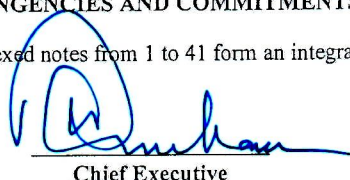



Sandil Pak Leasing Company Limited
Statement of Financial Position
As at June 30, 2018

	Note	June 30, 2018	June 30, 2017
(Rupees)			
ASSETS			
Current assets			
Cash and bank balances	5	9,738,553	8,386,192
Short term loans	6	88,022,635	88,322,635
Short term investments	7	29,401,822	29,557,182
Trade deposits and short term prepayments		908,865	911,493
Other receivables	8	5,940,826	7,340,383
Current maturity of non-current assets	9	514,496,033	524,211,983
Total current assets		648,508,734	658,729,868
Non-current assets			
Long term loans	10	-	-
Net investment in finance leases	11	-	-
Investment properties	12	32,670,020	35,345,889
Property, plant and equipment	13	21,541,364	32,119,471
Total non-current assets		54,211,384	67,465,360
Total Assets		702,720,118	726,195,228
LIABILITIES			
Current liabilities			
Borrowings from financial institutions	14	174,930,728	174,930,728
Certificates of investment		43,000,000	43,000,000
Accrued mark-up	15	365,927,127	330,062,479
Provision for taxation - net		12,134,625	12,538,810
Accrued expenses and other payables	16	11,719,731	18,135,941
Current maturity of non-current liabilities	17	770,330,572	770,330,572
Provident fund payable		-	79,998
Unclaimed dividend		1,661,291	1,661,291
Preference dividend payable		5,774,153	5,774,153
Total current liabilities		1,385,478,227	1,356,513,972
Non-current liabilities			
Certificates of investment	18	-	-
Deferred taxation	19	-	-
Long term finances	20	-	-
Security deposits against finance leases	21	-	-
Total non-current liabilities		-	-
Total Liabilities		1,385,478,227	1,356,513,972
NET ASSETS		(682,758,109)	(630,318,744)
FINANCED BY			
<i>Authorised share capital</i>			
100,000,000 (2017: 100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000
100,000,000 (2017: 100,000,000) preference shares of Rs. 10 each		1,000,000,000	1,000,000,000
		2,000,000,000	2,000,000,000
Issued, subscribed and paid-up share capital - ordinary shares	22	451,605,000	451,605,000
Issued, subscribed and paid-up share capital - preference shares	22	528,208,500	528,208,500
Capital reserves		177,928,194	177,928,194
Accumulated loss		(1,851,131,152)	(1,803,925,212)
Surplus on revaluation of property, plant and equipment - net	23	11,619,054	16,846,212
Unrealised gain on re-measurement of available for sale investments		11,961	18,228
Accumulated actuarial loss on defined benefit plan-net of tax		(999,666)	(999,666)
		(682,758,109)	(630,318,744)
CONTINGENCIES AND COMMITMENTS			
	24		

The annexed notes from 1 to 41 form an integral part of these financial statements.


Chief Executive


Director


Chief Financial Officer

Saudi Pak Leasing Company Limited
Statement of Profit or Loss
For the year ended 30 June 2018

	Note	2018 ----- (Rupees) -----	2017 -----
Revenue from:			
- Finance leases	25	9,051,940	5,760,083
- Operating leases		<u>693,333</u>	<u>2,132,020</u>
		9,745,273	7,892,103
Other income	26	<u>2,238,402</u>	<u>5,535,103</u>
		11,983,675	13,427,206
Expenses			
Finance cost	27	<u>(35,892,642)</u>	<u>(35,674,408)</u>
Administrative and operating expenses	28	<u>(39,432,526)</u>	<u>(43,231,568)</u>
Direct cost of operating leases	29	<u>(543,925)</u>	<u>(1,426,400)</u>
		<u>(75,869,093)</u>	<u>(80,332,376)</u>
Operating loss before provisions		<u>(63,885,418)</u>	<u>(66,905,170)</u>
Provision for doubtful leases, loans and other receivables - net	30	11,622,124	(1,849,332)
Loss before taxation		<u>(52,263,294)</u>	<u>(68,754,502)</u>
Taxation	31	(410,464)	(554,993)
Loss after taxation		<u>(52,673,758)</u>	<u>(69,309,495)</u>
Loss per share - basic and diluted	32	<u>(1.17)</u>	<u>(1.53)</u>

The annexed notes from 1 to 41 form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer



Saudi Pak Leasing Company Limited
Statement of Comprehensive Income
For the year ended 30 June 2018

	2018	2017
	----- (Rupees) -----	
Loss after taxation	(52,673,758)	(69,309,495)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss :</i>		
Unrealised loss on re-measurement of available for sale investments	(6,267)	(4,747)
<i>Items that will not be reclassified subsequently to profit and loss account:</i>		
Decrease in deferred tax liability on surplus on revaluation of fixed assets due to change in tax rate	240,660	317,672
Remeasurements of defined benefit plan	-	21,192
	240,660	338,864
	234,393	334,117
Total comprehensive loss for the year	(52,439,365)	(68,975,378)

The annexed notes from 1 to 41 form an integral part of these financial statements.



Chief Executive



Director



Chief Financial Officer



Saudi Pak Leasing Company Limited
Statement of Changes in Equity
For the year ended 30 June 2018

	Issued, subscribed and paid-up share capital		Reserves				Total	
	Ordinary shares	Non-redeemable preference shares	Statutory reserves	Unrealised gain on re-measurement of available for sale investments	Accumulated actuarial gain / loss on defined benefit plan- net of tax	Accumulated loss		Surplus on revaluation of property, plant and equipment - net
Balance as of 01 July, 2016	451,605,000	528,208,500	177,928,194	22,975	(1,020,858)	(1,740,006,523)	21,919,346	(561,343,366)
<i>Total comprehensive loss for the year ended June 30, 2017</i>	-	-	-	-	-	(69,309,495)	-	(69,309,495)
- Loss after taxation	-	-	-	-	-	-	-	-
- <i>Other comprehensive loss:</i>	-	-	-	(4,747)	-	-	-	(4,747)
Unrealised loss on re-measurement of available for sale investments	-	-	-	-	-	-	-	-
Decrease in deferred tax liability on surplus on revaluation of fixed assets due to change in tax rate	-	-	-	-	-	-	317,672	317,672
Remeasurement of defined benefit plan - net of tax	-	-	-	(4,747)	21,192	-	-	21,192
- Transfer of incremental depreciation from surplus on revaluation of fixed assets- net of tax	-	-	-	-	-	5,390,806	(5,390,806)	-
Balance as at 30 June 2017	451,605,000	528,208,500	177,928,194	18,228	(999,666)	(1,803,925,212)	16,846,212	(630,318,744)
<i>Total comprehensive loss for the year ended June 30, 2018</i>	-	-	-	-	-	(52,673,758)	-	(52,673,758)
- Loss after taxation	-	-	-	-	-	-	-	-
- <i>Other comprehensive loss:</i>	-	-	-	(6,267)	-	-	-	(6,267)
Unrealised loss on re-measurement of available for sale investments	-	-	-	-	-	-	-	-
Decrease in deferred tax liability on surplus on revaluation of fixed assets due to change in tax rate	-	-	-	-	-	-	240,660	240,660
- Transfer of incremental depreciation from surplus on revaluation of fixed assets- net of tax	-	-	-	(6,267)	-	-	240,660	234,393
Balance as at 30 June 2018	451,605,000	528,208,500	177,928,194	11,961	(999,666)	(1,851,131,152)	11,619,054	(682,758,109)

The annexed notes from 1 to 41 form an integral part of these financial statements.


Chief Executive


Chief Financial Officer

Saudi Pak Leasing Company Limited
Statement of Cash Flows
For the year ended 30 June 2018

	Note	2018	2017
		----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	37	(29,417,788)	(24,102,574)
Financial charges paid		(27,994)	(37,980)
Taxes paid		(573,989)	(576,333)
Finance lease rentals received		29,439,621	13,243,601
		28,837,638	12,629,288
Net cash used in operating activities		(580,150)	(11,473,286)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(42,647)	(43,300)
Proceeds from sale of property, plant and equipment		1,000,000	78,500
Short term investments - net		1,039,419	787,049
Long term loans - net		(72,181)	5,446,573
Dividend received		7,920	7,920
Net cash generated from investing activities		1,932,511	6,276,742
Net increase / (decrease) in cash and cash equivalents during the year		1,352,361	(5,196,544)
Cash and cash equivalents at the beginning of the year		8,386,192	13,582,736
Cash and cash equivalents at the end of the year	5	9,738,553	8,386,192

The annexed notes from 1 to 41 form an integral part of these financial statements.



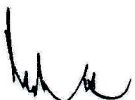
Chief Executive



Director



Chief Financial Officer



Saudi Pak Leasing Company Limited
Notes to the Financial Statements
For the year ended 30 June 2018

1. LEGAL STATUS AND OPERATIONS

- 1.1** Saudi Pak Leasing Company Limited (the Company) was incorporated in Pakistan on 08 January 1991 under the repealed Companies Ordinance, 1984 and is listed on Pakistan Stock Exchange Limited. The registered office of the Company is situated at 6th Floor, Lakson Square Building No.1, Sarwar Shaheed Road, Saddar, Karachi. The main business activity of the Company is leasing of assets. The Company's license to carry out the business of leasing had expired on 18 May 2010 and renewal is pending with the Securities and Exchange Commission of Pakistan (SECP).

Saudi Pak Industrial & Agricultural Investment Company Limited (SAPICO) is the major shareholder and as of 30 June 2018 holds 35.06% (2017: 35.06%) of issued ordinary share capital of the Company and 63% (2017: 63%) of issued preference share capital of the Company.

The Company also operates its offices at Flat No. CA-4, Alpha Cooperative Housing Society, Canal Road, Punjab University, New Campus Lahore and Room No-5, Business Centre, Low Rise Area, Saudi Pak Tower, 61-A, Jinnah Avenue, Blue Area, Islamabad.

- 1.2** These financial statements were required to be presented before the members of the Company in an annual general meeting to be held latest by October 28, 2018; however, due to certain administrative and governance issues, the same are being issued now in April 2019. With effect from August 2018, the Company is being headed by a new Managing Director. Furthermore, a new Board of Directors of the Company had also been reconstituted in its extra ordinary general meeting held on November 26, 2018 which was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 04, 2019.

Based on the direction received from the SECP on February 08 2019, the Company was required to prepare its financial statements and convene and hold the overdue AGMs for the years ended June 30, 2016, June 30, 2017 and June 30, 2018 not later than March 31, 2019. Accordingly, after a delay of over six months, these financial statements have been prepared and presented by the present management of the Company to ensure due compliance with the aforementioned direction received from the SECP.

- 1.3** As of the reporting date, the Company is exposed to the following material uncertainties which cast significant doubts on the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its obligations in the normal course of business:

- During the year ended June 30, 2018, the Company incurred a net loss amounting to Rs. 52.674 million (2017: Rs. 69.309 million) and as of that date its accumulated loss amounted to Rs. 1.851 billion (2017: Rs.1.804 billion), its equity was negative by Rs. 682.758 million (2017: Rs. 630.319 million) and its current liabilities exceeded current assets by Rs. 736.969 million (2017: Rs. 697.784 million). The Company's accumulated loss is mainly attributable to the amount provided for against stuck up overdue balance of net investment in lease, short term loans and other assets as well as recording of mark up on Certificates of Investment and other liabilities outstanding.
- In its financial statements for the year ended June 30, 2015, the Company had disclosed its expectation of a substantial equity injection by a new incoming shareholder having been then identified by one of the strategic shareholders intending to revive the Company. This expectation, however, did not materialize for the reason that leasing business, since long, had been on a declining trend which is evident from the fact that 9 out of 33 major leasing companies remained in the field. This is mainly attributable to non-availability of long term funds at low costs, withdrawal of credit lines by the banks, high non-performing portfolio of leases and loans and slowdown in economic activities. Each of these factors has impacted leasing business to a considerable extent, and, similarly, affected the Company's revenue generation and earning capacity.

- The Company's license to carry out the leasing business expired on May 18, 2010 and the Company has not been able to obtain renewal thereof from the SECP as the legal requirements laid down in this respect could not be met by the Company.
- The credit rating of the Company has not been re-assessed since it was last downgraded as in June 2010 and, since then, the Company is not permitted to issue new certificates of investment.
- Previously, the Company had entered into various agreements with its lenders (including, financial institutions, TFC holders and holders of Certificates of Investment for restructuring of its borrowing facilities with the objective of matching the expected recoveries from customers with its obligations to pay the lenders. However, the Company has continuously defaulted in meeting its financial obligations. As of June 30, 2018, total outstanding principal and accrued markup on which defaults were made amounted to Rs. 664.012 million (2017: Rs 664.012 million) and Rs. 365.927 million (2017: Rs.330.062 million) , respectively.
- Since 2010, the Company has not extended any lease facility to its customers owing to expiry of its leasing license. However, it continued its activities with a barely sufficient number of employees required for managing its recoveries from customers and for handing its financial obligations to lenders.

Despite the existence of the foregoing material uncertainties, these financial statements have been prepared using the going concern assumption primarily due to the reason that the Company managed to continue its operations for a nine-month period subsequent to June 30, 2018 and, as of the date of approval of these financial statements, a number of recovery suits filed by the Company against its customers are expected to be disposed off in due course of time as the new management is actively seeking out-of-court settlement of such suits by way of auction of collateralized assets and / or negotiated settlements. This is expected to materially improve the recoveries of overdue lease rentals and term loans from customers which, in turn, would enable the Company to settle its long outstanding financial liabilities to lenders in order to make the Company a feasible investment avenue for a resourceful investor. For this very reason, the major shareholder has made arrangements for the reconstitution of the Board of Directors and entrusted them with the responsibility of speeding up the recovery process as well as negotiate settlement of liabilities.

1.4 For the reasons mentioned above, the Company has not been able to comply with most of the regulatory requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 including the following:

- Regulation 5 (1) - aggregate liabilities, excluding contingent liabilities and security deposits, of an NBFC, shall not exceed ten times of the Company's equity (in case of operations beyond the first 2 years).
- Regulation 5 (2) - contingent liabilities of an NBFC shall not exceed seven times of its equity for the first two years of its operations and ten times of its equity in the subsequent years.
- Regulation 14 (4) (h) - the deposits raised by the NBFC, from individual depositors including sole proprietorships shall not exceed three times of the equity of the NBFC.
- Regulation 17 (1) - total outstanding exposure (fund and non-fund based) of an NBFC to a person shall not at any time exceed 30% of the equity of the NBFC, provided that the maximum outstanding fund based exposure should not exceed 20% of the NBFC's equity.
- Regulation 17 (2) - total outstanding exposure (fund based and non-fund based) of an NBFC to any group shall not exceed 50% of the equity of the NBFC, provided that the maximum outstanding fund based exposure should not exceed 35% of the equity.
- Regulation 19 (g) - an NBFC shall not hold shares on aggregate basis, whether as pledge, mortgagee or absolute owner, of an amount exceeding 20% of the paid-up share capital of that company or 20% of its own equity.
- Regulation 28 (d) - total investments of a leasing company in shares, equities or scrips shall not exceed 50%

- of the equity of the leasing company.
- Regulation 28 (e) - a leasing company shall not own shares, equities or scrips of any one company in excess of 10% of its own equity or the issued capital of that company, whichever is lower.

2. SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT REPORTING PERIOD

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- During the year, the Company recovered an amount of Rs. 26.93 million against its long outstanding finance lease receivables which had previously been provided for. Of this total, the principal and markup components comprised of Rs. 18.927 million (in respect of which an equivalent amount has been reversed from provision for potential lease losses - see note 11.3) and Rs. 8.029 million (which had been recognized as income from finance lease - see note 25), respectively.

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

As mentioned in note 1.3 above, although the Company's license to carry out the business of leasing had expired on 18 May 2010, these financial statements have been prepared in accordance with the format generally followed for financial institutions and the provisioning requirements have been determined in accordance with the requirements of NBFC Regulations, 2008.

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for plant and machinery which are stated at revalued amounts, investments classified as available for sale which are stated at fair value and obligations in respect of gratuity which are measured at present value of defined benefit obligations less fair value of plan assets.

3.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency and has been rounded-off to the nearest rupee.

3.4 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 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 result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ

from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies are discussed in following notes:

- Future financial projections and going concern assumptions;
- Classification of investments and impairment thereon;
- Residual values and useful lives of property, plant, equipment and investment properties;
- Revaluation of property, plant and equipment;
- Recognition and measurement of current and deferred taxes;
- Valuation of defined benefit plan assets and liabilities;
- Allowance for potential lease, loan losses and other receivables; and
- Classification of investment in leases

3.5 a) Amendments to approved accounting standards and interpretations which are effective during the year ended June 30, 2018

The Third and Fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to, particulars of immovable assets of the Company, management assessment of sufficiency of tax provision in the financial statements, change in threshold for identification of executives, additional disclosure requirements for related parties etc.

b) Amendments / interpretations to existing standards and forthcoming requirements

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after the dates specified below:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' -effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Company's financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 ‘Investments in Associates and Joint Ventures’] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Company's financial statements.

- IFRIC 22 ‘Foreign Currency Transactions and Advance Consideration’ (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on the Company's financial statements.

- IFRIC 23 ‘Uncertainty over Income Tax Treatments’ (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The Company is currently in the process of analyzing the potential impact of changes on adoption of the standard.

- IFRS 15 ‘Revenue from Contracts with Customers’ (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 ‘Revenue’, IAS 11 ‘Construction Contracts’ and various interpretations issued thereunder. Since lease contracts within the scope of IFRS 16 ‘Leases’, are excluded from its scope, the new standard is not expected to have an impact on the Company's financial statements.

- IFRS 9 ‘Financial Instruments’ and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

- IFRS 16 ‘Leases’ (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 ‘Leases’, IFRIC 4 ‘Determining whether an Arrangement contains a Lease’, SIC 15 ‘Operating Leases- Incentives’ and SIC-27 ‘Evaluating the Substance of Transactions Involving the Legal Form of a Lease’. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of adoption of the new standard on its operating and finance lease arrangements.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangement" - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 "Income Taxes" - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 "Borrowing Costs" - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective for annual periods beginning on or after 1 January 2019 and are not likely to have an impact on the Company's financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been applied consistently to all years presented except for the change in accounting policy described in note 4.20.

4.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and bank deposits. For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and balances with banks in current and saving accounts.

4.2 Investments

All purchases and sales of securities that require delivery within the time frame established by regulation or market conventions are recognized at the trade date. Trade date is the date on which the Company commits to purchase or sell the asset. The investments of the Company have been categorized as per the requirements of IAS 39 as follows:

Investments at fair value through profit or loss

A non-derivative financial asset is classified as, at fair value through profit or loss if it is held for trading or is designated as such, upon initial recognition. Investments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair values. Upon initial recognition, attributable transaction cost are recognised in profit or loss when incurred. Investments at fair value through profit or loss are remeasured at fair value, and changes therein are recognised in profit or loss. The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted bid price at the reporting date in the active market.

Held-to-maturity

Held-to-maturity investments are non-derivative financial instruments with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other investments that are intended to be held to maturity are recognised initially at fair value, plus attributable transaction costs and subsequently are measured at amortised cost using the effective interest rate method.

Premiums and discounts on held to maturity investments are amortised using the effective interest rate method and taken to income from investments.

Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the preceding categories. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein other than impairment losses are recognised in other comprehensive income and presented in separate component in equity. When an investment is derecognised, the gain or loss is accumulated in equity is reclassified to profit or loss.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the date.

Unquoted investments, where the fair value cannot be reliably determined, are recognised at cost less impairment, if any. Provision for impairment in value, if any, is taken to profit and loss account.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the profit and loss account when the loans and receivables are derecognized or impaired, as well as through the amortization process.

4.3 Property, plant and equipment

Operating assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any (except for office premises and operating lease assets which are stated at revalued amount less accumulated depreciation and impairment loss, if any).

Depreciation is charged to profit and loss account applying the straight line method in accordance with the rates specified in note-13 whereby the cost / revalued amount of an asset is written-off over its estimated useful life. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the preceding month of disposal.

Any revaluation increase arising on the revaluation of property is recognised in other comprehensive income and presented as a separate component of equity except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation of property is charged to profit or loss to the extent that it exceeds the balance, if any, held in the surplus on revaluation relating to a previous revaluation of that asset. The surplus on revaluation to the extent of incremental depreciation charged is transferred to unappropriated profit. The surplus realized on disposal of revalued fixed assets is credited directly to retained earnings.

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in the profit and loss account in the year the asset is derecognized, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to unappropriated profit.

Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from their fair value.

Capital work-in-progress

Capital work-in-progress is stated at cost less impairment loss, if any. These assets are transferred to operating fixed assets as and when these assets are available for use.

4.4 Net investment in finance leases

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

4.5 Financial instruments

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

All financial liabilities are initially recognised at fair value plus directly attributable cost (if any) and subsequently measured at amortised cost.

4.6 Leased assets repossessed upon termination of leases

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

4.7 Operating leases

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

4.8 Investment properties

Investment properties are accounted for under cost model and are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged to profit and loss account by applying the straight line method at the rate of 5% per annum after taking into account residual value, if any. Depreciation on additions is charged from the month of addition, while no depreciation is charged in the month in which the investment properties are disposed off. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

Gains or losses on sale of investment properties are charged to the profit and loss account in the period in which they arise.

4.9 Revenue recognition

Finance lease income

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

Processing, front-end and commitment fee and commission are recognized as income when such services are provided.

Gain on termination of lease contracts and late payment charges are recognized as income when realised.

Operating lease income

Rental income from assets given under operating leases is recognized on an accrual basis.

Income on term loans

Income on term loans is recognized using effective yield on a time proportionate basis. However, income on non-performing loan receivables is recognized on receipt basis in accordance with the requirements of the NBFC Regulations.

Mark-up / return on investments

Mark-up income on debt securities is recognised on time proportion basis using the effective yield on instruments.

Dividend income

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

Gain on sale of investments

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

Interest income on bank deposits

Interest income on bank deposits is recognised on time proportion basis using the effective interest method.

4.10 Taxation

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

Current

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

Deferred

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

A deferred tax asset is recognised only to the extent that the entity has sufficient taxable temporary differences or their is convincing other evidence that the sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the entity. 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.

4.11 Staff retirement benefits

Defined benefit scheme

The Company operates an approved gratuity fund for its permanent employees who complete the eligible period of service. Provision has been made in accordance with actuarial recommendations using the “Projected Unit Credit Method”. Remeasurements of the net defined benefit liability / assets which comprise actuarial gains and losses, return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest) are recognized immediately in other comprehensive income. Past-service costs are recognized immediately in profit and loss account when the plan amendment occurs.

Defined contribution scheme

The Company also operates a provident fund scheme for its permanent employees. Equal monthly contributions at a rate of 10 percent of basic salary are made by the Company and its employees. The Company had suspended the contributions of provident fund scheme in accordance with the resolution passed in the meeting of Board of Directors from October 2009. In 2012, the Board of Directors re-instated the provident fund scheme with effect from July 01, 2012.

The investments out of the provident fund are made in accordance with the requirement of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

4.12 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are set-off and the net amount is reported in the balance sheet, when and only when, the Company has an enforceable legal right to set-off the amounts and it intends either to settle on net basis or to realize the asset and to settle the liability simultaneously.

4.13 Provisions

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

4.14 Allowance for potential lease, loan losses and other receivables

The allowance for potential lease, loan losses and other receivables is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on lease and loan portfolio which can be reasonably anticipated. The adequacy of allowance is evaluated on the basis of Schedule-X and Schedule-XI of Regulation 25 of NBFC Regulations, 2008 .

4.15 Borrowings

Borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, these are stated at amortised cost. Interest expense is recognised on an effective interest basis in the profit and loss account over the period of the borrowings.

4.16 Foreign currency translation

Foreign currency transactions are translated into Pak Rupees at exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date. Exchange differences are included in profit or loss.

4.17 Operating segments

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

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

4.18 Impairment

Available-for-sale financial assets

Impairment losses on available for sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit and loss account. The cumulative loss that is reclassified from equity to profit and loss account is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit and loss account. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit and loss account. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

Non-financial assets

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

4.19 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 shareholders.

4.20 CHANGE IN ACCOUNTING POLICY

During the year, the Company changed its accounting policy for the revaluation surplus on property, plant and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.

The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property, plant and equipment. Consequently, this impacted the Company's accounting policy for revaluation surplus on property, plant and equipment, and now the related accounting and presentation requirements set out in IAS 16 'Property, Plant And Equipment' are being followed by the Company. The new accounting policy is explained under note 4.3, above. Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity.

The impact of the above change in accounting policy has been accounted for retrospectively in accordance with the requirements of International Accounting Standard (IAS) 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and corresponding figures have been restated. However, as this restatement has no material effect on the statement of financial position as at the beginning of the earliest period presented (i.e. as of July 01, 2016), the same has not been presented.

In accordance with the requirements of IAS 8 'Accounting policies, estimates and errors', the above explained changes in accounting policy have been accounted for retrospectively as shown below:

	2017
Effect on statement of financial position	— Rupees —
- Shareholders' equity	
As previously reported	(647,164,956)
Effect of change in accounting policy	16,846,212
As restated	<u>(630,318,744)</u>
- Surplus on revaluation of property, plant and equipment	
As previously reported	16,846,212
Effect of change in accounting policy	(16,846,212)
As restated	<u>—</u>

There was no impact on the previously reported figures of the statement of profit and loss and the statement of cash flows as a result of the retrospective application of change in accounting policy.

	<i>Note</i>	2018	2017
		----- (Rupees) -----	
5. CASH AND BANK BALANCES			
Cash in hand		67,545	67,545
Call Deposit Receipts	5.1	9,575,000	-
Balance with State Bank of Pakistan in current account - local currency		2,880	11,372
Balances with other banks:			
- in current account		5,500	5,500
- in saving accounts	5.2	87,628	8,301,775
		<u>9,738,553</u>	<u>8,386,192</u>
5.1	This represents the aggregate amount of various Call Deposit Receipts (CDR) placed with M/s. MCB Bank Limited. As per the terms agreed with the bank, the said amount does not carry any markup and can be withdrawn at any time by the Company.		
5.2	This represents saving deposit accounts maintained with various commercial banks at mark-up rate at the rate of 4% - 5% (2017: 4% to 5%) per annum.		
6. SHORT TERM LOANS - secured	<i>Note</i>	2018	2017
		----- (Rupees) -----	
Considered doubtful	6.1	199,206,119	199,506,119
Provision for non-performing loans	6.2	<u>(111,183,484)</u>	<u>(111,183,484)</u>
		<u>88,022,635</u>	<u>88,322,635</u>
6.1	This represents short term loans facilities provided to customers and carries mark-up ranging from 16.25% to 25.00% (2017: 16.25% to 25.00%) per annum.		
6.2 Provision for non-performing loans	<i>Note</i>	2018	2017
		----- (Rupees) -----	
Balance at beginning of the year		111,183,484	112,034,159
Reversal charge for the year	30	-	(850,675)
Balance at end of the year	6.2.1	<u>111,183,484</u>	<u>111,183,484</u>
6.2.1	The above provision for non-performing loans is net of forced sales value (FSVs) of collaterals of Rs. 88.023 million (2017: Rs. 88.323 million) considered by the Company for the purpose of determination of provision requirements.		
7. SHORT TERM INVESTMENTS	<i>Note</i>	2018	2017
		----- (Rupees) -----	
Available for sale			
- Ordinary shares of listed companies	7.1	85,935	85,935
- Ordinary shares of unlisted companies	7.1	14,664,938	14,664,938
Investments - at cost		<u>14,750,873</u>	14,750,873
Unrealised gain on re-measurement of available for sale securities		11,961	18,228
		<u>14,762,834</u>	14,769,101
Held to maturity			
- Government Market Treasury Bills	7.2	14,638,988	14,788,081
		<u>29,401,822</u>	<u>29,557,182</u>

7.1 Investment in available for sale securities

2018 (Number of shares)	2017	Name of companies	Note	2018		2017	
				Cost ----- (Rupees) -----	Market value ----- (Rupees) -----	Cost ----- (Rupees) -----	Market value ----- (Rupees) -----
Ordinary shares of listed companies							
495	495	MCB Bank Limited	7.1.1	85,935	97,896	85,935	104,163
				<u>85,935</u>	<u>97,896</u>	<u>85,935</u>	<u>104,163</u>
Ordinary shares of unlisted companies							
2,500,000	2,500,000	SPI Insurance Company Limited		14,664,938	14,664,938	14,664,938	14,664,938
				<u>14,750,873</u>	<u>14,762,834</u>	<u>14,750,873</u>	<u>14,769,101</u>

7.1.1 The investments in the listed equity securities classified as 'available-for-sale' are valued at prices quoted on Pakistan Stock Exchange Limited.

7.2 This represents investment in Government Market Treasury Bills having maturity on August 30, 2018 and carry effective mark-up at a rate 6.26% (2017: 5.96%) per annum.

	Note	2018 ----- (Rupees) -----	2017 ----- (Rupees) -----
8. OTHER RECEIVABLES			
Operating lease rentals receivables		11,545,095	11,745,095
Receivable on termination of finance leases		68,127,758	68,127,758
Staff gratuity- net defined benefit asset		2,815,828	2,815,828
Receivable from provident fund	8.1	2,880,000	2,880,000
Others		3,117,148	4,316,705
		<u>88,485,829</u>	<u>89,885,386</u>
Provision against doubtful receivables	8.2	(82,545,003)	(82,545,003)
		<u>5,940,826</u>	<u>7,340,383</u>

8.1 On June 02, 2017, Mr. Tariq Masood (then CEO of the Company) completed his contracted tenure of service. As part of his full and final settlement dated June 16, 2017, he was paid his accumulated provident fund balance amounting to Rs. 2.88 million. This amount had been paid by the Company from its own funds against which a receivable from the provident fund has been recognized accordingly.

	Note	2018 ----- (Rupees) -----	2017 ----- (Rupees) -----
8.2 Provision against doubtful receivables			
Balance at beginning of the year		82,545,003	82,279,041
Charge for the year		-	265,962
Reversal for the year		-	-
	30	-	265,962
Balance at end of the year		<u>82,545,003</u>	<u>82,545,003</u>

	<i>Note</i>	2018	2017
		----- (Rupees) -----	
9. CURRENT MATURITY OF NON-CURRENT ASSETS			
Long term loans	<i>10</i>	34,408,676	34,336,495
Net investment in finance leases	<i>11</i>	480,087,357	489,875,488
		<u>514,496,033</u>	<u>524,211,983</u>

10. LONG TERM LOANS - secured

Loan to employees	<i>10.1</i>	1,088,982	1,016,801
Term loans to customers- Considered doubtful	<i>10.2</i>	100,164,030	100,164,030
		<u>101,253,012</u>	<u>101,180,831</u>
Provision for non-performing loans	<i>10.3</i>	<u>(66,844,336)</u>	<u>(66,844,336)</u>
		34,408,676	34,336,495
Current maturity of long term loans	<i>9</i>	(34,408,676)	(34,336,495)
		<u>-</u>	<u>-</u>

10.1 Loans to employees

Loan to employees represent house loans and are secured against the future salaries and retirement benefits of the employees. These loans are repayable within a period of 15 years from the date of disbursement or retirement date of the employee, whichever is earlier. The rate of return on these loans is 4% (2017: 4%) per annum. The maximum amount of loans to employees outstanding during the year amounts to Rs. 1.089 million.

10.2 Term loans due from customers are secured against property. The rates of return on these loans range from 16.00% to 22.66% (2017: 16.00% to 22.66%) per annum.

	<i>Note</i>	2018	2017
		----- (Rupees) -----	
10.3 Provision for non-performing loans			
Balance at beginning of the year		66,844,336	66,844,336
Charge for the year		-	-
Reversal made during the year		-	-
		<u>66,844,336</u>	<u>66,844,336</u>
Balance at end of the year	<i>10.3.1</i>	<u>66,844,336</u>	<u>66,844,336</u>

10.3.1 The above provision for non-performing long term loans is net of forced sales value (FSVs) of collaterals of Rs. 33.319 million (2017: Rs. 33.319 million) considered by the Company for the purpose of determination of provision requirements.

11. NET INVESTMENT IN FINANCE LEASES

	2018			2017		
	Not later than one year	Later than one year and less than five years	Total	Not later than one year	Later than one year and less than five years	Total
	----- (Rupees) -----					
Minimum lease payment receivables	1,338,387,814	-	1,338,387,814	1,367,827,435	-	1,367,827,435
Residual value of leased assets	344,569,999	-	344,569,999	344,569,999	-	344,569,999
Gross investment in leases	1,682,957,813	-	1,682,957,813	1,712,397,434	-	1,712,397,434
Mark-up held in suspense	(321,657,525)	-	(321,657,525)	(329,686,891)	-	(329,686,891)
Provision for lease losses	(881,212,931)	-	(881,212,931)	(892,835,055)	-	(892,835,055)
Net investment in finance leases	480,087,357	-	480,087,357	489,875,488	-	489,875,488

11.1 The internal rates of return on leases disbursed by the Company range from 12.50% to 20.01% (2017: 12.50% to 20.01%) per annum. Certain lease rentals have been hypothecated against long term finances obtained (refer note 20.1.1).

	Note	2018	2017
		----- (Rupees) -----	
11.2 Mark-up held in suspense			
Balance at beginning of the year		329,686,891	332,201,737
Suspended income realised during the year	25	(8,029,366)	(2,514,846)
Balance at end of the year		321,657,525	329,686,891
11.3 Provision for lease losses			
Balance at beginning of the year		892,835,055	890,401,010
Charge for the year		7,305,020	18,940,640
Reversal for the year		(18,927,144)	(16,506,595)
	30	(11,622,124)	2,434,045
Balance at end of the year	11.3.1	881,212,931	892,835,055

11.3.1 The provision for non-performing lease losses is net of the forced sales value (FSVs) of leased assets / collaterals of Rs.160.919 million (2017: Rs. 168.633 million) considered by the Company for the purpose of determination of provision requirements.

11.4 As per NBFC Regulation 28(a), a leasing company undertaking the business of lease only, shall invest at least 70% of its assets in the business of leasing. As at 30 June 2018, the Company's investment in lease assets was 68% (2017: 67%) of the total assets.

12. INVESTMENT PROPERTIES

	<u>Rupees</u>
As at July 01, 2016	
Cost	66,160,092
Accumulated depreciation	(21,420,623)
Accumulated impairment	(6,805,696)
Net book value	<u>37,933,773</u>
<i>Movement during the year ended June 30,2017</i>	
Opening net book value	37,933,773
Depreciation charge	(2,587,884)
Closing net book value	<u>35,345,889</u>
As at June 30, 2017	
Cost	66,160,092
Accumulated depreciation	(24,008,507)
Accumulated impairment	(6,805,696)
Net book value	<u>35,345,889</u>
<i>Movement during the year ended June 30,2018</i>	
Opening net book value	35,345,889
Depreciation charge	(2,675,869)
Closing net book value	<u>32,670,020</u>
At June 30, 2018	
Cost	66,160,092
Accumulated depreciation	(26,684,376)
Accumulated impairment	(6,805,696)
Net book value	<u>32,670,020</u>
Rate of depreciation	<u>5%</u>

- 12.1** These represent real estate properties acquired by the Company in settlement of non-performing loans and lease receivables (i.e. repossessed properties) comprising of a bungalow and offices having carrying value, as on June 30, 2018, amounting to Rs. 29.318 million (2017: Rs. 31.905 million) and Rs. 3.353 million (2017: Rs. 3.441 million), respectively.
- 12.2** The bungalow was last revalued by M/s. Fairwater Property Valuers and Surveyors (Private) Limited on August 24, 2017. According to such valuation, the fair value and forced sale value of the bungalow, as on August 18, 2017, was assessed to be Rs. 134.918 million and Rs. 107.935 million, respectively.
- 12.2.1** The tenant has defaulted in payment of rentals to the Company since inception and the Rent Controller passed rent order as well as decree in favour of the Company. The tenant subsequently filed a suit in High Court for relief. The amount of rent due till June 30, 2018, amounting to Rs. 12.595 million, has not been recorded awaiting the outcome of proceedings in High Court.
- 12.3** The shops in Lahore were last revalued by M/s. Hamid Mukhtar & Co. (Private) Limited in 2015. According to such valuation, the fair value of the shops, as on August 26, 2015 was assessed to be Rs. 4.163 million.

13. PROPERTY, PLANT AND EQUIPMENT

	2018												Rate %
	Cost / Revaluation			Accumulated depreciation			Accumulated impairment			Written down value			
	As at 01 July 2017	Additions	Disposals	As at 30 June 2018	As at 01 July 2017	Charge for the year	As at 30 June 2018	As at 01 July 2017	Charge for the year	As at 30 June 2018	As at 30 June 2018		
	(Rupees)												
Owned assets													
Building improvements	3,526,371	-	-	3,526,371	3,526,371	-	-	3,526,371	-	-	-	-	20%
Office premises	103,803,703	-	-	103,803,703	74,135,900	9,128,554	-	83,264,454	-	-	-	20,539,249	5%
Furniture, fixtures and fittings	5,983,992	-	-	5,983,992	5,983,992	-	-	5,983,992	-	-	-	-	20%
Vehicles	2,391,630	-	-	2,391,630	2,152,482	-	-	2,152,482	-	-	-	239,148	20%
Office equipment	26,655,661	42,647	-	26,698,308	25,971,866	343,875	-	26,315,741	-	-	-	382,567	20%
	142,361,357	42,647	-	142,404,004	111,770,611	9,472,429	-	121,243,040	-	-	-	21,160,964	
Operating lease assets													
Plant and machinery	59,505,000	-	-	59,505,000	52,805,000	-	-	52,805,000	6,700,000	-	6,700,000	-	10%
Generators	11,492,012	-	(6,044,000)	5,448,012	9,963,287	543,925	(5,439,600)	5,067,612	-	-	-	380,400	20%
	70,997,012	-	-	64,953,012	62,768,287	543,925	(5,439,600)	57,872,612	6,700,000	-	6,700,000	380,400	
	213,358,369	42,647	-	207,357,016	174,538,898	10,016,354	(5,439,600)	179,115,652	6,700,000	-	6,700,000	21,541,364	
	2017												Rate %
	Cost / Revaluation			Accumulated depreciation			Accumulated impairment			Written down value			
	As at 01 July 2016	Additions	Disposals	As at 30 June 2017	As at 01 July 2016	Charge for the year	As at 30 June 2017	As at 01 July 2016	Charge for the year	As at 30 June 2017	As at 30 June 2017		
	(Rupees)												
Owned assets													
Building improvements	3,526,371	-	-	3,526,371	3,526,371	-	-	3,526,371	-	-	-	-	20%
Office premises	103,803,703	-	-	103,803,703	65,007,346	9,128,554	-	74,135,900	-	-	-	29,667,803	5%
Furniture, fixtures and fittings	5,983,992	-	-	5,983,992	5,983,992	-	-	5,983,992	-	-	-	-	20%
Vehicles	4,567,630	-	(2,176,000)	2,391,630	3,719,202	391,680	(1,958,400)	2,152,482	-	-	-	239,148	20%
Office equipment	26,612,361	43,300	-	26,655,661	25,576,498	395,368	-	25,971,866	-	-	-	683,795	20%
	144,494,057	43,300	(2,176,000)	142,361,357	103,813,409	9,915,602	(1,958,400)	111,770,611	-	-	-	30,590,746	
Operating lease assets													
Plant and machinery	59,505,000	-	-	59,505,000	52,805,000	-	-	52,805,000	6,700,000	-	6,700,000	-	10%
Generators	11,492,012	-	-	11,492,012	8,875,367	1,087,920	-	9,963,287	-	-	-	1,528,725	20%
	70,997,012	-	-	70,997,012	61,680,367	1,087,920	-	62,768,287	6,700,000	-	6,700,000	1,528,725	
	215,491,069	43,300	-	213,358,369	165,493,776	11,003,522	-	174,538,898	6,700,000	-	6,700,000	32,119,471	

13.1 Particulars of immovable property (i.e. Office premises) are as follows:

Location	Usage of Immovable Property	Total Area (Square feet)	Covered Area (Square feet)
6th Floor, Lakson Square Building No.1, Sarwar Shaheed Road, Saddar, Karachi	Administrative purpose	9,604	9,604

13.1.1 The above mentioned property consists of Blocks- A, B, C and D. The conveyance deed of Block- D, dated December 28, 1999 is in the name of Saudi Pak Industrial and Agricultural Investment Company Limited. The Block-D consists of 2,083 square feet. The sale consideration for Block-D was 4.133 million.

13.2 Details of disposal made during the year are as follows :

Particulars	Cost / Revalued Amount	Accumulated Depreciation	Book Value	Proceeds	Gain on Disposal	Mode of Disposal	Particulars of buyer	Relationship of buyer with Company
Rupees								
Cumiss Power Generator- 360 KVA	6,044,000	5,439,600	604,400	1,000,000	395,600	Quotation	Pioneer Power Generation	None

13.3 Had there been no revaluation, the carrying amounts of the revalued assets would have been as follows:

	2018				2017			
	Cost	Accumulated depreciation	Accumulated impairment	Written down value	Cost	Accumulated depreciation	Accumulated impairment	Written down value
	----- (Rupees) -----							
Office premises	<u>28,548,042</u>	<u>24,373,657</u>	<u>-</u>	<u>4,174,385</u>	<u>28,548,042</u>	<u>22,946,254</u>	<u>-</u>	<u>5,601,788</u>
Plant and machinery	<u>67,000,000</u>	<u>60,300,000</u>	<u>6,700,000</u>	<u>-</u>	<u>67,000,000</u>	<u>60,300,000</u>	<u>6,700,000</u>	<u>-</u>
Generators	<u>3,804,000</u>	<u>3,423,600</u>	<u>-</u>	<u>380,400</u>	<u>9,848,000</u>	<u>8,319,275</u>	<u>-</u>	<u>1,528,725</u>

14. **BORROWINGS FROM FINANCIAL INSTITUTIONS**

	Note	2018	2017
		----- (Rupees) -----	
Letters of Placement - Unsecured			
National Bank of Pakistan	14.1	77,500,000	77,500,000
Innovative Investment Bank Limited	14.2	60,000,000	60,000,000
Meezan Bank Limited	14.3	27,001,588	27,001,588
KASB Income Opportunity Fund	14.4	10,429,140	10,429,140
		<u>174,930,728</u>	<u>174,930,728</u>

14.1 This represents finance of Rs. 77.50 million obtained from National Bank of Pakistan on April 01, 2010 through a letter of placement carrying mark-up at a rate of 11.20% per annum for a period of 14 days. Subsequently, the facility was rolled several times up to the total period of 140 days which expired on August 19, 2010. Till to-date, no repayments have made by the Company in respect of this finance. As of 30 June 2018, the Company has accrued a mark-up on this finance amounting to Rs. 71.652 million (2017: Rs. 62.972 million).

14.2 This represents finance of Rs. 63 million obtained from Innovative Investment Bank Limited on December 03, 2010 through a letter of placement carrying mark-up at a rate of 8% per annum for a period of 90 days. Due to financial difficulties faced by the Company, this facility was rolled over for a further period of 184 days on March 14, 2011. Since the disbursement of the facility, the Company has an aggregate principal repayment of Rs. 3 million. As of 30 June 2018, the Company has accrued a mark-up on this finance amounting to Rs. 40.035 million (2017: Rs. 35.235 million).

14.3 This represents finance of Rs. 150 million obtained from Meezan Bank Limited (MEBL) on September 20, 2008, under Murabaha arrangement at a rate of 12% per annum. On various dates between September 2008 and June 2011, the Company made principal repayments amounting, in aggregate, to Rs. 81 million.

The remaining principal obligation of Rs. 69 million was restructured by way of a settlement agreement entered on April 22, 2011 whereby the Company transferred, to the lender, a lease portfolio of Rs. 32 million. On September 03, 2012, a revised settlement agreement was signed according to which the loan was to be settled by way of transferring 27 membership cards of ACACIA Golf Club ('the Club') (then beneficially held by the Company in its own name) to MEBL valuing, in aggregate, Rs. 27 million as well as making a cash payment of Rs. 9.870 million. The said cash payment as made by the Company on September 06, 2012. Further, the aforementioned membership cards held by the Company are to be transferred after the execution of a tripartite agreement between the Company, MEBL and the Club. Currently, the Company's management is under the process of negotiation for an early execution of the said agreement. As per the revised restructuring terms, the finance carries no mark-up.

14.4 This represents finance of Rs. 117 million obtained from KASB Funds (KASB Income Opportunity Fund and KASB Asset Allocation Fund) on July 13, 2009. Due to liquidity issues being faced by the Company, the finance was, subsequently, restructured by way of a settlement agreement entered into with KASB Funds dated December 28, 2011. As per the said restructuring agreement, the outstanding loan is to be settled by way of transferring of assets / collateral held by the Company against one of its non-performing borrowers, lease receivables of the Company and cash payment of Rs. 23.085 million in the following manner:

- Down payments of Rs. 1.568 million and Rs. 1.517 million;
- Two subsequent cash payments of Rs. 1 million each; and
- 24 equal instalments of Rs. 0.75 million each.

The Company paid all the instalments as per the restructuring agreement. As a result of these repayments, the outstanding loan due to KASB Asset Allocation Fund had been settled in full. As per restructuring terms, these finances carry no mark-up.

15. ACCRUED MARK-UP	<i>Note</i>	2018	2017
		----- (Rupees) -----	
<i>Mark-up on:</i>			
- certificates of investment		88,172,377	81,466,375
- long term finances		41,868,478	40,429,575
- term finance certificates		113,007,339	98,767,597
- short term borrowings from financial institutions		122,878,933	109,398,932
		<u>365,927,127</u>	<u>330,062,479</u>

16. ACCRUED EXPENSES AND OTHER PAYABLES		2018	2017
Accrued expenses		3,825,372	3,028,430
Provision for Sindh sales tax on services	<i>16.1</i>	-	7,213,484
Others		7,894,359	7,894,027
		<u>11,719,731</u>	<u>18,135,941</u>

16.1 In April 2018, the Company received an order from the Sindh Revenue Board (SRB) whereby a demand of Rs. 7.213 million had been raised in respect of sales tax on services for the period from July 2011 to June 2017 (including default surcharge and penalty thereon). Of this amount, the claim of Rs. 6.630 million related to the period from July 2011 to June 2015. The aforesaid demand of Rs. 7.213 million was settled in full in June 2018.

17. CURRENT MATURITY OF NON-CURRENT LIABILITIES	<i>Note</i>	2018	2017
		----- (Rupees) -----	
Certificates of investment	<i>18</i>	54,049,000	54,049,000
Long term finances	<i>20</i>	392,032,443	392,032,443
Long term security deposits against finance leases	<i>21</i>	324,249,129	324,249,129
		<u>770,330,572</u>	<u>770,330,572</u>
18. CERTIFICATES OF INVESTMENT - unsecured			
Long term certificates of investment		54,049,000	54,049,000
Current maturity of certificates of investment	<i>17</i>	(54,049,000)	(54,049,000)
		<u>-</u>	<u>-</u>

18.1 These certificates of investment are for periods ranging from 1 year to 5 years and interest rates on these certificates range from 7% to 11% (2017: 7% to 11%) per annum.

19. DEFERRED TAXATION

	Balance at beginning of the year	Recognized in profit and loss account	Recognized in other comprehensive income	Balance at end of the year
----- (Rupees) -----				
As on June 30, 2018				
Deferred tax liability in respect of:				
Surplus on revaluation of property, plant and equipment	7,219,805	(2,233,335)	(240,660)	4,745,810
	<u>7,219,805</u>	<u>(2,233,335)</u>	<u>(240,660)</u>	<u>4,745,810</u>
Deferred tax asset recognized	(7,219,805)	2,473,995	-	(4,745,810)
Net deferred tax position	-	240,660	(240,660)	-

	Rupees
<u>Details of deferred tax assets</u>	
Accelerated accounting depreciation / impairment	1,522,546
Provision for lease losses	255,551,750
Provision for non-performing short term loans	32,243,210
Provision for non-performing long term loans	19,384,857
Provision for doubtful other receivables	23,938,051
Unused tax losses	61,837,323
	<u>394,477,737</u>
Less: Deferred tax asset recognized to the extent of available taxable temporary differences	(4,745,810)
Unrecognized deferred tax asset	<u>389,731,927</u>

As on June 30, 2017

Deferred tax liability in respect of:				
Surplus on revaluation of property, plant and equipment	9,847,822	(2,310,345)	(317,672)	7,219,805
	<u>9,847,822</u>	<u>(2,310,345)</u>	<u>(317,672)</u>	<u>7,219,805</u>
Deferred tax asset recognized	(9,847,822)	2,628,017	-	(7,219,805)
Net deferred tax position	-	317,672	(317,672)	-

	Rupees
<u>Details of deferred tax assets</u>	
Accelerated accounting depreciation / impairment	1,568,370
Provision for lease losses	267,850,517
Provision for non-performing short term loans	33,355,045
Provision for non-performing long term loans	20,053,301
Provision for doubtful other receivables	24,763,501
Unused tax losses	44,046,171
	<u>391,636,905</u>
Less: Deferred tax asset recognized to the extent of available taxable temporary differences	(7,219,805)
Unrecognized deferred tax asset	<u>384,417,100</u>

20. LONG TERM FINANCES	Note	2018	2017
		----- (Rupees) -----	
Long term finance - secured	20.1.1	163,061,501	163,061,501
Long term finance - unsecured		<u>5,703,696</u>	<u>5,703,696</u>
	20.1	<u>168,765,197</u>	168,765,197
Term finance certificates - secured	20.2	<u>223,267,246</u>	<u>223,267,246</u>
		<u>392,032,443</u>	<u>392,032,443</u>
Current maturity of long term finances	17	<u>(392,032,443)</u>	<u>(392,032,443)</u>
		<u>-</u>	<u>-</u>

20.1 Long term finances

	Tenure		Price	Note	Principal Outstanding	
	From	To			2018	2017
					----- (Rupees) -----	
Secured						
National Bank of Pakistan	Mar-05	Mar-10	6 month KIBOR + 1.5% (payable semi annually)	20.1.2	12,500,000	12,500,000
First Women Bank Limited	Dec-08	Dec-12	Fixed at 12% (payable monthly)	20.1.3	75,061,505	75,061,505
Askari Income Fund	Mar-10	Sep-12	-	20.1.4	13,500,000	13,500,000
Soneri Bank Limited	May-13	Sep-14	-	20.1.5	61,999,996	61,999,996
Un secured						
Silk Bank Limited	Sep-12	Mar-17	-	20.1.6	5,703,696	5,703,696
					<u>168,765,197</u>	<u>168,765,197</u>

20.1.1 The above are secured by way of hypothecation of specific leased assets and associated lease rentals. These facilities were utilized mainly for lease financing activities.

20.1.2 This represents a finance of Rs. 100 million obtained from National Bank of Pakistan on March 17, 2005 (mainly for lease financing activities). As per the agreement, loan was payable in semi-annual instalments of Rs. 12.5 million each from September 17, 2005 to March 17, 2009. However, subsequently, the agreement was restructured whereby the maturity date of the loan was extended to March 2010. Up to June 30, 2017, all instalments were paid except for the last instalment due on March 17, 2009 which is yet outstanding. As per the revised agreement, the finance carries mark-up at the rate of 6-month KIBOR + 1.5%, payable semi-annually. As of June 30, 2018, the Company had accrued mark-up amounting to Rs. 12.188 million (2017: Rs. 11.218 million).

20.1.3 This represents a finance of Rs. 150 million obtained from First Women Bank Limited (FWBL) through a Letter of Placement dated October 06, 2008 having a tenor of 1 day. Subsequently, the finance was rolled over several times during the period from October 07, 2008 to December 18, 2008. During this period, the Company managed to partially repay the principal and markup amount. Afterwards, the finance was restructured by way of a settlement agreement dated December 31, 2008 whereby the entire principal was converted into 12-month Money Market Finance facility on markup basis. Since the Company failed to make repayment as per agreed terms, the finance was, once again, restructured by way of a settlement agreement dated March 01, 2010. As per the revised rescheduled terms, the entire principal was payable in unequal monthly instalments up to December 31, 2012. The Company paid the instalments up to December 31, 2010 since when no further repayments have been made. Further, as per the revised agreement, the finance carries mark-up at 12% per annum, payable monthly. As of June 30, 2018, the Company had accrued mark-up of Rs. 24.054 million (2017: Rs. 24.054 million).

20.1.4 In March 2009, the Company obtained a finance of Rs. 50 million from Askari Income Fund against Certificate of Investment (COI) which was subsequently converted into a Term Finance Arrangement (TFA). Due to the liquidity issues faced by the Company, the finance was restructured by way of settlement agreements dated March 01, 2010 and January 31, 2011. As per the rescheduled terms, the entire principal was payable in monthly instalments of Rs. 1 million each starting from February 16, 2011 and outstanding mark-up was waived. The Company could managed to pay instalments up to June 2011 since when no repayments have been made. Further, as per rescheduled terms, the Company is liable to pay liquidated damages / penalty amounting to Rs. 10.8 million.

20.1.5 As on March 29, 2010, the Company had a financial obligation in respect of Term Finance I, Term Finance II and Running Finance facilities obtained from M/s. Soneri Bank Limited (SBL) amounting to Rs. 66.666 million, Rs. 35 million and Rs. 49.971 million, respectively (in aggregate, Rs. 151.637 million). The said obligation was restructured whereby SBL created a fresh facility of Rs. 115 million as TF-I, Rs. 35 million as TF-II and Rs. 1.5 million as RF. Subsequently, the Company managed to pay its entire liability under TF-II and RF. As regards restructured TF-I, the Company made a principal repayment of Rs. 5 million up to May 07, 2013, on which date, a revised settlement agreement was entered to with SBL to restructure the outstanding obligation of Rs. 110 million which was agreed to be settled as follows:

- Rs. 43 million by way of transfer of a property (held as collateral of Rs. 43 million against the borrower) or a cash payment of Rs. 25 million as full and final settlement of Rs. 43 million;
- Rs. 34.5 million by way of transfer of a property (held as collateral of Rs. 34.5 million against the borrower) at Thokar Niaz Baig, Lahore. However, this property has not been transferred to Soneri Bank Limited due to legal complications and the company is considering to offer alternate property of the same value acceptable to Soneri Bank Limited;
- Cash payment of Rs. 5 million in 12 equal monthly instalments of Rs. 0.416 million each commencing from the date of execution of settlement agreement; and
- Remaining principal obligation amounting to Rs. 27.5 million to be waived upon successful transfer of properties / cash payment as referred to above.

Subsequently, the Company settled the loan amounting to Rs. 43 million by way of cash payment of Rs. 25 million on August 28, 2013 (and recognised a waiver of Rs. 18 million against the said payment). Further, the Company paid the 12 equal monthly instalments, referred to above, on agreed due dates. However, the transfer of aforesaid property (whereupon the outstanding liability would be extinguished in full) is yet to be executed. As per the revised restructuring terms, the finance carries no mark-up.

20.1.6 This represents a finance of Rs. 15.7 million obtained from Silk Bank Limited (SBL) on April 27, 2009 against issuance of irrevocable letter of comfort for opening a letter of credit in favour of Uni-Link International. Up to March 31, 2011, the Company could repay Rs. 4 million and defaulted thereafter. Hence, on September 12, 2012, a settlement agreement was entered into with SBL whereby the finance was restructured and the outstanding loan was agreed to be settled as follows:

- Down payment of Rs. 0.707 million; and
- 54 monthly instalments of Rs. 0.204 million each.

Up to November 2014, the Company repaid 26 monthly installments of Rs. 0.204 million each and defaulted thereafter. As of June 30, 2018, the Company had accrued a markup of Rs. 5.627 million (2017: Rs. 5.156 million).

20.2 This represents third issue of registered and listed term finance certificates (TFCs) issued by the Company to banking companies and financial institutions, trusts and general public. These are secured by way of a first exclusive charge on specific leases including lease rentals and receivables against lease with 25% margin available at all times to the TFCs holders on total outstanding amount of the issue. The total issue comprises of 150,000 certificates of Rs. 5,000 each.

The issue was first restructured by way of "Supplemental Declaration of Trust" dated October 05, 2010 and was further restructured by way of "Second Supplemental Declaration of Trust" effective dated April 30, 2012. To make the second proposed restructuring terms of Supplemental Declaration of Trust effective, an extra ordinary resolution has been passed by at least by 75% of the aggregate amount outstanding to TFC holders. The trustee obtained necessary approval of TFC holders. The revised terms and conditions of the issue after rescheduling are as follows:

Principal redemption

The principal redemption of TFCs is structured to be in 63 un-equal monthly instalments starting from January 01, 2012 as follows:

- Rs. 3 million per month starting from January 2012 to December 2012
- Rs. 4 million per month starting from January 2013 to December 2013
- Rs. 6 million per month starting from January 2014 to December 2014
- Rs. 13 million per month starting from January 2015 to February 2017
- Rs. 21.3 million in March 2017

Mark-up on TFCs

- The issue carries markup at 6% per annum for the first 36 months (i.e from January 01, 2012 to December 13, 2014) and one-month KIBOR for the remaining 27 months (i.e. from January 01, 2015 to March 01, 2017).
- Mark-up accrued on TFCs up to December 2011, amounting to Rs. 25.368 million, to be repaid in 3 equal instalments falling due in December 2014, December 2015 and December 2016.
- Mark-up payments on TFCs for first 24 months (i.e from January 01, 2012 to December 13, 2014) to be deferred till December 31, 2013 and to be repaid thereafter on a monthly basis (starting from the 25th month till the maturity of the TFC).

Trustee

In order to protect the interests of TFC holders, First Dawood Investment Bank Limited has been appointed as trustee under a trust deed with power to enforce the Company's obligations in case of default and to distribute the proceeds of any such enforcement, in accordance with the terms of the Declaration of Trust.

The Company defaulted in making payments to TFC holders in 2014 due to liquidity issues faced by the Company.

21.	LONG TERM SECURITY DEPOSITS AGAINST FINANCE LEASES	<i>Note</i>	2018 ----- (Rupees) -----	2017
	Security deposits against finance leases	<i>21.1</i>	324,249,129	324,249,129
	Current maturity of deposits against finance leases	<i>17</i>	<u>(324,249,129)</u>	<u>(324,249,129)</u>
			<u> -</u>	<u> -</u>

21.1 This represents security deposits received from lessees under lease contracts and are adjustable on expiry of the respective lease periods.

22. SHARE CAPITAL

2018 (Number of shares)	2017	Note	2018 ----- (Rupees) -----	2017
AUTHORISED SHARE CAPITAL				
<u>100,000,000</u>	100,000,000	Ordinary shares of Rs. 10 each	<u>1,000,000,000</u>	1,000,000,000
<u>100,000,000</u>	100,000,000	Non-cumulative and non-voting, convertible unlisted preference shares of Rs. 10 each	<u>1,000,000,000</u>	1,000,000,000
ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL				
Ordinary shares				
<i>Issued for cash</i>				
25,180,000	25,180,000	Ordinary shares of Rs. 10 each fully paid in cash	251,800,000	251,800,000
<i>Issued for consideration other than cash</i>				
19,980,500	19,980,500	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	199,805,000	199,805,000
<u>45,160,500</u>	<u>45,160,500</u>		<u>451,605,000</u>	<u>451,605,000</u>
Non-cumulative preference shares				
<i>Issued for consideration other than cash</i>				
52,820,850	52,820,850	Non-cumulative and non-voting, convertible unlisted fully paid preference shares of Rs. 10 each	528,208,500	528,208,500

22.1 Saudi Pak Industrial & Agricultural Investment Company Limited (SAPICO) holds 35.06% (2017:35.06%) of the issued, subscribed and paid-up ordinary share capital of the Company and 63% (2017: 63%) of the issued preference share capital of the Company.

22.2 The shareholders of the Company, through a special resolution in Extra Ordinary General Meeting held on July 11, 2012, approved the decision of the Board of Directors to convert the sub-ordinated debt from SAPICO and loan from Bank of Khyber into non-voting, non-cumulative, convertible unlisted preference shares at Rs. 10 each. The SECP vide its letter number SC/NBFC/23/SPLCL/2013/58 dated February 13, 2013, also approved the conversion.

In June, 2013, the Company issued non-redeemable / convertible preference shares of Rs. 10 each aggregating to Rs. 528.209 million against the conversion of debt. These are non-cumulative, non-redeemable convertible preference shares carrying dividend at 2.5% per annum annually at the end of each completed year on the face value of Rs.10 per preference share. The preference shareholders are only entitled to receive preferential dividend and are not entitled to right shares and bonus shares to which the holders of ordinary shares may be entitled. These shares are convertible into ordinary shares at the option of preference share holders at any time from the date of issue of preference shares. The dividend is payable annually at the end of each completed year subject to availability of profit for the year.

The preference shares have been treated as part of equity on the following basis:

- the preference shares were issued under the provisions of section 86 of the repealed Companies Ordinance, 1984 (the Ordinance) read with section 90 of the Ordinance and Companies Share Capital (Variation in Rights and Privileges) Rules, 2000.
- the authorized capital of the Company and the issue of the preference shares were duly approved by the shareholders of the Company in the Extra Ordinary General Meeting held on July 11, 2012.
- return of allotment in respect of these preference shares was filed under section 73(1) of the Ordinance.
- the preference share holders have the right to convert these shares into ordinary shares at Rs. 10 each.
- dividend on the shares is appropriation of profit both under the Ordinance and the tax laws.
- the requirements of the Ordinance take precedence over the requirements of International Accounting Standards.

22.3 There are no shareholder agreements with respect to voting rights, board selection, rights of first refusal and block voting.

22.4 Capital management policies and procedures

Capital requirements applicable to the Company are set out and regulated by the Securities and Exchange Commission of Pakistan (SECP). These requirements are put in place to ensure sufficient solvency margins. SECP extended the minimum equity requirement (MCR) as per NBFC Regulations, 2008 vide SRO 764(I) / 2009 dated September 02, 2009 wherein the Company is required to meet the minimum equity requirements of Rs. 350 million, Rs. 500 million and Rs. 700 million by June 30, 2011, June 30, 2012 and June 30, 2014, respectively. Further amendment to Schedule I to Regulation 4 made vide SRO 1160 (1) / 2015 dated November 25, 2015 maintained MCR for existing NBFCs at Rs. 750 million and relaxation of MCR for non-deposit taking NBFCs for leasing etc. at Rs. 50 million. The Company intends to exercise the low MCR requirement option once it has settled liability owed to its depositors. Hence, at the year end, the company is non compliant with the MCR requirement laid down by the SECP (also see note 1.3).

23. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET	2018 ----- (Rupees) -----	2017
On office premises, plant and machinery and generators		
<i>Gross surplus</i>		
As at beginning of the year	24,066,015	31,767,167
Incremental depreciation transferred to unappropriated loss	(7,701,152)	(7,701,152)
	16,364,863	24,066,015
<i>Related deferred tax charge</i>		
As at beginning of the year	(7,219,803)	(9,847,821)
Tax effect of change in tax rate	240,660	317,672
Incremental depreciation transferred to unappropriated loss	2,233,334	2,310,346
	(4,745,809)	(7,219,803)
	11,619,054	16,846,212

24. CONTINGENCIES AND COMMITMENTS

24.1 Contingencies

24.1.1 The Company is contesting various suits filed against it during the period from the year 2008 to 2017. These includes counter suits for damages as well as recovery suits including rendition of accounts of aggregate amount of Rs. 212.724 million (2017: Rs. 212.724 million). These suits are proceeding either in banking courts or in High Courts. The legal advisors of the Company defending the cases hold the view that the Company is not likely to suffer any loss on account of aforementioned cases.

24.1.2 The ex-employees of the Company have filed two cases against the Company before High Court of Sindh claiming an amount of Rs. 65.935 million in lieu of gratuity and other retirement benefits. The matter is at the stage of recording evidence of the parties. The Company has not made any provision as, in its opinion, the Company has a good case on merit.

24.1.3 The Company has been issued with a notice under section 14 of the Federal Excise Act, 2005. In the notice, it has been alleged that the Company has not paid Federal Excise Duty (FED) in terms of section 3 (read with Entry 8 of Table-II of the First Schedule) to the Federal Excise Act, 2005 for the financial years 2007-08, 2008-09 and 2009-10 on services provided including both funded and non-funded services. Accordingly, Rs. 126.205 million has been alleged to be recoverable. The above amount of FED has been imposed on all the incomes of the Company for the said three years including mark-up income earned on finance lease contracts.

According to the Company's tax advisor, FED is applicable in respect of document fee, front end fee and syndicate lease income. These represent services rendered by leasing companies in respect of finance lease which are funded services. However, these services for the periods 2007-08 and 2008-09 are not chargeable to FED because of the reason that for those years FED was chargeable on services which were non-funded. However, for the periods 2009-10, due to amendment in Entry 8, the said services are chargeable to FED as provisions of the Federal Excise Act, 2005.

The Company has filed an appeal before the Commissioner Inland Revenue (Appeals) CIR (A) against the said order. The CIR (A) vide through Appellate Order no 97 of 2012 dated April 30, 2012 constituted that the duty so charged is legally and constitutionally valid under the Federal Excise Act, 2005. However, it also mentioned that the notice issued is barred by time for the period from July 2007 to September 2008 and, accordingly, deleted the levy of FED for the said tax period. The Company has filed appeal before the Appellate Tribunal Inland Revenue (ATIR) against the above CIR (A) order who has decided the case in favour of the Company.

A reference application was filed by CIR Zone-I against the Company in High Court in 2014 which is

pending for adjudication. In the opinion of legal counsel of the Company, there is no likelihood of any outcome adverse to the Company's interest. The Company, hence, has not recognized any provision against the above notice.

- 24.1.4** In the year 2016, M/s. First Women Bank Limited (FWBL) filed, before the Honourable High Court of Sindh, a recovery suit against the Company wherein besides the outstanding principal of Rs. 75.062 million and accrued markup of Rs. 24.054 million, a demand has been raised in respect of cost of funds. However, since the case is yet pending for adjudication before the Honourable High Court of Sindh and because no reasonable estimation can be made of the cost of funds so claimed by FWBL, no provision thereof has been recognized in these financial statements.

24.2 Commitments

As of the reporting date, no commitments were known to exist (2017: None).

	<i>Note</i>	2018 ----- (Rupees) -----	2017
25. REVENUE FROM FINANCE LEASE			
Markup recovery on finance lease contracts	<i>11.2</i>	8,029,366	2,514,846
Document fee, front-end fee and other charges		<u>1,022,574</u>	<u>3,245,237</u>
		<u>9,051,940</u>	<u>5,760,083</u>
26. OTHER INCOME			
Income from financial assets			
<i>Available-for-sale</i>			
Dividend income		7,920	7,920
<i>Held-to-maturity</i>			
Income on amortisation of Government Market Treasury Bills		890,326	854,210
<i>Loans and receivables</i>			
Interest income on term loans		-	836,599
Interest income from saving accounts		419,820	361,108
		419,820	1,197,707
Income from other sources			
Gain / (loss) on sale of property, plant and equipment		395,600	(139,100)
Gain on settlement of financial liabilities		-	3,592,366
Others		524,736	22,000
		<u>920,336</u>	<u>3,475,266</u>
		<u>2,238,402</u>	<u>5,535,103</u>
27. FINANCE COSTS			
<i>Mark-up on:</i>			
- Long term finances		1,438,903	1,419,189
- Term finance certificates		14,239,742	13,961,606
- Short term borrowings		13,480,001	13,549,635
Return on certificates of investment		6,706,002	6,706,002
Bank charges		27,994	37,976
		<u>35,892,642</u>	<u>35,674,408</u>

	<i>Note</i>	2018	2017
		----- (Rupees) -----	
28. ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries, allowances and benefits	28.1 / 40	16,394,256	21,416,784
Defined benefit plan- net reversal		-	(41,253)
Rent		1,068,574	946,965
Repairs and maintenance		1,011,737	991,475
Utilities		584,352	814,854
Depreciation on owned assets	13	9,472,429	9,915,602
Depreciation on investment properties	12	2,675,869	2,587,884
Insurance		127,368	138,049
Vehicle running expenses	40	900,512	557,938
Printing and stationery		132,764	224,723
Telephone and postage		615,859	708,577
Travelling and conveyance		199,220	264,690
Fee and subscriptions		1,784,191	738,260
Legal and professional charges		2,871,574	1,888,087
Advertising and entertainment		220,452	302,739
Auditors' remuneration	28.2	605,000	605,000
Sindh sales tax on services	16.1	-	583,654
Miscellaneous	40	768,369	587,540
		<u>39,432,526</u>	<u>43,231,568</u>
28.1	Salaries, allowances and benefits include Rs. 0.48 million (2017: Rs. 0.48 million) in respect of staff retirement benefits.		
28.2 Auditors' remuneration	<i>Note</i>	2018	2017
		----- (Rupees) -----	
Annual audit fee		350,000	350,000
Fee for review of half yearly financial statements		100,000	100,000
Other certifications		50,000	50,000
Out of pocket expenses		105,000	105,000
		<u>605,000</u>	<u>605,000</u>
29. DIRECT COST OF OPERATING LEASES			
Insurance and other expenses		-	338,480
Depreciation on operating lease assets	13	543,925	1,087,920
		<u>543,925</u>	<u>1,426,400</u>
30. PROVISION FOR DOUBTFUL LEASES, LOANS AND OTHER RECEIVABLES			
(Reversal)/ provision for potential lease losses - net	11.3	(11,622,124)	2,434,045
(Reversal) / provision for potential losses on short term loans - net	6.2	-	(850,675)
Provision for doubtful receivables - net	8.2	-	265,962
		<u>(11,622,124)</u>	<u>1,849,332</u>
31. TAXATION			
Current		169,804	237,321
Deferred	19	240,660	317,672
		<u>410,464</u>	<u>554,993</u>
31.1	The numerical reconciliation between the tax expense and accounting profit has not been presented for the current year and comparative year in these financial statements as the total income of the Company for the current year and comparative year attracted minimum tax under Section 113 of the Income Tax Ordinance, 2001.		

31.2 Current status of tax assessments

The tax assessments of the Company relating to assessment years before tax year 2003 have been completed and no appeal is being pending in appellate forums. The income tax return for tax years 2003-2018 have been filed which are deemed assessed under section 120 of Income Tax Ordinance, 2001 ('the Ordinance') except for the tax year 2007, which has been selected for audit under the provision of section 177 of the Ordinance and tax years 2014-2017, which have been selected for audit under provision of section 214 C of the Ordinance. The Company has submitted in this respect all the requisite documents / information with the tax authority. However, audit proceedings are under process and no further notice has yet been issued by the tax authority.

31.3 A comparison of income tax provision with tax assessed for the last three years is presented below:

Provision for taxation	Tax Year	Provision for taxation	Tax assessed
		<u>----- Rupees -----</u>	
June 30, 2017	2017	237,321	303,865
June 30, 2016	2016	414,052	414,052
June 30, 2015	2015	12,562,202	622,552

32. LOSS PER SHARE - BASIC AND DILUTED

	2018	2017
	<u>----- (Rupees) -----</u>	
Loss after taxation attributable to ordinary shareholders	<u>(52,673,758)</u>	<u>(69,309,495)</u>
Weighted average number of ordinary shares - Basic	<u>45,160,500</u>	<u>45,160,500</u>
Loss per share - Basic	<u>(1.17)</u>	<u>(1.53)</u>

32.1 At June 30 2018, the Company has 52.82 million (2017: 52.82 million) convertible preference shares which are not considered for the calculation of diluted earning per share as the effect would have been anti dilutive.

33. STAFF RETIREMENT BENEFIT SCHEMES

33.1 Defined benefit scheme

The latest actuarial valuation of the gratuity fund was carried out by M/s. TRT Associates as at June 30, 2015 on the basis of "Projected Unit Credit Method". During the year ended June 30, 2016, the Company changed the terms of employment, whereby all members of the gratuity fund (except for Mr. Tariq Masood, then Chief Executive of the Company whose contracted tenure of service ended on June 02, 2017) were removed from the Company's permanent staff payroll and re-engaged on contractual basis (with no eligibility for retirement benefits).

As aforesaid, on June 02, 2017, Mr. Tariq Masood, then Chief Executive of the Company completed his contracted tenure of service. As part of his full and final settlement dated June 16, 2017, he was paid his accumulated gratuity entitlement, amounting to Rs. 1.2 million, which was subsequently recovered from him in May 2018.

During the year ended June 30, 2018, there was no activity in the fund's assets and liabilities. Further, as of June 30, 2018, though the fund was in legal existence, it had no members.

33.1.1 Net defined benefit (asset) / liability	2018	2017
	<u>----- (Rupees) -----</u>	
Present value of defined benefit obligation	-	-
Fair value of plan assets	<u>(2,815,828)</u>	<u>(2,815,828)</u>
	<u>(2,815,828)</u>	<u>(2,815,828)</u>

	2018 ----- (Number) -----	2017 ----- (Number) -----
34. NUMBER OF EMPLOYEES		
As at end of the year	<u>28</u>	<u>29</u>
Average for the year	<u>26</u>	<u>33</u>

35. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of Saudi Pak Industrial & Agricultural Investment Company Limited (the major shareholder), directors, key management personnel and employee benefit plans. The transactions between the Company and the related parties are carried out as per agreed terms. The Company also provides loan to employees at reduced rates in accordance with their terms of employment.

Transactions during the year

Details of transactions entered into with related parties, other than those disclosed elsewhere in these financial statements, are as follows:

	2018		
	Major Shareholder	Key management personnel (Rupees)	Other related parties
Rent for offices at Lahore and Islamabad	614,928	-	-
Contributions to provident fund	-	-	480,000
Remuneration	-	8,350,000	-
	2017		
	Major Shareholder	Directors fee (Rupees)	Key management personnel Other related parties
Rent for offices at Lahore and Islamabad	582,315	-	-
Contributions to provident fund	-	-	480,000
Remuneration	-	8,686,438	-
Disposal of car	-	78,500	-

Balances outstanding as of the end of the reporting period

Details of balances held with related parties, other than those disclosed elsewhere in these financial statements, are as follows:

	2018 ----- (Rupees) -----	2017 ----- (Rupees) -----
Major Shareholder		
Preference dividend payable	<u>5,774,153</u>	<u>5,774,153</u>

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in financial statements for remuneration including all benefits to the Chief Executive, Directors and Executives is as follows:

	Chief Executive		Directors		Executives		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	(Rupees)							
Managerial remuneration	4,800,000	4,800,000	-	-	1,536,000	1,536,000	6,336,000	6,336,000
Housing, utilities etc.	-	-	-	-	264,000	264,000	264,000	264,000
Retirement benefits	480,000	480,000	-	-	-	-	480,000	480,000
Leave encashment	400,000	736,438	-	-	-	-	400,000	736,438
Other perquisites	870,000	870,000	-	-	-	-	870,000	870,000
	6,550,000	6,886,438	-	-	1,800,000	1,800,000	8,350,000	8,686,438
Number of persons	1	1	-	-	1	1		

36.1 The Chief Executive is provided with free use of a Company maintained car.

37. CASH USED IN OPERATING ACTIVITIES

	2018	2017
	(Rupees)	
Loss before taxation	(52,263,294)	(68,754,502)
Adjustments for:		
Depreciation - owned assets	9,472,429	9,915,602
Depreciation - investment properties	2,675,869	2,587,884
Depreciation - assets under operating lease	543,925	1,087,920
Income on finance lease contracts	(8,029,366)	(2,514,846)
Finance cost	35,892,642	35,674,408
(Reversal) / provision for doubtful leases, loans and other receivables	(11,622,124)	1,849,332
Dividend income	(7,920)	(7,920)
Interest income on treasury bills	(890,326)	(854,210)
Gratuity charge for the year	-	(41,253)
Gain on settlement of loans - net	-	(3,592,366)
(Loss) / gain on sale of property, plant and equipment	(395,600)	139,100
	27,639,529	44,243,651
	(24,623,765)	(24,510,851)
Movement in working capital		
<i>(Increase) / decrease in operating assets</i>		
Short term loans	300,000	2,650,675
Trade deposits and short term prepayments	2,628	269,354
Other receivables	1,399,557	(4,204,462)
	1,702,185	(1,284,433)
<i>Increase / (decrease) in operating liabilities</i>		
Accrued expenses and other payables	(6,496,208)	1,692,710
	(4,794,023)	408,277
Cash used in operations	(29,417,788)	(24,102,574)

38. SEGMENT INFORMATION

The business of the Company is divided into four reporting segments namely:

1. Finance lease operations,
2. Operating lease operations,
3. Term loans and
4. Investments

Finance and operating lease operations include leasing of moveable assets. Term loans include secured loans for tenure ranging from 3 months to 5 years whereas investments include equity and debt securities.

Management monitors the operating segments of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Other operations, which are not monitored by the management separately, are reported as 'Others'.

Segment assets and liabilities include all assets and liabilities related to the segment and segment revenues and expenses include all revenues and expenses related to the segment.

The Company's finance costs, administrative and other operating expenses, write-offs, taxation and assets and liabilities not related to the above mentioned segments are managed on Company basis and are not allocated to operating segments.

	2018					Total
	Finance lease	Operating lease	Term loans	Investments	Others	
----- (Rupees) -----						
Segment revenue						
Lease income	9,051,940	693,333	-	-	-	9,745,273
Interest income	-	-	-	890,326	419,820	1,310,146
Other income	-	-	-	7,920	920,336	928,256
Direct cost of operating leases	-	(543,925)	-	-	-	(543,925)
Provision for doubtful leases, loans and other receivables- net	11,622,124	-	-	-	-	11,622,124
Segment results	20,674,064	149,408	-	898,246	1,340,156	23,061,874
Unallocated cost						
Financial charges						(35,892,642)
Administrative / operating expenses						(39,432,526)
						(75,325,168)
Loss before taxation						(52,263,294)
Taxation						(410,464)
Loss after taxation						(52,673,758)
Other information						
Segment assets	480,087,357	380,400	122,431,311	29,401,822	-	632,300,890
Unallocated assets	-	-	-	-	70,419,228	70,419,228
Total assets						702,720,118
Segment liabilities	168,765,197	-	-	-	-	168,765,197
Unallocated liabilities	-	-	-	-	1,216,713,030	1,216,713,030
Total liabilities						1,385,478,227
Net Liability						(682,758,109)

	2017					
	Finance lease	Operating lease	Term loans	Investments	Others	Total
	----- (Rupees) -----					
Segment revenue						
Lease income	5,760,083	2,132,020	-	-	-	7,892,103
Interest income	-	-	836,599	854,210	361,108	2,051,917
Other income	-	-	-	7,920	3,475,266	3,483,186
Direct cost of operating leases	-	(1,426,400)	-	-	-	(1,426,400)
Provision for doubtful leases, loans and other receivables- net	(2,434,045)	-	850,675	-	(265,962)	(1,849,332)
Segment results	<u>3,326,038</u>	<u>705,620</u>	<u>1,687,274</u>	<u>862,130</u>	<u>3,570,412</u>	<u>10,151,474</u>
Unallocated cost						
Financial charges						(35,674,408)
Administrative / operating expenses						(43,231,568)
						(78,905,976)
Loss before taxation						(68,754,502)
Taxation						(554,993)
Loss after taxation						<u>(69,309,495)</u>
Other information						
Segment assets	489,875,488	1,528,725	122,659,130	29,557,182	-	643,620,525
Unallocated assets					82,574,703	82,574,703
Total assets						<u>726,195,228</u>
Segment liabilities	168,765,197	-	-	-	-	168,765,197
Unallocated liabilities	-	-	-	-	1,187,748,775	1,187,748,775
Total liabilities						<u>1,356,513,972</u>
Net Liability						<u>(630,318,744)</u>

38.1 Geographical segment analysis

The Company's operations are restricted to Pakistan only.

39. FINANCIAL RISK MANAGEMENT

Introduction and overview

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

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

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

Risk management framework

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

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

39.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company and arises principally from the Company's lease and loan portfolio and receivables and deposits with banks.

Management of credit risk

The Company is managing its credit risk by improving and enhancing its credit risk policies and procedures to have a better control and monitoring on its credit exposures. Therefore, the management on the basis of past events, is continuously working to formulate and strengthen its policies to effectively control and monitor its credit risk. The management is also in the process of negotiation and settlement of loans against its non-performing exposures.

Exposure to credit risk

The Company's maximum credit risk exposure at the reporting date is represented by the respective carrying amounts of the financial assets in the balance sheet. The Company's exposure to credit risk is inherent in lease and loan receivables and deposits with banks.

The maximum exposure to credit risk at the reporting date is:

	2018	2017
	----- (Rupees) -----	
Financial assets		
Long term loans	34,408,676	34,336,495
Net investment in finance leases - net of security deposits held	155,838,228	165,626,359
Bank balances	9,668,128	8,307,275
Short term loans	88,022,635	88,322,635
Trade deposits	908,267	908,267
Other receivables	3,124,998	4,524,555
	<u>291,970,932</u>	<u>302,025,586</u>
Financial assets		
Secured	278,269,539	288,285,489
Unsecured	13,701,393	13,740,097
	<u>291,970,932</u>	<u>302,025,586</u>

39.1.1 The aging of net investment in finance leases (net of security deposits), long term loans and short term loans (on gross basis) at the reporting date was:

	2018					
	Net investment in finance leases (Net of security deposits)		Long term loans		Short term loans	
	Principal	Provision	Gross	Provision	Gross	Provision
	----- (Rupees) -----					
I Past due and impaired:						
- 180 to 365 days	-	-	-	-	-	-
- 366 to 730 days	-	-	-	-	-	-
- more than 731 days	1,037,051,159	881,212,931	101,253,012	66,844,336	199,206,119	111,183,484
Neither past due nor individually impaired	-	-	-	-	-	-
Total	<u>1,037,051,159</u>	<u>881,212,931</u>	<u>101,253,012</u>	<u>66,844,336</u>	<u>199,206,119</u>	<u>111,183,484</u>

	2017					
	Net investment in finance leases (Net of security deposits)		Long term loans		Short term loans	
	Principal	Provision	Gross	Provision	Gross	Provision
	----- (Rupees) -----					
Past due and impaired:						
- 180 to 365 days	-	-	-	-	-	-
- 366 to 730 days	-	-	-	-	-	-
- more than 731 days	1,058,461,414	892,835,055	101,180,831	66,844,336	199,506,119	111,183,484
Neither past due nor individually impaired	-	-	-	-	-	-
Total	<u>1,058,461,414</u>	<u>892,835,055</u>	<u>101,180,831</u>	<u>66,844,336</u>	<u>199,506,119</u>	<u>111,183,484</u>

The benefit of FSV of collaterals has been considered in calculating the provision against non-performing exposures.

39.1.2 The credit quality of the Company's bank balances can be assessed with reference to external credit ratings as follows:

	Rating as of June 30, 2018		Rating Agency	2018		2017	
	Short term	Long term		----- (Rupees) -----			
Faysal Bank Limited	A1+	AA	PACRA	26,574		89,452	
Silk Bank Limited	A-2	A-	JCR-VIS	9,886		9,886	
Samba Bank Limited	A-1	AA	JCR-VIS	10,341		10,341	
MCB Bank Limited	A1+	AAA	PACRA	9,615,827		8,192,096	
National Bank of Pakistan	A-1+	AAA	JCR-VIS	5,500		5,500	
				<u>9,668,128</u>		<u>8,307,275</u>	

39.1.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company manages credit risk and its concentration exposure through diversification of activities to avoid undue concentration of risks.

Sector wise analysis of lease and loan receivables is given below:

Sector	Lease and loan receivables			
	Percentage		Gross amount in Rupees	
	2018	2017	2018	2017
Sugar and allied	0.87	0.92	12,520,098	12,520,098
Energy, oil and gas	5.52	5.46	79,365,992	74,137,062
Steel and engineering & automobiles	6.59	6.26	94,774,400	85,012,305
Electric and electric goods	0.29	0.31	4,211,512	4,211,512
Transport and communications	10.55	11.24	151,759,463	152,555,370
Chemicals / fertilizers / pharmaceuticals	1.36	1.29	19,543,855	17,494,480
Textile	21.70	21.86	312,196,144	296,617,495
Paper and boards	4.05	3.86	58,213,346	52,327,172
Construction	9.20	7.79	132,415,197	105,677,968
Food, tobacco and beverages	4.85	5.07	69,754,815	68,755,578
Glass and ceramics	1.39	1.45	19,942,065	19,618,099
Hotels	0.98	1.06	14,119,667	14,419,667
Health care	0.92	0.81	13,232,098	10,985,869
Dairy and poultry	2.26	2.40	32,581,937	32,581,937
Services	8.13	8.62	117,008,565	117,008,565
Miscellaneous	16.94	16.84	243,710,841	228,546,241
Consumer	4.42	4.77	63,581,854	64,727,424
	<u>100.00</u>	<u>100.00</u>	<u>1,438,931,849</u>	<u>1,357,196,842</u>

39.2 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 will be required to pay its liabilities earlier than expected or will face 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 due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below summarises the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date.

		2018						
	Weighted average effective rate of interest %	Carrying	Contractual cash flows	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years
		(Rupees)						
Financial liabilities								
Borrowings from financial institutions	9.60%	174,930,728	174,930,728	174,930,728	-	-	-	-
Certificates of investment	7% - 11.00%	97,049,000	97,049,000	97,049,000	-	-	-	-
Accrued mark-up		365,927,127	365,927,127	365,927,127	-	-	-	-
Accrued expenses and other payables		11,719,731	11,719,731	11,719,731	-	-	-	-
Long term finances	6.61%-10.21%	392,032,443	392,032,443	392,032,443	-	-	-	-
		1,041,659,029	1,041,659,029	1,041,659,029	-	-	-	-
		2017						
	Weighted average effective rate of interest %	Carrying amount	Contractual cash flows	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years
		(Rupees)						
Financial liabilities								
Borrowings from financial institutions	9.60%	174,930,728	174,930,728	174,930,728	-	-	-	-
Certificates of investment	7% - 11.00%	97,049,000	97,049,000	97,049,000	-	-	-	-
Accrued mark-up		330,062,479	330,062,479	330,062,479	-	-	-	-
Accrued expenses and other payables		12,663,746	12,663,746	12,663,746	-	-	-	-
Long term finances	6.61%-10.21%	392,032,443	392,032,443	392,032,443	-	-	-	-
		1,006,738,396	1,006,738,396	1,006,738,396	-	-	-	-

39.2.1 Breach of loan agreements

Due to liquidity crunch, as of June 30, 2018, the Company had been in default in making repayments in respect of certain short term and long term financing arrangements. As of the reporting date, the total outstanding principal and accrued markup in default amounted to Rs. 664.012 million (2017: Rs. 664.012 million) and Rs. 365.927 million (2017: Rs. 330.062 million), respectively.

39.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk.

39.3.1 Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flows. The Company's exposure to fair value interest rate risk is limited as it does not hold significant fixed interest based financial instruments.

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

		Carrying amount	
		June 30, 2018	June 30, 2017
		(Rupees)	
Fixed rate instruments			
Financial assets		14,638,988	14,788,081
Financial liabilities		(309,610,505)	(309,610,505)
		(294,971,517)	(294,822,424)
Variable rate instruments			
Financial assets		1,236,344,906	1,367,450,139
Financial liabilities		(235,767,246)	(235,767,246)
		1,000,577,660	1,131,682,893

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

<u>As at June 30, 2018</u>	Effective rate of mark-up / return %	Exposed to interest rate risk				Not exposed to interest rate risk
		Carrying amount	Upto 6 months	Over 6 months to 1 year	1 year to 5 years	
----- (Rupees) -----						
Financial assets						
Cash and bank balances	4% -5%	9,738,553	87,628	-	-	9,650,925
Short term loans	16.25%-25%	88,022,635	88,022,635	-	-	-
Short term investments		29,401,822	-	-	-	29,401,822
Trade deposits		908,267	-	-	-	908,267
Other receivables		3,124,998	-	-	-	3,124,998
Long term loans	16% - 22.66%	34,408,676	34,408,676	-	-	-
Net investment in finance leases net of security deposit	12.50% - 20.01%	155,838,228	155,838,228	-	-	-
		321,443,179	278,357,167	-	-	43,086,012

<u>As at June 30, 2017</u>	Effective rate of mark-up / return %	Exposed to interest rate risk				Not exposed to interest rate risk
		Carrying amount	Upto 6 months	Over 6 months to 1 year	1 year to 5 years	
----- (Rupees) -----						
Financial assets						
Cash and bank balances	4% -5%	8,386,192	8,301,775	-	-	84,417
Short term loans	16.25%-25%	88,322,635	88,322,635	-	-	-
Short term investments		29,557,182	-	-	-	29,557,182
Trade deposits		908,267	-	-	-	908,267
Other receivables		4,524,555	-	-	-	4,524,555
Long term loans	16% - 22.66%	34,336,495	34,336,495	-	-	-
Net investment in finance leases net of security deposit	12.50% - 20.01%	165,626,359	165,626,359	-	-	-
		331,661,685	296,587,264	-	-	35,074,421

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 or loss.

Cash flow sensitivity analysis for variable rate instruments

The Company holds profit earning savings accounts with various banks exposing the Company to cash flow interest rate risk (as detailed in note 5).

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

	Profit or loss before tax 100 bp	
	Increase	(Decrease)
----- (Rupees) -----		
<u>As at June 30, 2018</u>		
Cash flow sensitivity - Variable rate instruments	10,005,777	(10,005,777)
<u>As at June 30, 2017</u>		
Cash flow sensitivity - Variable rate instruments	11,316,829	(11,316,829)

39.3.2 Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is not exposed to foreign exchange risk as there are no financial instruments in foreign currency.

39.3.3 Other price risk

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

The Company's investment in listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments.

Price sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to valuation gains and losses for investment portfolio of the Company. The analysis is prepared on the amount of investments at the reporting date. 10% increase or decrease in equity instrument prices are used when reporting price risk internally to key management personnel and represents management's assessment of the reasonably possible change in equity instruments rates.

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in equity
	----- (Rupees) -----			
<u>2018</u>	97,896	10% increase	107,686	9,790
	97,896	10% decrease	88,106	(9,790)
<u>2017</u>	104,163	10% increase	114,579	10,416
	104,163	10% decrease	93,747	(10,416)

39.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Company's activities. The management of the Company, in view of the historical events is evaluating and enhancing controls such that operational risk is better managed.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- contingency plan;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

39.5 Fair value of assets and liabilities

Fair value is the price that would be received to sell an asset or settle a liability in an orderly transaction on the balance sheet. The management is of the fair values of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short term in nature.

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

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

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

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

Following is the fair value hierarchy of assets and liabilities carried at fair value.

	Level 1	Level 2	Level 3	Total
	(Rupees)			
Office premises and generators	-	20,919,649	-	20,919,649
Investment in ordinary shares	97,896	-	14,664,938	14,762,834

The carrying amounts of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

39.6 Financial instrument by categories	2018	2017
	----- (Rupees) -----	
Financial assets		
<i>Loans and receivables</i>		
Cash and bank balances	9,738,553	8,386,192
Short term loans	88,022,635	88,322,635
Trade deposits	908,267	908,267
Other receivables	3,124,998	4,524,555
Long term loans	34,408,676	34,336,495
Net investment in finance leases	480,087,357	489,875,488
<i>Available-for-sale</i>		
Short term investments	14,762,834	14,769,101
<i>Held-to-maturity</i>		
Short term investments	14,638,988	14,788,081
Financial liabilities		
<i>At amortised cost</i>		
Long term finances	392,032,443	392,032,443
Security deposits against finance leases	324,249,129	324,249,129
Certificates of investment	97,049,000	97,049,000
Borrowings from financial institutions	174,930,728	174,930,728
Accrued mark-up	365,927,127	330,062,479
Accrued expenses and other payables	11,719,731	12,663,746

40 CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of the Companies Act, 2017 and for the purposes of comparison and better presentation. Following major reclassifications have been made:

Reclassified from component	Reclassified to component	<u>Rupees</u>
Others (Accrued expenses and other payables)	Provident fund payable (Disclosed on the face of statement of financial position)	<u>79,998</u>
Unclaimed dividend (Accrued expenses and other payables)	Unclaimed dividend (Disclosed on the face of statement of financial position)	<u>1,661,291</u>
Miscellaneous (Administrative and operating expenses)	Salaries, allowances and benefits (Administrative and operating expenses)	<u>467,500</u>
Vehicle running expenses (Administrative and operating expenses)	Salaries, allowances and benefits (Administrative and operating expenses)	<u>42,500</u>

41. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Board of Directors of the Company in their meeting held on _____.



Chief Executive Officer



Director



Chief Financial Officer

