

## 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, 2018, the SPLC, Board of Directors were suspended under stay order.

### BOARD OF DIRECTORS AS ON JUNE 30, 2018

Mr. Niaz Ahmed Khan	Chairman
Mr. Muhammad Tariq Masood	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 Ahmad	Nominee Director
Mr. Zafar Iqbal	Nominee Director
Ms. Fozia Fakhari	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 Ahmad	Member
Ms. Fozia Fakhari	Member
Mr. Muhammad Waqar	Member

### HR & REMUNERATION COMMITTEE ELECTED ON JANUARY 29, 2019

Mr. Niaz Ahmed Khan	Chairman
Sheikh Aftab Ahmad	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

6<sup>TH</sup> 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](http://www.saudipakleasing.com)  
Email : [info@saudipakleasing.com](mailto: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 NBFI & Modaraba Association of Pakistan
- Former Vice Chairman Investment Banks Association of Pakistan
- Former Executive and General Body Member of FPPCI representing NBFI & 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 26<sup>th</sup>, 27<sup>th</sup> AND 28<sup>th</sup> ANNUAL GENERAL MEETINGS OF SAUDI PAK LEASING COMPANY LIMITED

Notice is hereby given that the 26<sup>th</sup>, 27<sup>th</sup> and 28<sup>th</sup> 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. 6<sup>th</sup> 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 26<sup>th</sup> 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 27<sup>th</sup> 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. Reappointment of 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 28th Annual Report along with the audited Financial Statements of Saudi Pak Leasing Company Limited for the year ended June 30, 2018.

The year under review was no different than it was 2017. As in FY 2017, this year also faced severe operational and financial problems. Due to extreme resource constraints, the core business activities remained suspended during the current year as well. The Company 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 a decade ago have been long overdue for payments, stuck up and continued to be classified in Loss category. Despite using all possible measures for recovery through negotiated settlements, no significant success was achieved during the year under review.

The recoveries have become increasingly difficult owing to cumbersome and prolonged litigation process. The gross lease revenue of the Company during the year registered at Rs.11.983 million as compared to Rs.13.427 million in FY 2017 due to very poor response from the lessees and loanees. Other operating income decreased to Rs.2.238 million during the year under review as compared to Rs. 5.535 million in the preceding year. The administrative and operating expenses including depreciation decreased to Rs. 39.4 million in 2018 from Rs. 43.232 million in 2017.

The management of the Company is striving hard to maintain its status as "Going Concern" and endeavoring to improve the financial condition of the Company through extensive efforts for recoveries. If we compare our position among the players in the Leasing industry, we may consider ourselves well positioned as to remaining active for survival. I am pleased to inform you that the required infrastructure and human resources are now available to bring back the Company into operational mode. The Management is making utmost efforts for capitalizing recoveries on one hand and addressing the liability position by evolving settlements through meaningful negotiations with the Company's Creditors.

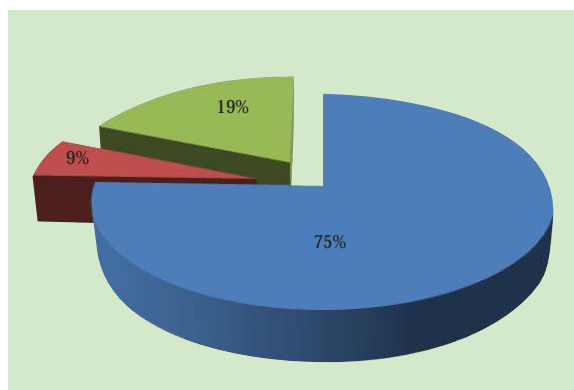
On behalf of the Board of Directors, I avail the opportunity to acknowledge with thanks the guidance of the Regulatory Authorities particularly the SECP which is genuinely assisting for the revival of the Company besides the support and gesture of COIs//TFC holders and Financial Institutions. I also appreciate the efforts being made by incumbent CEO and his team for revival of the Company.



Niaz Ahmed Khan  
Chairman

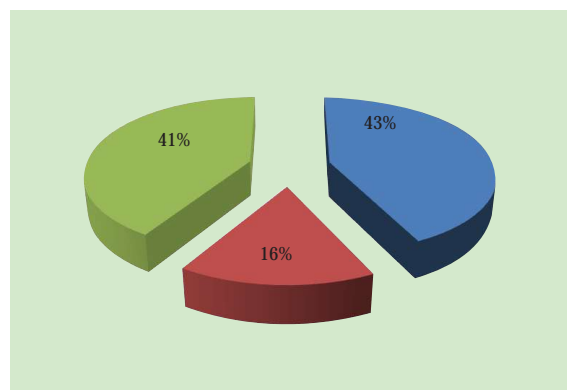
Karachi: April 23, 2019

# FINANCIAL HIGHLIGHTS



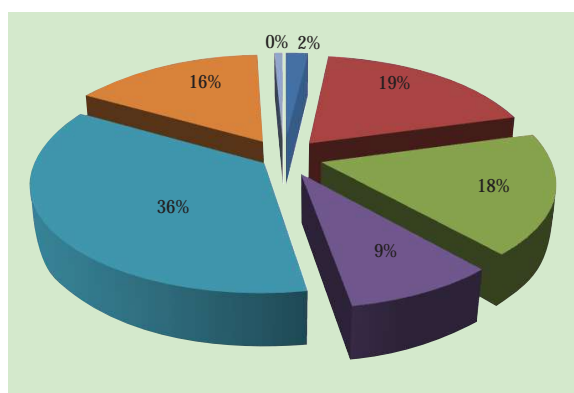
REVENUE ANALYSIS - FY 2018

- Finance leases
- Operating leases
- Other income



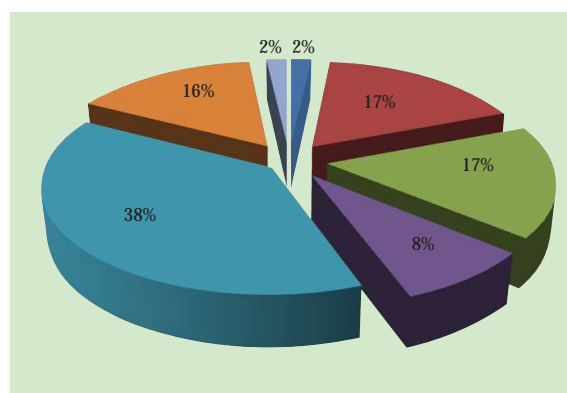
REVENUE ANALYSIS - FY 2017

- Finance leases
- Operating leases
- Other income



Expenses Analysis - FY 2018

- 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 2017

- 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)					
	2018	2017	2016	2015	2014	2013
<b>Operational results</b>						
Total disbursement	-	-	-	-	-	-
Revenues	12	13	52	61	208	273
Profit / (Loss) before tax	(52)	(69)	(118)	(191)	5	133
Profit / (Loss) after tax	(53)	(69)	(119)	(193)	7	141
Financial charges	36	36	39	51	56	85
(Reversal) / Provision against non-performing portfolio	(12)	2	57	132	66	(66)
Impairment loss on equity investment	-	-	-	(1)	4	3
Cash dividend - ordinary shares	-	-	-	-	-	-
Cash dividend - preference shares	-	-	-	-	-	0.181
<b>Balance sheet</b>						
	1,683					
Gross lease receivables	480	1712	1,736	1,864	1,953	2,144
Net investment in leases	(683)	490	513	641	837	1,048
Net worth	22	(630)	(561)	(531)	-338	(339)
Fixed assets - owned & operating lease	703	32	43	65	22	36
Total assets	-	726	776	1,014	1,223	1,599
Long term liabilities	-	-	-	74	104	558
Long term investments	-	-	-	-	-	-

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

## KEY PERFORMANCE INDICATORS

Ratio	2018	2017	2016	2015	2014	2013
Break up Value (Rs.)	(15.12)	(13.95)	(12.43)	(11.76)	(7.48)	(7.51)
Current Ratio (X)	0.47	0.49	0.52	0.61	0.78	0.99
Debt Leverage	(2.79)	(1.60)	(1.72)	(1.73)	(3.12)	(4.14)
Dividend per Share (Rs.)	-	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-	-
Earnings / (Loss) per Share (Rs.)	(1.17)	(1.53)	(2.63)	(4.27)	0.16	3.11
Financial Charges / Total Expenses (%)	126.59	44.51	34.55	42.49	42.51	41.95
Financial Charges / Total Revenue (%)	3.68	266.19	75.79	83.99	27.08	31.19
Market Value per Share (Rs.)	-	1.90	1.90	1.90	2.91	0.65
Net Profit / (Loss) Margin (%)	(5.40)	(515.76)	(230.75)	(316.87)	3.47	51.48
Operating Profit / (Loss) Margin (%)	(6.55)	(498.01)	(119.38)	(97.64)	36.30	25.66
Price Earning Ratio (X)	(1.63)	(1.24)	(0.72)	(0.44)	18.21	0.21
Return on Assets (%)	(0.07)	(9.52)	(15.31)	(19.03)	0.59	8.79
Return on Equity (%)	(4.51)	10.97	21.17	36.33	(2.14)	(41.44)
Revenue per Share (Rs.)	0.22	0.30	1.14	1.35	4.60	6.05
Times Interest Earned (X)	0.46	(0.87)	(0.58)	(0.16)	2.34	1.82
Total Assets / Net Worth (X)	(1.03)	(1.12)	(1.33)	(1.66)	(3.62)	(4.72)
Total Financing / Net Worth (X)	(2.88)	(1.03)	(1.14)	(1.20)	(2.29)	(3.40)

## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Saudi Pak Leasing Company Limited (SPLC) are pleased to present the 28th Annual Report together with audited financial statements of the Company for the year ended June 30, 2018.

FINANCIAL INFORMATION	(Rupees in millions)	
The financial results of the Company are summarized below:	2018	2017
Income from operating and financial leases	9.745	7.892
Other operating income	2.238	5.535
Total income	11.983	13.427
Financial Cost	35.892	(35.674)
Depreciation	(12.692)	(13.591)
Administrative and operating costs for depreciation	(27.284)	(30.728)
Operating profit/ (loss) before provisioning	(63.885)	(66.905)
Provisions for write-offs, reversals, etc.	11.622	(1.849)
Profit / (loss) before taxation	(52.263)	(68.754)
Profit / (loss) after taxation	(52.674)	(69.309)

### 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 5.8 per cent in FY 2018 which is the highest in nine years. GDP posted a reasonable growth over last year. There was 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.

The external sector remained more stable on account of growth in worker's remittances; continued flows from IFIs; and a decline in global oil prices. The country's FX reserves were US Dollars 11.6 Billion in May 2018, which can finance over 3 months of the country's Import bill.

### 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 many 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.

#### 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. During the year no meetings of the Board of Directors and the Board Audit Committee could be hold due to non-functional Board under the court order.

#### 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 2018

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	Mr. Muhammad Waqar ** Mr. Aftab Ahmed Choudhry** 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 four (5) 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. \*\* inducted on Board on 31.08.2017)

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 NBFIs 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 two were 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 could not be held during year due to lack of number of Directors required to complete the quorum of the Board. Hence no meeting of the Board was held during year.
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 two 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. The position of third member of the Audit Committee has subsequently been filled by a non-executive director.
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: April 23, 2019



**Rahman Sarfaraz Rahim Iqbal Rafiq**  
CHARTERED ACCOUNTANTS

Plot No. 180, Block-A, S.M.C.H.S.  
Karachi-74400, PAKISTAN.  
Tel. No. : (021) 34549345-9  
E-Mail : info@rsrir.com  
**Website: www.rsrir.com**  
Other Offices at  
Lahore - Rawalpindi / Islamabad

**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, 2018** 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*



-: 2 :-

**Bases for Disclaimer of Conclusion**
*(a) Composition of the Board of Directors and other related matters*

- Clause 1 of the Statement of Compliance for the year ended June 30, 2018 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 Director	Ms. Parveen A. Malik Mr. Muhammad Waqar Mr. Aftab Ahmed Choudhery

We observed that the above directors (with the exception of Mr. Muhammad Waqar and Mr. Aftab Ahmed Choudhery) had completed their tenure of office and were to be re-elected as directors in 25<sup>th</sup> Annual General Meeting (AGM) of the Company scheduled to be held on March 22, 2016 (as mentioned in the notice of the 25<sup>th</sup> 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;

- As per the Statement of Compliance, Mr. Muhammad Waqar and Mr. Aftab Ahmed Choudhery were inducted on the Board of Directors on August 31, 2017. However, no documentary evidence in respect of that statement was made available for our review and verification;
- 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, 2018, 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 154 of the Companies Act, 2017; 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]*

Cont'd.... P/3



**Rahman Sarfaraz Rahim Iqbal Rafiq**  
CHARTERED ACCOUNTANTS

Plot No. 180, Block-A, S.M.C.H.S.  
Karachi-74400, PAKISTAN.  
Tel. No. : (021) 34549345-9  
E-Mail : info@rsrir.com  
Website: www.rsrir.com  
Other Offices at  
Lahore - Rawalpindi / Islamabad

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**Bases for Disclaimer of Conclusion (continued)**

*(b) Directors' declarations (continued)*

***"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.

*(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 two were 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, 2018, which casual vacancies were filled subsequently and time frame within which such vacancies were filled. Further, as concerns the other two 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]

Cont'd.... P/4



-: 4 :-

**Bases for Disclaimer of Conclusion (continued)**

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

*“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 evidencing their decisions on material transactions) was not made available for our review. Further, in our view, the above statement is 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, 2018.

*(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.

*(g) Omission of mandatory statement with respect to maintenance of register of persons having access to inside information*

In September 2016, a new sub-clause 5.19.23 (currently numbered as 5.19) had been added to PSX regulations requiring the listed companies to maintain and regularly update a register to enlist persons employed under contract or otherwise, who have access to inside information, in the manner as provided in Access to Inside Information Regulations, 2016 and, for that purpose, to designate a senior management officer to be responsible for entering and removing names of persons in the said register in a timely manner. Upon insertion of this sub-clause, the prescribed format of the statement of compliance had also been amended to include the following mandatory clause:

*Cont’d.... P/5*



## Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

Plot No. 180, Block-A, S.M.C.H.S.  
Karachi-74400, PAKISTAN.  
Tel. No. : (021) 34549345-9  
E-Mail : info@rsrir.com  
Website: www.rsrir.com  
Other Offices at  
Lahore - Rawalpindi / Islamabad

-: 5 :-

### Bases for Disclaimer of Conclusion (continued)

(g) Omission of mandatory statement with respect to maintenance of register of persons having access to inside information (continued)

*“The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of persons from the said list.”*

However, since no such statement was included in the Statement of Compliance nor any related documentation was made available for review and verification, we remained unable to obtain any assurance as to whether the Company had complied with the aforementioned requirements of the Code relating to maintenance of register of persons having access to inside information.

### 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, 2018.

### 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, 2018:

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.
17	During the year ended June 30, 2018, 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: 16 APR 2019

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



**Rahman Sarfaraz Rahim Iqbal Rafiq**  
CHARTERED ACCOUNTANTS

Plot No. 180, Block-A, S.M.C.H.S.  
Karachi-74400, PAKISTAN.  
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Other Offices at  
Lahore - Rawalpindi / Islamabad

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
SAUDI PAK LEASING COMPANY LIMITED**

**Report on The Financial Statements**

**Disclaimer of Opinion**

We were engaged to audit the annexed financial statements of **M/s. Saudi Pak Leasing Company Limited** ('the Company') which comprise the statement of financial position as at **June 30, 2018**, and the statement of profit or loss, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information ('the financial statements').

Because of the significance of the matters described in the Bases for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. Accordingly, we do not express an opinion as to whether the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2018 and of the loss, total comprehensive loss, its changes in equity and cash flows for the year then ended.

**Bases for Disclaimer of Opinion**

*Investment in finance leases*

As on June 30, 2018, the Company's gross and net investment in finance leases (excluding the effect of provision for non-performing leases) amounted to Rs. 1.683 billion (2017: Rs. 1.712 billion) and Rs. 1.361 billion (2017: Rs. 1.383 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, finance lease receivable balances reflected in the Company's books of account were not in agreement with the underlying information retained in relevant customers' lease files comprising of lease amortization schedules and other supporting documents including original lease agreements etc. There were insufficient underlying documentary evidences in relation to revisions that were purportedly incorporated in lease rentals, in prior years, due to repricing of floating interest rates as well as re-scheduling of overdue lease rentals;
- As reported in note 11 the financial statements, markup held in suspense as on June 30, 2018 amounted to Rs. 321.658 million (2017: Rs. 329.686 million). In contrast, markup held in suspense as reflected in the Company's subsidiary record of finance leases amounted to Rs. 240.821 million as on June 30, 2018 (2017: Rs. 240.821 million). This noted discrepancy could not be reconciled by the Company's management; and
- As reported in note 11 the financial statements, residual value of leased assets forming part of gross investment in finance leases, as on June 30, 2018, amounted to Rs. 344.570 million (2017: Rs. 344.570 million). In contrast, security deposits payable as reported in note 21 to the financial statements amounted to Rs. 324.249 million as on June 30, 2018 (2017: Rs. 324.249 million). As per management, this noted discrepancy is due to the fact that there are certain leases where the residual value of the underlying assets is unguaranteed and, hence, in such cases, no corresponding security deposits had been received from the lessees upon commencement of the lease. However, no supporting documentary evidences in support of this assertion were made available to us.

*Cont'd.... P/2*



## Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

Plot No. 180, Block-A, S.M.C.H.S.  
Karachi-74400, PAKISTAN.  
Tel. No. : (021) 34549345-9  
E-Mail : info@rsrir.com  
**Website: www.rsrir.com**  
Other Offices at  
Lahore - Rawalpindi / Islamabad

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### Bases for Disclaimer of Opinion (continued)

#### *Investment in finance leases (continued)*

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 and the related security deposit balances as on June 30, 2018 as well as the income from finance leases for the year then ended.

#### *Revaluation of office premises*

The Company carries its office premises 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. We noted that the last revaluation of office premises for which the effects were duly recognized in the books of account was carried out in June 2012 since when no further adjustments in respect of subsequent change in fair value of the office premises have been accounted for.

However, in June 2018, even though a fresh valuation of the office premises was carried out by the Company's external valuator, its effects have not been recognized in the financial statements. In this connection, we have been given to understand that such valuation was carried out by the valuator under the instruction of the Company's previous management and that the present management does not deem it appropriate to recognize its effects in the financial statements since the valuator's report lacks the methodology and assumptions on which the valuation is based. We concur with management's this observation.

Nevertheless, since, by the date of issuance of this audit report, no alternative valuation exercise could be carried out by management, we remained unable to determine whether any adjustments might have been found necessary in respect of the carrying amount of such office premises as on June 30, 2018 as well as its corresponding effects to be recognized in profit or loss or other comprehensive income.

#### *Investment in unquoted equity instruments*

As on June 30, 2018, the Company had an investment in unquoted ordinary shares of M/s. SPI Insurance Company Limited which has been carried at cost notwithstanding its classification, in the financial statements, as an 'available-for sale' investment. 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 company are readily available and, hence, the fair value of the investment 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 valuation was 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 the investment in unquoted equity instruments of M/s. SPI Insurance Company Limited as on June 30, 2018 as well as the corresponding effects of change therein to be recognized in other comprehensive income.

*Cont'd.... P/3*



**Rahman Sarfaraz Rahim Iqbal Rafiq**  
CHARTERED ACCOUNTANTS

Plot No. 180, Block-A, S.M.C.H.S.  
Karachi-74400, PAKISTAN.  
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**Bases for Disclaimer of Opinion (continued)**

*Taxation - (an accounting issue that, in the absence of disclaimer of opinion, would also have required us to express a qualified opinion on the financial statements)*

As reported in note 31.3 to the financial statements, the provision for current tax recognized in the financial statements for the year ended June 30, 2015 amounted to Rs. 12.562 million whereas the tax payable declared in the return for the tax year 2015 (which is deemed to be assessed under section 120 of the Income Tax Ordinance, 2001) amounted to Rs. 0.623 million. This indicates that the amount of current tax liability reported, in the financial statements, as on June 30, 2017 and June 30, 2018, is misstated by the differential amount of Rs. 11.939 million (i.e. Rs. 12.562 million less Rs. 0.623 million). However, since no reasonable steps to investigate the cause of this difference were taken by management, we remained unable to determine whether any adjustments might have been found necessary in respect of the carrying amount of the current tax liability as on June 30, 2017 and June 30, 2018 as well as its corresponding effect to be recognized in opening equity as on July 01, 2016.

**Material Uncertainty relating to Going Concern**

We draw attention to Note 1.3 to the financial statements which indicates that the Company incurred a net loss of Rs. 52.674 million during the year ended June 30, 2018 and, as of that date, its accumulated losses amounted to Rs. 1.851 billion, its equity was negative by Rs. 682.758 million and its current liabilities exceeded current assets by Rs. 736.969 million. These events or conditions, along with other matters as set forth in Note 1.3, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, accordingly, it may be unable to realize its assets and discharge its obligations in the normal course of business. However, this matter has no bearing on our disclaimer of opinion on the financial statements which we have expressed because of the significance of certain other matters as set out in the Bases of Disclaimer of Opinion section of our report.

**Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The board of directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing as applicable in Pakistan and to issue an auditor's report. However, because of the matters described in the Bases for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our ethical responsibilities in accordance with these requirements.

Cont'd.... P/4



**Rahman Sarfaraz Rahim Iqbal Rafiq**  
CHARTERED ACCOUNTANTS

Plot No. 180, Block-A, S.M.C.H.S.  
Karachi-74400, PAKISTAN.  
Tel. No. : (021) 34549345-9  
E-Mail : info@rsrir.com  
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Lahore - Rawalpindi / Islamabad

-: 4 :-

**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 Act, 2017 (XIX of 2017):

- (a) whether, in our opinion, proper books of accounts have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- (b) whether, in our opinion, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017), and are in agreement with the books of account and returns.

Accordingly, we do not express an opinion on the matters identified in (a) and (b) above. However, we would like to state that, in our opinion:

- (i) the investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- (ii) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date:  
Karachi

24 APR 2019

*Muhammad Waseem*

*Rahman Sarfaraz Rahim Iqbal Rafiq*  
RAHMAN SARFARAZ RAHIM IQBAL RAFIQ  
Chartered Accountants  
Engagement Partner: Muhammad Waseem

**BALANCE SHEET**

As at June 30, 2018

	Note	(Restated)	
		June 30, 2018	June 30, 2017
(Rupees)			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	5	9,738,553	8,386,192
Short term loans	6	88,022,635	88,322,635
Short term investments	7	29,401,822	29,557,182
Trade deposits and short term prepayments		908,865	911,493
Other receivables	8	5,940,826	7,340,383
Current maturity of non-current assets	9	514,496,033	524,211,983
<b>Total current assets</b>		<b>648,508,734</b>	<b>658,729,868</b>
<b>Non-current assets</b>			
Long term loans	10	-	-
Net investment in finance leases	11	-	-
Investment properties	12	32,670,020	35,345,889
Property, plant and equipment	13	21,541,364	32,119,471
<b>Total non-current assets</b>		<b>54,211,384</b>	<b>67,465,360</b>
<b>Total Assets</b>		<b>702,720,118</b>	<b>726,195,228</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings from financial institutions	14	174,930,728	174,930,728
Certificates of investment		43,000,000	43,000,000
Accrued mark-up	15	365,927,127	330,062,479
Provision for taxation - net		12,134,625	12,538,810
Accrued expenses and other payables	16	11,719,731	18,135,941
Current maturity of non-current liabilities	17	770,330,572	770,330,572
Preference dividend payable		-	79,998
<b>Total current liabilities</b>		<b>1,661,291</b>	<b>1,661,291</b>
<b>Non-current liabilities</b>		<b>1,385,478,227</b>	<b>1,356,513,972</b>
Certificates of investment		-	-
Deferred taxation		-	-
Long term finances	18	-	-
Security deposits against finance leases	19	-	-
<b>Total non-current liabilities</b>	20	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	21	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>		<b>1,385,478,227</b>	<b>1,356,513,972</b>
<b>FINANCED BY</b>			
<i>Authorised share capital</i>			
100,000,000 (2016: 100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000
100,000,000 (2016: 100,000,000) preference shares of Rs. 10 each		1,000,000,000	1,000,000,000
		<b>2,000,000,000</b>	<b>2,000,000,000</b>
Issued, subscribed and paid-up share capital - ordinary shares		-	-
Issued, subscribed and paid-up share capital - preference shares		-	-
Capital reserves	22	451,605,000	451,605,000
Accumulated loss	22	528,208,500	528,208,500
Unrealised gain on re-measurement of available for sale investments		177,928,194	177,928,194
Accumulated actuarial (loss) / gain on defined benefit plan-net of tax	23	(1,851,131,152)	(1,803,925,212)
		11,619,054	16,846,212
		11,961	18,228
Surplus on revaluation of property, plant and equipment - net		(999,666)	(999,666)
<b>CONTINGENCIES AND COMMITMENTS</b>	24	<b>(682,758,109)</b>	<b>(630,318,744)</b>

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



Chief Executive



Director



Chief Financial Officer

# PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2018

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

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

  
Chief Executive

  
Director

  
Chief Financial Officer

## STATEMENT OF COMPREHENSIVE INCOME


For the year ended 30 June 2018

	June 30, 2018	(Restated) June 30, 2017
	(Rupees)	
Loss after taxation	(52,673,758)	(69,309,495)
Other comprehensive income		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Unrealised loss on re-measurement of available for sale investments	(6,267)	(4,747)
<i>Items that will not be reclassified subsequently to profit and loss account:</i>		
Decrease in deferred tax liability on surplus on revaluation of fixed assets due to change in tax rate	240,660	317,672
Remeasurement of defined benefit plan	-	21,192
	240,660	338,864
	234,393	334,117
Total comprehensive loss for the year	<u>(52,439,365)</u>	<u>(68,975,378)</u>

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



Chief Executive



Director



Chief Financial Officer

**CASH FLOW STATEMENT**


For the year ended 30 June 2018

	<i>Note</i>	June 30, 2018	(Restated) June 30, 2017
		..... (Rupees) .....	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash used in operations	<i>37</i>	(29,417,788)	(24,102,574)
Financial charges paid		(27,994)	(37,980)
Taxes paid		(573,989)	(576,333)
Finance lease rentals received		29,439,621	13,243,601
		28,837,638	12,629,288
Net cash used in operating activities		(580,150)	(11,473,286)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(42,647)	(43,300)
Proceeds from sale of property, plant and equipment		1,000,000	78,500
Short term investments - net		1,039,419	787,049
Long term loans - net		(72,181)	5,446,573
Dividend received		7,920	7,920
Net cash generated from investing activities		1,932,511	6,276,742
Net increase / (decrease) in cash and cash equivalents during the year		1,352,361	(5,196,544)
Cash and cash equivalents at the beginning of the year		8,386,192	13,582,736
Cash and cash equivalents at the end of the year	<i>5</i>	9,738,553	8,386,192

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



Chief Executive



Director



Chief Financial Officer

## STATEMENT OF CHANGES IN EQUITY


For the year ended 30 June 2018

	Issued, subscribed and paid-up share capital		Reserves					Total
	Ordinary shares	Non-redeemable preference shares	Statutory reserves	Unrealised gain on re-measurement of available for sale investments	Accumulated actuarial gain / loss on defined benefit plan- net of tax	Accumulated loss	Surplus on evaluation of property, plant and equipment - net	
	(Rupees)							
Balance as of 01 July, 2016	451,605,000	528,208,500	177,928,194	22,975	(1,020,858)	(1,740,006,523)	21,919,346	(561,343,366)
<i>Total comprehensive loss for the year ended June 30, 2017</i>								
- Loss after taxation	-	-	-	-	-	(69,309,495)	-	(69,309,495)
<i>- Other comprehensive loss:</i>								
Unrealised loss on re-measurement of available for sale investments	-	-	-	(4,747)	-	-	-	(4,747)
Decrease in deferred tax liability on surplus on revaluation of fixed assets due to change in tax rate	-	-	-	-	-	-	317,672	317,672
Remeasurement of defined benefit plan - net of tax	-	-	-	-	21,192	-	-	21,192
- Transfer of incremental depreciation from surplus on revaluation of fixed assets- net of tax	-	-	-	(4,747)	21,192	-	317,672	334,117
Balance as at 30 June 2017	451,605,000	528,208,500	177,928,194	18,228	(999,666)	(1,803,925,212)	16,846,212	(630,318,744)
<i>Total comprehensive loss for the year ended June 30, 2018</i>								
- Loss after taxation	-	-	-	-	-	(52,673,758)	-	(52,673,758)
<i>- Other comprehensive loss:</i>								
Unrealised loss on re-measurement of available for sale investments	-	-	-	(6,267)	-	-	-	(6,267)
Decrease in deferred tax liability on surplus on revaluation of fixed assets due to change in tax rate	-	-	-	-	-	-	240,660	240,660
- Transfer of incremental depreciation from surplus on revaluation of fixed assets- net of tax	-	-	-	(6,267)	-	-	240,660	234,393
Balance as at 30 June 2018	451,605,000	528,208,500	177,928,194	11,961	(999,666)	(1,851,131,152)	11,619,054	(682,758,109)

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



Chief Executive



Director



Chief Financial Officer

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 1. LEGAL STATUS AND OPERATIONS

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

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

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

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

Based on the direction received from the SECP on May 06 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 May 31, 2019. Accordingly, after a delay of over six months, these financial statements have been prepared and presented by the present management of the Company to ensure due compliance with the aforementioned direction received from the SECP.

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

- During the year ended June 30, 2018, the Company incurred a net loss amounting to Rs. 52.674 million (2017: Rs. 69.309 million) and as of that date its accumulated loss amounted to Rs. 1.851 billion (2017: Rs.1.804 billion), its equity was negative by Rs. 682.758 million (2017: Rs. 630.319 million) and its current liabilities exceeded current assets by Rs. 736.969 million (2017: Rs. 697.784 million). The Company's accumulated loss is mainly attributable to the amount provided for against stuck up overdue balance of net investment in lease, short term loans and other assets as well as recording of mark up on Certificates of Investment and other liabilities outstanding.
- In its financial statements for the year ended June 30, 2015, the Company had disclosed its expectation of a substantial equity injection by a new incoming shareholder having been then identified by one of the strategic shareholders intending to revive the Company. This expectation, however, did not materialize for the reason that leasing business, since long, had been on a declining trend which is evident from the fact that 9 out of 33 major leasing companies remained in the field. This is mainly attributable to non-availability of long term funds at low costs, withdrawal of credit lines by the banks, high non-performing portfolio of leases and loans and slowdown in economic activities. Each of these factors has impacted leasing business to a considerable extent, and, similarly, affected the Company's revenue generation and earning capacity.
- The Company's license to carry out the leasing business expired on May 18, 2010 and the Company has not been able to obtain renewal thereof from the SECP as the legal requirements laid down in this respect could not be met by the Company.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

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

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

- Regulation 5 (1) - aggregate liabilities, excluding contingent liabilities and security deposits, of an NBFC, shall not exceed ten times of the Company's equity (in case of operations beyond the first 2 years).
- Regulation 5 (2) - contingent liabilities of an NBFC shall not exceed seven times of its equity for the first two years of its operations and ten times of its equity in the subsequent years.
- Regulation 14 (4) (h) - the deposits raised by the NBFC, from individual depositors including sole proprietorships shall not exceed three times of the equity of the NBFC.
- Regulation 17 (1) - total outstanding exposure (fund and non-fund based) of an NBFC to a person shall not at any time exceed 30% of the equity of the NBFC, provided that the maximum outstanding fund based exposure should not exceed 20% of the NBFC's equity.
- Regulation 17 (2) - total outstanding exposure (fund based and non-fund based) of an NBFC to any group shall not exceed 50% of the equity of the NBFC, provided that the maximum outstanding fund based exposure should not exceed 35% of the equity.
- Regulation 19 (g) - an NBFC shall not hold shares on aggregate basis, whether as pledge, mortgagee or absolute owner, of an amount exceeding 20% of the paid-up share capital of that company or 20% of its own equity.
- Regulation 28 (d) - total investments of a leasing company in shares, equities or scrips shall not exceed 50% of the equity of the leasing company.
- Regulation 28 (e) - a leasing company shall not own shares, equities or scrips of any one company in excess of 10% of its own equity or the issued capital of that company, whichever is lower.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

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

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

### 3. BASIS OF PREPARATION

#### 3.1 Statement of compliance

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

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

#### 3.2 Basis of measurement

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

#### 3.3 Functional and presentation currency

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

#### 3.4 Use of estimates and judgments

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

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

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

b) Amendments / interpretations to existing standards and forthcoming requirements

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

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' -effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Company's financial statements.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Company's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on the Company's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The Company is currently in the process of analyzing the potential impact of changes on adoption of the standard.
- IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and various interpretations issued thereunder. Since lease contracts within the scope of IFRS 16 'Leases', are excluded from its scope, the new standard is not expected to have an impact on the Company's financial statements.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of adoption of the new standard on its operating and finance lease arrangements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's financial statements.

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

- IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangement" - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 "Income Taxes" - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 "Borrowing Costs" - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- The above amendments are effective for annual periods beginning on or after 1 January 2019 and are not likely to have an impact on the Company's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 4.1 Cash and cash equivalents

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

#### 4.2 Investments

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

##### *Investments at fair value through profit or loss*

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

##### *Held-to-maturity*

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

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

##### *Available-for-sale*

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

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

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

##### *Loans and receivables*

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 4.3 Property, plant and equipment

#### *Operating assets*

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

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

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

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

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

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

#### *Capital work-in-progress*

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

### 4.4 Net investment in finance leases

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

### 4.5 Financial instruments

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 4.6 Leased assets repossessed upon termination of leases

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

### 4.7 Operating leases

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

### 4.8 Investment properties

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

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

### 4.9 Revenue recognition

#### *Finance lease income*

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

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

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

#### *Operating lease income*

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

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

#### *Mark-up / return on investments*

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

#### *Dividend income*

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

### *Gain on sale of investments*

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

### *Interest income on bank deposits*

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

#### 4.10 Taxation

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

##### *Current*

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

##### *Deferred*

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

A deferred tax asset is recognised only to the extent that the entity has sufficient taxable temporary differences or 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. 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. x

#### 4.11 Staff retirement benefits

##### Defined benefit scheme

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

##### *Defined contribution scheme*

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

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

### 4.13 Provisions

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

### 4.14 Allowance for potential lease, loan losses and other receivables

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

### 4.15 Borrowings

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

### 4.16 Foreign currency translation

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

### 4.17 Operating segments

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

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

### 4.18 Impairment

#### *Available-for-sale financial assets*

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

### *Non-financial assets*

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

#### 4.19 Dividend distribution

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

#### 4.20 CHANGE IN ACCOUNTING POLICY

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

		(Rupees)	
		2018	2017
5.	CASH AND BANK BALANCES		
		5.1	
	Cash in hand	67,545	67,545
	Call Deposit Receipts	9,575,000	-
	Balance with State Bank of Pakistan in current account - local currency	2,880	11,372
	Balances with other banks:		
	- in current account	5,500	5,500
	- in saving accounts	87,628	8,301,775
		<u>9,738,553</u>	<u>8,386,192</u>

5.1 This represents the aggregate amount of various Call Deposit Receipts (CDR) placed with M/s. MCB Bank Limited. As per the terms agreed with the bank, the said amount does not carry any markup and can be withdrawn at any time by the Company.

5.2 This represents saving deposit accounts maintained with various commercial banks at mark-up rate at the rate of 4% - 5% (2017: 4% to 5%) per annum.

		(Rupees)	
		2018	2017
6.	SHORT TERM LOANS - secured		
	Considered doubtful	199,206,119	199,506,119
	Provision for non-performing loans	(111,183,484)	(111,183,484)
		<u>88,022,635</u>	<u>88,322,635</u>

6.1 This represents short term loans facilities provided to customers and carries mark-up ranging from 16.25% to 25.00% (2017: 16.25% to 25.00%) per annum.

		(Rupees)	
		2018	2017
6.2	Provision for non-performing loans		
	Balance at beginning of the year	111,183,484	112,034,159
	Reversal charge for the year	-	(850,675)
	Balance at end of the year	<u>111,183,484</u>	<u>111,183,484</u>

6.2.1 The above provision for non-performing loans is net of forced sales value (FSVs) of collaterals of Rs. 88.023 million (2017: Rs. 88.323 million) considered by the Company for the purpose of determination of provision requirements.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

7. SHORT TERM INVESTMENTS	Note	2018		2017	
		.....(Rupees) .....			
Available for sale					
- Ordinary shares of listed companies	7.1	85,935		85,935	
- Ordinary shares of unlisted companies	7.1	14,664,938		14,664,938	
Investments - at cost		<u>14,750,873</u>		<u>14,750,873</u>	
Unrealised gain on re-measurement of available for sale securities		11,961		18,228	
		<u>14,762,834</u>		<u>14,769,101</u>	
Held to maturity		14,638,988		14,788,081	
- Government Market Treasury Bills	7.2	<u>29,401,822</u>		<u>29,557,182</u>	

## 7.1 Investment in available for sale securities

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	Note	2018	2017
		..... (Rupees) .....	
8. OTHER RECEIVABLES			
Operating lease rentals receivables		11,545,095	11,745,095
Receivable on termination of finance leases		68,127,758	68,127,758
Staff gratuity- net defined benefit asset		2,815,828	2,815,828
Receivable from provident fund	8.1	2,880,000	2,880,000
Others		3,117,148	4,316,705
		88,485,829	89,885,386
Provision against doubtful receivables	8.2	(82,545,003)	(82,545,003)
		5,940,826	7,340,383
8.1 On June 02, 2017, Mr.Tariq Masood (then CEO of the Company) completed his contracted tenure of service. As part of his full and final settlement dated June 16, 2017, he was paid his accumulated provident fund balance amounting to Rs. 2.88 million. This amount had been paid by the Company from its own funds against which a receivable from the provident fund has been recognized accordingly.			
8.2 Provision against doubtful receivables	Note	2018	2017
		..... (Rupees) .....	
Balance at beginning of the year		82,545,003	82,279,041
Charge for the year		-	265,962
Reversal for the year		-	-
	3.0	-	265,962
Balance at end of the year		82,545,003	82,545,003
9. CURRENT MATURITY OF NON- CURRENT ASSETS			
Long term loans	1.0	34,408,676	34,336,495
Net investment in finance leases	1.1	480,087,357	489,875,488
		514,496,033	524,211,983
10. LONG TERM LOANS - secured			
Loan to employees	10.1	1,088,982	1,016,801
Term loans to customers - Considered doubtful	10.2	100,164,030	100,164,030
		101,253,012	101,180,831
Provision for non-performing loans	10.3	(66,844,336)	(66,844,336)
		34,408,676	34,336,495
Current maturity of long term loans	9	(34,408,676)	(34,336,495)
		-	-

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 10.1 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% (2017: 4%) per annum. The maximum amount of loans to employees outstanding during the year amounts to Rs. 1.089 million.

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

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

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

## 11. NET INVESTMENT IN FINANCE LEASES

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

	Note	2018	2017
..... (Rupees) .....			
Balance at beginning of the year		329,686,891	332,201,737
Suspended income realised during the year	25	(8,029,366)	(2,514,846)
Balance at end of the year		<u>321,657,525</u>	<u>329,686,891</u>

11.3 Provision for lease losses

Balance at beginning of the year		892,835,055	890,401,010
Charge for the year		7,305,020	18,940,640
Reversal for the year	30	(18,927,144)	(16,506,595)
	11.3.1	(11,622,124)	2,434,045
Balance at end of the year		<u>881,212,931</u>	<u>892,835,055</u>

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

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

12. INVESTMENT PROPERTIES

	..... (Rupees) .....
As at July 01, 2016	
Cost	66,160,092
Accumulated depreciation	(21,420,623)
Accumulated impairment	(6,805,696)
Net book value	<u>37,933,773</u>
<i>Movement during the year ended June 30, 2017</i>	
Opening net book value	37,933,773
Depreciation charge	(2,587,884)
Closing net book value	<u>35,345,889</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 13. PROPERTY, PLANT AND EQUIPMENT

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

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

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

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

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

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

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

#### 14. BORROWINGS FROM FINANCIAL INSTITUTIONS

Note

2018

2017

(Rupees)

Letters of Placement - Unsecured

National Bank of Pakistan

14.1

77,500,000

77,500,000

Innovative Investment Bank Limited

14.2

60,000,000

60,000,000

Meezan Bank Limited

14.3

27,001,588

27,001,588

KASB Income Opportunity Fund

14.4

10,429,140

10,429,140

174,930,728

174,930,728

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

- 14.1 This represents finance of Rs. 77.50 million obtained from National Bank of Pakistan on April 01, 2010 through a letter of placement carrying mark-up at a rate of 11.20% per annum for a period of 14 days. Subsequently, the facility was rolled several times up to the total period of 140 days which expired on August 19, 2010. Till to-date, no repayments have made by the Company in respect of this finance. As of 30 June 2018, the Company has accrued a mark-up on this finance amounting to Rs. 71.652 million (2017: Rs. 62.972 million).
- 14.2 This represents finance of Rs. 63 million obtained from Innovative Investment Bank Limited on December 03, 2010 through a letter of placement carrying mark-up at a rate of 8% per annum for a period of 90 days. Due to financial difficulties faced by the Company, this facility was rolled over for a further period of 184 days on March 14, 2011. Since the disbursement of the facility, the Company has an aggregate principal repayment of Rs. 3 million. As of 30 June 2018, the Company has accrued a mark-up on this finance amounting to Rs. 40.035 million (2017: Rs. 35.235 million).
- 14.3 This represents finance of Rs. 150 million obtained from Meezan Bank Limited (MEBL) on September 20, 2008, under Murabaha arrangement at a rate of 12% per annum. On various dates between September 2008 and June 2011, the Company made principal repayments amounting, in aggregate, to Rs. 81 million.

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

- 14.4 This represents finance of Rs. 117 million obtained from KASB Funds (KASB Income Opportunity Fund and KASB Asset Allocation Fund) on July 13, 2009. Due to liquidity issues being faced by the Company, the finance was, subsequently, restructured by way of a settlement agreement entered into with KASB Funds dated December 28, 2011. As per the said restructuring agreement, the outstanding loan is to be settled by way of transferring of assets / collateral held by the Company against one of its non-performing borrowers, lease receivables of the Company and cash payment of Rs. 23.085 million in the following manner:
- Down payments of Rs. 1.568 million and Rs. 1.517 million;
  - Two subsequent cash payments of Rs. 1 million each; and
  - 24 equal instalments of Rs. 0.75 million each.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

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

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

### 18. CERTIFICATES OF INVESTMENT - unsecured

Long term certificates of investment		54,049,000	55,049,000
Current maturity of certificates of investment	17	(54,049,000)	(55,049,000)
		<u>-</u>	<u>-</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 19. DEFERRED TAXATION

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

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

### *As on June 30, 2017*

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

- 20.1.3 This represents a finance of Rs. 150 million obtained from First Women Bank Limited (FWBL) through a Letter of Placement dated October 06, 2008 having a tenor of 1 day. Subsequently, the finance was rolled over several times during the period from October 07, 2008 to December 18, 2008. During this period, the Company managed to partially repay the principal and markup amount. Afterwards, the finance was restructured by way of a settlement agreement dated December 31, 2008 whereby the entire principal was converted into 12-month Money Market Finance facility on markup basis. Since the Company failed to make repayment as per agreed terms, the finance was, once again, restructured by way of a settlement agreement dated March 01, 2010. As per the revised rescheduled terms, the entire principal was payable in unequal monthly instalments up to December 31, 2012. The Company paid the instalments up to December 31, 2010 since when no further repayments have been made. Further, as per the revised agreement, the finance carries mark-up at 12% per annum, payable monthly. As of June 30, 2018, the Company had accrued mark-up of Rs. 24.054 million (2017: Rs. 24.054 million).
- 20.1.4 In March 2009, the Company obtained a finance of Rs. 50 million from Askari Income Fund against Certificate of Investment (COI) which was subsequently converted into a Term Finance Arrangement (TFA). Due to the liquidity issues faced by the Company, the finance was restructured by way of settlement agreements dated March 01, 2010 and January 31, 2011. As per the rescheduled terms, the entire principal was payable in monthly instalments of Rs. 1 million each starting from February 16, 2011 and outstanding mark-up was waived. The Company could managed to pay instalments up to June 2011 since when no repayments have been made. Further, as per rescheduled terms, the Company is liable to pay liquidated damages / penalty amounting to Rs. 10.8 million.
- 20.1.5 As on March 29, 2010, the Company had a financial obligation in respect of Term Finance I, Term Finance II and Running Finance facilities obtained from M/s. Soneri Bank Limited (SBL) amounting to Rs. 66.666 million, Rs. 35 million and Rs. 49.971 million, respectively (in aggregate, Rs. 151.637 million). The said obligation was restructured whereby SBL created a fresh facility of Rs. 115 million as TF-I, Rs. 35 million as TF-II and Rs. 1.5 million as RF. Subsequently, the Company managed to pay its entire liability under TF-II and RF. As regards restructured TF-I, the Company made a principal repayment of Rs. 5 million up to May 07, 2013, on which date, a revised settlement agreement was entered to with SBL to restructure the outstanding obligation of Rs. 110 million which was agreed to be settled as follows:
- Rs. 43 million by way of transfer of a property (held as collateral of Rs. 43 million against the borrower) or a cash payment of Rs. 25 million as full and final settlement of Rs. 43 million;
  - Rs. 34.5 million by way of transfer of a property (held as collateral of Rs. 34.5 million against the borrower) at Thokar Niaz Baig, Lahore. However, this property has not been transferred to Soneri Bank Limited due to legal complications and the company is considering to offer alternate property of the same value acceptable to Soneri Bank Limited;
  - Cash payment of Rs. 5 million in 12 equal monthly instalments of Rs. 0.416 million each commencing from the date of execution of settlement agreement; and
  - Remaining principal obligation amounting to Rs. 27.5 million to be waived upon successful transfer of properties / cash payment as referred to above.

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

- 20.1.6 This represents a finance of Rs. 15.7 million obtained from Silk Bank Limited (SBL) on April 27, 2009 against issuance of irrevocable letter of comfort for opening a letter of credit in favour of Uni-Link International. Up to March 31, 2011, the Company could repay Rs. 4 million and defaulted thereafter. Hence, on September 12, 2012, a settlement agreement was entered into with SBL whereby the finance was restructured and the outstanding loan was agreed to be settled as follows:
- Down payment of Rs. 0.707 million; and
  - 54 monthly instalments of Rs. 0.204 million each.

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

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

## Principal redemption

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

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

## Mark-up on TFCs

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

## Trustee

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 22. SHARE CAPITAL

2018	2017	<i>Note</i>	2018	2017
(Number of shares)				
AUTHORISED SHARE CAPITAL				
100,000,000	100,000,000		1,000,000,000	1,000,000,000
100,000,000	100,000,000		1,000,000,000	1,000,000,000
ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL				
Ordinary shares				
<i>Issued for cash</i>				
25,180,000	25,180,000	<i>22.1</i>	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
45,160,500	45,160,500		451,605,000	451,605,000
Non-cumulative preference shares				
<i>Issued for consideration other than cash</i>				
52,820,850	52,820,850	<i>22.2</i>	528,208,500	528,208,500

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

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

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

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

#### 22.4 Capital management policies and procedures

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	2018	2017
23. 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	24,066,015	31,767,167
Incremental depreciation transferred to unappropriated loss	(7,701,152)	(7,701,152)
	16,364,863	24,066,015
<i>Related deferred tax charge</i>		
As at beginning of the year	(7,219,803)	(9,847,821)
Tax effect of change in tax rate	240,660	317,672
Incremental depreciation transferred to unappropriated loss	2,233,334	2,310,346
	(4,745,809)	(7,219,803)
	11,619,054	16,846,212

## 24. CONTINGENCIES AND COMMITMENTS

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

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

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

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

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

A reference application was filed by CIR Zone-I against the Company in High Court in 2014 which is pending for adjudication. In the opinion of legal counsel of the Company, there is no likelihood of any outcome adverse to the Company's interest. The Company, hence, has not recognized any provision against the above notice.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

## 24.2 Commitments

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

25. REVENUE FROM FINANCE LEASE	<i>Note</i>	2018	2017
		..... (Rupees) .....	
Markup recovery on finance lease contracts	<i>11.2</i>	8,029,366	2,514,846
Document fee, front-end fee and other charges		-	3,245,237
Other recoveries and settlement gains on Finance Lease		1,022,574	-
		<u>9,051,940</u>	<u>5,760,083</u>
26. OTHER INCOME			
Income from financial assets			
<i>Available-for-sale</i>			
Dividend income		7,920	7,920
<i>Held-to-maturity</i>			
Income on amortisation of Government Market Treasury Bills		890,326	854,210
<i>Loans and receivables</i>			
Interest income on term loans		-	836,599
Interest income from saving accounts		419,820	361,108
		419,820	1,197,707
Income from other sources			
Gain on sale of property, plant and equipment		395,600	(139,100)
Gain on settlement of financial liabilities		-	3,592,366
Others		524,736	22,000
		<u>920,336</u>	<u>3,475,266</u>
		<u>2,238,402</u>	<u>5,535,103</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

27. FINANCE COSTS	<i>Note</i>	2018	2017
		..... (Rupees) .....	
<i>Mark-up on:</i>			
- Long term finances		1,438,903	1,419,189
- Term finance certificates		14,239,742	13,961,606
- Short term borrowings		13,480,001	13,549,635
Return on certificates of investment		6,706,002	6,706,002
Bank charges		27,994	37,976
		<u>35,892,642</u>	<u>35,674,408</u>
28. ADMINISTRATIVE AND OPERATING EXPENSES		2018	2017
		..... (Rupees) .....	
Salaries, allowances and benefits	<i>28.1 / 40</i>	16,394,256	21,416,784
Defined benefit plan- net reversal		-	(41,253)
Rent		1,068,574	946,965
Repairs and maintenance		1,011,737	991,475
Utilities		584,352	814,854
Depreciation on owned assets	<i>13</i>	9,472,429	9,915,602
Depreciation on investment properties	<i>12</i>	2,675,869	2,587,884
Insurance		127,368	138,049
Vehicle running expenses	<i>40</i>	900,512	557,938
Printing and stationery		132,764	224,723
Telephone and postage		615,859	708,577
Travelling and conveyance		199,220	264,690
Fee and subscriptions		1,784,191	738,260
Legal and professional charges		2,871,574	1,888,087
Advertising and entertainment		220,452	302,739
Auditors' remuneration	<i>28.2</i>	605,000	605,000
Sindh sales tax on services	<i>16.1</i>	-	583,654
Miscellaneous	<i>40</i>	768,369	587,540
		<u>39,432,526</u>	<u>43,231,568</u>

28.1 Salaries, allowances and benefits include Rs. 0.48 million (2017: Rs. 0.48 million) in respect of staff retirement benefits.

28.2 Auditors' remuneration	<i>Note</i>	2018	2017
		..... (Rupees) .....	
Annual audit fee		350,000	350,000
Fee for review of half yearly financial statements		100,000	100,000
Other certifications		50,000	50,000
Out of pocket expenses		105,000	105,000
		<u>605,000</u>	<u>605,000</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

		2018	2017
		(Rupees)	
29. DIRECT COST OF OPERATING LEASES	<i>Note</i>		
Insurance and other expenses		-	338,480
Depreciation on operating lease assets	<i>13</i>	543,925	1,087,920
		<u>543,925</u>	<u>1,426,400</u>
30. PROVISION FOR DOUBTFUL LEASES, LOANS AND OTHER RECEIVABLES			
(Reversal)/ provision for potential lease losses - net	<i>11.3</i>	(11,622,124)	2,434,045
(Reversal) / provision for potential losses on short term loans - net	<i>6.2</i>	-	(850,675)
Provision for doubtful receivables - net	<i>8.2</i>	-	265,962
		<u>(11,622,124)</u>	<u>1,849,332</u>
31. TAXATION		2018	(Restated) 2017
		(Rupees)	
Current		169,804	237,321
Deferred	<i>19</i>	240,660	317,672
		<u>410,464</u>	<u>554,993</u>

31.1 The numerical reconciliation between the tax expense and accounting profit has not been presented for the current year and comparative year in these financial statements as the total income of the Company for the current year and comparative year attracted minimum tax under Section 113 of the Income Tax Ordinance, 2001.

## 31.2 Current status of tax assessments

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

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

Provision for taxation	Tax Year	Provision for taxation	Tax assessed
		(Rupees)	
June 30, 2017	2017	237,321	303,865
June 30, 2016	2016	414,052	414,052
June 30, 2015	2015	12,562,202	622,552

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

	2018	2017
	..... (Rupees) .....	
32. LOSS PER SHARE - BASIC AND DILUTED		
Loss after taxation attributable to ordinary shareholders	(52,673,758)	(69,309,495)
Weighted average number of ordinary shares - Basic	45,160,500	45,160,500
Loss per share - Basic	(1.17)	(1.53)

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

### 33. STAFF RETIREMENT BENEFIT SCHEMES

#### 33.1 Defined benefit scheme

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 35. TRANSACTIONS WITH RELATED PARTIES

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

*Transactions during the year*

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

	2018		
	Major Shareholder	Key management personnel (Rupees)	Other related parties
Rent for offices at Lahore and Islamabad	614,928	-	-
Contributions to provident fund	-	-	480,000
Remuneration	-	8,350,000	-

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

*Balances outstanding as of the end of the reporting period*

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

	2018	2017
	(Rupees)	
Major Shareholder		
Preference dividend payable	5,774,153	5,774,153

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

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

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

### CASH USED IN OPERATING ACTIVITIES

	2018	2017
	(Rupees)	
Loss before taxation	(52,263,294)	(68,754,502)
Adjustments for:		
Depreciation - owned assets	9,472,429	9,915,602
Depreciation - investment properties	2,675,869	2,587,884
Depreciation - assets under operating lease	543,925	1,087,920
Income on finance lease contracts	(8,029,366)	(2,514,846)
Finance cost	35,892,642	35,674,408
(Reversal) / provision for doubtful leases, loans and other receivables	(11,622,124)	1,849,332
Dividend income	(7,920)	(7,920)
Interest income on treasury bills	(890,326)	(854,210)
Gratuity charge for the year	-	(41,253)
Gain on settlement of loans - net	-	(3,592,366)
(Loss) / gain on sale of property, plant and equipment	(395,600)	139,100
	<u>27,639,529</u>	<u>44,243,651</u>
	<u>(24,623,765)</u>	<u>(24,510,851)</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

Movement in working capital

*(Increase) / decrease in operating assets*

Short term loans

300,000

2,650,675

Trade deposits and short term prepayments

2,628

269,354

Other receivables

1,399,557

(4,204,462)

1,702,185

(1,284,433)

*Increase / (decrease) in operating liabilities*

Accrued and other payables

(6,496,208)

1,692,710

(4,794,023)

408,277

Cash used in operating activities

(29,417,788)

(24,102,574)

## 38. SEGMENT INFORMATION

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 38.1 Geographical segment analysis

The Company's operations are restricted to Pakistan only.

### 39. FINANCIAL RISK MANAGEMENT

#### Introduction and overview

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

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

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

#### Risk management framework

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

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

### 39.1 Credit risk

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

#### *Management of credit risk*

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

#### *Exposure to credit risk*

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

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

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

	2018					
	Net investment in finance leases (Net of security deposits)		Long term loans		Short term loans	
	Principal	Provision	Gross	Provision	Gross	Provision
	(Rupees)					
Past due and impaired:						
- 180 to 365 days	-	-	-	-	-	-
- 366 to 730 days	-	-	-	-	-	-
- more than 731 days	1,037,051,159	881,212,931	101,253,012	66,844,336	199,206,119	111,183,484
Neither past due nor individually impaired	-	-	-	-	-	-
Total	<u>1,037,051,159</u>	<u>881,212,931</u>	<u>101,253,012</u>	<u>66,844,336</u>	<u>199,206,119</u>	<u>111,183,484</u>
	2017					
	Net investment in finance leases (Net of security deposits)		Long term loans		Short term loans	
	Principal	Provision	Gross	Provision	Gross	Provision
	(Rupees)					
Past due and impaired:						
- 180 to 365 days	-	-	-	-	-	-
- 366 to 730 days	-	-	-	-	-	-
- more than 731 days	1,058,461,414	892,835,055	101,180,831	66,844,336	199,506,119	111,183,484
Neither past due nor individually impaired	-	-	-	-	-	-
Total	<u>1,058,461,414</u>	<u>892,835,055</u>	<u>101,180,831</u>	<u>66,844,336</u>	<u>199,506,119</u>	<u>111,183,484</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

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

39.1.3 Concentration of credit risk

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

## 39.2 Liquidity risk

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

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

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

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

## 39.2.1 Breach of loan agreements

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 39.3 Market risk

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

#### 39.3.1 Interest rate risk

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

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

	Carrying amount	
	June 30, 2018	June 30, 2017
	..... (Rupees) .....	
Fixed rate instruments		
Financial assets	14,638,988	14,788,081
Financial liabilities	(309,610,505)	(309,610,505)
	<u>(294,971,517)</u>	<u>(294,822,424)</u>
Variable rate instruments		
Financial assets	1,236,344,906	1,367,450,139
Financial liabilities	(235,767,246)	(235,767,246)
	<u>1,000,577,660</u>	<u>1,131,682,893</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, 2018	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%	9,738,553	87,628	-	-	-	9,650,925
Short term loans	16.25%-25%	88,022,635	88,022,635	-	-	-	-
Short term investments		29,401,822	-	-	-	-	29,401,822
Trade deposits		908,267	-	-	-	-	908,267
Other receivables		3,124,998	-	-	-	-	3,124,998
Long term loans	16% - 22.66%	34,408,676	34,408,676	-	-	-	-
Net investment in finance leases net of security deposit	12.50% - 20.01%	155,838,228	155,838,228	-	-	-	-
		<u>321,443,179</u>	<u>278,357,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,086,012</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

As at June 30, 2017	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							
Cash and bank balances	4% - 5%	8,386,192	8,301,775	-	-	-	84,417
Short term loans	16.25%-25%	88,322,635	88,322,635	-	-	-	-
Short term investments		29,557,182	-	-	-	-	29,557,182
Accrued mark-up		908,267	-	-	-	-	908,267
Trade deposits		4,524,555	-	-	-	-	4,524,555
Other receivables		34,336,495	34,336,495	-	-	-	-
Long term loans	16% - 22.66%						
Net investment in finance leases net of security deposit	12.50% - 20.01%	165,626,359	165,626,359	-	-	-	-
		331,661,685	296,587,264	-	-	-	35,074,421

## Fair Value sensitivity for fixed rate instruments

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

## Cash flow sensitivity analysis for variable rate instruments

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 39.3.2 Foreign exchange risk

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

### 39.3.3 Other price risk

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

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

#### *Price sensitivity analysis*

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

As at June 30, 2018

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

### 39.4 Operational risk

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

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

### 39.5 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measurement date. The management is of the fair values of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short term in nature..

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

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

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

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

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

	Level 1	Level 2	Level 3	Level 4
	(Rupees)			
Office premises and generators	-	20,919,649	-	20,919,649
Investment in ordinary shares	97,896	-	14,664,938	14,762,834

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 38.6 Financial instrument by categories

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

### 40. CORRESPONDING FIGURES

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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

#### 41. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

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



Chief Executive



Director



Chief Financial Officer

## PATTERN OF SHAREHOLDING

As of June 30, 2018

NO. OF SHAREHOLDERS	SHAREHOLDINGS'SLAB		TOTAL SHARES HELD	PERCENTAGE
	FROM	TO		
470	1	100	11,980	
361	101	500	111,673	
187	501	1000	153,949	
495	1001	5000	1,321,526	
130	5001	10000	1,029,288	
46	10001	15000	611,792	
29	15001	20000	519,521	
17	20001	25000	384,851	
11	25001	30000	303,066	
10	30001	35000	333,406	
7	35001	40000	273,325	
7	40001	45000	302,191	
7	45001	50000	334,272	
11	50001	55000	575,174	
3	55001	60000	171,341	
4	60001	65000	255,008	
1	65001	70000	69,000	
3	70001	75000	221,016	
2	75001	80000	156,695	
3	80001	85000	251,356	
4	90001	95000	367,072	
6	95001	100000	600,000	
3	100001	105000	314,000	
1	105001	110000	110,000	
1	120001	125000	124,000	
1	125001	130000	129,500	
1	135001	140000	137,500	
3	145001	150000	449,000	
1	155001	160000	157,796	
2	165001	170000	334,100	
1	170001	175000	175,000	
1	180001	185000	184,553	
1	210001	215000	210,745	
2	215001	220000	431,261	
3	225001	230000	681,604	
2	245001	250000	496,764	
1	260001	265000	263,431	
1	265001	270000	270,000	
1	270001	275000	272,500	
1	280001	285000	283,940	
1	310001	315000	314,000	
1	315001	320000	318,255	
1	345001	350000	347,752	
1	450001	455000	451,080	
1	460001	465000	460,500	
1	465001	470000	470,000	
1	495001	500000	500,000	
1	510001	515000	511,432	
1	585001	590000	585,500	
1	920001	925000	923,211	
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	
1857			45,160,500	

## CATEGORIES OF SHAREHOLDERS

As of June 30, 2018

CATEGORIES OF SHAREHOLDERS	SHAREHOLDERS	SHARES HELD	PERCENTAGE
Directors and their spouse(s) and minor children			
MUHAMMAD TARIQ MASUD	1	500	0.00
NIAZ AHMAD KHAN	1	500	0.00
Associated Companies, undertakings and related parties			
PREMIER MERCANTILE SERVICES (PVT) LTD.	2	4,516,048	10.00
MARINE SERVICES (PVT) LIMITED	2	914,352	2.02
SAUDI PAK IND. & AGR. INV. CO.(PVT) LTD	1	15,835,403	35.06
HAROON IHSAN PARACHA & FAMILY	2	4,547,876	10.07
Public Sector Companies and Corporations	5	1,336,275	2.96
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	4	1,069,020	2.37
Mutual Funds			
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	372,752.00	0.83
General Public	1785	15,556,163	34.45
OTHERS	26	1,011,611	2.24
Total	1830	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
HAROON IHSAN PARACHA & FAMILY	4,547,876	10.07

# 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 26th Annual General Meeting of the Company to be held on May 16, 2018 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 or 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  
6<sup>TH</sup> Floor, Lakson Square Building # 1  
Sarwar Shaheed Road, Saddar,  
Karchi-74200.