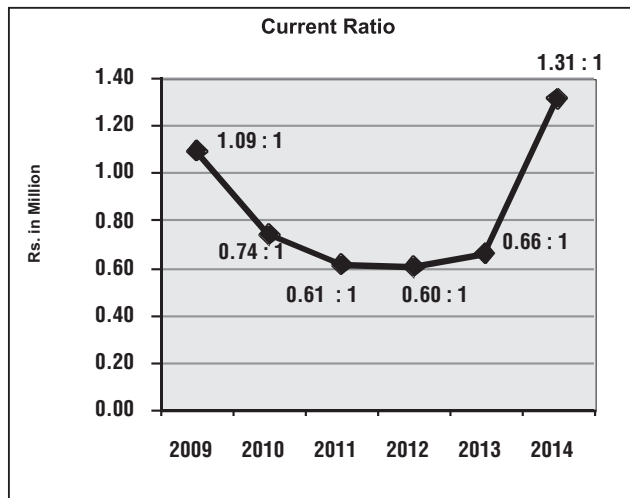


# Financial Highlights





# Financial Highlights





**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
First Floor  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi 75530 Pakistan

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet www.kpmg.com.pk

## Auditors' Report to the Members

We have audited the annexed balance sheet of **Standard Chartered Leasing Limited** ("the Company") as at 30 June 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 then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the 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 30 June 2014 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

**Date: September 24, 2014**

**Karachi**

---

**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Muhammad Taufiq**

**BALANCE SHEET**

AS AT JUNE 30, 2014

<b>ASSETS</b>	Note	2014	2013
		------(Rupees)-----	
<b>Current assets</b>			
Cash and bank balances	4	139,924	76,338
Accrued mark-up / return on long term investments		20,456,482	3,403,409
Prepayments and other receivables	5	34,644,544	11,855,012
Short term investments	6	-	301,347,062
Factoring finance	7	-	7,426,875
Current maturity of non-current assets	8	1,900,641,899	1,922,324,774
Taxation recoverable - net		30,723,597	28,718,456
Non-current assets classified as held for sale	9	-	2,350,000
<b>Total current assets</b>		<b>1,986,606,446</b>	<b>2,277,501,926</b>
<b>Non-current assets</b>			
Long term investments	10	417,313,496	58,206,053
Net investment in finance leases	11	3,066,595,978	3,050,491,558
Long term loans	12	50,192,295	56,612,888
Long term security deposits		112,500	112,500
Plant and equipments	14	3,580,789	1,773,746
Intangible assets	15	686,031	955,569
<b>Total non-current assets</b>		<b>3,538,481,089</b>	<b>3,168,152,314</b>
<b>Total Assets</b>		<b>5,525,087,535</b>	<b>5,445,654,240</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accrued mark-up	16	42,304,138	71,028,700
Accrued and other liabilities	17	58,884,139	59,656,871
Borrowing from financial institution	18	224,484,144	279,961,723
Certificates of investment	19	743,487,430	2,663,650,582
Current maturity of non current liabilities	20	448,902,662	390,247,202
<b>Total current liabilities</b>		<b>1,518,062,513</b>	<b>3,464,545,078</b>
<b>Non-current liabilities</b>			
Certificates of investment	19	1,644,110,034	-
Long term security deposits against leases	21	840,234,916	808,944,144
Long term finance	22	395,833,333	125,000,000
Deferred tax liability- net	13	167,282,638	119,160,844
<b>Total non-current liabilities</b>		<b>3,047,460,921</b>	<b>1,053,104,988</b>
<b>Total Liabilities</b>		<b>4,565,523,434</b>	<b>4,517,650,066</b>
<b>NET ASSETS</b>		<b>959,564,101</b>	<b>928,004,174</b>
<b>FINANCED BY</b>			
Share capital	23	978,354,800	978,354,800
Reserves	24	(18,790,699)	(50,350,626)
		<b>959,564,101</b>	<b>928,004,174</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	25		

The annexed notes 1 to 38 form an integral part of these financial statements.



Chairman



Chief Executive

**PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014	2013
		------(Rupees)-----	
<b>INCOME</b>			
Income from finance leases	26	509,337,150	507,623,357
Other operating income	27	55,067,480	56,158,327
		<b>564,404,630</b>	<b>563,781,684</b>
<b>EXPENSES</b>			
Finance cost	28	303,035,468	313,706,152
Administrative and operating expenses	29	117,942,830	101,186,738
		<b>420,978,298</b>	<b>414,892,890</b>
Operating profit before provisions		<b>143,426,332</b>	<b>148,888,794</b>
Reversal of provision against net investment in finance leases	11.1	(14,088,922)	(11,146,149)
(Reversal) / Provision against other receivables	5.1	(428,620)	2,219,767
		<b>(14,517,542)</b>	<b>(8,926,382)</b>
<b>Profit before taxation</b>		<b>157,943,874</b>	<b>157,815,176</b>
Taxation	30	(48,119,664)	(51,602,584)
<b>Profit after taxation</b>		<b>109,824,210</b>	<b>106,212,592</b>
Earnings per share - basic and diluted	31	<b>1.12</b>	<b>1.09</b>

The annexed notes 1 to 38 form an integral part of these financial statements.



Chairman



Chief Executive

**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED JUNE 30, 2014

	2014 ------(Rupees)-----	2013
<b>Profit after taxation</b>	<b>109,824,210</b>	106,212,592
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit and loss</b>		
Deficit on revaluation of 'available for sale' investments	-	(6,264)
Deferred tax on revaluation of 'available for sale' investments	-	2,130
Realised on disposal - Net of Deferred tax	<b>4,134</b>	331,400
	<b>4,134</b>	327,266
<b>Items that will not be reclassified subsequently to profit and loss</b>	-	-
<b>Total comprehensive income for the year</b>	<b><u>109,828,344</u></b>	<b><u>106,539,858</u></b>

The annexed notes 1 to 38 form an integral part of these financial statements.



Chairman



Chief Executive

**CASH FLOW STATEMENT**

FOR THE YEAR ENDED JUNE 30, 2014

Note	2014	2013
	------(Rupees)-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	157,943,874	157,815,176
Adjustments for:		
- Depreciation	1,136,497	857,654
- Amortization	269,538	268,800
- Loss / (Gain) on sale of available for sale investments	184,795	(340,311)
- Amortization of short term investments	(25,575,709)	(28,801,317)
- Finance cost	303,035,468	313,706,152
- Reversal against net investment in finance leases	(14,088,922)	(11,146,149)
- (Reversal) / Provision against other receivables	(428,620)	2,219,767
	<u>264,533,047</u>	<u>276,764,596</u>
<b>Operating profit before working capital changes</b>	<b>422,476,921</b>	<b>434,579,772</b>
<b>Movement in working capital</b>		
<i>(Increase) / decrease in operating assets</i>		
- Prepayments and other receivables	(22,360,912)	(8,015)
- Accrued mark-up / return on long term investments	(17,053,073)	2,734,602
- Investment in finance leases	(38,210,156)	(676,905,716)
- Factoring finance	7,426,875	1,036,050
- Assets classified as held for sale	2,350,000	-
- Long term loans	9,927,304	(31,299,943)
<i>Increase / (decrease) in operating liabilities</i>		
- Accrued and other liabilities	(1,901,468)	(2,584,625)
- Long term deposits (lease key money)	10,779,565	213,930,969
	<u>(49,041,865)</u>	<u>(493,096,678)</u>
Cash generated / (utilised) from operations before taxes and mark-up	<u>373,435,056</u>	<u>(58,516,906)</u>
Taxes paid	(2,005,141)	(2,217,667)
Interest / mark-up paid	(331,760,030)	(322,540,206)
<b>Net cash generated / (utilised) from operating activities</b>	<b>39,669,885</b>	<b>(383,274,779)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of plant and equipments	(2,943,540)	(983,740)
Long term investments - net	(304,736,621)	93,181,464
Proceeds from sale of short term investments	1,381,740,988	493,622,068
Purchase of short term investments	(1,054,996,748)	(576,784,160)
<b>Net cash generated from investing activities</b>	<b>19,064,079</b>	<b>9,035,632</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Encashment of certificates of investment	(276,053,118)	(44,763,125)
Long term finances	350,000,000	250,000,000
Dividend paid	(77,139,681)	(76,733,278)
<b>Net cash (utilised) / generated from financing activities</b>	<b>(3,192,799)</b>	<b>128,503,597</b>
Net increase / (decrease) in cash and cash equivalents	<u>55,541,165</u>	<u>(245,735,550)</u>
Cash and cash equivalents at beginning of the year	<u>(279,885,385)</u>	<u>(34,149,835)</u>
Cash and cash equivalents at end of the year	<u>32</u> <u>(224,344,220)</u>	<u>(279,885,385)</u>

The annexed notes 1 to 38 form an integral part of these financial statements.



Chairman



Chief Executive

**STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED JUNE 30, 2014

	Reserves				Total	Shareholders' equity
	Share capital	Statutory Reserves	Accumulated loss	(Deficit) / surplus on revaluation of available for sale investments		
----- (Rupees) -----						
Balance as at 30 June 2012	978,354,800	137,754,792	(216,045,492)	(331,400)	(78,622,100)	899,732,700
<b>Changes in equity 2013</b>						
<i>Total comprehensive income for the year:</i>						
Profit for the year ended 30 June 2013	-	-	106,212,592	-	106,212,592	106,212,592
<i>Other comprehensive income:</i>						
Deficit on revaluation of available for sale investments - net of deferred tax	-	-	-	(4,134)	(4,134)	(4,134)
Realised on disposal - Net of Deferred tax	-	-	-	331,400	331,400	331,400
	-	-	106,212,592	327,266	106,539,858	106,539,858
<i>Transactions with owners, recorded directly in equity:</i>						
Final dividend for the year ended 30 June 2012 - Rs. 0.8 per share	-	-	(78,268,384)	-	(78,268,384)	(78,268,384)
Transfer to statutory reserve	-	21,242,518	(21,242,518)	-	-	-
Balance as at 30 June 2013	978,354,800	158,997,310	(209,343,802)	(4,134)	(50,350,626)	928,004,174
<b>Changes in equity 2014</b>						
<i>Total comprehensive income for the year:</i>						
Profit for the year ended 30 June 2014	-	-	109,824,210	-	109,824,210	109,824,210
<i>Other comprehensive income:</i>						
(Deficit) / Surplus on revaluation of available for sale investments - net of deferred tax	-	-	-	-	-	-
Realised on disposal - Net of Deferred tax	-	-	-	4,134	4,134	4,134
	-	-	109,824,210	4,134	109,828,344	109,828,344
<i>Transactions with owners, recorded directly in equity:</i>						
Final dividend for the year ended 30 June 2013 - Rs. 0.8 per share	-	-	(78,268,417)	-	(78,268,417)	(78,268,417)
Transfer to statutory reserve	-	21,964,842	(21,964,842)	-	-	-
<b>Balance as at 30 June 2014</b>	<b>978,354,800</b>	<b>180,962,152</b>	<b>(199,752,851)</b>	<b>-</b>	<b>(18,790,699)</b>	<b>959,564,101</b>

The annexed notes 1 to 38 form an integral part of these financial statements.



Chairman



Chief Executive

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

### 1. LEGAL STATUS AND NATURE OF BUSINESS

Standard Chartered Leasing Limited ('the Company') was incorporated in Pakistan on 02 October 1993 under the Companies Ordinance, 1984. The Company is a subsidiary of Standard Chartered Bank (Pakistan) Limited, ('the Bank'). The Company is principally engaged in business of leasing. The Company is listed on all the three stock exchanges in Pakistan. The Holding Company, Standard Chartered Bank (Pakistan) Limited, owns 84,579,276 ordinary shares which constitutes 86.45 percent of the total issued, subscribed and paid-up capital. The registered and the principal office of the Company is situated at First Floor, Plot # SC-7, Street-17, Sector-15, Korangi Industrial Area, Korangi, Karachi. The Company also has branch offices located at Lahore, Faisalabad and Islamabad.

Pakistan credit rating agency limited (PACRA) has assigned long term rating of AA+ and short term rating of A1+ to the Company as at 30 June 2014.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). In case requirements differ, provision or directives of the Companies Ordinance, 1984, and Non Banking Finance Companies and Notified Entities Regulations, 2008 shall prevail.

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except available-for-sale investments and non-current assets held for sale have been measured at fair value.

#### 2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Company and rounded off to the nearest rupee.

#### 2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the 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 estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are discussed in the following notes:

- i) Provision for taxation (note 30)
- ii) Provision for net investment in finance leases and other assets (note 11.1 and 5.1 respectively)
- iii) Estimation of useful lives and residual values of plant and equipments and intangible assets (notes 14 and 15)

#### 2.5 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 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Company's financial statements.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Company's financial statements.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. These are not likely to have an impact on Company's financial statements.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. These are not likely to have an impact on Company's financial statements.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). These improvements are not likely to have impact on the Company's financial statements. The new cycle of improvements contain amendments to the following standards:

- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the Asset.
- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These accounting policies have been applied consistently to all years presented.

#### 3.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and bank deposits. For the purpose of cash flow, cash and cash equivalents

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

carried in the balance sheet comprise of cash in hand and balances with banks in current and saving accounts, short term borrowings and short term fund placements having maturity of three months or less from the date of acquisition.

### 3.2 Investments

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 initial recognition.

All regular way purchase and sale of investments that require delivery within the time frame established by regulation or market convention are recognised at the trade date, which is the date the Company commits to purchase or sell the investment.

The existing portfolio of the Company has been categorized as "held-to-maturity" and "available-for-sale".

#### 3.2.1 Held-to-maturity

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Company has a positive intent and ability to hold to maturity. These are initially recognised at their fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost.

#### 3.2.2 Available-for-sale

Available-for-sale investments are financial assets that are not (a) loans and receivables originated by the Company (b) held-to-maturity investments, or (c) financial assets at fair value through profit and loss. These are initially recognized at their fair value plus transaction costs that are directly attributable to the acquisition. Subsequent to initial measurement, these are remeasured at fair value. The difference in fair value and cost is taken to equity. Impairment in value of investments are routed through profit and loss account. Any cumulative loss recognised previously in equity is transferred to profit or loss account.

### 3.3 Plant and Equipments

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the assets. Gains and losses on disposal of an asset are determined by comparing the proceeds from disposal with the carrying amount of an asset and are recognised in the profit or loss account. Subsequent costs are included in assets' carrying amount or are recognised as a separate asset, as appropriate, if it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Maintenance and repairs are charged to profit or loss account during the financial period in which they are incurred. Renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains and losses on disposal of plant and equipments, if any, are included in profit and loss account currently.

Depreciation is charged to profit or loss account by applying the straight line method using the rates mentioned in note 14, over the estimated useful lives of the assets. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation on all plant and equipments is charged from the day the asset is available for use till the day before its disposal.

### 3.4 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. These are amortized using the straight line method reflecting the pattern in which the economic benefits of the asset are consumed by the Company as mentioned in note 15.

### 3.5 Net investment in finance leases

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

Calculating the provision for net investment in finance lease losses is subject to numerous judgments and estimates. In evaluating the adequacy of provision, management considers various factors, including the requirements of the NBFC regulations, 2008 issued by Securities and Exchange Commission of Pakistan. The nature and characteristics of the obligor, current economic conditions, credit concentrations, historical loss experience and delinquencies. Lease receivables are charged off, when in the opinion of management, the likelihood of any future collection is believed to be minimal.

### 3.6 Non-Current Assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition within one year of the date of its classification as assets held for sale. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Gain / loss on sale of assets classified as held for sale is recognised in profit and loss account.

### 3.7 Impairment of non financial assets

The carrying amount of assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

any indication of impairment. If such indication exists then the asset's recoverable amount is estimated. Where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to profit and loss account.

### 3.8 Impairment of financial assets

#### *Financial assets measured at amortised cost*

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity investment securities) at both a specific asset and collective level. All individually significant assets are assessed for any impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### *Available for sale financial assets*

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

### 3.9 Staff retirement benefits

#### 3.9.1 Defined contribution plans

The Company operates:

- i) a recognised provident fund for all eligible employees; and
- ii) a recognised gratuity fund for all eligible employees. Gratuity is payable to employees on completion of the prescribed qualifying period of service under the scheme.

Contributions to the provident fund and gratuity fund are made at the rate of 10% and 8.33% respectively, of the basic salary of employees.

Obligation for contribution to defined contribution plans are recognised as an employee benefit expense in the profit and loss account when they are due.

### 3.10 Revenue recognition

#### **Finance lease income**

The Company follows the effective interest method in accounting for the recognition of lease income. Under this method, the unearned lease income i.e. the excess of aggregate lease rentals and the estimated residual value over the cost of the leased assets is deferred and taken to income over the term of the lease, so as to produce a systematic return on the net investment in lease. Unrealised lease income pertaining to non-performing leases is held in suspense account, where necessary, in accordance with the requirements of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Processing, front end and commitment fees and commission are recognized as income when such services are provided.

Late payment charges are recognized as income when realised.

#### **Income on non-performing loan receivables**

Income on non-performing loan receivables is recognized on receipt basis in accordance with the requirements of the relevant Regulations.

#### **Mark-up / return on investments**

Mark-up income on debt securities is recognized on time proportion basis using the effective yield on instruments.

#### **Dividend income**

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

#### **Gain or losses on sale of investments**

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

#### **Interest income**

Interest income on bank deposits is recognised on time proportion basis using the effective interest method.

#### **Factoring income**

Factoring income is recognised on an accrual basis for the number of days outstanding on invoices factored.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2014

**3.11 Taxation**

Tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss account except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity through other comprehensive income.

**3.11.1 Current**

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

**3.11.2 Deferred**

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amount of assets and liabilities used for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is charged or credited to the profit and loss account except deferred tax, if any, on revaluation of investments which is recognised in other comprehensive income.

**3.12 Provisions**

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

**3.13 Financial instruments**

All financial assets and liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. All the financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on recognition or derecognition of the financial assets and financial liabilities is taken to profit and loss account.

**3.14 Dividend distribution**

Dividend distribution (including stock dividend) to the Company's shareholders is accounted for in the period in which the dividends are declared.

**3.15 Off-setting of financial assets and liabilities**

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements, only when the Company has a legally enforceable right to set off the recognised amounts and the Company intends to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses from such assets and liabilities are also accordingly off-set.

**3.16 Earnings per share**

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

**3.17 Foreign currency translation**

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date. Exchange differences if any, are recognised in profit and loss.

**4. CASH AND BANK BALANCES**

	2014	2013
	------(Rupees)-----	
Cash in hand	35,007	35,007
Balances with banks		
- in State Bank of Pakistan account-local currency	104,917	41,331
	<u>139,924</u>	<u>76,338</u>

**5. PREPAYMENTS AND OTHER RECEIVABLES**

Prepayments	32,220,858	11,739,524
Other receivables		
- Considered good	2,165,101	12,967
- Considered doubtful	2,618,504	3,450,380
Less: Provision for doubtful receivables	(2,359,919)	(3,347,859)
	258,585	102,521
	2,423,686	115,488
	<u>34,644,544</u>	<u>11,855,012</u>

5.1

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2014

		2014	2013
		------(Rupees)-----	
<b>5.1</b>	<b>Movement in provision for doubtful receivables is as follows:</b>		
	Balance at beginning of the year	3,347,859	1,531,090
	Net (reversal) /charge during the year	(428,620)	2,219,767
	Amounts written off	(559,320)	(402,998)
	Balance at end of the year	<u>2,359,919</u>	<u>3,347,859</u>
<b>6.</b>	<b>SHORT TERM INVESTMENTS</b>		
	<b>Available-for-sale</b>		
	<b>Government Treasury Bills</b>		
	Investment at amortized cost	-	301,353,326
	Deficit on revaluation of investments	-	(6,264)
	Market value	<u>-</u>	<u>301,347,062</u>
<b>7.</b>	<b>FACTORING FINANCE</b>		
	Factoring finance	7.1 <u>-</u>	<u>7,426,875</u>
<b>7.1</b>	This represents short term finance facilities, provided to customers against factored invoices on mark-up basis, in the normal course of business. The Company has discontinued its business of factoring finance in previous year ended 30 June 2013. During the year Company has received all the outstanding balances against factored invoices.		
<b>8.</b>	<b>CURRENT MATURITY OF NON CURRENT ASSETS</b>		
	Long term investments	10 -	54,370,822
	Net investment in finance leases including		
	overdue amounts	11 <u>1,889,377,027</u>	1,853,182,369
	Long term loans	12 <u>11,264,872</u>	14,771,583
		<u>1,900,641,899</u>	<u>1,922,324,774</u>
<b>9.</b>	<b>NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE</b>		
	Repossessed assets	9.1 <u>-</u>	<u>2,350,000</u>
<b>9.1</b>	This represents repossessed leased assets consisting of vehicles previously leased out to customers. During the period Company has disposed off these assets and recovered the balance amount outstanding against such leases.		
<b>10.</b>	<b>LONG TERM INVESTMENTS - Held to Maturity</b>		
<b>10.1</b>	<b>Government Securities</b>		
	Pakistan Investment Bonds	10.2 <u>417,313,496</u>	112,576,875
	Less: Current portion of long term investments	<u>-</u>	(54,370,822)
		<u>417,313,496</u>	<u>58,206,053</u>

The market value of investments at 30 June 2014 amounted to Rs. 413,634,883 (2013: Rs. 119,407,140). The market value was determined by applying the average rates for the respective maturity quoted on the Reuter.

**10.2** These investments have been made to comply with the requirements of rule 14(4)(i) of the Non Banking Finance Companies and Notified Entities Regulations, 2008 to maintain liquidity against certain certificates of investment. These investments are due for maturity between July 2016 and September 2019. Profit on these investments is receivable at rate of 11.25 percent to 12.00 percent (2013: 8.00 percent to 12.00 percent) per annum.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2014

**11. NET INVESTMENT IN FINANCE LEASES**

	2014	2013
	----- (Rupees) -----	-----
Net investment in finance leases	<b>4,955,973,005</b>	4,903,673,927
Current portion shown under current assets	<b>(1,889,377,027)</b>	(1,853,182,369)
	<b><u>3,066,595,978</u></b>	<u>3,050,491,558</u>

	June 30, 2014				June 30, 2013			
	Not later than one year	Later than one year and less than five years	Later than five years	Total	Not later than one year	Later than one year and less than five years	Later than five years	Total
	----- (Rupees) -----							
Minimum lease payments	2,082,498,396	2,561,538,152	-	4,644,036,548	2,040,811,127	2,575,700,155	-	4,616,511,282
Add: Residual value of leased assets	245,733,795	841,288,726	-	1,087,022,521	267,005,622	809,191,944	-	1,076,197,566
Gross investment in finance leases	<u>2,328,232,191</u>	<u>3,402,826,878</u>	<u>-</u>	<u>5,731,059,069</u>	<u>2,307,816,749</u>	<u>3,384,892,099</u>	<u>-</u>	<u>5,692,708,848</u>
Less: Unearned lease income	(394,250,653)	(332,319,666)	-	(726,570,319)	(377,434,377)	(331,336,423)	-	(708,770,800)
Less: Mark-up held in suspense (note 11.2)	(11,727,962)	-	-	(11,727,962)	(21,249,581)	-	-	(21,249,581)
	<u>(405,978,615)</u>	<u>(332,319,666)</u>	<u>-</u>	<u>(738,298,281)</u>	<u>(398,683,958)</u>	<u>(331,336,423)</u>	<u>-</u>	<u>(730,020,381)</u>
Present value of Investment in Finance Lease	<u>1,922,253,576</u>	<u>3,070,507,212</u>	<u>-</u>	<u>4,992,760,788</u>	<u>1,909,132,791</u>	<u>3,053,555,676</u>	<u>-</u>	<u>4,962,688,467</u>
Less: Provision against net investment in finance leases (note 11.1)	(32,876,549)	(3,911,234)	-	(36,787,783)	(55,950,422)	(3,064,118)	-	(59,014,540)
Net investment in finance leases	<u><b>1,889,377,027</b></u>	<u><b>3,066,595,978</b></u>	<u><b>-</b></u>	<u><b>4,955,973,005</b></u>	<u>1,853,182,369</u>	<u>3,050,491,558</u>	<u>-</u>	<u>4,903,673,927</u>

Company is engaged in leasing of plant and machinery, equipment and vehicles at the implicit rate of return ranging between 10.26% to 18.25%(2013: 10.00% to 19.64% ) per annum. These are secured by ownership of the leased assets and lease deposits generally upto 10.00% (2013:10.00%) of the cost of leased asset.

**11.1 Provision against net investment in finance leases**

	2014	2013
	----- (Rupees) -----	-----
Balance at beginning of the year	<b>59,014,540</b>	74,298,375
Net reversal for the year	<b>(14,088,922)</b>	(11,146,149)
Written off during the year	<b>(8,137,835)</b>	(4,137,686)
Balance at end of the year	<b><u>36,787,783</u></b>	<u>59,014,540</u>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2014

		2014	2013
		----- (Rupees) -----	
<b>11.2</b>	<b>Mark-up held in suspense</b>		
	Balance at beginning of the year	21,249,581	22,359,297
	Income suspended during the year	474,997	3,471,528
		<u>21,724,578</u>	<u>25,830,825</u>
	Suspended income:		
	- realised during the year	(3,215,477)	(1,016,570)
	- written off during the year	(6,781,139)	(3,564,674)
11.3		<u>(9,996,616)</u>	<u>(4,581,244)</u>
		<u>11,727,962</u>	<u>21,249,581</u>

11.3 This represents write off against old delinquent finance leases portfolio.

11.4 The above provision for non-performing lease losses is net of the forced sales values (FSVs) of leased assets / collaterals of Rs. 25.03 million (2013: Rs. 28.7 million) considered by the Company for the purpose of determination of provision requirements. Had this benefit of FSVs not been taken by the Company, specific provision against non-performing lease portfolio would have been higher by Rs. 25.03 million (2013: Rs. 28.7 million) and Company's accumulated losses (before tax, if any) would also have been higher by the same amount.

**12. LONG TERM LOANS**

		2014	2013
		----- (Rupees) -----	
	Loans to employees - considered good		
	<b>Secured</b>		
	Executives	47,328,081	57,028,393
	Non executives	12,141,441	12,836,249
		<u>59,469,522</u>	<u>69,864,642</u>
	<b>Unsecured</b>		
	Executives	1,712,244	864,748
	Non executives	275,401	655,081
		<u>1,987,645</u>	<u>1,519,829</u>
	Less: Current portion shown under current assets	(11,264,872)	(14,771,583)
		<u>50,192,295</u>	<u>56,612,888</u>

**12.1 Loans to executives**

	Chief Executive		Executives	
	2014	2013	2014	2013
	----- (Rupees) -----		----- (Rupees) -----	
Balance at beginning of the year	-	2,916,675	57,893,141	28,325,445
Disbursements made during the year	-	-	17,899,141	39,371,751
Repayments received during the year	-	(2,916,675)	(26,751,957)	(9,804,055)
Balance at end of the year	<u>-</u>	<u>-</u>	<u>49,040,325</u>	<u>57,893,141</u>

These represent house loans, car loans and personal loans provided by the Company to its executives and other staff as per service rules.

House loans are repayable in a maximum of 300 monthly instalments and carry mark-up at the rate of 12.42 percent (2013: 15.37 percent) per annum. Car loans are repayable in a maximum of 84 monthly instalments and carry mark-up at the rate of 13.69 percent (2013: 15.37 percent) per annum. Personal loans are repayable in a maximum of 36 monthly instalments and carry mark-up at the rate of 12.47 percent (2013: 15.37 percent) per annum. House loans are secured by way of equitable mortgage on property and car loans are secured by registration of vehicles in the name of the Company. Personal loans are three basic salaries or Rs. 500,000 whichever is less. Loans above equivalent to 85 basic salaries with a maximum of Rs. 20,000,000 are secured by hypothecation over household assets of the employees.

Maximum amount outstanding at the end of any month during the year against loans to executives was Rs. 71.24 million (2013: Rs. 61.47 million).

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2014

13. DEFERRED TAX LIABILITY - NET	2014	2013
	----- (Rupees) -----	-----
<b>13.1 The deferred tax comprises of the following components:</b>		
Accelerated tax depreciation	(333,124,019)	(439,836,551)
Allowance against net investment in finance leases	19,713,765	30,572,151
Provision for Workers Welfare Fund	5,789,247	3,118,089
Carry forward losses	140,338,369	286,983,337
Deficit on revaluation of 'Available for Sale' investments	-	2,130
	<u>(167,282,638)</u>	<u>(119,160,844)</u>

Based on the projections of taxable profit, the management considers that it would have sufficient taxable profits in future years against which the deductible temporary differences can be utilised.

**13.2 Movement in temporary differences is as follows:**

	Balance as at 1 July 2013	Recognised in profit and loss account	Recognised in equity	Balance as at 30 June 2014
	----- (Rupees) -----			
Accelerated tax depreciation	(439,836,551)	106,712,532	-	(333,124,019)
Allowance against net investment in finance leases	30,572,151	(10,858,386)	-	19,713,765
Provision for Workers Welfare Fund	3,118,089	2,671,158	-	5,789,247
Carry forward losses	286,983,337	(146,644,968)	-	140,338,369
Deficit on revaluation of 'Available for Sale' investments	2,130	-	(2,130)	-
	<u>(119,160,844)</u>	<u>(48,119,664)</u>	<u>(2,130)</u>	<u>(167,282,638)</u>

**14. PLANT AND EQUIPMENTS**

	2014									
	COST				ACCUMULATED DEPRECIATION				Net book value as at 30 June 2014	Depreciation rate % per annum
	As at 01 July 2013	Additions / (deletions)	Written off	As at 30 June 2014	As at 01 July 2013	Charge for the year / (accumulated depreciation on deletions)	Written off	As at 30 June 2014		
----- (Rupees) -----										
Furniture and fittings	825,683	-	-	825,683	607,057	56,232	-	663,289	162,394	10
Office equipment, appliances and computer systems	5,143,985	2,943,540	-	8,087,525	3,588,865	1,080,265	-	4,669,130	3,418,395	20 and 33.33
	<u>5,969,668</u>	<u>2,943,540</u>	<u>-</u>	<u>8,913,208</u>	<u>4,195,922</u>	<u>1,136,497</u>	<u>-</u>	<u>5,332,419</u>	<u>3,580,789</u>	
	2013									
	COST				ACCUMULATED DEPRECIATION				Net book value as at 30 June 2013	Depreciation rate % per annum
	As at 01 July 2012	Additions / (deletions)	Written off	As at 30 June 2013	As at 01 July 2012	Charge for the year / (accumulated depreciation on deletions)	Written off	As at 30 June 2013		
----- (Rupees) -----										
Furniture and fittings	825,683	-	-	825,683	524,221	82,836	-	607,057	218,626	10
Office equipment, appliances and computer systems	4,160,245	983,740	-	5,143,985	2,814,047	774,818	-	3,588,865	1,555,120	20 and 33.33
	<u>4,985,928</u>	<u>983,740</u>	<u>-</u>	<u>5,969,668</u>	<u>3,338,268</u>	<u>857,654</u>	<u>-</u>	<u>4,195,922</u>	<u>1,773,746</u>	



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2014

**15. INTANGIBLE ASSETS**

	2014									
	COST			ACCUMULATED AMORTIZATION				Written down value as at 30 June 2014	Amortization rate % per annum	
	As at 01 July 2013	Additions / (deletions)	Written off	As at 30 June 2014	As at 01 July 2013	Charge for the year / (accumulated amortization on deletions)	Written off			As at 30 June 2014
	------(Rupees)-----									
Computer software	1,347,692	-	-	1,347,692	392,123	269,538	-	661,661	686,031	20
	<u>1,347,692</u>	<u>-</u>	<u>-</u>	<u>1,347,692</u>	<u>392,123</u>	<u>269,538</u>	<u>-</u>	<u>661,661</u>	<u>686,031</u>	

	2013									
	COST			ACCUMULATED AMORTIZATION				Written down value as at 30 June 2013	Amortization rate % per annum	
	As at 01 July 2012	Additions / (deletions)	Written off	As at 30 June 2013	As at 01 July 2012	Charge for the year / (accumulated amortization on deletions)	Written off			As at 30 June 2013
	------(Rupees)-----									
Computer software	1,347,692	-	-	1,347,692	123,323	268,800	-	392,123	955,569	20
	<u>1,347,692</u>	<u>-</u>	<u>-</u>	<u>1,347,692</u>	<u>123,323</u>	<u>268,800</u>	<u>-</u>	<u>392,123</u>	<u>955,569</u>	

**16. ACCRUED MARK-UP**

	2014	2013
	----- (Rupees) -----	
Mark-up / return accrued on:		
Short term borrowing from financial institution	16.1	4,468,958
Long term finances	16.2	7,590,171
Certificates of investment		30,245,009
		<u>42,304,138</u>
		<u>71,028,700</u>

**16.1** This represents an amount payable to Standard Chartered Bank (Pakistan) Limited.

**16.2** This represents an amount payable to Allied Bank Limited.

**17. ACCRUED AND OTHER LIABILITIES**

	2014	2013
	----- (Rupees) -----	
<b>Accrued expenses</b>	17.1	33,753,042
<b>Other liabilities</b>		
Advances from customers		190,853
Customer insurance payable		15,229,154
Unclaimed dividend		7,316,800
Others		2,394,290
		<u>25,131,097</u>
		<u>58,884,139</u>
		<u>9,807,369</u>
		<u>18,408,585</u>
		<u>6,188,064</u>
		<u>2,343,643</u>
		<u>36,747,661</u>
		<u>59,656,871</u>

**17.1** This includes an amount of Rs. 1,356,994 (2013: Rs. 2,979,811) payable to Holding Company in respect of Service Level Agreement (SLA).

**18. BORROWING FROM FINANCIAL INSTITUTION**

Short term borrowing -Secured	18.1	<u>224,484,144</u>	<u>279,961,723</u>
-------------------------------	------	--------------------	--------------------

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2014

**18.1** The Company holds a running finance facility amounting to Rs. 420 million from Standard Chartered Bank (Pakistan) Limited, the Holding Company. The facility carries mark-up at the rate of 3 months KIBOR plus 0.3 (2013: 3 months KIBOR plus 0.75) percent per annum. The facility is secured by way of a hypothecation charge on specific leased assets and lease rentals receivable to the extent of Rs. 927 million. The Company also has un-availed facilities of bonds & guarantees, term loan and overdraft amounting to Rs.16 million, Rs. 200 million and Rs. 216 million respectively.

**19. CERTIFICATES OF INVESTMENT**

Certificates of investment - unsecured	19.1	<b>2,387,597,464</b>	2,663,650,582
Current portion - Certificates of investment		<b>(743,487,430)</b>	<b>(2,663,650,582)</b>
		<b>1,644,110,034</b>	<b>-</b>

**19.1** These certificates have been issued for periods ranging from three months to three years. Rates of return on these certificates range from 6.00 percent to 12.00 percent (2013: 6.25 percent to 13.6 percent) per annum.

**20. CURRENT MATURITY OF NON CURRENT LIABILITIES**

Long term security deposits against leases	21	<b>244,735,995</b>	265,247,202
Long term finances	22	<b>204,166,667</b>	125,000,000
		<b>448,902,662</b>	<b>390,247,202</b>

**21. LONG TERM SECURITY DEPOSITS AGAINST LEASES**

		2014	2013
		----- (Rupees) -----	
Long term security deposits against leases	21.1	<b>1,084,970,911</b>	1,074,191,346
Less: Current portion shown under current liabilities		<b>(244,735,995)</b>	<b>(265,247,202)</b>
		<b>840,234,916</b>	<b>808,944,144</b>

**21.1** These represent interest free security deposits received against lease contracts and are adjustable / repayable on expiry / termination of the respective leases.

**22. LONG TERM FINANCE**

Long term finance - secured	22.1	<b>600,000,000</b>	250,000,000
Less: Current maturity shown under current liabilities		<b>(204,166,667)</b>	<b>(125,000,000)</b>
		<b>395,833,333</b>	<b>125,000,000</b>

**22.1** The Company has obtained two long term loan facilities amounting to Rs. 500 million each from Allied Bank Limited (ABL). These facilities carry mark up at the rate of 6 month KIBOR plus 0.4% and 0.75% per annum respectively and are repayable within a period of 1 to 4 years. These facilities are secured by way of hypothecation charge on specific leased asset and lease rentals receivable of the Company with 25% margin amounting to Rs. 1,334 million.

**23. SHARE CAPITAL****Authorised capital**

2014	2013		2014	2013
(Number of shares)			----- (Rupees) -----	
<b>100,000,000</b>	100,000,000	Ordinary shares of Rs. 10 each	<b>1,000,000,000</b>	1,000,000,000

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

<b>84,051,288</b>	84,051,288	Ordinary shares of Rs. 10 each fully paid in cash	<b>840,512,880</b>	840,512,880
<b>13,784,192</b>	13,784,192	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	<b>137,841,920</b>	137,841,920
<b>97,835,480</b>	97,835,480		<b>978,354,800</b>	978,354,800

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

- 23.1** Standard Chartered Bank (Pakistan) Limited, the Holding Company, owns 84,579,276 ordinary shares which constitutes 86.45 percent of the total issued, subscribed and paid-up share capital.

### 24. RESERVES

	2014	2013
	----- (Rupees) -----	
Statutory Reserve	24.1 180,962,152	158,997,310
Accumulated Loss	(199,752,851)	(209,343,802)
(Deficit)/Surplus on revaluation of available for sale investments	-	(4,134)
	<u>(18,790,699)</u>	<u>(50,350,626)</u>

- 24.1** Statutory reserve represents 20% of profits after tax set aside to comply with the requirements of Prudential Regulations for Non-Banking Finance Companies issued by the Securities and Exchange Commission of Pakistan.

- 24.2** The Board of directors in its meeting held 24 September 2014 has recommended for approval at Annual General Meeting of the shareholder, a final cash dividend of 8% (Rs 0.8 per share) in respect of the year ended 30 June 2014 (2013: Rs 0.8 per share). The financial statements for the year ended 30 June 2014 do not include the effect of the appropriation which will be accounted for subsequent to the year end.

### 25. CONTINGENCIES AND COMMITMENTS

	2014	2013
	----- (Rupees) -----	
Commitments for finance leases	<u>599,000,000</u>	<u>528,480,000</u>

Refer note 30.2 for contingencies relating to taxation.

### 26. INCOME FROM FINANCE LEASES

Finance income	490,925,996	489,446,418
Documentation fee	7,695,082	5,570,202
Penal charges	5,665,128	6,579,742
Termination charges	3,102,900	1,553,841
Miscellaneous income	1,948,044	4,473,154
	<u>509,337,150</u>	<u>507,623,357</u>

### 27. OTHER OPERATING INCOME

#### Mark-up income on Financial Assets

##### On investments

- Government securities	41,102,399	45,040,111
-------------------------	------------	------------

##### On loans

- Long term loans	8,280,863	6,215,017
- Short term loans and fund placements	366,795	321,812
	8,647,658	6,536,829

##### On factoring finance

	386,799	432,723
--	---------	---------

##### Capital (loss) / gain on sale of investment

	(184,795)	340,312
--	-----------	---------

##### Recovery of amounts written off against lease receivables

	5,115,419	3,808,352
--	-----------	-----------

	<u>55,067,480</u>	<u>56,158,327</u>
--	-------------------	-------------------

### 28. FINANCE COST

#### Related parties

Mark-up on short term finances	15,467,327	15,542,867
Commission on COI's	31,444,396	31,011,960
Bank charges	392,054	360,731
	<u>47,303,777</u>	<u>46,915,558</u>

#### Other

Mark-up on long term finances	56,747,446	2,127,534
Return on certificates of investment	198,984,245	264,663,060
	<u>255,731,691</u>	<u>266,790,594</u>

	<u>303,035,468</u>	<u>313,706,152</u>
--	--------------------	--------------------

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2014

**29. ADMINISTRATIVE AND OPERATING EXPENSES**

		2014	2013
		----- (Rupees) -----	
Salaries, allowances and benefits	29.1	78,526,402	69,104,232
Printing and stationery		1,020,709	885,820
Communication		558,147	479,165
Rent		11,838,816	12,219,388
Travelling and conveyance		2,462,814	1,531,775
Vehicles' running expenses		-	41,700
Insurance		1,522,847	1,574,562
Auditors' remuneration	29.2	843,300	752,000
Repair and maintenance		1,042,568	370,513
Fee and subscription		1,830,533	1,541,444
Advertisement		238,282	482,662
Office supplies		654,636	598,804
Newspapers and periodicals		28,432	24,306
Depreciation of owned assets	14	1,136,497	857,654
Amortization	15	269,538	268,800
Legal and professional charges		3,035,231	3,685,359
Workers welfare fund		8,372,321	3,156,304
Information technology		3,434,988	3,000,058
Internal audit fees		200,000	-
Miscellaneous expense		926,769	612,192
		<u>117,942,830</u>	<u>101,186,738</u>

**29.1** Salaries and benefits include Rs. 2,294,540 ( 2013: Rs. 2,322,051) and Rs. 1,408,929 (2013: Rs. 422,169), in respect of Company's contribution to provident fund and gratuity fund respectively.

**29.2 Auditors' remuneration**

Annual audit fee	440,000	440,000
Half yearly review	150,000	140,000
Other certifications	100,000	100,000
Out of pocket expenses	153,300	72,000
	<u>843,300</u>	<u>752,000</u>

**30. TAXATION**

Current	-	2,538,117
Deferred	48,119,664	49,064,467
	<u>48,119,664</u>	<u>51,602,584</u>

**30.1 Relationship between tax expense and accounting profit**

Accounting profit for the current year	<u>157,943,874</u>	<u>157,815,176</u>
Tax on income @ 34%	53,700,917	55,235,312
Amortization of restricted cost of vehicles	25,000,000	22,889,145
Net effect on termination of lease and others	(25,512,082)	(23,017,142)
Effect of lower tax rate in future years	(5,069,171)	(3,504,731)
Tax expense	<u>48,119,664</u>	<u>51,602,584</u>

**30.2 Current status of tax assessments**

The Company's assessments raised for the assessment years 1998-99 to 2002-03 whereby lease key money amounting to Rs. 227 million have been added to the Company's income. In the Company's appeals with the income Tax Appellate Tribunal (ITAT), the addition was held. The company filed rectification application before ITAT that certain arguments advanced at the time of hearing of appeals were not considered while framing the order. The ITAT vide appellate order dated 27 February 2008 has recalled its original appellate order for all years to the extent through which the said addition of lease key money was confirmed and referred to the Chairman ITAT to constitute larger bench for rehearing / decision of the case. No provision has been made in this respect as the management is of the view that the same will be allowed.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

The Company has filed the income tax return for tax years 2003 to 2013 which are deemed to be assessed in terms of section 120 of the Income Tax Ordinance, 2001 (the Ordinance) except for the tax year 2009, which was revised on 31 December 2010 and is deemed assessed in terms of section 122(3) of the Ordinance.

Moreover, the Assistant Commissioner Inland Revenue (ACIR) Monitoring and Audit Cell-08 Zone II, Regional Tax Office Lahore has passed an order under section 161/205 for the tax year 2009 dated 19 March 2012 creating demand of Rs. 2,750,079. The Company has filed an appeal against the said order before the Commissioner Inland Revenue (CIR) (Appeals). The learned CIR Appeal-II, in his order has directed the ACIR to give effect of payment of Rs. 767,764 and also to delete the tax demand of Rs. 853,473 which has been deleted vide order No. 03 dated 05 September 2012.

The ACIR has issued an appeal effect order under section 124 of the Ordinance and created demand of Rs. 1,128,842 which has been adjusted against the assessed refund available for assessment year 2002-2003. The Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR), Lahore against the order issued by the Commissioner Appeals for the tax year 2009 which is pending for adjudication.

Furthermore, the Company received a notice dated 2 September 2013 under section 161/205 of Ordinance demanding evidence of tax deductions made in respect of payments made by Company for the year 2012. The Company has filed a reply to the aforementioned notice. However, no order has yet been passed in this respect.

### 31. EARNINGS PER SHARE - BASIC AND DILUTED

	2014	2013
	----- (Rupees) -----	
Profit after taxation	<u>109,824,210</u>	<u>106,212,592</u>
	(Number of shares)	
Weighted average number of outstanding ordinary shares	<u>97,835,480</u>	<u>97,835,480</u>
	----- (Rupees) -----	
Earnings per share (Basic and diluted)	<u>1.12</u>	<u>1.09</u>

### 32. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:

Cash and bank balances	4	139,924	76,338
Short term borrowing from financial institution	18	<u>(224,484,144)</u>	<u>(279,961,723)</u>
		<u>(224,344,220)</u>	<u>(279,885,385)</u>

### 33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	----- (Rupees) -----					
Director's remuneration / fees	-	-	640,000	335,000	-	-
Managerial remuneration including bonus	10,666,660	10,490,317	-	-	22,364,047	19,026,457
Housing, utilities and others	3,333,336	4,214,967	-	-	20,605,763	15,860,041
Retirement benefits	-	1,889,352	-	-	3,035,764	1,871,790
	<u>13,999,996</u>	<u>16,594,636</u>	<u>640,000</u>	<u>335,000</u>	<u>46,005,574</u>	<u>36,758,288</u>
Number of persons	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>14</u>	<u>15</u>

33.1 The directors' remuneration / fees represents remuneration paid to the Company's 2 non-executive directors (2013: 2) for attending Board and Sub-Committee meetings.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2014

**34. TRANSACTIONS WITH RELATED PARTIES**

The Company has a related party relationship with its Parent Company, affiliates, fellow subsidiary, staff retirement funds and key management personnel. The transactions with related parties are conducted under normal course of business at agreed rates. The Company also provides loans to employees in accordance with their terms of employment. The details of related party transactions and balances as at 30 June 2014 are as follows:

	2014	2013
	----- (Rupees) -----	
<b>OUTSTANDING BALANCES</b>		
<b>Parent Company</b>		
Short term borrowing	224,484,144	279,961,723
Accrued mark-up on short term borrowing	4,468,958	5,363,855
Prepayments against COI commission	30,400,367	9,417,823
Service level agreement against rent and IT	1,356,994	2,979,811
<b>Key management personnel</b>		
Long term loans to key management personnel	43,120,414	48,072,004
Lease Rentals Receivables - net of Cash held	7,632,897	4,948,691
<b>PROFIT AND LOSS</b>		
<b>Parent Company</b>		
Mark-up on short term borrowing	15,467,327	15,542,867
COI commission	31,444,396	31,011,960
Profit on bank deposits	331,354	284,319
Profit on short term placements	35,441	37,493
Bank Charges	392,054	360,731
<b>Expenses incurred under Service Level Agreement</b>		
Rent	11,838,816	12,219,388
Information technology	3,434,988	3,000,058
Internal Audit	200,000	-
<b>Other Related Parties</b>		
Managerial remuneration & Bonus	-	500,000
<b>Staff retirement benefits funds</b>		
Contribution to the staff provident fund	2,294,540	2,322,051
Contribution to the staff gratuity fund	1,408,929	422,169
<b>Key management personnel</b>		
Mark-up / income earned	6,226,708	3,526,530
Loans disbursed during the period	12,653,466	34,238,145
Loans recovered during the period	17,605,056	10,201,156
Lease rental received	2,603,702	716,613
Leases disbursed	5,287,908	5,673,064
Salaries and benefits	44,108,156	41,801,885
Post Retirement benefits	1,862,378	1,825,230
Remuneration to non-executive directors	640,000	335,000

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

### 35. FINANCIAL INSTRUMENTS

The Company has exposures to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The Board of Directors have overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

#### 35.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation. The risk is generally limited to principal amounts and accrued interest thereon, if any. The Company's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the NBFC rules and regulations. The carrying amount of financial assets represents the maximum credit exposure at the reporting date.

	2014 ----- (Rupees) -----	2013 -----
<b>Financial Assets</b>		
Bank balances (unsecured)	104,917	41,331
Accrued mark-up / return (unsecured)	20,456,482	3,403,409
Other receivables (unsecured)	2,423,686	115,488
Factoring finance (unsecured)	-	7,426,875
Net investment in finance leases (net of security deposits held) (secured)	3,871,002,094	3,829,482,581
Long term security deposits (unsecured)	112,500	112,500
Long term loans (secured and unsecured)	61,457,167	71,384,471
	<u>3,955,556,846</u>	<u>3,911,966,655</u>

#### 35.1.1 Description of collateral held

The Company's leases are secured against assets leased out. For details of collateral relating to long term loan refer note 12.

#### 35.1.2 Aging Analysis of Net Investment in Finance Lease (net of security deposits held)

<u>Past due</u>	2014			
	Carrying amount	Amount on which no impairment recognised	Amount on which impairment recognised	Impairment recognised
	----- (Rupees) -----			
0 days*	3,539,674,653	3,539,674,653	-	-
1-89 days*	306,301,587	306,301,587	-	-
90 days-1 year	833,920	-	833,920	833,920
1 year- 2 years	25,478,946	21,995,473	3,483,473	1,581,599
2 years- 3 years	4,711,261	1,128,507	3,582,754	3,582,754
More than 3 years	30,789,510	-	30,789,510	30,789,510
Total	<u>3,907,789,877</u>	<u>3,869,100,220</u>	<u>38,689,657</u>	<u>36,787,783</u>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2014

<b>Past due</b>	2013			
	Carrying amount	Amount on which no impairment recognised	Amount on which impairment recognised	Impairment recognised
	(Rupees)			
0 days*	3,556,108,946	3,556,108,946	-	-
1-89 days*	239,106,075	239,106,075	-	-
90 days-1 year	5,083,327	-	5,083,327	1,746,661
1 year- 2 years	41,404,572	1,128,507	40,276,065	10,473,678
2 years- 3 years	2,733,886	-	2,733,886	2,733,886
More than 3 years	44,060,315	-	44,060,315	44,060,315
<b>Total</b>	<b><u>3,888,497,121</u></b>	<b><u>3,796,343,528</u></b>	<b><u>92,153,593</u></b>	<b><u>59,014,540</u></b>

Impairment is recognised by the Company in accordance with Schedule XI of NBFC Regulations, 2008 and subjective evaluation of investment portfolio carried out on an ongoing basis.

\* These have not been impaired as these do not meet the criteria for provisioning requirements under the NBFC regulations.

The FSV benefit of collaterals has been considered in calculating the provision against non performing exposure.

The credit quality of the Company's bank balances can be assessed with reference to external credit ratings as follows:

	Rating		Rating Agency	2014	2013
	Short term	Long term		(Rupees )	
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	<b><u>224,484,144</u></b>	<b><u>279,961,723</u></b>
Allied Bank Limited	A1+	AA+	PACRA	<b><u>600,000,000</u></b>	<b><u>250,000,000</u></b>



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2014

**35.1.3 Concentration of credit risk**

The Company manages credit risk and its concentration exposure through diversification of activities to avoid undue concentration of risks. For this purpose, the Company has established exposure limits for industrial sectors.

Details of the sector analysis of lease portfolio (net of security deposits held) are as follows:

Sectors	2014		2013	
	(Rupees)	%	(Rupees)	%
Chemicals and allied	26,788,794	0.69	25,503,225	0.66
Construction and building products	14,857,065	0.38	23,315,155	0.60
Dairy and beverages	281,169,254	7.20	207,188,138	5.33
Electric and electric goods	11,929,372	0.31	218,583,840	5.62
Printing and publication	121,700,605	3.11	152,961,358	3.93
Engineering and metals	203,349,315	5.20	94,312,335	2.43
Plastic	326,430,583	8.34	437,054,392	11.24
Food and confectionery	289,847,636	7.42	402,262,606	10.34
Glass and ceramics	100,567,261	2.57	73,540,820	1.89
Information technology	16,420,425	0.42	-	-
Media and advertising	9,697,090	0.25	-	-
Miscellaneous manufacturing	164,781,210	4.22	130,749,410	3.36
Miscellaneous services	73,625,797	1.88	77,769,942	2.00
Distributors and Logistic	391,784,915	10.03	178,584,379	4.59
Natural or industrial gas and Liquefied Petroleum Gas	14,675,715	0.38	-	-
Petroleum and Oilfield	13,493,825	0.35	60,792,830	1.56
Pharmaceuticals	253,342,868	6.48	174,911,060	4.50
Sugar and allied	210,100,910	5.38	268,202,558	6.90
Transport / Travel and tourism	105,150,706	2.69	85,457,648	2.20
Textile	479,834,151	12.28	382,155,469	9.83
Financial institutions	-	-	5,556,933	0.14
Fertilizer	152,107,771	3.89	236,833,888	6.09
Others	646,134,609	16.53	652,761,135	16.79
	<b>3,907,789,877</b>	<b>100.00</b>	<b>3,888,497,121</b>	<b>100.00</b>

	Note	2014 ----- (Rupees) -----	2013
Net investment in finance leases	11	4,992,760,788	4,962,688,467
Less: Security deposits held	21	(1,084,970,911)	(1,074,191,346)
		<b>3,907,789,877</b>	<b>3,888,497,121</b>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2014

**35.2 Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty 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 they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Previously, the Company had issued certificate of investments (COIs) with maturity of up to 1 year, whereas, in the current year it has also issued COIs with maturity of 2 to 3 years. The following are the contractual maturities of financial liabilities, including interest payments:

	2014						
	Carrying Amount	Contractual cash flows	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years
<b>Financial liabilities</b>	------(Rupees)-----						
Accrued and other liabilities	58,693,286	58,693,286	58,693,286	-	-	-	-
Long term deposits	1,084,970,911	1,084,970,911	22,512,592	40,351,518	181,871,885	840,234,916	-
Certificates of investment and mark-up payable thereon	2,417,842,473	2,807,985,211	166,948,398	227,911,841	387,511,722	2,025,613,250	-
Short-term borrowings and mark up payable	228,953,102	228,953,102	228,953,102	-	-	-	-
Long -term borrowings and mark up payable	607,590,171	724,685,578	-	-	267,499,510	457,186,068	-
	<b>4,398,049,943</b>	<b>4,905,288,088</b>	<b>477,107,378</b>	<b>268,263,359</b>	<b>836,883,117</b>	<b>3,323,034,234</b>	<b>-</b>
	2013						
	Carrying Amount	Contractual cash flows	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years
<b>Financial liabilities</b>	------(Rupees)-----						
Accrued and other liabilities	49,849,502	49,849,502	49,849,502	-	-	-	-
Long term deposits	1,074,191,346	1,074,191,346	37,455,770	19,152,638	208,434,964	809,147,974	-
Certificates of investment and mark-up payable thereon	2,727,187,893	2,841,119,319	100,921,654	710,185,343	2,014,058,056	15,954,266	-
Short-term borrowings and mark up payable	285,325,578	285,325,578	285,325,578	-	-	-	-
Long -term borrowings and mark up payable	252,127,534	281,346,815	-	-	146,944,486	134,402,329	-
	<b>4,388,681,853</b>	<b>4,531,832,560</b>	<b>473,552,504</b>	<b>729,337,981</b>	<b>2,369,437,506</b>	<b>959,504,569</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

**35.2.1** The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at year end (and includes both principal and interest payable thereon). The rates of mark-up have been disclosed in notes 18, 19 and 22 to these financial statements.

### 35.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments. Previously, the Company had issued certificate of investments (COIs) with maturity of up to 1 year, however, in the current year it has also issued COIs with maturity of 2 to 3 years.

#### 35.3.1 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market yield. The Company has adopted appropriate policies to minimise its exposure to this risk. At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments and the periods in which they mature is as follows:

	Carrying Amount	
	2014	2013
	----- (Rupees) -----	
<b>Fixed Rate Instruments:</b>		
Financial Assets	417,313,496	521,204,121
Financial Liabilities	(2,387,597,464)	(2,663,650,582)
	<u>(1,970,283,968)</u>	<u>(2,142,446,461)</u>
<b>Variable Rate Instruments:</b>		
Financial Assets	5,017,430,172	4,871,205,031
Financial Liabilities	(824,484,144)	(529,961,723)
	<u>4,192,946,028</u>	<u>4,341,243,308</u>

	Effective yield	Carrying Amount	2014				Not exposed to interest rate risk
			Exposed to interest rate risk				
			Upto 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	
		----- (Rupees) -----					
<b>Financial assets</b>							
Bank balances	-	104,917	-	-	-	-	104,917
Accrued mark-up / return on long term investments	-	20,456,482	-	-	-	-	20,456,482
Advances and other receivables	-	2,423,686	-	-	-	-	2,423,686
Short term investments	-	-	-	-	-	-	-
Factoring finance	-	-	-	-	-	-	-
Long term investments	11.25%-12.00%	417,313,496	-	-	358,905,908	58,407,588	-
Net investment in finance leases	10.60%-18.25%	4,955,973,005	529,761,190	1,359,615,837	3,066,595,978	-	-
Long term loans	12.42%-13.04%	61,457,167	6,558,723	4,706,149	18,483,564	31,708,731	-
		<u>5,457,728,753</u>	<u>536,319,913</u>	<u>1,364,321,986</u>	<u>3,443,985,450</u>	<u>90,116,319</u>	<u>22,985,085</u>
<b>Financial liabilities</b>							
Accrued mark-up / return	-	42,304,138	-	-	-	-	42,304,138
Accrued and other liabilities	-	58,693,286	-	-	-	-	58,693,286
Short term borrowings	9.84%-10.82%	224,484,144	224,484,144	-	-	-	-
Long term deposits	-	1,084,970,911	-	-	-	-	1,084,970,911
Certificates of investments	6.00%-12.00%	2,387,597,464	304,193,592	439,293,838	1,644,110,034	-	-
Long - term borrowings	10.02%- 10.93%	600,000,000	-	204,166,667	395,833,333	-	-
		<u>4,398,049,943</u>	<u>528,677,736</u>	<u>643,460,505</u>	<u>2,039,943,367</u>	<u>-</u>	<u>1,185,968,335</u>
<b>On balance sheet gap - 2014</b>		<u>1,059,678,810</u>	<u>7,642,177</u>	<u>720,861,481</u>	<u>1,404,042,083</u>	<u>90,116,319</u>	<u>(1,162,983,250)</u>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2014

	Effective yield	Carrying Amount	2013				Not exposed to interest rate risk
			Exposed to interest rate risk				
			Upto 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	
------(Rupees)-----							
<b>Financial assets</b>							
Bank balances	-	41,331	-	-	-	-	41,331
Accrued mark-up / return on long term investments	-	3,403,409	-	-	-	-	3,403,409
Advances and other receivables	-	115,488	-	-	-	-	115,488
Short term investments	9.15%-11.35%	301,347,062	65,483,761	235,863,301	-	-	-
Factoring finance	12.34%-12.57%	7,426,875	7,426,875	-	-	-	-
Long term investments	8.00%-12.00%	112,576,875	-	54,370,822	-	58,206,053	-
Net investment in finance leases	10.00%-19.64%	4,903,673,927	500,677,046	1,352,505,323	3,050,491,558	-	-
Long term loans	11.97%-15.37%	71,384,471	877,335	2,798,739	14,442,181	49,266,158	4,000,058
		5,399,969,438	574,465,017	1,645,538,185	3,064,933,739	107,472,211	7,560,286
<b>Financial liabilities</b>							
Accrued mark-up / return	-	71,028,700	-	-	-	-	71,028,700
Accrued and other liabilities	-	49,849,502	-	-	-	-	49,849,502
Short term borrowings	9.91%-12.72%	279,961,723	279,961,723	-	-	-	-
Long term deposits	-	1,074,191,346	-	-	-	-	1,074,191,346
Certificates of investments	6.25%-13.60%	2,663,650,582	753,113,645	1,897,336,937	13,200,000	-	-
Long - term borrowings	10.20%	250,000,000	-	125,000,000	125,000,000	-	-
		4,388,681,853	1,033,075,368	2,022,336,937	138,200,000	-	1,195,069,548
On balance sheet gap - 2013		1,011,287,585	(458,610,351)	(376,798,752)	2,926,733,739	107,472,211	(1,187,509,262)

**Fair Value sensitivity for fixed rate instruments**

The company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

**Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit for the year by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit and loss 100 basis points	
	Increase	Decrease
	----- (Rupees) -----	
<b>As at 30 June 2014</b>		
Cash flow sensitivity - Variable rate instruments	<u>41,929,460</u>	<u>(41,929,460)</u>
<b>As at 30 June 2013</b>		
Cash flow sensitivity - Variable rate instruments	<u>43,412,433</u>	<u>(43,412,433)</u>

**35.4 Fair value of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measurement rate. The carrying values of the financial assets and financial liabilities approximate their fair values except for long term loans to employees, investments held-to-maturity, leases at fixed rate of return and long term COIs. The fair values of long term loans to employees, leases at fixed rate of return and long term COIs cannot be reasonably estimated due to absence of market for such loans. The fair value of held-to-maturity investments is disclosed in the Note 10.

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Currently, there are no financial instruments that require disclosure of fair value hierarchy at the end of the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

### 35.5 Operational Risks

Operational risk is the risk of direct or indirect loss being incurred due to an event or action arising from the failure of technology, processes, infrastructure, personnel and other risks having an operational risk impact. The Country Operational Risk Committee ("CORC") has been established to ensure that an appropriate risk management framework is in place at a grass root level, and to report, monitor and manage operational, social, ethical and environmental risk. The CORC is chaired by the CEO and Head of Compliance is an active member of this forum.

All business units within the Company monitor their operational risks using set standards and indicators. Significant issues and exceptions are reported to CORC.

Disaster recovery procedures, business contingency planning, self-compliance audits and internal audits also form an integral part of the operational risk management process.

### 35.6 Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to its shareholders or issue new shares. The Company is in compliance with the capital requirements of NBFC Regulations, 2008.

### 36. NUMBER OF EMPLOYEES

The total number of employees as at year end were 36 ( 2013: 42 ) and average number of employees were 40 (2013: 39).

### 37. DEFINED CONTRIBUTION PLAN

The Company has set up provident fund for its permanent employees and the contributions were made by the Company to the Trust in accordance with the requirement of Section 227 of the Companies Ordinance, 1984. The total charge against provident fund for the year ended 30 June 2014 was Rs. 2.29 million (2013: Rs. 2.32 million). The audit of the provident fund for the year ended 30 June 2014 is in progress. The net assets based on audited financial statements of Provident Fund as at 30 June 2013 was Rs. 10.99 million out of which 81% was invested in different financial instruments categories as provided in Section 227 of the Companies Ordinance, 1984 and rules formulated for the purpose. Currently all assets of the fund are valued at amortised cost. The cost and fair value of investments amounts to Rs. 8.89 million. The above investments out of provident fund have been made in accordance with the requirement of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

### 38. GENERAL

38.1 Comparative figures have been re-arranged and re-classified, wherever necessary, for comparison purposes.

### 38.2 Date Of Authorisation

These financial statements were authorised for issue by the Board of Directors on 24 September 2014.

  
Chairman

  
Chief Executive

## Pattern of Shareholding

AS ON 30-06-2014

Number of Shareholders	Shareholding		Number of Share Held	% of Capital
	From	To		
515	1	100	23,105	0.02
1149	101	500	304,716	0.31
573	501	1000	444,410	0.45
615	1001	5000	1,195,401	1.22
87	5001	10000	645,810	0.66
32	10001	15000	397,137	0.41
16	15001	20000	286,750	0.29
21	20001	25000	487,540	0.50
5	25001	30000	139,132	0.14
1	30001	35000	30,208	0.03
4	35001	40000	153,390	0.16
4	40001	45000	167,291	0.17
6	45001	50000	281,357	0.29
3	50001	55000	158,101	0.16
1	55001	60000	58,500	0.06
2	60001	65000	124,586	0.13
1	65001	70000	70,000	0.07
3	70001	75000	211,755	0.22
1	75001	80000	80,000	0.08
1	85001	90000	85,769	0.09
1	90001	95000	92,000	0.09
3	95001	100000	292,207	0.30
1	100001	105000	102,094	0.10
3	115001	120000	351,165	0.36
1	140001	145000	145,000	0.15
1	180001	185000	180,018	0.18
1	215001	220000	217,077	0.22
1	270001	275000	271,123	0.28
2	310001	315000	627,500	0.64
1	365001	370000	367,882	0.38
1	370001	375000	374,641	0.38
2	390001	395000	788,995	0.81
2	445001	450000	894,317	0.91
1	505001	510000	508,345	0.52
1	520001	525000	521,382	0.53
1	715001	720000	717,500	0.73
1	1455001	1460000	1,460,000	1.49
1	84575001	84580000	84,579,276	86.45
<b>3,065</b>	<b>&lt;-----TOTAL-----&gt;</b>		<b>97,835,480</b>	<b>100.00</b>

## Categories of Shareholders

AS ON JUNE 30, 2014

Sr.	Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
A)	Associated Companies, Undertakings and related parties			
	Standard Chartered Bank Pakistan Ltd.	1	84,579,276	86.45
B)	Mutual Funds	2	6,719	0.01
C)	Directors/Chief Executive Officer and their Spouse and minor children	7	16,590	0.02
D)	Executives	-	-	0.00
E)	Public Sector Companies & Corporations	-	-	0.00
F)	Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	10	227,138	0.23
G)	Shareholding 5% or More (including in above category)			
	Standard Chartered Bank Pakistan Ltd.	1*	84,579,276*	86.45*
H)	Others	36	1,562,963	1.60
I)	General Public	3,009	11,442,794	11.70
	<b>TOTAL : -</b>	<b>3,065</b>	<b>97,835,480</b>	<b>100.00</b>

Sr.	DETAIL CATEGORIES OF SHAREHOLDERS	Number of Shares Held	Percentage
A)	<b>Associated Companies, Undertakings and related parties</b>		
	1 STANDARD CHARTERED BANK (PAKISTAN) LIMITED	84,579,276	86.45
	<b>TOTAL</b>	<b>84,579,276</b>	<b>86.45</b>
B)	<b>Mutual Funds</b>		
	1 TRI. STAR MUTUAL FUND LTD.	6,545	0.01
	2 GROWTH MUTUAL FUND LIMITED	174	0.00
	<b>TOTAL</b>	<b>6,719</b>	<b>0.01</b>
C)	<b>Directors/Chief Executive Officer and their spouse and minor Children</b>		
	1 MR. NAJAM SIDDIQI	2,370	0.00
	2 MR. ARJUMAND AHMED MINAI	2,370	0.00
	3 MR. KHALID MOHAMED WAGIH IBRAHIM ELGIBALI	2,370	0.00
	4 SYED NASEER UL HASAN	2,370	0.00
	5 MR. NAJAM I. CHAUDHRI	2,370	0.00
	6 MR. KHURRAM SHAHZAD KHAN	2,370	0.00
	7 MR. MOIN MOHAJIR	2,370	0.00
	<b>TOTAL</b>	<b>16,590</b>	<b>0.02</b>
D)	<b>Executives</b>	-	<b>0.00</b>
E)	<b>Public Sectors Companies &amp; Corporations</b>	-	<b>0.00</b>
F)	<b>Banks, Development Finance Institutions &amp; Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds</b>		
	1 IDBP (ICP UNIT)	2,500	0.00
	2 AL-FAYSAL INVESTMENT BANK LTD.	1,325	0.00
	3 FIDELITY INVESTMENT BANK LTD.	1,265	0.00
	4 ATLAS INVESTMENT BANK LTD.	200	0.00
	5 ISLAMIC INVESTMENT BANK LTD.	929	0.00
	6 NATIONAL DEVELOPMENT FINANCE CORPORATION	2,500	0.00
	7 NATIONAL BANK OF PAKISTAN	435	0.00
	8 IDBL (ICP UNIT)	407	0.00
	9 STATE LIFE INSURANCE CORP. OF PAKISTAN	217,077	0.22
	10 THE PAKISTAN GENERAL INSURANCE COMPANY LIMITED	500	0.00
	<b>TOTAL</b>	<b>227,138</b>	<b>0.23</b>
G)	*Shareholding 5% or more		
	1 STANDARD CHARTERED BANK (PAKISTAN) LIMITED	84,579,276	86.45
	<b>TOTAL</b>	<b>84,579,276</b>	<b>86.45</b>
H)	<b>Others</b>	<b>1,562,963</b>	<b>1.60</b>
I)	<b>General Public</b>	<b>11,442,794</b>	<b>11.70</b>
	<b>Grand Total:</b>	<b>97,835,480</b>	<b>100.00</b>

\* Shareholders having 5% or above shares exist in other categories therefore not included in total.

This page has been left blank intentionally



# Form of Proxy

I/We \_\_\_\_\_

of \_\_\_\_\_

being member(s) of Standard Chartered Leasing Limited holding \_\_\_\_\_

ordinary shares hereby appoint \_\_\_\_\_

of \_\_\_\_\_ or failing him/her \_\_\_\_\_

of \_\_\_\_\_ who is/are also member(s) of Standard Chartered Leasing Limited

as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 21<sup>st</sup> Annual General Meeting of the

company to be held on October 24, 2014, at the Institute of Chartered Accountants of Pakistan, Karachi.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014

in the presence of \_\_\_\_\_

Folio No.

Signature  
on Rs. 5/-  
Revenue Stamp

**WITNESSES:**

1. Signature:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC No: \_\_\_\_\_

Passport No: \_\_\_\_\_

2. Signature:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC No: \_\_\_\_\_

Passport No: \_\_\_\_\_

**Note:**

1. The Proxy Form should be deposited in the registered office of the Company, as soon as possible but not later than 48 hours before the time of holding the meeting, failing which; Proxy Form will not be treated as valid.
2. No person shall act as proxy unless he/she is a member of the Company.



**She used to have a difficult time seeing the finish line.  
But with your help, she's now always the first to cross it.**

Make a donation to Standard Chartered's 'Seeing is Believing' programme and we will match your contribution with a donation of our own\*. Join LRBT and us as we set out to eliminate preventable blindness from Pakistan.

How to Donate?

- 1 Through Reward Points**  
Donate your Credit Card Rewards Points today by calling **111-002-002**
- 2 Through Credit Cards**  
You can donate through your Standard Chartered Credit Cards by calling our Phone Banking **111-002-002**
- 3 Deposit in LRBT Account No. 01-2095467-01** in any of the Standard Chartered Bank branches\*\*

[sc.com/pk](http://sc.com/pk)

manhattan

Seeing  
is Believing



Join us on  
[facebook.com/standardcharteredpk](https://facebook.com/standardcharteredpk)

Standard Chartered Bank (Pakistan) Limited

Standard  
Chartered



\*The Bank will match any amount that you contribute up to PKR 30 million.  
\*\*Standard Chartered Bank will not be collecting any funds. All donations will go directly to LRBT account.