

OUR VISION

To remain trust worthy industry player by offering business solutions to the customers, driven by a cohesive team of professionals.

OUR MISSION

For our customers

We will strive to add value for our customers through high quality business solutions and superior services.

For our employees

We will provide our employees opportunities for self development in a highly challenging performance oriented work environment.

For our shareholders

We will maximize our shareholders' value by optimum utilization of resources.

For our society

We will maintain high ethical standards and act as responsible corporate citizen.



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Mr. Ahsanullah Khan
CEO / Managing Director

CORPORATE INFORMATION

During the year ended 30 June, 2016, the SPLC, Board of Directors were suspended under stay order.

BOARD OF DIRECTORS AS ON JUNE 30, 2016

Mr. Niaz Ahmed Khan	Chairman
Mr. Muhammad Tariq Masood	Executive Director
Ms. Perveen A. Malik	Director

BOARD OF DIRECTORS ELECTED ON NOVEMBER 26, 2018

Mr. Niaz Ahmed Khan	Chairman/Non-Executive/ Independent Director
Mr. Ahsanullah	Chief Executive Officer
Sheikh Aftab Ahmed	Nominee Director
Mr. Zafar Iqbal	Nominee Director
Ms. Fozia Fakhra	Nominee Director
Mr. Muhammad Waqar	Independent Director
Syed Najmul Hasnain Kazmi	Independent Director

AUDIT COMMITTEE

Ms. Parveen A. Malik	Chairperson
Mr. Arsalan Iftikhar Khan	Member

AUDIT COMMITTEE ELECTED ON JANUARY 29, 2019

Syed Najmul Hasnain Kazmi	Chairman
Sheikh Aftab Ahmed	Member
Ms. Fozia Fakhra	Member
Mr. Muhammad Waqar	Member

HR & REMUNERATION COMMITTEE ELECTED ON JANUARY 29, 2019

Mr. Niaz Ahmed Khan	Chairman
Sheikh Aftab Ahmed	Member
Mr. Zafar Iqbal	Member
Mr. Ahsanullah	Member

MANAGEMENT OF THE COMPANY AND OTHER INFORMATION AS ON MARCH 28, 2019

COMPANY SECRETARY

Mr. M. Imtiaz Ali

CHIEF FINANCIAL OFFICER

Mr. Muhammad Siddique Ahmed, FCA

HEAD OF INTERNAL AUDIT

Mr. M. Salman Usmani

TAX CONSULTANT

Junaid Shoaib Asad
Chartered Accountants

AUDITORS

M/s. Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountant
(appointed on 26-11-2018)
A member of Russell Bedford International

LEGAL ADVISOR

M/s. S&B Durrani Law Associates,
House No. 5-A/11/11, Sunset Lane, DHA,
Phase – II (Ext.), Karachi

M/s. Zafar & Zafar Law Associates,
Zafar Cottage, 25, Mason Road, Lahore

BANKS

MCB Bank Limited
Faysal Bank Limited
National Bank of Pakistan
SILK Bank Limited

REGISTER OFFICE

6TH Floor, Lakson Square Building # 1
Sarwar Shaheed Road, Saddar,
Karchi-74200
Tel: (021) 35655181-82-83
Fax: (021) 35210609

BRANCH

Office 337/338, 4th Floor,
JEFF HEIGHTS
Main Boulevard, Gulberg-III, Lahore
Ph : 042 3576 4964 – 65
(Relocated in 2018)
Contact Person : Mr. Tahir Mahmood
Room No.5, Business Center, Low Rise Area,
Saudi Pak Tower, 61-A, Jinnah Avenue,
Blue Area, Islamabad
Tel: (051) 2800207, 2800206
Fax: (051) 2800205

CONTRACT DETAILS

Website : www.saudipakleasing.com
Email : info@saudipakleasing.com

REGISTRAR AND SHARE TRANSFER OFFICE

Central Depository Company of Pakistan
Limited
CDC House, 99-B, Block – B
S. M. C. H. S., Main Shahrah-e-Faisal,
Karachi
Tel: (021) 111-111-500
Fax: (021) 34326031

BOARD OF DIRECTORS



Mr. Niaz Ahmed Khan
Chairman



Sheikh Aftab Ahmad
Nominee Director



Ms. Fozia Fakhar
Nominee Director



Mr. Zafar Iqbal
Nominee Director



Mr. Ahsanullah Khan
Independent Director



Syed Najmul Hasnain Kazmi
Independent Director



Mr. Muhammad Waqar
Independent Director

Profile of Mr. Niaz Khan Toru, Chairman:



He is a Civil Engineer from Engineering University of Peshawar and acquired Master degree in Business Administration (MBA). He is a senior banker having more than a decade experience in commercial banking in a leading commercial bank in senior cadre. He has also worked as a Civil Engineer with GAMMONs Pak Limited. on various projects at home and abroad. He is Chairman of Saudi Pak Leasing Co. Limited Board since 2015 till date and also serving as CEO of KOTA Developers & Planners.

Profile of CEO:



Mr. Ahsanullah Khan is the Chief Executive/MD of the company. He has also served this Organization as its Chairman and Chief Executive Officer in the past. He is a seasoned and senior banker groomed and remained associated with Bank of America (Karachi & Lahore), Middle Eastern Banks, Societe Generale Bank Karachi and The Bank of Tokyo-Mitsubishi (Karachi & Singapore).

Mr. Khan is a certified Director from Executive Development Center, Lahore and trained in an international commercial banking environment at home and abroad. He has also worked in investment banks and financial institutions from middle management to the top most cadre in the financial sector nationally and internationally at financial hubs like Karachi, Dubai and Singapore. His credentials and experience speak loudly of his having

command over various disciplines of banking and finance:

He has an excellent record of recoveries and rehabilitation of sick financial institutions not only as a going concern but turning them into a profitable one. He is a double graduate in commerce and law and has attended a large number of courses, workshops, seminars and symposia at home and abroad in Financial and Banking Management. He has also served as:

- Former Senior Vice Chairman NBFBI & Modaraba Association of Pakistan
- Former Vice Chairman Investment Banks Association of Pakistan
- Former Executive and General Body Member of FPPCI representing NBFBI & Modaraba Association.

Profile of Sheikh Aftab Ahmad:



Sheikh Aftab Ahmad holds degree from a leading Engineering University and Masters in Business Administration (MBA) from IBA, Karachi, an Associate of Institute of Bankers in Pakistan (DAIBP) and Certified Director by Institute of Chartered Accountants of Pakistan. He has attended various professional courses, workshops, seminars and was awarded British Chevening scholarship by the UK Government.

Sheikh Aftab Ahmad has over three decades of diversified experience in the financial sector and has remained associated with a Development Finance Institution, an Islamic Bank and a Joint Venture Investment Company. He has extensive exposure to financial controls and regulatory compliance, Risk Management, Development Financing and rehabilitation of companies in distress. He has earlier served on the boards of a listed Textile Mills and a listed Sugar Mills besides being a director of a major Brokerage and Advisory Company.

Profile of Ms. Fozia Fakhar



Ms Fozia Fakhar has over 30 years of diversified banking experience well spread in the fields of Corporate & Investment Banking, Credit & Risk Assets Management, Strategic Planning and Compliance. She was actively involved in divestment/sale of a major commercial bank. She has served on the board of a multinational Takaful Company. She has also remained associated with SBP Committee constituted for Revival of Sick Industrial Units She has done MBA, International Banking & Finance from University of Birmingham, UK and is Alumni of International Centre for leadership in Finance (ICLIF) Global Leadership Development program (GLDP) Malaysia. She is a ICAP Certified Director duly registered at PICG.

Profile of Mr. Zafar Iqbal



He is a law graduate having over 32 years legal experience mostly handling with legal affairs of Financial Institutions (DFIs) inter-alia providing legal assistances to the senior managements besides maintaining liaison with leading law firms/internal and external auditors, State Bank of Pakistan, SBP,SECP, Ministry of Finance, NAB etc.

PROFESSIONAL MEMBERSHIPS/REPRESENTATIONS:

1. Member Punjab Bar Council.
2. Life Time Member, Lahore High Court Bar Association.
3. Member, Rawalpindi District Bar Association.
4. Certified Director as per requirements of CCG 2017.
5. Nominee Director on the Board of Saudi Pak Leasing Company Ltd.
6. Senior Vice President/Head Law Division, Saudi Pak Industrial and Agricultural Investment Company Limited at its Head Office, at Islamabad.

Profile of Syed Najmul Hasnain Kazmi



Mr Kazmi has professional experience of three decades in Banking and Finance at home and abroad in senior management. He is a certified Director of ICAP and has done his Masters' in Business Administration besides being graduated in Law from the University of Peshawar. PGD-HRM Hamilton, Canada. He has vast experience in the fields of Corporate & Investment Banking, Credit & Risk Assets Management, Strategic Planning and Compliance. He holds following professional qualifications:

- Associate Diplomat of the Institute of Bankers in Pakistan
- Member, Human Resource Professionals Association of Ontario, Canada
- Member, Industrial Association, Peshawar - Khyber Pakhtunkhwa
- Board Member, Project Masters Limited
- Executive Member, Excellence Community Helping Organization (ECHO)
- Associated Member Arab Institute of Banking and Financial Studies (AIBFS)

Profile of Mr. Muhammad Waqar



EDUCATIONAL QUALIFICATION: MBA (Banking and finance)

PROFESSIONAL QUALIFICATION:

- Certified director
- Diploma in banking

EXPERIENCE:

- Retired Bank Executive carries experience of 38 years in domestic and international Banking.
- Attended various seminars and short courses

NOTICE OF ANNUAL GENERAL MEETINGS

NOTICE OF THE 26th, 27th AND 28th ANNUAL GENERAL MEETINGS OF SAUDI PAK LEASING COMPANY LIMITED

Notice is hereby given that the 26th, 27th and 28th Annual General Meetings of Saudi Pak Leasing Company Limited will be held on Thursday the May 16, 2019 at 1100, 1200 and 1300 hours respectively at Registered Office i.e. 6th Floor, Lakson Square Building # 1, Sarwar Shaheed Road, Saddar, Karachi to transact the following business for the respective years.

A. Ordinary Business 2016:

1. To confirm the minutes of Extra Ordinary General Meeting (EOGM) held on November 26, 2018.
2. To receive, consider and adopt the audited Accounts for the year ended June 30, 2016 together with the Directors' and Auditors' reports thereon.
3. To transact any other business with the permission of the Chair.

B. Ordinary Business 2017:

1. To confirm the minutes of 26th Annual General Meeting (AGM) held on May 16, 2019 at 1100 hours.
2. To receive, consider and adopt the audited Accounts for the year ended June 30, 2017 together with the Directors' and Auditors' reports thereon.
3. To transact any other business with the permission of the Chair.

C. Ordinary Business 2018:

1. To confirm the minutes of 27th Annual General Meeting (AGM) held on May 16, 2019 at 1200 hours.
2. To receive, consider and adopt the audited Accounts for the year ended June 30, 2018 together with the Directors' and Auditors' reports thereon.
3. To reappointment the retiring auditors Rehman, Sarfaraz, Iqbal, Rafiq (Russel) for the year 2019 and fix their remuneration.
4. To transact any other business with the permission of the Chair.

By Order of the Board

MUHAMMAD IMTIAZ ALI

Company Secretary

Karachi April 24, 2019

NOTES:

- i) The Share Transfer Books of the Company will remain closed from May 10, 2019 to May 16, 2019 (both days inclusive).
- ii) A member entitled to attend and vote at the Annual General Meeting may appoint another as a Proxy to attend and vote instead of him/her save that a company being a member of this Company may appoint as proxy or as its representative under Section 138 of the Companies Act., 2017 any person though not a member of the Company, and the person so appointed shall be entitled to exercise the same powers on behalf of the Company which he represents, as if he was an individual member of the Company.
- iii) The instrument appointing a proxy shall be lodged with the Company Secretary not less than 48 hours before the time fixed for the Meeting. A member shall not be entitled to appoint more than one proxy. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.





Niaz Ahmed Khan
Chairman

CHAIRMAN'S REVIEW

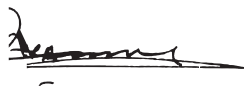
I hereby present the 26th Annual Report along with the audited Financial Statements of Saudi Pak Leasing Company Limited for the year ended June 30, 2016.

The year under review may very well be characterized as an extension of last year. As in FY 2015, this year also saw severe operational and financial problems. Due to extreme resource constraints, the core business activities like previous years remained suspended during the current year as well the Company has simply lost its ability to generate revenue from the business operations both from financial leases and Operating Leases. On the other hand, substantial portion of leases written in the past have been long overdue for payments, stuck up and continued to be classified in Loss category. Your Company is using all possible measures for recovery through negotiated settlements but has been able to manage only moderate level of recovery.

The recoveries have become increasingly difficult through cumbersome and prolonged litigation process. The gross lease revenue of your Company during the year registered at Rs.51.506 million as compared to Rs.60.884 million in FY 2015 due to very poor response from the lessees and loanee despite aggressive recovery drive. Other operating income decreased to Rs.38.281 million during the year under review as compared to Rs.42.133 million in the preceding year. During FY 2016, your Company settled an amount of Rs.115 million towards its liabilities by way of cash payments and non-cash settlements respectively. The administrative and operating expenses including depreciation increased to Rs.67.863 million in 2016 from Rs.59.867 million in 2015 due to settlement of Sindh Board of Revenue claim of taxes towards its preceding years.

The worrisome aspect which warrants attention of all stakeholders is the fact that your Company is on the verge of being declared as 'non-going concern' and therefore liable to be pulled down under liquidation at the behest of the Creditors and Regulators. Despite present management's relentless efforts to bring your Company out of wood, it has not been able to muster any meaningful support from any quarter be that is the sponsors or the creditors. It would not be out of place to mention that the survival of the Company is significantly dependent upon recovery efforts by the management. In this regard, considerable efforts have been made. I am pleased to inform you that the required infrastructure and human resources are now available to bring back the Company into operational mode provided Management succeeds in capitalizing recoveries and make successful negotiations with the Creditors.

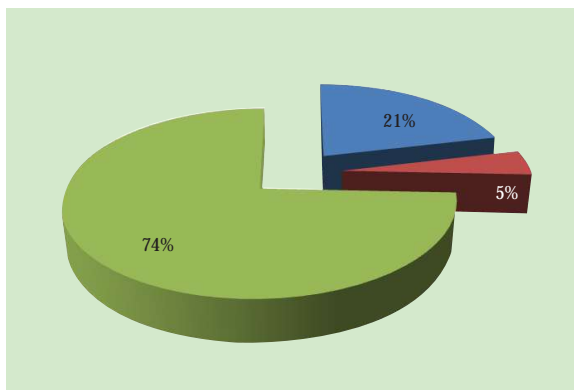
On behalf of the Board of Director's, I avail the opportunity to acknowledge with thank the guidance of the Regulatory Authorities particularly the SECP which is genuinely assisting for the revival of the Company and the patronage of COIs//TFC holders and Financial Institutions. I would also like to place on record the dedicated efforts and hard work of the management and the staff of the Company.



Niaz Ahmed Khan
Chairman

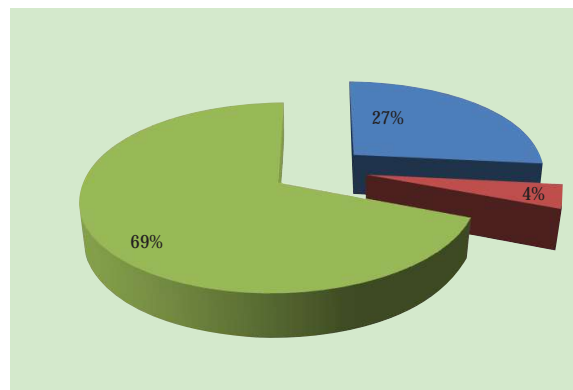
Karachi: March 28, 2019

FINANCIAL HIGHLIGHTS



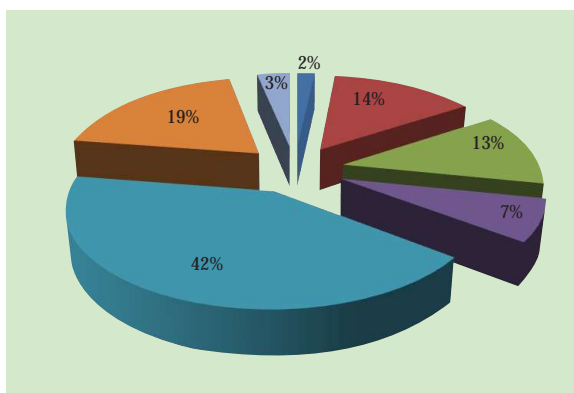
REVENUE ANALYSIS - FY 2016

- Finance leases
- Operating leases
- Other income



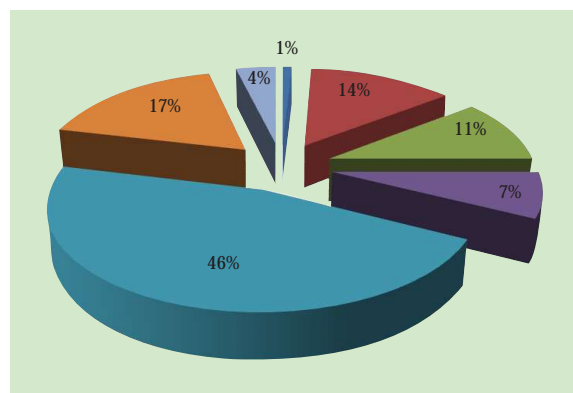
REVENUE ANALYSIS - FY 2015

- Finance leases
- Operating leases
- Other income



Expenses Analysis - FY 2016

- Markup on Long term finances
- Markup on Term finance certificates
- Markup on Short term borrowings
- Markup on Certificates of investment
- Administrative and operating expenses
- Depreciation / Impairment
- Direct cost of operating leases



Expenses Analysis - FY 2015

- Markup on Long term finances
- Markup on Term finance certificates
- Markup on Short term borrowings
- Markup on Certificates of investment
- Administrative and operating expenses
- Depreciation / Impairment
- Direct cost of operating leases

FINANCIAL HIGHLIGHTS

	(Rupees in millions)					
	2016	2015	2014	2013	2012	2011
Operational results						
Total disbursement	-	-	-	-	-	-
Revenues	52	61	208	273	144	220
Profit / (Loss) before tax	(118)	(191)	5	133	(605)	(164)
Profit / (Loss) after tax	(119)	(193)	7	141	(822)	(118)
Financial charges	39	51	56	85	153	183
(Reversal) / Provision against						
non-performing portfolio	57	132	66	(66)	482	73
Impairment loss on equity investment	-	(1)	4	3	13	16
Cash dividend - ordinary shares	-	-	-	-	-	-
Cash dividend - preference shares	-	-	-	0.181	-	-
Balance sheet						
Gross lease receivables	1,736	1,864	1,953	2,144	2,522	2,777
Net investment in leases	490	641	837	1,048	1,332	1,876
Net worth	(561)	(531)	(338)	(339)	*(675)	*117
Fixed assets - owned & operating lease	43	65	22	36	133	101
Total assets	726	1,014	1,223	1,599	1,998	3,162
Long term liabilities	-	74	104	558	684	767
Long term investments	-	-	-	-	-	73

* Net worth included a sub-ordinated loan of Rs. 333 million which has been converted into preference shares.

KEY PERFORMANCE INDICATORS

Ratio	2016	2015	2014	2013	2012	2011
Break up Value (Rs.)	(12.43)	(11.76)	(7.48)	(7.51)	(22.32)	(4.78)
Current Ratio (X)	0.52	0.61	0.78	0.99	0.76	1.05
Debt Leverage	(1.72)	(1.73)	(3.12)	(4.14)	(2.64)	24.86
Dividend per Share (Rs.)	-	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-	-
Earnings / (Loss) per Share (Rs.)	(2.63)	(4.27)	0.16	3.11	(18.20)	(2.61)
Financial Charges / Total Expenses (%)	34.55	42.49	42.51	41.95	60.43	61.90
Financial Charges / Total Revenue (%)	75.79	83.99	27.08	31.19	106.49	83.19
Market Value per Share (Rs.)	1.90	1.90	2.91	0.65	0.80	0.65
Net Profit / (Loss) Margin (%)	(230.75)	(316.87)	3.47	51.48	(570.16)	(53.60)
Operating Profit / (Loss) Margin (%)	(119.38)	(97.64)	36.30	25.66	(76.23)	(34.38)
Price Earning Ratio (X)	(0.72)	(0.44)	18.21	0.21	(0.04)	(0.25)
Return on Assets (%)	(15.31)	(19.03)	0.59	8.79	(41.22)	(3.72)
Return on Equity (%)	21.17	36.33	(2.14)	(41.44)	81.15	54.51
Revenue per Share (Rs.)	1.14	1.35	4.60	6.05	3.19	4.86
Times Interest Earned (X)	(0.58)	(0.16)	2.34	1.82	0.28	0.59
Total Assets / Net Worth (X)	(1.33)	(1.66)	(3.62)	(4.72)	(2.95)	26.95
Total Financing / Net Worth (X)	(1.14)	(1.20)	(2.29)	(3.40)	(2.30)	17.33

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Saudi Pak Leasing Company Limited (SPLC) are pleased to present the 26th Annual Report together with audited financial statements of the Company for the year ended June 30, 2016.

FINANCIAL INFORMATION	(Rupees in millions)	
The financial results of the Company are summarized below:	2016	2015
Income from operating and financial leases	13.225	18.751
Other operating income	38.281	42.134
Total income	51.506	60.885
Financial Cost	-39.036	-41.948
Depreciation	-14.668	-22.615
Administrative and operating costs	-53.196	-37.253
Operating profit/ (loss) before provisioning	-61.49	-59.451
Provisions for write-offs, reversals, etc.	-56.57	-131.375
Profit /(loss) before taxation	-118.06	-181.639
Profit(loss) after taxation	-118.853	-192.928

General Overview of the economy

Pakistan's economy continues to maintain its growth momentum for the 3rd year in a row with real GDP growth at 4.71 per cent in FY 2016 which is the highest in eight years. GDP posted a reasonable growth over last year despite a major setback in agriculture growth on account of massive decline in cotton production. However the loss to some extent was compensated by remarkable growth in industrial and services sector as both these sectors surpassed their target growth, while other key macroeconomic indicators like inflation, fiscal and current account balance recorded improvement.

Particularly, the external sector remained more stable on account of robust growth in worker's remittances; continued flows from IFIs; and a sharp decline in global oil prices. The country's FX reserves have reached all time high i.e. US Dollars 21 Billion in May 2016.

Overview of the Leasing Industry

In Pakistan, fund mobilization constraints, squeezing of margins, non-availability of subsidized long- term funds and multi-lateral credit lines, etc. were the top issues that have adversely affected the performance of leasing sector. This has squeezed the profitability and has resulted in losses to various leasing companies. Further, the banks are in stiff competition with leasing companies as the banks have low cost of funds compared to the leasing companies. Hence the competition is particularly severe with respect to mark- up rates vis-à-vis their cost of funds, which are much lower than rates offered by leasing companies because of their in-built margins. In addition, leasing sector lacks innovative products and confines mostly to small and medium ticket leasing particularly involving vehicles and machinery. Leasing of machinery and other industrial equipment has, however, slowed down due to recession. Some of the smaller leasing companies are also involved in micro leasing but are facing difficulties in recoveries. Since most of the larger and medium sized leasing companies are involved in leasing of vehicles, which has led to increased competition among them as well. The smaller leasing companies are facing stiff competition not only among themselves but also from the large and medium sized leasing companies involved in vehicle leasing.

In the past a couple of years, with the exception of a few leasing companies, the leasing sector, by and large, has remained either dormant or operating with extremely low business volumes and shrinking income levels. The prospects of leasing sector do not seem to be too bright unless its various areas of concern including the prevailing economic scenario, dried-up funding lines, lack of resource mobilization, non-availability of level playing field, tax and other issues, etc. are seriously investigated and mitigated. In order to improve the near future demand prospects of leasing sector in particular; the single most important issue which the Government has to address is its willingness to make available to the leasing sector financial sources at cheap rates.

Company Overview

The company has been out of leasing business for the last several years mainly due to severe liquidity crunch. This has led to a situation where the Company has been managing its affairs out of funds generated through settlements and recovery of badly stuck up portfolio. The Company is using all possible measures for recovery but is only able to manage moderate level of recovery instead of timely and regular payments from the lessees. The Company is trying its level best to recover as much as possible from the non performing portfolio and therefore has to offer concessions to the customers for encouraging them to pay early. This policy helped in arriving at settlements with customers who have agreed for repayments of amounts in installments. However, despite this policy, major portion of lease portfolio of the Company is stuck up and under litigation. Due to lengthy and complex legal process, the pace of recoveries is very slow. Lack of fresh leasing business together with extremely slow recovery has landed the company in a very precarious liquidity crisis where the Company has found itself unable to meet its liabilities. As of June 30, 2016, the Company has owed an amount of Rs. 975.312 million (in addition to accrued mark up amounting to Rs. 308.538 million) to various banks/FIs and CoIs/TFCs holders.

Dividend

On account of persistent liquidity crisis together with huge accumulated losses, the Board of Directors of Company could not recommend dividend this year also.

Corporate Governance

To develop highest standards of corporate governance that meet the requirements of the Code of Corporate Governance, the company has established sound and transparent corporate governance system. There is an Independent Internal Audit Control Department that operationally report directly to the Board Audit Committee which in turn is headed by a Non-Executive Independent Director.

Directors' Declaration

1. The financial statements prepared by the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of accounts of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained.
5. The system of internal control is sound in design and has been effectively implemented and monitored and is being improved further.
6. There are no significant doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

8. The key information as to operating and financial data of the company is available in the annual report. The categories and pattern of shareholding as required by the Companies Ordinance, 1984 are also included in the annual report.
9. No trading in shares of the Company was carried out by the Directors, Executives and their spouses and minor children during the year.
10. Due to present financial and liquidity position, the Company has been facing difficulties in fulfilling its financial obligations. The details of amounts overdue if any are disclosed in relevant notes to the financial statements.
11. The management has introduced structural changes in the organization structure of your Company with a view to consolidate and streamline overall functions into five departments to ensure efficient working environment with better MIS and management & cost controls.
12. During the year two meetings of the Board of Directors and two meetings of the Board Audit Committee were held. Leave of absence was granted to those Directors who could not attend some of the Board meetings.

Name of Directors	Name of Directors	(Rupees in millions)	
		2016	Attended
Mr. Niaz Ahmed Khan*	Chairman/Managing Director	2	2**
Mr. Muhammad Tariq Masud	Director	2	2
Ms. Parveen A. Malik	Director	2	2
Mr. Hazrat Wali	Director	2	2
Mr. Ahsanullah Khan	Director	2	2

During the year, Mr. Arsalan Iftikhar; Mr. Hazrat Wali and Mr. Ahsan Ullah Khan resigned from the directorship of the Company on 8th March, 2016, 17 March, 2016 and 27th November, 2015, respectively.

(*Opted on the Board in February, 2015 but approval was granted by SECP in August, 2015.)

**Attended Meetings held after June 30, 2015 to date.

Audit Committee

The Audit Committee comprised of three non - executive directors, viz. Ms. Parveen A. Malik, Mr. Arsalan Iftikhar Khan and Mr. Ahsanullah Khan. During the year, two (2) meetings of the Audit Committee were held.

HR & Remuneration Committee

The Board has formed an HR & Remuneration Committee. It comprised of three members, Viz: Mr. Niaz Ahmed Khan (Chairman / Non-Executive Director), Ms. Parveen A. Malik (Non-Executive Director), and Mr. Hazrat Wali (Non-Executive Director).

External Auditors

The KPMG Taseer Hadi & Company was appointed auditors for year 2016 in the 25th AGM held in 2015 but could not conduct the audit due to inactive Board (under suspension order of the court). The KPMG Taseer Hadi & Co. resigned in October, 2018. On restoration of the Board, M/s. Rahman, Sarfaraz Rahim, Iqbal Rafique were appointed as auditors of the Company for the year 2016, 2017 and 2018. This was later ratified in EOGM of the Company held on 26th November, 2018.

Pattern of Shareholding

The pattern of shareholding as required under section 236(2)(d) of the Companies Ordinance, 1984 and Clause (xvi) of the Code of Corporate Governance form part of this annual Report.

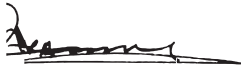
Six Year s' Operating and Financial Data

Six year financial performance and data of the Company are summarized and annexed to these financial Statements.

Acknowledgement

On behalf of the Board, we would like to express our sincere appreciation to the shareholders for their continued trust and patronage, the Securities and Exchange Commission of Pakistan and other Regulatory bodies for their guidance and support.

On behalf of the Board of Directors



Niaz Ahmed Khan
Chairman

April 23, 2019

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATWE GOVERNANCE

For the year ended 30 June 2016

This statement is being presented by the Board of Directors of the Company to comply with the CCG contained in Regulation No. 35 of Listing Regulations of the Pakistan Stock Exchanges for the purpose of establishing a frame work of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG 2012 in the following manner:(It may please be noted that this statement is being issued in March,2019 as the financial audit was delayed due to suspension of functioning of the board due to stay order obtained by a director in election held in March 2016,which were declared void by the SECP in its report and vacation of the stay order issued by Sindh High Court in July 2018.

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. The present Board includes one Independent Director in terms of definition as contained in the Code of Corporate Governance. At present the Board includes:

Category	Name
Independent Director	Mr.Niaz Ahmed Khan*
Executive Director	Mr. Muhammad Tariq Masud CEO/MD
Non-Executive Directors	Ms. Parveen A.Malik

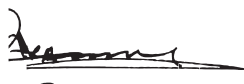
As per CCG, minimum No. of directors on the Board of a listed company is seven (7) whereas in SPLC, presently there are three (3) directors that has made up its Board. The remaining casual vacancy is being filled.

(*Opted on the Board in February, 2015 with approval granted by SECP in August, 2015.)

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, DFI or NBF1 or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, four casual vacancies occurred on the Board, of which one was duly filled while the remaining casual vacancy is being filled.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies & procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of the particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration of the CEO, other executive/ non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the Board met at least once in every quarter. Written notices of the Board Meetings, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated amongst the Board members within 14 days of holding of the Board meeting. The proper and fair minutes book duly signed by the Secretary and the Chairman is maintained by the Company Secretary.

9. No any Director of the Company has obtained 'Director's Training Certification' during the year.
10. The Board being non-functional could not appointment the Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit and could not fix their remuneration and terms and conditions of employment. During the preceding year, the CFO resigned and the said post remained vacant.
11. The Directors' Report for the year has been prepared in compliance with the requirements of the CCG and fully described the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive Officer on recommendation of the Chairperson Audit Committee and are approved by the Board.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee comprising of three members, all non-executive directors. However, after failing to fill the casual vacancies of Directors, the strength of Audit Committee reduced to two members, both are non-executive Directors.
16. As per the requirements of CCG, the Board is considering to set up level of materiality keeping in view the circumstances of the Company.
17. The meetings of the Audit Committee could not be held at least once in every quarter due to board being non-functional under suspension and approval of interim and final results of the Company could not be done and as required by the CCG. The terms of reference of the Committee have not been formed for compliance of the Committee as the committee was not in existence.
18. The Board being non-functional could not form an HR and Remuneration Committee as per requirement of CCG.
19. The Board being non-functional could not set up an effective internal audit function due to non existence of the Audit Committee.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchanges.
23. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
24. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board of Directors



Niaz Ahmed Khan
Chairman

Karachi: March, 29,2019.



**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH
BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

Introduction

We were engaged to review the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ('the Code') prepared by the Board of Directors of **M/s. Saudi Pak Leasing Company Limited** ('the Company') for the year ended **June 30, 2016** to comply with the requirements of Regulation no. 5.19 of the listing regulations (as it stood prior to its deletion as a result of an amendment approved by the Securities and Exchange Commission of Pakistan effective from June 07, 2018) issued by Pakistan Stock Exchange Limited (PSX) where the Company is listed.

Responsibility of the Board of Directors of the Company

The Board of Directors of the Company are responsible for ensuring compliance with the provisions of the Code contained in Regulation no. 5.19 of the listing regulations issued by PSX.

Auditor's Responsibility

Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required to ensure compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We are not required to carry out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

However, because of the matters described in Bases for Disclaimer of Conclusion paragraph below, we were not able to obtain sufficient appropriate evidence to provide a basis for a review conclusion.

Cont'd.... P/2



Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

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Bases for Disclaimer of Conclusion

(a) Composition of the Board of Directors and other related matters

- Clause 1 of the Statement of Compliance prepared for the year ended June 30, 2016 shows the following composition of the Board of Directors:

Category	Name of Directors
Independent Director	Mr. Niaz Ahmed Khan
Executive Director	Mr. Muhammad Tariq Masud
Non-Executive Directors	Mr. Hazrat Wali Khattack
	Ms. Parveen A.Malik

We observed that the above directors had completed their tenure of office and were to be re-elected as directors in 25th Annual General Meeting (AGM) of the Company scheduled to be held on March 22, 2016 (as mentioned in the notice of the 25th AGM published as part of the Company's annual report for the year ended June 30, 2015). However, since a certified true copy of the minutes of such AGM were not made available for our review, we were unable to obtain necessary evidence as to whether the above named individuals were duly re-elected as directors of the Company.

Further, we noted that Mr. Hazrat Wali Khattack resigned from his position as a director on March 17, 2016 (as evidenced by his official resignation letter available with the Company). Despite this fact, his name appears under the category of non-executive directors reported in the aforementioned Statement of Compliance for the year ended June 30, 2016. No adequate explanation in this regard was provided to us;

- No explanations or documentary evidences in support of whether Mr. Niaz Ahmed Khan duly met the prescribed criteria for being an independent director of the Company were provided to us;
- During the year ended June 30, 2016, the number of directors of the Company remained below the minimum number of seven (07) directors required for a listed company as stipulated under section 174 of the Companies Ordinance, 1984 which, at that time, was in force and binding on the Company; and
- No documentary evidence in support of the Company's assertion that the above named directors meet the requisite fit and proper criteria specified by the Securities and Exchange Commission of Pakistan (SECP) was made available for our inspection.

(b) Directors' declarations

Clauses 2, 3 and 13 of the Statement of Compliance are read as follows:

"The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable)" [Clause 2]

"All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, DFI or NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange." [Clause 3]

"The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding." [Clause 13]

We were unable to obtain any assurance over the accuracy of the above assertions since the related written undertakings / declarations obtained from the directors were not made available for our review.

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Bases for Disclaimer of Conclusion (continued)

(c) Casual vacancies on the Board of Directors

Clause 4 of the Statement of Compliance states as follows:

“During the year, four casual vacancies occurred on the Board, of which one was duly filled while the remaining casual vacancy is being filled.”

No adequate explanations or documentary evidences in support of the above assertion were provided to us. In particular, we were not provided with any explanations as to which four directors vacated their office during the year ended June 30, 2016, which casual vacancy was filled subsequently and time frame within which such vacancy was filled. Further, as concerns the other three casual vacancies, it has been mentioned in the Statement of Compliance that such vacancies are being filled which, in our view, is not a correct statement since, as on the date of this review report, a new Board of Directors is already in place which was elected in the Extra Ordinary General Meeting of the Company held on November 26, 2018. Hence, in our view, the question of whether such vacancies are currently being filled no longer arises.

(d) Preparation and dissemination of the Code of Conduct and significant policies

Clauses 5 and 6 of the Statement of Compliance are reproduced below:

“The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.” [Clause 5]

“The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of the particulars of significant policies along with the dates on which they were approved or amended has been maintained.” [Clause 6]

We were unable to satisfy ourselves as to the accuracy of the above-quoted statements since the copies of the Code of Conduct and the significant policies approved by the Board of Directors were not available for our inspection.

(e) Meetings of the Board of Directors and execution of their powers

Clauses 7 and 8 of the Statement of Compliance are read as follows:

“All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration of the CEO, other executive / non-executive directors, have been taken by the Board / shareholders.” [Clause 7]

“The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the Board met at least once in every quarter. Written notices of the Board Meetings, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated amongst the Board members within 14 days of holding of the Board meeting. The proper and fair minutes book duly signed by the Secretary and the Chairman is maintained by the Company Secretary.” [Clause 8]

We could not obtain any assurance over the above statements since the necessary supporting documentation such as copies of the notices of Board of Directors' meetings as well as the minutes of such meetings were not made available for our review. Further, in our view, the above statements are in conflict with clauses 10, 17, 18 and 19 of the Statement of Compliance according to which the Board of Directors was non-functional during the year ended June 30, 2016.

Cont'd... P/4



Rahman Sarfaraz Rahim Iqbal Rafiq

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Bases for Disclaimer of Conclusion (continued)

(f) *Non-compliance with the financial reporting requirements of the Code and other connected matters*

Clauses 14, 22 and 23 of the Statement of Compliance are reproduced below:

“The Company has complied with the corporate and financial reporting requirements of the CCG.”
[Clause 14]

“The ‘closed period’ prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of the Company’s securities, was determined and intimated to directors, employees and stock exchanges.” [Clause 22]

“Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.” [Clause 23]

In our view, the assertion in clause 14 that the Company has complied with all the financial reporting requirements of the Code is incorrect since subsequent to June 30, 2015, no quarterly, half yearly or annual financial statements of the Company could be issued within the time frame stipulated under the Code. Keeping this fact in perspective, the statement in clause 22 also is regarded as inappropriate since, in the absence of announcement of interim / final results of the Company, the question of determination of the ‘closed period’ and its intimation to concerned parties does not arise. Finally, in relation to clause 23 above, we were not provided with either any explanations as to what reportable material / price sensitive information was identified by the Company or the documentary evidences to support its dissemination to the stock exchange.

Disclaimer of Conclusion

Because of the significance of the matters described in the Bases for Disclaimer of Conclusion paragraph above, we have not been able to obtain necessary evidence to provide a basis for a conclusion as to whether anything has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2016.

Non-Compliances Reported in the Statement of Compliance

Despite our disclaimer of conclusion as expressed above, we would like to highlight the following instances of non-compliance with the requirements of the Code as reported in the Statement of Compliance for the year ended June 30, 2016:

Clause reference	Description of non-compliance
10	The Board of Directors, being non-functional, could not appoint the Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit and could not fix their remuneration and terms and conditions of employment.
15	The Audit Committee of the Company comprise of two non-executive directors as against the minimum requirement of three non-executive directors.
16	The Company has not yet setup a level of materiality as required by the Code and that the matter is currently under consideration by the Board of Directors.

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Non-Compliances Reported in the Statement of Compliance (continued)

Clause reference	Description of non-compliance
17	During the year ended June 30, 2016, no meetings of the Audit Committee were held. Further, the terms of reference of the Audit Committee have not been formulated.
18	Human Resource and Remuneration Committee has not been formed as required by the Code.
19	The Company has not set up an internal audit function as required by the Code.

Karachi.
Date:

9 MAR 2019

Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountants
Engagement Partner: Muhammad Waseem



AUDITORS' REPORT TO THE MEMBERS

REPORT ON THE FINANCIAL STATEMENTS

Introduction

We were engaged to audit the annexed balance sheet of **M/s.Saudi Pak Leasing Company Limited** ('the Company') as at **June 30, 2016** and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended ('the financial statements').

Management's Responsibility for the Financial Statements

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. However, because of the matters described in Bases for Disclaimer of Opinion paragraph below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Bases for Disclaimer of Opinion

Investment in finance leases

As on June 30, 2016, the Company's gross and net investment in finance leases (excluding the effect of provision for non-performing leases) amounted to Rs. 1.736 billion (2015: Rs. 1.864 billion) and Rs. 1.403 billion (2015: Rs. 1.524 billion), respectively. We were unable to satisfy ourselves as to the existence and accuracy of such lease receivables due to the following reasons:

- In a number of cases, the Company's net investment in finance lease balances were not in agreement with the underlying information retained in relevant customer's lease file comprising of lease amortization schedules and other supporting documents including original lease agreements etc. There was insufficient underlying documentary evidences in relation to revision that were purportedly incorporated in lease rentals in prior years due to repricing of lease finance facility as a result of floating interest rates and amendment caused by subsequent re-scheduling of overdue lease rentals. This noted discrepancy could not be reconciled by the Company's management. However, as reported in note 10 to the financial statements, the Company's net investment in finance leases, in aggregate, is in reconciliation with Company's subsidiary record;

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Bases for Disclaimer of Opinion (continued)

Investment in finance leases (continued)

- As reported in note 10 the financial statements, markup held in suspense as on June 30, 2016 amounted to Rs. 332.202 million (2015: Rs. 339.011 million). In contrast, markup held in suspense as reflected in the Company's subsidiary record of finance leases amounted to Rs. 243.331 million as on June 30, 2016 (2015: Rs. 247.858 million). This noted discrepancy could not be reconciled by the Company's management; and
- As reported in note 10 the financial statements, residual value of leased assets forming part of gross investment in finance leases, as on June 30, 2016, amounted to Rs. 355.194 million (2015: Rs. 437.086 million). In contrast, security deposits payable as reported in note 20 to the financial statements amounted to Rs. 334.340 million as on June 30, 2016 (2015: Rs. 416.231 million). This noted discrepancy could not be reconciled by the Company's management.

In view of the aforementioned limitations, we were unable to determine whether any adjustments might have been found necessary in respect of such lease receivable balances as on June 30, 2015 and June 30, 2016 as well as the related security deposits payable and income from finance leases for the years then ended.

Property, plant and equipment

- As of June 30, 2016, the carrying value of plant and machinery previously leased out under various operating lease arrangements amounted to Rs. 6.7 million (before recognition of impairment loss). The same was reduced, by the Company's management, to zero and an equivalent impairment loss was recognized in the statement of profit or loss. We were, however, unable to satisfy ourselves as to the appropriateness of the aforesaid accounting treatment since no documentary evidence in support thereof (such as the surveyor's evaluation report) was made available for our review.
- The Company carries its office premises, plant and machinery, and generators under the revaluation model described in the International Accounting Standard (IAS) 16 Property, Plant and Equipment. That standard requires the revaluations to be made with sufficient regularity to ensure that the carrying amount of the assets does not differ materially from that which would be determined using fair value at the end of the reporting period. However, we noted that last revaluation of property, plant and equipment was carried out by the Company in June 2012 since when no adjustments in respect of subsequent change in fair value of the assets have been recognized in the financial statements.

Since no fresh valuation of property, plant and equipment was carried out by the Company's management, we were unable to determine whether any adjustments might have been found necessary in respect of the written down value of the office premises, plant and machinery and generators as on June 30, 2015 and June 30, 2016 as well their corresponding effects recognized or to be recognized in profit or loss or other comprehensive income.

Cont'd.... P/3



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Bases for Disclaimer of Opinion (continued)

Investment in unquoted equity instruments

As on June 30, 2015 and June 30, 2016, the Company had an investment in unquoted ordinary shares of M/s. Pace Barka Properties Limited and M/s. SPI Insurance Company Limited which have been carried at cost notwithstanding their classification, in the financial statements, as 'available-for sale' investments. In this connection, we noted that the International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement* requires the investments in equity instruments not having a quoted market price in an active market to be measured at cost only if their fair value cannot be reliably measured. We further noted that the published historical financial statements of the above named investee companies are readily available and, hence, the fair value of the investments could be measured reliably by employing standard business valuation models (for e.g. the Discounted Free Cash Flow to Equity methodology).

However, since the aforesaid valuations were not carried out by management, we were unable to determine whether any adjustments might have been found necessary in respect of the carrying amount of investments in unquoted equity instruments as on June 30, 2015 and June 30, 2016 as well as the corresponding effects of change therein to be recognized in other comprehensive income.

Disclaimer of Opinion

Because of the significance of the matters described in the Bases for Disclaimer of Opinion paragraph above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion as to whether the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and, respectively, give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the loss, total comprehensive loss, its changes in equity and cash flows for the year then ended.

Other Matter

The financial statements of the Company for the year ended June 30, 2015 were audited by M/s. KPMG Taseer Hadi & Co. Chartered Accountants who, vide their report dated January 06, 2016, expressed an adverse opinion on those financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Because of the significance of the matters described in the Bases for Disclaimer of Opinion paragraph above as well as other limitations faced during the course of our engagement, we have not been able to obtain sufficient appropriate evidence to provide a basis for an opinion on the following matters as required by the Companies Ordinance, 1984:

- (a) whether, in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) whether, in our opinion, the statement of financial position and the statement of profit or loss together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied.

Accordingly, we do not express an opinion on the matters identified in (a) and (b) above.

Cont'd.... P/4



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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONTINUED)

However, we would like to state that, in our opinion:

- (i) the expenditure incurred during the year was for the purpose of the Company's business; and
- (ii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company; and
- (iii) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980),

Date: 29 MAR 2019

Karachi


RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Engagement Partner: Muhammad Waseem

29.3.2019

BALANCE SHEET

As at June 30, 2016

	Note	June 30, 2016	(Restated) June 30, 2015	(Restated) July 01, 2014
(Rupees)				
ASSETS				
Current assets				
Cash and bank balances	4	13,582,736	3,422,931	23,552,393
Short term loans	5	90,122,635	129,231,094	131,371,094
Short term investments	6	33,744,768	88,406,706	38,722,092
Accrued mark-up		-	166,858	-
Trade deposits and short term prepayments		1,180,847	886,886	888,386
Other receivables	7	3,339,438	6,636,703	7,075,225
Current maturity of non-current assets	8	552,911,760	669,884,031	868,446,391
Non-current assets classified as held for sale		-	-	67,936,844
Total current assets		694,882,184	898,635,209	1,137,992,425
Non-current assets				
Long term loans	9	-	366,227	1,308,123
Net investment in finance leases	10	-	8,752,284	17,736,695
Investment properties	11	37,933,773	41,241,777	43,828,669
Property, plant and equipment	12	43,297,293	64,673,169	21,636,654
Total non-current assets		81,231,066	115,033,457	84,510,141
		776,113,250	1,013,668,666	1,222,502,566
Total Assets				
LIABILITIES				
Current liabilities				
Borrowings from financial institutions	13	177,693,232	177,693,232	177,693,232
Certificates of investment		43,000,000	67,395,301	67,395,301
Accrued mark-up	14	299,505,913	275,903,797	237,890,808
Provision for taxation - net		12,877,608	13,606,065	2,180,760
Accrued expenses and other payables	15	18,184,520	11,180,287	25,722,269
Current maturity of non-current liabilities	16	780,421,190	900,828,232	930,749,137
Preference dividend payable		5,774,153	5,774,153	5,774,153
Total current liabilities		1,337,456,616	1,452,381,067	1,447,405,660
Non-current liabilities				
Certificates of investment	17	-	-	-
Deferred taxation	18	-	-	-
Long term finances	19	-	-	15,277,768
Security deposits against finance leases	20	-	3,750,000	7,330,000
Total non-current liabilities		-	3,750,000	22,607,768
Total Liabilities		1,337,456,616	1,456,131,067	1,470,013,428
NET ASSETS		(561,343,366)	(442,462,401)	(247,510,862)
FINANCED BY				
<i>Authorised share capital</i>				
100,000,000 (2015: 100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000	1,000,000,000
100,000,000 (2015: 100,000,000) preference shares of Rs. 10 each		1,000,000,000	1,000,000,000	1,000,000,000
		2,000,000,000	2,000,000,000	2,000,000,000
Issued, subscribed and paid-up share capital - ordinary shares	21	451,605,000	451,605,000	451,605,000
Issued, subscribed and paid-up share capital - preference shares		528,208,500	528,208,500	528,208,500
Capital reserves	21	177,928,194	177,928,194	177,928,194
Accumulated loss		(1,740,006,523)	(1,625,373,326)	(1,439,792,363)
Unrealised gain on re-measurement of available for sale investments		22,975	37,379	63,232
Accumulated actuarial (loss) / gain on defined benefit plan-net of tax		(1,020,858)	(628,988)	94,693
		(583,262,712)	(468,223,241)	(281,892,744)
Surplus on revaluation of property, plant and equipment - net	22	21,919,346	25,760,840	34,381,882
CONTINGENCIES AND COMMITMENTS	23	(561,343,366)	(442,462,401)	(247,510,862)

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



Chief Executive



Director

PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2016

	Note	June 30,	(Restated)
		2016	June 30, 2015
		..... (Rupees)	
Revenue from:			
- Finance leases	24	10,945,704	16,195,066
- Operating leases		2,280,000	2,556,000
		13,225,704	18,751,066
Other income	25	38,281,088	42,133,770
		51,506,792	60,884,836
Expenses			
Finance cost	26	(39,036,262)	(41,948,626)
Administrative and operating expenses	27	(67,863,891)	(59,867,562)
Amount written-off directly against lease receivables		(2,544,051)	(4,451,072)
Direct cost of operating leases	28	(3,553,379)	(4,881,657)
		(112,997,583)	(111,148,917)
Operating loss before provisions		(61,490,791)	(50,264,081)
Provision for doubtful leases, loans and other receivables - net	29	(56,569,848)	(132,096,838)
Reversal / (impairment) on investment properties	11.2	-	721,113
		(56,569,848)	(131,375,725)
Loss before taxation		(118,060,639)	(181,639,806)
Taxation	30	(792,888)	(13,075,364)
Loss after taxation		(118,853,527)	(194,715,170)
Loss per share - basic and diluted	31	(2.63)	(4.31)

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



Chief Executive



Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	June 30, 2016	(Restated) June 30, 2015
	(Rupees)	
Loss after taxation	(118,853,527)	(194,715,170)
Other comprehensive income		
<i>Items that are or may be reclassified subsequently to profit and loss account:</i>		
Unrealised loss on re-measurement of available for sale investments	(14,404)	(25,853)
<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	378,836	513,162
Remeasurement of defined benefit plan	(391,870)	(723,681)
	(13,034)	(210,519)
Total other comprehensive loss	(27,438)	(236,372)
Total comprehensive loss for the year	(118,880,965)	(194,951,542)

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



Chief Executive



Director

CASH FLOW STATEMENT


For the year ended 30 June 2016

	<i>Note</i>	June 30, 2016	(Restated) June 30, 2015
		..... (Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	<i>36</i>	(28,298,845)	(41,088,984)
Financial charges paid		(59,627)	(59,703)
Taxes paid		(1,142,509)	(1,136,897)
Decrease in net investment in finance leases - net of security deposits		30,145,617	62,018,821
		28,943,481	60,822,221
Net cash generated from operating activities		644,636	19,733,237
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(219,953)	(574,002)
Proceeds from sale of property, plant and equipment		-	5,086,022
Short term investments - net		55,719,159	(48,044,553)
Recovery of long term loans		601,810	1,458,026
Dividend received		9,454	(4,902)
Net cash (used in) / generated from investing activities		56,110,470	(42,079,409)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term finances / term finance certificates		(20,900,000)	4,216,710
Encashment of certificates of investment		(25,695,301)	(2,000,000)
Net cash used in financing activities		(46,595,301)	2,216,710
Net decrease in cash and cash equivalents during the year		10,159,805	(20,129,462)
Cash and cash equivalents at beginning of the year		3,422,931	23,552,393
Cash and cash equivalents at end of the year		13,582,736	3,422,931

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



Chief Executive



Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	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	
	(Rupees)						
Balance as at 01 July 2014 (as previously reported)	451,605,000	528,208,500	177,928,194	63,232	-	(1,528,863,428)	(371,058,502)
Effect of correction of prior period errors (refer note 41)					94,693	89,071,065	89,165,758
Balance as at 01 July 2014 (as restated)	451,605,000	528,208,500	177,928,194	63,232	94,693	(1,439,792,363)	(281,892,744)
<i>Total comprehensive income for the year</i>							
Loss after taxation for the year ended 30 June 2015 (restated)	-	-	-	-	-	(194,715,170)	(194,715,170)
<i>Other comprehensive income for the year</i>							
- Unrealised loss on re-measurement of available for sale investments	-	-	-	(25,853)	-	-	(25,853)
- Remeasurement of defined benefit plan - net of tax (restated)	-	-	-	-	(723,681)	-	(723,681)
	-	-	-	(25,853)	(723,681)	-	(749,534)
Transfer from surplus on revaluation of property, plant and equipment, incremental depreciation effect for the year - net of tax (restated)	-	-	-	-	-	9,134,207	9,134,207
Balance as at 30 June 2015 (as restated)	451,605,000	528,208,500	177,928,194	37,379	(628,988)	(1,625,373,326)	(468,223,241)
<i>Total comprehensive income for the year</i>							
Loss for the year ended 30 June 2016					-	(118,853,527)	(118,853,527)
<i>Other comprehensive income for the year</i>							
- Unrealised loss on re-measurement of available for sale investments	-	-	-	(14,404)	-	-	(14,404)
- Remeasurement of defined benefit plan - net of tax	-	-	-	-	(391,870)	-	(391,870)
	-	-	-	(14,404)	(391,870)	-	(406,274)
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation effect for the year - net of tax					-	4,220,330	4,220,330
Balance as at 30 June 2016	451,605,000	528,208,500	177,928,194	22,975	(1,020,858)	(1,740,006,523)	(583,262,712)

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



Chief Executive



Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

1. LEGAL STATUS AND OPERATIONS

- 1.1 Saudi Pak Leasing Company Limited (the Company) was incorporated in Pakistan on 08 January 1991 under the Companies Ordinance, 1984 and is listed on all the three Stock Exchanges in Pakistan. 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 2016 holds 35.06% (2015: 35.06%) of issued ordinary share capital of the Company and 63% (2015: 63%) of issued preference share capital of the Company.

- 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 31, 2016; however, due to certain administrative and governance issues, the same are being issued now in March 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 prolonged delay of over three years, 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, 2016, the Company incurred a net loss amounting to Rs. 118.853 million (2015: Rs. 194.715 million) and as of that date its accumulated loss amounted to Rs. 1.740 billion (2015: Rs. 1.625 billion), its equity was negative by Rs. 583.262 million (2015: Rs. 468.223 million) and its current liabilities exceeded current assets by Rs. 642.574 million (2015: Rs. 553.746 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 COIs 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

- Previously, the Company had entered into various agreements with its lenders (including, financial institutions, TFC holders and holders of Certificates of Investment (COIs)) 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, 2016, total outstanding principal and accrued markup on which defaults were made amounted to Rs. 666.775 million and Rs. 299.506 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 in financial years subsequent to 2015-16 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, arrangements has been made 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, 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 Securities and Exchange Commission of Pakistan (SECP). In case requirements differ, provisions or directives of the Companies Ordinance, 1984, Non Banking Finance Companies and Notified Entities Regulations, 2008, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 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 provision requirements have been determined in accordance with the requirements of NBFC Regulations, 2008.

2.2 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.

2.3 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.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and 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 intangible assets;
- Revaluation of property, plant and equipment;
- Recognition of taxation and deferred taxation;
- Accounting for post employment benefits;
- Provisions;
- Allowance for potential lease, loan losses and other receivables;
- Classification of net investment in finance leases and loans; and
- Classification of investment properties

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after the dates specified below:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Company's financial statements.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards. These are not likely to have an impact on Company's financial statements:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

3. 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.

3.1 Cash and cash equivalents

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

3.2 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 categorised 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. Available-for-sale financial assets comprise of equity and debt securities.

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 balance sheet date.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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.

2.3 Property, plant and equipment

Owned

Property, plant and equipment are stated at cost or revalued amount 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 relative note whereby the cost / revalued amount of an asset is written-off over its estimated useful life. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the preceding month of disposal.

Surplus on revaluation of property and equipment is credited to the surplus on revaluation account. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to accumulated loss.

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 specific assets as and when these assets are available for use.

3.4 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 lease payments, including any guaranteed residual value, if any.

3.5 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

3.6 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 disposal of such assets are taken to profit and loss account.

3.7 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.

3.8 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 classification, 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 balance sheet date.

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

3.9 Revenue recognition

Finance lease income

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

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.

Income on non-performing loan receivables

Income on non-performing loan receivables is recognized on receipt basis in accordance with the requirements of the relevant Regulations.

Mark-up / return on investments

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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

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

3.10 Taxation

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

Current

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

Deferred

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

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

3.11 Staff retirement 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". Premeasurements 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 has re-instated the provident fund scheme with effect from July 01, 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

3.12 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.

Income and expenses are presented on a net basis only when permitted by the approved accounting standards, or for gains and losses arising from a group of similar transactions.

3.13 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 balance sheet date and are adjusted to reflect the current best estimate.

3.14 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 as set out in the Regulations. The allowance is increased by provisions charged to income and is decreased by charge-offs, net of recoveries.

3.15 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.

3.16 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as assets when fair value is positive, and liabilities when fair value is negative. Any change in the fair value of derivative financial instrument is taken to profit and loss account.

3.17 Financial liabilities

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

3.18 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 income currently.

3.19 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

3.20 Impairment

Non derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and the loss event(s) had an impact on the estimated future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held to maturity investment securities) at both a specific asset and collective level. All individually significant assets are assessed for any impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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.

3.21 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 appropriate authority except for non-cumulative preference dividend which is accrued in the respective year as per the term sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	<i>Note</i>	2016	2015
..... (Rupees)			
4. CASH AND BANK BALANCES			
Cash in hand		67,545	67,545
Balance with State Bank of Pakistan in current account - local currency		15,185	20,305
Balances with other banks:			
- in current account		5,500	5,500
- in saving accounts	4.1	13,494,506	3,329,581
		<u>13,582,736</u>	<u>3,422,931</u>

4.1 This represents saving deposit accounts maintained with various commercial banks at mark-up rate at the rate of 4% - 5% (2015: 5% to 7%) per annum.

		2016	2015
..... (Rupees)			
5. SHORT TERM LOANS - secured			
Considered doubtful	5.1	202,156,794	205,406,794
Provision for non-performing loans	5.2	(112,034,159)	(76,175,700)
		<u>90,122,635</u>	<u>129,231,094</u>

5.1 This represents short term loans facilities provided to customers and carries mark-up ranging from 16.25% to 25.00% (2015: 16.25% to 25.00%) per annum.

		2016	2015
..... (Rupees)			
5.2 Provision for non-performing loans			
Balance at beginning of the year		76,175,700	76,175,700
Charge for the year	29	35,858,459	-
Write-offs against provision		-	-
Balance at end of the year	5.2.1	<u>112,034,159</u>	<u>76,175,700</u>

5.2.1 The above provision for non-performing loans is net of forced sales value (FSVs) of collaterals of Rs. 90.122 million (2015: Rs. 129.231 million) considered by the Company for the purpose of determination of provision requirements. Had this benefit of FSVs not been taken by the Company, the specific provision against non-performing loans would have been higher by Rs. 90.122 million (2015: Rs. 129.231 million) and the Company's profit before taxation would also have been lower by the same amount.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

6. SHORT TERM INVESTMENTS	Note	2016		2015	
		.....(Rupees)			
Available for sale					
- Ordinary shares of listed companies	6.1	85,935		85,935	
- Ordinary shares of unlisted companies	6.1	18,914,938		18,914,938	
Investments - at cost		<u>19,000,873</u>		<u>19,000,873</u>	
Unrealised gain on re-measurement of available for sale securities		22,975		37,379	
		<u>19,023,848</u>		<u>19,038,252</u>	
Held to maturity					
- Government Market Treasury Bills	6.2	14,720,920		19,368,454	
- Certificates of deposit	6.3	-		50,000,000	
		<u>33,744,768</u>		<u>88,406,706</u>	

6.1 INVESTMENT IN AVAILABLE FOR SALE SECURITIES

2016	2015	Name of companies	Note	2016		2015	
				Cost	Market value / break up value	Cost	Market value / break up value
(Number of shares)				..... (Rupees) .....		..... (Rupees)	
		Ordinary shares of listed companies					
495	495	MCB Bank Limited	6.1.1	85,935	108,910	85,935	123,314
				85,935	108,910	85,935	123,314
		Ordinary shares of unlisted companies					
425,000	425,000	Pace Barka Properties Limited	6.1.2	4,250,000	4,250,000	4,250,000	4,250,000
2,500,000	2,500,000	SPI Insurance Company Limited	6.1.2	14,664,938	14,664,938	14,664,938	14,664,938
				<u>18,914,938</u>	<u>18,914,938</u>	<u>18,914,938</u>	<u>18,914,938</u>
				22,975	-	37,379	-
				<u>19,023,848</u>	<u>19,023,848</u>	<u>19,038,252</u>	<u>19,038,252</u>

Unrealised gain on re-measurement of available for sale securities

6.1.1 The investments in the listed equity securities held as available for sale are valued at prices quoted on Karachi Stock Exchange.

6.1.2 As on June 30, 2016, the break-up value of an ordinary share of M/s. Pace Barka Properties Limited and M/s. Saudi Pak Insurance Company Limited, as per their financial statements for the year ended June 30, 2016, amounted to Rs. 6.50 per share (2015: Rs. 14.13 per share) and Rs. 8.30 per share (2015: Rs. 11.15 per share), respectively.

6.2 This represents investment in Government Market Treasury Bills having maturity on 04 August 2016 and carry effective mark-up at a rate 5.80% (2015: 6.70%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

		2016	2015
		(Rupees)	
7. OTHER RECEIVABLES	<i>Note</i>		
Operating lease rentals receivables		11,795,095	11,545,095
Receivable on termination of finance leases		67,860,053	67,859,467
Staff gratuity- net defined benefit asset		2,753,383	3,279,732
Others		3,209,948	3,035,336
		<u>85,618,479</u>	<u>85,719,630</u>
Provision against doubtful receivables	<i>7.1</i>	(82,279,041)	(79,082,927)
		<u>3,339,438</u>	<u>6,636,703</u>
7.1 Provision against doubtful receivables			
Balance at beginning of the year	<i>5.1</i>	79,082,927	79,733,007
Charge for the year	<i>5.2</i>	3,196,114	-
Reversal for the year		-	(650,080)
		<u>3,196,114</u>	<u>(650,080)</u>
Balance at end of the year		<u>82,279,041</u>	<u>79,082,927</u>
8. CURRENT MATURITY OF NON- CURRENT ASSETS			
Long term loans	<i>9</i>	39,783,068	37,753,501
Net investment in finance leases	<i>10</i>	513,128,692	632,130,530
		<u>552,911,760</u>	<u>669,884,031</u>
9. LONG TERM LOANS - secured			
Loan to employees	<i>9.1</i>	1,073,477	1,675,287
Term loans to customers			
- Considered doubtful	<i>9.2</i>	105,553,927	105,553,927
		<u>106,627,404</u>	<u>107,229,214</u>
Provision for non-performing loans	<i>9.3</i>	(66,844,336)	(69,109,486)
		<u>39,783,068</u>	<u>38,119,728</u>
Current maturity of long term loans	<i>8</i>	(39,783,068)	(37,753,501)
		<u>-</u>	<u>366,227</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

9.1 Loans to employees

Loans 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% (2015: 4%) per annum. The maximum amount of loans to employees outstanding during the year amounts to Rs. 1.675 million.

9.2 Term loans due from customers are secured against property. The rate of return on these loans ranges from 16.00% to 22.66% (2015: 16.00% to 22.66%) per annum.

9.3 Provision for non-performing loans	Note	(Rupees)	
		2016	2015
Balance at beginning of the year		69,109,486	57,736,391
Charge for the year		4,455,750	11,472,830
Reversal made during the year		(6,720,900)	(99,735)
	29	(2,265,150)	11,373,095
Balance at end of the year	9.3.1	66,844,336	69,109,486

9.3.1 The above provision for non-performing long term loans is net of forced sales value (FSVs) of collaterals of Rs. 38.709 million (2015: Rs. 36.444 million) considered by the Company for the purpose of determination of provision requirements. Had this benefit of FSVs not been taken by the Company, the specific provision against non-performing loans would have been higher by Rs. 38.709 million (2015: Rs. 36.444 million) and the Company's profit before taxation would also have been lower by the same amount.

10. NET INVESTMENT IN FINANCE LEASES

	2016			2015		
	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	1,380,537,361	-	1,380,537,361	1,392,036,224	34,851,941	1,426,888,165
Residual value of leased assets	355,194,078	-	355,194,078	433,335,645	3,750,005	437,085,650
Gross investment in leases	1,735,731,439	-	1,735,731,439	1,825,371,869	38,601,946	1,863,973,815
Unearned lease income	-	-	-	(193,821)	(725,135)	(918,956)
Mark-up held in suspense	(332,201,737)	-	(332,201,737)	(329,606,795)	(9,404,032)	(339,010,827)
	(332,201,737)	-	(332,201,737)	(329,800,616)	(10,129,167)	(339,929,783)
Provision for lease losses	(890,401,010)	-	(890,401,010)	(863,440,723)	(19,720,495)	(883,161,218)
Net investment in finance leases	513,128,692	-	513,128,692	632,130,530	8,752,284	640,882,814

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

10.1 The internal rate of return on leases disbursed by the Company ranges from 12.50% to 20.01% (2015: 12.50% to 20.01%) per annum. Certain lease rentals have been hypothecated against long term finances obtained (refer note 19.1.1).

	<i>Note</i>	2016	2015
		..... (Rupees)	
10.2 Mark-up held in suspense			
Balance at beginning of the year		339,010,827	353,019,241
Income suspended during the year		918,956	1,233,928
		<u>339,929,783</u>	<u>354,253,169</u>
Suspended income:			
- realised during the year		(6,607,543)	(15,125,989)
- written-off during the year		(1,120,503)	(116,353)
		<u>(7,728,046)</u>	<u>(15,242,342)</u>
Balance at end of the year		<u>332,201,737</u>	<u>339,010,827</u>

10.3 Provision for lease losses

Balance at beginning of the year		883,161,218	761,787,395
Charge for the year		51,105,252	163,894,321
Reversal for the year		(31,324,827)	(38,185,779)
	<i>29</i>	<u>19,780,425</u>	<u>125,708,542</u>
Write-offs against provision		(12,540,633)	(4,334,719)
Balance at end of the year	<i>10.3.1</i>	<u>890,401,010</u>	<u>883,161,218</u>

10.3.1 The provision for non-performing lease losses is net of the forced sales value (FSVs) of leased assets / collaterals of Rs. 177.482 million (2015: Rs. 225.363 million) considered by the Company for the purpose of determination of provision requirements. Had this benefit of FSVs not been taken by the Company, specific provision against non-performing lease portfolio would have been higher by Rs. 177.482 million (2015: Rs. 225.363 million) and Company's profit before taxation would also have been lower by the same amount.

Furthermore, the management is considering to hire a consultant / independent inspector and legal advisor to assess the existence and legal right for the FSVs against which the FSV benefit is taken by the Company.

10.4 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 2016, the Company's investment in lease assets was 66.12% (2015: 65.66%) of the total assets (less allowable deductions).

	<i>Note</i>	2016	2015
		..... (Rupees)	
11. INVESTMENT PROPERTIES			
Cost at beginning of the year		66,160,092	66,160,092
Accumulated depreciation at beginning of the year		(18,112,619)	(14,804,614)
Depreciation charged during the year	<i>27</i>	(3,308,004)	(3,308,005)
Accumulated depreciation at end of the year		<u>(21,420,623)</u>	<u>(18,112,619)</u>
Impairment loss on investment properties	<i>11.2</i>	(6,805,696)	(6,805,696)
Carrying value of investment properties	<i>11.1</i>	<u>37,933,773</u>	<u>41,241,777</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

- 11.1 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, 2016, amounting to Rs. 34.492 million (2015: Rs. 37.079 million) and Rs. 3.441 million (2015: Rs. 4.163 million), respectively.
- 11.2 The bungalow was last revalued by M/s. Fairwater Property Valuers and Surveyors (Private) Limited in 2014. According to such valuation, the fair value of the bungalow, as on June 12, 2014, was assessed to be Rs. 90.68 million.
- 11.2.1 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 suit in High Court for relief. The amount of rent due till June 30, 2016 amounting to Rs. 8.325 million has not been recorded awaiting the outcome of proceedings in High Court.
- 11.3 The offices were last revalued by M/s. Hamid Mukhtar & Co. (Private) Limited in 2015. According to such valuation, the fair value of the offices, as on Aug 26, 2015 was assessed to be Rs. 4.163 million.

	2016	2015
11.2 Impairment loss on investment properties	(Rupees)	
Balance at beginning of the year	6,805,696	7,526,809
Reversal for the year	-	(721,113)
Balance at end of the year	<u>6,805,696</u>	<u>6,805,696</u>

12. PROPERTY, PLANT AND EQUIPMENT

	2016										
	Cost / Revaluation			Accumulated depreciation			Accumulated impairment			Written down value	Rate
	As at 01 July 2015	Additions / (disposals) / (transfers)*	As at 30 June 2016	As at 01 July 2015	Charge for the year / (on disposals) / (transfers)*	As at 30 June 2016	As at 01 July 2015	Charge for the year	As at 30 June 2016	As at 01 June 2016	%
(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	54,407,174	10,600,172	65,007,346	-	-	-	38,796,357	5%
Furniture, fixtures and fittings	5,983,992	-	5,983,992	5,983,992	-	5,983,992	-	-	-	-	20%
Vehicles	4,567,630	-	4,567,630	3,327,522	391,680	3,719,202	-	-	-	848,428	20%
Office equipment	26,392,408	219,953	26,612,361	25,208,400	368,098	25,576,498	-	-	-	1,035,863	20%
	<u>144,274,104</u>	<u>219,953</u>	<u>144,494,057</u>	<u>92,453,459</u>	<u>11,359,950</u>	<u>103,813,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,680,648</u>	
Operating lease assets											
Plant and machinery	59,505,000	-	59,505,000	50,357,041	2,447,959	52,805,000	-	6,700,000	6,700,000	-	10%
Generators	11,492,012	-	11,492,012	7,787,447	1,087,920	8,875,367	-	-	-	2,616,645	20%
	<u>70,997,012</u>	<u>-</u>	<u>70,997,012</u>	<u>58,144,488</u>	<u>3,535,879</u>	<u>61,680,367</u>	<u>-</u>	<u>6,700,000</u>	<u>6,700,000</u>	<u>2,616,645</u>	
	<u>215,271,116</u>	<u>219,953</u>	<u>215,491,069</u>	<u>150,597,947</u>	<u>14,895,829</u>	<u>165,493,776</u>	<u>-</u>	<u>6,700,000</u>	<u>6,700,000</u>	<u>43,297,293</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	2015										
	Cost / Revaluation		Accumulated depreciation			Accumulated impairment			Written down value		Rate
	As at 01 July 2014	Additions / (disposals) / (transfers)*	As at 30 June 2015	As at 01 July 2014	Charge for the year / (on disposals) / (transfers)*	As at 30 June 2015	As at 01 July 2014	Charge for the year	As at 30 June 2015	As at 01 June 2015	%
	(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	35,866,864	18,540,310	54,407,174	-	-	-	49,396,529	5%
Furniture, fixtures and fittings	5,983,992	-	5,983,992	5,982,865	1,127	5,983,992	-	-	-	-	20%
Vehicles	7,408,630	-	4,567,630	5,492,742	391,680	3,327,522	-	-	-	1,240,108	20%
		(2,841,000)			(2,556,900)						
Office equipment	25,818,406	574,002	26,392,408	24,836,767	371,633	25,208,400	-	-	-	1,184,008	20%
	42,737,399	104,377,705	144,274,104	75,705,609	19,304,750	92,453,459	-	-	-	51,820,645	
		(2,841,000)			(2,556,900)						
Operating lease assets											
Plant and machinery	59,505,000	-	59,505,000	46,897,194	3,459,847	50,357,041	-	-	-	9,147,959	10%
Generators	20,402,880	-	11,492,012	14,272,686	1,350,047	7,787,447	-	-	-	3,704,565	20%
		(8,910,868)			(7,835,286)						
	79,907,880	-	70,997,012	61,169,880	4,809,894	58,144,488	-	-	-	12,852,524	
	-	(8,910,868)	-	-	(7,835,286)	-	-	-	-	-	
	122,645,279	104,377,705	215,271,116	136,875,489	24,114,644	150,597,947	-	-	-	64,673,169	
	-	(11,751,868)	-	-	(10,392,186)	-	-	-	-	(22,144,054)	

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

	2016				2015		
	Cost	Accumulated depreciation	Accumulated impairment	Written down value	Cost	Accumulated depreciation	Written down value
	(Rupees)						
Office premises	28,548,042	21,518,852	-	7,029,190	28,548,042	20,091,450	8,456,592
Plant and machinery	67,000,000	60,300,000	6,700,000	-	67,000,000	56,865,000	10,135,000
Generators	9,848,000	7,231,355	-	2,616,645	9,848,000	4,078,833	5,769,167

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

13. BORROWINGS FROM FINANCIAL INSTITUTIONS	<i>Note</i>	2016	2015
		..... (Rupees)	
Letters of Placement - Unsecured			
National Bank of Pakistan	<i>13.1</i>	77,500,000	77,500,000
Innovative Investment Bank Limited	<i>13.2</i>	60,000,000	60,000,000
Meezan Bank Limited	<i>13.3</i>	27,001,588	27,001,588
AKD Aggressive Income Fund	<i>13.4</i>	2,762,504	2,762,504
KASB Income Opportunity Fund	<i>13.5</i>	10,429,140	10,429,140
		<u>177,693,232</u>	<u>177,693,232</u>

- 13.1 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 been made by the Company in respect of this finance. As of 30 June 2016, the Company has accrued a mark-up on this finance amounting to Rs. 54.291 million (2015: Rs. 45.5 million).
- 13.2 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 made an aggregate principal repayment of Rs. 3 million. As of 30 June 2016, the Company has accrued a mark-up on this finance amounting to Rs. 30.435 million (2015: Rs. 25.6 million).
- 13.3 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.

- 13.4 This represents finance of Rs. 26 million obtained from AKD Aggressive Income Fund on June 23, 2011 through a letter of placement for a period of 30 days carrying markup at a rate of 10% per annum. The loan was subsequently restructured by way of a settlement agreement entered into with AKD Aggressive Income Fund dated January 14, 2013. As per the said restructuring agreement, the Company was required to settle the outstanding loan on the following terms:

- Down payment of Rs. 1.24 million;
- 12 equal monthly cash payments of Rs. 1.33 million starting from January 2013; and
- Transfer of shares of an unlisted company against liability of Rs. 2.76 million.

The Company made the aforesaid down payment of Rs. 1.24 million on December 31, 2012 and paid the monthly instalments on the dates agreed in the restructuring agreement. However, the transfer of ordinary shares, referred to above, is yet to be executed. As of June 30, 2016, the Company had accrued a mark-up on this finance amounting to Rs. 5.010 million (2015: Rs. 4.6 million).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

13.5 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 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.

14. ACCRUED MARK-UP	<i>Note</i>	2016	(Restated) 2015
		..... (Rupees)	
<i>Mark-up on:</i>			
- certificates of investment		74,760,373	66,936,876
- long term finances		39,010,386	44,027,045
- term finance certificates		84,805,991	77,804,652
- short term borrowings from financial institutions		100,929,163	87,135,224
		<u>299,505,913</u>	<u>275,903,797</u>
15. ACCRUED EXPENSES AND OTHER PAYABLES		2016	2015
		..... (Rupees)	
Accrued expenses		2,328,087	1,818,942
Unclaimed dividend		1,663,945	1,668,945
Others		7,562,658	7,692,400
Provision for Sindh sales tax on services		6,629,830	-
		<u>18,184,520</u>	<u>11,180,287</u>

15.1 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. Since the aforesaid demand of Rs. 7.213 million has been settled in full, subsequently in June 2018, the provision thereof (to the extent that it relates to the period from July 2011 to June 2015) has been duly recognized in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

16. CURRENT MATURITY OF NON-CURRENT LIABILITIES	Note	2016	(Restated) 2015
		..... (Rupees)	
Certificates of investment	17	54,049,000	55,349,000
Long term finances	19	392,032,443	432,997,913
Long term security deposits against finance leases	20	334,339,747	412,481,319
		<u>780,421,190</u>	<u>900,828,232</u>

17. CERTIFICATES OF INVESTMENT - unsecured

Long term certificates of investment		54,049,000	55,349,000
Current maturity of certificates of investment	16	<u>(54,049,000)</u>	<u>(55,349,000)</u>
		<u>-</u>	<u>-</u>

17.1 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% (2015: 7% to 14%) per annum.

18. 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
<i>As on June 30, 2016</i>				
Deferred tax liability in respect of:				
Accelerated tax depreciation	2,765,540	(4,000,494)	-	(1,234,954)
Surplus on revaluation of property, plant and equipment	12,122,748	(1,896,090)	(378,836)	9,847,822
	14,888,288	(5,896,584)	(378,836)	8,612,868
Deferred tax asset recognized	(14,888,288)	6,275,420	-	(8,612,868)
Net deferred tax position	<u>-</u>	<u>378,836</u>	<u>(378,836)</u>	<u>-</u>

Details of deferred tax assets

	(Rupees)
Provision for lease losses	276,024,313
Provision for non-performing short term loans	34,730,589
Provision for non-performing long term loans	20,721,744
Provision for doubtful other receivables	25,506,503
Unused tax losses	36,432,117
	<u>393,415,266</u>
Less: Deferred tax asset recognized to the extent of available taxable temporary differences	<u>(8,612,868)</u>
Unrecognized deferred tax asset	<u>384,802,398</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	Balance at beginning of the year	Recognized in profit and loss account	Recognized in other comprehensive income	Balance at end of the year
<i>As on June 30, 2015</i>				
Deferred tax liability in respect of:				
Accelerated tax depreciation	8,081,050	(5,315,510)	-	2,765,540
Surplus on revaluation of property, plant and equipment	16,934,362	(4,298,452)	(513,162)	12,122,748
	<u>25,015,412</u>	<u>(9,613,962)</u>	<u>(513,162)</u>	<u>14,888,288</u>
Deferred tax asset recognized	(25,015,412)	10,127,124	-	(14,888,288)
Net deferred tax position	<u>-</u>	<u>513,162</u>	<u>(513,162)</u>	<u>-</u>
Details of deferred tax assets				(Rupees)
Provision for lease losses				282,611,590
Provision for non-performing short term loans				24,376,224
Provision for non-performing long term loans				22,115,036
Provision for doubtful other receivables				25,306,537
Unused tax losses				16,449,676
				<u>370,859,063</u>
Less: Deferred tax asset recognized to the extent of available taxable temporary differences				<u>(14,888,288)</u>
Unrecognized deferred tax asset				<u>355,970,775</u>

19. LONG TERM FINANCES	Note	2016	(Restated) 2015
		(Rupees)	
Long term finance - secured	19.1.1	163,061,501	178,961,501
Long term finance - unsecured	19.1	5,703,696	5,703,696
		<u>168,765,197</u>	<u>184,665,197</u>
Term finance certificates - secured	19.2	223,267,246	248,332,716
		<u>392,032,443</u>	<u>432,997,913</u>
Current maturity of long term finances	16	(392,032,443)	(432,997,913)
		<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

19.1 Long term finances	Tenure		Price	Note	Principal Outstanding	
	From	To			2016	2015
					(Rupees)	
Secured						
National Bank of Pakistan	Mar-05	Mar-10	6 month KIBOR + 1.5% (payable semi annually)	19.1.2	12,500,000	12,500,000
First Women Bank Limited	Dec-08	Dec-12	Fixed at 12% (payable monthly)	19.1.3	75,061,505	75,061,505
Askari Income Fund	Mar-10	Sep-12	-	19.1.4	13,500,000	13,500,000
Soneri Bank Limited	May-13	Sep-14	-	19.1.5	61,999,996	61,999,996
Bank of Khyber	Jun-12	Mar-16	-	19.1.6	-	15,900,000
Un secured						
Silk Bank Limited	Sep-12	Mar-17	-	19.1.7	5,703,696	5,703,696
					<u>168,765,197</u>	<u>184,665,197</u>

19.1.1 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.

19.1.2 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, 2016, 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, 2016, the Company had accrued mark-up amounting to Rs. 10.263 million.

19.1.3 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, 2016, the Company had accrued mark-up of Rs. 24.054 million (2015: Rs. 24.054 million).

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For the year ended 30 June 2016

19.1.4 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 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.

19.1.5 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.

19.1.6 This represents a finance of Rs. 500 million obtained from M/s. Bank of Khyber (BOK) on October 08, 2008. Up to March 12, 2009, the Company could manage to pay Rs. 32 million and defaulted thereafter. Hence, as on that date, the finance was restructured by way of a settlement agreement whereby the restructured loan was payable over a period of 24 months (along with markup). However, due to ongoing liquidity crunch, the Company could honour its financial commitments only to the extent of Rs. 10 million and defaulted once again. To address this situation, the finance was restructured on April 26, 2010, on which date, the outstanding principal obligation amounted to Rs. 458 million. However, up to June 2012, the Company could manage to repay only Rs. 58 million. On this date, a revised restructuring agreement was signed between the Company and BOK whereby the Company was required to settle the outstanding principal obligation of Rs. 400 million as follows:

- (a) Transfer of a property valuing Rs. 150 million (held as a collateral);
- (b) Issue of preference shares of Rs. 195 million; and
- (c) Cash payment of Rs. 55 million in the following manner:
 - Down payment of Rs. 10 million; and
 - 45 monthly instalments of Rs. 1 million each.

As per the restructuring agreement dated June 21, 2012 (referred to above), the finance carries no mark-up.

The transfer of property valuing Rs. 150 million was completed on July 19, 2012. The issuance of preference shares amounting to Rs. 195 million was completed in 2013. However, up to November 2014, the Company could only repay 29 monthly instalments of Rs. 1 million each.

On September 22, 2015, BOK approved the Company's request to further restructure its remaining outstanding liability of Rs. 15.9 million. The Company was required to pay the entire amount of Rs. 15.9 million in 3 equal instalments. Subsequently, the Company paid the liability of Rs. 15.9 million in November 2015 as per the the settlement arrangement agreed with the bank and, accordingly, an amount of Rs. 6.941 million being balance of accrued markup has been waived by BOK.

NOTES TO THE FINANCIAL STATEMENTS

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19.1.7 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 instalments of Rs. 0.204 million each and defaulted thereafter. As of June 30, 2016, the Company had accrued a mark up of Rs. 4.32 million (2015: Rs. 3.816 million).

19.2 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.

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20. LONG TERM SECURITY DEPOSITS AGAINST FINANCE LEASES	Note	(Rupees)	
		2016	2015
Security deposits against finance leases	20.1	334,339,747	416,231,319
Current maturity of deposits against finance leases	16	(334,339,747)	(412,481,319)
		<u>-</u>	<u>3,750,000</u>

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

20.1 SHARE CAPITAL

2016	2015	Note	2016	2015
(Number of shares)				
AUTHORISED SHARE CAPITAL				
<u>100,000,000</u>	<u>100,000,000</u>		<u>1,000,000,000</u>	<u>1,000,000,000</u>
<u>100,000,000</u>	<u>100,000,000</u>		<u>1,000,000,000</u>	<u>1,000,000,000</u>
ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL				
Ordinary shares				
<i>Issued for cash</i>				
25,180,000	25,180,000	21.1	251,800,000	251,800,000
<i>Issued for consideration other than cash</i>				
19,980,500	19,980,500		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>				
		21.2	<u>528,208,500</u>	<u>528,208,500</u>
<u>52,820,850</u>	<u>52,820,850</u>			

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- 21.1 Saudi Pak Industrial & Agricultural Investment Company Limited (SAPICO) holds 35.06% (2015: 35.06%) of the issued, subscribed and paid-up ordinary share capital of the Company and 63% (2015: 63%) of the issued preference share capital of the Company.
- 21.2 The shareholders of the Company through 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 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 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.

21.3 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. The Company is hence, non compliant at the year end with the MCR requirement laid by SECP (also see note 1.3).

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For the year ended 30 June 2016

	2016	(Restated) 2015
22. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET		
	..... (Rupees)	
On office premises, plant and machinery and generators		
<i>Gross surplus</i>		
As at beginning of the year	37,883,588	51,316,247
Incremental depreciation transferred to retained earnings	(6,116,421)	(13,432,659)
	31,767,167	37,883,588
<i>Related deferred tax charge</i>		
As at beginning of the year	(12,122,748)	(16,934,362)
Tax effect of change in tax rate	378,836	513,162
Incremental depreciation transferred to retained earnings	1,896,091	4,298,452
	(9,847,821)	(12,122,748)
	21,919,346	25,760,840

23. CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

23.1.1 The Company is contesting various suits filed against it during the period from the year 2008 to 2016. These include counter suits for damages as well as recovery suits including rendition of accounts of aggregate amount of Rs. 165.799 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.

23.1.2 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.

23.1.3 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 number 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 during the year.

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 Company's interest. The Company, hence, has not recognized any provision against the above notice.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

23.1.4 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.

23.2 Commitments

As of the reporting date, no commitments were known to exist (2015: None).

24. INCOME FROM FINANCE LEASES	<i>Note</i>	2016	(Restated) 2015
		..... (Rupees)	
Income on finance lease contracts		6,607,543	15,242,342
Document fee, front-end fee and other charges		4,338,161	952,724
		<u>10,945,704</u>	<u>16,195,066</u>
25. OTHER INCOME			
Income from financial assets			
<i>Available-for-sale</i>			
Dividend income		9,454	4,902
<i>Held-to-maturity</i>			
Income on amortisation of Government Market Treasury Bills		1,071,625	1,665,914
<i>Loans and receivables</i>			
Interest income on term loans		-	33,994
Return on certificates of deposit		1,213,697	1,736,225
Interest income from saving accounts		391,595	1,058,267
		1,605,292	2,828,486
Income from non-financial assets / others			
Gain on sale of property, plant and equipment		-	3,726,340
Gain on sale of investment properties		-	-
Gain on settlement of loan	<i>25.1</i>	35,439,989	31,875,934
Others		154,728	2,032,194
		<u>35,594,717</u>	<u>37,634,468</u>
		<u>38,281,088</u>	<u>42,133,770</u>

25.1 This includes principal and markup waiver of Pak Brunei amounting to Rs. 28.4 million and Rs. 6.9 million of Bank of Khyber respectively

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

26. FINANCE COSTS	<i>Note</i>	2016	(Restated) 2015
		..... (Rupees)	
<i>Mark-up on:</i>			
- Long term finances		1,924,575	1,125,901
- Term finance certificates		15,434,624	17,563,996
- Short term borrowings		13,793,939	13,616,991
Return on certificates of investment		7,823,497	9,582,036
Bank charges		59,627	59,702
		<u>39,036,262</u>	<u>41,948,626</u>
27. ADMINISTRATIVE AND OPERATING EXPENSES		2016	(Restated) 2015
		..... (Rupees)	
Salaries, allowances and benefits	<i>27.1</i>	26,619,905	21,079,177
Charge for defined benefit plan	<i>32.1.3</i>	134,479	(58,642)
Rent		865,020	1,131,955
Repairs and maintenance		1,373,264	1,464,307
Utilities		963,089	1,135,015
Depreciation on owned assets	<i>12</i>	11,359,950	19,304,750
Depreciation on investment properties	<i>11</i>	3,308,004	3,308,005
Insurance		137,463	154,618
Vehicle running expenses		335,348	2,297,980
Printing and stationery		1,045,131	548,758
Telephone and postage		734,573	629,777
Travelling and conveyance		889,260	896,574
Fee and subscriptions		1,248,710	1,566,705
Legal and professional charges		2,944,776	3,508,564
Advertising and entertainment		406,482	240,775
Auditors' remuneration	<i>27.2</i>	605,000	605,000
Brokerage and commission		3,000	677,104
Sindh sales tax on services	<i>15.1</i>	6,629,830	-
Impairment of plant and machinery		6,700,000	-
Miscellaneous		1,560,607	1,377,140
		<u>67,863,891</u>	<u>59,867,562</u>

27.1 Salaries, allowances and benefits include Rs. 0.62 million (2015: Rs. 1.650 million) in respect of staff retirement benefits.

27.2 Auditors' remuneration	<i>Note</i>	2016	(Restated) 2015
		..... (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>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

		2016	(Restated) 2015
		(Rupees)	
28. DIRECT COST OF OPERATING LEASES	<i>Note</i>		
Insurance and other expenses		17,500	71,763
Depreciation on operating lease assets	<i>12</i>	3,535,879	4,809,894
		<u>3,553,379</u>	<u>4,881,657</u>
29. PROVISION FOR DOUBTFUL LEASES, LOANS AND OTHER RECEIVABLES			
Provision / (reversals) / write-offs for potential lease losses - net	<i>10.3</i>	19,780,425	121,373,823
Provision for potential losses on short term loans - net	<i>5.2</i>	35,858,459	-
(Reversal) / provision for potential losses on long term loans - net	<i>9.3</i>	(2,265,150)	11,373,095
Provision / (reversal) for doubtful receivables - net	<i>7.1</i>	3,196,114	(650,080)
		<u>56,569,848</u>	<u>132,096,838</u>
30. TAXATION			
Current		414,052	12,562,202
Deferred	<i>18</i>	378,836	513,162
		<u>792,888</u>	<u>13,075,364</u>

30.1 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.

30.2 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 2003-2016 have been filed which are deemed assessed under section 120 of 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 2014-2016, 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 intending to amend tax return for the tax year filed by the Company with the tax authority.

		2016	(Restated) 2015
		(Rupees)	
31. LOSS PER SHARE - BASIC AND DILUTED			
Loss after taxation attributable to ordinary shareholders		(118,853,527)	(194,715,170)
Weighted average number of ordinary shares - Basic		45,160,500	45,160,500
Loss per share - Basic		(2.63)	(4.31)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

31.1 At June 30 2016, the Company has 52.82 million (2015: 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.

32. STAFF RETIREMENT BENEFIT SCHEMES

32.1 Defined benefit scheme

The latest actuarial valuation of the gratuity fund was carried out by TRT Associates as at June 30, 2015 on the basis of the 'Projected Unit Credit Method'. The estimation is based on the following significant assumptions:

32.1.1 Principal actuarial assumptions

Following principal actuarial assumptions were used for the valuation:

	2016	2015
Discount rate		
Expected rate of increase in salary level	9%	9%
Expected rate of return on plan assets	8%	8%
Mortality rate	12%	12%
Withdrawal rate before normal retirement age	SLIC (2001-05)	SLIC (2001-05)
Expected remaining working life time of employees	moderate	moderate
Number of employees	8 years	8 years
Normal retirement age	11 55 years	11 55 years

32.1.2 Net defined benefit (asset) / liability

	2016	(Restated) 2015
	..... (Rupees)	
Present value of defined benefit obligation	1,120,360	3,140,996
Fair value of plan assets	(3,873,743)	(6,420,728)
	<u>(2,753,383)</u>	<u>(3,279,732)</u>

32.1.3 Movement in the net defined benefit (asset) / liability

Balance at beginning of the year	(3,279,732)	(3,944,771)
Amount chargeable to profit and loss account	134,479	(58,642)
Amount chargeable to other comprehensive income	391,870	723,681
Balance at end of the year	<u>(2,753,383)</u>	<u>(3,279,732)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	2016	(Restated) 2015
32.1.4 Changes in present value of defined benefit obligation	..... (Rupees)	
Present value of defined benefit obligation at beginning of the year	3,140,996	3,858,103
Current service cost for the year	429,655	414,730
Interest cost for the year	282,690	351,263
Benefits paid / payable	(2,732,981)	(1,861,824)
Actuarial gain on present value of defined benefit obligation	-	378,724
Present value of defined benefit obligation at end of the year	<u>1,120,360</u>	<u>3,140,996</u>
32.1.5 Changes in fair value of plan assets		
Fair value of plan assets at beginning of the year	6,420,728	7,802,874
Expected return on plan assets	577,866	824,635
Return on plan assets excluding interest income	(391,870)	(344,957)
Benefits paid / payable	(2,732,981)	(1,861,824)
Fair value of plan assets at end of the year	<u>3,873,743</u>	<u>6,420,728</u>
32.1.6 Charge for defined benefit plan		
Current service cost	429,655	414,730
Interest cost	282,690	351,263
Expected return on plan assets	(577,866)	(824,635)
	<u>134,479</u>	<u>(58,642)</u>
32.1.7 Fair value of plan assets at end of the year		
Orix - Floater two years	1,000,000	1,000,000
Benefit payable	(657,453)	(657,453)
Cash at bank(s)	3,531,196	6,078,181
	<u>3,873,743</u>	<u>6,420,728</u>
32.1.8 Component of defined benefit costs (re-measurement) recognized in other comprehensive income		
Remeasurement due to changes in:	-	-
- Demographic assumptions	-	378,724
- Experience adjustments	391,870	344,957
- Return on plan assets	391,870	723,681
Actuarial gains / (loss) at end of the year	<u>391,870</u>	<u>723,681</u>

32.1.9 Actual return on plan assets during the year was Rs. 0.186 million (2015: Rs. 0.480 million).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

32. Defined contribution scheme

The Company operates an approved funded contributory provident fund for its employees. Details of net assets and investments of the fund as per its unaudited financial statements for the year ended June 30, 2016 are as follows:

	(Un-audited) June 30, 2016	(Un-audited) June 30, 2015
	..... (Rupees)	
Size of the fund	2,325,914	3,889,644
Cost of investment	2,325,914	3,657,848
Percentage of investments made	100%	94%
Fair value of investments made	2,325,914	3,657,848

Break up of investments of the provident fund

Break up of investments in provident fund in terms of amount and percentage of the size of the provident fund are as follows:

	June 30, 2016	June 30, 2015
	..... (Rupees)	
Bank balances	2,325,914	2,157,848
Certificate of deposits	-	1,500,000
	2,325,914	3,657,848

The above investments out of the provident fund have been made in accordance with the requirement of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

33. NUMBER OF EMPLOYEES

	2016	2015
	..... (Number)	
As at end of the year	34	30
Average for the year	32	29

34. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of Saudi Pak Industrial & Agricultural Investment Company Limited (the major shareholder), other group companies, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Transactions during the year

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

	2016					
	Major Shareholder	Associated company	Other group companies	Directors fee	Key management personnel	Other related parties
	(Rupees)					
Fee	-	-	-	360,000	-	-
Rent paid	559,020	-	-	-	-	-
Payments to provident fund	-	-	-	-	-	620,345
Remuneration to key management personnel	-	-	-	-	8,580,000	-
Return on COD	1,213,697	-	-	-	-	-

	2015					
	Major Shareholder	Associated company	Other group companies	Directors fee	Key management personnel	Other related parties
	(Rupees)					
Fee	-	-	-	435,000	-	-
Rent paid	559,020	-	-	-	-	-
Payments to provident fund	-	-	-	-	-	825,098
Mark-up accrued on provident fund contribution	-	-	-	-	-	412,549
Certificate of deposit (COD)	50,000,000	-	-	-	-	-
Remuneration to key management personnel	-	-	-	-	7,915,000	-
Return on COD	1,736,225	-	-	-	-	-

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:

	2016					
	Major Shareholder	Associated company	Other group companies	Directors fee	Key management personnel	Other related parties
	(Rupees)					
Preference dividend payable	5,774,153	-	-	-	-	-

	2015					
	Major Shareholder	Associated company	Other group companies	Directors fee	Key management personnel	Other related parties
	(Rupees)					
Mark-up accrued on COD	166,858	-	-	-	-	-
Preference dividend payable	5,774,153	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

35. 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	
	2016	2015	2016	2015	2016	2015	2016	2015
	(Rupees)							
Fee	-	-	360,000	435,000	-	-	360,000	435,000
Managerial remuneration	4,800,000	4,800,000	-	-	2,688,000	1,861,000	7,488,000	6,661,000
Housing, utilities etc.	-	-	-	-	612,000	374,000	612,000	374,000
Retirement benefits	480,000	480,000	-	-	-	-	480,000	480,000
Leave encashment	-	400,000	-	-	-	-	-	400,000
	<u>5,280,000</u>	<u>5,680,000</u>	<u>360,000</u>	<u>435,000</u>	<u>3,300,000</u>	<u>2,235,000</u>	<u>8,940,000</u>	<u>8,350,000</u>
Number of persons	<u>1</u>	<u>1</u>	<u>6</u>	<u>5</u>	<u>2</u>	<u>2</u>	<u>9</u>	<u>8</u>

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

CASH USED IN OPERATING ACTIVITIES

	(Restated)	
	2016	2015
	(Rupees)	
Loss before taxation	(118,060,639)	(181,639,806)
Adjustments for:		
Depreciation - owned assets	11,359,950	19,304,750
Depreciation - investment properties	3,308,004	3,308,005
Depreciation - assets under operating lease	3,535,879	4,809,894
Income on finance lease contracts	(6,607,543)	(15,242,342)
Finance cost	39,036,262	41,948,626
Provision for doubtful leases, loans and other receivables	56,569,848	132,096,838
Dividend income	(9,454)	(4,902)
Interest income on treasury bills	(1,071,625)	(1,665,914)
Impairment on investment properties	-	(721,113)
Gratuity charge for the year	134,479	(58,642)
Impairment of plant and machinery	6,700,000	-
Amount written off directly against loans, lease receivables and investments	2,544,051	4,451,072
Gain on settlement of loans	(35,439,989)	(31,875,934)
Gain on sale of property, plant and equipment	-	(3,726,340)
	<u>80,059,862</u>	<u>152,623,998</u>
	<u>(38,000,777)</u>	<u>(29,015,808)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Movement in working capital

(Increase) / decrease in operating assets

Short term loans	3,250,000	2,140,000
Accrued mark-up	166,858	(166,858)
Trade deposits and short term prepayments	(293,961)	(1,500)
Other receivables	(425,198)	497,164
	2,697,699	2,468,806

Increase / (decrease) in operating liabilities

Accrued and other payables	7,004,233	(14,541,982)
	9,701,932	(12,073,176)

Cash used in operating activities

	(28,298,845)	(41,088,984)
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37. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	2016					
	Finance lease	Operating lease	Term loans	Investments	Others	Total
	(Rupees)					
Segment revenue						
Lease income	10,945,704	2,280,000	-	-	-	13,225,704
Interest income	-	-	-	1,213,697	391,595	1,605,292
Other income	-	-	-	1,081,079	35,594,717	36,675,796
Direct cost of operating leases	-	(3,553,379)	-	-	-	(3,553,379)
(Provisions) / reversals against assets	(19,780,425)	-	(33,593,309)	-	(3,196,114)	(56,569,848)
Write-offs	(2,544,051)	-	-	-	-	(2,544,051)
Segment results	(11,378,772)	(1,273,379)	(33,593,309)	2,294,776	32,790,198	(11,160,486)
Unallocated cost						
Financial charges						(39,036,262)
Administrative / operating expenses						(67,863,891)
						(106,900,153)
Loss before taxation						(118,060,639)
Taxation						(792,888)
Loss after taxation						(118,853,527)
Other information						
Segment assets	513,128,692	2,616,645	129,905,703	33,744,768	-	679,395,808
Unallocated assets	-	-	-	-	96,717,442	96,717,442
Total assets						776,113,250
Segment liabilities	168,765,197	-	-	-	-	168,765,197
Unallocated liabilities	-	-	-	-	1,168,691,419	1,168,691,419
Total liabilities						1,337,456,616
Net assets						(561,343,366)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

	2015					
	Finance lease	Operating lease	Term loans	Investments	Others	Total
	(Rupees)					
Segment revenue						
Lease income	16,195,066	2,556,000	-	-	-	18,751,066
Interest income	-	-	33,994	1,736,225	1,058,267	2,828,486
Other income	-	-	-	1,670,816	37,634,468	39,305,284
Direct cost of operating leases	-	(4,881,657)	-	-	-	(4,881,657)
(Provisions) / reversals against assets	(121,373,823)	-	(11,373,095)	-	650,080	(132,096,838)
Segment results	(105,178,757)	(2,325,657)	(11,339,101)	3,407,041	39,342,815	(76,093,659)
Unallocated cost						
Financial charges						(41,948,626)
Impairment on investment properties						721,113
Administrative / operating expenses						(59,867,562)
Write-offs						(4,451,072)
						(105,546,147)
Loss before taxation						(181,639,806)
Taxation						(13,075,364)
Loss after taxation						(194,715,170)
Other information						
Segment assets	640,882,814	12,852,524	167,350,822	88,406,706	-	909,492,866
Unallocated assets		-	-	-	104,175,800	104,175,800
Total assets						1,013,668,666
Segment liabilities	1,004,541,880	20,145,490	262,311,464	138,571,727	-	1,425,570,562
Unallocated liabilities	-	-	-	-	30,560,505	30,560,505
Total liabilities						1,456,131,067
Net assets						(442,462,401)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

37.1 Geographical segment analysis

The Company's operations are restricted to Pakistan only.

38. 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.

38.1 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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

	2016	(Restated) 2015
	(Rupees)	
Financial assets		
Long term loans	39,783,068	38,119,728
Net investment in finance leases - net of security deposits held	178,788,945	224,651,495
Bank balances	13,500,006	3,335,081
Short term loans	90,122,635	129,231,094
Short term investments	-	50,000,000
Accrued mark-up	-	166,858
Trade deposits	898,267	886,886
Other receivables	586,055	3,356,971
	<u>323,678,976</u>	<u>449,748,113</u>
Financial assets		
Secured	308,694,648	392,002,317
Unsecured	14,984,328	57,745,796
	<u>323,678,976</u>	<u>449,748,113</u>

38.1.1 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:

	2016					
	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	1,069,189,955	890,401,010	106,627,404	66,844,336	202,156,794	112,034,159
Neither past due nor individually impaired	-	-	-	-	-	-
Total	<u>1,069,189,955</u>	<u>890,401,010</u>	<u>106,627,404</u>	<u>66,844,336</u>	<u>202,156,794</u>	<u>112,034,159</u>

	2015					
	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	1,107,812,713	(883,161,218)	107,229,214	69,109,486	205,406,794	76,175,700
Neither past due nor individually impaired	-	-	-	-	-	-
Total	<u>1,107,812,713</u>	<u>(883,161,218)</u>	<u>107,229,214</u>	<u>69,109,486</u>	<u>205,406,794</u>	<u>76,175,700</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

38.1.2 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, 2016		Rating Agency	2016		2015
	Short term	Long term		(Rupees)		
Faysal Bank Limited	A1+	AA	PACRA	4,006,042		2,248,604
Silk Bank Limited	A-2	A-	JCR-VIS	9,886		9,144
Samba Bank Limited	A-1	AA	JCR-VIS	10,341		5,124
MCB Bank Limited	A1+	AAA	PACRA	9,468,236		1,066,709
National Bank of Pakistan	A-1+	AAA	JCR-VIS	5,500		5,500
				<u>13,500,005</u>		<u>3,335,081</u>

38.1.3 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	
	2016	2015	2016	2015
Sugar and allied	0.91	0.88	12,520,098	12,520,098
Cement	-	0.65	-	9,243,051
Energy, oils and gas	5.39	5.21	74,137,062	74,137,062
Steel and engineering & auto mobiles	6.42	6.23	88,364,316	88,577,860
Electric and electric goods	0.31	0.46	4,211,512	6,530,859
Transport and communications	11.09	10.73	152,555,370	152,555,370
Chemicals / fertilizers / pharmaceuticals	1.27	1.23	17,494,480	17,494,480
Textile	21.82	21.71	300,203,635	308,646,419
Paper and boards	3.8	3.68	52,327,172	52,327,172
Construction	7.68	7.43	105,677,968	105,677,968
Food, tobacco and beverages	5	5.63	68,755,578	80,111,650
Glass and ceramics	1.43	1.72	19,708,670	24,409,993
Hotels	1.22	1.35	16,825,057	19,237,003
Health care	0.8	0.77	10,985,869	10,985,869
Dairy and poultry	2.37	2.29	32,581,937	32,581,937
Services	8.57	8.36	117,859,240	118,909,240
Miscellaneous	17.05	16.92	234,522,202	240,594,850
Consumer	4.89	4.73	67,166,488	67,203,909
	<u>100</u>	<u>100</u>	<u>1,375,896,654</u>	<u>1,421,744,790</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

38.2 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.

	Weighted average effective rate of interest %	2016						
		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	8.67%	177,693,232	177,693,232	177,693,232	-	-	-	-
Certificates of investment	7% - 11%	97,049,000	97,049,000	97,049,000	-	-	-	-
Accrued mark-up		299,505,913	299,505,913	299,505,913	-	-	-	-
Accrued and other payables		11,554,690	11,554,690	11,554,690	-	-	-	-
Long term finances	6.61%-10.21%	392,032,443	392,032,443	392,032,443	-	-	-	-
		<u>977,835,278</u>	<u>977,835,278</u>	<u>977,835,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Weighted average effective rate of interest %	2016						
		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	8.67%	177,693,232	177,693,232	177,693,232	-	-	-	-
Certificates of investment	7% - 14%	122,744,301	122,744,301	122,744,301	-	-	-	-
Accrued mark-up		275,903,797	275,903,797	275,903,797	-	-	-	-
Accrued and other payables		11,180,287	11,180,287	11,180,287	-	-	-	-
Long term finances	8.01% - 12%	432,997,913	432,997,913	432,997,913	-	-	-	-
		<u>1,020,519,530</u>	<u>1,020,519,530</u>	<u>1,020,519,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

38.2.1 Breach of loan agreements

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

38.3 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.

38.3.1 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, 2016	June 30, 2015
	..... (Rupees)	
Fixed rate instruments		
Financial assets	14,720,920	69,368,454
Financial liabilities	(312,373,009)	(338,068,310)
	<u>(297,652,089)</u>	<u>(268,699,856)</u>
Variable rate instruments		
Financial assets	1,391,468,659	1,423,778,302
Financial liabilities	(235,767,246)	(260,832,716)
	<u>1,155,701,413</u>	<u>1,162,945,586</u>

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

As at June 30, 2016	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	over 5 years	
		..... (Rupees)					
Financial assets							
Cash and bank balances	4% -5%	13,582,736	13,494,506	-	-	-	88,230
Short term loans	16.25%-25%	90,122,635	90,122,635	-	-	-	-
Short term investments	5.80%	33,744,768	-	-	-	-	33,744,768
Trade deposits		1,180,847	-	-	-	-	1,180,847
Other receivables		586,055	-	-	-	-	586,055
Long term loans	16% - 22.66%	39,783,068	39,783,068	-	-	-	-
Net investment in finance leases net of security deposit	12.50% - 20.01%	178,788,945	178,788,945	-	-	-	-
		<u>357,789,054</u>	<u>322,189,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,599,900</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

As at June 30, 2015	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	over 5 years	
Financial assets		(Rupees)					
Cash and bank balances	5% - 7%	3,422,931	3,329,581	-	-	-	93,350
Short term loans	16.25%-25%	129,231,094	129,231,094	-	-	-	-
Short term investments	6.70%	88,406,706	-	-	-	-	88,406,706
Accrued mark-up		166,858	-	-	-	-	166,858
Trade deposits		886,886	-	-	-	-	886,886
Other receivables		3,356,971	-	-	-	-	3,356,971
Long term loans	16% - 22.66%	38,119,728	38,119,728	-	-	-	-
Net investment in finance leases net of security deposit	12.50% - 20.01%	224,651,495	215,899,211	-	8,752,284	-	-
		<u>488,242,669</u>	<u>386,579,614</u>	<u>-</u>	<u>8,752,284</u>	<u>-</u>	<u>92,910,771</u>

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 4).

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

	Profit or loss before tax 100 bp	
	Increase	(Decrease)
As at June 30, 2016	(Rupees)	
Cash flow sensitivity - Variable rate instruments	<u>11,557,014</u>	<u>(11,557,014)</u>
As at June 30, 2015		
Cash flow sensitivity - Variable rate instruments	<u>11,629,456</u>	<u>(11,629,456)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

38.3.2 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.

38.3.3 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 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 balance sheet 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.

As at June 30, 2016

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in equity
	(Rupees)			
2016	108,910	10% increase	119,801	10,891
	108,910	10% decrease	98,019	(10,891)
2015	123,314	10% increase	135,645	12,331
	123,314	10% decrease	110,983	(12,331)

38.4 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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.

38.5 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or settle a liability in an orderly transaction between market participants at the measurement date. 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	Level 4
	(Rupees)			
Office premises and generators	-	41,413,002	-	41,413,002
Investment in ordinary shares	108,910	-	18,914,938	19,023,848

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

38.6 Financial instrument by categories

Financial assets	2016	2015
	(Rupees)	
<i>Loans and receivables</i>		
Cash and bank balances	13,582,736	3,422,931
Short term loans	90,122,635	129,231,094
Accrued mark-up	-	166,858
Trade deposits	886,886	886,886
Other receivables	586,055	3,356,971
Long term loans	39,783,068	38,119,728
Net investment in finance leases	513,128,692	640,882,814
<i>Available-for-sale</i>		
Short term investments	19,023,848	19,038,252
<i>Held-to-maturity</i>		
Short term investments	14,720,920	69,368,454
Financial liabilities		
<i>At amortised cost</i>		
Long term finances	392,032,443	432,997,913
Security deposits against finance leases	334,339,747	416,231,319
Certificates of investment	97,049,000	122,744,301
Borrowings from financial institutions	177,693,232	177,693,232
Accrued mark-up	299,505,913	275,903,797
Accrued expenses and other payables	11,554,690	11,180,287

39. CORRECTION OF PRIOR PERIOD ERRORS

Deferred taxation

As on June 30, 2015, the Company had recognized a deferred tax liability in respect of investment in finance leases amounting to Rs. 55.021 million. This liability had not been updated since June 30, 2011. Further, while determining the underlying temporary difference, the effect of security deposits already received from the lessees and offered to income tax in prior years was, inadvertently, overlooked. This, in turn, resulted in a deferred tax liability of Rs. 55.021 million which, in fact, should not have been recognized in the previous years' financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

Further, the International Accounting Standard (IAS) 12 Income Taxes requires that, in the event that the reporting entity has a history of recent losses, the entity recognizes a deferred tax asset arising from unused tax losses or tax credits only to the extent that the entity has sufficient taxable temporary differences or there 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. However, contrary to this, the Company had not recognized any portion of its available deferred tax assets in all the previous financial years.

Both these errors have been duly rectified in these financial statements.

Accrued markup on long term finances

As stated in Note 20.1.3 to these financial statements, the Company has an outstanding financial liability in respect of long term finance obtained from M/s. First Women Bank Limited (FWBL) in December 2008. Due to liquidity crises being faced by the Company, the said obligation had, subsequently, been restructured. As per the terms of the rescheduling agreement, the finance carried markup at the rate of 12% per annum. According to a recent confirmation received from FWBL, the accrued markup as on June 30, 2014 amounted to Rs. 24.054 million (which represents the amount of markup accrued up to December 31, 2012, on which basis a recovery suit was subsequently filed before the Honourable High Court of Sindh in 2016).

However, contrary to the aforementioned position, the Company's books of account reflected an accrued markup of Rs. 33 million as on June 30, 2014. In addition, during the year ended June 30, 2015, the Company accrued an incremental markup of Rs. 9.186 million.

The above error has been duly rectified in these financial statements whereby the excess accrued markup liability has been reversed and its corresponding effects have been recognized in the accumulated loss as on July 01, 2015 and the finance costs for the year ended June 30, 2015.

Furthermore, a contingent liability for the cost of funds prayed for in the aforementioned legal suit has also been disclosed in these financial statements (refer note 24.1.5 to these financial statements).

Remeasurements of defined benefit plan

In accordance with the International Accounting Standard (IAS) 1 *Presentation of Financial Statements*, remeasurements of defined benefit plan are recognized in other comprehensive income and accumulated as a separate component of equity. Though such remeasurements were duly presented as an item of other comprehensive income in prior years, these had, inadvertently, been accumulated in accumulated loss account instead of being accumulated in a separate component of equity. This error has been duly rectified in these financial statements.

The correction of the above errors 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. Due to these restatements, the balance sheet as at the beginning of the earliest period presented (i.e. as of July 01, 2014) has also been included.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

The retrospective correction of errors has the effects on these financial statements as follows:

	Accumulated loss	Accumulated actuarial gain / loss on defined benefit plan- net of tax	Surplus on revaluation of property, plant and equipment - net of tax	Deferred tax liability - net	Accrued markup
Effects on the statement of financial position	(Rupees)				
Balance as at July 01, 2014 (as previously reported)	(1,528,863,428)	-	33,355,558	81,246,244	246,836,646
<i>Effects of restatements as on July 01, 2014</i>					
Decrease in deferred tax liability recognized as of July 01, 2014	80,219,920	-	1,026,324	(81,246,244)	-
Decrease in accrued markup recognized as of July 01, 2014	8,945,838	-	-	-	(8,945,838)
Accumulated actuarial gain on defined benefit plan presently separately	(94,693)	94,693	-	-	-
	89,071,065	94,693	1,026,324	(81,246,244)	(8,945,838)
Balance as at July 01, 2014 (as restated)	(1,439,792,363)	94,693	34,381,882	-	237,890,808
<i>Effects of restatements for the year ended June 30, 2015</i>					
Decrease in deferred tax income for the year ended June 30, 2015	(10,973,904)	-	-	-	-
Decrease in markup accrued on long term finance for the year ended June 30, 2015	9,186,439	-	-	-	(9,186,439)
	(1,787,465)	-	-	-	(9,186,439)
	(1,441,579,828)	94,693	34,381,882	-	228,704,369
<i>Other reconciling items not related to restatement As previously reported</i>					
Loss after taxation for the year ended 30 June 2015	(192,927,703)	-	-	-	-
Transfer of incremental depreciation from surplus on revaluation of fixed assets - net of deferred taxation	9,134,207	-	(9,134,207)	-	-
Decrease in deferred tax liability on surplus on revaluation of fixed assets due to change in tax rate	-	-	513,162	-	-
Actuarial loss for the year ended June 30, 2015 - gross	-	(723,681)	-	-	-
Net increase in accrued markup during the year ended June 30, 2015	-	-	-	-	47,199,428
	(183,793,496)	(723,681)	(8,621,045)	-	47,199,428
Balance as at June 30, 2015 (restated)	(1,625,373,324)	(628,988)	25,760,837	-	275,903,797

Effects on comprehensive income for the year ended June 30, 2015

Rupees

Effects on profit or loss account

Reversal of deferred tax income	10,460,742
Recognition of deferred tax charge	513,162
Decrease in finance costs	(9,186,439)
Increase in loss after taxation	1,787,465

Decrease in loss per share - basic and diluted 0.04*Effect on other comprehensive income*

Recognition of decrease in deferred tax liability on surplus on revaluation of fixed assets due to change in tax rate 513,162

Derecognition of deferred tax income on actuarial loss for the year ended June 30, 2015 (380,651)

Net increase in other comprehensive income 132,511Net decrease in total comprehensive income 1,654,954

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

40. CORRESPONDING FIGURES

The corresponding figures have been rearranged and reclassified, wherever considered necessary, for the purposes of comparison and better presentation. A major reclassification made in the financial statements is as follows:

Reclassified from component	Reclassified to component	Rupees
Others (Other receivables)	Staff gratuity- net defined benefit asset (Other receivables)	<u>3,279,732</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 29 March 2019.



Chief Executive



Director

PATTERN OF SHAREHOLDING

As of June 30, 2016

NO. OF SHAREHOLDERS	SHAREHOLDINGS'SLAB		TOTAL SHARES HELD	PERCENTAGE
	FROM	TO		
454	1	100	11,525	
329	101	500	93,060	
173	501	1000	141,144	
498	1001	5000	1,370,122	
141	5001	10000	1,089,564	
64	10001	15000	813,490	
39	15001	20000	713,296	
18	20001	25000	413,931	
15	25001	30000	420,706	
12	30001	35000	394,301	
9	35001	40000	342,825	
6	40001	45000	259,152	
10	45001	50000	488,908	
5	50001	55000	254,608	
6	55001	60000	343,712	
3	60001	65000	191,008	
3	65001	70000	209,000	
3	70001	75000	220,016	
2	75001	80000	159,695	
5	80001	85000	415,921	
4	95001	100000	400,000	
5	100001	105000	520,500	
2	105001	110000	219,018	
3	110001	115000	339,000	
2	145001	150000	300,000	
1	150001	155000	152,000	
1	155001	160000	157,796	
1	165001	170000	165,100	
1	180001	185000	184,553	
1	185001	190000	189,500	
1	195001	200000	199,500	
2	210001	215000	424,245	
1	215001	220000	215,261	
1	220001	225000	222,500	
3	225001	230000	678,604	
2	245001	250000	496,764	
1	260001	265000	263,431	
1	280001	285000	283,940	
1	315001	320000	318,255	
1	370001	375000	372,752	
1	390001	395000	390,500	
1	450001	455000	451,080	
1	510001	515000	511,432	
1	585001	590000	590,000	
1	845001	850000	850,000	
1	1020001	1025000	1,023,211	
1	1215001	1220000	1,218,536	
1	1520001	1525000	1,522,920	
1	1805001	1810000	1,806,420	
1	1995001	2000000	1,997,822	
1	4510001	4515000	4,514,473	
1	15835001	15840000	15,835,403	
1842			45,160,500	

CATEGORIES OF SHAREHOLDERS

As of June 30, 2016

CATEGORIES OF SHAREHOLDERS	SHAREHOLDERS	SHARES HELD	PERCENTAGE
Directors and their spouse(s) and minor children			
NIAZ AHMED KHAN	1	500	0
MUHAMMAD TARIQ MASUD	1	500	0
Associated Companies, undertakings and related parties			
PREMIER MERCANTILE SERVICES (PVT) LTD.	2	4,516,048	10
MARINE SERVICES (PVT) LIMITED	2	914,352	2
SAUDI PAK IND. & AGR. INV. CO.(PVT) LTD	1	15,835,403	35.06
Public Sector Companies and Corporations	5	2,001,183	4.43
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	4	312,800	0.69
Mutual Funds			
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	372,752.00	0.83
General Public			44.47
	1793	20,081,653	
OTHERS			
	32	1,125,309	2
Total	1842	45,160,500	100.00

Share holders holding 5% or more	Shares Held	Percentage
PREMIER MERCANTILE SERVICES (PVT) LTD.	4,516,048	10.00
SAUDI PAK IND. & AGR. INV. CO.(PVT) LTD	15,835,403	35.06

PROXY FORM

I/We _____ of _____

being member(s) of Saudi Pak Leasing Company Limited hereby appoint Mr. / Ms. _____

_____ of _____

or failing him/her Mr. / Ms. _____

of _____

(being member of the Company) as my / our Proxy to attend, act and vote for me/us and on my /our behalf at the 24th Annual General Meeting of the Company to be held on December 26, 2016 and at any adjournment thereof.

As witness my/our hand this _____ day of _____

Signed by _____

In presence of _____

Signature and address of witness

Signature of Members(s)

Please affix
Rs. 5/- revenue
stamp

Shareholder's Foilio No. _____

Number of Shares held _____

A member entitled to attend and vote at a general Meeting is entitled to appoint a proxy to attend and vote for him/her. A proxy must be a member of the Company.

The instrument appointing a proxy shall be in written under the hand of the appointer or of his/her attorney duly authorised in writing, if the appointer is a corporation, under its common seal of the hand of any officer or attorney duly authorised.

The instrument appointing a proxy, together with the Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at the Registered Office not less than 48 hours before the time of holding the Meeting.

AFFIX
CORRECT
POSTAGE

The Company Secretary
SAUDI PAK LEASING COMPANY LIMITED
6TH Floor, Lakson Square Building # 1
Sarwar Shaheed Road, Saddar,
Karchi-74200.