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Security Leasing
Corporation Limited

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Security Leasing
Corporation Limited



Mission

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

SLCL intends to achieve its mission by:

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



Vision

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

Business Strategy

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

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

1. Enhancing value for its shareholders and lenders

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

2. Providing efficient and professional services to its customers

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

3. Developing an efficient and professionally trained human resource

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

4. Following Shariah injunctions for financing activities

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



Company Information

BOARD OF DIRECTORS

Mr. M R Khan	Chairman
Mr. S M Nadim Shafiqullah	Vice Chairman
Mr. Syed Nauman Akhtar	Chief Executive Officer
Mr. Mohammed Khalid Ali	
Mr. Azim Azfar	
Mr. Shafiq-ur-Rehman	
Mr. Abdul Ghafoor	
Mr. Naeem Shafi	

AUDIT COMMITTEE

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

EXECUTIVE COMMITTEE

Mr. M R Khan	Chairman
Mr. S M Nadim Shafiqullah	Member
Mr. Syed Nauman Akhtar	Member
Mr. Naeem Shafi	Member

HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Abdul Ghafoor	Chairman
Mr. Syed Nauman Akhtar	Member
Mr. Shafiq-ur-Rehman	Member

COMPANY SECRETARY

Farah Azeem

EXTERNAL AUDITORS

Avais Hyder Liaquat Nauman
Chartered Accountants

INTERNAL AUDITORS

Anjum Asim Shahid Rahman & Company,
Chartered Accountants

LEGAL ADVISORS

Ali Raza Habb & Co.
Advocates, Solicitors & Legal Advisor

TAX CONSULTANTS

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Company Information

REGISTERED & HEAD OFFICE

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

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

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

BRANCH

Lahore - North Region

D-802, 8th Floor, City Towers,

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

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

SHARE REGISTRAR

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

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

I.I. Chundrigar Road, Karachi-74000.

Tel: 92-21-35478192-93 / 32271906

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



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Second Annual General Meeting of the members of Security Leasing Corporation Limited will be held on Thursday, 26th November, 2015 at 11:00 a.m. at the registered office of the Company situated at Block B, 5th Floor, Lakson Square Building No.3, Sarwar Shaheed Road, Karachi 74200, to transact the following business:

Ordinary Business:

1. To confirm the minutes of the Annual General Meeting of the Company held on November 28, 2014.
2. To receive, consider and adopt the audited accounts for the year ended June 30, 2015 and the reports of the Directors and the auditors thereon.
3. To appoint auditors and fix their remuneration for the year ending June 30, 2016.
4. To transact any other business with the permission of the Chair.

By order of the Board
Farah Azeem
Company Secretary

Karachi: November 05, 2015

Notes:

1. The Share Transfer Books of the Company shall remain closed from November 19, 2015 to November 26, 2015 (both days inclusive). Transfers received in order at the office of our Shares Registrar M/s F.D. Registrar Services (SMC-Pvt.) Ltd., Office # 1705, 17th Floor, Saima Trade Tower, I. I. Chundrigar Road, Karachi - 74000, by the close of the business on November 18, 2015 will be treated in time for the purpose of attending the meeting.
2. A Member entitled to be present and vote at the meeting may appoint another Member as proxy to attend, speak and vote instead of him.
3. The instrument appointing a proxy, duly stamped and signed, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of the power of attorney or authority must be deposited Registered Office of the Company, B-501, 5th Floor, Lakson Square # 3, Sarwar Shaheed Road, Karachi not later than 48 hours before the time of the meeting. A form of proxy is enclosed.
4. Shareholders are requested to notify any change of address immediately to the Share Registrars M/s F.D. Registrar Services (SMC-Pvt.) Ltd., Office # 1705, 17th Floor, Saima Trade Tower, I. I. Chundrigar Road, Karachi - 74000.

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

A. For attending the meeting:

- (i) In case of individuals, the account holders or sub-account holders and / or the persons whose shares are in group accounts and their registration details are uploaded as per CDC Regulations shall authenticate their identity by showing their original Computerized National Identity Cards (CNICs) or original passports at the time of attending the meeting.
- (ii) In case of corporate entities, the Board of Directors' resolution / power of attorney with specimen signature of the nominees shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies:

- (i) In case of individuals, the account holders or sub-account holders and / or persons whose shares are in group accounts and their registration details are uploaded as per CDC Regulations, shall submit the proxy forms accordingly.
- (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- (iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy forms.
- (iv) The proxy shall produce their original CNIC or original passport at the time of the meeting.
- (v) In case of corporate entities, the Board of Directors resolution / power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted (unless it has been provided earlier) along with proxy form to the Company.



REPORT OF THE DIRECTORS

OVERVIEW OF THE ECONOMY

During the year under review there were some positive developments in country's economy. Inflation registered substantial decline which led to sizable downward adjustment of the policy rate of the State Bank of Pakistan. Stock Market remained buoyant and country's foreign exchange reserves registered considerable increase. On the flip side the country's unemployment data did not depict much improvement. The fiscal deficit also continued to be high. Due to heavy borrowings by the government to fund its growing needs the country's debt level registered sharp increase. The picture of inflow of foreign investment has also not been very bright. A firm government program to address the serious problems caused by public sector enterprises like Pakistan Steel Mills, PIA, Railways, and Power Sector companies etc whose annual losses are reportedly over Rs.500 billion and which have been hemorrhaging the country's economy year after year, is also awaited. Notwithstanding this there was air of great optimism that the implementation of China Pakistan Economic Corridor Project would trigger huge benefits to country's economy.

COMPANY'S OVERVIEW

The Company's management underwent a change in April 2015 and since then efforts have been intensified to reduce drastically its administrative costs. As a result an economy of over 48% has been effected so far. On the income side because of continual maturing of company's leases there had been decline in company's income which is being made up by additional recoveries from company's toxic leases. During the year under review due to a number of reasons it had not been possible for the company to reach settlement with the creditors. However since April 2015 fresh discussions have been underway with them to arrive at a settlement on a mutually satisfactory basis.

In respect of auditor's note to qualify company's accounts for 2014-15 the Board has had extensive discussions with them. While it recognized that the company's previous management had not been able to meet the understanding given to them in the past about reaching settlement with them, the Board emphasized that since April 2015 the position has undergone a significant change. It has since assumed direct responsibility for monitoring the progress and taking suitable measures in this regard. It has examined the position in depth since the beginning and has found that the basis of offer for settlement made to the creditors by the previous management was unrealistic as the documents of company's property offered to them as quid pro quo were not there which had been incorrectly handed over to the Bank of Khyber, and the latter had not returned them so far. According to Board's assessment the creditors have now been offered the maximum that the company can possibly afford to reach settlement with them and realistically speaking there is no other option in this regard. The creditors are aware that in a worst case scenario they would hardly get anything. Currently the company's management under instructions of the Board is in discussion with the creditors about company's new offer of settlement with them and the Board is very optimistic that the settlement will be reached in the coming future. In these circumstances the Board has come to the conclusion that the passing of adjusting entries in respect of 'unwinding of liabilities under IAS-39' should await the outcome of company's current negotiations with the creditors.

FINANCIAL RESULTS OF THE COMPANY:

The financial results of the Company for the year ended June 30, 2015 are summarized below:

	2015 Rupees	2014 Rupees
Loss after tax	(28,521,421)	(134,926,991)
Earnings per share - Basic & diluted	(0.79)	(3.72)
Appropriations: Transfer to statutory reserves	-	-

SHARE CAPITAL & LICENSING

The Securities & Exchange Commission of Pakistan (SECP) is in the final stage of streamlining its non-bank financial sector reforms which hopefully would result in reduction of minimum capital requirement of non-deposit leasing companies to Rs.50 million. This should greatly help the Security Leasing Corporation Limited also. The major shareholders of the company have been in active negotiations with some new investors who have shown interest in injecting new equity into the company. They are, however, awaiting the settlement between the creditors and the company which, when in place, will facilitate greatly the induction of new capital into the company.

CORPORATE SOCIAL RESPONSIBILITY

Over the year Security Leasing Corporation Limited has taken pride in demonstrating its corporate social responsibility by participating directly and indirectly in various social causes. It looks forward to contributing its mite in the coming future.

BUSINESS ETHICS

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

DIRECTORS' DECLARATION

The Directors have implemented the revised Code of Corporate Governance as laid down under Regulations of the Karachi and Lahore Stock Exchanges. In this regard, the Directors are pleased to:

- The financial statements prepared by the management presents fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards as applicable in Pakistan have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.

- Reasons for significant deviations in the Company's operating results during the year ended June 30, 2015 have been explained in the Directors' Report.
- Key operating and financial data for the last six years in summarized form is given as annexure to this report.
- No trading in shares of the Company was carried out in the shares by the Directors, Executives and their spouses and minor children during the year.
- During the year five meetings of the Board of Directors and four meetings of the Audit Committee were held. The details of attendance by each members of the Board are as follows:

Board of Directors' Meetings

Name of Directors	Meetings attended	Name of Directors	Meetings attended
Mr. M. R. Khan	4	Mr. Abdul Ghafoor	5
Mr. S. M. Nadim Shafiqullah	2	Mr. Shafiq-ur-Rehman	4
Mr. Mohammed Khalid Ali	5	Mr. Azim Azfar	1
Mr. Naeem Shafi	5		

Audit Committee Meetings

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

PATTERN OF SHAREHOLDING

The pattern of shareholding as at June 30, 2015 is attached as annexure to this report.

ACKNOWLEDGEMENT

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

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

For and on behalf of the Board of Directors



Syed Nauman Akhtar
Chief Executive Officer

November 5, 2015

Code of Conduct

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

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

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

The Salient features of the Code are explained below:

1. Conflict of Interest

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

2. Protection of the Proprietary information

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

3. Honesty, integrity and ethical standards

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

4. Political contribution

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

5. Bribes

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



Code of Conduct

6. Compliance with laws and regulations

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

7. Charity and voluntary work

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

8. Communication and disclosure

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

9. Family connections and employment of relatives

Any dealing with any customer or third party or organization where the employee has a direct or indirect or family connection must be promptly disclosed to the Company.

10. General Discipline

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

Six Years Financial Summary

	2015 Rs '000	2014 Rs '000	2013 Rs '000	2012 Rs '000	2011 Rs '000	2010 Rs '000
BALANCE SHEET						
Ordinary share capital outstanding	363,000	363,000	363,000	363,000	363,000	363,000
Preference share capital outstanding	75,028	75,028	75,028	75,028	75,028	75,028
Shareholders' Fund	438,028	438,028	438,028	438,028	438,028	438,028
Reserves	-334,984	-313,123	-184,638	-59,933	-176,145	(384,454)
Unrealised loss on Investment	-	-	-	-	-170	(19,125)
Networth	103,044	124,905	253,390	378,095	261,883	80,768
Surplus on revaluation of Fixed Assets	33,465	37,436	41,129	44,193	48,376	21,319
Certificates of Investment	-	-	-	-	-	-
Borrowings from Financial & Other Institutions	466,393	494,973	488,384	517,988	986,549	1,749,185
Lease/Musharika disbursements	10,000	58,261	110,383	85,959	265,184	293,586
Net Investment in Leases	380,414	383,150	654,527	898,560	1,249,425	1,868,785
Long Term Finances	-	450	470	27,808	31,338	22,070
Fixed Assets	93,423	114,967	125,857	136,847	145,434	161,314
Total Current Assets	357,185	514,778	561,933	706,495	1,097,058	1,635,193
Total Assets	863,642	918,949	1,168,004	1,452,398	1,934,087	2,749,705
Total Current Liabilities	425,126	708,464	350,283	425,202	700,660	1,236,035
Total Liabilities	727,132	756,609	873,485	1,030,110	1,598,998	2,668,937
Total Assets to Networth (times)	8.38	7.36	4.61	3.84	7.39	34.04
PROFIT & LOSS						
Total Income	17,550	36,060	50,066	93,176	117,239	130,115
Net Of Gain on De-recognition and unwinding of Financial Liabilities	-	-69,786	-72,979	166,598	258,241	
Financial & Other Charges	4,584	3,378	352	65	45,808	286,545
Admin & Operating Expenses	79,895	78,600	77,194	83,379	86,112	93,118
Provisions & Other Charges	-19,863	17,895	20,395	60,438	26,829	37,737
Total Expenses	64,616	99,873	97,358	143,826	158,124	417,401
(Loss)/Profit Before Tax	-47,066	-133,599	-120,854	115,894	216,731	(287,286)
(Loss)/Profit After Tax	-28,521	-134,927	-128,888	112,029	205,845	(273,954)
Break-up Value (PKR)	3.12	3.71	6.72	9.64	7.08	1.84
Price per share	2.9	3.98	3.11	2	2	2.84
KEY RATIOS						
Earning per share - PKR - less preferred dividend	(0.79)	(3.72)	(3.63)	3.09	5.67	(7.55)
Revenue per share - PKR -	0.40	0.82	1.14	2.13	2.68	2.97
Profit before Unwinding of Financial Liabilities, provisions and tax ratio	-381.36%	-127.34%	-54.89%	10.45%	-12.52%	-191.79%
Profit before Tax ratio	-268.18%	-370.49%	-241.39%	124.38%	184.86%	-220.79%
Price Earning ratio (times)	-3.67	-1.07	-0.86	0.65	0.35	-0.38
Return on Capital employed market value per share	-22.45%	-77.40%	-94.61%	127.88%	234.97%	-220.22%
Income/ Expense ratio (times)	0.27	0.36	0.51	0.65	0.74	0.31
Current ratio (times)	0.84	0.73	1.60	1.66	1.57	1.32
Long term Debt equity ratio (times)	2.93	0.39	2.06	1.60	3.43	19.13
Return on average equity	-25.02%	-71.33%	-40.82%	35.01%	120.15%	-171.35%
Return on average assets	-3.20%	-12.93%	-9.84%	6.62%	8.79%	-8.16%
Total assets turnover ratio (times)	49.21	25.48	23.33	15.59	16.50	21.13

Statement of Value Added

	2015 Rupees	2014 Rupees
Revenues from leasing operations	9,185,657	26,910,982
Other income	8,364,226	9,148,837
Gain on de-recognition of financial liabilities	-	-
Unwinding of financial liability	-	-69,786,028
	<u>17,549,883</u>	<u>-33,726,209</u>
Direct cost of leases and others	-17,537,678	-37,500,634
Impairment on Investment	-	-
Value added	<u>12,205</u>	<u>(71,226,843)</u>
Distributed as follows		
To Employees		
As remuneration	49,877,846	43,703,432
To Government		
As income tax	428,000	1,327,959
To Provider of Finance		
Financial charges	4,583,695	3,377,672
To Depositors		
As profit on investments	-	-
To Shareholders		
Dividends	-	-
Retained in business		
As reserves and retained profits	-	-

Statement Of Compliance With Code Of Corporate Governance

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

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive Directors and Directors representing minority interests on its board of directors. At present the board includes:

Category	Name of Directors
Non Executive Directors	Mr. M. R. Khan Mr. S.M. Nadim Shafiqullah
Independent Directors	Mr. Shafiq ur Rahman Mr. Azim Azfar Mr. Abdul Ghafoor Mr. Naeem Shafi Mr. Mohammed Khalid Ali

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the Directors is a member of any of the Stock Exchanges.
4. During the year casual vacancy was created in the Board which was properly filled in.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO. New appointment of CEO has been made during the year.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a Director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified in clause (xi) of CCG, the Directors are exempted from the requirement of Directors' Training Program.

10. The existing CFO & Company Secretary continue to serve as per their terms of appointment as approved by the Board of Directors. The Company has designated one of its employees as Head of Internal Audit to act as coordinator between the firm providing internal audit services and the Audit Committee of the Board of Directors.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises of three (3) members, all of whom are non-executive directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of four (4) members, of whom three (3) are non-executive directors including the Chairman of the Committee.
18. The board has outsourced the Internal Audit function and M/s Anjum, Asim, Shahid, Rahman continue to work as Internal Auditor during the year, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and Stock Exchanges.
22. Material/price sensitive information has been disseminated among all the market participants at once through Stock Exchanges.
23. We confirm that all other material principles enshrined in the CCG have been complied with.



Syed Nauman Akhtar
Chief Executive Officer

November 5, 2015

PATTERN OF SHAREHOLDING OF ORDINARY SHARE CAPITAL

AS ON JUNE 30, 2015

Share holding		Number of Shareholders	Total Shares held	Percentage of Issued capital
From	To			
1	100	69	918	0.00
101	500	59	19,094	0.05
501	1,000	39	33,683	0.09
1,001	5,000	91	212,549	0.59
5,001	10,000	28	221,941	0.61
10,001	15,000	8	104,891	0.29
15,001	20,000	5	141,403	0.39
20,001	25,000	12	231,854	0.64
25,001	30,000	2	56,500	0.16
30,001	35,000	1	35,500	0.10
40,001	45,000	5	210,509	0.58
45,001	50,000	5	248,000	0.68
50,001	55,000	1	55,000	0.15
55,001	60,000	1	55,510	0.15
85,001	90,000	2	139,500	0.38
95,001	100,000	1	84,000	0.23
100,001	105,000	2	179,750	0.50
200,001	205,000	1	100,000	0.28
215,001	220,000	1	103,048	0.28
220,001	225,000	1	219,999	0.61
255,001	260,000	1	255,750	0.70
295,001	300,000	1	300,000	0.83
350,001	355,000	1	350,255	0.96
355,001	360,000	1	371,026	1.02
455,001	460,000	1	455,565	1.26
690,001	695,000	1	693,901	1.91
1,260,001	1,265,000	1	1,263,240	3.48
2,200,001	2,205,000	1	2,201,500	6.06
3,170,001	3,175,000	1	3,174,435	8.75
10,280,001	10,285,000	1	10,285,000	28.33
14,495,001	14,500,000	1	14,495,679	39.93
		345	36,300,000	100

Categories of Shareholders

	Number	Shares Held	Percentage
Directors, CEO their Spouse and Minor Children(Note 1)	6	16,804,675	46.29
Individuals	315	4,866,681	13.41
Investment Companies	3	536	0.00
Insurance Companies	1	455,565	1.26
Modarabas & Mutual Funds	2	372,814	1.03
Joint Stock Companies	12	3,252,102	8.96
Cooperative Societies	1	219,999	0.61
Financial Institutions	1	251	0.00
Charitable Trusts	1	74	0.00
Foreign Investors	1	10,285,000	28.33
Others	2	42,303	0.12
	345	36,300,000	100

Note 1 : Directors, CEO their Spouse and Minor Children

M.R. Khan - Chairman	350,255	0.96
S. M Nadim Shafiqullah - Vice Chairman	14,495,679	39.93
Mrs. Rehana Nadim Shafiqulla	1,263,240	3.48
Mohammed Khalid Ali	693,901	1.91
Naeem Shafi	600	0.00
Abdul Ghafoor	500	0.00
Shafiqur Rahman	500	0.00
	16,804,675	46.29

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

S.M. Nadim Shafiqullah - Vice Chairman	14,495,679	39.93
Merrill, Lynch, Pierce, Fenner, Smith, Inc. USA	10,285,000	28.33
First Pakistan Securities Limited	3,174,435	8.75
Azneem Bilwani	2,201,500	6.06
	30,156,614	83.08

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

PATTERN OF SHAREHOLDING OF PREFERENCE SHARE CAPITAL AS ON JUNE 30, 2015

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

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

Note 2 :

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



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

We have reviewed the enclosed statement of compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Security Leasing Corporation Limited for the year ended June 30, 2015 to comply with the requirements of listing regulations No. 35 of the Karachi Stock Exchange Limited and chapter XI of Lahore Stock Exchange Limited where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provision of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risk and controls or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

The Code requires the company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

THE POWER OF BEING UNDERSTOOD
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Following instances of non-compliance with the requirements of the Code were observed which are not stated in the Statement of Compliance:

- i. No mechanism has been put in place for an annual evaluation of the Board's own performance.
- ii. No recommendation by HR Committee has been made in connection with the evaluation to the position of Head of Finance & Accounts, Company Secretary, Compliance Officer and Head of Internal Audit.

Based on our review, except for the above instances of non-compliance, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2015.

Chartered Accountants
Engagement Partner: Adnan Zaman

Karachi.
Dated: November 05, 2015

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AUDITORS' REPORT TO THE MEMBERS OF SECURITY LEASING CORPORATION LIMITED

We have audited the annexed balance sheet of SECURITYLEASING CORPORATION LIMITED (the "Company") as at June 30, 2015 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 as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentations 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) As described in Note 1.2 to the financial statements, the financial statements have been prepared on going concern basis. The company has incurred a loss of Rs. 28.521 million (2014: Rs. 134.927 million). As at the balance sheet date, accumulated loss of the company was Rs. 516.850 million (2014: Rs. 494.99 million) as against the issued, subscribed and paid up capital of Rs. 438.027 million (2014: Rs. 438.027 million) and current liabilities of the company exceed its current assets by Rs. 67.941 million (2014: Rs. 193.686 million). The Company is, therefore, facing operational and financial problems. There is no sufficient appropriate audit evidence that the management's plans are feasible and ultimate outcome will improve the Company's current situation. In our opinion, the going concern assumption used in the preparation of these financial statements is inappropriate, therefore, the Company may not be able to realize its assets and discharge its liabilities in the normal course of business.
- (b) The Company has recorded deferred tax asset of Rs. 346.621 million based on its future plans which projects that future taxable profit would be available against which such deferred tax assets could be utilized. However, in our view, there is no sufficient appropriate audit evidence that the management's plans are feasible and ultimate outcome will improve the Company's current situation as discussed in (a) above, therefore, sufficient future taxable profits will not be available against which deferred tax asset could be utilized. In our view, deferred tax asset should be de-recognised. Had the deferred tax asset been de-recognised, deferred tax asset and equity would have been lower by and loss for the year would have been higher by Rs. 346.621 million.

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- (c) During the year, the Company has not recorded unwinding expense on financial liabilities amounting to Rs. 61.32 million. Had this expense been recorded, the financial liability would have been lower by Rs. 61.32 million and equity would have been lower by and loss for the year would have increased by Rs. 61.32 million.
- (d) in our opinion, except for the effects on the financial statements of the matters stated in paragraphs (a) to (c) above, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (e) in our opinion, except for the effects on the financial statements of the matters stated in paragraphs (a) to (c) above:
- i. the balance sheet and profit and loss account together with the notes thereon have not been drawn up in conformity with the Companies Ordinance, 1984. The balance sheet and profit and loss account 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;
- (f) in our opinion, because of the significance of the matters discussed in paragraph (a) to (c) above, 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 do not conform with approved accounting standards as applicable in Pakistan, and do not give the information required by the Companies Ordinance, 1984, in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at June 30, 2015 and of the loss, its comprehensive loss, cash flows and changes in equity for the year then ended; and
- (g) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980

Karachi
Dated: November 05, 2015

CHARTERED ACCOUNTANTS
Engagement Partner: Adnan Zaman

THE POWER OF BEING UNDERSTOOD
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BALANCE SHEET

AS AT JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
ASSETS			
Current assets			
Cash and bank balances	5	27,419,693	36,562,506
Short term investments	6	-	-
Short term finances	7	10,000,000	10,000,000
Advances, prepayments and other receivables	8	1,706,317	2,736,534
Accrued return on investments		5,775	208,356
Taxation-net		3,546,886	2,566,597
Current maturity of non-current assets	9	314,506,309	157,415,438
Assets classified as held for sale	10.1	-	305,288,663
Total current assets		357,184,980	514,778,094
Non-current assets			
Net investment in finance leases	11	65,907,748	62,291,472
Long-term deposits	12	504,500	819,650
Long-term finances	13	-	449,941
Property and equipment	14	93,423,187	15,651,680
Deferred tax asset	15	346,621,261	324,958,352
Total non-current assets		506,456,696	404,171,095
Total assets		863,641,676	918,949,189
LIABILITIES			
Current liabilities			
Short term finances		-	15,000,000
Accrued and other liabilities	16	75,269,264	67,756,217
Current maturity of non-current liabilities	17	349,856,601	55,903,610
Liabilities directly associated with the assets classified as held for sale	10.2	-	569,804,025
Total current liabilities		425,125,865	708,463,852
Non-current liabilities			
Long -term finances	18	272,327,773	15,772,570
Long-term deposits	19	29,678,831	30,107,208
Obligation under Finance Lease	20	-	2,265,133
Total non-current liabilities		302,006,604	48,144,911
Total liabilities		727,132,469	756,608,763
NET ASSETS		136,509,208	162,340,427
REPRESENTED BY SHAREHOLDERS' EQUITY			
Share capital and reserve			
Issued, subscribed and paid-up share capital	21	438,027,750	438,027,750
Reserves	22	(334,983,831)	(313,123,197)
		103,043,919	124,904,553
Surplus on revaluation of fixed assets	23	33,465,289	37,435,874
Total shareholders' equity		136,509,208	162,340,427
CONTINGENCIES AND COMMITMENTS	24		

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



Syed Nauman Akhtar
Chief Executive Officer



M R Khan
Chairman

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
REVENUE			
Income from:			
Finance lease Contracts		9,185,657	26,910,982
Other operating income	25	8,364,226	9,148,837
		<u>17,549,883</u>	<u>36,059,819</u>
Unwinding of financial liability		-	(69,786,028)
		-	(69,786,028)
		<u>17,549,883</u>	<u>(33,726,209)</u>
EXPENSES			
Administrative and selling	26	(79,894,886)	(78,600,276)
Finance costs	27	(4,583,695)	(3,377,672)
Direct cost of finance leases	28	-	(1,478,500)
Provision & Write-offs	29 & 13.1	19,862,565	(16,416,375)
		<u>(64,616,016)</u>	<u>(99,872,823)</u>
Operating Profit before Income tax		<u>(47,066,133)</u>	<u>(133,599,032)</u>
Income tax expense			
- current	30	(428,000)	(1,328,000)
- deferred		18,972,712	41
		<u>18,544,712</u>	<u>(1,327,959)</u>
Loss for the period from continuing operations		<u>(28,521,421)</u>	<u>(134,926,991)</u>
Loss for the period		<u>(28,521,421)</u>	<u>(134,926,991)</u>
Loss per share	31	<u>(0.79)</u>	<u>(3.72)</u>

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



Syed Nauman Akhtar
Chief Executive Officer



M R Khan
Chairman

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2015

	2015 Rupees	2014 Rupees
Loss for the year	(28,521,421)	(134,926,991)
Other comprehensive income		
Other comprehensive income for the year	-	-
Total Comprehensive loss for the year	<u>(28,521,421)</u>	<u>(134,926,991)</u>

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



Syed Nauman Akhtar
Chief Executive Officer



M R Khan
Chairman

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax including discontinued operation		(47,066,133)	(133,599,032)
Depreciation	14.1	12,479,362	15,291,085
Loss/ (Gain) on disposal of property and equipment	25.2	2,365,135	(49,759)
Finance costs	27	4,583,695	3,377,672
Unwinding of financial liability /Issue cost sukuk		988,269	69,786,028
Impairment on investment		-	-
Provision for potential lease and other losses	29	(19,862,565)	(14,464,183)
		553,896	73,940,843
Operating loss before working capital changes		(46,512,237)	(59,658,190)
Working capital changes			
Decrease in net investment in finance leases	11	21,619,037	285,841,258
Decrease in advances, prepayments and other receivables		1,030,141	13,176,788
(Increase) / Decrease in accrued return on investments		202,586	(208,356)
Decrease in deposits from leases		(5,434,632)	(97,249,511)
(Decrease) / Increase in accrued and other liabilities		7,513,047	(29,757,979)
		24,930,179	171,802,200
Cash from operations after working capital changes		(21,582,058)	112,144,010
Financial charges paid	27	(4,583,695)	(2,810,756)
Taxes paid		(1,408,289)	(2,006,537)
		(5,991,984)	(4,817,293)
Net cash from operating activities		(27,574,042)	107,326,717
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	14.1	(37,000)	(3,924,494)
Long term finance		43,959,707	(12,867,195)
Proceeds from disposal of property and equipment(net)		6,736,351	2,724,868
Long term deposits		315,150	2,184,850
Net cash from investing activities		50,974,208	(11,881,971)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings		-	59,344,309
Repayment of long term finances		(32,542,979)	(122,717,941)
Net cash used in financing activities		(32,542,979)	(63,373,632)
Net increase in cash and cash equivalents		(9,142,813)	32,071,114
Cash and cash equivalents at beginning of the year		36,562,506	4,491,392
Cash and cash equivalents at end of the year	32	27,419,693	36,562,506



Syed Nauman Akhtar
Chief Executive Officer



M R Khan
Chairman

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2015

	Share Capital	Reserves		Unrealised (loss)/gain on remeasurement of available for sale Investment	Total
		Capital Statutory reserve	Revenue Unappropriated profit		
	Rupees				
Balance as at June 30, 2013	438,027,750	181,867,005	(366,505,238)	-	253,389,516
Change in equity for the year ended June 30, 2014					
Transferred from surplus on revaluation of fixed assets - incremental depreciation (net of tax)"	-	-	6,442,027	-	6,442,027
Unrealized loss on change in market value of investments classified as available for sale"	-	-	-	-	-
Net income recognised directly in equity	-	-	6,442,027	-	6,442,027
Loss for the year	-	-	(134,926,991)	-	(134,926,991)
Total recognised expense for the year	-	-	(128,484,964)	-	(128,484,964)
Balance as at June 30, 2014	438,027,750	181,867,005	(494,990,202)	-	124,904,552
Change in equity for the year ended June 30, 2015					
Transferred from surplus on revaluation of fixed assets - incremental depreciation (net of tax)	-	-	6,660,787	-	6,660,787
Unrealized loss on change in market value of investments classified as available for sale	-	-	-	-	-
Net income recognised directly in equity	-	-	6,660,787	-	6,660,787
Loss for the year	-	-	(28,521,421)	-	(28,521,420)
Total recognised expense for the year	-	-	(21,860,634)	-	(21,860,633)
Balance as at June 30, 2015	438,027,750	181,867,005	(516,850,836)	-	103,043,919



Syed Nauman Akhtar
Chief Executive Officer



M R Khan
Chairman



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

Net shareholder's equity of the Company as at June 30, 2015 is Rs. 136.50 million (2014: Rs. 162.34 million as compared to the minimum equity level of Rs. 700 million (2014: Rs. 700 million).

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

Mitigating Factors

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

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

The Company is making efforts to improve equity level through bringing fresh equity. In this regard some positive progress has been made.

In order to streamline minimum capital requirement and other issues of NBFC Sector, SECP is reviewing a report submitted by NBF Reform Committee as detailed in Note 22.4.

The company is constantly looking for options to increase the equity levels by soliciting investor for cash and in kind equity investment. The Board and its management are hopeful that these measures would bring stability to the Company and results would start to improve in the coming periods.

2 BASIS OF MEASUREMENT

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

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

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards, as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance), the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations). Approved accounting standards comprise such International Financial Reporting Standard (IFRS) issued by International Accounting Standard Board (IASB) as are notified under the provisions of the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever, the requirements of the Ordinance, the Rules and the Regulations differ with the requirements of IFRS, the requirements of the Ordinance, the Rules or the Regulations shall prevail.

3.1 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The Securities and Exchange Commission of Pakistan has, through its circular 633 (I) / 2014, adopted IFRS 10 effective January 1, 2015. This standard has introduced a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements.

There are other new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 1, 2015 but are considered not to be relevant or will not have any material effect on the Company's financial statements and are, therefore, not disclosed.


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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.01 Use of critical accounting estimates and judgments

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



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

In the process of applying the Company's accounting policies, management has made the following estimates and judgment which are significant to the financial statements:

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

4.02 Revenue recognition

Finance lease and hire purchase income

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases. Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

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

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

Operating lease income

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

Return on investments

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

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

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

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

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

4.03 Long term loans and finances

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

4.04 Loans and receivables

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

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

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

4.05 Net investment in finance lease

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

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

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

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

4.07 Investments

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

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

At fair value through profit or loss

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



Held-to-maturity

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

Available-for-sale

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

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

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

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

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

Derecognition

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

4.08 Repurchase and resale transactions

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

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

4.09 Property and equipment

Owned

Initial recognition

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

Measurement subsequent to initial recognition

Carried at revaluation model

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

Carried at cost model

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

Depreciation

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

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

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

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

Impairment

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



Capital work - in - progress

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

Leased

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

4.10 Intangible Assets

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

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

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

4.11 Compensated absences

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

4.12 Staff retirement benefits

Defined contribution plan

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

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

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

Defined benefit plan

Company also operates an approved funded gratuity scheme for all eligible employees. Eligible employees are those who have completed minimum qualifying period of service as laid down in rules. Provision has been made in accordance with actuarial recommendations using the projected unit credit method. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceeded ten percent of the higher of defined benefit obligation and fair value of the plan assets at that date. The excess amount of gains or losses are recognized over the expected remaining working lives of the employees participating in the plans. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

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

In 2014, the Company has changed its accounting policy to comply with the changes made in IAS 19. Previously, actuarial gains and losses were recognised by the Company in the profit and loss account over the future expected average remaining working lives of the employees to the extent of the greater of 10% of the present value of defined benefit obligation at that date and 10% of the fair value of plan assets at that date.

4.13 Foreign currency translation

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

4.14 Financial instruments

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

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

Financial assets carried on the balance sheet include cash and bank balances, advances and deposits. Loans and receivables, finance leases and investments have been stated as per the policies mentioned in note 4.05, 4.06 and 4.08 respectively.

Financial liabilities carried on the balance sheet include certificates of investment, deposits, accrued and other payables. Loans and finances have been stated as per the policies mentioned in note 4.04.

4.15 Off-setting

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

4.16 Taxation

Current tax

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

Deferred

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

4.17 Related parties transactions

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

4.18 Provisions

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

4.19 Cash and cash equivalents

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

4.20 Repossessed leased assets

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

4.21 Functional and presentation currency

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

4.22 Certificate of investments

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

4.23 Dividend distribution

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

4.24 Segmental reporting

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

4.25 Discontinued operations

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

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

4.26 General

Figures have been rounded-off to nearest Pakistani Rupee.

	Note	2015 Rupees	2014 Rupees
5 CASH AND BANK BALANCES			
Cash in hand		1,691	2,787
Balance with State Bank of Pakistan in current account		16,089	5,719
Balances with other banks in:			
-Current accounts		27,386,830	3,540,642
-Saving accounts	5.1	15,083	13,358
Term deposit receipt	5.2	-	33,000,000
		27,419,693	36,562,506

5.1 Return on saving account is 6.64 % (2014: 7 %) per annum.

5.2 The Company had made placements to NIB Bank Ltd. at a rate of return of 5.75% per annum with a maturity of 7 days. These TDRs are matured in current year.

6 SHORT TERM INVESTMENTS - Available for sale

Other than related party	Units/Shares		2015 Rupees	2014 Rupees
	2015	2014		
Listed securities			-	-
Unlisted securities				
Ordinary shares (First Pakistan Securities Limited)	1,399,141	1,399,141	20,000,000	20,000,000
Impairment			(20,000,000)	(20,000,000)
			-	-

7 SHORT TERM FINANCES

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

	Note	2015 Rupees	2014 Rupees
8 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments		1,064,750	1,354,246
Operating lease rentals receivables - considered doubtful		3,702,153	3,702,153
Less: provision for operating lease rental receivables		(3,702,153)	(3,702,153)
		-	-
Other receivables		641,567	1,382,288
		1,706,317	2,736,534
9 CURRENT MATURITY OF NON - CURRENT ASSETS			
Net investments in leases	11	314,506,309	114,884,967
House loan to staff	13	-	19,750
Musharika finance	13	-	42,510,721
		314,506,309	157,415,438

10 ASSETS CLASSIFIED AS HELD FOR SALE AND RELATED LIABILITIES

10.1 Assets classified as held for sale

Assets held for sale	Note	Carrying Value	
		2015 Rupees	2014 Rupees
Net investment in finance leases	11	-	205,973,386
Property and equipment - (Cost less accumulated depreciation)	14	-	99,315,277
Total assets classified as held for sale		-	305,288,663

10.2 Liabilities directly associated with the assets held for sale

Long -term finances	18	-	454,915,003
Long-term deposits	19	-	114,889,022
Total liabilities directly associated with the assets held for sale		-	569,804,025

10.2.1 In the year 2014, the Company, as per its future plan to negotiate with lenders the settlement of liabilities in exchange of certain assets, had classified certain assets and associated liabilities as "Asset held for sale" and "Liabilities directly associated with the assets held for sale".

This settlement agreement has not been finalized and more than 12 months have been passed since this classification. Further the Company does not meet the extension criteria mentioned under IFRS-5. In the light of the situation, the management has decided to cease this classification as per requirements of IFRS-5.

11 NET INVESTMENT IN FINANCE LEASE

	2015 Rupees	2014 Rupees
Net investment in finance leases	380,414,058	177,176,439
Less: current portion of net investment in finance leases	(314,506,309)	(114,884,967)
	65,907,748	62,291,472

Note	2015			2014			
	Not Later than one year	Later than one year	Total	Not Later than one year	Later than one year	Total	
Lease rentals receivable	346,965,435	36,580,075	383,545,510	366,027,495	36,042,721	402,070,216	
Add: Residual value of leased assets	154,295,202	31,221,932	185,517,134	161,166,457	30,110,209	191,276,666	
Gross investment in finance leases	<u>501,260,637</u>	<u>67,802,007</u>	<u>569,062,644</u>	<u>527,193,952</u>	<u>66,152,930</u>	<u>593,346,882</u>	
Less:							
Unearned lease income	4,577,225	1,894,258	6,471,483	5,275,236	3,861,458	9,136,694	
Income suspended	56,896,067	-	56,896,067	56,896,057	-	56,896,057	
	<u>439,787,345</u>	<u>65,907,748</u>	<u>505,695,094</u>	<u>465,022,659</u>	<u>62,291,472</u>	<u>527,314,131</u>	
Provision for potential lease losses	11.2	125,281,036	-	125,281,036	-	125,281,036	
Net investment in leases		<u>314,506,309</u>	<u>65,907,748</u>	<u>380,414,058</u>	<u>320,858,353</u>	<u>62,291,472</u>	<u>383,149,825</u>
Transfer to Assets Held for sale	10.1	-	-	-	-	-	
		<u>314,506,309</u>	<u>65,907,748</u>	<u>380,414,058</u>	<u>114,884,967</u>	<u>62,291,472</u>	<u>177,176,439</u>

	Note	2015 Rupees	2014 Rupees
11.1 Income suspended			
Balance at beginning of the year		56,896,057	59,187,054
Income suspended during the year		-	2,599,794
Income reversed during the year		-	(4,890,791)
Balance at end of the year		<u>56,896,057</u>	<u>56,896,057</u>
11.2 Provision for potential lease and other losses			
Balance at beginning of the year		144,164,306	158,628,489
Provision for the year		-	3,997,344
Reversed for the year		(18,883,270)	(18,461,527)
Balance at end of the year		<u>125,281,036</u>	<u>144,164,306</u>

11.3 The Company's implicit rate of return on leases ranges between 7.84% to 26% (2014: 16% to 21.17%) per annum.

	Note	2015 Rupees	2014 Rupees
12 LONG TERM DEPOSITS			
Others		504,500	819,650
		<u>504,500</u>	<u>819,650</u>
13 LONG TERM FINANCE - secured and considered good			
House loan to staff			
- Employees	13.1	-	469,691
Less: current portion	9	-	19,750
		-	449,941
Musharika finances - other than related party	13.2	-	43,490,016
Less: Provision	13.1	-	979,295
Current portion	9	-	42,510,721
		-	-
		-	449,941
13.1 Provision for non-performing assets			
Opening provision		979,295	-
Provision for the year		-	979,295
Reversal during the year		(979,295)	-
Closing provision		-	979,295

13.2 During the year the Company has received all of its outstanding long term finance including House loan to staff and Musharika financing facilities and therefore provision for non-performing assets thereagainst is reversed accordingly.

14 PROPERTY AND EQUIPMENT

Property and equipment			
- owned	14.1	93,423,187	12,689,270
- leased		-	2,962,410
		<u>93,423,187</u>	<u>15,651,680</u>

14.1 OPERATING ASSETS

Description	Cost / Revalued amounts			2015				Written down value as at June 30, 2015	Depreciation rate in %	
	As at July 1, 2014	Additions (deletions) during the year	Transfers *	Depreciation						
				As at June 30, 2015	As at July 1, 2014	Charge for the year/ (Transfers/ disposal)	Transfers *			As at June 30, 2015
OWNED										
Office premises	104,955,000	-	-	104,955,000	17,055,178	5,247,750	-	2,302,928	82,652,072	5
Leasehold Improvements	22,274,000	-	-	22,274,000	10,858,545	3,341,100	-	14,199,645	8,074,355	15
Furniture and fixtures	8,676,264	-	-	6,831,264	5,207,126	1,478,543	-	5,804,932	1,026,332	20
Office equipment	2,267,328	(1,845,000)	-	1,995,528	2,176,544	(880,737)	-	1,989,199	6,329	36
Computer equipment	2,778,380	37,000	-	2,778,380	2,771,018	31,925	-	2,775,556	2,824	36
Generator and air conditioners	3,688,070	(308,800)	-	3,688,070	3,688,063	4,538	-	3,688,063	7	20
Vehicles	19,649,598	-	3,151,500	4,749,273	10,527,614	2,123,386	441,210	3,088,005	1,661,268	24-30
		(18,051,825)				(10,004,205)				
Subtotal - owned assets	164,288,640	37,000	3,151,500	147,271,515	52,284,088	12,227,242	441,210	53,848,328	93,423,187	
		(20,205,625)				(11,104,212)				
LEASED ASSETS										
Vehicles	3,151,500	-	(3,151,500)	-	189,090	252,120	(441,210)	-	-	24-30
Subtotal - leased assets	3,151,500	-	(3,151,500)	-	189,090	252,120	(441,210)	-	-	
Grand Total	167,440,140	37,000	-	147,271,515	52,473,178	12,479,362	-	53,848,328	93,423,187	
		(20,205,625)				(11,104,212)				

* Transferred to owned assets

Description	Cost / Revalued amounts			2014				Written down value as at June 30, 2014	Depreciation rate in %	
	As at July 1, 2013	Additions (deletions) during the year	Transfers	Depreciation						
				As at June 30, 2014	As at July 1, 2013	Charge for the year/ (Transfers/ disposal)	Transfers			As at June 30, 2014
OWNED										
Office premises	104,955,000	-	(104,955,000)	-	11,807,444	5,247,734	(17,055,178)	-	-	5
Leasehold Improvements	22,274,000	-	(22,274,000)	-	7,517,480	3,341,065	(10,858,545)	-	-	15
Furniture and fixtures	8,913,225	278,000	-	8,676,264	3,854,718	1,739,176	-	5,207,126	3,469,138	20
Office equipment	2,350,828	(514,961)	-	2,267,328	2,202,047	(386,768)	-	2,176,544	90,784	36
Computer equipment	3,145,564	74,100	-	2,778,380	3,133,685	94,689	-	2,771,018	7,362	36
Generator and air conditioners	3,688,070	(157,600)	-	3,688,070	3,688,063	4,511	-	3,688,063	7	20
Vehicles	26,346,129	(367,184)	-	19,649,598	13,612,232	4,511	-	10,527,614	9,121,984	24-30
		3,572,394				(7,759,438)				
Subtotal - owned assets	171,672,816	3,924,494	-	37,059,640	45,815,669	15,101,995	-	24,370,365	12,689,270	
		(11,308,670)	(127,229,000)			(8,633,576)	(27,913,723)			
LEASED ASSETS										
Vehicles	-	3,151,500	-	3,151,500	-	189,090	-	189,090	2,962,410	24-30
Subtotal - leased assets	-	3,151,500	-	3,151,500	-	189,090	-	189,090	2,962,410	
Grand Total	171,672,816	7,075,994	-	40,211,140	45,815,669	15,291,085	-	24,559,455	15,651,680	
		(11,308,670)	(127,229,000)			(8,633,576)	(27,913,723)			

14.2 The following assets were disposed off during the year:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of Buyers
-----Rupees-----							
Vehicles							
	41,400	41,400	-	7,000	7,000	Negotiation	Mujtaba Niaz
	3,162,512	1,834,257	1,328,255	711,565	(616,690)	Term of Employment	Muhammad Khalid Ali
	3,481,842	1,114,189	2,367,653	1,915,013	(452,640)	Term of Employment	Muhammad Khalid Ali
	1,504,000	1,203,200	300,800	150,400	(150,400)	Term of Employment	Abid khan
	510,000	469,200	40,800	51,000	10,200	Term of Employment	M.Farooq
	44,975	44,975	-	1	1	Term of Employment	M.Farooq
	49,675	49,675	-	1	1	Term of Employment	Abdul Muhaimin
	657,000	262,800	394,200	295,650	(98,550)	Term of Employment	Abdul Muhaimin
	612,000	330,480	281,520	168,300	(113,220)	Term of Employment	S.M.Musab
	1,049,000	146,860	902,140	812,975	(89,165)	Term of Employment	Saqib Waseem
	71,900	64,710	7,190	1	(7,189)	Term of Employment	Shakil Aziz
	45,240	4,524	40,716	37,323	(3,393)	Term of Employment	Munir Ahmed
	44,041	22,901	21,140	13,333	(7,807)	Term of Employment	Taj Muhammad
	44,413	23,095	21,318	13,213	(8,105)	Term of Employment	M.Amjad
	41,450	38,134	3,316	1	(3,315)	Term of Employment	Jehangir Ahmed
	1,010,000	404,000	606,000	454,500	(151,500)	Term of Employment	Shahzad Ali Zaidi
	40,600	40,600	-	1	1	Term of Employment	Shahzad Ali Zaidi
	1,462,000	1,345,040	116,960	146,200	29,240	Term of Employment	Shahid M.Shah
	42,475	42,475	-	1	1	Term of Employment	Shahid M.Shah
	896,000	734,720	161,280	89,600	(71,680)	Term of Employment	Shiraz Ahmed
	612,000	330,480	281,520	168,300	(113,220)	Term of Employment	Fazal Abbas
	45,312	7,250	38,062	33,982	(4,080)	Term of Employment	Rahim Bacha
	1,607,500	996,650	610,850	281,313	(329,537)	Term of Employment	Nauman Akhter
	49,675	49,675	-	1	1	Term of Employment	Abid Hussain
	845,000	321,100	523,900	401,375	(122,525)	Term of Employment	Abid Hussain
	41,400	41,400	-	1	1	Term of Employment	Habib ur Rehman
	40,415	40,415	-	1	1	Term of Employment	Naem Khan
	18,051,825	10,004,205	8,047,620	5,751,051	(2,296,569)		
Furniture & fixture							
	663,000	287,300	375,700	353,600	(22,100)	Terms of Employment	Muhammad Khalid Ali
	61,500	26,650	34,850	32,800	(2,050)	Terms of Employment	Muhammad Khalid Ali
	135,000	58,500	76,500	72,000	(4,500)	Terms of Employment	Muhammad Khalid Ali
	19,800	8,250	11,550	10,890	(660)	Terms of Employment	Muhammad Khalid Ali
	60,000	25,000	35,000	33,000	(2,000)	Terms of Employment	Muhammad Khalid Ali
	19,702	6,567	13,135	12,486	(649)	Terms of Employment	Muhammad Khalid Ali
	4,000	1,600	2,400	2,258	(142)	Terms of Employment	Muhammad Khalid Ali
	5,998	2,399	3,599	3,398	(201)	Terms of Employment	Muhammad Khalid Ali
	31,000	13,433	17,567	16,524	(1,043)	Terms of Employment	Muhammad Khalid Ali
	29,000	29,000	-	1	1	Terms of Employment	Abid khan
	45,500	21,233	24,267	22,760	(1,507)	Terms of Employment	Abid khan
	62,000	38,233	23,767	21,710	(2,057)	Terms of Employment	Abid khan
	14,700	9,065	5,635	5,145	(490)	Terms of Employment	Abid khan
	38,000	8,233	29,767	28,505	(1,262)	Terms of Employment	Abid khan
	32,000	8,000	24,000	22,939	(1,061)	Terms of Employment	M.Farooq
	48,000	12,000	36,000	34,400	(1,600)	Terms of Employment	M.Farooq
	18,000	4,500	13,500	12,900	(600)	Terms of Employment	Saqib Waseem
	62,000	15,500	46,500	44,439	(2,061)	Terms of Employment	Saqib Waseem
	80,000	20,000	60,000	57,339	(2,661)	Terms of Employment	Shahzad Ali Zaidi
	65,000	32,500	32,500	30,343	(2,157)	Terms of Employment	Shahid M.Shah
	82,000	35,533	46,467	43,724	(2,743)	Terms of Employment	Shahid M.Shah
	15,000	7,500	7,500	7,000	(500)	Terms of Employment	Shahid M.Shah
	24,000	16,000	8,000	7,200	(800)	Terms of Employment	Shiraz Ahmed
	8,000	5,333	2,667	2,410	(257)	Terms of Employment	Shiraz Ahmed
	24,000	16,000	8,000	7,200	(800)	Terms of Employment	Shiraz Ahmed
	24,000	16,000	8,000	7,200	(800)	Terms of Employment	Shiraz Ahmed
	24,800	16,120	8,680	7,863	(817)	Terms of Employment	Nauman Akhter
	24,600	24,600	-	1	1	Terms of Employment	Nauman Akhter
	3,000	3,000	-	1	1	Terms of Employment	Nauman Akhter
	24,900	24,900	-	1	1	Terms of Employment	Nauman Akhter
	24,900	24,900	-	1	1	Terms of Employment	Nauman Akhter
	24,900	24,900	-	1	1	Terms of Employment	Nauman Akhter
	21,800	21,800	-	1	1	Terms of Employment	Nauman Akhter
	24,900	16,185	8,715	7,885	(830)	Terms of Employment	Nauman Akhter
	1,845,000	880,737	964,263	907,925	(56,338)		
Mobile Phone & Office Equipment							
	56,000	56,000	-	-	-	Terms of Employment	Muhammad Khalid Ali
	72,000	66,960	5,040	720	(4,320)	Terms of Employment	Muhammad Khalid Ali
	37,000	2,220	34,780	32,560	(2,220)	Terms of Employment	Muhammad Khalid Ali
	12,500	12,500	-	-	-	Terms of Employment	Abid khan
	12,500	6,000	6,500	5,750	(750)	Terms of Employment	M.Farooq
	8,500	6,630	1,870	1,360	(510)	Terms of Employment	Saqib Waseem
	6,000	6,000	-	-	-	Terms of Employment	Shakil Aziz
	3,300	1,980	1,320	1,122	(198)	Terms of Employment	Munir Ahmed
	12,500	7,500	5,000	4,250	(750)	Terms of Employment	Shahzad Ali Zaidi
	40,000	12,000	28,000	25,600	(2,400)	Terms of Employment	Shahid M.Shah
	8,500	8,500	-	-	-	Terms of Employment	Shiraz Ahmed
	12,500	12,500	-	-	-	Terms of Employment	Shiraz Ahmed
	6,000	2,340	3,660	3,300	(360)	Terms of Employment	Fazal Abbas
	2,600	2,600	-	-	-	Terms of Employment	Rahim Bacha
	2,600	2,600	-	-	-	Terms of Employment	Rahim Bacha
	12,000	8,640	3,360	2,640	(720)	Terms of Employment	Nauman Akhter
	4,300	4,300	-	-	-	Terms of Employment	Abid Hussain
	308,800	219,270	89,530	77,302	(12,228)		
	20,205,625	11,104,212	9,101,413	6,736,278	(2,365,135)		

14.2.1 During the year, fixed assets costing to Rs. 7,809,354 were transferred to Mr. Muhammad Khalid Ali (Ex-CEO) and Rs. 1,705,700 to Mr. Abid Khan (Ex-CFO) in accordance with employment policy of the Company.

	Note	2015 Rupees	2014 Rupees
15 DEFERRED TAX ASSET			
Debit balances arising due to:			
Overdue rentals not taxable in future		100,106,627	102,778,885
Provision for potential lease losses		40,089,932	47,574,221
Provision for other non performing assets		18,464,689	19,364,878
Unabsorbed tax depreciation		287,944,420	285,498,546
Minimum turnover tax		428,000	1,328,000
		447,033,667	456,544,530
Credit balances arising due to:			
Accelerated tax depreciation		(1,964,936)	(2,962,783)
Net investment in finance lease		(82,699,099)	(110,184,827)
Surplus on revloution of leasehold land and office building		(15,748,371)	(18,438,568)
		(100,412,406)	(131,586,177)
		346,621,261	324,958,352

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

	Note	2015 Rupees	2014 Rupees
16 ACCRUED AND OTHER LIABILITIES			
Accrued liabilities		964,273	1,359,208
Advance against leases		70,202,380	60,835,709
Unclaimed dividend		807,122	807,122
Other liabilities		3,295,489	4,754,178
		75,269,264	67,756,217
17 CURRENT MATURITY OF NON- CURRENT LIABILITIES			
Long term finances	18	194,065,029	9,285,713
Long term deposits	19	155,791,572	45,908,805
Obligation under finance lease	20	-	709,092
		349,856,601	55,903,610
18 LONG-TERM FINANCES - secured			
Other than related party			
Privately Placed Term finance certificates	18.4	45,704,734	45,704,734
Privately Placed SUKUKs	18.5	251,006,870	250,018,601
Long-term loans	18.6	158,113,751	159,191,668
Term Finance Certificates	18.7	11,567,447	25,058,283
		466,392,802	479,973,286
Transfer to liabilities directly associated with the assets held for sale		-	(454,915,003)
		466,392,802	25,058,283

	Note	2015 Rupees	2014 Rupees
Less: Current maturity due but not paid			
Privately Placed Term finance certificates		10,156,250	-
Privately Placed SUKUKs		55,859,373	-
Long-term loans		27,314,799	-
Term Finance Certificates		-	-
		93,330,422	
Less: Current maturity shown under current liabilities			
Privately Placed Term finance certificates		10,156,250	
Privately Placed SUKUKs		55,859,373	
Long-term loans		26,418,132	
Privately Placed Term finance certificates		8,300,852	9,285,713
		100,734,607	
		194,065,029	9,285,713
		<u>272,327,773</u>	<u>15,772,570</u>

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

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

18.3 The Company's negotiation with the lenders is at an advanced stage and the Company intends to sell/transfers the classified assets to the lenders. Due to this final settlement, the Company is expecting, in near future, gain on reversal of financial liabilities, therefore unwinding expense for the current year on financial liabilities is not recorded on prudent basis.

18.4 Principal terms of term finance certificates (TFCs)

Particulars	Security	Repayment period		Profit rate per annum	Amount outstanding (Rupees)	
		from	to		2015	2014
From financial institutions						
Privately placed term finance certificates (3rd Issue)	Secured against specific lease rentals receivable and related lease assets	Sep-07	Jan-22	Zero % (2014: Zero)	45,704,734	45,704,734

18.5 Principal terms of SUKUKs

Particulars	Security	Repayment period		Profit rate per annum	Amount outstanding (Rupees)	
		from	to		2015	2014
From financial institutions						
Privately placed SUKUK-1	Secured against specific lease rentals receivable and related lease assets	Dec-08	Jan-22	Zero % (2014: Zero%)	113,889,204	113,407,783
Privately placed SUKUK-2	Secured against specific lease rentals receivable and related lease assets	Mar-09	Jan-22	Zero % (2014: Zero%)	137,117,666	136,610,818

18.6 Principal terms of Long -Term Loans

Particulars	Security	Repayment period		Profit rate per annum	Amount outstanding (Rupees)	
		from	to		2015	2014
United Growth & Income Fund	Clean	Dec-07	Feb-19	Zero % (2014: Zero%)	36,022,857	36,022,857
The Bank of Khyber	Secured against property	Apr-10	Jan-22	Zero % (2014: Zero%)	62,591,420	63,669,337
United Bank Limited	Secured against specific lease rentals	Apr-10	Feb-22	Zero % (2014: Zero%)	12,337,276	12,337,276
The Bank of Punjab	Secured against specific lease rentals	Apr-10	Jan-22	Zero % 2014: Zero%	22,687,717	22,687,717
Soneri Bank Limited	Secured against specific lease rentals	Apr-10	Jan-22	Zero % (2013: Zero%)	11,654,003	11,654,003
KASB Funds	Clean	Jul-12	Jun-20	Zero % (2014: Zero%)	12,820,478	12,820,478

18.7 Term Finance Certificates

Particulars	Security	Repayment period		Profit rate per annum	Amount outstanding (Rupees)	
		from	to		2015	2014
Dynamic Resources	Secured against motor vehicle	Apr-14	Mar-17	14% (2014: 14%)	834,636	1,178,564

19 LONG-TERM DEPOSITS

	Note	2015 Rupees	2014 Rupees
Security deposits against leases		185,470,403	190,905,035
Less: Transfer to liabilities directly associated with the assets held for sale	10.2	-	114,889,022
Current maturity of security deposits	17	155,791,572	45,908,805
		<u>29,678,831</u>	<u>30,107,208</u>

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

20 OBLIGATION UNDER FINANCE LEASE

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

	2015			2014		
	Not Later than one year	Later than one year	Total	Not Later than one year	Later than one year	Total
Minimum Lease Payments	-	-	-	1,105,886	2,734,749	3,840,635
Less: Financial charges allocated to future periods	-	-	-	396,794	469,616	866,410
Present value of Minimum Lease payments	-	-	-	709,092	2,265,133	2,974,225

21 SHARE CAPITAL

Authorised capital

75,000,000 (2014: 75,000,000) ordinary shares of Rs. 10 each	750,000,000	750,000,000
50,000,000 (2014: 50,000,000) preference shares of Rs. 10 each	500,000,000	500,000,000
	<u>1,250,000,000</u>	<u>1,250,000,000</u>

Issued, subscribed and paid-up share capital

22,100,000 (2014: 22,100,000) ordinary shares of Rs. 10 each fully paid in cash	221,000,000	221,000,000
14,200,000 (2014: 14,200,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares	142,000,000	142,000,000
	<u>363,000,000</u>	<u>363,000,000</u>

Preference shares

7,502,775 (2014: 7,502,775) preference shares-class A of Rs. 10 each fully paid in cash	21.2	75,027,750	75,027,750
		<u>438,027,750</u>	<u>438,027,750</u>

21.1 Movement in number of shares

	Note	2015 Rupees	2014 Rupees
Ordinary shares			
Number of the shares at beginning of the year		36,300,000	36,300,000
Issued during the year		-	-
Number of the shares at end of the year		<u>36,300,000</u>	<u>36,300,000</u>
Preference shares			
Number of the shares at beginning of the year		7,502,775	7,502,775
Redeemed during the year	21.2	-	-
Number of the shares at end of the year		<u>7,502,775</u>	<u>7,502,775</u>

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

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

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

21.4 Capital management policies and procedures

The Company's objective for managing capital is to safeguard its ability to continue as a going concern in order to continue providing returns to its shareholders. Further, the Company ensures to comply with all the regulatory requirements regarding capital and its management. Capital requirements applicable to the Company are set and regulated by the Securities and Exchange Commission of Pakistan (SECP). These requirements are put in place to ensure sufficient solvency margins. The Company manages its capital requirement by assessing its capital structure against the required capital level on a regular basis.

In order to streamline the regulatory regime of the companies in NBFC Sector, SECP had constituted an NBF Sector Reform Committee comprising of prominent market participants and representatives of SECP. The Committee has given its recommendation/report to SECP for consideration, which includes review of minimum equity requirements for NBFCs (including leasing companies/investment banks) and introduction of concept of deposit taking and non-deposit taking NBFCs etc. and the committee has proposed minimum equity requirement to be reduced to Rs. 50 million in case of non-deposit taking leasing companies. Currently, the Commission is deliberating on the recommendations of the Committee.

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

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

	Note	2015 Rupees	2014 Rupees
The Company's capital consist of:			
Issued, subscribed and paid-up share capital	21	438,027,750	438,027,750
Reserves	22	(334,983,831)	(313,123,197)
		<u>103,043,919</u>	<u>124,904,553</u>
		<u>103,043,919</u>	<u>124,904,553</u>
22 RESERVES			
Capital reserve			
Statutory reserves	22.1	181,867,005	181,867,005
Revenue reserve			
Accumulated loss		(516,850,836)	(494,990,202)
		<u>(334,983,831)</u>	<u>(313,123,197)</u>
22.1 Movement in statutory reserves			
Balance at beginning of the year		181,867,005	181,867,005
Transferred during the year		-	-
Balance at end of the year		<u>181,867,005</u>	<u>181,867,005</u>
Statutory reserve represents profit set aside to comply with the NBFC Regulations, 2008.			
23 SURPLUS ON REVALUATION OF FIXED ASSETS			
Surplus on revaluation of fixed assets		49,213,660	55,874,442
Deferred tax liability recognised		(15,748,371)	(18,438,568)
		<u>33,465,289</u>	<u>37,435,874</u>
23.1 Reconciliation of surplus on revaluation of fixed assets			
At the beginning of the year		55,874,447	62,316,474
Surplus during the year		-	-
Surplus realized on account of incremental depreciation -net off tax		(6,660,787)	(6,442,027)
At the end of the year		<u>49,213,660</u>	<u>55,874,447</u>
23.2 Deferred tax liability			
At the beginning of the year		18,438,568	21,187,600
Deferred tax liability arise/(adjusted) during the year		444,291	(623,163)
Deferred tax liability realized on account of incremental depreciation		(3,134,488)	(2,125,869)
At the end of the year		<u>15,748,371</u>	<u>18,438,568</u>



	Note	2015 Rupees	2014 Rupees
24 CONTINGENCIES AND COMMITMENTS			
24.1 Commitments for lease disbursements		-	-
24.2 Contingencies			

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

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

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

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

	Note	2015 Rupees	2014 Rupees
25 OTHER OPERATING INCOME			
Income from financial assets	25.1	4,241,247	4,019,584
Other than financial assets	25.2	4,122,979	5,129,253
		8,364,226	9,148,837
25.1 Income from financial assets			
Loans and receivables			
Profit from bank under cash management scheme		3,211	812
Profit on musharika		2,426,696	3,976,471
Mark-up on house finance to staff		11,680	35,972
Profit on placements- net of income suspended		1,629,660	6,329
		4,241,247	4,019,584
25.2 Other than financial assets			
Fees, commissions and other charges		541,700	(19,267)
Loss on disposal of property and equipment		(2,365,135)	49,759
Rental Income		5,946,414	5,098,761
		4,122,979	5,129,253

	Note	2015 Rupees	2014 Rupees
26 ADMINISTRATIVE AND SELLING EXPENSES			
Salaries, allowances and benefits	26.2 & 26.4	49,877,846	43,703,432
Directors' fee	26.1	414,000	198,000
Staff training and development		-	217,000
Telephone and fax		1,057,547	1,122,443
Postage and courier		38,391	83,778
Electricity		985,132	980,321
Office maintenance		1,396,769	1,143,274
Software maintenance		107,670	148,423
Insurance		396,677	535,591
Business promotion expenses		825,120	1,771,170
Canteen expenses		400,606	447,586
Vehicle running expenses		2,946,694	5,659,169
Vehicle insurance		708,567	915,007
Traveling and conveyance		548,169	816,973
Advertisement expenses		94,500	124,000
Printing and stationery		727,061	1,070,374
Central depository charges		61,646	200,572
Subscriptions and listing fees		1,157,936	1,049,712
Legal and professional charges		3,203,243	2,178,714
Auditors' remunerations	26.5	670,550	539,050
Statutory filing fees		1,542,011	19,620
Depreciation		12,479,362	15,291,085
Rent, rates and taxes		238,460	332,582
Miscellaneous		16,929	52,400
		79,894,886	78,600,276

26.1 Directors' fee

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

26.2 Remuneration of chief executive and executives

	2015		2014	
	Chief Executive	Executives	Chief Executive	Executives
Managerial remuneration	13,947,655	3,927,294	18,870,395	6,873,014
Other benefits	-	282,480	-	652,964
	13,947,655	4,209,774	18,870,395	7,525,978
No. of persons	2	4	1	5

26.3 Remuneration to Chief executive officer and executives include salaries, allowances and benefits to Ex- Chief executive officer and newly appointed Chief executive officer

26.4 Salaries, allowances and benefits include provident fund contribution of Rs. 112,440 (2014: Rs. 367,620).

	Note	2015 Rupees	2014 Rupees
26.5 Auditors' remuneration			
Annual audit		325,000	325,000
Half yearly review		130,000	130,000
Other certifications		100,000	100,000
Out-of-pocket expenses		115,550	84,050
		<u>670,550</u>	<u>639,050</u>
27 FINANCE COSTS			
Markup on :			
Term finance certificates & Sukuks		4,350,451	3,259,641
Finance Lease		233,244	118,031
		<u>4,583,695</u>	<u>3,377,672</u>
28 DIRECT COST OF FINANCE LEASES			
Court fee, stamp duty and others		-	1,478,500
29 PROVISION AND WRITE-OFFS			
Provision on leases	11	(18,883,270)	(14,464,183)
Provision on other financing	13	-	-
Write-offs		-	30,880,558
		<u>(18,883,270)</u>	<u>16,416,375</u>
30 INCOME TAX EXPENSE			
Current			

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

Assessments of the Company have been finalized upto the tax year 2014. Returns are deemed to be an assessment order passed by the Commissioner of Income Tax under section 120 of Income Tax Ordinance, 2001. The said returns have so far not been selected for audit by the tax department.

30.1 Effective tax rate reconciliation

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

	Note	2015 Rupees	2014 Rupees
31 (LOSS)/EARNINGS PER SHARE - basic and diluted			
Loss for the year from continuing operations		(28,521,421)	(134,926,991)
(Loss)/Profit for the year from discontinuing operations		-	-
Loss attributable to ordinary shareholders		<u>(28,521,421)</u>	<u>(134,926,991)</u>
		Numbers	Numbers
Number of ordinary shares issued and subscribed		<u>36,300,000</u>	<u>36,300,000</u>
		Rupees	Rupees
Loss per share		<u>(0.79)</u>	<u>(3.72)</u>

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

Diluted earnings per share

There is no dilution effect on the basic earning per share of the Company as the Company has no convertible dilutive potential ordinary shares outstanding on June 30, 2015.

32 CASH AND CASH EQUIVALENTS

Cash and Bank balances	5	27,419,693	3,562,506
Term deposit receipt		-	33,000,000
		<u>27,419,693</u>	<u>36,562,506</u>

33 SEGMENT INFORMATION

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

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

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

	June 30, 2015				Total
	Finance lease	Rental Income	Musharika	Others	
	Rupees				
Segment revenues	9,185,657	5,946,414	2,426,696	(8,884)	17,549,883
Segment result	(30,208,711)	(4,867,558)	1,363,079	2,363,250	(31,349,940)
Unallocated cost					
Finance cost					(4,583,695)
Administrative and selling exp					(19,986,820)
Unwinding of financial liability					-
Provision on other financing					-
Loss before income tax					(55,920,455)
Income tax expense					(428,000)
Loss for the year					(56,348,455)
Other information					
Segment assets	380,414,058	99,315,277	10,000,000		489,729,335
Unallocated assets					382,314,908
Total assets	361,530,788	99,315,277	10,000,000		872,044,243
Segment liabilities	727,132,469				727,132,469
Unallocated liabilities					
Total liabilities	727,132,469				727,132,469
Net assets					144,911,774
Capital expenditure					37,000
	June 30, 2014				
	Finance lease	Rental Income	Musharika	Others	Total
	Rupees				
Segment revenues	26,910,982	5,098,761	3,976,471	73,605	36,059,819
Segment result	(24,979,342)	(2,503,112)	(117,809)	73,605	(27,526,658)
Unallocated cost					
Finance cost					(3,377,672)
Administrative and selling exp					(32,808,604)
Unwinding of financial liability					(69,786,098)
Provision on other financing					-
Loss before income tax					(133,499,032)
Income tax expense					797,869
Loss for the year					(132,701,163)
Other information					
Segment assets	383,149,825	99,315,277	53,490,016		535,955,118
Unallocated assets					382,994,071
Total assets	383,149,825	99,315,277	53,490,016		918,949,189
Segment liabilities	481,873,997	131,177,163	40,621,014		653,672,173
Unallocated liabilities					102,836,590
Total liabilities	481,873,997	131,177,163	40,621,014		756,508,763
Net assets					162,440,426
Capital expenditure					3,924,494

34 RISK MANAGEMENT

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

34.1 Credit risk

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

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

	Note	2015 Rupees	2014 Rupees
Classes of financial assets - carrying value			
Cash and cash equivalent			
Cash and bank balances	5	27,419,693	36,562,506
Loans and receivables			
Short term finances	7	10,000,000	10,000,000
Accrued return on investments		5,775	208,356
Long-term deposits	12	504,500	819,650
Long-term finances	13	-	43,959,707
Lease receivables			
Net investment in finance leases	11	380,414,058	177,176,439
		418,344,026	268,726,658

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

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

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

Sector	2015		2014	
	Rupees	%	Rupees	%
Textile	147,748,943	30.18	174,898,727	26.59
Construction	25,999,520	5.31	27,351,133	4.16
Transport and communication	101,795,336	20.79	115,054,025	17.49
Oil and gas	2,398,924	0.49	14,212,766	2.16
Food and beverages	15,050,210	3.07	17,612,079	2.68
Engineering	22,915,221	4.68	24,329,619	3.70
Consumer leases	10,160,890	2.08	19,893,744	3.02
Health care	12,816,430	2.62	15,246,963	2.32
Travel and tourism	2,808,087	0.57	3,082,053	0.47
Pharmaceutical	19,007,997	3.88	41,510,270	6.31
Advertisement	962,470	0.20	1,130,866	0.17
Auto and allied	43,697,179	8.93	45,968,823	6.99
Publications	9,988,159	2.04	10,507,404	1.60
Sugar	-	0.00	15,000,000	2.28
Glass and ceramics	8,675,504	1.77	12,039,919	1.83
Others	65,551,444	13.39	120,007,574	18.24
Total	489,576,314	100	657,845,965	100

34.1.4 Analysis of financial assets that are past due:

	Total	Loans and receivables	Net investment in finance lease	Operating lease receivables
.....R u p e e s				
Gross carrying amount				
Not past due	193,583,606	-	193,583,606	-
Past due by more than 30 days but not more than 180 days	1,910,220	-	1,910,220	-
Past due by more than 180 days but not more than 360 days	-	-	-	-
Past due by more than 360 days	397,903,421	84,000,000	310,201,268	3,702,153
	593,397,247	84,000,000	505,695,094	3,702,153
Impairment loss on				
Past due by more than 180 days	-	-	-	-
Past due by more than 180 days but not more than 360 days	-	-	-	-
Past due by more than 360 days	182,983,189	54,000,000	125,281,036	3,702,153
Total impairment loss	182,983,189	54,000,000	125,281,036	3,702,153
Net carrying amount	410,414,058	30,000,000	-	380,414,058

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

34.2 Liquidity risk

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

Financial liabilities	2015				Total
	Within 6 month	6 month to 1 year	One to five years	Over five years	
Financial Assets	-----Rupees-----				
Cash and cash equivalent	27,419,693	-	-	-	27,419,693
Loans and receivables	54,000,000	-	-	-	54,000,000
Lease receivables	393,510,426	46,276,919	65,907,748	-	505,695,094
	528,930,001	-	65,907,748	-	587,114,787
Financial liabilities					
Accrued and other liabilities	75,269,264	-	-	-	75,269,264
Long-term finances	30,359,633	20,750,817	220,541,742	194,740,610	466,392,802
Long-term deposits	125,443,647	16,803,258	43,223,598	-	185,470,503
	231,072,544	37,554,075	263,765,340	194,740,610	727,132,569
	297,857,457	6,717,408	(157,116,323)	(194,740,610)	(140,017,782)

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

34.3 Market risk

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

34.3.1 Interest rate risk

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

Cash flow sensitivity analysis for variable rate instruments

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

35 FAIR VALUE OF FINANCIAL ASSETS

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

36 TRANSACTIONS WITH RELATED PARTIES

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



			2015	
Name of related party	Nature of relationship	Description of transaction	Total value of transaction	Closing balance
		Rupees.....	
Provident fund	Other related party	Contribution paid	<u>112,440</u>	-

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

36.1 During the year, the company has transferred fixed assets to the employees (Refer note 14.2) and the company has paid remuneration to executives (Refer note 27.1 & 27.2).

37 CORRESPONDING FIGURES

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

38 DATE OF AUTHORIZATION

These financial statements were authorized for issue on 5 November 2015 by the Board of Directors of the Company.

Syed Nauman Akhtar
Chief Executive Officer

M R Khan
Chairman

FORM OF PROXY

I/We _____ of _____

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

_____ of _____ or failing him/her

_____ of _____ or failing him/her

_____ of _____

to be proxy and to vote for me at the Annual General Meeting of the Company to be held on November 26, 2015, at 11:00 a.m. and at any adjournment thereof in the same manner as I / We would vote if personally present at such meeting.

Signed this _____ day of _____ 20 _____

Signature: _____

Rupees 5/-
Revenue Stamp

Address: _____

Total Shares Held: _____ Folio/CDC A/c No. _____

Holder of Share Nos. From: _____ To _____

Witness:

Witness:

Name: _____ Name: _____

CNIC: _____ CNIC: _____

Signature: _____ Signature: _____

Address: _____ Address: _____

NOTE:

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

For CDC Account Holders/ Corporate Entities:

In addition to the above the following have to be met:

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

