

**Annual Report**

June 30, 2011

Standard Chartered Leasing Limited



# Vision

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

# Mission

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

# Our Values

## ***Courageous***

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

## ***Responsive***

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

## ***International***

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

## ***Creative***

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

## ***Trustworthy***

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

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## Board of Directors

Mr. Mohsin Ali Nathani - Chairman  
Mr. Arjumand Ahmed Minai - Chief Executive  
Mr. Najam I. Chaudhri  
Mr. Najam Siddiqi  
Mr. Shahid Zaki  
Mr. Aalishaan Zaidi  
Mr. Tufail J. Ahmad

## Company Secretary

Mr. Rehan Anjum

## Audit & Risk Committee

Mr. Najam I. Chaudhri - Chairman  
Mr. Najam Siddiqi - Member  
Mr. Shahid Zaki - Member  
Mr. Tufail J. Ahmad - Member

## Banker/Financial Institution

Standard Chartered Bank (Pakistan) Limited

## Auditors

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

## Legal Advisor

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

## Registrar and Share Transfer Office

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

## Registered Office/Principal Office

### Karachi Branch

Ground Floor, Al-Rahim Towers,  
I.I. Chundrigar Road, Karachi-74000  
Tel: (021) 32427727 Fax: (021) 32438211

### Lahore Branch

1st Floor, SCB Building, 27 Ali Block,  
New Garden Town, Lahore-54000  
Tel : (042) 35908680  
Fax : (042) 32715082

### Islamabad Branch

2nd Floor, Union Arcade  
6A, F/7 Markaz, Islamabad  
Tel : (051) 2651711  
Fax : (051) 2653909

### Faisalabad Branch

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

Notice is hereby given that the 18th Annual General Meeting of the shareholders of Standard Chartered Leasing Limited will be held on Friday, October 21, 2011 at 11:30 a.m. at The Institute of Bankers Pakistan, Karachi, to transact the following business:

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2011, along with the Directors' and Auditors' Reports thereon.
2. To consider the appointment of external auditors namely M/s KPMG Taseer Hadi & Co., Chartered Accountants and to authorize the Chief Executive Officer and Chief Financial Officer to fix their remuneration. M/s KPMG Taseer Hadi & Co., Chartered Accountants, being eligible have offered themselves for re-appointment.
3. To consider and approve cash dividend @ Rs 0.50 per share of Rs. 10 each (i.e 5%) for the year ended June 30, 2011 as recommended by Board of Directors.
4. Any other business with the permission of the Chair.

**September 15, 2011**  
**Karachi**

**By Order of the Board**



**Rehan Anjum**  
(Company Secretary)

#### NOTES:

- a) The Share Transfer Books of the Company shall remain closed from October 15, 2011 to October 21, 2011 (both days inclusive).
- b) A member is eligible to attend and cast vote at this meeting or may appoint another member as his/her proxy to attend and vote instead of him /her. Proxies in order to be effective must be received at the Share Registrar's Office not less than 48 hours before the time for holding the meeting.
- c) CDC account holders will have to follow the under mentioned guidelines as laid down in Circular # 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan for attending the meeting.
  - i) **In case of individuals**, the account holder or sub account holder and / or the person whose securities are in group account; and their registration details are uploaded as per the regulation, shall authenticate his / her identity by showing his/ her Computerized Original National Identity Card (CNIC) or original Passport at time of attending the meeting. The shareholders registered on CDC are also requested to bring their Participants' I.D. no and account no. in CDS.
  - ii) **In case of corporate entity**, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
- d) Shareholders are requested to notify the change of their addresses, if any, to Share Registrar, **M/s Hameed Majeed Associates (Pvt.) Limited, H. M. House, 7-Bank Square, Lahore. Tele No. 042-37235081-2**

On behalf of the Board of Directors, I am pleased to present the Eighteenth Annual Report of Standard Chartered Leasing Limited (SCLL) along with audited financial statements for the year ended June 30, 2011.

## Operating Results and Business Overview

	June 30, 2011	June 30, 2010
<b>Balance Sheet</b>		
<b>Rupees in Million</b>		
Paid-up capital	978.35	978.35
Total equity	851.12	774.85
Certificate of Investment	1684.62	1,118.34
Net investment in Finance lease	2,938.44	1,978.69
<b>Profit and Loss</b>		
<b>Rupees in Million</b>		
Net Revenue	187.28	133.02
Administrative Expenses	(81.69)	(70.63)
Profit before provision	105.59	62.39
Reversal against finance lease	11.75	3.16
Profit before tax	117.34	65.55
Profit after tax	76.27	42.61
Earnings per share – basic	0.78	0.44

## **Review of Business and Operations**

The 2011 financials reflect significantly improved performance in the backdrop of a challenging business environment, uncertain political and security situation and the increase in financial stress caused by the floods. Your Company's profit before tax grew from Rs. 65.55 Million last year to Rs. 117.34 Million in 2011, with earnings per share of Rs. 0.78 from Rs. 0.44 in 2010, an increase of around 78%. This clearly demonstrates the sound business fundamentals, dynamic strategy, balance sheet strength, brand image, and above all, our resilience to the headwinds caused by the economic downturn.

Net Revenue of the Company grew by 41% from Rs. 133.02 Million in 2010 to Rs. 187.28 Million in 2011. Fresh leases booked during the period amounted to Rs. 1,705 Million, compared to Rs 960 Million in 2010.

Liquidity of approximately Rs 1.81 Billion was generated through mobilization of cost effective Certificates of Investment (COI). The COI base as at June 30, 2011 was Rs. 1.68 Billion compared to Rs. 1.12 Billion at June 30, 2010.

The focus on effective management of rental recovery and collection during the period yielded Rs. 872 Million, achieving recovery / collection level of over 95 % for the entire portfolio.

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

## **Economy**

During the year under review Pakistan economy growth slowed down to 2.4% from 3.9% in FY10, primarily due to damage caused by floods in July- August 2010. The central bank has expressed concern over the sharp decline in investment spending over the last four years, raising concerns about the capacity of the economy to meet rising demand and sustain growth over the medium term. Investment spending has declined sharply to 13.4% of GDP in FY11, down from 22.1% of GDP in FY08 and the lowest level since 1974.

The Central Bank projects inflation to average 12% in FY12, down from 13.9% in FY11. Central Bank is confident that inflation will decline going forward on reduction in money printing by the Government and build up in foreign exchange reserves to record high level of USD 18.2bn. The recent decline in international commodity prices will also help to bring down inflation.

The current account posted a surplus of USD 542mn (0.3% of GDP) in FY11, compared to a deficit of USD 3.9bn (2.2% of GDP) in FY10, led by record exports and record remittances. Exports posted a phenomenal growth of 29.4% in FY11, rising to USD 25.5bn compared to USD 19.6bn in FY10. Higher cotton prices, higher wheat exports and reconstruction activity in Afghanistan all contributed to strong growth in exports.

## Dividend

Final Cash dividend of 5% (PKR 0.5 per share) has been recommended by the Board of Directors for approval at the eighteenth Annual General Meeting of the Shareholders.

## Credit Rating

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

## Board of Directors

During the year under review Mr. Badar Kazmi (Chairman) and Mr. Cyrus J. Masani submitted their resignations from the Board as Directors of the Company. The Board would like to place on record its appreciation for their valuable contribution in improving the governance and performance of the Company. The Board has appointed Mr. Mohsin Ali Nathani as the Chairman and Mr. Najam Siddiqi as Director of Standard Chartered Leasing Limited under section 199 and 180 (2) of the Companies Ordinance, 1984.

## Future Outlook

Although the future economic environment remains uncertain, there is significant business potential for the leasing sector. Your Company is well positioned to harness business opportunities on the back of its balance sheet strength, effective governance structure, risk management practices and well trained management team. We will continue to strive to achieve excellence in customer service through our focused approach and understanding of our customers' evolving needs.

## Corporate Governance

Your Company strives continuously to raise the level of Corporate Governance. The Board of SCLL now consists of two Independent Directors, four Non-Executive Directors and an Executive Director. Both Independent Directors are members of the Audit & Risk Committee and one of them is the Chairman of the Committee.

## External Auditors

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

## Pattern of Shareholding

The pattern of Shareholding as on June 30, 2011 is annexed to the Annual Report.



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

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

1. The financial statements prepared by the management of Standard Chartered Leasing Limited present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of Standard Chartered Leasing Limited have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the ability of Standard Chartered Leasing Limited to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. The value of the funded provident fund of Standard Chartered Leasing Limited as on June 30, 2011 was Rs.10.90 Million (2010 : Rs. 8.0 Million) The provident fund has been audited up to June 30, 2010.
9. The value of the funded gratuity fund of Standard Chartered Leasing Limited as on June 30, 2011 was Rs. 3.9 Million (2010 : Rs. 0.91 Million) The gratuity fund has been audited up to June 30, 2010.
10. No trading in shares was carried out by the Directors, Chief Executive, Chief Financial Officer/Company Secretary and their spouses and minor children during the year.
11. The Board of Directors of Standard Chartered Leasing Limited held Four meetings (2010: Six) during the period under review. The attendance of directors is appended below:

S. No	Names of Director	Attendances*
1	Mr. Mohsin Ali Nathani (Appointed September 21, 2010)	3
2	Mr. Badar Kazmi (Resigned September 21, 2010)	1
3	Mr. Arjumand A. Minai	4
4	Mr. Tufail J. Ahmad	4
5	Mr. Cyrus J. Masani (Resigned April 01, 2011)	3
6	Mr. Najam Siddiqi (Appointed April 01, 2011)	1
7	Mr. Shahid Zaki	3
8	Mr. Najam I. Chaudhri	3
9	Mr. Aalishaan Zaidi	4

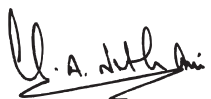
\* Leave of absence was granted to the directors who could not attend some of the meeting.

## Acknowledgment

The Board takes this opportunity to thank its valued shareholders and customers for their confidence and patronage. It would like to place on record its appreciation for the help and guidance provided by the Securities & Exchange Commission of Pakistan and the State Bank of Pakistan.

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

On behalf of the Board



Mohsin Ali Nathani  
Chairman  
September 15, 2011

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

This statement is being presented to comply with Code of Corporate Governance contained in listing regulations of Karachi, Lahore and Islamabad Stock Exchanges respectively, 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 representation of non-executive independent directors representing minority interests on its Board of Directors. At present the Board comprises of four senior executives of Standard Chartered Bank (Pakistan) Limited, the Holding Company, as Non-executive Directors, and two independent directors and the Chief Executive of the Standard Chartered Leasing Limited.
2. None of the directors of the Company is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The directors filled up casual vacancies occurring in the Board within thirty days thereof.
5. The Company has prepared a 'Statement of Ethic 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 polices along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO.
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.
9. The Board of Directors have met four times in the year and notices of meetings, agendas and related papers are always circulated at least seven days before the meeting except in case where an emergent meeting is to be held. The minutes of the meetings were appropriately recorded and circulated.
10. The company is planning to arrange an orientation course for the directors to apprise them of their duties and responsibilities.
11. The Board has approved the appointment of CFO and Company Secretary including his remuneration and terms and conditions of employment, as determined by CEO.
12. 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.
13. The financial statements of the Company were duly endorsed by CEO and CFO before approval from the Board.
14. The directors, CEO and executives do not hold any interest in the shares of the Company except for qualification shares and as mentioned in Pattern of Shareholding as at June 30, 2011.
15. The Company has complied with all the corporate and financial reporting requirements.

16. The meetings of the Audit Committee were held prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has setup an effective internal audit function which has been outsourced to a firm of Chartered Accountants whose reports are regularly received and presented to the audit committee.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the 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 the Institute of Chartered Accountants.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. All material information, as described in clause (xxii) of the Code is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in a timely fashion.
21. The company has complied with requirements as stipulated in the newly inserted clause 35 (xii) (a) relating to related party transactions.
22. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board



**Arjumand A. Minai**  
CEO/Managing Director

September 15, 2011

# 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 **Standard Chartered Leasing Limited** to comply with Listing Regulations of the respective Stock Exchanges 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 inquires of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal controls 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-regulations (xiii) of listing regulation 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price 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 party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended 30 June 2011.

Date: September 15, 2011  
Karachi.

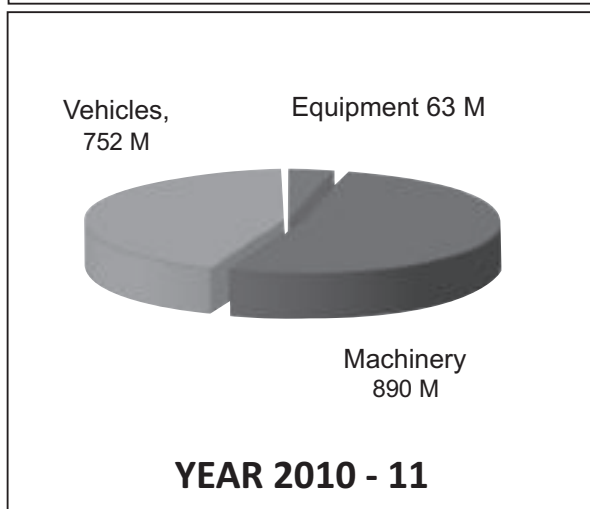
KPMG Taseer Hadi & Co.  
Chartered Accountants

(Rs. in million)

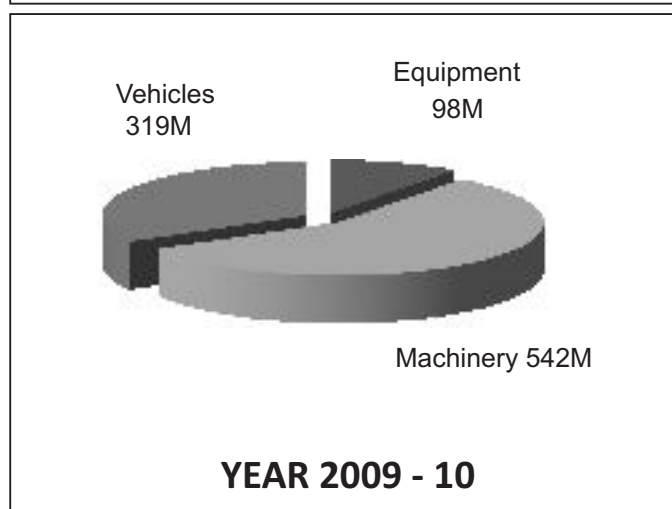
	2006	2007	2008	2009	2010	2011
<b>Operational Results</b>						
Gross Revenues	399.25	304.79	181.24	179.89	241.56	<b>344.26</b>
Financial Charges	291.64	256.39	137.59	91.16	108.55	<b>156.93</b>
Gross Margin	107.60	48.40	43.65	88.72	133.01	<b>187.33</b>
Profit/(Loss) Before Taxation	(12.02)	(349.65)	(56.74)	(56.55)	65.55	<b>117.34</b>
Profit/(Loss) After Taxation	0.35	(234.61)	(63.26)	(59.97)	42.61	<b>76.25</b>
<b>Balance Sheet</b>						
Net Investment in Lease	3,674.17	2,120.42	1,440.41	1,684.68	1,978.69	<b>2,938.45</b>
Shareholders' Equity	499.79	277.42	208.24	732.25	774.85	<b>851.12</b>
Working Capital	401.89	18.56	(146.98)	(255.08)	(555.93)	<b>(849.13)</b>
Total Assets	4,262.18	2,795.86	1,751.96	2,001.53	2,355.26	<b>3,263.88</b>

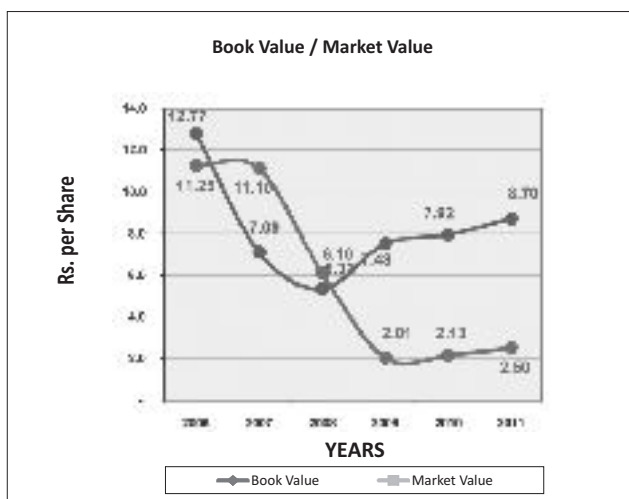
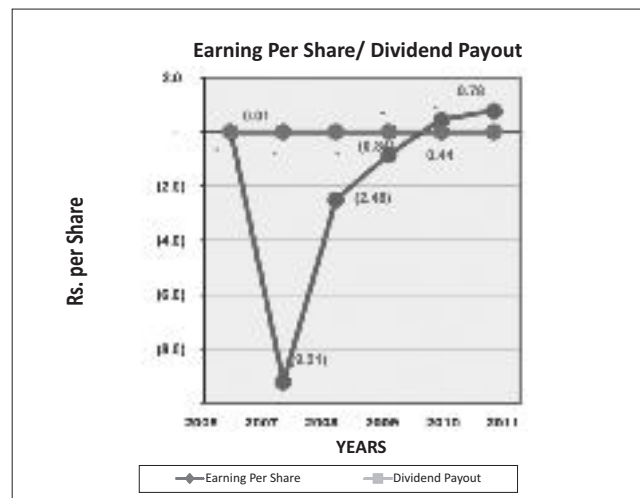
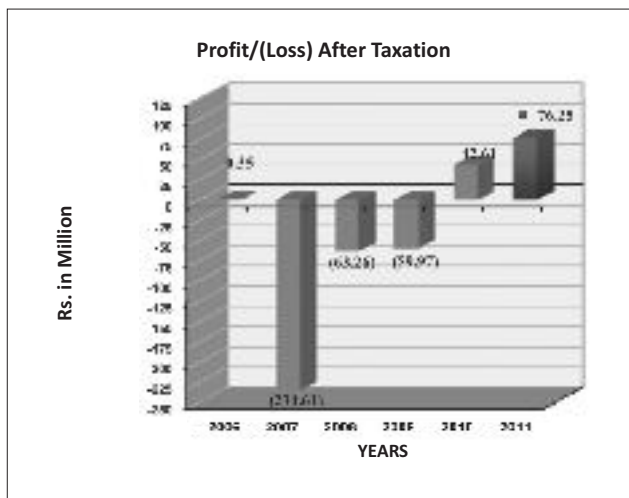
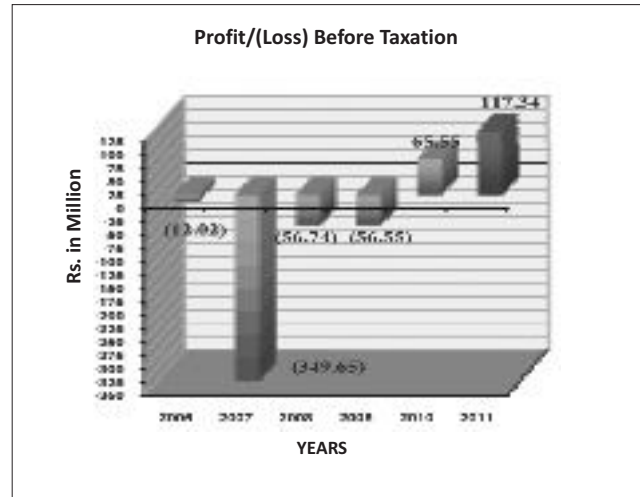
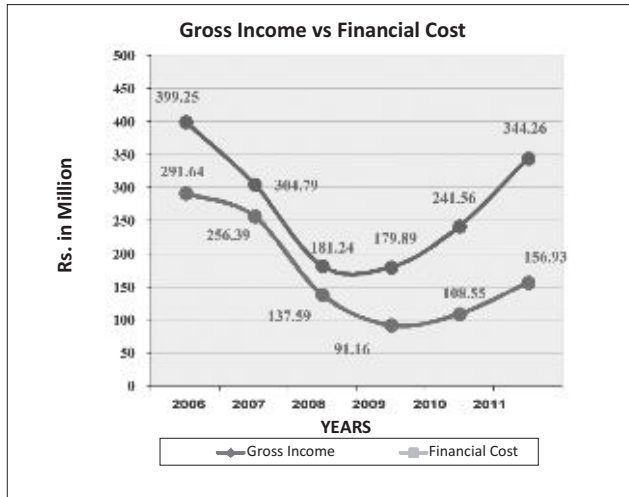
Financial Ratios	Rupees Per Share					
Earning Per Share	0.01	(9.21)	(2.48)	(0.84)	0.44	<b>0.78</b>
Dividend Payout	-	-	-	-	-	-
Book Value	12.77	7.09	5.32	7.48	7.92	<b>8.70</b>
Market Value	11.25	11.10	6.10	2.01	2.13	<b>2.50</b>
Return on Assets	0.01%	(8.39%)	(3.61%)	(3.00%)	1.81%	<b>2.34%</b>
Return on Equity	0.07%	(84.57%)	(30.38%)	(8.19%)	5.50%	<b>8.96%</b>
Current Ratio	4.26 : 1	8.83 : 1	4.16 : 1	1.09 : 1	0.74 : 1	<b>0.61 : 1</b>
Gearing Ratio (Total Debts/Equity)	5.49 : 1	6.50 : 1	4.19 : 1	0.96 : 1	1.44 : 1	<b>1.98 : 1</b>

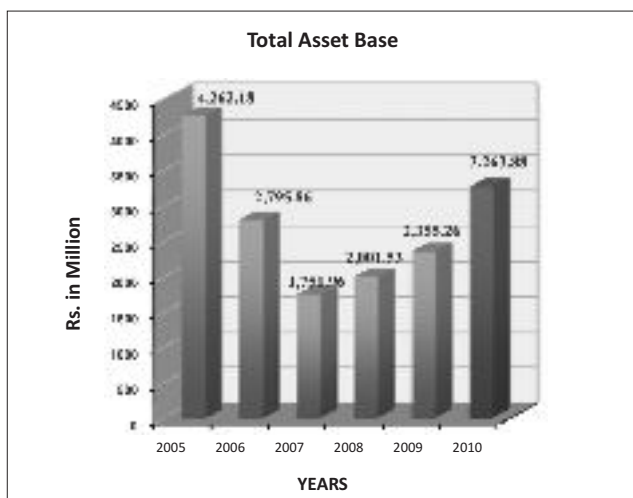
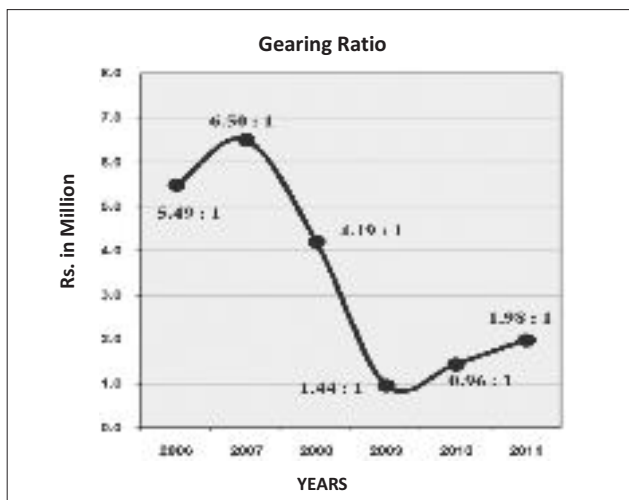
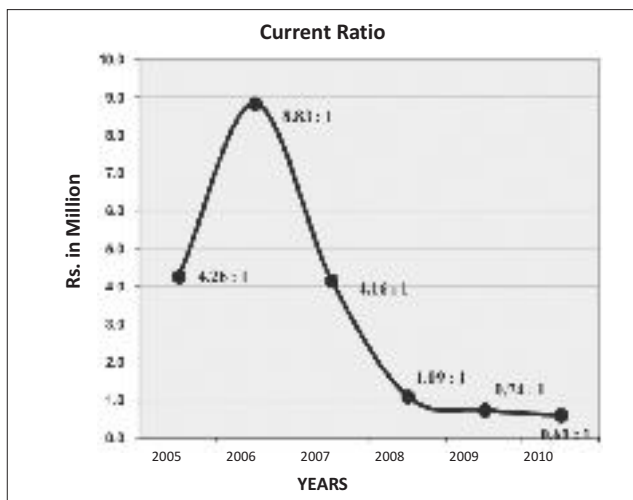
**Category-wise Disbursements**  
Rs . 1705 Million



**Category-wise Disbursements**  
Rs 959 Million









We have audited the annexed balance sheet of **Standard Chartered Leasing Limited** ( "the Company" ) as at 30 June 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also include 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 accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting polices consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof confirm 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 30th June 2011 and of the Profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the central Zakat Fund established under section 7 of that ordinance.

Date: September 15, 2011  
Karachi.

KPMG Taseer Hadi & Co.  
Chartered Accountants  
Syed Iftikhar Anjum



# Balance Sheet

## As at 30 June 2011

### ASSETS

Cash and bank balances  
Accrued mark-up / return  
Advances, prepayments and other receivables  
Short term investments  
Current portion of non-current assets  
Taxation recoverable - net  
**Total current assets**

Long term investments  
Net investment in finance leases  
Long term loans  
Long term deposits  
Deferred tax asset  
Fixed assets  
**Total non-current assets**  
**Total Assets**

### LIABILITIES

Accrued mark-up / return  
Accrued and other liabilities  
Short term borrowings  
Certificates of investment  
Current portion of non-current liabilities  
**Total current liabilities**

Long term deposits  
Deferred liabilities  
**Total non-current liabilities**

**Total Liabilities**

### NET ASSETS

### FINANCED BY

Share capital  
Reserves

### COMMITMENTS

Note	2011	Note	2010
	----- (Rupees) -----		
4	6,620		8,549,552
5	6,785,802		7,298,182
6	3,123,024		2,916,268
7	19,399,547		1,025,422
8	1,026,023,029		750,757,167
	25,985,915		23,685,573
	<b>1,081,323,937</b>		<b>794,232,164</b>
9	205,522,561		207,801,953
10	1,944,577,645		1,279,677,566
11	21,209,839		18,545,666
12	328,500		328,500
13	9,906,953		50,975,413
14	1,015,561		3,698,794
	<b>2,182,561,059</b>		<b>1,561,027,892</b>
	<b>3,263,884,996</b>		<b>2,355,260,056</b>
15	46,281,869		29,227,015
16	51,469,603		32,877,268
17	4,710,462		-
18	1,684,619,216		1,017,427,714
19	143,371,982		270,629,047
	<b>1,930,453,132</b>		<b>1,350,161,044</b>
20	482,310,534		228,521,331
21	-		1,726,350
	<b>482,310,534</b>		<b>230,247,681</b>
	<b>2,412,763,666</b>		<b>1,580,408,725</b>
	<b>851,121,330</b>		<b>774,851,331</b>
22	978,354,800		978,354,800
23	(127,233,470)		(203,503,469)
	<b>851,121,330</b>		<b>774,851,331</b>
24			

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

  
Chairman

  
Chief Executive

# Profit and Loss Account

## For the year ended 30 June 2011

	Note	2011	2010
------(Rupees)-----			
<b>INCOME</b>			
Income from finance leases	25	304,249,001	225,132,255
Interest / mark-up / return earned	26	37,119,190	15,071,739
Gain on sale of fixed assets		237,611	52,895
Gain on sale of investments		25,731	1,034,535
Other income	27	2,627,466	268,645
		40,009,998	16,427,814
		344,258,999	241,560,069
<b>EXPENSES</b>			
Finance cost	28	156,933,999	108,545,549
Administrative and operating expenses	29	81,690,760	70,625,509
(Reversal of provision) against net investment in finance leases		(11,754,233)	(4,275,202)
Provision against other receivables		20,748	899,409
Impairment of available for sale securities		22,793	217,076
		226,914,067	176,012,341
<b>Profit before taxation</b>		117,344,932	65,547,728
Taxation	30	(41,070,726)	(22,941,705)
<b>Profit after taxation</b>		76,274,206	42,606,023
Earnings per share - basic and diluted	31	0.78	0.44

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

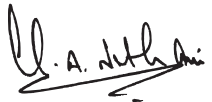
  
Chairman

  
Chief Executive

# Statement of Comprehensive income For the year ended 30 June 2011

	2011 ------(Rupees)-----	2010
<b>Profit after tax</b>	<b>76,274,206</b>	42,606,023
(Deficit)/ Surplus on revaluation of 'Available for Sale' Investments	(6,473)	115,750
Realised on disposal	-	(115,750)
Deferred tax on revaluation of 'Available for Sale' Investments	2,266	-
	(4,207)	-
<b>Total comprehensive income for the period</b>	<b><u>76,269,999</u></b>	<u>42,606,023</u>

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



Chairman



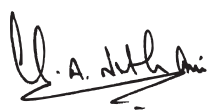
Chief Executive

# Cash Flow Statement

## For the year ended 30 June 2011

Note	2011	2010
	------(Rupees)-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	117,344,932	65,547,728
Adjustment for:		
- Depreciation	1,457,756	1,938,845
- Provision for gratuity	800,000	914,327
- Gain on disposal of fixed assets	(237,611)	(52,822)
- Gain on sale of available for sale investments	(25,731)	(1,034,535)
- Finance cost	156,933,999	108,545,549
- Provision against net investment in finance leases	(11,754,233)	(4,275,202)
- Provision against other receivables	20,748	899,409
- Impairment of available for sale securities	22,793	217,076
	<b>147,217,721</b>	<b>107,152,647</b>
<b>Operating profit before working capital changes</b>	<b>264,562,653</b>	<b>172,700,375</b>
<b>Movement in working capital</b>		
(Increase) / decrease in operating assets		
- Advances, prepayments and other receivables	(227,504)	19,209,671
- Accrued mark-up / return	512,380	(4,260,101)
- Investment in finance leases	(948,003,786)	(289,731,968)
- Long term loans	(2,971,139)	(2,495,602)
- Long term deposits	-	52,950
Increase / (decrease) in operating liabilities		
- Accrued and other liabilities	18,592,335	3,563,193
- Long term deposits (lease key money)	227,446,120	(22,139,957)
- Funds transfer to gratuity fund / gratuity paid	(2,526,350)	(37,288)
	<b>(707,177,944)</b>	<b>(295,839,102)</b>
<b>Cash generated from operations</b>	<b>(442,615,291)</b>	<b>(123,138,727)</b>
Taxes paid	(2,300,341)	(2,443,174)
Interest / mark-up paid	(139,879,140)	(94,991,686)
Net cash flow from operating activities	<b>(584,794,772)</b>	<b>(220,573,587)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(96,907)	(187,605)
Proceeds from disposal of fixed assets	1,559,995	1,336,954
Long term investments - net	22,178,432	(98,126,647)
Proceed from short term investments - net	1,028,358	5,632,928
Purchase of short term investments	-	(100,000)
Net cash flow from investing activities	<b>24,669,878</b>	<b>(91,444,370)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term finances - net	-	(66,666,668)
Proceeds from issue of Certificates of investment	566,277,520	482,985,674
Dividend paid	-	(2,144)
Net cash flow from financing activities	<b>566,277,520</b>	<b>416,316,862</b>
Net increase in cash and cash equivalents	<b>6,152,626</b>	<b>104,298,905</b>
Cash and cash equivalents at beginning of the period	<b>8,549,552</b>	<b>(95,749,353)</b>
Cash and cash equivalents at end of the period	<b>32 14,702,178</b>	<b>8,549,552</b>

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

  
Chairman

  
Chief Executive

# Statement of Changes in Equity

## For the year ended 30 June 2011

	Share capital	Reserves			Total	Share holders' equity
		Statutory reserve	Accumulated loss	(Deficit) / surplus on revaluation of available for Sale Investments		
----- (Rupees) -----						
<b>Balance as at 30 June 2009</b>	978,354,800	94,407,485	(340,516,977)	-	(246,109,492)	732,245,308
Total comprehensive income for the year:						
Profit for the year ended 30 June 2010	-	-	42,606,023	-	42,606,023	42,606,023
Other comprehensive income:						
Surplus on revaluation of available for sale investments	-	-	-	115,750	115,750	115,750
Realised on disposal	-	-	-	(115,750)	(115,750)	(115,750)
	-	-	42,606,023	-	42,606,023	42,606,023
Transfer to statutory reserve	-	8,521,205	(8,521,205)	-	-	-
<b>Balance as at 30 June 2010</b>	978,354,800	102,928,690	(306,432,159)	-	(203,503,469)	774,851,331
Total comprehensive income for the year:						
Profit for the year ended 30 June 2011	-	-	76,274,206	-	76,274,206	76,274,206
Other comprehensive income:						
Deficit on revaluation of available for sale investments - net of deferred tax	-	-	-	(4,207)	(4,207)	(4,207)
	-	-	76,274,206	(4,207)	76,269,999	76,269,999
Transfer to statutory reserve	-	15,254,841	(15,254,841)	-	-	-
<b>Balance as at 30 June 2011</b>	<b>978,354,800</b>	<b>118,183,531</b>	<b>(245,412,794)</b>	<b>(4,207)</b>	<b>(127,233,470)</b>	<b>851,121,330</b>

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

  
Chairman

  
Chief Executive

# Notes to the Financial Statements

## For the year ended 30 June 2011

### 1. STATUS AND NATURE OF BUSINESS

Standard Chartered Leasing Limited ('the Company') was incorporated in Pakistan on 2 October 1993 under the Companies Ordinance, 1984. The Company is a subsidiary of Standard Chartered Bank (Pakistan) Limited. The Company is principally engaged in business of leasing and is listed on all the three stock exchanges in Pakistan.

The registered office and principal office of the Company is situated at Al Rahim Tower Ground Floor I.I. Chundrigar Road, Karachi. The Company also has branch offices located at Lahore, Faisalabad and Islamabad.

### 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 available- for-sale investments have been measured at fair value.

#### 2.3 Functional and presentation currency

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

#### 2.4 Use of estimates and judgments

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are discussed in the following notes:

- i) Provision for taxation and deferred taxation (notes 8 and 13)
- ii) Provision for potential lease losses (note 10.1)
- iii) Estimation of useful lives and residual values of fixed assets (note 14)

#### 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 1 January 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 has no impact on Company's financial statements.

- Improvements to IFRSs 2010 – In May 2010 the IASB issued improvements to IFRSs 2010 which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after 1 January 2011. The amendments include list

of events or transactions that require disclosure in the interim financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Cash and cash equivalents

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

#### 3.2 Investments

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standard 39; Financial Instruments: Recognition and Measurement (IAS 39) at the time of initial recognition.

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

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

##### 3.2.1 Held-to-maturity

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

##### 3.2.2 Available-for-sale

Available-for-sale investments are financial assets that are not (a) loans and receivables originated by the Company (b) held-to-maturity investments, or (c) financial assets at fair value through profit and loss. These are initially recognized at their fair value plus transaction costs that are directly attributable to the acquisition.

Subsequent to initial measurement, these are remeasured at fair value. The difference in fair value and cost is taken to equity. Impairment in value of investments are routed through profit and loss account. Any cumulative loss recognised previously in equity is transferred to profit or loss account.

#### 3.3 Fixed assets

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

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

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

#### 3.4 Net investment in finance leases

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

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

#### 3.5 Impairment of non financial assets

The carrying amount of assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists then the asset's recoverable amount is estimated. Where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to profit and loss account.

### 3.6 Employee benefits

#### 3.6.1 Defined contribution plans

The Company operates:

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

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

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

### 3.7 Revenue recognition

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

- Processing, front end fee, commitment fee, penal charges and commission are recognised as income when realised.
- Return on loans and securities are recognised on time proportion basis taking into account effective yield on instrument.
- Capital gain or losses arising on sale of investments are taken to income in the period in which they arise.
- Dividend income is recognised when the Company's right to receive dividend is established.

### 3.8 Income tax

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 in other comprehensive income.

#### 3.8.1 Current

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

#### 3.8.2 Deferred

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

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

### 3.9 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.

### 3.10 Financial instruments

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

### 3.11 Dividend distribution

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

### 3.12 Off-setting of financial assets and liabilities

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



# Notes to the Financial Statements For the year ended 30 June 2011

## 4. CASH AND BANK BALANCES

Note	2011	2010
	----- (Rupees) -----	
Cash in hand	1,379	19,253
Balances with banks:		
- in current accounts	-	213,520
- in State Bank of Pakistan account	5,241	31,710
- in saving accounts	-	8,285,069
	<u>5,241</u>	<u>8,530,299</u>
	<u>6,620</u>	<u>8,549,552</u>

## 5. ACCRUED MARK-UP / RETURN

Interest / mark-up receivable on investments	6,785,802	7,297,282
Interest / mark-up receivable on Certificate of Musharaka	-	900
	<u>6,785,802</u>	<u>7,298,182</u>

## 6. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Prepayments	1,910,388	1,749,129
Other receivables		
- Considered good	1,212,636	1,167,139
- Considered doubtful	8,324,539	9,792,267
Less: Provision for doubtful receivables	8,324,539	9,792,267
	-	-
	<u>1,212,636</u>	<u>1,167,139</u>
	<u>3,123,024</u>	<u>2,916,268</u>

### 6.1 Movement in provision for doubtful receivables is as follows:

Balance at beginning of the year	9,792,267	21,130,275
Charged during the year	20,748	899,409
Amounts written off	(1,488,476)	(12,237,417)
Balance at end of the year	<u>8,324,539</u>	<u>9,792,267</u>

## 7. SHORT TERM INVESTMENTS

### Available-for-sale

Shares of listed companies	Number of shares	Cost		Market value		Surplus / (deficit)	
		2011	2010	2011	2010	2011	2010
----- (Rupees) -----							
First Dawood Mutual Fund	-	-	925,422	-	925,422	-	-
	(2010: 571,249)						
		-	925,422	-	925,422	-	-
<b>Certificates of Musharaka</b>	<b>Number of Units / Certificates</b>						
Standard Chartered Modaraba	-	-	100,000	-	-	-	-
	(2010: 1)						
<b>Federal Government securities</b>							
Treasury Bills		19,406,020	-	19,399,547	-	(6,473)	-
		<u>19,406,020</u>	<u>1,025,422</u>	<u>19,399,547</u>	<u>925,422</u>	<u>(6,473)</u>	<u>-</u>

7.1 Government treasury bill is for a period of 3 month.

# Notes to the Financial Statements For the year ended 30 June 2011

8. CURRENT PORTION OF NON CURRENT ASSETS	Note	2011 ----- (Rupees) -----	2010
Long term investments	9	28,253,940	48,152,980
Net investment in finance leases including overdue amounts	10	993,870,863	699,012,927
Long term loans	11	3,898,226	3,591,260
		<u>1,026,023,029</u>	<u>750,757,167</u>

## 9. LONG TERM INVESTMENTS - Held to Maturity

### 9.1 Government Securities

Pakistan Investment Bonds	9.2	233,776,501	255,954,933
Less: Current portion of long term investments		<u>(28,253,940)</u>	<u>(48,152,980)</u>
		<u>205,522,561</u>	<u>207,801,953</u>

The market value of investments at 30 June 2011 amounted to Rs. 223,563,235 (30 June 2010: Rs. 244,835,884). The market value was determined by applying the average rates for the respective maturity quoted on the Reuter (Level 2).

9.2 These investments have been made to comply with the requirements of rule 14(4)(i) of the Non Banking Finance Companies and Notified Entities Regulations, 2008 to maintain liquidity against certain certificates of investment. These investments are due for maturity between April 2011 and September 2019. Profit on these investments is receivable at rates ranging from 8 percent to 14 percent (2010: 8 percent to 14 percent) per annum.

10. NET INVESTMENT IN FINANCE LEASES	2011 ----- (Rupees) -----	2010
Net investment in finance leases	2,938,448,508	1,978,690,493
Less: Current portion shown under current assets	<u>(993,870,863)</u>	<u>(699,012,927)</u>
	<u>1,944,577,645</u>	<u>1,279,677,566</u>

	2011				2010			
	Not later than one year	Later than one year and less than five years	Later than five years	Total	Not later than one year	Later than one year and less than five years	Later than five years	Total
	----- (Rupees) -----							
Minimum lease payments	1,620,357,721	1,788,226,917	-	3,408,584,638	1,223,549,860	1,249,063,001	-	2,472,612,861
Add: Residual value of leased assets	144,663,705	483,308,353	-	627,972,058	162,269,360	238,880,108	-	401,149,468
Gross investment in leases	1,765,021,426	2,271,535,270	-	4,036,556,696	1,385,819,220	1,487,943,109	-	2,873,762,329
Less: Unearned lease income	(323,760,627)	(316,805,820)	-	(640,566,447)	(201,903,160)	(195,917,497)	-	(397,820,657)
Less: Mark-up held in suspense (note 10.2)	(111,292,227)	-	-	(111,292,227)	(129,676,017)	-	-	(129,676,017)
	(435,052,854)	(316,805,820)	-	(751,858,674)	(331,579,177)	(195,917,497)	-	(527,496,674)
	1,329,968,572	1,954,729,450	-	3,284,698,022	1,054,240,043	1,292,025,612	-	2,346,265,655
Less: Provision against net investment in finance leases (note 10.1)	(336,097,709)	(10,151,805)	-	(346,249,514)	(355,227,116)	(12,348,046)	-	(367,575,162)
Net investment in finance leases	993,870,863	1,944,577,645	-	2,938,448,508	699,012,927	1,279,677,566	-	1,978,690,493

# Notes to the Financial Statements For the year ended 30 June 2011

10.1 Provision against net investment in finance lease	Note	2011 ----- (Rupees) -----	2010
Balance at beginning of the year		367,575,162	375,120,202
Net reversal for the year		(11,754,233)	(4,275,202)
Written off during the year		<u>(9,571,415)</u>	<u>(3,269,838)</u>
Balance at end of the year		<u><u>346,249,514</u></u>	<u><u>367,575,162</u></u>

10.2 Mark-up held in suspense		2011	2010
Balance at beginning of the year		129,676,017	119,201,148
Income suspended during the year		<u>14,328,018</u>	<u>17,601,643</u>
		144,004,035	136,802,791
Suspended income:			
- realised during the year		<u>(19,344,322)</u>	<u>(4,472,906)</u>
- written off during the year		<u>(13,367,486)</u>	<u>(2,653,868)</u>
		<u>(32,711,808)</u>	<u>(7,126,774)</u>
		<u><u>111,292,227</u></u>	<u><u>129,676,017</u></u>

## 11. LONG TERM LOANS

Loans to employees - considered good

Executives	11.1	12,560,723	14,845,118
Non executive employees		<u>12,547,342</u>	<u>7,291,808</u>
		25,108,065	22,136,926

Less: Current portion shown under current assets		<u>3,898,226</u>	<u>3,591,260</u>
		<u><u>21,209,839</u></u>	<u><u>18,545,666</u></u>

### 11.1 Loans to executives

	Chief Executive		Executives	
	2011	2010	2011	2010
	----- (Rupees) -----		----- (Rupees) -----	
Balance at beginning of the year	8,296,467	4,087,200	6,548,651	9,878,437
Disbursements made during the year	-	5,000,000	3,335,000	2,239,483
Repayments received during the year	<u>(4,379,796)</u>	<u>(790,733)</u>	<u>(1,239,599)</u>	<u>(5,569,269)</u>
Balance at end of the year	<u><u>3,916,671</u></u>	<u><u>8,296,467</u></u>	<u><u>8,644,052</u></u>	<u><u>6,548,651</u></u>

These represent house loans, car loans and personal loans provided by the Company to its executives and other staff as per service rules. House loans are repayable in a maximum of 300 monthly installments and carry mark-up at the rate of 3 percent (2010: 3 percent) per annum. Car loans and personal loans are repayable in 84 and 36 monthly installments respectively and both carry mark-up at the rate of 3 percent and 2 percent (2010: Car Loans 3 percent, Personal loans 2 percent) per annum. House loans are secured by way of equitable mortgage on property and car loans are secured by registration of vehicles in the name of the Company. Personal loans are three basic salaries or Rs. 500,000 whichever is less. Loans above equivalent to 85 basic salaries with a maximum of Rs. 20,000,000 are secured by hypothecation over household assets of the employees.

Maximum aggregate amount due from Executives at any month-end during the year was Rs.12,936,658 (2010: Rs.14,845,118).

## 12. LONG TERM DEPOSITS

	2011 ----- (Rupees) -----	2010
Security deposits	<u><u>328,500</u></u>	<u><u>328,500</u></u>

# Notes to the Financial Statements For the year ended 30 June 2011

## 13. DEFERRED TAX ASSET

The deferred tax asset comprises of the following components:

	2011	2010
	----- (Rupees) -----	
Accelerated tax depreciation	(210,300,633)	(173,182,457)
Allowance against net investment in finance lease	94,116,217	102,566,614
Provision for gratuity	4,869,857	604,222
Carry forward losses	147,559,393	168,056,067
Deficit on revaluation of 'Available for Sale' investments	2,266	-
	<b>36,247,100</b>	98,044,446
Deferred tax asset not recognised	<b>(26,340,147)</b>	(47,069,033)
	<b>9,906,953</b>	50,975,413

Based on the projections of taxable profit, the management considers that it would have sufficient taxable profits against which the deductible temporary differences can be utilised. However, in view of various subjectivities involved in the projections, the deferred tax equivalent to statutory rate of taxation has been charged to profit and loss account.

## 14. FIXED ASSETS

-----2011-----										
	COST			ACCUMULATED DEPRECIATION				Net book value as at 30 June 2011	Depreciation rate % per annum	
	As at 1 July 2010	Additions / (deletions)	Written Off	As at 30 June 2011	As at 1 July 2010	Charge for the year / (accumulated depreciation on deletions)	Written Off			As at 30 June 2011
<b>Owned</b>	----- (Rupees) -----									
Furniture and fittings	752,404	-	(31,000)	721,404	441,185	74,369	(31,000)	484,554	236,850	10
Office equipment, appliances and computer systems	2,789,062	96,907	(51,500)	2,834,469	1,773,475	864,632	(51,500)	2,586,607	247,862	20 and 33.33
Motor vehicles	4,424,756	-	-	1,720,080	2,052,768	518,755	-	1,189,231	530,849	20
		(2,704,676)				(1,382,292)				
	<b>7,966,222</b>	<b>96,907</b>	<b>(82,500)</b>	<b>5,275,953</b>	<b>4,267,428</b>	<b>1,457,756</b>	<b>(82,500)</b>	<b>4,260,392</b>	<b>1,015,561</b>	
		<b>(2,704,676)</b>				<b>(1,382,292)</b>				
-----2010-----										
	COST			ACCUMULATED DEPRECIATION				Net book value as at 30 June 2010	Depreciation rate % per annum	
	As at 1 July 2009	Additions/ (deletions)	Written Off	As at 30 June 2010	As at 1 July 2009	Charge for the year/ (accumulated depreciation on deletions)	Written Off			As at 30 June 2010
<b>Owned</b>	----- (Rupees) -----									
Furniture and fittings	808,729	21,060	-	752,404	444,860	73,704	-	441,185	311,219	10
		(77,385)				(77,379)				
Office equipment, appliances and computer systems	5,534,962	166,545	-	2,789,062	3,798,957	886,897	-	1,773,475	1,015,587	20 and 33.33
		(2,912,445)				(2,912,379)				
Motor vehicles	6,581,159	-	-	4,424,756	1,946,865	978,244	-	2,052,768	2,371,988	20
		(2,156,403)				(872,341)				
	<b>12,924,850</b>	<b>187,605</b>	<b>-</b>	<b>7,966,222</b>	<b>6,190,682</b>	<b>1,938,845</b>	<b>-</b>	<b>4,267,428</b>	<b>3,698,794</b>	
		<b>(5,146,233)</b>				<b>(3,862,099)</b>				

### 14.1 Particulars of disposal of fixed assets

Particulars	Cost	WDV	Sale proceeds	Gain on disposal	Mode of disposal	Particulars of buyers
	----- (Rupees) -----					
<b>Vehicles</b>						
Vehicles	1,009,500	337,193	483,911	146,718	As per service rule	Jawaid Anwar
Vehicles	1,054,219	575,680	641,422	65,742	As per service rule	Rehan Anjum
Vehicles	640,957	409,511	430,162	20,651	As per service rule	Farhat Ansari
Equipments	-	-	4,500	4,500	Scrapped	
	<b>2,704,676</b>	<b>1,322,384</b>	<b>1,559,995</b>	<b>237,611</b>		

# Notes to the Financial Statements

## For the year ended 30 June 2011

15. ACCRUED MARK-UP / RETURN	Note	2011 ----- (Rupees) -----	2010
Mark-up / return accrued on:			
Short term finances	15.1	39,850	2,278,575
Certificates of investment		<u>46,242,019</u>	<u>26,948,440</u>
		<u>46,281,869</u>	<u>29,227,015</u>

15.1 This includes an amount of Rs. 39,850 (2010: Rs. 2,278,575 ) payable to Standard Chartered Bank (Pakistan) Limited.

### 16. ACCRUED AND OTHER LIABILITIES

<b>Accrued expenses</b>	16.1	22,233,475	13,426,375
<b>Other liabilities</b>			
Advances from customers		<u>14,831,034</u>	8,025,250
Customer insurance payable		<u>8,394,482</u>	4,981,321
Unclaimed dividend		<u>3,824,609</u>	3,824,609
Others		<u>2,186,003</u>	2,619,713
		<u>29,236,128</u>	19,450,893
		<u>51,469,603</u>	<u>32,877,268</u>

16.1 This includes an amount of Rs. 1,993,103 (2010: Rs.Nil) payable to Standard Chartered Bank (Pakistan) Limited.

### 17. SHORT TERM BORROWINGS

Short term borrowings	17.1	<u>4,710,462</u>	<u>-</u>
-----------------------	------	------------------	----------

17.1 The Company holds a running finance facility amounting to Rs. 495 million from Standard Chartered Bank (Pakistan) Limited, the Holding Company. The facility carries mark-up at the rate of 3-months KIBOR plus 1.30 (2010: 3-months KIBOR plus 1.75) percent per annum. The facility is secured by way of a hypothecation charge on specific leased assets and lease rentals receivable to the extent of Rs. 1,084 million.

18. CERTIFICATES OF INVESTMENT - unsecured	Note	2011 ----- (Rupees) -----	2010
Certificates of investment	18.1	<u>1,684,619,216</u>	<u>1,017,427,714</u>

18.1 These certificates have been issued for periods ranging from three months to two years. Rates of return on these certificates range from 9 percent to 16 percent (2010: 9.30 percent to 15.2 percent) per annum.

### 19. CURRENT PORTION OF NON CURRENT LIABILITIES

Long term certificates of investment		-	100,913,982
Long term deposits	20	<u>143,371,982</u>	169,715,065
		<u>143,371,982</u>	<u>270,629,047</u>

### 20. LONG TERM DEPOSITS

Long term security deposits	20.1	625,682,516	398,236,396
Less: Current portion shown under current liabilities		<u>143,371,982</u>	169,715,065
		<u>482,310,534</u>	<u>228,521,331</u>

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

### 21. DEFERRED LIABILITIES

Provision for gratuity		<u>-</u>	<u>1,726,350</u>
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# Notes to the Financial Statements

## For the year ended 30 June 2011

22. SHARE CAPITAL			2011	2010
			----- (Rupees) -----	
<b>Authorised capital</b>				
	2011	2010		
	(Number of shares)			
	<u>100,000,000</u>	<u>100,000,000</u>	Ordinary shares of Rs.10 each	
			<u>1,000,000,000</u>	<u>1,000,000,000</u>
<b>Issued, subscribed and paid-up share capital</b>				
	84,051,288	84,051,288	Ordinary shares of Rs.10 each	
			fully paid in cash	
			<u>840,512,880</u>	<u>840,512,880</u>
	13,784,192	13,784,192	Ordinary shares of Rs. 10 each	
			issued as fully paid bonus shares	
	<u>97,835,480</u>	<u>97,835,480</u>	<u>137,841,920</u>	<u>137,841,920</u>
			<u>978,354,800</u>	<u>978,354,800</u>

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

23. RESERVES		Note	2011	2010
			----- (Rupees) -----	
Statutory reserve		23.1	118,183,531	102,928,690
Accumulated loss			(241,524,403)	(302,539,561)
Share issue expenses			(3,892,598)	(3,892,598)
			<u>(127,233,470)</u>	<u>(203,503,469)</u>

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

23.2 The Board of Directors in its meeting held on 15 September 2011 has recommended for approval at Annual General Meeting of the shareholders, a final cash dividend of 5% (Rs. 0.5 per share) in respect of the year ended 30 June 2011 (2010: Rs. NIL per share). The financial statements for the year ended 30 June 2011 do not include the effect of the appropriation which will be accounted for subsequent to the year end.

### 24. COMMITMENTS

Commitments for finance leases	<u>394,462,914</u>	<u>421,956,293</u>
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### 25. INCOME FROM FINANCE LEASES

Finance income	292,120,363	206,423,478
Documentation fee	2,279,962	983,403
Penal charges	6,229,307	8,229,584
Termination charges	1,935,998	1,028,086
Miscellaneous income	1,683,371	8,467,704
	<u>304,249,001</u>	<u>225,132,255</u>

### 26. INTEREST / MARK-UP / RETURN EARNED

#### On investments

- Government securities	26,554,818	11,344,503
- Certificate of Musharka	6,396	900
	<u>26,561,214</u>	<u>11,345,403</u>

#### On loans

- Long term loans	584,960	423,424
- Short term loans and fund placements	9,973,016	3,302,912
	<u>10,557,976</u>	<u>3,726,336</u>
	<u>37,119,190</u>	<u>15,071,739</u>

### 27. OTHER INCOME

Profit on deposits	-	50,654
Miscellaneous	2,627,466	217,991
	<u>2,627,466</u>	<u>268,645</u>

# Notes to the Financial Statements For the year ended 30 June 2011

## 28. FINANCE COST

### Related parties

Mark-up on long term loans  
Mark-up on short term finances  
Commission on COI's  
Bank charges

### Other:

Return on certificates of investment

Note	2011	2010
	----- (Rupees) -----	
	-	5,008,749
	603,571	3,278,041
	8,885,120	8,741,266
	175,547	225,078
	<b>9,664,238</b>	17,253,134
	<b>147,269,761</b>	91,292,415
	<b><u>156,933,999</u></b>	<b><u>108,545,549</u></b>

## 29. ADMINISTRATIVE AND OPERATING EXPENSES

Staff salaries and benefits  
Printing and stationery  
Communication  
Rent, rates and taxes  
Travelling and conveyance  
Vehicles' running expenses  
Insurance  
Auditors' remuneration  
Repair and maintenance  
Fee and subscription  
Advertisement  
Office supplies  
Newspapers and periodicals  
Depreciation  
Legal and professional charges  
Workers welfare fund  
Information technology  
General expenses

29.1	<b>54,699,104</b>	46,667,925
	<b>964,981</b>	785,144
	<b>794,267</b>	842,999
	<b>9,661,809</b>	7,656,447
	<b>670,787</b>	759,506
	<b>54,750</b>	123,699
	<b>924,490</b>	948,680
29.3	<b>729,998</b>	779,157
	<b>503,687</b>	491,221
	<b>1,220,601</b>	1,021,468
	<b>247,609</b>	454,522
	<b>204,894</b>	269,138
	<b>49,320</b>	49,243
14	<b>1,457,756</b>	1,938,845
	<b>4,742,580</b>	3,035,142
	<b>2,394,795</b>	1,413,517
	<b>1,705,655</b>	2,743,454
	<b>663,677</b>	645,402
	<b><u>81,690,760</u></b>	<b><u>70,625,509</u></b>

**29.1** Salaries and benefits include Rs. 2,251,486 (2010: Rs. 1,284,743) and Rs. 2,531,968 (2010: Rs. 953,037) , in respect of Company's contribution to provident fund and gratuity fund respectively.

**29.2** Due to the harmonization of Standard Chartered Leasing Limited's HR policies with its Parent Company Standard Chartered Bank (Pakistan) Limited the defined benefit plan of gratuity was converted into a contribution plan with effect from 1 January 2010. The effect of the change was not accounted for at 30 June 2010 as the change and the fund was not approved by the Federal Board of Revenue. Subsequent to that, the fund was approved by the Federal Board of Revenue and the effect of change amounting to Rs. 750 thousand relating to prior period has been accounted for in the current year.

The total number of employees entitled under scheme at 30 June 2011 is 30 (2010: 31).

### 29.3 Auditors' remuneration

Annual audit fee  
Half yearly review  
Other certifications  
Out of pocket expenses

	2011	2010
	----- (Rupees) -----	
	<b>440,000</b>	399,996
	<b>140,000</b>	145,831
	<b>99,998</b>	183,330
	<b>50,000</b>	50,000
	<b><u>729,998</u></b>	<b><u>779,157</u></b>

## 30. TAXATION

Current - for the year  
Deferred

	-	3,917,118
	<b>41,070,726</b>	19,024,587
	<b><u>41,070,726</u></b>	<b><u>22,941,705</u></b>

### 30.1 Relationship between tax expense and accounting profit

Accounting profit for the current year

Tax on income @ 35%

	<b><u>117,344,932</u></b>	<b><u>65,547,728</u></b>
	<b><u>41,070,726</u></b>	<b><u>22,941,705</u></b>

**30.2 Current status of tax assessments**

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

<b>31. EARNINGS PER SHARE - BASIC AND DILUTED</b>	<i>Note</i>	<b>2011</b>	<b>2010</b>
		----- (Rupees) -----	
Profit after taxation		<u><b>76,274,206</b></u>	<u>42,606,023</u>
		(Number of shares)	
Weighted average number of outstanding ordinary shares		<u>97,835,480</u>	<u>97,835,480</u>
		----- (Rupees) -----	
Earnings per share (Basic and diluted)		<u><b>0.78</b></u>	<u>0.44</u>

**32. CASH AND CASH EQUIVALENTS**

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

Cash and bank balances	4	<b>6,620</b>	8,549,552
Treasury bills	7	<b>19,406,020</b>	-
Short term borrowings	17	<u><b>(4,710,462)</b></u>	<u>-</u>
		<u><b>14,702,178</b></u>	<u>8,549,552</u>

**33. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES**

	2011		2010	
	Chief Executive	Executives	Chief Executive	Executives
	----- (Rupees) -----			
Managerial remuneration including bonus	<b>5,680,008</b>	<b>11,579,184</b>	7,970,005	7,117,852
Housing, utilities and others	<b>4,751,750</b>	<b>6,597,933</b>	4,154,437	5,041,106
Retirement benefits	<b>567,996</b>	<b>910,973</b>	454,371	388,774
	<u><b>10,999,754</b></u>	<u><b>19,088,090</b></u>	<u>12,578,813</u>	<u>12,547,732</u>
Number of persons	<u><b>1</b></u>	<u><b>9</b></u>	<u>1</u>	<u>8</u>

- 33.1** The Company provides free use of Company maintained cars to chief executive and executives in accordance with the terms of their employment.



**34. TRANSACTIONS WITH RELATED PARTIES**

The Company has a related party relationship with its Parent Company, fellow subsidiary, staff retirement funds and key management personnel. The details of significant related party transactions and balances as at 30 June 2011 are as follows:

	2011 Rupees	2010 Rupees
<b>TRANSACTIONS</b>		
<b>Parent company</b>		
Mark-up on long-term finances	-	5,008,749
Mark-up paid on running finance	<b>2,842,295</b>	3,278,041
COI commission	<b>13,285,179</b>	8,741,266
Profit on bank deposits	<b>536,407</b>	50,654
Profit on short term placements	<b>2,713,918</b>	3,302,912
Long-term finance repaid	-	66,666,668
<b>Expenses incurred under Service Level Agreement</b>		
Rent	<b>9,646,809</b>	7,656,447
Information technology	<b>1,705,644</b>	2,743,454
<b>Other Related Party</b>		
Markup received on Musharka	<b>6,396</b>	-
Settlement of Musharka	<b>100,000</b>	-
Managerial remuneration & Bonus	<b>2,961,478</b>	1,403,433
<b>Staff retirement benefits funds</b>		
Contribution to the staff Provident fund	<b>2,261,495</b>	1,289,414
Contribution to the staff Gratuity fund	<b>2,471,901</b>	917,030
<b>Key management personnel</b>		
Profit on long-term loans	<b>313,291</b>	191,235
Loans advanced to employees	<b>3,335,000</b>	7,239,483
Loans recovered from employees	<b>5,619,395</b>	6,360,002
Managerial remuneration & Bonus	<b>17,259,192</b>	15,087,857
House rent	<b>6,120,303</b>	4,769,324
Utilities	-	848,880
Medical	<b>1,511,422</b>	1,128,795
Retirement benefits	<b>1,478,969</b>	843,145
Gratuity paid	<b>282,044</b>	37,288
Other allowances	<b>3,717,958</b>	2,448,544
<b>BALANCES</b>		
<b>Parent company</b>		
Short term loans /running finance	<b>5,188,131</b>	-
Accrued mark-up on running finance	<b>39,850</b>	2,278,575
Accrued COI commission	<b>5,200,408</b>	3,395,738
Current account balances	-	213,520
Savings deposits	<b>477,669</b>	8,285,069
<b>Other Related Party</b>		
Short term investment	-	100,000
<b>Staff retirement benefits fund</b>		
Contribution to the staff gratuity fund	<b>1,504,373</b>	-
<b>Key management personnel</b>		
Long term loans to key employees	<b>12,560,723</b>	14,845,118

# Notes to the Financial Statements For the year ended 30 June 2011

## 35. FINANCIAL INSTRUMENTS

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

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

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

### 35.1 Credit risk

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

	2011	2010
	----- (Rupees) -----	
Bank balances	5,241	17,339,779
Accrued mark-up / return	6,785,802	7,298,182
Other receivables	1,212,636	1,167,139
Short term investment	19,399,547	100,000
Long term investment	233,776,501	255,954,933
Net investment in finance leases (net of security deposits held)	2,312,765,992	1,580,454,097
Long term loans	25,108,065	22,136,926
	<b>2,599,053,784</b>	<b>1,884,451,056</b>

#### 35.1.1 Description of Collateral held

The Company's leases are secured against assets leased out. In a few leases additional collateral is also obtained in the form of mortgaged property.

#### 35.1.2 Lease contracts restructured

The carrying value of lease contracts re-structured during the year, which would other wise be past due or impaired as at year end is Rs. 40.4 million (2010: Rs. Nil).

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

<u>Past due</u>	2011			
	Carrying Amount	Amount on which no impairment recognised	Amount on which impairment recognised	Impairment recognised
	----- (Rupees) -----			
0 days				
1-89 days	1,957,614,483	1,957,541,741	72,742	72,742
90 days-1 year	270,146,917	270,072,527	74,390	74,390
1 year- 2 years	33,058,870	32,185	33,026,685	16,913,960
2 years- 3 years	17,580,436	-	17,580,436	14,549,992
More than 3 years	24,104,267	-	24,104,267	23,604,127
Total	356,510,533	-	356,510,533	291,034,303
	<b>2,659,015,506</b>	<b>2,227,646,454</b>	<b>431,369,053</b>	<b>346,249,514</b>

<u>Past due</u>	2010			
	Carrying Amount	Amount on which no impairment recognised	Amount on which impairment recognised	Impairment recognised
	----- (Rupees) -----			
0 days				
1-89 days	179,018,701	177,088,847	1,929,854	1,929,684
90 days-1 year	1,354,398,393	1,329,368,118	25,030,275	14,933,471
1 year- 2 years	62,339,867	40,088,499	22,251,368	19,725,063
2 years- 3 years	17,268,924	13,048	17,255,876	17,108,845
More than 3 years	119,562,707	-	119,562,707	115,394,444
Total	219,155,294	-	219,155,294	198,483,655
	<b>1,951,743,886</b>	<b>1,546,558,512</b>	<b>405,185,374</b>	<b>367,575,162</b>

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

# Notes to the Financial Statements

## For the year ended 30 June 2011

### 35.1.4 Assets repossessed against lease contracts

In order to recover the amount outstanding from non-performing customers in certain cases the assets are repossessed and subsequently sold.

The value of assets repossessed during the year (mainly vehicles) amounted to Rs. 2 million (2010: Rs. 2.9 million).

### 35.1.5 Concentration of credit risk

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

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

Sectors	2011		2010	
	(Rupees)	%	(Rupees)	%
Chemicals and allied	-	-	95,440,276	4.89
Construction and building products	10,636,062	0.40	47,817,725	2.45
Dairy and beverages	173,899,614	6.54	142,867,652	7.32
Electric and electric goods	35,896,709	1.35	61,284,758	3.14
Engineering and metals	10,104,259	0.38	34,741,041	1.78
Fibres	-	-	2,342,093	0.12
Plastic	319,081,861	12.00	-	-
Food and confectionery	132,418,972	4.98	132,913,759	6.81
Glass and ceramics	7,445,243	0.28	6,245,580	0.32
Health care	-	-	34,545,867	1.77
Hotels	-	-	20,102,962	1.03
Individuals	303,925,472	11.43	72,604,873	3.72
Information technology	10,901,964	0.41	2,927,616	0.15
Leather and tannery	-	-	780,698	0.04
Media and advertising	-	-	4,489,011	0.23
Miscellaneous manufacturing	83,758,988	3.15	7,611,801	0.39
Miscellaneous services	117,262,584	4.41	45,280,458	2.32
Natural or industrial gas and LPG	1,595,409	0.06	14,052,556	0.72
Paper and board	797,705	0.03	7,026,278	0.36
Petroleum and oilfield	123,910,123	4.66	67,335,164	3.45
Pharmaceuticals	182,142,562	6.85	103,442,426	5.30
Sugar and allied	471,709,351	17.74	110,468,704	5.66
Telecommunication	-	-	11,905,638	0.61
Textile	140,927,822	5.30	173,900,380	8.91
Transport	57,966,538	2.18	296,665,070	15.20
Others	474,634,268	17.85	454,951,500	23.31
	<b>2,659,015,506</b>	<b>100.00</b>	<b>1,951,743,886</b>	<b>100.00</b>

	2011	2010
	----- (Rupees) -----	
Net investment in finance lease	3,284,698,022	2,349,980,281
Less: Security deposits held	(625,682,516)	(398,236,396)
	<b>2,659,015,506</b>	<b>1,951,743,885</b>

# Notes to the Financial Statements For the year ended 30 June 2011

## 35.2 Liquidity risk

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

	2011						
	Carrying Amount	Contractual cash flows	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years
<b>Financial liabilities</b>	----- (Rupees) -----						
Accrued and other liabilities	36,638,569	(36,638,569)	(36,638,569)	-	-	-	-
Long term deposits	625,682,516	(625,682,516)	(109,294,007)	(3,729,950)	(30,348,025)	(482,310,534)	-
Certificates of investment and mark-up payable thereon	1,730,861,235	(1,850,371,841)	(214,874,843)	(387,332,358)	(1,027,253,146)	(220,911,494)	-
Short-term borrowings and mark up payable	4,750,312	(4,750,312)	(4,750,312)	-	-	-	-
	<u>2,397,932,632</u>	<u>(2,517,443,238)</u>	<u>(365,557,731)</u>	<u>(391,062,308)</u>	<u>(1,057,601,171)</u>	<u>(703,222,028)</u>	<u>-</u>
	----- (Rupees) -----						
	2010						
	Carrying Amount	Contractual cash flows	Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years
<b>Financial liabilities</b>	----- (Rupees) -----						
Accrued and other liabilities	24,852,018	(24,852,018)	(24,852,018)	-	-	-	-
Long term deposits	398,236,396	(398,236,396)	(109,041,033)	(16,052,396)	(35,863,208)	(237,279,759)	-
Certificates of investment and mark-up payable thereon	1,145,290,136	(1,221,567,065)	(166,551,364)	(255,469,331)	(693,942,098)	(105,604,272)	-
Short-term borrowings and mark up payable	2,278,575	(2,278,575)	(2,278,575)	-	-	-	-
	<u>1,570,657,125</u>	<u>(1,646,934,054)</u>	<u>(302,722,990)</u>	<u>(271,521,727)</u>	<u>(729,805,306)</u>	<u>(342,884,031)</u>	<u>-</u>

**35.2.1** The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at year end (and includes both principal and interest payable thereon). The rates of mark-up have been disclosed in notes 17 and 18 to these financial statements.

## 35.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

### 35.3.1 Interest rate risk

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

	Carrying Amount	
	2011	2010
	----- (Rupees) -----	
<b>Fixed Rate Instruments:</b>		
Financial Assets	628,956,459	676,793,214
Financial Liabilities	(1,684,619,216)	(1,017,427,714)
	<u>(1,055,662,757)</u>	<u>(340,634,500)</u>
<b>Variable Rate Instruments:</b>		
Financial Assets	2,582,716,472	1,582,952,394
Financial Liabilities	(4,710,462)	-
	<u>2,578,006,010</u>	<u>1,582,952,394</u>

# Notes to the Financial Statements For the year ended 30 June 2011

		2011					
Effective yield	Carrying Amount	Exposed to interest rate risk				Not exposed to interest rate risk	
		Upto 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years		
------(Rupees)-----							
<b>Financial assets</b>							
Bank balances	5,241	-	-	-	-	5,241	
Accrued mark-up / return	6,785,802	-	-	-	-	6,785,802	
Advances and other receivables	0.00% 1,212,636	-	-	-	-	1,212,636	
Short term investments	13.30% 19,399,547	-	19,399,547	-	-	-	
Long term investments	8%-14% 233,776,501	-	28,253,940	205,522,561	-	-	
Net investment in finance leases	9%-25% 2,938,448,508	239,169,070	754,701,793	1,944,577,645	-	-	
Long term loans	2%-4% 25,108,065	687,420	2,080,130	8,908,783	8,927,063	4,504,669	
	<b>3,224,736,300</b>	<b>239,856,490</b>	<b>804,435,410</b>	<b>2,159,008,989</b>	<b>8,927,063</b>	<b>12,508,348</b>	
<b>Financial liabilities</b>							
Accrued mark-up / return	- 46,281,869	-	-	-	-	46,281,869	
Accrued and other liabilities	- 36,638,569	-	-	-	-	36,638,569	
Short term borrowings	14.03%-14.82% 4,710,462	4,710,462	-	-	-	-	
Long term deposits	- 625,682,516	-	-	-	-	625,682,516	
Certificates of investments	9%-16% 1,684,619,216	1,684,619,216	-	-	-	-	
	<b>2,397,932,632</b>	<b>1,689,329,678</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>708,602,954</b>	
<b>On balance sheet gap - 2011</b>	<b>826,803,668</b>	<b>(1,449,473,188)</b>	<b>804,435,410</b>	<b>2,159,008,989</b>	<b>8,927,063</b>	<b>(696,094,606)</b>	
		2010					
Effective yield	Carrying Amount	Exposed to interest rate risk				Not exposed to interest rate risk	
		Upto 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years		
------(Rupees)-----							
<b>Financial assets</b>							
Bank balances	8,530,299	8,498,589	-	-	-	31,710	
Accrued mark-up / return	- 7,298,182	-	-	-	-	7,298,182	
Advances and other receivables	0.00% 1,167,139	-	-	-	-	1,167,139	
Short term investments	- 1,025,422	-	100,000	-	-	925,422	
Long term investments	8%-14% 255,954,933	-	48,152,980	207,801,953	-	-	
Net investment in finance leases	9%-25% 1,978,690,493	271,609,845	427,403,083	1,279,677,565	-	-	
Long term loans	2%-4% 22,136,926	849,568	1,838,804	6,711,767	7,101,454	5,635,333	
	<b>2,274,803,394</b>	<b>280,958,002</b>	<b>477,494,867</b>	<b>1,494,191,285</b>	<b>7,101,454</b>	<b>15,057,786</b>	
<b>Financial liabilities</b>							
Accrued mark-up / return	- 29,227,015	-	-	-	-	29,227,015	
Accrued and other liabilities	- 24,852,018	-	-	-	-	24,852,018	
Long term deposits	- 398,236,396	-	-	-	-	398,236,396	
Certificates of investments	9.3%-15.2% 1,017,427,714	1,017,427,714	-	-	-	-	
	<b>1,469,743,143</b>	<b>1,017,427,714</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>452,315,429</b>	
<b>On balance sheet gap - 2010</b>	<b>805,060,251</b>	<b>(736,469,712)</b>	<b>477,494,867</b>	<b>1,494,191,285</b>	<b>7,101,454</b>	<b>(437,257,643)</b>	

## Fair Value sensitivity for fixed rate instruments

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

## Cash flow sensitivity analysis for variable rate instruments

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

	Profit and loss 100 bp	
	Increase	Decrease
------(Rupees)-----		
<b>As at 30 June 2011</b>		
Cash flow sensitivity-Variable rate instruments	<b>25,780,060</b>	<b>(25,780,060)</b>
<b>As at 30 June 2010</b>		
Cash flow sensitivity-Variable rate instruments	<b>15,829,524</b>	<b>(15,829,524)</b>

**35.4 Fair value of financial instruments**

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. The carrying values of the financial assets and financial liabilities approximate their fair values except for long term loans to employees, investments held-to-maturity, leases at fixed rate of return and long term COIs. The fair values of long term loans to employees, leases at fixed rate of return and long term COIs cannot be reasonably estimated due to absence of market for such loans. The fair value of held-to-maturity investments is disclosed in the Note 9.

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).

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	Total
	----- (Rupees) -----		
<b>Available for sales</b>			
Equity securities	-	-	-
Debt securities	-	242,962,782	242,962,782
	-	<b>242,962,782</b>	<b>242,962,782</b>

**35.5 Operational Risks**

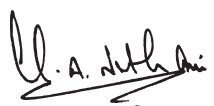
Operational risk is the risk of direct or indirect loss being incurred due to an event or action arising from the failure of technology, processes, infrastructure, personnel and other risks having an operational risk impact. The Country Operational Risk group ("CORG") has been established to ensure that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

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

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

**36. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors on September 15, 2011.

  
Chairman

  
Chief Executive

AS ON 30-06-2011

Number of Shareholders	Shareholding		Number of Share Held	Percentage
	From	To		
522	1	100	25,213	0.03
1210	101	500	321,502	0.33
624	501	1000	481,813	0.49
684	1001	5000	1,359,624	1.39
83	5001	10000	600,520	0.61
29	10001	15000	353,303	0.36
21	15001	20000	387,380	0.40
13	20001	25000	302,104	0.31
12	25001	30000	335,192	0.34
2	30001	35000	63,816	0.07
3	35001	40000	106,985	0.11
3	40001	45000	131,155	0.13
3	45001	50000	146,881	0.15
4	50001	55000	211,855	0.22
1	60001	65000	60,500	0.06
1	65001	70000	70,000	0.07
2	70001	75000	146,691	0.15
3	75001	80000	238,764	0.24
1	80001	85000	81,500	0.08
1	85001	90000	85,693	0.09
4	95001	100000	395,150	0.40
1	105001	110000	107,800	0.11
1	115001	120000	120,000	0.12
2	135001	140000	278,210	0.28
1	165001	170000	165,603	0.17
1	215001	220000	217,077	0.22
1	250001	255000	250,903	0.26
1	300001	305000	300,210	0.31
1	370001	375000	371,233	0.38
1	400001	405000	401,592	0.41
1	405001	410000	409,208	0.42
1	410001	415000	410,696	0.42
1	435001	440000	435,261	0.44
1	445001	450000	447,500	0.46
1	520001	525000	520,241	0.53
1	680001	685000	681,105	0.70
1	770001	775000	773,924	0.79
1	1455001	1460000	1,460,000	1.49
1	84575001	84580000	84,579,276	86.45
<b>3,245</b>	<b>&lt;-----TOTAL-----&gt;</b>		<b>97,835,480</b>	<b>100.00</b>

# Categories of Shareholders

AS ON 30-06-2011

PARTICULARS	SHARAHOLDER	SHAREHOLDING	PERCENTAGE
Directors, C.E.O & Children	7	16,590	0.02
Executives	-	-	-
Associated Companies, Undertakings & related parties			
Standard Chartered Bank Pakistan Ltd.	1	84,579,276	86.45
NIT and ICP			
National Bank of Pak (Trustee Dept) NI(U) T Fund	773,924		
National Investment Trust Limited	19,930		
IDBP ( ICP UNIT) ----->	2,500		
IDBP ( ICP UNIT) ----->	1,082		
Banks, DFI & NBFI	8	331,188	0.34
Insurance Companies	2	217,577	0.22
Modarabas and Mutual Funds	2	6,719	0.01
Others	45	1,595,182	1.63
General Public	3,176	10,291,512	10.52
<b>Company Total</b>	<b>3,311</b>	<b>97,835,480</b>	<b>100.00</b>
<b>A. Directors/Chief Executive Officer and their spouse and minor children</b>			
		<b>SHARES</b>	<b>%</b>
1 Mr. Mohsin Ali Nathani		2,370	0.00
2 Mr. Tufail Jawed Ahmad		2,370	0.00
3 Mr. Arjumand Ahmed Minai		2,370	0.00
4 Mr. Muhammad Aalishaan Zaidi		2,370	0.00
5 Mr. Najam I. Chaudhri *Shares under process for transfer*		2,370	0.00
6 Mr. Shahid Zaki		2,370	0.00
7 Mr. Najam Siddiqi		2,370	0.00
<b>TOTAL</b>		<b>16,590</b>	<b>0.02</b>
<b>B. Executives</b>			
		-	-
<b>C. Associated Companies, Undertakings and related parties</b>			
1 Standard Chartered Bank (Pakistan) Limited		84,579,276	86.45
<b>D. NIT and IDBP (ICP UNIT)</b>			
1 National Bank of Pakistan-Trustee Department NI(U) T Fund		773,924	0.79
2 National Investment Trust Limited		19,930	0.02
3 IDBP (ICP Unit)		1,082	0.00
4 IDBP (ICP Unit)		2,500	0.00
<b>TOTAL</b>		<b>797,436</b>	<b>0.82</b>
<b>E. Banks, Development, Financial Institutions &amp; Non-Banking Financial Institution</b>			
1 Islamic Investment Bank Ltd.		929	0.00
2 National Development Finance Corporation		2,500	0.00
3 Al-Faysal Investment Bank Ltd.		1,325	0.00
4 Atlas Investment Bank Ltd.		200	0.00
5 Fidelity Investment Bank Ltd.		1,265	0.00
6 National Bank of Pakistan		73,673	0.08
7 National Bank of Pakistan		85,693	0.09
8 The Bank of Punjab		165,603	0.17
<b>TOTAL</b>		<b>331,188</b>	<b>0.34</b>
<b>F. Insurance Companies</b>			
1 State Life Insurance Corp. of Pakistan		217,077	0.22
2 The Pakistan General Insurance Company Limited		500	0.00
<b>TOTAL</b>		<b>217,577</b>	<b>0.22</b>
<b>G. Modarabas and Mutual Funds</b>			
1 Tri. Star Mutual Fund Ltd.		6,545	0.01
2 Growth Mutual Fund Limited		174	0.00
<b>TOTAL</b>		<b>6,719</b>	<b>0.01</b>
<b>H. *Shareholding 10% or more</b>			
Standard Chartered Bank (Pakistan) Ltd.		<b>*84,579,276</b>	<b>*86.45</b>
<b>I. Others</b>			
		<b>1,595,182</b>	<b>1.63</b>
<b>J. GENERAL PUBLIC</b>			
		<b>10,291,512</b>	<b>10.52</b>
<b>Grand Total</b>		<b>97,835,480</b>	<b>100.00</b>

\* Shareholders having 10% or above shares exist in Associated Companies therefore not included in total.



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

of \_\_\_\_\_

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

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

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

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

as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 18th Annual General Meeting of the

company to be held on October 21, 2011, at the Institute of Banker Pakistan.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011

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

Folio No.

Signature on Rs. 5/- Revenue Stamp
--

**WITNESSES:**

1. Signature:

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

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

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

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

2. Signature:

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

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

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

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

**Note:**

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



## Helping people change lives

### A simple cataract operation altered this boy's life forever

Seeing is Believing is Standard Chartered's global commitment of working towards eliminating Avoidable Blindness. Under this programme, in Pakistan, Standard Chartered has achieved significant milestones:

- So far 200,000 eye sights have been restored\*
- Initiating "Pakistan Urban Paediatric Eye Care Programme" which will screen 1.7 million less privileged children for visual impairments by 2015
- Being the first Bank in the country to hire visually impaired staff
- Organised a country wide programme through which 20,000 Lady Healthcare workers have been trained to provide Primary Eye Care at the community level

It costs only PKR 1,876 to sponsor a Cataract Operation. To give someone the invaluable Gift of Sight, log on to [www.standardchartered.com.pk](http://www.standardchartered.com.pk) or call 111-002-002.

\*As of December 2010