

annual report 2010

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Sigma Leasing Corporation Limited

Designed by:  mi communications



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Sigma Leasing Corporation Limited



annual report
2010

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dreams



dreams

Our *vision*

We shall carve a place for ourselves at the highest level of the leasing industry by providing quality service and ensuring customer satisfaction. We will go an extra mile to ensure greater profitability and value for our shareholders.

Our *dynamics*

Professional Management will be the hallmark of our organization. We will operate with state of the art technology to achieve optimum results and develop an efficient and motivated work force with corporate pride in their company.

Our *resolve*

We will provide our customers modern and technology based leasing services while we ensure our shareholders security and a high rate of return on their investments.

Our *commitments*

We will maintain financial discipline and adhere to professional and moral codes. In the operation of the company, we will comply with all rules and regulations set down by the supervisory authorities.

introduction

introduction

Company information

| | | |
|--|---|-------------------------------------|
| Board of directors | Mr. Asif Ali Rashid | Chairman |
| | Mr. Muhammad Nasim Khan | Chief Executive & Managing Director |
| | Mr. Shahzad Ali Rashid | Director |
| | Mr. Aamir Ali Rashid | Director |
| | Mr. Iskander Sultan Khawaja | Director |
| | Mr. Ruhail Mohammad | Director |
| | Mr. S. Arshad A. Kazmi | Director |
| | Mr. Shujat Ali Baig | Director |
| | Mr. Arshadullah Khan | Director |
| Mr. Shoaib Jawed Savul | Director | |
| Company secretary & Chief financial officer | Mr. Arfan Ali Rashid | |
| Auditors | M/s KPMG Taseer Hadi & Co. Chartered Accountants | |

| | | |
|--|--|--|
| Legal advisor | Mohsin Tayebaly & Co. | |
| Audit committee | Mr. Aamir Ali Rashid | Chairman |
| | Mr. Asif Ali Rashid | Member |
| | Mr. Ruhail Mohammad | Member |
| Bankers | Allied Bank Ltd. | National Bank of Pakistan |
| | Askari Bank Ltd. | NIB Bank Ltd. |
| | Bank Alfalah Ltd. | Silk Bank Ltd. |
| | Faysal Bank Ltd. | Soneri Bank Ltd. |
| | Habib Metropolitan Bank Ltd. | United Bank Ltd. |
| | KASB Bank Ltd. | |
| Registered office and Head office | Sigma House 8-C, Block 6, PECHS, Off. Shahrah-e-Faisal, Karachi - 75400, Pakistan. Tel: (021) 34557233-4, 34544850-1 Fax: (021) 34544439 Email: info@sigma-leasing.com, Website: www.sigma-leasing.com | |
| Liaison offices | Lahore : | Rex Market, 6 - Allama Iqbal Road. Tel: (042) 36306798, 36365975, Fax: (042) 36365343 |
| | Faisalabad: | Plot # 63/1-C, Model Town-B, Jail Road. Tel: (041) 2636830-31, Fax: (041) 2644961 |
| | Sialkot : | Uggoki Road, Near Zohra Hospital Chowk, Shabpura. Tel: (0432) 3552919, 3554429, Fax: (0432) 3552919 |
| Credit rating | By JCR VIS Credit Rating Company Limited (effective December 18, 2009) Long Term Entity Rating "A-" (Single A minus) Short Term Entity Rating "A2" Outlook Stable | |
| Share department | Noble Computer Services (Private) Limited Mezzanine Floor, House of Habib Building (Siddiqsons Tower), 3-Jinnah Co-operative Housing Society, Main Shahrah-e-Faisal, Karachi. Tel: (92-21) 34325482-7 Fax: (92-21) 34325442 | |

persona



persona

Profile
Sigma Leasing
Corporation Limited

Sigma introduces itself as a professional and progressive leasing company operating in Pakistan now for more than fourteen years. It was incorporated in 1996 under Companies Ordinance 1984 and commenced its business on January 27, 1997.

The basic objective of Sigma Leasing Corporation Limited is to provide full payout financial leases against plant and machinery, office equipment and vehicles. However, along with providing this facility, Sigma also intends to embark on other services, which include operating lease, consumer lease finance and micro leasing. Sigma Leasing Corporation Limited is committed to develop a strong industrial base through its lease products and has concentrated in capital-intensive industries and endeavored to cater to needs ranging across the cross section of the economy. Another objective would be a deviation from the usual market segment of large corporate clients and exploration of new markets in the small and medium sectors comprising of industrial and commercial enterprises. However, only sound and credit worthy customers would be offered leasing facilities.

Our broader objective is to make Sigma Leasing Corporation Limited a known professional leasing company providing assistance to the industrial and commercial sector of Pakistan. Efforts are being made to establish the Company as one of the top ranking companies in the leasing sector. Sigma will participate in facilitating the lessee by providing cash flow benefits, an alternate source of funding, time efficiency, and above all tax efficiency.

Sigma actively seeks to play a positive and constructive role in expanding the capital and funds markets in Pakistan and actively invites funding both from private sources and multinational agencies with the objective of expanding the fund base available for Pakistan's industrial and economic growth. It will particularly assist the private sector in Pakistan to meet its medium term capital needs for expansion and balancing, modernizing, and replacement (BMR).

leads

Our *sponsors*

Our company has been sponsored by a well known business group of the country, whose flagship company, Almurtaza Machinery Company (Private) Limited, has the leadership with a command over major share of the apparel machinery market of Pakistan. They have equipped the garment industry with the latest machinery, equipment, and accessories, imported from leading manufacturers all over the world.

Almurtaza

- Represents more than 39 leading apparel machinery manufacturers from all over the world.
- Maintained an excellent track record of marketing some of the most modern and technologically advanced apparel machinery in the country.
- Is led by the team of professionals, who have extended and are committed to continue extending crucial support to those intending to start a new apparel production unit or planning to update an existing factory.
- Consistent planning, professionalism, and proactive approach have led Almurtaza to unprecedented growth & impressive results.

Almurtaza represents the best names in business, including:

| Apparel Division | Textile Division |
|-----------------------|---------------------------|
| Doory Industry | Cintex |
| Eastman | Conti Complett |
| Grand | Da Kong |
| Hashima | Fukuhara |
| Inderle | Lectra |
| Idrosmack | Mei |
| Juki | Pannon |
| Kansai Special | Saf Guard |
| Miller Weld Master | Shima Seiki |
| Naomoto | |
| Ngai Shing | Spare Parts & Accessories |
| Nara Sewing Machines | Djw |
| Nagel & Hermann | Koban |
| Pegasus | Organ |
| Perfecta Schmid | Racing |
| Seungmin | Tsp |
| Seit | |
| Smart Mrt | |
| Stefanelli Machines | Home Textile Division |
| Titan Baratto Cornely | Eisenkolb |
| Tsp | Hauser |
| Tresure | Meca |
| Embroidery Division | Rimac |
| Master | Svegea |
| Seit | Titan Baratto Cornely |
| Tajima | |

Other venture and affiliated company of the group in Pakistan is **Alrashid Microcomputers (Private) Limited**, a company, established in 1981. It has been for the last two decades, leading the microcomputer market in Pakistan with reputation of introducing new products with full backup and support.

patron

board of
directors

Standing from Left to Right

Iskander Sultan Khawaja
S. Arshad A. Kazmi
Shahzad Ali Rashid
Aamir Ali Rashid
Asif Ali Rashid
Muhammad Nasim Khan
Ruhail Mohammad
Shujat Ali Baig
Shoaib Jawed Savul
Arshadullah Khan



board of *directors*

Mr. Asif Ali Rashid
Chairman

Mr. Asif Ali Rashid (FCA) is fellow member of the Institute of Chartered Accountants of Pakistan, a former member of the Karachi Stock Exchange, & a prominent businessman of Karachi. His experience of auditing of leading commercial banks of Pakistan during his association with M/s A. F. Ferguson & Company - Chartered Accountants has endowed Mr. Asif with an astute & detailed knowledge of the financial sector. His special acumen on financial products & command of financial management & his entrepreneurial skills are additional qualifications which have been instrumental in the business success of the group. He is also an executive committee member of Pak - Japan Business Forum.

Mr. Aamir Ali Rashid
Director

Mr. Aamir Ali Rashid is an MBA in Finance and Marketing from the Institute of Business Administration, Karachi; where he acclaimed gold medal in Finance, gold medal in Treasury Funds Management with 97%, 2nd position in MBA and 1st prize for highest profit in Stock Exchange Learning Fund (SELF). Served in American Express Bank, Karachi for two years as Assistant Manager, Corporate Banking and Money Market Dealer. In January 2000, he established his own IT business for E-Business solution as Chief Executive Officer of Immaculate Solutions. Since August 2002, he is also the Director of Almutaza Machinery Company (Private) Limited.

Mr. Muhammad Nasim Khan
CEO & MD

Mr. Muhammad Nasim Khan is a banker by profession. He did his Masters in Economics in 1959. He has over thirty six years of banking experience with a number of Pakistani and multinational banks, both in Pakistan and abroad. Starting his banking career as an officer in 1962, he has worked as Manager, Zonal Chief, Head of Operations, Country Manager, Director General Adjoint and Member Board during the course of his banking career. In 1995, he left a local bank, where he was one of the founder members of the bank and was working as Regional General Manager with the rank of Senior Executive Vice President, to join Sigma as its Managing Director and Chief Executive Officer.

Mr. Ruhail Mohammad
Director

Mr. Ruhail Mohammad holds an MBA degree in Finance from the Institute of Business Administration, Karachi and is also a qualified Chartered Financial Analyst (CFA). He has worked for eighteen years in various senior positions in Pakistan, the UAE and Europe. He has also been a visiting faculty member for Finance at the Institute of Business Administration, Karachi. He served as Chief Financial Officer in Engro Asahi Polymer and Chemicals Limited and currently the Chief Financial Officer and the Director of Engro Corporation Limited. He is also the Director of Engro Management Services (Pvt.) Limited, Engro Innovative Automation (Pvt.) Limited and Engro Foods (Pvt.) Limited.

Mr. Iskander Sultan Khawaja
Director

Mr. Iskander Sultan Khawaja belongs to well established business family of Peshawar. He started his career with family business in Pakistan and moved to UAE in 1980. Since then, he has established a firm business base with its head office located in Sharjah, United Arab Emirates. He is presently Managing Director of Al-Borj Garments Machinery Trading Company Ltd, UAE, with branches in Jordan and Kenya, Al-Zarooni Al-Khwaja Company Ltd, UAE, Rigid Metals Ltd, UAE, Global Metals, Bahrain and KMI Trading Inc., Canada.

Mr. Shujat Ali Baig
Director

Mr. Shujat Ali Baig is a banker by profession and is serving as Executive Vice President in Habib Bank Limited. He has vast experience of banking and public relations. He started his career with Habib Bank Limited and has served on different executive and senior executive positions. In addition, he has contributed his several years with sports, cultural and public relation societies and associations. He had been member of various sports associations and public relation societies. He is also the pioneer of Kids University in Pakistan.

Mr. Shahzad Ali Rashid
Director

Mr. Shahzad Ali Rashid graduated as a Chemical Engineer from Dawood College of Engineering and Technology, Karachi, Pakistan. He also holds a Masters degree in Business Administration from the Institute of Business Administration, Karachi. He has over twenty three years of business experience to his credit. Presently he is the General Manager and a Director of Alrashid Microcomputers (Pvt.) Ltd. as well as a Director of Almutaza Machinery Company (Pvt.) Limited.

Mr. Shoaib Jawed Savul
Director

Mr. Shoaib Jawed Savul After completing his academic qualification as post-graduation in Applied Information Technology from Toronto, Canada & B.A. in Business Administration & Marketing from Southeastern University Washington D.C. USA, he has worked in the money market, equity brokerage and asset management with some of the leading financial institutions in Pakistan and Canada. He is Ex. Managing Director of AMZ Asset Management Ltd (A division of AMZ Securities) & having seven years of rich experience at his credit with various investment banking and private equity firms. His experience has benefitted his group firms to take advantage of establishing professional and efficient banking arrangements. Shoaib Savul is currently a director with Abdul Aziz Savul & Co which is one of the oldest shipping and logistic company in Pakistan and Rototec (Pvt.) Ltd which has a rotogravure printing unit in Karachi.

Mr. S. Arshad A. Kazmi
Director

Mr. S. Arshad A. Kazmi is a Senior Corporate Executive of a multinational chemical company in Pakistan carrying an experience of thirty four years at his credit, having worked in different management positions and currently serving as Country Representative of Bayer Chemicals / Lanxess. He is an associate member of Pakistan Institute of Management and member in number of clubs and has also served as President of Rotary Club.

Mr. Arshadullah Khan
Director

Mr. Arshadullah Khan is a senior banker and has over 30 years of banking experience. Commencing his career with United Bank Limited in 1974 at officer level, he passed through different management levels in local and multinational banks in Pakistan. He has extensive experience and knowledge of planning, budgeting, credits and lease finance. He has also served as the Chairman and Secretary of the credit and management committees. Lastly, he left Askari Commercial Bank Limited as Chief Manager with the designation of Executive Vice President in 2006 before joining Sigma as Deputy Managing Director.

message



From the desk of *Chairman*

"We will endure in providing our customers with quality services and ensure endowing them with optimum potential advantages."

Sigma Leasing Corporation Limited has successfully completed Fourteen years of its operations and has grown gradually with positive results as can be noted from the financial statements.

I am once again delighted to note that our Company's strategy of sustained growth, through a very well conceived and efficiently implemented business plan, is right on track. The Company's current business plan owes its success to:

- A realistic, honest, and correct assessment of the affairs of the Company.
- A perfectly defined mission, vision, and statement of broad policy objectives, based on value creation for shareholders.
- A renewed focus on high quality environment, good corporate governance, and high professional efficiency.
- An operational policy geared towards enhanced profitability through a broad spectrum of services.

The right demarcation of the roles of the Board and the Executive Management has also in my opinion, played a decisive role in making the business plan a resounding success. I am pleased to note that the Company has managed to generate high levels of value creation and payouts.

From the best suited infrastructure, constantly re-engineered work processes to high professional efficiency, consistent policies, technological advancement and customer focus – each one is a contributor to success.

The team that comes up with the perfect blend – The Recipe to Success!

It is my firm belief that, in the final analysis, a company is only as good as the people who run it through the well defined and closely monitored policies of the Board of Directors and sincere and dedicated management to steer the company and draw results in letter and spirit. It is on this very account that Sigma stands tall as a Model NBFC.

Asif Ali Rashid

progress



progress

On it's *path to success*

Performance Analysis

By the grace of Almighty Allah, we have completed fourteen years of our operations. Alhamdulillah, Sigma has been proactive on adopting measures to monitor and mitigate risks associated with the leasing business. We are managing our operations efficiently and are rigorously following the best practices as observed in the industry. We are committed to increase our profitability, improve our market share, enhance our customer base, improve quality of our assets and instigate excellence in quality of our services through technological advancement and by enhancing the human resource asset quality.

We have been maintaining considerable growth in size of our balance sheet along with maintaining high quality of assets, establishment of comprehensive funding strategy and development of reliable funding straits, a sound capital base and high profitability. The current industry scenario has seen a drastic decline not only in business but in all areas of operations which resulted in huge provisioning and loss of profitability. Considering all hurdles, we have never compromised on the quality of the leases / assets at the approval stage or subsequent monitoring which led us to marginal provisioning. Due to lack of good avenues for investments, our balance sheet size has reduced to Rs.531.493 million, while lease portfolio has declined to Rs.334.493 million from Rs.979.471 million and Rs.640.222 million respectively. Risk evaluation procedures were enriched and made more stringent to ensure only qualifying cases are approved to keep the credit risk at minimal.

Timely access to competitively priced funding is a key to success for any company in leasing business as any discomfoting squeeze on the spread between the lease pricing and the cost of borrowing may effect cost-efficiency of disbursement. We have, over the period, charted out a funding strategy, which is successfully coping up to resolve our funding issues and has led us to better sources of funds. During the year, less investments in lease brought us surplus cash flow, which we utilized in settling off all our Certificate of Deposits and Term Finances, which helped us in reducing our financial changes and improving profitability.

We are maintaining a substantial capital base when compared with the size of our leasing exposure. We have already raised our paid up capital to Rs.300 million and the equity currently stands at Rs.313.333 million, which is sufficient for current requirement.

We believe that success of Sigma is, to a great extent, due to our talented and hard working employees. Our employees with their dedication, knowledge and skills are responsible for realizing the vision of the Company.

We are consistent performers and we believe in steady growth. We are amongst the very few companies who have successfully managed their profitability. We believe that profitability is the expression of firm's franchise strength and has a direct impact on company's ability to acquire funds and attract capital.

Assets we may Lease at Sigma

Sigma will lease all the assets falling with in the definition of Fixed Assets (with the exception of land & building) and admissible for depreciation under tax laws and insurable by the prime insurance companies in Pakistan.

Leasing arrangements offered by us are very flexible and can be designed for a three to five years period. Lease rentals can also be structured in accordance with the cash flow requirements of our customers.

Eligibility of the Proposed Lessee

The proposed lessee should be one of the following:

- A quoted / unquoted public company
- A private limited company
- A partnership firm
- Association of persons
- Clubs
- A government organization
- A proprietorship concern
- An autonomous body
- A trust
- An individual

Criteria

- The proposed lessee should have been in the business for at least last three years.
- The proposed lessee should have at least three years financial accounts.
- The accounts must depict the true state of affairs and show a regular profit.
- The proposed lessee is willing to provide guarantees and / or securities.
- Credit Information Bureau (CIB) report of the proposed lessee must not show any over dues or defaults.

The management in special cases may relax any of the above identified requirements.

Credit Evaluation and Approval Process at Sigma

Once the proposed lessee fulfills our eligibility criteria, it has to provide the following documents for evaluation. Application for leases, three years audited financial statements, company's profile, Memorandum and Articles of Association, directors / sponsors background / net worth, details of assets proposed for lease, its contribution, if any, in generation of additional profits / cash flows. The lessee should also provide other information that would give support to the evaluation process. The complete approval / disapproval process normally takes 2-3 working days after receiving all the required information / documents from the proposed client.

Disbursement

There are two types of leases offered, one is direct lease and the other is sale and lease back. Once the proposal meets the approval; lessee is provided a set of documents to be signed. After the documents are signed by the lessee, checked by our operation department, found perfect and supported by the original insurance policy along with the premium payment receipt, the amount of lease is disbursed to the client in the case of sale and lease back and to the vendor / supplier in the case of direct lease. Tenure of lease is normally three to five years under monthly or quarterly rentals, which are due in advance.

Transfer of Assets on maturity of the lease

On the successful completion of the lease tenure, the assets may be transferred in the name of the lessee at residual value.

Communication

Directors' report

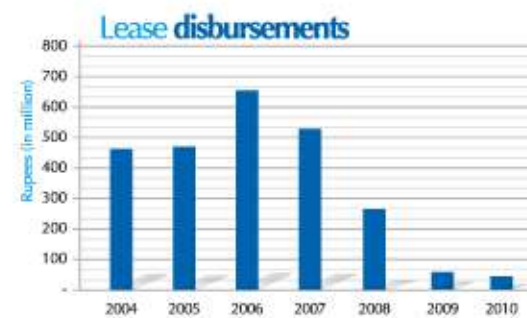
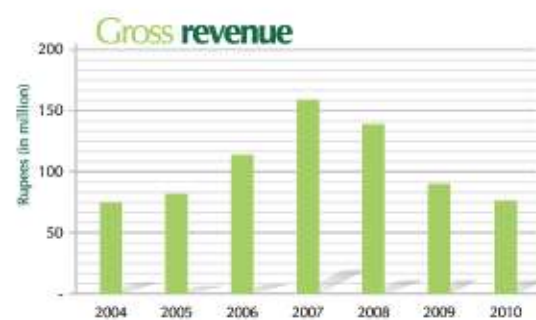
On behalf of the Directors of Sigma Leasing Corporation Limited, I am pleased to present the 14th Annual Report together with the Company's audited Financial Statements for the year ended June 30, 2010.

Rupees

Financial Highlights

| | |
|--|------------------|
| Income from leasing operation | 2,668,827 |
| Provision for potential lease losses | (4,612,571) |
| Lease Receivable - write off | (16,052,093) |
| Profit on investment in securities | 19,927,933 |
| Provision for diminution in AFS investments | (3,304,524) |
| Other Income | 886,334 |
| Loss before taxation | (486,094) |
| Provision for taxation | |
| - Current year | 8,228,830 |
| - Prior year | (3,688,237) |
| - Deferred | (11,762,970) |
| | (7,222,377) |
| Profit for the year | 6,736,283 |
| Earning per share - basic & diluted | 0.22 |

The six years financial highlights of the Company are appended herewith.



Dividend

Your Company has a strong history for dividend payout but unfortunately due to the stock market losses in the previous year we could not make any dividend payment.

Economic Review

The fiscal year 2009-10, which started with the continuation of the macro economic stabilization plan to tackle the economic imbalances has shown a modest recovery. The economy remains weak and continued perennial structural challenges of low productivity, high inflation, low savings and investments and continued reliance on external borrowings. These are the factors indicating volatility and fragility of the recovery in the medium to long term.

Money and Banking

SBP continued its review of Monetary Policy on regular basis during 2009-10 and reduced the discount rate by 100 bps in August 2009 and 50 bps in November 2009 to bring the policy rate to 12.5 percent. The policy rate in view of rising trend of inflation and lack of response by fragile fiscal position to the Monetary Policy was maintained at 12.5 percent level. However, this rate has been increased to 13 percent on July 30, 2010 with little likelihood of reduction in the near future.

Equity Market

The equity market is still under pressure and is not performing well to boost the indicators and raise the investors' confidence. Investors are not getting confidence to have a longer view but playing on short goals. The economic revival is the answer to all questions. Further, the exemption on capital gains tax has been withdrawn on holding of less than one year.

Operations Review

During the year under review, the Company had to face with several other problems apart from the increasing risk of default and provisioning thereof, difficulties in recoveries of lease rentals, non-availability of good avenues for investments, vis.a.vis cost of funds, lowered speed of equity market recovery and uncertainty in economic revival. Despite of all these problems the company managed to post a profit of Rs. 6,736,283/-

During the year, our lease disbursements were Rs.47.823. Our balance sheet size is reduced by 45% mainly because of less investments in lease and maturities. Our lease portfolio now stands at Rs.334.493 million as compared to Rs.640.222 million in the previous year.

During the year, we had surplus liquidity and used these funds to repay our term finances amounting to Rs.141.667 million and Certificate of Deposits amounting to Rs.145.2 million, which helped us in reducing the financial costs of the Company. Further, we closely monitored our administrative expenses and have tried to keep these at minimal by adopting measures of cost cutting.

Regulatory Changes

During the year, Securities and Exchange Commission of Pakistan amended the NBFC and NE Regulations 2003 related to license renewal and accordingly we have obtained a renewed license for next three years expiring in May 2013.

Future Outlook and Strategy

The economic fundamentals are expected to be sound and promising, indicating potential for growth, God willing. The Company, therefore, has every hope to look into future with optimism. We will continue to place emphasis on service quality with focus on quality clients. The strategy of business plan of the Company is focused on 'better profitability' through professional efficiency and best business practices.

It can be judged with the performance of the Company for last many years and this is evidenced that 'stability of operation' and 'sustainability of growth' are well achieved in supportive economic environment. The Company has enough potential to face challenges and record excellent results from the beam of economic light, which is awaited.

Shareholders' Equity

We are fully compliant to the minimum equity requirements. The shareholders strong resolve to exercise all efforts as before to meet the future requirements.

Credit Rating

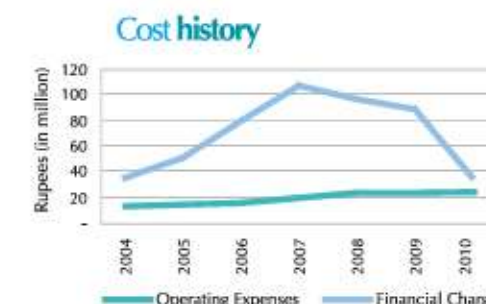
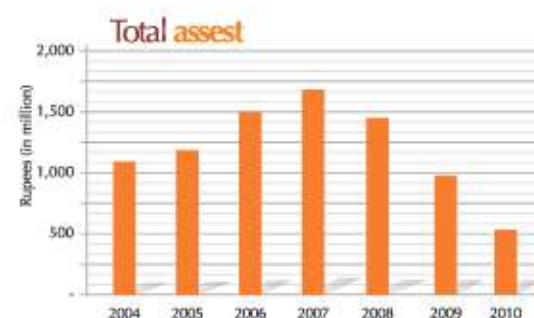
Despite downtrend of economic conditions and tough liquidity position in the market, JCR-VIS Credit Rating Company Limited has maintained our credit rating to A- (Single A minus) for medium to long term and short term rating as A-2 with stable outlook. The rating indicates a low expectation of credit risk emanating from strong capacity for timely payment of financial commitments.

Related Party Transactions

The Company had adopted comparable uncontrolled price method for accounting treatment of transfer pricing.

Pattern of Shareholding

The pattern of shareholding as at June 30, 2010 is annexed to this report.



Retirement Schemes / Provident Fund

The value of investments of provident fund based on its audited accounts for the year ended June 30, 2010 is Rs. 4,478,579/-

Information Technology

Computerized environment and efficient utilization of information technology has been the hallmark of your company's policy. To keep our system current and compatible to the future requirement, your Company has dedicated its resources for continuous up-gradation of computer hardware and software. Our present Lease Management System (the software) is operating on 'Oracle' to give a better mileage to cover the entire requirements of the system's operation. MIS Software and hardware maintenance have been outsourced to reputable companies for quality services assurance.

Directors' Election

During the year, election of directors was held as per required schedule. Mr. Shahzad Ali Rashid was elected to replace Mr. Sirajuddin Cassim. All the directors were approved by the Securities and Exchange Commission of Pakistan vide their letter no. SC/NBFC-1/SLCL/2010. Subsequently, a casual vacancy arose when Mr. Ziad Bashir resigned due to personal reasons and was replaced with Mr. Shoaib Jawed Savul, approval for which has also been received from SECP.

Attendance of Board Meetings

Four board meetings were held during the year. Attendance by each director is appended below:

| Names of Directors | Meetings Attended |
|-----------------------------|-------------------|
| Mr. Asif Ali Rashid | 4 |
| Mr. Muhammad Nasim Khan | 4 |
| Mr. Shahzad Ali Rashid | 2 |
| Mr. Aamir Ali Rashid | 4 |
| Mr. Ruhail Muhammad | 3 |
| Mr. S. Arshad A. Kazmi | - |
| Mr. Shujat Ali Baig | 1 |
| Mr. Iskander Sultan Khawaja | - |
| Mr. Ziad Bashir | - |
| Mr. Arshadullah Khan | 4 |
| Mr. Shoaib Jawed Savul | 1 |

Corporate Governance

The board of directors reviewed the code of corporate governance and confirms that:

- Financial Statements present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account 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 Accounting Standards (IAS), as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon Company's ability to continue as a going concern.
- There has been no material departure from best practices of corporate governance applicable at June 30, 2010.
- There has been no trading during the year in the shares of the Company carried out by the directors, CEO, CFO, Company Secretary and their spouses and minor children.

Auditors

The auditors Messer KPMG Taseer Hadi & Co. Chartered Accountants retired and offer themselves for reappointment for the year ending June 30, 2011.

Acknowledgement

The directors are pleased to put on record their appreciation of devoted efforts by the staff for successful operations of the Company and gratitude to the clients, regulators, credit rating agency, internal and external auditors, bankers, investors in Certificates of Deposits and shareholders for their faith and trust in the Company. The success of the Company is owed to them all.

Asif Ali Rashid
Chairman
Karachi
Dated : September 06, 2010

Summary of assets and liabilities

As at June 30

| | Rs. (000) | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Authorized Share Capital | 1,000,000 | 1,000,000 | 1,000,000 | 500,000 | 500,000 | 500,000 |
| Equity | | | | | | |
| Paidup Share capital | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 250,000 |
| Reserve fund | 61,862 | 61,862 | 61,862 | 50,946 | 38,809 | 30,373 |
| Unappropriated profit / (loss) | (48,542) | (55,404) | 12,330 | 19,541 | 18,867 | 12,595 |
| Unrealized loss on revaluation of investments | 12 | (14,746) | (42,199) | (1,013) | (2,089) | (5,010) |
| Surplus on revaluation of fixed assets | 54,941 | 55,068 | 55,194 | 55,320 | 55,447 | 17,614 |
| | 368,273 | 346,780 | 387,187 | 424,794 | 411,034 | 305,572 |
| Liabilities | | | | | | |
| Deferred tax | 31,070 | 42,833 | 49,730 | 49,093 | 44,438 | 42,602 |
| Long term loans - secured | - | 33,333 | 141,667 | 245,820 | 287,500 | 191,667 |
| Finance lease liabilities | 397 | 1,077 | 1,739 | 2,412 | 440 | 760 |
| Certificate of deposits | - | 107,569 | 79,537 | 53,767 | 56,435 | 11,775 |
| Long term deposits | 39,048 | 131,105 | 206,448 | 229,845 | 214,099 | 144,755 |
| Current liabilities | 92,703 | 316,774 | 503,832 | 625,406 | 430,233 | 457,674 |
| | 531,491 | 979,471 | 1,370,140 | 1,631,137 | 1,444,179 | 1,154,805 |
| Assets | | | | | | |
| Property & Equipment | 81,886 | 82,690 | 85,986 | 88,264 | 85,714 | 39,568 |
| Net investment in finance lease | 119,243 | 278,688 | 541,329 | 743,642 | 759,134 | 559,134 |
| Investments | 60,118 | 137,333 | 163,257 | 103,133 | 39,115 | 53,317 |
| Long term deposits | 599 | 596 | 596 | 596 | - | - |
| Deferred costs | - | - | - | - | 4,750 | 10,750 |
| Current assets | 269,647 | 480,164 | 578,972 | 695,502 | 555,466 | 492,036 |
| | 531,493 | 979,471 | 1,370,140 | 1,631,137 | 1,444,179 | 1,154,805 |
| Income | | | | | | |
| Lease income | 46,777 | 89,287 | 128,553 | 139,127 | 94,757 | 64,538 |
| Markup on deposits / placement | 3,123 | 3,025 | 395 | 2,026 | 9,361 | 6,455 |
| Others | 25,299 | 7,515 | 27,811 | 38,524 | 25,276 | 20,491 |
| | 75,199 | 99,827 | 156,759 | 179,677 | 129,394 | 91,484 |
| Expenses | | | | | | |
| Administrative expenses | 24,326 | 24,054 | 23,854 | 19,641 | 15,633 | 14,951 |
| Financial charges | 19,781 | 64,473 | 73,291 | 86,860 | 64,366 | 35,457 |
| Other charges | 7,607 | 71,124 | 1,467 | - | - | - |
| Amortization of deferred costs | - | - | - | 4,750 | 6,000 | 6,000 |
| Bad debts written off | 16,053 | - | - | - | - | - |
| Provision for potential lease losses | 4,613 | - | - | - | - | - |
| Provision for diminution in AFS investments | 3,305 | 14,592 | - | - | - | - |
| | 75,685 | 174,243 | 98,612 | 111,251 | 85,999 | 56,408 |
| Profit before taxation | (486) | (74,416) | 58,147 | 68,426 | 43,395 | 35,076 |
| Provision for taxation | | | | | | |
| Current | 8,229 | 340 | 2,890 | 3,085 | 2,407 | 1,941 |
| Prior | (3,688) | - | 42 | - | 296 | (331) |
| Deferred | (11,763) | (6,896) | 636 | 4,656 | (1,485) | 2,253 |
| | (7,222) | (6,556) | 3,568 | 7,741 | 1,218 | 3,862 |
| Profit after taxation | 6,736 | (67,860) | 54,579 | 60,685 | 42,177 | 31,213 |
| Unappropriated profit | (55,404) | 12,330 | 19,541 | 18,867 | 12,595 | 7,199 |
| Transfer from general reserve | - | - | - | - | - | 6,396 |
| Transfer from surplus on revaluation | 126 | 126 | 126 | 126 | 30 | 30 |
| | (48,542) | (55,404) | 74,246 | 79,678 | 54,802 | 44,838 |
| Appropriations | | | | | | |
| Transfer to statutory reserve | 1,347 | - | 10,916 | 12,137 | 8,435 | 6,243 |
| Dividend | - | - | 51,000 | 48,000 | 27,500 | 26,000 |
| | 1,347 | - | 61,916 | 60,137 | 35,935 | 32,243 |
| Unappropriated profit / (loss) | (49,889) | (55,404) | 12,330 | 19,541 | 18,867 | 12,595 |

Pattern of share holding

As at June 30, 2010

| Share Holding | | Number | Total Shares | Percentage |
|---------------|-------------|------------------|--------------|------------|
| From | To | of Share Holders | Held | (%) |
| 1 | - 100 | 11 | 91 | 0.0003 |
| 101 | - 500 | 9 | 4,500 | 0.0150 |
| 501 | - 1,000 | 1 | 625 | 0.0021 |
| 1,001 | - 5,000 | 5 | 18,101 | 0.0603 |
| 220,001 | - 225,000 | 1 | 222,000 | 0.7400 |
| 300,001 | - 305,000 | 1 | 300,171 | 1.0006 |
| 430,001 | - 435,000 | 1 | 432,999 | 1.4433 |
| 670,001 | - 675,000 | 1 | 672,600 | 2.2420 |
| 740,001 | - 745,000 | 1 | 739,783 | 2.4659 |
| 1,560,001 | - 1,565,000 | 1 | 1,564,800 | 5.2160 |
| 1,565,001 | - 1,570,000 | 1 | 1,566,150 | 5.2205 |
| 2,015,001 | - 2,020,000 | 1 | 2,019,750 | 6.7325 |
| 2,195,001 | - 2,200,000 | 1 | 2,195,446 | 7.3182 |
| 2,340,001 | - 2,345,000 | 1 | 2,342,300 | 7.8077 |
| 2,455,001 | - 2,460,000 | 1 | 2,456,399 | 8.1880 |
| 3,980,001 | - 3,985,000 | 1 | 3,983,250 | 13.2775 |
| 5,625,001 | - 5,630,000 | 1 | 5,628,685 | 18.7623 |
| 5,850,001 | - 5,855,000 | 1 | 5,852,350 | 19.5078 |
| | | 40 | 30,000,000 | 100.00 |

Categories of share holders

| Particulars | Share Holders | Share Holding | Percentage (%) |
|-------------|---------------|---------------|----------------|
| Individuals | 40 | 30,000,000 | 100.00% |
| | 40 | 30,000,000 | 100.00% |

Pattern of share holding

As at June 30, 2010

| Category No | Categories of Share holders | Number of Share held | Category wise No. of Share holders | Category wise Share held | Percentage % |
|-------------|--|----------------------|------------------------------------|--------------------------|--------------|
| 1 | Individuals | | 27 | 22,440,880 | 74.80 |
| 2 | Joint stock companies | | 1 | 1 | - |
| 3 | Investment companies | | - | - | - |
| 4 | Directors, Chief Executive Officer and their spouse and minor children | | 11 | 7,258,948 | 24.20 |
| | Mr. Asif Ali Rashid | 2,456,399 | | | |
| | Mrs. Afsara w/o Mr. Asif Ali Rashid | 432,999 | | | |
| | Mr. Shahzad Ali Rashid | 2,342,300 | | | |
| | Mr. Aamir Ali Rashid | 2,019,750 | | | |
| | Mr. Ruhail Muhammad | 4,500 | | | |
| | Mr. Muhammad Nasim Khan | 500 | | | |
| | Mr. Iskander Sultan Khawaja | 500 | | | |
| | Mr. S. Arshad A. Kazmi | 500 | | | |
| | Mr. Shujat Ali Baig | 500 | | | |
| | Mr. Arshadullah Khan | 500 | | | |
| | Mr. Shoaib Jawed Savul | 500 | | | |
| 5 | Executives | | 1 | 300,171 | 1.00 |
| 6 | NIT / ICP | | - | - | - |
| 7 | Associated companies, undertaking and related parties | | - | - | - |
| 8 | Public sector companies and corporations | | - | - | - |
| 9 | Banks, DFIs, NBFCs, insurance companies, modarabas and mutual funds | | - | - | - |
| 10 | Foreign investors | | - | - | - |
| 11 | Co-operative societies | | - | - | - |
| 12 | Charitable trusts | | - | - | - |
| 13 | Others | | - | - | - |
| | Total | | 40 | 30,000,000 | |

Share-holders holding ten percent or more voting interest in the listed company

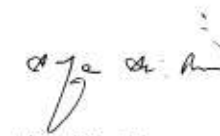
| Name of Shareholders | No. of Shares held | Percentage (%) |
|-----------------------|--------------------|----------------|
| Mr. Feroz Ali Rashid | 5,852,350 | 19.51% |
| Mr. Nisar Ali Rashid | 5,628,685 | 18.76% |
| Mrs. Rubina Ariff Ali | 3,983,250 | 13.28% |
| Totals | 15,464,285 | 51.55% |

Notice of 14th annual general meeting

Notice is hereby given that the fourteenth Annual General Meeting of the shareholders of Sigma Leasing Corporation Limited will be held on Tuesday, October 26, 2010 at 6:00 p.m. at its registered office situated at Sigma House, 8-C, Block 6, PECHS, Off: Shahrah-e-Faisal, Karachi, to transact the following business:

Ordinary Business:

- To confirm the minutes of Annual General Meeting held on October 28, 2009.
- To receive, consider, and adopt the Audited Accounts together with the Directors and Auditors' Report for the year ended June 30, 2010.
- To appoint Auditors and fix their remuneration. The present auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants retire and being eligible, offer themselves for reappointment as auditors of the Company for the year ending June 30, 2011.
- Any other business with the permission of the chair.



Arfan Ali Rashid
Company Secretary
Karachi:

Notes:

- The share transfer books of the Company will remain closed from October 18, 2010 to October 25, 2010 (both days inclusive).
- A member entitled to attend, speak, and vote at the meeting is entitled to appoint another member as proxy to attend, speak, and vote for him / her.
- An instrument of proxy and the power of attorney or other authority (if any) under which it signed or a notary certified copy of such power of authority, in order to be valid, must be deposited at the registered office of the Company not less than 48 hours before the time of the meeting.
- CDC account holders will in addition have to follow the under mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 of the Securities and Exchange Commission of Pakistan for attending the meeting:
 - In case of individuals, the account holders or sub account

holders shall authenticate his / her identity by showing his / her original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting. The shareholders registered on CDS are also requested to bring their Participants' ID numbers and account numbers in CDS.

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

- Members are requested to notify any change in their address immediately to our registrar, Noble Computer Services (Private) Limited, Mezzanine Floor, House of Habib Building (Siddiqsons Tower) 3 Jinnah Co-operative Housing Society, Main Shahrah-e-Faisal, Karachi. Tel: (92-21) 34325482-7 Fax: (92-21) 34325442.



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

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

Review report to **the members**

on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the statement of Compliance with best practices contained in the Code of Corporate Governance prepared by the board of Directors of Sigma leasing Corporation limited to comply with the listing regulations of the Karachi Stock Exchange (Guarantee) Limited where the company is listed.

The responsibility for compliance with the code of Corporate Governance is that of the board of directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the statement of Compliance reflects the status of the Company's Compliance with the provision of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company to comply with Code.

As part of the audit of financial statement we are required to be obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further sub-regulation (Xiii) of listing Regulations 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular no. KSE/N-269 dated January 19,2009 requires the Company to place before the board of Directors for their consideration and approval of related party transaction, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transaction and transaction which are not executed at arm's length price recording proper justification for the using such alternate pricing mechanism. Further, all such transaction are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transaction by the board of directors and placement of such transaction before the audit committee. We have not carried out any procedures to determine whether the related party transaction were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflected the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2010.

Date: 06 SEP 2010
KARACHI

KPMG Taseer Hadi . 1

KPMG Taseer Hadi & Co.
Chartered Accountants



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

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

Auditors' report to **the members**

We have audited the annexed balance sheet of Sigma Leasing Corporation Limited ("the Company") as at 30 June 2010 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 (hereinafter referred to as the financial statements), 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 financial statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as described in note 3.1 to the financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2010 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the Company for the year ended 30 June 2009 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated 6 October 2009.

Date: 06 SEP 2010
KARACHI

KPMG Taseer Hadi . 1

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

Statement of Compliance with the Code of Corporate Governance

For the year ended June 30, 2010

This statement is being presented to comply with the Code of Corporate Governance contained in Regulations No. 37 of listing regulations of Karachi Stock Exchange 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 Code in the following manner:

- 1 The company encourages the representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes five independent non-executive directors.
- 2 The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
- 3 All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
- 4 Casual vacancy occurred in the Board during the year was filled in due course of time.
- 5 The company has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the Company.
- 6 The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the date 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 Chief Executive Officer (CEO) and other executive directors have been taken by the Board.
- 8 The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9 The Directors are appropriately apprised and have adequate knowledge of their duties and responsibilities and therefore orientation course for the directors was not considered necessary.
- 10 The Board has approved appointment of Chief Financial Officer (CFO) and Company Secretary including their remuneration and terms and conditions of employment, as determined by the CEO.
- 11 The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- 12 The financial statements of the company were duly endorsed by the CEO and CFO before approval of the Board.
- 13 The directors, CEO and executive 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 Code.
- 15 The Board has formed an Audit Committee. It comprises three members, of whom all three 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 Code. The terms of references of the committee have been formed and advised to the committee for compliance.
- 17 The related party transactions have been placed before the Audit Committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such items can be substantiated.
- 18 The Board has outsourced the internal audit function to Anjum Asim Shahid Rahman, Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they (or their representatives) are involved in the internal audit functions on a full time basis.
- 19 The statutory auditors of the company have confirmed that they have been given satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- 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 We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board of Directors



Asif Ali Rashid
Chairman
Dated: September 06, 2010

financials

Balance sheet

As at June 30, 2010

| | | 2010 | 2009 |
|--|------|--------------------|--------------------|
| ASSETS | Note | (Rupees) | |
| Current Assets | | | |
| Cash and bank balances | 4 | 48,419,016 | 97,625,866 |
| Current portion of net investment in finance lease | 9 | 215,249,574 | 361,533,217 |
| Investments | 5 | 60,117,667 | 137,332,559 |
| Prepayments and other receivables | 6 | 3,049,151 | 3,236,631 |
| Taxation - net | | 2,929,796 | 2,390,729 |
| Leased assets repossessed upon termination of lease | 7 | - | 15,377,174 |
| Total Current Assets | | 329,765,204 | 617,496,176 |
| Non-current Assets | | | |
| Long term deposits | 8 | 598,500 | 596,300 |
| Net investment in finance lease | 9 | 119,243,449 | 278,688,498 |
| Intangible assets | 10 | 231,579 | 352,419 |
| Property and equipment | 11 | 81,653,939 | 82,337,189 |
| Total Non-current Assets | | 201,727,467 | 361,974,406 |
| TOTAL ASSETS | | 531,492,671 | 979,470,582 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Running finance under markup arrangements | 12 | - | 67,741,040 |
| Current portion of lease key money deposits | 15 | 88,205,126 | 85,451,847 |
| Current portion of certificate of deposits | 16 | - | 37,630,099 |
| Current portion of long term loans | 17 | - | 108,333,334 |
| Current portion of liabilities against assets subject to finance lease | 18 | 677,108 | 669,738 |
| Accrued markup on loans and other payables | 13 | 9,229 | 7,303,848 |
| Accrued expenses and other liabilities | 14 | 3,811,575 | 9,642,784 |
| Total Current Liabilities | | 92,703,038 | 316,772,690 |
| Non-current Liabilities | | | |
| Lease key money deposits | 15 | 39,048,221 | 131,105,457 |
| Certificate of deposits | 16 | - | 107,569,355 |
| Long term loans | 17 | - | 33,333,334 |
| Liabilities against assets subject to finance lease | 18 | 396,716 | 1,076,577 |
| Deferred tax liability - net | 19 | 31,070,462 | 42,833,432 |
| Total Non-current Liabilities | | 70,515,399 | 315,918,155 |
| TOTAL LIABILITIES | | 163,218,437 | 632,690,845 |
| NET ASSETS | | 368,274,234 | 346,779,737 |
| REPRESENTED BY: | | | |
| Share capital | 20 | 300,000,000 | 300,000,000 |
| Reserves | 21 | 13,320,510 | 6,457,867 |
| Deficit / Surplus on revaluation of investments | 5.2 | 12,369 | (14,745,845) |
| | | 313,332,879 | 291,712,022 |
| Surplus on revaluation of property and equipment- net of deferred tax | 22 | 54,941,355 | 55,067,715 |
| | | 368,274,234 | 346,779,737 |

The annexed notes from 1 to 36 form an integral part of these financial statements


Chief Executive Officer


Director


Chief Executive Officer


Director

Profit and loss account

For the year ended June 30, 2010

| | | 2010 | 2009 |
|---|------|--------------------|---------------------|
| INCOME | Note | (Rupees) | |
| Lease income | 23 | 46,776,876 | 89,286,799 |
| Markup on deposits / placements | | 3,122,924 | 3,025,361 |
| Other operating income / (loss) | 24 | 25,298,755 | (55,501,413) |
| | | 75,198,555 | 36,810,747 |
| EXPENSES | | | |
| Administrative and operating expenses | 25 | 24,326,062 | 24,054,274 |
| Financial charges | 26 | 19,781,292 | 64,473,763 |
| | | 44,107,354 | 88,528,037 |
| Operating income / (loss) | | 31,091,201 | (51,717,290) |
| Provision for diminution in AFS investments | | 3,304,524 | 14,591,848 |
| Unrealised loss on revaluation of HFT investments | | 7,607,407 | 8,107,472 |
| Provision for potential lease losses | | 4,612,571 | - |
| Bad debts written off | | 16,052,793 | - |
| | | 31,577,295 | 22,699,320 |
| Loss before taxation | | (486,094) | (74,416,610) |
| Provision for Taxation | | | |
| Current | 27 | 8,228,830 | 340,017 |
| Prior | | (3,688,237) | - |
| Deferred | | (11,762,970) | (6,896,196) |
| | | (7,222,377) | (6,556,179) |
| Net profit / (loss) for the year | | 6,736,283 | (67,860,431) |
| Earning / (loss) per share - basic & diluted | 31 | 0.22 | (2.26) |

The annexed notes from 1 to 36 form an integral part of these financial statements

Statement of comprehensive income

For the year ended June 30, 2010

Cash flow statement

For the year ended June 30, 2010

| | 2010 | 2009 |
|---|-------------------|---------------------|
| | (Rupees) | |
| Profit / (loss) for the year | 6,736,283 | (67,860,431) |
| Other comprehensive income | | |
| Surplus / (deficit) on revaluation of investments - net | 14,758,214 | (14,745,845) |
| Total comprehensive income / (loss) for the year | 21,494,497 | (82,606,276) |

The annexed notes from 1 to 36 form an integral part of these financial statements

| | 2010 | 2009 |
|---|----------------------|----------------------|
| | (Rupees) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| (Loss) / profit before taxation | (486,094) | (74,416,610) |
| Adjustments for: | | |
| Depreciation | 2,601,055 | 2,581,086 |
| Amortization | 120,840 | 120,840 |
| Financial charges | 19,781,292 | 64,473,763 |
| Loss / (gain) on sale of property and equipment | 518,937 | (507,009) |
| Net loss on remeasurement of investments held for trading | 7,607,407 | 8,107,472 |
| Provision for diminution in value of investments | 3,304,524 | 14,591,848 |
| Provision for potential lease losses | 4,612,571 | - |
| Bad debts written off | 16,052,793 | - |
| Net gain / (loss) on sale of securities | (17,431,140) | 63,016,192 |
| | 36,682,185 | 77,967,582 |
| Changes in operating assets / liabilities | | |
| Net investment in finance lease | 285,063,328 | 384,721,929 |
| Lease key money deposits | (89,303,957) | (74,090,651) |
| Prepayments and other receivables | 187,480 | 18,973,811 |
| Leased assets repossessed upon termination of lease | 15,377,174 | (15,377,174) |
| Accrued expenses and other liabilities | (5,831,209) | 1,222,108 |
| | 205,492,816 | 315,450,023 |
| Cash generated from operations | 242,175,001 | 393,417,605 |
| Financial charges paid | (27,075,911) | (64,308,113) |
| Taxes paid | (5,079,661) | (3,133,547) |
| | (32,155,572) | (67,441,660) |
| Net cash generated from operating activities | 210,019,429 | 325,975,945 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (3,554,998) | (940,180) |
| Purchase of investments | (383,551,782) | (430,506,240) |
| Proceeds on disposal of investments | 482,044,098 | 398,167,468 |
| Proceeds on disposal of property, plant and equipment | 1,118,256 | 2,042,000 |
| Deposits | (2,200) | - |
| Net cash generated from / used in investing activities | 96,053,374 | (31,236,952) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Long-term loans | (141,666,668) | (204,153,333) |
| Certificate of deposits | (145,199,454) | (56,564,553) |
| Repayment of finance lease obligation | (672,491) | (559,421) |
| Net cash flows used in financing activities | (287,538,613) | (261,277,307) |
| Increase in cash and cash equivalents | 18,534,190 | 33,461,686 |
| Cash and cash equivalents at the beginning of the year | 29,884,826 | (3,576,860) |
| Cash and cash equivalents at the end of the year | 48,419,016 | 29,884,826 |

The annexed notes from 1 to 36 form an integral part of these financial statements.



Chief Executive Officer



Director



Director

Statement of changes in equity

For the year ended June 30, 2010

| | Share capital | Statutory Reserve | Unappropriated profit (Rupees) | Surplus / (deficit) on re-valuation of investments | Total |
|---|--------------------|-------------------|-----------------------------------|--|--------------------|
| Balance as at June 30, 2008 | 300,000,000 | 61,861,508 | 12,330,430 | - | 374,191,938 |
| Total comprehensive income for the year | | | | | |
| Loss for the year | - | - | (67,860,431) | - | (67,860,431) |
| Other comprehensive income / (loss) | | | | | |
| Deficit on revaluation of investments - net | - | - | - | (14,745,845) | (14,745,845) |
| | <u>300,000,000</u> | <u>61,861,508</u> | <u>(55,530,001)</u> | <u>(14,745,845)</u> | <u>291,585,662</u> |
| Transfer from surplus on revaluation of property and equipment - net of tax | - | - | 126,360 | - | 126,360 |
| Balance as at June 30, 2009 | <u>300,000,000</u> | <u>61,861,508</u> | <u>(55,403,641)</u> | <u>(14,745,845)</u> | <u>291,712,022</u> |
| Total comprehensive income for the year | | | | | |
| Profit for the year | - | - | 6,736,283 | - | 6,736,283 |
| Transferred to statutory reserves | - | 1,347,257 | (1,347,257) | - | - |
| Other comprehensive income / (loss) | | | | | |
| Surplus on revaluation of investments - net | - | - | - | 14,758,214 | 14,758,214 |
| | <u>300,000,000</u> | <u>63,208,765</u> | <u>(50,014,615)</u> | <u>12,369</u> | <u>313,206,519</u> |
| Transfer from surplus on revaluation of property and equipment - net of tax | - | - | 126,360 | - | 126,360 |
| Balance as at June 30, 2010 | <u>300,000,000</u> | <u>63,208,765</u> | <u>(49,888,255)</u> | <u>12,369</u> | <u>313,332,879</u> |

The annexed notes from 1 to 36 form an integral part of these financial statements

Notes to the financial statements

For the year ended June 30, 2010

1. Legal status and operations

The Company was incorporated in Pakistan on April 11, 1996 as a public limited company and received Certificate of Commencement of Business on January 27, 1997. The Company is principally engaged in the business of leasing and is listed on the Karachi Stock Exchange since 1997. The address of its registered office is Sigma House 8-C, Block 6, P.E.C.H.S., Off Shahrah-e-Faisal, Karachi.

2. Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except that investments are carried at fair value and leasehold land and building on leasehold land are stated at revalued amounts as stated in note 3.2 and 3.7 respectively.

2.3 Functional and presentation currency

The financial statements are presented in Pakistan Rupees which is the Company's functional and presentation currency and rounded off to the nearest rupee.

2.4 Use of estimates and judgments

The preparation of financial statements 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 and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making 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. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in period of revision and future periods if the revision affects both current and future periods.

The estimates and judgments that have a significant effect on the financial statements are in respect of the following:

- Classification of investments (notes 3.2 & 5);
- Residual values and useful lives of property, plant and equipment (notes 3.7, 11 & 25);
- Useful lives of intangible assets (notes 3.8, 10.1 & 25); and
- Recognition of taxation and deferred taxation (notes 3.10, 19 and 27).
- Impairment in available for sales investments (note 3.2 and 5)
- Provision for potential lease losses (note 9)

2.5 Other accounting developments

Disclosures pertaining to fair values for financial instrument

The Company has applied Improving Disclosures about Financial Instruments (Amendments to IFRS 7), issued in March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.



Chief Executive Officer



Director

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including the reasons therefore, are required to be disclosed for each class of financial instruments.

Revised disclosures in respect of fair values of financial instruments are included in note 30.6.

2.6 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after 1 January 2010:

| Improvements to IFRSs 2009 | Effective date |
|--|----------------|
| - Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations | 1 January 2010 |
| - Amendments to IFRS 8 Operating Segments | 1 January 2010 |
| - Amendments to IAS 1 Presentation of Financial Statements | 1 January 2010 |
| - Amendments to IAS 7 Statement of Cash Flows | 1 January 2010 |
| - Amendments to IAS 17 Leases | 1 January 2010 |
| - Amendments to IAS 36 Impairment of Assets | 1 January 2010 |
| - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters | 1 January 2010 |
| - Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions | 1 January 2010 |
| - Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues | 1 January 2010 |
| - IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments | 1 July 2010 |
| - Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters | 1 July 2010 |
| Improvements to IFRSs 2010 | |
| - Amendments to IFRS 3 Business Combinations | 1 July 2010 |
| - Amendments to IAS 27 Consolidated and Separate Financial Statements | 1 July 2010 |
| - IAS 24 Related Party Disclosures (revised 2009) These amendments will result in increase in disclosures in the Fund's financial statements. | 1 January 2011 |
| - Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction | 1 January 2011 |
| - Amendments to IFRS 1 First-time Adoption of IFRSs | 1 January 2011 |
| - Amendments to IFRS 7 Financial Instruments: Disclosures | 1 January 2011 |
| - Amendments to IAS 1 Presentation of Financial Statements | 1 January 2011 |
| - Amendments to IAS 34 Interim Financial Reporting | 1 January 2011 |
| - Amendments to IFRIC 13 Customer Loyalty Programmes | 1 January 2011 |

3. Summary of significant accounting policies

3.1 Changes in accounting policies

The Company has changed its accounting policies due to adoption of the following new and revised International Financial Reporting Standards (IFRS) during the year. Adoption of these standards did not have any material effect on the financial performance or position of the Company. However, they have resulted in additional disclosures. Comparative information has been re-presented so that it is in conformity with the new / revised standards.

i) IAS 1 - Presentation of financial statements

The Company has applied "Revised IAS 1 Presentation of Financial Statements (2007)" which became effective from period beginning after July 1, 2009. This standard required the Company to present in the statement of changes in equity, all owner changes in equity, whereas all non-owner changes in equity are presented in statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised / new standards. Since the changes in accounting policies only affects presentation of financial statements, there is no impact on earnings per share.

ii) IFRS 8 – Operating Segments

As of July 1, 2009 the Company determines and presents operating segments based on the information that is internally provided to the Executive Committee and CEO, which is the Company's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. Previously operating segments were determined and presented in accordance with IAS 14 Segment Reporting. Comparative segment information has been presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earning per share.

3.2 Financial instruments

The Company classifies its financial instruments in the following categories:

- Financial instruments at fair value through profit or loss
 - Financial instruments 'held for trading'

These include financial instruments acquired principally for the purpose of generating profit from short-term fluctuations in prices or dealers' margins or are securities included in a portfolio in which a pattern of short-term profit taking exists.

- Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. The surplus / deficit arising on revaluation of 'available-for-sale' securities is recognised in other comprehensive income and presented within equity.

- Held to maturity

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

- Financial liabilities

Financial liabilities, other than those at fair value through profit or loss, are measured at amortized cost using the effective yield method.

Recognition

The Company recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

A regular way purchase of financial assets is recognised using trade date accounting. From this date, any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on 'financial instruments at fair value through profit or loss' are expensed out immediately. Subsequent to initial recognition, financial instruments classified as 'at fair value through profit or loss' and 'available-for-sale' are measured at fair value. Gains or losses arising, from changes in the fair value of the 'financial assets at fair value through profit or loss' are recognised in the profit and loss account. Changes in the fair value of financial instruments classified as 'available-for-sale' are recognised in equity until derecognised or impaired, when the accumulated fair value adjustments recognised in equity are included in the profit and loss account.

Financial assets classified as loans and receivables are carried at amortised cost using the effective yield method, less impairment losses, if any.

Financial liabilities, other than those at 'fair value through profit or loss', are measured at amortised cost using the effective yield method.

Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument.

Impairment of financial assets

The company assesses at each balance sheet date whether there is any objective evidence that financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of asset (an incurred loss event) and that loss event (or events) has impact on the estimated future cash flows of the financial asset or the group of financial asset that can be reliably estimated.

Evidence of impairment may include indications that the borrower or the group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization, default or delinquency in interest or principal payments and where observable data indicates that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with default.

If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with International Accounting Standard 39: Financial Instruments; Recognition and Measurement.

The Company also enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or part of the risks and rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

3.4 Leased assets repossessed upon termination of leases

The Company occasionally repossesses leased assets in settlement of non-performing lease finance provided to customers. These are stated at lower of the original cost of the related asset, exposure to the Company and net realizable value of the asset repossessed. Gains or losses on disposal of such assets are taken to profit and loss account.

3.5 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 recognized at an amount equal to the present value of the lease payments, including any guaranteed residual value, if any.

Specific provision for non-performing leases are made on the basis of the requirements set out in the Non-Banking Finance Companies and Notified Entities Regulations, 2008 issued by the Securities and Exchange Commission of Pakistan.

3.6 Operating lease

Leases where the Company does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating lease. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of leased asset and recognized over the lease term on the same basis of rental income.

3.7 Property and equipment

Owned

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any except leasehold land and building on leasehold land which is stated at revalued amount less accumulated depreciation and impairment loss, if any. The revaluation of leasehold land and building on leasehold land is carried out every five years.

Depreciation is charged to profit and loss account applying the straight line method whereby the cost / revalued amount of an asset is written off over its estimated useful life. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the preceding month of disposal.

Surplus on revaluation of property and equipment is credit to the surplus on revaluation account. To the extent of the incremental depreciation charged on the revalued assets the related surplus on revaluation of property and equipment (net of deferred taxation) is transferred directly to unappropriated profit.

Subsequent costs

These are included in an asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other expenses are charged to income during the financial period in which they are incurred.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognised net within other operating income in profit or loss account.

Leased

Asset 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 the fair value of assets acquired. The related obligations under the lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged in a manner similar to owned assets.

Impairment of non financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.8 Intangible assets

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

3.9 Revenue recognition

Finance lease income

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

Front end fee, commitment charges, gain on termination of lease contracts and late payment surcharge are recognized as income when realized.

Operating lease income

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

Investment income

Return on investment is recognized at the rates implicit in the respective investment schemes on time proportion basis.

Dividend income

Dividend income is recorded at the time of closure of share transfer books of the Company declaring the dividend.

Gain on sale of investments

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

Interest income

Interest income on Bank deposits and debt securities is recognised on time proportion basis using the effective interest method.

3.10 Taxation

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

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account available tax credits, rebates and tax losses, or one percent of turnover, whichever is higher. The charge for the current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date. The charge for current tax also includes adjustments, where considered necessary relating to prior years.

Deferred

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

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

3.11 Staff retirement benefit

The Company operates an approved provident fund scheme for all its eligible employees. Equal monthly contributions are made, both by the Company and its employees, to the fund at the rate of 8.33 percent of basic salary.

3.12 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has the enforceable legal right to set off the transaction and also intends either to settle on net basis or to realize the asset and settle the liability simultaneously.

3.13 Provisions

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

3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposit. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand.

3.15 Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the Executive Committee and CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Executive Committee and CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, administrative expenses, and income tax assets and liabilities.

The business of the Company can be segmented into two main divisions namely, 'lease' and 'investments and others'. The Company's core business is financial leasing, it is also generating income from investments in equity and debt equity and collective investment schemes.



| | | 2010 | 2009 |
|--------------------------------------|------|-------------------|-------------------|
| | Note | (Rupees) | (Rupees) |
| 4. Cash and Bank Balances | | | |
| Cash with Banks | | | |
| - on current accounts | 4.1 | 308,885 | 532,269 |
| - on profit earning current accounts | 4.2 | 28,110,131 | 97,093,597 |
| - short term deposit | 4.3 | 20,000,000 | - |
| | | <u>48,419,016</u> | <u>97,625,866</u> |

4.1 This includes deposit of Rs. 64,973/- (2009: Rs. 67,791/-) with the State Bank of Pakistan.

4.2 The mark-up rates on profit earning current accounts range from 6% to 10% (2009: 6% to 12%) per annum.

4.3 The short term deposit is for 7 days with a commercial bank and carries mark-up rate of 11% per annum.

5. Investments

| | | | |
|--------------------------------------|-----|-------------------|--------------------|
| At fair value through profit or loss | 5.1 | 18,272,570 | 25,037,200 |
| Available for sale | 5.2 | <u>41,845,097</u> | <u>112,295,359</u> |
| | | <u>60,117,667</u> | <u>137,332,559</u> |

9. Net investment in finance lease - Secured

| | 2010 | | | 2009 | | |
|-----------------------------------|-------------------------|--|--------------|-------------------------|--|--------------|
| | Not later than one year | Later than one year & less than five years | Total | Not later than one year | Later than one year & less than five years | Total |
| Installments contract receivables | 155,442,167 | 91,427,157 | 246,869,324 | 324,582,652 | 169,872,717 | 494,455,369 |
| Residual value of leased assets | 88,332,027 | 39,048,221 | 127,380,248 | 85,887,312 | 131,452,258 | 217,339,570 |
| Lease contract receivable | 243,774,194 | 130,475,378 | 374,249,572 | 410,469,964 | 301,324,975 | 711,794,939 |
| Unearned lease income | (18,388,378) | (11,231,929) | (29,620,307) | (37,236,497) | (22,636,477) | (59,872,974) |
| Mark-up held in suspense 9.1 | (5,523,671) | - | (5,523,671) | (11,700,250) | - | (11,700,250) |
| | (23,912,049) | (11,231,929) | (35,143,978) | (48,936,747) | (22,636,477) | (71,573,224) |
| Provision for lease losses | (4,612,571) | - | (4,612,571) | - | - | - |
| Net investment in finance lease | 215,249,574 | 119,243,449 | 334,493,023 | 361,533,217 | 278,688,498 | 640,221,715 |

The Company has entered into various lease agreements for periods ranging from 3 to 5 years, carrying markup rates ranging from 13.50 to 23.01 percent per annum (2009: 10.01 to 23.01 percent per annum).

9.1 Mark-up held in suspense

| | 2010 | 2009 |
|----------------------------------|-------------|------------|
| Balance at beginning of the year | 11,700,250 | 2,014,941 |
| Income suspended during the year | 3,617,930 | 9,685,309 |
| | 15,318,180 | 11,700,250 |
| Suspended income: | | |
| - realised during the year | (997,811) | - |
| - written off during the year | (8,796,698) | - |
| | (9,794,509) | - |
| | 5,523,671 | 11,700,250 |

10. Intangible assets

| | Note | 2010 | 2009 |
|-------------------------------|------|-----------|-----------|
| Cost | | 1,105,955 | 1,105,955 |
| Accumulated amortization | 10.1 | (874,376) | (753,536) |
| | | 231,579 | 352,419 |
| 10.1 Accumulated amortization | | | |
| Opening Balance | | 753,536 | 632,696 |
| Amortization during the year | 25 | 120,840 | 120,840 |
| Closing balance | | 874,376 | 753,536 |

10.2 Intangible assets comprise computer software cost and are amortized over the useful life of five years.

11. Property and equipment

| | Note | 2010 | | | | Rate % | 2009 | | | | Written down value as at June 30, 2010 |
|--|------|---------------------|------------------------|--------------------------|---------------------|---------------------|--------------------|---------------------|--------------------------|------------|--|
| | | Cost / Revaluation | | Accumulated Depreciation | | | Cost / Revaluation | | Accumulated Depreciation | | |
| | | As at July 01, 2009 | Additions for the year | Disposal / Write off | As at June 30, 2010 | As at July 01, 2009 | For the year | Disposal / Reversal | As at June 30, 2010 | | |
| | | Rupees | | | | Rupees | | | | | |
| Property and Equipment Owned | | | | | | | | | | | |
| Leasehold land | 11.1 | 51,900,000 | - | - | 51,900,000 | - | - | - | - | 51,900,000 | |
| Building on leasehold land | 11.1 | 22,582,409 | - | - | 22,582,409 | 2 | 1,446,997 | 490,924 | 1,937,921 | 20,644,488 | |
| Furniture and fixtures | | 2,644,967 | 26,000 | (69,128) | 2,601,839 | 10 | 2,495,459 | 42,549 | (69,121) | 2,468,887 | |
| Vehicles | | 7,363,884 | 1,359,000 | - | 8,722,884 | 10 | 3,071,875 | 852,951 | - | 3,924,826 | |
| Computer and office equipment | | 4,241,165 | 2,169,998 | (2,248,805) | 4,162,358 | 10-33.3 | 3,639,070 | 604,970 | (2,151,070) | 2,092,970 | |
| | | 88,732,425 | 3,554,998 | (2,317,933) | 89,969,490 | | 10,653,401 | 1,991,394 | (2,220,191) | 10,424,604 | |
| Leased Vehicles | | 3,113,000 | - | - | 3,113,000 | | 723,777 | 280,170 | - | 1,003,947 | |
| | | 91,845,425 | 3,554,998 | (2,317,933) | 93,082,490 | | 11,377,178 | 2,271,564 | (2,220,191) | 11,428,551 | |
| On operating lease (Rented to customers) | | | | | | | | | | | |
| Vehicles | | 2,799,000 | - | (2,799,000) | - | | 1,119,600 | 139,950 | (1,259,550) | - | |
| Office equipment | | 1,083,100 | - | (1,083,100) | - | | 893,558 | 189,541 | (1,083,099) | - | |
| | | 3,882,100 | - | (3,882,100) | - | | 2,013,158 | 329,491 | (2,342,649) | - | |
| | | Rupees 95,727,525 | 3,554,998 | (6,200,033) | 93,082,490 | | 13,390,336 | 2,601,055 | (4,562,840) | 11,428,551 | |
| | | | | | | | | | | 81,653,939 | |

| | Note | 2009 | | | | Rate % | 2008 | | | | Written down value as at June 30, 2009 |
|--|------|---------------------|------------------------|--------------------------|---------------------|---------------------|--------------------|-----------|--------------------------|------------|--|
| | | Cost / Revaluation | | Accumulated Depreciation | | | Cost / Revaluation | | Accumulated Depreciation | | |
| | | As at July 01, 2008 | Additions for the year | Disposal | As at June 30, 2009 | As at July 01, 2008 | For the year | Disposal | As at June 30, 2009 | | |
| | | Rupees | | | | Rupees | | | | | |
| Property and Equipment Owned | | | | | | | | | | | |
| Leasehold land | 11.1 | 51,900,000 | - | - | 51,900,000 | - | - | - | - | 51,900,000 | |
| Building on leasehold land | 11.1 | 22,582,409 | - | - | 22,582,409 | 2 | 956,077 | 490,920 | - | 1,446,997 | |
| Furniture and fixtures | | 2,644,967 | - | - | 2,644,967 | 10 | 2,454,640 | 40,819 | - | 2,495,459 | |
| Vehicles | | 10,033,884 | 775,000 | (3,445,000) | 7,363,884 | 10 | 4,193,828 | 788,056 | (1,910,009) | 3,071,875 | |
| Computer and office equipment | | 4,075,985 | 165,180 | - | 4,241,165 | 10-33.3 | 3,262,779 | 376,291 | - | 3,639,070 | |
| | | 91,237,245 | 940,180 | (3,445,000) | 88,732,425 | | 10,867,324 | 1,696,086 | (1,910,009) | 10,653,401 | |
| Leased Vehicles | | 3,113,000 | - | - | 3,113,000 | | 443,607 | 280,170 | - | 723,777 | |
| | | 94,350,245 | 940,180 | (3,445,000) | 91,845,425 | | 11,310,931 | 1,976,256 | (1,910,009) | 11,377,178 | |
| On operating lease (Rented to customers) | | | | | | | | | | | |
| Vehicles | | 2,799,000 | - | - | 2,799,000 | | 839,700 | 279,900 | - | 1,119,600 | |
| Office equipment | | 1,083,100 | - | - | 1,083,100 | | 568,628 | 324,930 | - | 893,558 | |
| | | 3,882,100 | - | - | 3,882,100 | | 1,408,328 | 604,830 | - | 2,013,158 | |
| | | Rupees 98,232,345 | 940,180 | (3,445,000) | 95,727,525 | | 12,719,259 | 2,581,086 | (1,910,009) | 13,390,336 | |
| | | | | | | | | | | 82,337,189 | |

11.1 The above balances represent the value of leasehold land and building on leasehold land subsequent to revaluation, which resulted in surplus of Rs.16.20 million and Rs.2.436 million respectively as on June 30, 2001 and Rs.33.90 million and Rs.7.284 million as on June 30, 2006 respectively over the book values as of said dates. The values of leasehold land and building on leasehold land so revalued are being depreciated over the remaining useful lives of the assets determined at the date of revaluations. The revaluations were carried out by Surval Engineering Surveyors & Technical Consultants on June 30, 2001 and Credit and Commerce Consultants (Private) Limited on June 30, 2006.

2010 2009

Note (Rupees)

11.2 Had there been no revaluation, the net book value of the revalued leasehold land and building would amount to:

| | | |
|----------------------------|-------------------|-------------------|
| Leasehold land | 1,800,000 | 1,800,000 |
| Building on leasehold land | <u>12,071,743</u> | <u>12,350,409</u> |
| | <u>13,871,743</u> | <u>14,150,409</u> |

11.3 The cost of fully depreciated assets included in the fixed assets is as follows :

| | | |
|--------------------------------|------------------|------------------|
| Vehicles | 107,998 | 107,998 |
| Computers and office equipment | 1,366,675 | 2,863,579 |
| Furniture and fixtures | <u>2,340,290</u> | <u>2,227,962</u> |
| | <u>3,814,963</u> | <u>5,199,539</u> |

11.4 Disposals of property and equipment

| Description | Mode of disposal | Cost | Accumulated depreciation | Book value | Sale proceeds | Gain / (loss) on disposal | Particulars of buyer |
|---------------------|------------------|------------------|--------------------------|------------------|------------------|---------------------------|--------------------------|
| (Rupees) | | | | | | | |
| Computer equipment | Insurance Claim | 1,247,900 | (1,239,729) | 8,171 | 377,000 | 368,829 | EFU Gen. Insurance Ltd. |
| Office equipment | Insurance Claim | 192,650 | (104,477) | 88,173 | 123,000 | 34,827 | EFU Gen. Insurance Ltd. |
| Vehicle | Negotiation | 2,799,000 | (1,259,550) | 1,539,450 | 285,000 | (1,254,450) | Mr. Aziz Merchant |
| Computer equipment | Negotiation | 1,083,100 | (1,083,099) | 1 | 333,256 | 333,255 | Bearing Point (Pvt) Ltd. |
| Computer equipment | Scrap | 684,700 | (683,313) | 1,387 | - | (1,387) | Scrap |
| Office equipment | Scrap | 123,555 | (123,551) | 4 | - | (4) | Scrap |
| Furniture & Fixture | Scrap | 69,128 | (69,121) | 7 | - | (7) | Scrap |
| 2010 | | 6,200,033 | (4,562,840) | 1,637,193 | 1,118,256 | (518,937) | |
| 2009 | | 3,445,000 | (1,910,009) | 1,534,991 | 2,042,000 | 507,009 | |

2010 2009

Note (Rupees)

12. Running finance under mark-up arrangements - Secured

| | | | |
|--------------|------|---|-------------------|
| Facility I | 12.1 | - | 28,882,194 |
| Facility II | 12.2 | - | 12,389,913 |
| Facility III | | - | 26,468,933 |
| | | - | <u>67,741,040</u> |

12.1 This represents running finance facility under mark-up arrangements availed from a commercial bank and carries mark-up at the average 6 months KIBOR (ask) plus 1.5 percent (2009: 1 percent) per annum to be determined at the end of every quarter. The facility is secured by specific charge over leased assets and rental receivables of Rs.100 million (2009: Rs.100 million). The facility expired on June 30, 2010 and is renewable annually. Facility limit available to the Company is Rs.30 million (2009: Rs.30 million).

12.2 This represents running finance facility under mark-up arrangements availed from a commercial bank and carries mark-up at the average 6 months KIBOR (ask) plus 2.5 percent (2009: 2.5 percent) per annum to be determined at the end of every quarter. The facility is secured by specific charge over leased assets and rental receivables of Rs.33.334 million (2009: Rs.33.334 million). The facility expired on June 30, 2010 and is renewable annually. Facility limit available to the Company is Rs.12.5 million (2009: Rs.12.5 million).

2010 2009

Note (Rupees)

13. Accrued mark-up on loans and other payables

| | | |
|------------------------------|--------------|------------------|
| Accrued mark-up on: | | |
| - long term loan | - | 4,178,516 |
| - running finance facilities | 9,229 | 78,207 |
| - certificate of deposits | - | 3,047,125 |
| | <u>9,229</u> | <u>7,303,848</u> |

14. Accrued expenses and other liabilities

| | | |
|-------------------------|------------------|------------------|
| Accrued expenses | 830,370 | 826,528 |
| Advances from customers | 2,293,402 | 8,300,882 |
| Others | 687,803 | 515,374 |
| | <u>3,811,575</u> | <u>9,642,784</u> |

15. Lease key money deposits

| | | | |
|--------------------------|------|---------------------|---------------------|
| Lease key money deposits | | | |
| - finance leases | 15.1 | 127,253,347 | 215,941,069 |
| - operating leases | | - | 616,235 |
| | | <u>127,253,347</u> | <u>216,557,304</u> |
| Maturing within one year | | <u>(88,205,126)</u> | <u>(85,451,847)</u> |
| | | <u>39,048,221</u> | <u>131,105,457</u> |

15.1 These represent sums received from lessees under lease contracts and are repayable / adjustable at the expiry of lease period.

16. Certificate of deposits

| | | | |
|--------------------------|------|----------|--------------------|
| Certificate of deposits | 16.1 | - | 145,199,454 |
| Maturing within one year | | - | (37,630,099) |
| | | <u>-</u> | <u>107,569,355</u> |

16.1 During the year the Company paid off all the certificate of deposits to respective certificate holders along with the profit for broken period, if any, as per the decision of the Board of Directors of the Company.

17. Long-term loans - Secured

| | | |
|--------------------------|---|----------------------|
| Loan A | - | 12,500,000 |
| Loan B | - | 12,500,000 |
| Loan C | - | 25,000,000 |
| Loan D | - | 25,000,000 |
| Loan E | - | 66,666,668 |
| | - | <u>141,666,668</u> |
| Maturing within one year | | <u>(108,333,334)</u> |
| | | <u>33,333,334</u> |

17.1 During the year the Company paid off all the term finances before maturity to respective banks as per the decision of the Board of Directors of the Company.

18. Liabilities against assets subject to finance lease

| | 2010 | | | 2009 | | |
|---|------------------------|--------------------------------------|-----------------------|------------------------|--------------------------------------|-----------------------|
| | Minimum lease payments | Financial charges for future periods | Principal outstanding | Minimum lease payments | Financial charges for future periods | Principal outstanding |
| (Rupees) | | | | | | |
| Not later than one year | 742,478 | (65,370) | 677,108 | 854,508 | (184,770) | 669,738 |
| Later than one year and not later than five years | 403,995 | (7,279) | 396,716 | 1,155,753 | (79,176) | 1,076,577 |
| | <u>1,146,473</u> | <u>(72,649)</u> | <u>1,073,824</u> | <u>2,010,261</u> | <u>(263,946)</u> | <u>1,746,315</u> |

18.1 This represents obligation in respect of vehicles acquired under finance lease arrangements from leasing company. Rentals are payable in equal monthly installments. Repairs and insurance cost are to be borne by lessee. Financing rate ranging to 6 months KIBOR (ask) plus 3.25 percent (2009: 6 months KIBOR (ask) plus 3.25 percent). Purchase option can be exercised by the lessee by adjusting security deposit at the expiry of lease period.

19. Deferred tax liability - net

This is comprised of following:

Credits arising due to:

| | 2010 | 2009 |
|---|-------------------|-------------------|
| - Difference between investment in lease and tax book value of assets given on lease | 25,452,798 | 47,949,904 |
| - Difference between accounting book value of fixed assets and tax base | 5,255,334 | 1,355,595 |
| - Difference between accounting book value of assets taken on lease and related lease liability | 362,330 | 225,018 |
| | 31,070,462 | 49,530,517 |

Debits arising due to:

| | | |
|------------------------|-------------------|-------------------|
| - carry forward losses | - | (3,051,497) |
| - tax credit | - | (3,645,588) |
| | - | (6,697,085) |
| | 31,070,462 | 42,833,432 |

20. Share capital

20.1 Authorized capital

| 2010 | | 2009 | | | |
|--------------------|--------------------|----------------------|----------------------|----------------------|----------------------|
| (Number of shares) | | (Rupees) | | | |
| 90,000,000 | 90,000,000 | 900,000,000 | 900,000,000 | 900,000,000 | 900,000,000 |
| 10,000,000 | 10,000,000 | 100,000,000 | 100,000,000 | 100,000,000 | 100,000,000 |
| 100,000,000 | 100,000,000 | 1,000,000,000 | 1,000,000,000 | 1,000,000,000 | 1,000,000,000 |

20.2 Issued, subscribed and paid-up capital

| | | | | |
|-------------------|-------------------|---|--------------------|--------------------|
| 30,000,000 | 30,000,000 | Fully paid ordinary shares of Rs. 10/- each – for consideration in cash | 300,000,000 | 300,000,000 |
|-------------------|-------------------|---|--------------------|--------------------|

20.3 5,217,819 (2009: 5,217,819) ordinary shares of Rs. 10/- each are held by the related parties.

21. Reserves

| | | | |
|--------------------|------|-------------------|------------------|
| Statutory reserves | 21.1 | 63,208,765 | 61,861,508 |
| Accumulated losses | | (49,888,255) | (55,403,641) |
| | | 13,320,510 | 6,457,867 |

21.1 In accordance with the NBFC Regulations, the Company is required to transfer 20 percent of its after tax profits to statutory reserve until the reserve equals its paid up capital. Thereafter 5 percent of after tax profit is required to be transferred to reserve.

22. Surplus on revaluation of property and Equipment - net of deferred tax

Movement in the surplus on revaluation of property & equipment account is as follow:

| | | |
|--|-------------------|-------------------|
| Balance as on July 01, 2009 | 55,067,715 | 55,194,075 |
| Transfer to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax | (126,360) | (126,360) |
| | 54,941,355 | 55,067,715 |

23. Lease income

Income from:

| | | |
|---|-------------------|-------------------|
| - Finance lease | 43,171,457 | 84,094,716 |
| - Operating lease | 184,117 | 1,199,676 |
| Miscellaneous charges against leases | 3,294,854 | 3,499,721 |
| Cancellation charges of lease contracts | 126,448 | 492,686 |
| | 46,776,876 | 89,286,799 |

24. Other operating income

| | | |
|---|-------------------|---------------------|
| Net gain / (loss) on Sale of Securities | 17,431,140 | (63,016,192) |
| Mark-up on: | | |
| - Term Finance Certificates | 1,434,661 | 2,142,516 |
| - Pakistan Investment Bonds | 3,040,664 | 288,753 |
| - Insurance arrangement | 139,069 | 517,909 |
| Dividend income | 2,366,882 | 3,400,170 |
| (Loss) / gain on sale of property and equipment | (518,937) | 507,009 |
| Others | 1,405,276 | 658,422 |
| | 25,298,755 | (55,501,413) |

25. Administrative and operating expenses

| | | |
|---------------------------------|-------------------|-------------------|
| Salaries and other benefits | 10,106,663 | 11,358,368 |
| Contribution to provident fund | 498,805 | 566,626 |
| Directors' fees | 30,000 | 40,000 |
| Rent, rates and taxes | 581,497 | 221,270 |
| Security services | 228,000 | 209,539 |
| Utilities | 1,009,293 | 862,901 |
| Postage and periodicals | 46,114 | 52,615 |
| Printing and stationery | 362,054 | 426,898 |
| Vehicle running and maintenance | 1,535,822 | 1,724,448 |
| Insurance | 827,099 | 857,282 |
| Traveling and conveyance | 23,822 | 3,390 |
| Auditors' remuneration | 25.1 | 523,500 |
| Legal and professional charges | 3,089,798 | 3,188,797 |
| Depreciation | 11 | 2,601,055 |
| Amortization | 10.1 | 120,840 |
| Entertainment | 62,414 | 42,467 |
| Advertisement expenses | 152,438 | 78,046 |
| Repairs and maintenance | 1,131,414 | 249,103 |
| Brokerage expenses | 517,183 | 476,313 |
| Others | 878,251 | 489,535 |
| | 24,326,062 | 24,054,274 |

25.1 Auditors' remuneration

| | | |
|--|----------------|----------------|
| Audit fee – statutory | 300,000 | 275,000 |
| Fee for half yearly review | 105,000 | 100,000 |
| Fee for review of compliance with Code of Corporate Governance | 50,000 | 50,000 |
| Other certifications | 20,000 | 35,000 |
| Out of pocket expenses | 48,500 | 44,750 |
| | 523,500 | 504,750 |

2010 2009
Note (Rupees)

26. Finance charges

Financial charges on lease financing
Mark-up on:
- Certificate of deposits
- Loans and borrowings:
• long-term loans
• running finance under mark-up arrangements

Arrangement charges
Bank charges

| | 2010 | 2009 |
|--|------------|------------|
| | 177,122 | 299,594 |
| | 12,435,989 | 22,055,945 |
| | 7,055,761 | 41,366,511 |
| | 48,946 | 703,067 |
| | 19,540,696 | 64,125,523 |
| | 25,200 | 15,000 |
| | 38,274 | 33,646 |
| | 19,781,292 | 64,473,763 |

27. Taxation

- current
- prior
- deferred

| | | |
|--|--------------|-------------|
| | 8,228,830 | 340,017 |
| | (3,688,237) | - |
| | (11,762,970) | (6,896,196) |
| | (7,222,377) | (6,556,179) |

Reconciliation between accounting profit and tax expense:

Accounting profit

| | | |
|--|-----------|--------------|
| | (486,094) | (74,416,610) |
|--|-----------|--------------|

Tax @ 35%

Tax effect of:

- income / (loss) exempt from tax
- income taxed at reduced rates
- tax effect of unrealised loss
- tax effect of impairment on AFS
- prior year adjustment / reversal of turnover tax
- other

| | | |
|--|-------------|--------------|
| | (170,133) | (26,045,814) |
| | (6,100,899) | 19,055,667 |
| | (591,721) | (850,043) |
| | 2,662,592 | 2,837,615 |
| | 1,156,583 | 5,107,147 |
| | (3,688,237) | (6,439,578) |
| | (490,562) | (221,173) |
| | (7,222,377) | (6,556,179) |

27.1 Current status of tax assessments

In 2008, an appeal has been filed with Income Tax Appellant Tribunal against the assessment order of tax year 2004. In this assessment order, the tax officer has raised various matters which include; disallowance of initial allowance, taxability of early terminated leases and taxability of capital gain. The management and their tax consultant are confident that the decision in the aforementioned matters will be received in their favour.

28. Remuneration of chief executive officer, directors and executives

| | Chief executive officer | | Directors | | Executives | |
|-------------------------|-------------------------|-----------|-----------|-----------|------------|-----------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| | (Rupees) | (Rupees) | (Rupees) | (Rupees) | (Rupees) | (Rupees) |
| Managerial remuneration | 1,493,400 | 1,493,400 | 880,000 | 1,080,000 | 1,940,100 | 1,920,000 |
| Housing and utilities | 746,940 | 746,940 | 315,000 | 540,000 | 969,900 | 960,000 |
| Bonus | - | - | - | - | - | - |
| Provident fund | 124,450 | 124,450 | 52,500 | 90,000 | 161,674 | 160,000 |
| Club subscription | 12,000 | 12,000 | 7,000 | 12,000 | 12,000 | 12,000 |
| | 2,376,790 | 2,376,790 | 1,254,500 | 1,722,000 | 3,083,674 | 3,052,000 |
| | 1 | 1 | 1 | 1 | 2 | 2 |

28.1 The Chief Executive Officer and Executive are entitled to free use of Company maintained vehicles.

28.2 Aggregate amount charge in the financial statement with respect to directors' fee for the year was Rs.0.03 million (2009: Rs.0.04 million).

29. Capital management

The Company objective for managing capital is to safeguard its ability to continue as a going concern in order to continue providing returns to its shareholders.

Capital equity 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. Securities and Exchange Commission of Pakistan vide SRO 764(I)/2009 extended the minimum equity requirement for another two years. The revised minimum equity requirement is as under:

| Year ending | Rs. in million |
|---------------|----------------|
| June 30, 2010 | 200 |
| June 30, 2011 | 350 |
| June 30, 2012 | 500 |
| June 30, 2013 | 700 |

The Company's equity comprises of following:

| | | |
|---|--------------|--------------|
| Issued, subscribed and paid-up capital | 300,000,000 | 300,000,000 |
| Statutory reserve | 63,208,765 | 61,861,508 |
| Revenue reserve | | |
| Unappropriated (loss) / profit | (49,888,255) | (55,403,641) |
| Unrealized loss on revaluation of investments | (12,369) | (14,745,845) |
| | (49,875,886) | (70,149,486) |
| | 313,332,879 | 291,712,022 |

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

30. Financial risk management

Introduction and overview

The Company has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing it.

30.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

30.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company and arises principally from the Company's receivables from customers, cash and cash equivalents and investment securities.

30.2.1 Management of Credit risk

The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter parties, and continually assessing the credit worthiness of counter parties.

30.2.2 Exposure to Credit risk

The Company's maximum credit risk exposure (before collateral and other credit enhancements) at the Balance Sheet date is represented by the respective carrying amounts of the financial assets. Carrying amount of these financial assets is as follows:

| | 2010 | 2009 |
|---|--------------------|--------------------|
| | (Rupees) | |
| Bank balances | 48,419,016 | 97,625,866 |
| Other receivables | 1,796,661 | 2,765,325 |
| Investment | 10,730,000 | 19,279,664 |
| Net investment in finance leases (net of security deposits held) | 207,112,775 | 422,882,145 |
| Long term deposits | 598,500 | 596,300 |
| | <u>268,656,952</u> | <u>543,149,300</u> |

30.2.3 Credit ratings and Collaterals held

Belowmentioned ratings are on the basis of available ratings assigned by PACRA and JCR-VIS (as of June 30, 2010).

30.2.3.1 Banks

The analysis below summarizes the credit quality of the Company's bank balances as at June 30, 2010 and June 30, 2009:

| | | |
|-----|------------|------------|
| AAA | 130,040 | 208,441 |
| AA+ | 65,338 | 151,698 |
| AA- | 27,876,202 | 56,036,064 |
| AA | 20,318,883 | 41,143,268 |
| A | 28,553 | 86,395 |

30.2.3.2 Lease receivables

Out of total lease receivable amounting to Rs.334.493 million (2009: Rs.640.222 million), Rs.332.786 million (2009: Rs.632.505 million) is due from non-rated parties.

30.2.3.3 TFC by rating category

| | | | |
|----|--------|------------|------------|
| AA | Rupees | 10,730,000 | 19,279,664 |
|----|--------|------------|------------|

30.2.3.4 Description of Collateral held

The Company's leases are secured against assets leased out, personal guarantee of lessees and post dated cheques. In a few leases additional collateral is also obtained in the form of mortgaged property.

30.2.4 Aging Analysis* of Net Investment in Finance Lease

| | 2010 | | | |
|-------------------|--------------------|--|---------------------------------------|-----------------------|
| | Carrying Amount | Amount on which no impairment recognised | Amount on which impairment recognised | Impairment recognised |
| | (Rupees) | | | |
| 0 days | 304,255,168 | 304,255,168 | - | - |
| 1-89 days | 4,118,513 | 4,118,513 | - | - |
| 90 days-1 year | 21,506,771 | 21,506,771 | - | - |
| 1 year- 2 years | 1,248,178 | - | 1,248,178 | 1,248,178 |
| 2 years- 3 years | 3,364,393 | - | 3,364,393 | 3,364,393 |
| More than 3 years | - | - | - | - |
| Total | <u>334,493,023</u> | <u>329,880,452</u> | <u>4,612,571</u> | <u>4,612,571</u> |
| | 2009 | | | |
| | Carrying Amount | Amount on which no impairment recognised | Amount on which impairment recognised | Impairment recognised |
| | (Rupees) | | | |
| 0 days | 500,244,626 | 500,244,626 | - | - |
| 1-89 days | 58,165,842 | 58,165,842 | - | - |
| 90 days-1 year | 54,697,977 | 54,697,977 | - | - |
| 1 year- 2 years | 27,113,270 | 27,113,270 | - | - |
| 2 years- 3 years | - | - | - | - |
| More than 3 years | - | - | - | - |
| Total | <u>640,221,715</u> | <u>640,221,715</u> | <u>-</u> | <u>-</u> |

*Based on overdue installments.

30.2.5 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse creditworthy counterparties thereby mitigating any significant concentration of credit risk.

Details of the industrial sector analysis of lease portfolio are as follows:

| | 2010 | | 2009 | |
|------------------------------------|--------------------|---------------|--------------------|---------------|
| | Rupees | % | Rupees | % |
| Textile and made ups | 65,438,774 | 19.56 | 77,694,357 | 12.14 |
| Pharmaceuticals | - | - | 9,102,765 | 1.42 |
| Healthcare and hospitals | 19,978,393 | 5.97 | 28,244,996 | 4.41 |
| Services | 19,846,750 | 5.93 | 44,042,344 | 6.88 |
| Textile spinning | - | - | 5,367,272 | 0.84 |
| Synthetic | 1,684,790 | 0.50 | 28,301,593 | 4.42 |
| Banking and financial institutions | 11,895,904 | 3.56 | 21,931,724 | 3.43 |
| Textile weaving | 27,173,573 | 8.12 | 58,125,128 | 9.08 |
| Construction | 604,867 | 0.18 | 914,266 | 0.14 |
| Transportation | 9,758,599 | 2.92 | 27,234,152 | 4.25 |
| Trading services | 7,281,047 | 2.18 | 22,029,315 | 3.44 |
| Food | 55,256,971 | 16.52 | 49,590,949 | 7.75 |
| Communication and IT | 13,235,416 | 3.96 | 21,782,470 | 3.40 |
| Cement | 5,183,949 | 1.55 | 40,811,051 | 6.37 |
| Sugar and allied | 900,498 | 0.27 | 2,334,152 | 0.36 |
| Chemicals | 19,484,612 | 5.83 | 28,651,123 | 4.48 |
| Others | 76,768,880 | 22.95 | 174,064,058 | 27.19 |
| | <u>334,493,023</u> | <u>100.00</u> | <u>640,221,715</u> | <u>100.00</u> |

30.3 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Company.

30.3.1 Management of liquidity risk

To guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

30.3.2 Maturity analysis for financial assets & liabilities

The table below summarizes the maturity profile of the Company's assets and liabilities:

| | Amount | Contractual cash flows | Upto 3 months | Over 3 months to 1 year | Over 1 year to 5 years | Over 5 years |
|---|--------------------|------------------------|--------------------|-------------------------|------------------------|-------------------|
| | (Rupees) | | | | | |
| As at 30 June 2010 | | | | | | |
| Assets | | | | | | |
| Cash and bank balances | 48,419,016 | 48,461,207 | 48,461,207 | - | - | - |
| Investments | 60,117,667 | 87,992,074 | 19,313,264 | 20,574,861 | 12,750,000 | 35,353,949 |
| Other receivable | 3,049,151 | 3,049,151 | 1,796,661 | 460,000 | 792,490 | - |
| Net investment in finance lease | 334,493,023 | 369,660,389 | 115,833,055 | 123,166,913 | 130,660,421 | - |
| Long term deposits | 598,500 | 598,500 | - | - | 598,500 | - |
| | <u>446,677,357</u> | <u>509,761,321</u> | <u>185,404,187</u> | <u>144,201,774</u> | <u>144,801,411</u> | <u>35,353,949</u> |
| Liabilities | | | | | | |
| Accrued markup on loans and other payables | 9,229 | 9,229 | 9,229 | - | - | - |
| Accrued expenses and other liabilities | 3,811,575 | 3,811,575 | 3,811,575 | - | - | - |
| Lease key money deposits | 127,253,347 | 127,253,347 | 49,994,605 | 38,210,521 | 39,048,221 | - |
| Liabilities against assets subject to finance lease | 1,073,824 | 1,146,780 | 211,571 | 531,644 | 403,565 | - |
| | <u>132,147,975</u> | <u>132,220,931</u> | <u>54,026,980</u> | <u>38,742,165</u> | <u>39,451,786</u> | <u>-</u> |
| As at 30 June 2009 | | | | | | |
| Assets | | | | | | |
| Bank balances | 97,625,866 | 97,625,866 | 97,625,866 | - | - | - |
| Investments | 137,332,559 | 170,347,426 | 95,004,711 | 12,131,290 | 24,642,775 | 38,568,650 |
| Other receivables | 3,236,631 | 3,236,631 | 3,236,631 | - | - | - |
| Repossessed assets | 15,377,174 | 15,377,174 | 15,377,174 | - | - | - |
| Net investment in finance lease | 640,221,715 | 717,191,600 | 161,986,489 | 259,403,830 | 295,801,281 | - |
| Long term deposits | 596,300 | 596,300 | - | - | 596,300 | - |
| | <u>894,390,245</u> | <u>1,004,374,997</u> | <u>373,230,871</u> | <u>271,535,120</u> | <u>321,040,356</u> | <u>38,568,650</u> |
| Liabilities | | | | | | |
| Running finance under markup arrangements | 67,741,040 | 67,741,040 | 67,741,040 | - | - | - |
| Accrued markup on loans and other payables | 7,303,848 | 7,303,848 | 6,427,149 | 876,699 | - | - |
| Accrued expenses and other liabilities | 9,642,784 | 9,642,784 | 9,642,784 | - | - | - |
| Lease key money deposits | 216,557,304 | 216,557,304 | 22,044,310 | 63,407,537 | 131,105,457 | - |
| Certificate of deposits | 145,199,454 | 203,382,983 | 20,785,298 | 21,327,315 | 161,270,370 | - |
| Long term loans | 141,666,668 | 163,545,419 | 47,057,083 | 78,081,668 | 38,406,668 | - |
| Liabilities against assets subject to finance lease | 1,746,315 | 1,996,502 | 213,627 | 633,340 | 1,149,535 | - |
| | <u>589,857,413</u> | <u>670,169,880</u> | <u>173,911,291</u> | <u>164,326,559</u> | <u>331,932,030</u> | <u>-</u> |

30.4 Market risks

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

30.4.1 Management of market risks

The Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies and regulations laid down by the Securities and Exchange Commission of Pakistan.

The Company is exposed to interest rate and price risk only.

30.4.2 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. The Company is mainly exposed to mark-up / interest rate risk on its net investment in finance lease, running finance on mark-up arrangements, certificates of deposits and long term loans with floating interest rates.

The Company manages its interest rate risk by having a balance between floating interest rate financial assets and liabilities. Currently financial liabilities represent 0.4% (2009: 45%) of financial asset with floating interest rates.

At the reporting date, the interest rate profile of Company's interest-bearing financial instruments is as follows:

| | Carrying Amount | |
|----------------------------------|--------------------|--------------|
| | June 30 2010 | June 30 2009 |
| | (Rupees) | |
| Fixed rate instruments | | |
| Financial assets | <u>134,999,808</u> | 246,249,245 |
| Financial liabilities | <u>-</u> | 99,266,480 |
| Variable rate instruments | | |
| Financial assets | <u>282,937,295</u> | 574,596,647 |
| Financial liabilities | <u>1,073,824</u> | 257,086,997 |

Cash flow sensitivity analysis for variable rate instruments

The Company holds KIBOR based interest bearing investments in finance leases, Pakistan Investment Bonds and Pakistan Income Fund exposing the Company to cash flow interest rate risk.

For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in interest rates during the year would have decreased / increased profit and equity for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

| | Profit or loss before tax 100 bp | | Equity 100 bp | |
|---|----------------------------------|--------------------|------------------|--------------------|
| | Increase | (Decrease) | Increase | (Decrease) |
| | (Rupees) | | (Rupees) | |
| As at June 30 2010 | | | | |
| Cash flow sensitivity-Variable rate instruments | <u>2,818,635</u> | <u>(2,818,635)</u> | <u>1,832,113</u> | <u>(1,832,113)</u> |
| As at June 30 2009 | | | | |
| Cash flow sensitivity-Variable rate instruments | 3,175,097 | (3,175,097) | 2,063,813 | (2,063,813) |

The information about Company's exposures to interest rate risk based on contractual repricing or maturity dates whichever is earlier is as follows:

| Exposed to interest rate risk | | | | | | |
|---|---------------|--------------------|-------------------------|-------------------|--------------|-----------------------------------|
| Effective rate of mark-up / return % | Amount | Upto 6 months | Over 6 months to 1 year | 1 year to 5 years | Over 5 years | Not exposed to interest rate risk |
| (Rupees) | | | | | | |
| As at June 30 2010 | | | | | | |
| Bank balances | 6.00 - 10.00 | 48,419,016 | 48,110,131 | - | - | 308,885 |
| Investments | 9.30 - 12.00 | 60,117,667 | 34,833,949 | - | - | 25,283,718 |
| Other receivables | | 3,049,151 | - | - | - | 3,049,151 |
| Net investment in finance lease | 13.50 - 23.01 | 334,493,023 | 334,493,023 | - | - | - |
| Long term deposits | | 598,500 | - | - | - | 598,500 |
| | | <u>446,677,357</u> | <u>417,437,103</u> | - | - | <u>29,240,254</u> |
| Financial Liabilities | | | | | | |
| Accrued markup on loans and other payables | | 9,229 | - | - | - | 9,229 |
| Accrued expenses and other liabilities | | 3,811,575 | - | - | - | 3,811,575 |
| Lease key money deposits | | 127,253,347 | - | - | - | 127,253,347 |
| Liabilities against assets subject to finance lease | 15.49 | 1,073,824 | 1,073,824 | - | - | - |
| | | <u>132,147,975</u> | <u>1,073,824</u> | - | - | <u>131,074,151</u> |
| On balance sheet gap | | <u>314,529,382</u> | <u>416,363,279</u> | - | - | <u>(101,833,897)</u> |

| Exposed to interest rate risk | | | | | | |
|---|---------------|--------------------|-------------------------|-------------------|--------------|-----------------------------------|
| Effective rate of mark-up / return % | Amount | Upto 6 months | Over 6 months to 1 year | 1 year to 5 years | Over 5 years | Not exposed to interest rate risk |
| (Rupees) | | | | | | |
| As at June 30 2009 | | | | | | |
| Financial Assets | | | | | | |
| Bank balances | 6.00 - 12.00 | 97,625,866 | 97,093,597 | - | - | 532,269 |
| Investments | 9.30 - 12.00 | 137,332,559 | 63,564,447 | - | - | 73,768,112 |
| Prepayments and other receivables | | 3,236,631 | - | - | - | 3,236,631 |
| Repossessed assets | | 15,377,174 | - | - | - | 15,377,174 |
| Net investment in finance lease | 10.01 - 23.01 | 640,221,715 | 640,221,715 | - | - | - |
| Long term deposits | | 596,300 | - | - | - | 596,300 |
| | | <u>894,390,245</u> | <u>800,879,759</u> | - | - | <u>93,510,486</u> |
| Financial Liabilities | | | | | | |
| Running finance under markup arrangements | 15.02-18.18 | 67,741,040 | 67,741,040 | 90% | 0% | 0% |
| Accrued markup on loans and other payables | | 7,303,848 | - | - | - | 7,303,848 |
| Accrued expenses and other liabilities | | 9,642,784 | - | - | - | 9,642,784 |
| Lease key money deposits | | 216,557,304 | - | - | - | 216,557,304 |
| Certificate of deposits | 12.25-17.07 | 145,199,454 | 45,932,974 | - | - | 99,266,480 |
| Long term loans | 12.77-15.70 | 141,666,668 | 141,666,668 | - | - | - |
| Liabilities against assets subject to finance lease | 17.00 | 1,746,315 | 1,746,315 | - | - | - |
| | | <u>589,857,413</u> | <u>257,086,997</u> | - | - | <u>332,770,416</u> |
| On balance sheet gap | | <u>304,532,832</u> | <u>543,792,762</u> | - | - | <u>(239,259,930)</u> |

30.5 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market.

The Company's listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The Company manages the equity price risk through diversification and placing limits to individual and total equity instruments in line with the NBFCs Regulations. Report on the equity portfolio are submitted to investment committee on weekly basis for their review and approval.

Presently, the Company holds equity instruments classified as 'available for sale' and 'at fair value through profit or loss' that expose the Company to equity risk. The table below summarises company's market risk as of June 30, 2010 & 2009. It shows the effect of a 10% increase & 10% decrease in market prices of equity investments as on those dates on company's profit & equity.

At the reporting date, the investment profile of Company is classified as follows:

| | Carrying Amount | | | |
|-----------------------------------|-----------------|--------------|-----------|-------------|
| | June 30 2010 | June 30 2009 | | |
| (Rupees) | | | | |
| Investments | | | | |
| Fair value through profit or loss | 18,272,570 | 25,037,200 | | |
| Available for sale | 6,511,148 | 48,730,912 | | |
| | | | | |
| | Profit or loss | | Equity | |
| | Increase | (Decrease) | Increase | (Decrease) |
| (Rupees) | | | | |
| June 30 2010 | 1,827,257 | (1,827,257) | 2,478,372 | (2,478,372) |
| June 30 2009 | 2,503,720 | (2,503,720) | 7,376,811 | (7,376,811) |

30.6 Fair value of financial instruments

The Company's accounting policy on fair value measurements is discussed in note 3.2.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

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

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

Fair value of the financial assets that are traded in active markets are based on quoted market prices or dealer price quotations.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

| | Level 1 | Level 2 | Level 3 | Total |
|--|-------------------|-------------------|----------|-------------------|
| (Rupees) | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | 18,272,570 | - | - | 18,272,570 |
| Debt securities | - | 35,333,949 | - | 35,333,949 |
| | <u>18,272,570</u> | <u>35,333,949</u> | <u>-</u> | <u>53,606,519</u> |
| Available for sales | | | | |
| Equity securities | 6,511,148 | - | - | 6,511,148 |
| Debt securities | - | - | - | - |
| | <u>6,511,148</u> | <u>-</u> | <u>-</u> | <u>6,511,148</u> |

| | 2010 | 2009 |
|----------|------|------|
| (Rupees) | | |

31. Earning / (loss) per share - basic and diluted

| | | |
|---|------------|--------------|
| Net profit / (loss) for the year attributable to the ordinary shareholders ¹ | 6,736,283 | (67,860,431) |
| Weighted average number of ordinary share outstanding during the year | 30,000,000 | 30,000,000 |
| Earnings / (loss) per share - basic and diluted | 0.22 | (2.26) |

31.1 Basic earning per share has no dilution effect.

32. Cash and cash equivalent

| | | |
|---|-------------------|-------------------|
| Cash and bank balances | 48,419,016 | 97,625,866 |
| Running finance under markup arrangements | - | (67,741,040) |
| | <u>48,419,016</u> | <u>29,884,826</u> |

33. Segment Reporting

| | Lease | Investments and others | Total |
|---------------------------------------|--------------------|------------------------|--------------------|
| (Rupees) | | | |
| Segment revenues | 46,776,876 | 28,421,679 | 75,198,555 |
| Segment results | 26,111,512 | 16,992,565 | 43,104,077 |
| Unallocated expenses | | | (23,808,879) |
| Results from operating activities | | | 19,295,198 |
| Finance costs | | | (19,781,292) |
| Provision for taxation | | | 7,222,377 |
| Profit / (loss) for the period | | | <u>6,736,283</u> |
| Other Information | | | |
| Segment assets | 340,471,970 | 191,020,701 | 531,492,671 |
| Total assets | <u>340,471,970</u> | <u>191,020,701</u> | <u>531,492,671</u> |
| Segment Liabilities | 152,706,145 | 10,512,292 | 163,218,437 |
| Total liabilities | <u>152,706,145</u> | <u>10,512,292</u> | <u>163,218,437</u> |

Segment analysis for the year ended June 30, 2009

| | Lease | Investments and others | Total |
|---------------------------------------|------------|------------------------|---------------------|
| (Rupees) | | | |
| Segment revenues | 89,286,799 | (52,476,052) | 36,810,747 |
| Segment results | 89,286,799 | (75,651,687) | 13,635,112 |
| Unallocated expenses | | | (23,577,959) |
| Results from operating activities | | | (9,942,847) |
| Finance costs | | | (64,473,763) |
| Provision for taxation | | | 6,556,179 |
| Profit / (loss) for the period | | | <u>(67,860,431)</u> |

Other Information

| | | | |
|--------------------------|--------------------|--------------------|--------------------|
| Segment assets | 661,226,249 | 318,244,333 | 979,470,582 |
| Total assets | <u>661,226,249</u> | <u>318,244,333</u> | <u>979,470,582</u> |
| Segment Liabilities | 264,507,208 | 368,183,637 | 632,690,845 |
| Total liabilities | <u>264,507,208</u> | <u>368,183,637</u> | <u>632,690,845</u> |

34. Transactions with related parties

The related parties comprise entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, directors, key management employees, close relatives as defined in rule 2 (xi) of NBFC Rules, 2003 and employees fund. The Company has a policy whereby all transactions with related parties, are entered into at commercial terms, other than remuneration to executives which are under the terms of employment.

| | 2010 | 2009 |
|----------|------|------|
| (Rupees) | | |

Fund received /renewed under certificate of deposits

| | | |
|--|------------------|-------------|
| Beginning of the year | 40,636,500 | 22,036,500 |
| Receipts during the year | 350,000 | 21,100,000 |
| Repayment during the year | (40,986,500) | (2,500,000) |
| At the year end | - | 40,636,500 |
| Financial charges paid on certificate of deposits | <u>4,693,367</u> | <u>-</u> |
| Meeting fee paid / payable to directors | 30,000 | 40,000 |
| Contribution to provident fund - Directors | 176,952 | 214,452 |
| Contribution to provident fund - Employees | 321,853 | 352,174 |

Investments

| | | |
|-----------------|------------------|-------------------|
| Opening balance | 19,485,514 | 14,076,062 |
| Additions | 64,893,349 | 80,900,067 |
| Disposals | (82,418,863) | (75,490,615) |
| Closing balance | <u>1,960,000</u> | <u>19,485,514</u> |

Dividend received

| | | |
|--------------|------------------|------------------|
| Capital gain | <u>166,000</u> | <u>280,000</u> |
| | <u>3,104,390</u> | <u>1,701,996</u> |

**Other related parties
Investment in finance lease**

| | Almurtaza Garment Machinery Company | Alrashid Micro- Computers (Pvt.) Ltd. | Premier Hosiery Mills (Pvt.) Ltd. (Rupees) | Mr. Imran Ali Rashid | Total |
|---|--|---|---|-------------------------|-------------------|
| For the year ended June 30, 2010 | | | | | |
| Net investment in finance lease | | | | | |
| Beginning of the year | 6,622,515 | 1,617,768 | 6,958,672 | 566,393 | 15,765,348 |
| Disbursement during the year | - | - | 19,300,000 | - | 19,300,000 |
| Maturities during the year | (6,016,115) | (720,155) | (2,527,749) | (168,783) | (9,432,802) |
| At the year end | 606,400 | 897,613 | 23,730,923 | 397,610 | 25,632,546 |
| Lease income | 129,048 | 158,065 | 913,389 | 58,597 | 1,259,099 |
| Lease key money deposits | | | | | |
| Beginning of the year | 5,410,000 | 167,450 | 3,081,100 | 120,400 | 8,778,950 |
| Received during the year | - | - | 1,930,000 | - | 1,930,000 |
| Maturities during the year | (5,400,000) | - | (275,200) | (65,000) | (5,740,200) |
| At the year end | 10,000 | 167,450 | 4,735,900 | 55,400 | 4,968,750 |
| For the year ended June 30, 2009 | | | | | |
| Net investment in finance lease | | | | | |
| Beginning of the year | 7,045,352 | 2,244,309 | 7,471,350 | 321,916 | 17,082,927 |
| Disbursement during the year | - | - | 1,799,000 | 554,000 | 2,353,000 |
| Maturities during the year | (422,837) | (626,541) | (2,311,678) | (309,523) | (3,670,579) |
| At the year end | 6,622,515 | 1,617,768 | 6,958,672 | 566,393 | 15,765,348 |
| Lease income | 205,348 | 251,679 | 823,435 | 72,857 | 1,353,319 |
| Lease key money deposits | | | | | |
| Beginning of the year | 5,410,000 | 167,450 | 2,951,600 | 65,000 | 8,594,050 |
| Received during the year | - | - | 179,900 | 55,400 | 235,300 |
| Maturities during the year | - | - | (50,400) | - | (50,400) |
| At the year end | 5,410,000 | 167,450 | 3,081,100 | 120,400 | 8,778,950 |

35. Corresponding figures

The following corresponding figure has been reclassified for the purpose of better classification and presentation:

| Component | Reclassification from | Reclassification to | Amount in Rupees |
|---|-----------------------|---|------------------|
| Unrealized loss on revaluation of HFT investments | Other Charges | Unrealized loss on revaluation of HFT investments | 8,107,472 |
| Net loss on sale of securities | Other Charges | Other operating income / loss | (63,016,192) |

36. Date of Authorization

These financial statements were authorized for issue in the Board of Directors meeting held on September 06 2010.



Chief Executive Officer



Director

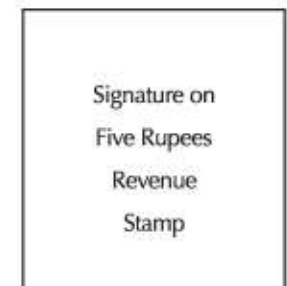
Form of proxy

I / We _____
of _____ (full address) being a
Member(s) of Sigma Leasing Corporation Limited holding _____ ordinary shares hereby
appoint _____ of _____ or failing him / her
_____ of _____ as my / our proxy in my / our absence
to attend and vote for me / us and on my / our behalf at the Fourteenth Annual General Meeting of the Company to be held
on _____ and to every adjournment thereof.

As witness I / we set my / our hand / seal this _____ day of _____ 2010.

Signed by the said _____

in presence of _____



The signature should agree with
the specimen registered with the
Company

Important Notes:

1. This proxy form, duly completed and signed, must be received at the Registered Office of the Company, Sigma Leasing Corporation Limited, Sigma House, 8-C, Block 6, PECHS, off Shahrah-e-Faisal, Karachi, not less than 48 hours before the time of holding the meeting.
2. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Company, all such instrument of proxy shall be rendered invalid.