

SECURITY LEASING CORPORATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

SECURITY LEASING CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

		2020	2019
		----- (Rupees) -----	
ASSETS			
Current assets			
Cash and bank balances	5	594,229	313,653
Short term investments	6	-	-
Short term finances	7	54,000,000	54,000,000
Advances, prepayments and other receivables	8	966,531	996,751
Taxation-net		5,580,804	4,939,010
Current maturity of non-current assets	9	170,860,980	197,403,183
Total current assets		232,002,544	257,652,597
Non-current assets			
Net investment in finance leases	10	-	-
Long-term deposits	11	504,500	504,500
Property and equipment	12	61,661,517	64,295,878
Deferred tax asset	13	334,321,869	334,321,869
Total non-current assets		396,487,886	399,122,247
TOTAL ASSETS		628,490,430	656,774,844
LIABILITIES			
Current liabilities			
Accrued and other liabilities	14	82,685,266	80,241,209
Current maturity of non-current liabilities	15	454,704,277	403,650,528
Total current liabilities		537,389,543	483,891,737
Non-current liabilities			
Long-term finances	16	18,008,154	55,710,997
Long-term deposits	17	-	-
Total non-current liabilities		18,008,154	55,710,997
TOTAL LIABILITIES		555,397,697	539,602,734
NET ASSETS		73,092,733	117,172,110
REPRESENTED BY SHAREHOLDERS' EQUITY			
Share capital and reserve			
Issued, subscribed and paid-up share capital	18	438,027,750	438,027,750
Reserves	19	(384,586,860)	(341,854,111)
		53,440,890	96,173,639
Surplus on revaluation of fixed assets	20	19,651,843	20,998,471
Total shareholders' equity		73,092,733	117,172,110
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes from 1 to 35 form an integral part of these financial statements.


Fafah Azeem
Chief Executive Officer


Muhammad Farooq
Chief Financial Officer


M. Riaz Khokhar
Chairman

SECURITY LEASING CORPORATION LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 (Rupees)	2019 -----
REVENUE			
Income from:			
Finance lease Contracts		-	89,292
Other operating income	22	<u>7,922,454</u>	<u>9,415,932</u>
		7,922,454	9,535,224
Unwinding of financial liability		<u>(13,135,632)</u>	<u>(18,094,622)</u>
		(13,135,632)	(18,094,622)
		(5,213,178)	(8,559,398)
EXPENSES			
Administrative and selling expenses	23	(11,101,990)	(15,008,928)
Finance costs	24	(1,222,006)	(1,297,921)
Provision & Write-offs		(26,542,203)	-
		(38,866,199)	(16,306,849)
Operating loss before Income tax		(44,079,377)	(24,866,247)
Taxation			
- current tax expense	25	-	(2,747,040)
		-	(2,747,040)
Loss for the year		(44,079,377)	(27,613,287)
Loss per share	26	(1.21)	(0.76)

The annexed notes from 1 to 35 form an integral part of these financial statements.


Farah Azeem
Chief Executive Officer


Muhammad Farooq
Chief Financial Officer

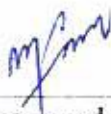

M. Riaz Khokhar
Chairman

SECURITY LEASING CORPORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
	----- (Rupees) -----	
Loss for the year	(44,079,377)	(27,613,287)
Total comprehensive loss for the year	<u>(44,079,377)</u>	<u>(27,613,287)</u>

The annexed notes from 1 to 35 form an integral part of these financial statements.


Farah Azeem
Chief Executive Officer


Muhammad Farooq
Chief Financial Officer


M. Riaz Khokhar
Chairman

SECURITY LEASING CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2020

	Reserves		Unrealised (loss)/gain on remeasurement of available for sale investments	Total
	Capital	Revenue		
	Share Capital	Statutory reserve	Unappropriated profit/ (loss)	
	------(Rupees')-----			
Balance as at July 01, 2018	438,027,750	181,867,005	(527,202,473)	92,692,282
Profit for the year	-	-	25,999,827	25,999,827
Transferred from surplus on revaluation of fixed assets - incremental depreciation (net of tax)	-	-	3,748,189	3,748,189
Balance as at June 30, 2018	438,027,750	181,867,005	(497,454,457)	122,440,298
Loss for the year	-	-	(27,613,287)	(27,613,287)
Transferred from surplus on revaluation of fixed assets- incremental depreciation (net of tax)	-	-	1,346,628	1,346,628
Balance as at June 30, 2019	438,027,750	181,867,005	(523,721,116)	96,173,639
Loss for the year	-	-	(44,079,377)	(44,079,377)
Transferred from surplus on revaluation of fixed assets - incremental depreciation (net of tax)	-	-	1,346,628	1,346,628
Balance as at June 30, 2020	438,027,750	181,867,005	(566,453,865)	53,440,890


Farah Azeem
Chief Executive Officer


Muhammad Farooq
Chief Financial Officer


M. Riaz Khokhar
Chairman

SECURITY LEASING CORPORATION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

		2020	2019
		----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES	Note		
Loss before income tax		(44,079,377)	(24,866,247)
Depreciation	12.1	2,634,343	2,656,424
Finance costs	2.4	1,222,006	1,297,921
Unwinding of financial liability		13,350,906	18,381,363
Provision for potential lease		26,542,203	-
		<u>43,749,458</u>	<u>22,335,708</u>
Operating loss before working capital changes		<u>(329,919)</u>	<u>(2,530,539)</u>
Working capital changes			
Decrease in net investment in finance leases	10	-	21,670,500
Decrease in advances, prepayments and other receivables		30,238	196,236
Decrease in deposits from leases			(19,945,102)
Increase in accrued and other liabilities		2,444,057	72,148
		<u>2,474,295</u>	<u>1,993,782</u>
Cash from operations after working capital changes		<u>2,144,376</u>	<u>(536,757)</u>
Financial charges paid	2.1	(1,222,006)	(1,297,921)
Taxes paid		(641,794)	(1,191,790)
		<u>(1,863,800)</u>	<u>(2,489,711)</u>
Net cash generated from / (used in) operating activities		<u>280,576</u>	<u>(3,026,468)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		-	-
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
Net increase in / (decrease) in cash and cash equivalents		<u>280,576</u>	<u>(3,026,468)</u>
Cash and cash equivalents at beginning of the year		<u>313,653</u>	<u>3,340,121</u>
Cash and cash equivalents at end of the year	27	<u>594,229</u>	<u>313,653</u>

The annexed notes from 1 to 35 form an integral part of these financial statements.


Farah Azeem
Chief Executive Officer


Muhammad Farooq
Chief Financial Officer


M. Riaz Khokhar
Chairman

SECURITY LEASING CORPORATION LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

Net shareholder's equity of the Company as at June 30, 2020 is Rs. 73.093 million (2019: Rs. 117.172 million as compared to the minimum equity level of Rs. 50 million).

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

Mitigating Factors

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

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

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

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

2. BASIS OF MEASUREMENT

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

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

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards, as applicable in Pakistan and the requirements of the Companies Act, 2017 (Act), the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations). Approved accounting standards comprise such International Financial Reporting Standard (IFRS) issued by International Accounting Standard Board (IASB) as are notified under the provisions of the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017. Wherever, the requirements of the Act, the Rules and the Regulations differ with the requirements of IFRS, the requirements of the Act, the Rules or the Regulations shall prevail.

3.1 Initial application of new standards, amendments and interpretations to the existing standards

3.1.1 New standards, amendments to the existing accounting and reporting standards and interpretations effective during the year

- IFRS 16 "Leases" has replaced the guidance on accounting for leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases - Incentive" and SIC-27 "Evaluating the substance of transactions involving the legal form of a Lease". IFRS 16 has introduced a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessor continues to classify leases as finance or operating leases.

The management has assessed that the application of IFRS 16 does not have any significant impact on the Company's financial reporting.

There are certain other amendments to accounting and reporting standards and interpretations that became applicable during the year but are considered not to be relevant or did not have any significant effect on the Company's financial reporting and operations and, therefore, have not been disclosed in these financial statements.

3.1.2 New standards, amendments to the accounting and reporting standards and interpretations that are not yet effective and have not been early adopted by the Company.

There are certain other new standards and amendments to the approved accounting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2020. However, these standards and amendments will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Use of critical accounting estimates and judgments

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

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

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

- a) allowance for potential lease and loan losses (note 4.06);
- b) classification of investments (note 4.07);
- c) determining the residual values and useful lives of depreciable assets (note 4.09 & 4.10);
- d) impairment (note 4.09);
- e) income tax and deferred tax (note 4.15); and
- f) provisions (note 4.17).

4.2 Revenue recognition

Finance lease and hire purchase income

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

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

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

Operating lease income

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

Return on investments

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

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

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

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

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

4.3 Long term loans and finances

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

4.4 Loans and receivables

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

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

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

4.5 Net investment in finance lease

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

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

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

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

4.7 Investments

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

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

At fair value through profit or loss

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

Held-to-maturity

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

Available-for-sale

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

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

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

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

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

Derecognition

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

4.8 Repurchase and resale transactions

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

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

4.9 Property and equipment

Owned

Initial recognition

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

Measurement subsequent to initial recognition

Carried at revaluation model

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

Carried at cost model

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

Depreciation

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

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

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

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

Impairment

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

Capital work - in - progress

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

Leased

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

4.10 Intangible Assets

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

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

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

4.11 Compensated absences

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

4.12 Foreign currency translation

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

4.13 Financial instruments

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

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

Financial assets carried on the balance sheet include cash and bank balances, advances and deposits. Loans and receivables, finance leases and investments have been stated as per the policies mentioned in note 4.05, 4.06 and 4.07 respectively.

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

4.14 Off-setting

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

4.15 Taxation

Current tax

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

Deferred

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

4.16 Related parties transactions

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

4.17 Provisions

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

4.18 Cash and cash equivalents

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

4.19 Repossessed leased assets

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

4.20 Functional and presentation currency

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

4.21 Certificate of investments

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

4.22 Dividend distribution

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

4.23 Segmental reporting

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

4.24 Discontinued operations

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

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

4.25 General

Figures have been rounded-off to nearest Pakistani Rupee.

		2020	2019
		------(Rupees)-----	
	Note		
5. CASH AND BANK BALANCES			
Cash in hand			
Balance with State Bank of Pakistan in current account		29,569	29,569
Balances with other banks in:			
- Current accounts		548,176	267,600
- Saving accounts		16,484	16,484
		<u>594,229</u>	<u>313,653</u>
		2020	2019
		------(Rupees)-----	
6. SHORT TERM INVESTMENTS - Available for sale			
Other than related party	Unit / Shares		
	2020 2019		
Listed Securities			
Unlisted Securities			
Ordinary (First Pakistan shares (Securities Limited))	1,399,141	1,399,141	20,000,000
Impairment			(20,000,000)
			<u>-</u>
			<u>-</u>
7. SHORT TERM FINANCES			
Other than related party			
Placement - considered doubtful		54,000,000	54,000,000
Less: Provision		-	-
		<u>54,000,000</u>	<u>54,000,000</u>
8. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments		525,363	555,601
Other receivables		441,150	441,150
		<u>966,513</u>	<u>996,751</u>
9. CURRENT MATURITY OF NON - CURRENT ASSETS			
Net investments in leases	10	170,860,980	197,403,183
		<u>170,860,980</u>	<u>197,403,183</u>

	Note	2020	2019
		----- (Rupees) -----	
10. NET INVESTMENT IN FINANCE LEASE			
Net investment in finance leases		170,860,980	197,403,183
Less: current portion of net investment in finance leases		(170,860,980)	(197,403,183)
		-	-

		2020			2019		
		Not Later than one year	Later than one year	Total	Not Later than one year	Later than one year	Total
		----- (Rupees) -----					
	Note						
Lease rentals receivable		294,068,632	-	294,068,632	294,068,632	-	294,068,632
Add: Residual value of leased assets		98,449,557	-	98,449,557	98,449,557	-	98,449,557
Gross investment in finance leases		392,518,189	-	392,518,189	392,518,189	-	392,518,189
Less:							
Unearned lease income		-	-	-	-	-	-
Income suspended	10.1	52,249,428	-	52,249,428	52,249,428	-	52,249,428
		340,268,761	-	340,268,761	340,268,761	-	340,268,761
Provision for potential lease losses	10.2	169,407,781	-	169,407,781	142,865,578	-	142,865,578
Net investment in leases		170,860,980	-	170,860,980	197,403,183	-	197,403,183
		170,860,980	-	170,860,980	197,403,183	-	197,403,183

	2020	2019
	(Rupees)	
10.1 Income Suspended		
Balance at beginning of the year	52,249,428	52,249,428
Income suspended during the year	-	-
Income reversed during the year	-	-
Balance at end of the year	<u>52,249,428</u>	<u>52,249,428</u>
10.2 Provision for potential lease and other losses		
Balance at beginning of the year	142,865,578	142,865,578
Provision for the year	26,542,203	-
Reversed for the year	-	-
Balance at end of the year	<u>169,407,781</u>	<u>142,865,578</u>
11. LONG TERM DEPOSITS		
Others	<u>504,500</u>	<u>504,500</u>
	<u>504,500</u>	<u>504,500</u>
12. PROPERTY AND EQUIPMENT		
Property and equipment	12.1 61,661,517	64,295,878
- Owned	<u>61,661,517</u>	<u>64,295,878</u>

12.1 Operating Assets

Description	2020							Depreciation Rate in %
	Cost / Revalued Amounts			Depreciation			Written down value as at June 30, 2020	
	As at July 01, 2019	Additions/ Disposals during the year	As at June 30, 2020	As at July 1, 2019	Charge for the year/ (Transfers/ Disposal)	As at June 30, 2020		
----- Rupees -----								
OWNED								
Office premises	104,955,000	-	104,955,000	40,670,041	2,623,872	43,293,913	61,661,087	2.5
Leasehold Improvements	22,274,000	-	22,274,000	22,273,999	-	22,273,999	1	15
Furniture and fixtures	5,480,307	-	5,480,307	5,479,971	-	5,479,971	336	20
Office equipment	1,272,706	-	1,272,706	1,262,203	10,471	1,272,674	32	36
Computer equipment	1,982,378	-	1,982,378	1,982,341	-	1,982,341	37	36
Generator and air conditioners	3,060,674	-	3,060,674	3,060,650	-	3,060,650	24	20
Vehicles	687,575	(687,575)	-	687,557	(687,557)	-	18	24.30
June 30, 2020	139,712,640	-	139,025,065	75,416,762	2,634,343	77,363,548	61,661,535	
		(687,575)			(687,557)			
June 30, 2019	139,712,640	-	139,712,640	72,760,338	2,656,424	75,416,762	64,295,878	

		2020	2019
		----- (Rupees) -----	
13.	DEFERRED TAX ASSET		
	Debit balances arising due to:		
	Overdue rentals not taxable in future	83,722,987	83,722,987
	Provision for potential lease losses	-	-
	Provision for other non performing assets	-	-
	Unabsorbed tax depreciation	293,429,881	293,429,881
	Minimum turnover tax	882,836	882,836
		<u>378,035,704</u>	<u>378,035,704</u>
	Credit balances arising due to:		
	Accelerated tax depreciation	(1,004,849)	(1,004,849)
	Net investment in finance lease	(30,985,914)	(30,985,914)
	Surplus on revaluation of leasehold land and office building	(11,723,072)	(11,723,072)
		<u>(43,713,835)</u>	<u>(43,713,835)</u>
		<u>334,321,869</u>	<u>334,321,869</u>

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

		2020	2019
		----- (Rupees) -----	
14.	ACCRUED AND OTHER LIABILITIES		
	Accrued liabilities	5,564,111	3,738,390
	Advance against leases	64,032,887	63,857,887
	Unclaimed dividend	638,283	638,283
	Other liabilities	12,449,985	12,006,619
		<u>82,685,266</u>	<u>80,241,209</u>
15.	CURRENT MATURITY OF NON-CURRENT LIABILITIES		
	Long term finances	356,298,351	305,244,602
	Long term deposits	98,405,926	98,405,926
		<u>454,704,277</u>	<u>403,650,528</u>
16.	LONG-TERM FINANCES – secured		
	Other than related party		
	Privately Placed SUKUKs	225,498,618	217,188,028
	Long-term loans	148,807,887	143,767,571
		<u>374,306,505</u>	<u>360,955,599</u>
	Less: Current maturity due but not paid		
	Privately Placed SUKUK	182,812,500	152,343,750
	Long-term loans	122,432,102	101,847,103
		<u>305,244,602</u>	<u>254,190,853</u>
	Less: Current maturity shown under current liabilities		
	Privately Placed SUKUK	30,468,750	30,468,750
	Long-term loans	20,584,999	20,584,999
		<u>51,053,749</u>	<u>51,053,749</u>
		<u>356,298,351</u>	<u>305,244,602</u>
		<u>18,008,154</u>	<u>55,710,997</u>

- 16.1 In January 2012, in view of the difficult financial situation with no bright prospects of new funding in form of direct equity or financing, the Company requested the lenders to modify the terms of the long term finance by extending the repayment period from 4 years to 10 years with effect from February 2012. In order to reflect the impact of this extension in the tenure according to the Para 40 of International Accounting Standard 39 - Financial Instruments, the Company has recomputed the accounting effect on derecognition of all the financial liabilities to record the gain and unwinding of the related liabilities accordingly.
- 16.2 The amount of gain arisen due to difference between the existing carrying amount of original financial liability and new financial liability recognised was recorded as income through both equity and Profit & loss account. This amount would be amortized as unwinding of financial liability over the repayment term.

The management is making rigorous efforts for settlement of long term finances.

16.3 **Principal terms of SUKUKs**

Particulars	Security	Repayment period		Profit rate per annum	Amount outstanding (Rupees)	
		from	To		2020	2019
From financial institutions						
Privately placed SUKUK-2	Secured against specific lease rentals receivable and related lease assets	Mar-09	Jan-22	Zero % (2019: Zero%)	225,498,618	217,188,028

16.4 **Principal terms of Long Term Loans**

Particulars	Security	Repayment period		Profit rate per annum	Amount outstanding (Rupees)	
		from	To		2020	2019
Long-Term Loans						
The Bank of Khyber	Secured against property	Apr-10	Jan-22	Zero % (2019: Zero%)	95,101,684	92,154,332
The Bank of Punjab	Secured against specific lease rentals receivable and related lease assets	Apr-10	Jan-22	Zero % (2019: Zero%)	37,721,427	36,303,583
Soneri Bank Limited	Secured against specific lease rentals receivable and related lease assets	Apr-10	Jan-22	Zero % (2019: Zero%)	15,984,776	15,309,656

		2020	2019
		(Rupees)	
17.	LONG-TERM DEPOSITS		
	Security deposits against leases	98,405,926	98,405,926
	Less: Current maturity of security deposits	15 98,405,926	98,405,926
		<u>-</u>	<u>-</u>
17.1	These represent interest free security deposits received against lease contracts and are refundable/adjustable at the expiry/termination of the respective leases.		
18.	SHARE CAPITAL		
	Authorised capital		
	75,000,000 (2019: 75,000,000) ordinary shares of Rs.10 each	750,000,000	750,000,000
	50,000,000 (2019: 50,000,000) preference shares of Rs.10 each	500,000,000	500,000,000
		<u>1,250,000,000</u>	<u>1,250,000,000</u>
	Issued, subscribed and paid-up share capital		
	22,100,000 (2019: 22,100,000) ordinary shares of Rs.10 each fully paid in cash	221,000,000	221,000,000
	14,200,000 (2019: 14,200,000) ordinary shares of Rs. 10 each issued as fully paid bonus shares	142,000,000	142,000,000
		<u>363,000,000</u>	<u>363,000,000</u>
	Preference shares		
	7,502,775 (2019: 7,502,775) preference shares-class A of Rs. 10 each fully paid in cash	18.2 75,027,750	75,027,750
		<u>438,027,750</u>	<u>438,027,750</u>
18.1	Movement in number of shares		
	Ordinary shares		
	Number of the shares at beginning of the year	36,300,000	36,300,000
	Issued during the year	-	-
	Number of the shares at end of the year	<u>36,300,000</u>	<u>36,300,000</u>
	Preference shares		
	Number of the shares at beginning of the year	7,502,775	7,502,775
	Redeemed during the year	-	-
	Number of the shares at end of the year	<u>7,502,775</u>	<u>7,502,775</u>
18.2	The Company raised additional equity of Rs. 150 million through right issue of 15 million non-convertible and non cumulative preference shares - class A of Rs. 10 each in September 2003. These preference shares carry preferred right to dividend computed @ 35% of profit after tax and statutory reserves subject to a maximum profit of Rs. 40 million. The Company has the option to redeem these shares after 12 months from the date of the issue. The preference shareholders have the right to exercise the put option in tranches by giving three months advance notice as per the following schedule:		
	Percentage of redemption	Period to exercise put option	
		From	To
	3,750,000 shares (1st redemption)	June-07	November-07
	3,750,000 shares (2nd redemption)	June-08	November-08
	3,750,000 shares (3rd redemption)	June-09	November-09
	3,750,000 shares (4th redemption)	June-10	November-10

18.3 Capital management policies and procedures

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

		2020	2019
		----- (Rupees) -----	
	Note		
The Company's capital consist of:			
Issued, subscribed and paid-up share capital	18	438,027,750	438,027,750
Reserves	19	<u>(384,586,860)</u>	<u>(341,854,111)</u>
		53,440,890	96,173,639
		<u>53,440,890</u>	<u>96,173,639</u>
19. RESERVES			
Capital reserve			
Statutory reserves	19.1	181,867,005	181,867,005
Revenue reserve			
Accumulated loss		<u>(566,453,865)</u>	<u>(523,721,116)</u>
		<u>(384,586,860)</u>	<u>(341,854,111)</u>
19.1 Movement in statutory reserves			
Balance at beginning of the year		181,867,005	181,867,005
Transferred during the year		-	-
Balance at end of the year		<u>181,867,005</u>	<u>181,867,005</u>
Statutory reserve represents profit set aside to comply with the NBFC Regulations, 2008.			
		2020	2019
		----- (Rupees) -----	
	Note		
20. SURPLUS ON REVALUATION OF FIXED ASSETS			
Surplus on revaluation of fixed assets	20.1	31,374,915	32,721,543
Deferred tax liability recognised	20.2	<u>(11,723,072)</u>	<u>(11,723,072)</u>
		<u>19,651,843</u>	<u>20,998,471</u>
20.1 Reconciliation of surplus on revaluation of fixed assets			
At the beginning of the year		32,721,543	34,068,171
Surplus during the year		-	-
Surplus realized on account of incremental depreciation net off tax		<u>(1,346,628)</u>	<u>(1,346,628)</u>
At the end of the year		<u>31,374,915</u>	<u>32,721,543</u>
20.2 Deferred tax liability			
At the beginning of the year		11,723,072	11,723,072
Deferred tax liability arise/(adjusted) during the year		-	-
Deferred tax liability realized on account of incremental depreciation		-	-
At the end of the year		<u>11,723,072</u>	<u>11,723,072</u>
21. CONTINGENCIES AND COMMITMENTS			
21.1 There is no contingencies and commitments as at balance sheet date.			

		2020	2019
		----- (Rupees) -----	
22. OTHER OPERATING INCOME			
Income from other than financial assets	22.1	7,922,454	9,445,932
		<u>7,922,454</u>	<u>9,445,932</u>
22.1 Income from other than financial assets			
Fees, commissions and other charges		-	32,000
Rental income		7,922,454	9,413,932
		<u>7,922,454</u>	<u>9,445,932</u>
23. ADMINISTRATIVE AND SELLING EXPENSES			
Salaries, allowances and benefits	23.1	4,307,880	4,869,179
Directors' fee	23.2	108,000	234,000
Telephone and fax		93,040	107,520
Postage and courier		5,847	7,034
Electricity		221,947	408,263
Office maintenance		1,046,755	1,354,787
Software maintenance		129,470	239,486
Insurance		1,039	166,907
Canteen expenses		120,077	160,136
Traveling and conveyance		13,530	37,530
Advertisement expenses		61,406	67,310
Printing and stationery		122,875	159,878
Central depository charges		55,122	20,191
Subscriptions and listing fees		373,584	1,119,191
Legal and professional charges		628,770	2,036,878
Auditors' remunerations	23.3	331,108	377,429
Statutory filing fees		15,560	24,510
Depreciation		2,631,343	2,656,424
Rent, rates and taxes		831,637	962,275
		<u>11,101,990</u>	<u>15,008,928</u>

23.1 Remuneration of directors, chief executive and executives:

	2020			2019		
	Directors	Chief executive	Executives	Directors	Chief executive	Executives
Chairman Advisory Honorary	-	-	-	1,320,000	-	-
Managerial remuneration	-	1,500,000	900,000	-	1,500,000	900,000
Other benefits	-	-	-	-	-	-
	<u>-</u>	<u>1,500,000</u>	<u>900,000</u>	<u>1,320,000</u>	<u>1,500,000</u>	<u>900,000</u>
No. of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

23.2 Directors' fee

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

	2020	2019
	-----(Rupees')-----	-----
	Note	
23.3 Auditor's remuneration		
Annual audit	232,938	196,075
Half yearly review	65,340	98,604
Other certifications	-	55,000
Out-of-pocket expenses	32,830	27,750
	<u>331,108</u>	<u>377,429</u>

24. FINANCE COSTS

Markup on :		
Short term finance	1,222,006	1,297,921
	<u>1,222,006</u>	<u>1,297,921</u>

25. INCOME TAX EXPENSE

Current

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

Assessments of the Company have been finalized upto the tax year 2019. Returns are deemed to be an assessment order passed by the Commissioner of Income Tax under section 120 of Income Tax Ordinance, 2001. The said returns have so far not been selected for audit by the tax department.

25.1 Effective tax rate reconciliation

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

	2020	2019
	----- (Rupees) -----	-----
	Note	
26. LOSS PER SHARE - basic and diluted		
Loss for the year from continuing operations	(44,079,377)	(27,613,287)
(Loss)/profit for the year from discontinuing operations	-	-
Loss attributable to ordinary shareholders	<u>(44,079,377)</u>	<u>(27,613,287)</u>
	Numbers	Numbers
Number of ordinary shares issued and subscribed	<u>36,300,000</u>	<u>36,300,000</u>
	Rupees	Rupees
Loss per share from continuing business	(1.21)	(0.76)
Earnings per share from discontinue business	-	-
Loss per share	<u>(1.21)</u>	<u>(0.76)</u>

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

Diluted earnings per share

There is no dilution effect on the basic earning per share of the Company as the Company has no convertible dilutive potential ordinary shares outstanding on June 30, 2019.

		2020	2019
		(Rupees)	
27. CASH AND CASH EQUIVALENTS	Note		
Cash and Bank balances	5	594,229	313,653
		<u>594,229</u>	<u>313,653</u>

28. SEGMENT INFORMATION

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

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

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

	June 30, 2020				Total
	Finance lease	Rental Income	Musharika	Others	
	Rupees				
Segment revenues	-	7,922,454			7,922,454
Segment result	(29,707,697)	6,780,068			(22,927,629)
Unallocated cost					
Finance cost					(1,222,006)
Administrative and selling exp					(6,794,110)
Unwinding of financial liability					(13,135,632)
Loss before income tax					(44,079,377)
Income tax expense/ credit					
Loss for the year					(44,079,377)
Other information					
Segment assets	170,860,980	61,661,517			232,522,497
Unallocated assets					395,967,933
Total assets	170,860,980	61,661,517			628,490,430
Segment liabilities	555,397,697				555,397,697
Unallocated liabilities					
Total liabilities	555,397,697				555,397,697
Net assets					73,092,733
Capital expenditure					-

	June 30, 2019				Total
	Finance lease	Rental Income	Musharika	Others	
	----- Rupees -----				
Segment revenues	89,292	9,413,932	-	32,000	9,535,224
Segment result	(3,583,596)	8,217,641	-	32,000	
Unallocated cost					
Finance cost					(1,297,921)
Administrative and selling exp					(15,008,928)
Unwinding of financial liability					(18,094,622)
Loss before income tax					(24,866,247)
Income tax expense/ credit					(2,747,040)
(Loss)/profit for the year					<u>(27,613,287)</u>
Other information					
Segment assets	219,073,683	66,952,302			261,699,061
Unallocated assets					395,075,783
Total assets	219,073,683	66,952,302			656,774,844
Segment liabilities	541,094,325				539,602,734
Unallocated liabilities					
Total liabilities	541,094,325				539,602,734
Net assets					<u>117,172,110</u>
Capital expenditure					-

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

29. Credit risk

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

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

Classes of financial assets - carrying value	Note	2020	2019
		----- (Rupees) -----	
Cash and cash equivalent			
Cash and bank balances	5	594,229	313,653
Loans and receivables			
Short term finances	7	54,000,000	54,000,000
Accrued return on investments		-	-
Long-term deposits	11	504,500	504,500
Net investment in finance leases	10	170,860,980	197,403,183
		<u>225,959,709</u>	<u>252,221,336</u>

- 29.1 The credit risk to cash and cash equivalent is negligible, since the counter parties are reputable banks with high quality external credit rating.
- 29.2 Loans and receivables of the Company are secured by collaterals that are disclosed in their relevant notes.
- 29.3 The Company manages concentration of credit risk exposure through diversification of activities to avoid undue concentrations of risks with individuals, groups of specific industry segment. An analysis by class of business of the Company's net investments in finance leases, hire purchase contracts, investment and other financial assets is given below:

Sector	2020		2019	
	Rupees	%	Rupees	%
Textile	80,348,130	24.72	80,348,130	24.72
Construction	25,999,520	8.00	25,999,520	8.00
Transport and communication	91,331,677	28.10	91,331,677	28.10
Oil and gas	772,848	0.24	772,848	0.24
Food and beverages	15,050,210	4.63	15,050,210	4.63
Engineering	22,915,221	7.05	22,915,221	7.05
Consumer leases	5,108,238	1.57	5,108,238	1.57
Health care	10,002,197	3.08	10,002,197	3.08
Travel and tourism	2,808,087	0.86	2,808,087	0.86
Pharmaceutical	425,209	0.13	425,209	0.13
Advertisement	572,569	0.18	572,569	0.18
Auto and allied	3,308,314	1.02	3,308,314	1.02
Publications	9,988,159	3.07	9,988,159	3.07
Glass and ceramics	8,675,504	2.67	8,675,504	2.67
Others	47,665,910	14.67	47,665,910	14.67
Total	324,971,793	100	324,971,793	100

29.4 Analysis of financial assets that are past due:

	Total	Loans and receivables	Net investment in finance lease	Operating lease receivables
Rupees.....			
Gross carrying amount				
Not past due	61,593,079	-	61,593,079	-
Past due by more than 30 days but not more than 180 days	-	-	-	-
Past due by more than 180 days but not more than 360 days	-	-	-	-
Past due by more than 360	298,675,682	20,000,000	278,675,682	-
	360,268,761	20,000,000	340,268,761	-
Impairment loss on				
Past due by more than 180 days	-	-	-	-
Past due by more than 180 days but not more than 360 days	-	-	-	-
Past due by more than 360 days	189,407,781	20,000,000	169,407,781	-
Total impairment loss	189,407,781	20,000,000	169,407,781	-
Net carrying amount	170,860,980	-	170,860,980	-

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

29.6 Liquidity risk

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

	2020				Total
	Within 6 month	6 month to 1 year	One to five years	Over five years	
Rupees.....				
Financial Assets					
Cash and cash equivalent	594,229	-	-	-	594,229
Loans and receivables	54,000,000	-	-	-	54,000,000
Lease receivables	340,268,761	-	-	-	340,268,761
	<u>394,862,990</u>	-	-	-	<u>394,862,990</u>
Financial liabilities					
Accrued and other liabilities	82,359,438	-	-	-	82,359,438
Long -term finances	252,190,853	51,053,749	69,061,903	-	371,306,595
Long-term deposits	98,405,926	-	-	-	98,405,926
	<u>434,956,217</u>	<u>51,053,749</u>	<u>69,061,903</u>	-	<u>555,071,869</u>
	<u>(40,093,227)</u>	<u>(51,053,749)</u>	<u>(69,061,903)</u>	-	<u>(160,208,879)</u>

	2019				Total
	Within 6 month	6 month to 1 year	One to five years	Over five years	
Rupees.....				
Financial Assets					
Cash and cash equivalent	313,653	-	-	-	313,653
Loans and receivables	54,000,000	-	-	-	54,000,000
Lease receivables	340,268,761	-	-	-	340,268,761
	<u>394,582,414</u>	-	-	-	<u>394,582,414</u>
Financial liabilities					
Accrued and other liabilities	80,241,209	-	-	-	80,241,209
Long -term finances	254,190,853	51,053,749	55,710,997	-	360,955,599
Long-term deposits	98,405,926	-	-	-	98,405,926
	<u>432,837,988</u>	<u>51,053,749</u>	<u>55,710,997</u>	-	<u>539,602,734</u>
	<u>(38,255,574)</u>	<u>(51,053,749)</u>	<u>(55,710,997)</u>	-	<u>(145,020,320)</u>

29.7 Market risk

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

29.7.1 Interest rate risk

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

Cash flow sensitivity analysis for variable rate instruments

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

30. FAIR VALUE OF FINANCIAL ASSETS

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

31. TRANSACTIONS WITH RELATED PARTIES

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

Name of related party	Nature of relationship	Description of transaction	2020	
			Total value of transaction	Closing balance
			-----Rupees-----	
Azim Azfar	Director	Director Fee	18,000	-
M. Riaz Khokhar	Director	Director Fee	24,000	-
Ghulam Raza Dahraj	Director	Director Fee	12,000	-
M.Sharif Khawaja	Director	Director Fee	24,000	-
Javed Haleem	Director	Director Fee	6,000	-
Ramzan Behrani	Director	Director Fee	24,000	-
Various	Executives	E.O.B.I	9,360	-

Name of related party	Nature of relationship	Description of transaction	2019	
			Total value of transaction	Closing balance
			-----Rupees-----	
Azim Azfar	Director	Director Fee	54,000	-
M. Riaz Khokhar	Director	Director Fee	60,000	-
Ghulam Raza Dahraj	Director	Director Fee	48,000	-
M.Sharif Khawaja	Director	Director Fee	48,000	-
Javed Haleem	Director	Director Fee	18,000	-
Ramzan Behrani	Director	Director Fee	6,000	-
Various	Executives	E.O.B.I	21,840	-
M.R. Khan	Chairman	Advisor Honorarium	1,320,000	-
M. Riaz Khokhar	Director	Travelling Expenses	15,250	-
Ghulam Raza Dahraj	Director	Travelling Expenses	5,000	-
M.Sharif Khawaja	Director	Travelling Expenses	7,000	-
Javed Haleem	Director	Travelling Expenses	3,000	-
Ramzan Behrani	Director	Travelling Expenses	1,000	-

32. **IMPACT OF COVID-19 (CORONA VIRUS)**

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On March 20, 2020, the Government of the Sindh announced a temporary lock down as a measure to reduce the spread of the COVID-19. Complying with the lockdown, the Company temporarily suspended its operations from March 23, 2020. In the Company's case, the lockdown was subsequently relaxed from end of May, 2020.

After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company henceforth resumed its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down economic activity. The lockdown has caused disruptions in operation and management of the company. It is also expected that the outbreak may have some effect in the future. Due to this, management has assessed the accounting implications of these developments on these financial statements, including but not limited to the following areas:

- expected credit losses under IFRS 9, 'Financial Instruments';
- the impairment of tangible and intangible assets under IAS 36, 'Impairment of non financial assets';
- the net realisable value of inventory under IAS 2, 'Inventories';
- deferred tax assets in accordance with IAS 12, 'Income taxes';
- provisions and contingent liabilities under IAS 37, including onerous contracts; and
- going concern assumption used for the preparation of these financial statements.

According to management's assessment, there is no significant accounting impact of the effects of COVID-19 in these financial statements.

33. **NUMBER OF EMPLOYEES**

The number of employees as at year end are 6 (2019: 7) and average number of employees during the year are 7 (2019: 11).

34. **CORRESPONDING FIGURES**

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

35. **DATE OF AUTHORIZATION**

These financial statements were authorized for issue on 29.09.2020 by the Board of Directors of the Company.


Farah Azeem
Chief Executive Officer


Muhammad Farooq
Chief Financial Officer


M. Riaz Khokhar
Chairman