Sigma

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http://www.sigma-leasing.com

annual report 2011

Sigma

Sigma Leasing Corporation Limited

annual report
2011

contents

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.

Company *information*

Board of directors	Mr. Asif Ali Rashid	Chairman & Chief Executive Officer
	Mr. Muhammad Nasim Khan	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	
Chief Operating officer	Mr. Muhammad Ahmed	
Auditors	M/s KPMG Taseer Hadi & Co. Chartered Accountants	
Legal advisor	Mohsin Tayebaly & Co.	
Audit committee	Mr. Aamir Ali Rashid	Chairman
	Mr. Shahzad Ali Rashid	Member
	Mr. Ruhail Mohammad	Member
Executive Committee	Mr. Asif Ali Rashid	Chairman
	Mr. Muhammad Ahmed	Member
	Mr. Arfan Ali Rashid	Member
	Mr. Badar Jamil Farooqi	Member
Bankers	Askari Bank Ltd.	National Bank of Pakistan
	Bank Alfalah Ltd.	Soneri Bank Ltd.
	Habib Metropolitan 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 : 433, F, Main Bouleyard, Opposite Main Plaza, Johar Town, Lahore. Tel : (042) 6306798, 6365975, Fax : (042) 6365343	
	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 24, 2010)	
	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	

Profile
Sigma Leasing Corporation Limited

Sigma introduces itself as a professional and progressive leasing company operating in Pakistan now for more than fifteen 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 participate the private sector in Pakistan to meet its medium term capital needs for expansion and balancing, modernizing, and replacement (BMR).

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

Doory Industry
Eastman
Grand
Hashima
Inderle
Idrosmack
Juki
Kansai Special
Miller Weld Master
Naomoto
Ngai Shing
Nara Sewing Machines
Nagel & Hermann
Pegasus
Perfecta Schmid
Seungmin
Seit
Smart Mrt
Stefanelli Machines
Titan Baratto Cornely
Tsp
Tresure

Embroidery Division

Master
Seit
Tajima

Textile Division

Cintex
Conti Complett
Da Kong
Fukuhara
Lectra
Mei
Pannon
Saf Guard
Shima Seiki

Spare Parts & Accessories

Djw
Koban
Organ
Racing
Tsp

Home Textile Division

Eisenkolb
Hauser
Meca
Rimac
Svegea
Titan Baratto Cornely

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.

board of *directors*

Mr. Asif Ali Rashid
Chairman & Managing Director

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. Muhammad Nasim Khan
Director

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.

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 Almurtaza Machinery Company (Private) Limited.

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. 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 Almurtaza Machinery Company (Pvt.) Limited.

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. 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. 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. 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. 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 fifteen 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

On it's path to success

Performance Analysis

By the grace of Almighty Allah, we have completed fifteen 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.511.577 million, while lease portfolio has declined to Rs.200.953 million from Rs.531.492 million and Rs.334.493 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 discomforting 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.

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.333.013 million.

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

Criterions

- 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.

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.

Financial Highlights

		Rupees
Income from leasing operation		4,309,064
Lease Receivable - write off		(57,028)
Profit on investment in securities		15,818,899
Other Income		5,528,866
Profit before taxation		25,599,900
Provision for taxation		
-	Current year	17,446,424
-	Prior year	(2,833,655)
-	Deferred	(10,089,749)
		4,523,020
Profit for the year		21,076,880
Earning per share - basic & diluted		0.70

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

Dividend

The Directors have decided to declare the dividend of five percent for the year ended June 30, 2011.

Economic review

The fiscal year 2010-11, which started with the continuation with improvements in textile exports has shown a modest recovery. However with the overall economic revival is uncertain with electricity and gas shortage and the poor law and order situation.

Money and banking

The discount rate of SBP which was 14 percent on June 2011 has now come down to 13.5 percent.

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.

Operation review

During the year under review, the Company had to face with several other problems apart from difficulties in recoveries of lease rentals, non-availability of good avenues for investments, due to uncertainty in economic revival. Despite of all these problems the company managed to post a profit of Rs. 21,076,880/-

During the year, our lease disbursements were Rs.96.135 million. Our lease portfolio now stands at Rs.200.953 million as compared to Rs.334.493 million in the previous year because of less investments in lease and maturities.

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Future outlook and strategy

The Government is trying to improve the economic scenario. The Company, therefore, has every hope to look into future with optimism. We will continue to place emphasis with cautious approvals on service quality with focus on quality clients. The Company hopes for a better future.

The Company has enough potential to face challenges and record excellent results from the beam of economic light which is awaited.

Shareholders' equity

The Company has equity of Rs. 333 million which is not complied with the minimum equity requirement of Rs. 350 million. The Company has revaluation surplus on property and equipment of Rs. 45 million which has not been considered in accordance with the requirement of NBFC and efforts will be made to meet the capital requirement in future.

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 as on December 24, 2010 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, 2011 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, 2011 is Rs. 2,270,857/-

Information technology

The Company is keeping up with the advancement of information technology. 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.

Attendance of board meetings

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

S. no.	Name of director	No. of meetings attended
1	Mr. Asif Ali Rashid	5
2	Mr. Muhammad Nasim Khan	5
3	Mr. Shahzad Ali Rashid	5
4	Mr. Aamir Ali Rashid	5
5	Mr. Ruhail Muhammad	3
6	Mr. S. Arshad A. Kazmi	1
7	Mr. Shujat Ali Baig	2
8	Mr. Iskander Sultan Khwaja	-
9	Mr. Arshadullah Khan	5
10	Mr. Shoaib Jawed Savul	1

Chief Executive Officer

During the year Mr. Muhammad Nasim Khan, The CEO retired and Mr. Asif Ali Rashid was appointed as CEO on January 28, 2011 with SECP approval. However Mr. Muhammad Nasim Khan still continues as a Director of the Company.

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 and any departure there from has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon 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, 2011.
- 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, 2012.

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 Investment 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 : August 13, 2011

Summary of **assets and liabilities**

As at June 30

	2011	2010	2009	2008	2007	2006
						Rs. (000)
Authorized share capital	1,000,000	1,000,000	1,000,000	1,000,000	500,000	500,000
Equity						
Paidup Share capital	300,000	300,000	300,000	300,000	300,000	300,000
Reserve fund	67,424	63,209	61,862	61,862	50,946	38,809
Unappropriated profit / (loss)	(32,901)	(49,889)	(55,404)	12,330	19,541	18,867
Unrealized loss on revaluation of investments	(1,511)	12	(14,746)	(42,199)	(1,013)	(2,089)
Surplus on revaluation of fixed assets	45,334	54,941	55,068	55,194	55,320	55,447
	378,346	**368,273**	**346,780**	**387,187**	**424,794**	**411,034**
Liabilities						
Defered tax	20,981	31,070	42,833	49,730	49,093	44,438
Long term loans - secured	-	-	33,333	141,667	245,820	287,500
Finance lease liabilitiesf	-	397	1,077	1,739	2,412	440
Certificate of deposits	-	-	107,569	79,537	53,767	56,435
Long term deposits	57,882	39,048	131,105	206,448	229,845	214,099
Current liabilities	54,367	92,703	316,774	503,832	625,406	430,233
	511,576	**531,491**	**979,471**	**1,370,140**	**1,631,137**	**1,444,179**
Assets						
Property & Equipment	67,719	81,885	82,690	85,986	88,264	85,714
Net investment in finance lease	108,608	119,243	278,688	541,329	743,642	759,134
Investments	213,618	60,118	137,333	163,257	103,133	39,115
Long term deposits	232	599	596	596	596	-
Deferred costs	-	-	-	-	-	4,750
Current assets	121,399	269,646	480,164	578,972	695,502	555,466
	511,576	**531,491**	**979,471**	**1,370,140**	**1,631,137**	**1,444,179**
Income						
Lease income	25,052	46,777	89,287	128,553	139,127	94,757
Markup on deposits / placement	3,841	3,123	3,025	395	2,026	9,361
Others	19,585	25,299	7,515	27,811	38,524	25,276
	48,478	**75,199**	**99,827**	**156,759**	**179,677**	**129,394**
Expenses						
Administrative expenses	20,553	24,326	24,054	23,854	19,641	15,633
Financial charges	190	19,781	64,473	73,291	86,860	64,366
Other charges	2,078	7,607	71,124	1,467	-	-
Amortization of deferred costs	-	-	-	-	4,750	6,000
Bad debts written off	57	16,053	-	-	-	-
Provision for potential lease losses	-	4,613	-	-	-	-
Provision for diminution in AFS investments	-	3,305	14,592	-	-	-
	22,878	**75,685**	**174,243**	**98,612**	**111,251**	**85,999**
Profit before taxation	**25,600**	**(486)**	**(74,416)**	**58,147**	**68,426**	**43,395**
Provision for taxation						
Current	17,446	8,229	340	2,890	3,085	2,407
Prior	(2,834)	(3,688)	-	42	-	296
Deferred	(10,089)	(11,763)	(6,896)	636	4,656	(1,485)
	4,523	**(7,222)**	**(6,556)**	**3,568**	**7,741**	**1,218**
Profit after taxation	**21,077**	**6,736**	**(67,860)**	**54,579**	**60,685**	**42,177**
Unappropriated profit / (loss)	(49,889)	(55,404)	12,330	19,541	18,867	12,595
Transfer from general reserve	-	-	-	-	-	-
Transfer from surplus on revaluation	126	126	126	126	126	30
	(28,686)	**(48,542)**	**(55,404)**	**74,246**	**79,678**	**54,802**
Appropriation						
Transfer to statutory reserve	4,215	1,347	10,916	12,137		8,435
Dividend	-	-	-	51,000	48,000	27,500
	4,215	**1,347**	**-**	**61,916**	**60,137**	**35,935**
Unappropriated profit / (loss)	**(32,901)**	**(49,889)**	**(55,404)**	**12,330**	**19,541**	**18,867**

Pattern of **share holding**

As at June 30, 2011

Share Holding From		To	Number of Share Holders	Total Shares Held	Percentage (%)
1	-	100	14	94	0.0003
101	-	500	8	3,990	0.0133
501	-	1,000	2	1,625	0.0054
1,001	-	5,000	4	16,000	0.0533
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	741,391	2.4713
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
2,925,001	-	2,930,000	2	5,852,350	19.5078
3,980,001	-	3,985,000	1	3,983,250	13.2775
5,625,001	-	5,630,000	1	5,628,685	18.7623
			43	30,000,000	100.00

Categories of **share holders**

Particulars	Share Holders	Share Holding	Percentage (%)
Individuals	42	29,999,999	100.00%
Joint stock company	1	1	00.00%
	43	30000000	100.00

Pattern of **share holding**

As at June 30, 2011

Category No	Categories of Share holders	Number of Share held	Category wise No. of Share holders	Category wise Share held	Percentage %
1	Individuals		30	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 Khwaja	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		43	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. Nisar Ali Rashid	5,628,685	18.76
Mrs. Rubina Ariff Ali	3,983,250	13.28
Totals	**9,611,935**	**32.04**

Notice of 15th **annual general meeting**

Notice is hereby given that the fifteenth Annual General Meeting of the shareholders of Sigma Leasing Corporation Limited will be held on October 08, 2011 at 11:00 a.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:

1. To confirm the minutes of Annual General Meeting held on October 26, 2010.
2. To receive, consider, and adopt the Audited Accounts together with the Directors and Auditors' Report for the year ended June 30, 2011.
3. 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, 2012.
4. Any other business with the permission of the chair.

Arfan Ali Rashid
Company Secretary
Karachi:

Notes:

1. The share transfer books of the Company will remain closed from October 01, 2011 to October 08, 2011 (both days inclusive).

2. 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.

3. An instrument of proxy and the power of attorney or other authority (if any) under which it signed or a notaraly 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.

4. 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:

a. 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.

5. 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

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 the 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 provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We 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 l9, 2009 requires the Company to place before the Board of Directors for their consideration and approval of related patty transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm`s length transactions and transactions which are not executed at arm`s length price recording proper justification for using such alternate pricing mechanism. Further. all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine
whether the related patty transactions were undertaken at arm's length price or not.

Date: 13 August 2011
KARACHI

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

KPMG

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Auditors' report to **the members**

We have audited the annexed balance sheet of Sigma Leasing Corporation Limited ("the Company") as at 30 June 2011and 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, l984;

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, l984, and arc in agreement with the books of account and further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Company`s business: and

iii) the business conducted. investments made and the expenditure incurred during the your were in accordance with the objects of the Company;

e) 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 2011 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, l980 (XVIII of 1980).

We draw attention to note 25 to the financial statements, which explains that the Company has not complied with the minimum equity requirements of the Non-Banking Finance Companies and Notified Entities Regulations. 2008 issued by the Securities and Exchange Commission of Pakistan. Our report is not qualified in respect of thisn1atter.

Date: 13 August 2011
KARACHI

KPMG Taseer Hadi & Co.

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 seven indepen dent non-executive directors.

2 The directors have confirmed that none of them is serving as a director in more than ten listed compa nies, including this company.

3 All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI 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 filed 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. However as per SECP directive the Directors will attend the Code of Corporate Governance Seminar.

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: August 13, 2011

Balance **sheet**

As at June 30, 2011

	Note	2011	2010
		(Rupees)	
ASSETS			
Current assets			
Cash and bank balances	4	23,373,665	48,419,016
Current portion of net investment in finance lease	8	92,345,621	215,249,574
Investments	5	213,618,253	60,117,667
Prepayments and other receivables	6	5,679,780	3,049,151
Taxation - net		-	2,929,796
Total current assets		335,017,319	329,765,204
Non-current assets			
Long term deposits	7	232,200	598,500
Net investment in finance lease	8	108,607,832	119,243,449
Intangible assets	9	110,728	231,579
Property and equipment	10	67,608,773	81,653,939
Total non-current Assets		176,559,533	201,727,467
TOTAL ASSETS		511,576,852	531,492,671
LIABILITIES			
Current liabilities			
Running finance under mark-up arrangements	11	20,056,652	-
Current portion of lease key money deposits	14	20,080,805	88,205,126
Current portion of liabilities against assets subject to finance lease		677,108	
Accrued mark-up on running finance facilities	12	87,372	9,229
Accrued expenses and other liabilities	13	4,821,012	3,811,575
Taxation - net		9,321,380	-
Total current liabilities		54,367,221	92,703,038
Non-current liabilities			
Lease key money deposits	14	57,881,600	39,048,221
Liabilities against assets subject to finance lease		-	396,716
Deferred tax liability - net	15	20,980,711	31,070,462
Total non-current liabilities		78,862,311	70,515,399
TOTAL LIABILITIES		133,229,532	163,218,437
NET ASSETS		378,347,320	368,274,234
REPRESENTED BY:			
Share capital	16	300,000,000	300,000,000
Reserves	17	34,523,750	13,320,510
(Deficit) / surplus on revaluation of investments - net	5.2	(1,510,774)	12,369
		333,012,976	313,332,879
Surplus on revaluation of property and equipment- net of deferred tax	18	45,334,344	54,941,355
		378,347,320	368,274,234

The annexed notes from 1 to 31 form an integral part of these financial statements.

Chief Executive Officer

Director

Profit and **loss account**

For the year ended June 30, 2011

	Note	2011	2010
		(Rupees)	
INCOME			
Lease income	19	**25,051,982**	46,776,876
Mark-up on deposits / placements		**3,840,602**	3,122,924
Other operating income	20	**19,584,831**	25,298,755
		48,477,415	75,198,555
EXPENSES			
Administrative and operating expenses	21	**20,553,155**	24,326,062
Financial charges	22	**189,763**	19,781,292
		20,742,918	44,107,354
Operating income		**27,734,497**	31,091,201
Provision for diminution in AFS investments		-	3,304,524
Unrealised loss on revaluation of HFT investments		**2,077,569**	7,607,407
Provision for potential lease losses		-	4,612,571
Bad debts written off		**57,028**	16,052,793
		2,134,597	31,577,295
Profit / (loss) before taxation		**25,599,900**	(486,094)
Provision for taxation			
Current	23	**17,446,424**	8,228,830
Prior		**(2,833,655)**	(3,688,237)
Deferred		**(10,089,749)**	(11,762,970)
		4,523,020	(7,222,377)
Net profit for the year		**21,076,880**	6,736,283
Earning per share - basic & diluted	27	**0.70**	0.22

The annexed notes from 1 to 31 form an integral part of these financial statements.

Chief Executive Officer

Director

Statement of **comprehensive income**

For the year ended June 30, 2011

	2011	2010
	(Rupees)	
Profit for the year	**21,076,880**	6,736,283
Other comprehensive income		
(Deficit) / surplus on revaluation of investments - net	**(1,523,143)**	14,758,214
Total comprehensive income for the year	**19,553,737**	21,494,497

The annexed notes from 1 to 31 form an integral part of these financial statements

Chief Executive Officer

Director

Cash flow **statement**

For the year ended June 30, 2011

	Note	2011	2010
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) before taxation		**25,599,900**	(486,094)
Adjustments for:			
Depreciation		**2,088,747**	2,601,055
Amortization		**120,851**	120,840
Financial charges		**189,763**	19,781,292
Loss on sale of property and equipment		**78,168**	518,937
Net loss on re-measurement of investments held for trading		**2,077,569**	7,607,407
Provision for diminution in value of investments		-	3,304,524
Provision for potential lease losses		-	4,612,571
Bad debts written off		**57,028**	16,052,793
Net gain on sale of securities		**(445,808)**	(17,431,140)
		29,766,218	36,682,185
Changes in operating assets / liabilities			
Net investment in finance lease		**133,482,542**	285,063,328
Lease key money deposits		**(49,290,942)**	(89,303,957)
Prepayments and other receivables		**(2,630,629)**	187,480
Leased assets repossessed upon termination of leases		-	15,377,174
Accrued expenses and other liabilities		**1,009,437**	(5,831,209)
		82,570,408	205,492,816
Cash generated from operations		**112,336,626**	242,175,001
Financial charges paid		**(111,620)**	(27,075,911)
Taxes paid		**(2,361,593)**	(5,079,661)
		(2,473,213)	(32,155,572)
Net cash generated from operating activities		**109,863,413**	210,019,429
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		-	(3,554,998)
Purchase of investments		**(730,352,018)**	(383,551,782)
Proceeds on disposal of investments		**573,696,526**	482,044,098
Proceeds on disposal of property, plant and equipment		**2,397,600**	1,118,256
Deposits		**366,300**	(2,200)
Net cash (used in) / generated from investing activities		**(153,891,592)**	96,053,374
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans		-	(141,666,668)
Certificates of deposits		-	(145,199,454)
Repayment of finance lease obligation		**(1,073,824)**	(672,491)
Net cash flows used in financing activities		**(1,073,824)**	(287,538,613)
Increase in cash and cash equivalents		**(45,102,003)**	18,534,190
Cash and cash equivalents at the beginning of the year		**48,419,016**	29,884,826
Cash and cash equivalents at the end of the year	28	**3,317,013**	48,419,016

The anned notes from 1 to 31 from integral part of these financial statement.

Chief Executive Officer

Director

Statement of **changes in equity**

For the year ended June 30, 2011

	Share capital	Statutory Reserve	Unappropriated profit/(loss)	Surplus / (deficit) on re-valuation of investments	Total
	----------------------	----------------------	----------(Rupees)	----------------------	----------------------
Balance as at 30 June 2009	300,000,000	61,861,508	(55,403,641)	(14,745,845)	291,712,022
Total comprehensive income for the year					
Profit after taxation for the year	-	-	6,736,283	-	6,736,283
Transferred to statutory reserves	-	1,347,257	(1,347,257)	-	-
Other comprehensive income					
Surplus on revaluation of investments - net	-	-	-	14,758,214	14,758,214
	300,000,000	63,208,765	(50,014,615)	12,369	313,206,519
Transfer from surplus on revaluation of property and equipment incremental depreciation for the period- net of deferred tax	-	-	126,360	-	126,360
Balance as at 30 June 2010	300,000,000	63,208,765	(49,888,255)	12,369	313,332,879
Total comprehensive income for the year					
Profit after taxation for the year	-	-	21,076,880	-	21,076,880
Transfer to statutory reserves	-	4,215,376	(4,215,376)	-	-
Other comprehensive income					
Deficit on revaluation of investments - net	-	-	-	(1,523,143)	(1,523,143)
	300,000,000	67,424,141	(33,026,751)	(1,510,774)	332,886,616
Transfer from surplus on revaluation of property and equipment incremental depreciation for the period- net of deferred tax	-	-	126,360	-	126,360
Balance as at 30 June 2011	300,000,000	67,424,141	(32,900,391)	(1,510,774)	333,012,976

The annexed notes from 1 to 31 form an integral part of these financial statements.

Chief Executive Officer

Director

Notes to the **financial statements**

For the year ended June 30, 2011

1. LEGAL STATUS AND OPERATIONS

The Company was incorporated in Pakistan on 11 April 1996 as a public limitedcompany and received Certificate of Commencement of Business on 27 January 1997.The Company is principally engaged in thebusiness 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 asstated in note 3.1 and 3.5 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 andexpenses. 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 notreadily 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 3.1 & 5);
- Residual values and useful lives of property and equipment (notes 3.5, 10 & 21);
- Useful lives of intangible assets (notes 3.6, 10 & 21);
- Recognition of taxation and deferred taxation (notes 3.8, 16 and 23);
- Impairment in available for sales investments (note 3.1 and 5); and
- Provision for potential lease losses (note 8).

2.5 Standards, interpretations and amendments to published approved accounting

standards that are not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below:

- IAS 24 Related Party Disclosures (revised 2009) – (effective for annual periods beginning on or after 1 January 2011). The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 1, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The amendment has no impact on financial statements of the Company.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Company's financial statements.

- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2011). These amend ments add an explicit statement that qualitative disclosure should be made in the contact of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.

- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011). These amend ments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.

Apart from above certain other standards, amendments to published standards and interpretations of accounting standards became effective for accounting periods beginning on or after 1 January 2011, however, they do not affect the Company's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Financial instruments

The Company classifies its financial instruments in the following categories:

a) 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.

b) 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.

c) 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 recognisedat their fair value plus transaction costs that are directly attributable to the acquisition and are subse quently measured at amortised cost.

d) 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 mea sured 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.

3.2 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.

3.3 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 Regu lations, 2008 issued by the Securities and Exchange Commission of Pakistan.

3.4 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.

3.5 Property and equipment

Owned

Property 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 accumu lated 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.

3.6 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 onsumed by the Company.

3.7 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 from investment is recongnised when the Company`s right to receive dividend is established that is the time when the dividend is declared.

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.

3.8 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 or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

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 reporting 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 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 sub stantively 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.

3.9 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.

3.10 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.

3.11 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.

3.12 Cash and cash equivalents

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

3.13 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'sother components. An operating segment's operating results are reviewed regularly by the Executive Committee andCEO to make decisions about resources to be allocated to the segment and assess its performance, and for whichdiscrete financial information is available.

Segment results that are reported to the Executive Committee and CEOinclude items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallo cated 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.

	Note	2011	2010
		------------ (Rupees) ------------	
4. Cash and Bank Balances			
- on current accounts	4.1	120,421	308,885
- on profit earning current accounts	4.2	23,253,244	28,110,131
- short term deposit		-	20,000,000
		23,373,665	48,419,016

4.1 This includes deposit of Rs. 57,248 (2010: Rs. 64,973) with the State Bank of Pakistan.

4.2 This represents profit earning current accounts maintained with various commercial banks at a markup rate range from 6% to 10.50% (2010: 6% to 10%) per annum.

	Note	2011	2010
5. INVESTMENTS			
At fair value through profit or loss	5.1	21,000,997	18,272,570
Available for sale	5.2	192,617,256	41,845,097
		213,618,253	60,117,667

5.1 At fair value through profit or loss

2011 Number of shares / units / certificates	2010 Number of shares / units / certificates	Name of Company / Mutual fund	2011 Cost	2011 Market value	2010 Cost	2010 Market value
			(Rupees)			
		Held for trading				
		These are fully paid ordinary shares of Rs.10/- each unless stated otherwise.				
150,000	150,000	Azgard Nine Limited	**3,840,880**	**828,000**	4,008,090	1,674,000
-	10,000	Bank Al Habib Limited	-	-	306,100	315,000
150,000	200,000	Bank Alfalah Limited	**1,553,750**	**1,435,500**	2,269,689	1,892,000
50,000	10,000	Engro Corporation Limited	**8,572,750**	**8,162,500**	1,960,000	1,735,800
-	100,000	Hub Power Company Limited	-	-	3,318,612	3,196,000
100,000	150,000	Jahangir Siddiqui & Co. Limited	**650,000**	**648,000**	5,925,000	1,896,000
-	200,000	Lafarge Pakistan Cement Limited	-	-	635,855	548,000
200,000	10,000	Lotte Pakistan PTA Limited	**3,141,742**	**2,766,000**	99,000	80,600
350,000	100,000	Netsol Technologies Limited	**7,497,926**	**7,160,997**	2,841,351	2,501,000
-	1,483,000	NIB Bank Limited	-	-	8,841,832	4,434,170
			25,257,048	**21,000,997**	30,205,529	18,272,570
		Unrealized loss on revaluation of held-for-trading investments	**(4,256,051)**	-	(11,932,959)	-
			21,000,997	**21,000,997**	18,272,570	18,272,570

5.2 Available for sale

2011	2010	Name of Company / Mutual fund	2011 Cost	2011 Market value	2010 Cost	2010 Market value
		Listed shares				
		These are fully paid ordinary shares of Rs. 10/- each unless stated otherwise				
-	261,000	First Habib Modaraba	-	-	2,125,707	1,748,700
-	1,552,500	NIB Bank Limited	-	-	7,465,134	4,641,975
54,185	56,560	Standard Chartered Leasing Company Limited	**480,511**	**135,462**	501,573	120,473
			480,511	**135,462**	10,092,414	6,511,148
		Listed term finance certificate				
-	4,292	Standard Chartered bank (Pakistan) Limited - 2nd Issue (Rs.5,000/- each)	-	-	10,730,000	10,730,000
			480,511	**135,462**	20,822,414	17,241,148
		Provision for diminution in value of available-for-sale investments	**(365,981)**	-	(3,808,336)	-
		Unrealized gain on revaluation of available-for-sale investments	**20,932**	-	227,070	-
			135,462	**135,462**	17,241,148	17,241,148
		Government securities				
		Defence Saving Certificates	-	-	500,000	500,000
		Pakistan Investment Bond (note 5.2.1)	**24,220,000**	**22,688,294**	24,318,650	24,103,949
		Treasury Bills (note 5.2.2)	**169,793,500**	**169,793,500**	-	-
			194,013,500	**192,481,794**	24,818,650	24,603,949
		Unrealized loss on revaluation of available-for-sale investments	**(1,531,706)**		(214,701)	
			192,481,794	**192,481,794**	24,603,949	24,603,949
			192,617,256	**192,617,256**	41,845,097	41,845,097

5.2.1 Pakistan Investment Bonds (PIBs) have a face value of Rs. 25,000,000 (2010: Rs. 25,000,000) issued at a discount and carry profit rate of 12 percent per annum (2010: 12 percent per annum) receivable semi annually and have a term of 10 years maturing on 30 August 2018.

5.2.2 The maturities of these bills ranges from 14 July 2011 to 22 September 2011 with markup rate ranging from 13.06% p.a. to 13.48% p.a.

6. PREPAYMENTS AND OTHER RECEIVABLES

	2011	2010
	(Rupees)	
Prepayments		
Insurance	**282,773**	317,500
Others	**757,025**	934,990
	1,039,798	1,252,490
Interest accrued on TFCs, PIBs and DSCs	**3,206,671**	1,548,158
Other receivables	**1,433,311**	248,503
Others	**5,679,780**	3,049,151

7. LONG TERM DEPOSITS

	2011	2010
Lease deposits	-	361,300
Other security deposits	**232,200**	237, 200
	232,200	598,500

8. Net investment in finance lease - secured

	2011 Not later than one year	2011 Later than one year & less than five years	2011 Total	2010 Not later than one year	2010 Later than one year & less than five years	2010 Total
	(Rupees)					
Installment contract receivables	87,756,334	59,624,125	147,380,459	155,442,167	91,427,157	246,869,324
Residual value of leased assets	20,080,805	57,881,600	77,962,405	88,332,027	39,048,221	127,380,248
Lease contract receivables	107,837,139	117,505,725	225,342,864	243,774,194	130,475,378	374,249,572
Unearned lease income	(15,491,518)	(8,897,893)	(24,389,411)	(18,388,378)	(11,231,929)	(29,620,307)
Mark-up held in suspense 8.1	-	-	-	(5,523,671)	-	(5,523,671)
	(15,491,518)	(8,897,893)	(24,389,411)	(23,912,049)	(11,231,929)	(35,143,978)
Provision for lease losses	-	-	-	(4,612,571)	-	(4,612,571)
Net investment in finance lease	92,345,621	108,607,832	200,953,453	215,249,574	119,243,449	334,493,023

The Company has entered into various lease agreements for periods ranging from 3 to 5 years, carrying mark-up rates ranging from 13.95 to 23.01 percent per annum (2010: 13.50 to 23.01 percent per annum).

8.1 Mark-up held in suspense

	2011	2010
	(Rupees)	
Balance at beginning of the year	**5,523,671**	11,700,250
Income suspended during the year	**3,954,246**	3,617,930
	9,477,917	15,318,180
Suspended income:		
- realised during the year	**(6,023,905)**	(997,811)
- written off during the year	**(3,454,012)**	(8,796,698)
	(9,477,917)	(9,794,509)
	-	5,523,671

9. INTANGIBLE ASSETS

	Note	2011	2010
Cost		**1,105,955**	1,105,955
Accumulated amortization	9.1	**(995,227)**	(874,376)
		110,728	231,579

9.1 Accumulated amortization

	Note	2011	2010
Opening balance		**874,376**	753,536
Amortization during the year	21	**120,851**	120,840
Closing balance		**995,227**	874,376

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

10. PROPERTY & EQUPEMENT

		Cost / revaluation					Rate	Accumulated depreciation						Written down
		As at 01 July 2010	Additions / Transfer for the year	Surplus / (deficit) revaluation	Disposal / write off	As at 30 June 2011	%	As at 01 July 2010	For the year	Transfer for the year	Elimination revaluation	Disposal / reversal	As at 30 June 2011	value as at 30 June 2011
PROPERTY AND EQUIPMENT		(Rupees)						(Rupees)						
OWNED														
LEASEHOLD LAND	10.2	51,900,000	-	(12,900,000)	-	39,000,000	-	-	-	-	-	-	-	39,000,000
BUILDING ON LEASEHOLDS LAND	10.2	22,582,409	-	990,500	-	23,572,909	2	1,937,925	490,924	-	(2,428,849)	-	-	23,572,909
FURNITURE AND FIXTURES		2,601,839	-	-	-	2,601,839	10	2,468,887	26,155	-	-	-	2,495,042	106 797
VEHICLES		8,722,884	1,737,000	-	(2,512,000)	7,947,884	10	3,924,822	909,795	625,467	-	(916,872)	4,543,212	3,404,672
COMPUTER AND OFFICE EQUIPMENT		4,162,358	-	-	-	4,162,358	10-33.3	2,092,970	544,993	-	-	-	2,637,963	1,524,395
		89,969,490	1,737,000	(11,909,500)	(2,512,000)	77,284,990		10,424,604	1,971,867	625,467	(2,428,849)	(916,872)	9,676,217	67,608,773
LEASED														
VEHICLES		3,113,000	(1,737,000)	-	(1,376,000)	-	10	1,003,947	116 880	(625,467)	-	(495,360)	-	-
		93,082,490	-	(11,909,500)	(3,888,000)	77,284,990		11,428,551	2,088,747	-	(2,428,849)	(1,412,232)	9,676,217	67,608,773
		93,082,490	-	(11,909,500)	(3,888,000)	77,284,990		11,428,551	2,088,747	-	(2,428,849)	(1,412,232)	9,676,217	67,608,773

		Cost / revaluation					Rate	Accumulated depreciation						Written down
		As at 01 July 2009	Additions / Transfer for the year	Surplus / (deficit) revaluation	Disposal / write off	As at 30 June 2010	%	As at 01 July 2009	For the year	Transfer for the year	Elimination revaluation	Disposal / reversal	As at 30 June 2010	value as at 30 June 2010
PROPERTY AND EQUIPMENT		(Rupees)						(Rupees)						
OWNED														
LEASEHOLD LAND	10.1	51,900,000	-	-	-	51,900,000		-	-	-	-	-	-	51,900,000
BUILDING ON LEASEHOLDS LAND	10.1	22,582,409	-	-	-	22,582,409	2	1,446,9 7	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	132,952
VEHICLES		7,363,884	1,359,000	-	-	8,722,884	10	3,071,875	852,951	-	-	-	3,924,826	4,798,058
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	2,069,388
		88,732,425	3,554,998	-	(2,317,933)	89,969,490		10,653,401	1,991,394	-	-	(2,220,191)	10,424,604	79,544,886
LEASED														
VEHICLES		3,113,000	-	-	-	3,113,000	10	723,777	280,170	-	-	-	1,003,947	2,109,053
		91,845,425	3,554,998	-	(2,317,933)	93,082,490		11,377,178	2,271,564	-	-	(2,220,191)	11,428,551	81,653,939
ON OPERATING LEASE (RENTED TO CUSTOMERS)														
VEHICLES		2,799,000	-	-	(2,799,000)	-	10	1,119,600	139,950	-	-	(1,259,550)	-	-
OFFICE EQUIPMENT		1,083,100	-	-	(1,083,100)	-	30	893,558	189,541	-	-	(1,083,099)	-	-
		3,882,100	-	-	(3,882,100)	-		2,013,158	329,491	-	-	(2,342,649)	-	-
		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

10.1 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 30 June 2001 and Rs. 33.90 million and Rs. 7.284 million as on 30 June 2006 respectively over the said date. In the current year, the Company appointed a valuer to revalue the land and building and accordingly recongnised a deficit of Rs. 12.90 million and surplus of Rs. 3.419 million on land and building respectively. Accumulated depreciation on building was adjusted by Rs 2.4 million and value of the building was increased by Rs. 0.99 million.

The values of leasehold land and building on leasehold land so revalued are being depreciated over of the assets determined at the date of revaluations. The revaluations were carried out by Surval Engineering Surveyors & Technical Consultants on 30 June 2001 and Credit and Commerce Consultants (Private) Limited on 30 June 2006 and 30 June 2011.

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

	2011	2010
	(Rupees)	
Leasehold land	**1,800,000**	1,800,000
Building on leasehold land	**11,768,389**	12,053,760
	13,568,389	13,853,760

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

	2011	2010
Vehicles	**1,404,398**	107,998
Computer and office equipment	**1,415,831**	1,366,675
Furniture and fixtures	**1,632,396**	2,340,290
	4,452,625	3,814,963

10.4 Disposal of property and equipment

Description	Mode of disposal	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss) on disposal	Particulars
		(Rupees)					
Vehicle	Terms of employment	1,376,000	(495,360)	880,640	137,600	(743,040)	Mr. Muhammad Khan (Ex CEO)
Vehicle	Negotiation	1,238,000	(445,680)	792,320	1,050,000	257,680	Mr. M. Riaz Baig Chughtai, Gulistan Johar, Karachi.
Vehicle	Negotiation	775,000	(269,097)	505,903	710,000	204,097	KASB Modaraba Karachi
Vehicle	Negotiation	499,000	(202,095)	296,905	500,000	203,095	KASB Modaraba Karachi
2011		**3,888,000**	**(1,412,232)**	**2,475,768**	**2,397,600**	**(78,168)**	
2010		6,200,033	(4,562,840)	1,637,193	1,118,256	(518,937)	

10. PROPERTY & EQUPEMENT

PROPERTY AND EQUIPMENT		Cost / revaluation As at 01 July 2010	Additions / Transfer for the year	Surplus / (deficit) revaluation	Disposal / write off	As at 30 June 2011	Rate %	Accumulated depreciation As at 01 July 2010	For the year	Transfer for the year	Elimination revaluation	Disposal / reversal	As at 30 June 2011	Written down value as at 30 June 2011
		(Rupees)						(Rupees)						
OWNED														
LEASEHOLD LAND	10.2	51,900,000	-	(12,900,000)	-	39,000,000	-	-	-	-	-	-	-	39,000,000
BUILDING ON LEASEHOLDS LAND	10.2	22,582,409	-	990,500	-	23,572,909	2	1,937,925	490,924	-	(2,428,849)	-	-	23,572,909
FURNITURE AND FIXTURES		2,601,839	-	-	-	2,601,839	10	2,468,887	26,155	-	-	-	2,495,042	106 797
VEHICLES		8,722,884	1,737,000	-	(2,512,000)	7,947,884	10	3,924,822	909,795	625,467	-	(916,872)	4,543,212	3,404,672
COMPUTER AND OFFICE EQUIPMENT		4,162,358	-	-	-	4,162,358	10-33.3	2,092,970	544,993	-	-	-	2,637,963	1,524,395
		89,969,490	1,737,000	(11,909,500)	(2,512,000)	77,284,990		10,424,604	1,971,867	625,467	(2,428,849)	(916,872)	9,676,217	67,608,773
LEASED														
VEHICLES		3,113,000	(1,737,000)	-	(1,376,000)	-	10	1,003,947	116 880	(625,467)	-	(495,360)	-	-
		93,082,490	-	(11,909,500)	(3,888,000)	77,284,990		11,428,551	2,088,747	-	(2,428,849)	(1,412,232)	9,676,217	67,608,773
		93,082,490	-	(11,909,500)	(3,888,000)	77,284,990		11,428,551	2,088,747	-	(2,428,849)	(1,412,232)	9,676,217	67,608,773

PROPERTY AND EQUIPMENT		Cost / revaluation As at 01 July 2009	Additions / Transfer for the year	Surplus / (deficit) revaluation	Disposal / write off	As at 30 June 2010	Rate %	Accumulated depreciation As at 01 July 2009	For the year	Transfer for the year	Elimination revaluation	Disposal / reversal	As at 30 June 2010	Written down value as at 30 June 2010
		(Rupees)						(Rupees)						
OWNED														
LEASEHOLD LAND	10.1	51,900,000	-	-	-	51,900,000		-	-	-	-	-	-	51,900,000
BUILDING ON LEASEHOLDS LAND	10.1	22,582,409	-	-	-	22,582,409	2	1,446,9 7	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	132,952
VEHICLES		7,363,884	1,359,000	-	-	8,722,884	10	3,071,875	852,951	-	-	-	3,924,826	4,798,058
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	2,069,388
		88,732,425	3,554,998	-	(2,317,933)	89,969,490		10,653,401	1,991,394	-	-	(2,220,191)	10,424,604	79,544,886
LEASED														
VEHICLES		3,113,000	-	-	-	3,113,000	10	723,777	280,170	-	-	-	1,003,947	2,109,053
		91,845,425	3,554,998	-	(2,317,933)	93,082,490		11,377,178	2,271,564	-	-	(2,220,191)	11,428,551	81,653,939
ON OPERATING LEASE (RENTED TO CUSTOMERS)														
VEHICLES		2,799,000	-	-	(2,799,000)	-	10	1,119,600	139,950	-	-	(1,259,550)	-	-
OFFICE EQUIPMENT		1,083,100	-	-	(1,083,100)	-	30	893,558	189,541	-	-	(1,083,099)	-	-
		3,882,100	-	-	(3,882,100)	-		2,013,158	329,491	-	-	(2,342,649)	-	-
		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

10.1 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 30 June 2001 and Rs. 33.90 million and Rs. 7.284 million as on 30 June 2006 respectively over the said date. In the current year, the Company appointed a valuer to revalue the land and building and accordingly recongnised a deficit of Rs. 12.90 million and surplus of Rs. 3.419 million on land and building respectively. Accumulated depreciation on building was adjusted by Rs 2.4 million and value of the building was increased by Rs. 0.99 million.

The values of leasehold land and building on leasehold land so revalued are being depreciated over of the assets determined at the date of revaluations. The revaluations were carried out by Surval Engineering Surveyors & Technical Consultants on 30 June 2001 and Credit and Commerce Consultants (Private) Limited on 30 June 2006 and 30 June 2011.

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

	2011	2010
	(Rupees)	
Leasehold land	**1,800,000**	1,800,000
Building on leasehold land	**11,768,389**	12,053,760
	13,568,389	13,853,760

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

	2011	2010
Vehicles	**1,404,398**	107,998
Computer and office equipment	**1,415,831**	1,366,675
Furniture and fixtures	**1,632,396**	2,340,290
	4,452,625	3,814,963

10.4 Disposal of property and equipment

Description	Mode of disposal	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss) on disposal	Particulars
			(Rupees)				
Vehicle	Terms of employment	1,376,000	(495,360)	880,640	137,600	(743,040)	Mr. Muhammad Khan (Ex CEO)
Vehicle	Negotiation	1,238,000	(445,680)	792,320	1,050,000	257,680	Mr. M. Riaz Baig Chughtai, Gulistan Johar, Karachi.
Vehicle	Negotiation	775,000	(269,097)	505,903	710,000	204,097	KASB Modaraba Karachi
Vehicle	Negotiation	499,000	(202,095)	296,905	500,000	203,095	KASB Modaraba Karachi
2011		**3,888,000**	**(1,412,232)**	**2,475,768**	**2,397,600**	**(78,168)**	
2010		6,200,033	(4,562,840)	1,637,193	1,118,256	(518,937)	

11. RUNNING FINANCE UNDER MARK-UP ARRANGEMENTS - secured

		2011	2010
		(Rupees)	
Facility I	11.1	15,079,952	-
Facility II	11.2	4,976,700	-
		20,056,652	-

11.1 This represents running finance facility under mark-up arrangements availed from a commercial bank and carries mark-up at the average 6 months KIBOR plus 2.0 percent (2010: 1.5 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. 100 million (2010: Rs. 100 million). The facility will expire on 31 March 2012 and is renewable annually. Facility limit available to the Company is Rs. 30 million (2010: Rs. 30 million).

11.2 This represents running finance facility under mark-up arrangements availed from a commercial bank and carries mark-up at the average 6 months KIBOR plus 2.5 percent (2010: 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 (2010: Rs. 33.334 million). The facility expired on 30 June 2011 and is renewable annually. Facility limit available to the Company is Rs. 12.5 million (2010: Rs. 12.5 million).

			2011	2010
			(Rupees)	
12.	**ACCRUED MARKUP ON RUNNING FINANCE FACILITIES**		**87,372**	9,229
13.	**ACCRUED EXPENSES AND OTHER LIABILITIES**			
	Accrued expenses		**858,471**	830,370
	Advances from customers		**1,693,653**	2,293,402
	Others		**2,268,888**	687,803
			4,821,012	3,811,575
14.	**LEASE KEY MONEY DEPOSITS**			
	Lease key money deposits - finance lease	14.1	**77,962,405**	127,253,347
	Maturing within one year		**(20,080,805)**	(88,205,126)
			57,881,600	39,048,221

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

15. DEFERRED TAX LIABILITY - Net

This is comprised of followings:

	2011	2010
Credits arising due to:		
- difference between investment in lease and tax book value of assets given on lease	**14,588,529**	25,452,798
- difference between accounting book value of fixed assets and tax base	**6,392,182**	5,255,334
- difference between accounting book value of assets taken on lease and related lease liability	-	362,330
	20,980,711	31,070,462

16. SHARE CAPITAL

16.1 Authorized capital

2011	2010		2011	2010
(Number of shares)			(Rupees)	
90,000,000	90,000,000	Ordinary shares of Rs.10/- each	**900,000,000**	900,000,000
10,000,000	10,000,000	Preference shares of Rs.10/- each	**100,000,000**	100,000,000
100,000,000	100,000,000		**1,000,000,000**	1,000,000,000

16.2 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

16.3 5,217,819 (2010: 5,217,819) ordinary shares of Rs. 10/- each are held by the related parties.

17. RESERVES

		2011	2010
		(Rupees)	
Statutory reserves	17.1	**67,424,141**	63,208,765
Accumulated losses		**(32,900,391)**	(49,888,255)
		34,523,750	13,320,510

17.1 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.

18. SURPLUS ON REVALUATION OF PROPERTY AND EQUIPMENT - Net of deferred tax

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

	2011	2010
Balance as on 01 July 2010	**54,941,355**	55,067,715
Deficit on revaluation	**(9,480,651)**	-
Transfer to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	**(126,360)**	(126,360)
	45,334,344	54,941,355

19. LEASE INCOME

	2011	2010
Income from:		
- Finance leases	**23,155,484**	43,171,457
- Operating leases	-	184,117
Miscellaneous charges against leases	**1,865,301**	3,294,854
Cancellation charges of lease contracts	**31,197**	126,448
	25,051,982	46,776,876

20. OTHER OPERATING INCOME

	Note	2011	2010
		(Rupees)	
Net gain on sale of securities		**445,808**	17,431,140
Mark-up on:			
- Term finance certificates		**352,098**	1,434,661
- Pakistan investment bonds		**3,018,237**	3,040,664
- Treasury Bills		**12,632,214**	-
- Insurance agreements		**19,857**	139,069
Dividend income		**1,448,111**	2,366,882
Loss on sale of property and equipment		**(78,168)**	(518,937)
Others	20.1	**1,746,674**	1,405,276
		19,584,831	25,298,755

20.1 This represents long outstanding receivables for various customers on account of late payment markup and market differential.

21. ADMINISTRATIVE AND OPERATING EXPENSES

	Note	2011	2010
		(Rupees)	
Salaries and other benefits		**7,810,059**	10,106,663
Contribution to provident fund		**362,594**	498,805
Directors' fees		**67,500**	30,000
Rent, rates and taxes		**165,000**	581,497
Security services		**291,000**	228,000
Utilities		**829,529**	1,009,293
Postage and periodicals		**41,156**	46,114
Printing and stationery		**314,168**	362,054
Vehicle running and maintenance		**1,251,104**	1,535,822
Insurance		**753,525**	827,099
Travelling and conveyance		**3,744**	23,822
Auditors' remuneration	21.1	**397,650**	523,500
Legal and professional charges		**4,317,913**	3,089,798
Depreciation	10	**2,088,747**	2,601,055
Amortization	9.1	**120,851**	120,840
Entertainment		**47,961**	62,414
Advertisement expenses		**38,316**	152,438
Repairs and maintenance		**189,285**	1,131,414
Brokerage expenses		**959,872**	517,183
Others		**503,181**	878,251
		20,553,155	24,326,062

21.1 Auditors' remuneration

	2011	2010
Audit fee - statutory	**250,000**	300,000
Fee for half yearly review	**75,000**	105,000
Fee for review of compliance with code of corporate governance	**25,000**	50,000
Other certifications	**20,000**	20,000
Out of pocket expenses	**27,650**	48,500
	397,650	523,500

22. Financial Charges

	2011	2010
Financial charges on lease financing	**36,647**	177,122
Mark-up on:		
- Certificate of deposits	-	12,435,989
- Loans and borrowings		
- long term loans	-	7,055,761
- running finances under mark-up arrangements	**87,834**	48,946
	87,834	19,540,696
Arrangement charges	**49,800**	25,200
Bank charges	**15,482**	38,274
	189,763	19,781,292

23. Taxation

	2011	2010
	(Rupees)	
- current	**17,446,424**	8,228,830
- prior	**(2,833,655)**	(3,688,237)
- deferred	**(10,089,749)**	(11,762,970)
	4,523,020	(7,222,377)

Reconciliation between accounting profit and tax expense:

	2011	2010
Accounting profit	**25,599,900**	(486,094)
Tax @ 35%	**8,959,965**	(170,133)
Tax effect of:		
-loss exempt from tax	**(156,033)**	(6,100,899)
- income taxed at reduced rates	**(362,028)**	(591,721)
- tax effect of unrealised loss	**727,149**	2,662,592
- tax effect of impairment on AFS	-	1,156,583
- Bad debts written off	**(1,614,400)**	-
- prior year adjustment / reversal of turnover tax	**(2,833,655)**	(3,688,237)
- other	**(197,978)**	(490,562)
	4,523,020	(7,222,377)

24. Remuneration of chief executive officer, directors and executives

	Chief executive officer		Directors		Executives	
	2011	2010	2011	2010	2011	2010
	(Rupees)					
Managerial remuneration	**746,700**	1,493,400	**200,000**	880,000	**2,020,044**	1,940,100
Housing and utilities	**373,470**	746,940	-	315,000	**1,009,956**	969,900
Bonus	**62,225**	-	-	-	**83,333**	-
Ex-gratia	**600,000**	-	-	-	-	-
Provident fund	**62,226**	124,450	-	52,500	**168,339**	161,674
Club subscription	**6,000**	12,000	-	7,000	**12,000**	12,000
	1,850,621	2,376,790	**200,000**	1,254,500	**3,293,672**	3,083,674
Number	2	1	1	1	2	2

24.1 The Chief Executive Officer and Executives are entitled to free use of company maintained vehicles.

24.2 Aggregate amount charge in the financial statement with respect to directors' fee for the year was Rs.67,500 (2010: Rs.30,000).

25. 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. The 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	(Rupees in million)
30 June 2010	200
30 June 2011	350
30 June 2012	500
30 June 2013	700

The Company's equity comprises of following:	2011	2010
	(Rupees)	
Issued, subscribed and paid-up capital	**300,000,000**	300,000,000
Statutory reserve	**67,424,141**	63,208,765
Revenue reserve		
Unappropriated loss	**(32,900,391)**	(49,888,255)
Unrealized (loss) / Gain on revaluation of investments	**(1,510,774)**	12,369
	(34,411,165	(49,875,886)
	333,012,976	313,332,879

As at 30 June 2011, the company has equity of Rs.333 million which is not compiled with the minimum equity requirement of Rs. 350 million. The Company has revaluation surplus on property and equipment of Rs.45 million which has not been considered in accordance with the requirements of NBFC and efforts will be made to meet the capital requirement in future.

26. 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.

26.1 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.

26.2 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.

26.2.1 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.

26.2.2 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:

	2011	2010
	(Rupees)	
Bank balances	**23,373,665**	48,419,016
Other receivables	**4,639,982**	248,503
Investment	-	10,730,000
Net investment in finance leases (net of security deposits held)	**143,071,853**	207,112,775
Long term deposits	**232,200**	598,500
	171,317,700	267,108,794

26.2.3 Credit ratings and Collaterals held

Below mentioned ratings are on the basis of available ratings assigned by PACRA and JCR-VIS as of 30 June 2011).

26.2.3.1 Banks

The analysis below summarizes the credit quality of the Company's bank balances as at 30 June 2011 and 30 June 2010:

AAA	**91,950**	130,040
AA +	-	65,338
AA -	-	27,876,202
AA	**23,281,715**	20,318,883
A	-	28,553

26.2.3.2 Lease receivable

Out of total lease receivable amounting to Rs. 200.953 million (2010: Rs. 334.493 million), Rs. 199.443 million (2010: Rs. 332.786 million) is due from non-rated parties.

26.2.3.3 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.

26.3.2 Maturity analysis for financial assets and 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 2011						
Assets						
Cash and bank balances	23,373,665	23,373,665	23,373,665	-	-	-
Investments	213,618,253	242,136,453	176,500,000	22,636,453	12,000,000	31,000,000
Other receivable	4,639,982	4,639,982	4,639,982	-		
Net investment in finance lease	200,953,453	225,466,491	33,050,785	74,909,981	117,505,725	-
Long term deposits	232,200	232,200	-	-	232,200	-
	442,817,553	495,848,791	237,564,432	97,546,434	129,737,925	31,000,000
Liabilities						
Running finance under mark-up arrangements	20,056,652	20,056,652	20,056,652	-	-	-
Accrued mark-up on running finance facilities	87,372	87,372	87,372	-	-	-
Accrued expenses and other liabilities	3,127,359	3,375,654	3,375,654	-	-	-
Lease key money deposits	77,962,405	77,962,405	5,605,884	14,474,921	57,881,600	-
	101,233,788	101,482,083	29,125,562	14,474,921	57,881,600	-
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	1,796,661	1,796,661	1,796,661	-	-	-
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	-
	445,424,867	508,508,831	185,404,187	143,741,774	144,008,921	35,353,949
Liabilities						
Accrued mark-up on running finance facilities	9,229	9,229	9,229	-	-	-
Accrued expenses and other liabilities	3,354,881	3,354,881	3,354,881	-	-	-
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	-
	131,691,281	131,764,237	53,570,286	38,742,165	39,451,786	-

26.4 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'sincome 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.

26.4.1 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.

26.4.2 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, investments and running finance on mark-up arrangements. The Company manages its interest rate risk by having a balance between floating interest rate financial assets and liabilities. Currently financial liabilities represent 7.00% (2010: 0.4%) 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	
	30 June 2011	30 June 2010
	(Rupees)	
Fixed rate instruments		
Financial assets	323,771,601	134,999,808
Financial liabilities	-	-
Variable rate instruments		
Financial assets	94,569,017	282,937,295
Financial liabilities	20,056,649	1,073,824

Cash flow sensitivity analysis for variable rate instruments

The Company holds KIBOR based interest bearing investments in finance leases and Pakistan Investment Bonds 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 ininterest 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 tax100 bp		Equity 100 bp	
	Increase	(Decrease)	Increase	(Decrease)
	(Rupees)		(Rupees)	
As at 30 June 2011				
Cash flow sensitivity-Variable rate instruments*	745,124	(745,124)	484,330	(484,330)
As at 30 June 2010				
Cash flow sensitivity-Variable rate instruments*	2,818,635	(2,818,635)	1,832,113	(1,832,113)

*net of financial liabilities.

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

As at 30 June 2011	Effective rate of mark-up / return %	Exposed to interest rate risk: Amount	Upto 6 months	Over 6 months to 1 year	1 year to 5 years	over 5 years	Not exposed to interest rate risk
Financial Assets		(Rupees)					
Bank balances	6.00 - 10.5	23,373,665	23,253,244	-	-	-	120,421
Investments	12.00 - 13.49	215,149,959	-	-	-	215,149,959	
Other receivables		4,639,982	-	-	-	-	4,639,982
Net investment in finance lease	13.95 - 23.01	200,953,453	71,315,773	-	-	-	129,637,680
Long term deposits		232,200	-	-	-	-	232,200
		444,349,259	94,569,017	-	-	-	349,780,242
Financial Liabilities							
Running finance under mark-up arrangments	15.62 - 16.15	20,056,652	20,056,652	-	-	-	-
Accrued mark-up on loans and other payables		87,372	-	-	-	-	87,372
Accrued expenses and other liabilities		3,127,359	-	-	-	-	3,127,359
Lease key money deposits		77,962,405	-	-	-	-	77,962,405
		101,233,788	20,056,652	-	-	-	81,177,136
On balance sheet gap		343,115,471	74,512,365	-	-	-	268,603,106

As at 30 June 2010	Effective rate of mark-up / return %	Exposed to interest rate risk: Amount	Upto 6 months	Over 6 months to 1 year	1 year to 5 years	over 5 years	Not exposed to interest rate risk
Financial Assets		(Rupees)					
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	199,493,215	-	-	-	134,999,808
Long term deposits		598,500	-	-	-	-	598,500
		446,677,357	282,437,295	-	-	-	164,240,062
Financial Liabilities							
Accrued mark-up 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	-	-	-	-
		132,147,975	1,073,824	-	-	-	131,074,151
On balance sheet gap		314,529,382	281,363,471	-	-	-	33,165,911

26.5 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 30 June 2011 and 2010. It shows the effect of a 10% increase and 10% decrease in the market prices of equity investments as on those dates on Company's profit and equity.

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

	Carrying Amount: 30 June 2011	30 June 2010
	(Rupees)	
Investments		
Fair value through profit or loss	21,000,997	18,272,570
Available for sale	135,462	6,511,148

	Profit or loss: Increase	(Decrease)	Equity: Increase	(Decrease)
	Rupees		Rupees	
30 June 2011	2,100,100	(2,100,100)	2,108,905	(2,108,905)
30 June 2010	1,827,257	(1,827,257)	2,478,372	(2,478,372)

26.6 Fair value of financial instruments

The Company's accounting policy on fair value measurements is discussed in note 3.1. 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	21,000,997	-	-	21,000,997
Debt securities	-	-	-	-
	21,000,997	-	-	21,000,997
Available for sales				
Equity securities	135,462	-	-	135,462
Debt securities	-	192,481,794	-	192,481,794
	135,462	192,481,794	-	192,617,256

27. EARNING PER SHARE - Basic and diluted

	2011	2010
	(Rupees)	
Net profit after tax for the year attributable to the ordinary shareholders'	21,076,880	6,736,283
Weighted average number of ordinary share outstanding during the year	30,000,000	30,000,000
Earnings per share - basic and diluted	0.70	0.22

27.1 Basic earning per share has no dilution effect.

28. CASH AND CASH EQUIVALENT

	2011	2010
	(Rupees)	
Cash and bank balances	23,373,665	48,419,016
Running finance under mark-up arrangements	(20,056,652)	-
	3,317,013	48,419,016

29. SEGMENT REPORTING

	Lease	Investments and others	Total
		(Rupees)	
Segment revenues	25,051,982	23,425,433	48,477,415
Segment results	24,994,954	20,387,991	45,382,945
Unallocated expenses			(19,593,282)
Results from operating activities			25,789,663
Finance costs			(189,763)
Provision for taxation			(4,523,020)
Profit for the year			21,076,880
Other Information			
Segment assets	200,953,453	310,623,399	511,576,852
Total assets	200,953,453	310,623,399	511,576,852
Segment Liabilities	92,550,934	40,678,598	133,229,532
Total liabilities	92,550,934	40,678,598	133,229,532

Segment Analysis for the Year ended 30 june 2010	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
Loss for the year			6,736,283
Other Information			
Segment assets	340,471,970	191,020,701	531,492,671
Total assets	340,471,970	191,020,701	531,492,671
Segment Liabilities	152,706,145	10,512,292	163,218,437
Total liabilities	152,706,145	10,512,292	163,218,437

30. 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 then remuneration to executives which are under the terms of employment. Remuneration to executives including key management personnel of the company is disclosed in note 24.

Fund received /renewed under certificate of deposits	2011	2010
Beginning of the year	-	40,636,500
Receipts during the year	-	350,000
Repayment during the year	-	(40,986,500)
At the year end	-	-
Financial charges paid on certificate of deposits	-	4,693,367
Meeting fee paid / payable to directors	**67,500**	30,000
Contribution to provident fund - Directors	**62,226**	176,952
Contribution to provident fund - Employees	**300,368**	321,853
Investments		
Opening balance	**1,960,000**	19,485,514
Additions	**50,741,600**	64,893,349
Disposals	**44,128,850**	82,418,863
Closing Balance	**8,572,750**	1,960,000
Dividend received	**60,600**	166,000
Capital gain	**1,073,567**	3,104,390

Other related parties
INVESTMENT IN FINANCE LEASE

For the year ended 30 June 2011	Almurtaza Garment Machinery Company	Alrashid Micro-computers (Pvt.) Ltd.	Premier Hosiery Mills (Pvt.) Ltd.	Mr. Imran Ali Rashid	Total
			(Rupees)		
Net investment in finance lease					
Beginning of the year	606,400	897,613	23,730,923	397,610	25,632,546
Disbursement during the year	-	-	-	-	-
Maturities during the year	(180,346)	(897,613)	(23,439,556)	(97,536)	(24,615,051)
At the year end	426,054	-	291,367	300,074	1,017,495
Lease income	75,614	50,747	132,061	44,844	303,266
Lease key money deposits					
Beginning of the year	10,000	167,450	4,735,900	55,400	4,968,750
Received during the year	-	-	-	-	-
Maturities during the year	-	(167,450)	(4,556,000)	-	(4,723,450)
At the year end	10,000	-	179,900	55,400	245,300
For the year ended 30 June 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

31. DATE OF AUTHORISATION

These financial statements were authorized for issue in the Board of Directors meeting held on August 13 2011.

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 Fifteenth 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 ______ 2011.

Signed by the said ____

in presence of ____

Signature on
Five Rupees
Revenue
Stamp

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.

sigma
leasing
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limited