

CORPORATE INFORMATION AS ON DECEMBER 31, 2018

BOARD OF DIRECTORS ELECTED ON NOVEMBER 26, 2018

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

AUDIT COMMITTEE

Syed Najmul Hasnain Kazmi	Chairman
Sheikh Aftab Ahmad	Member
Ms. Fozia Fakhar	Member
Mr. Muhammad Waqar	Member

HR & REMUNERATION COMMITTEE

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

CHIEF EXECUTIVE OFFICER

Mr. Ahsanullah

COMPANY SECRETARY

Mr. M. Imtiaz Ali

CHIEF FINANCIAL OFFICER

Mr. Muhammad Siddique Ahmed

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

1)M/s. S&B Durrani Law Associates, House
No. 5-A/11/11, Sunset Lane,DHA,
Phase – II (Ext.), Karachi
2)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

REGISTERED OFFICE

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

BRANCH

Office 337/338, 4th Floor,
JEFF HEIGHTS
Main Boulevard, Gulberg-III, Lahore
Ph : 042 3576 4964 – 65
(Relocated in 2018)

CONTACT DETAILS

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

REGISTRAR AND SHARE TRANSFER OFFICE

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

Half Yearly Report for the FY 2018-2019

DIRECTORS REVIEW:

The Directors of Saudi Pak Leasing Company Limited are pleased to present the Un-audited Condensed Interim Financial Information of the Company for the six months period ended December 31, 2018.

Operating and Financial Results

	December 31, 2018 Rupees	December 31, 2017 Rupees
Income from finance and operating leases	10,643,749	7,463,228
Other operating income	1,086,317	567,933
Total income	11,730,066	8,031,161
Finance cost	(20,429,153)	(17,954,406)
Administrative and other operating expenses	(19,338,402)	(19,387,411)
Write-offs against loans and leases	-	-
Operating (loss) / profit before provisions	(28,037,489)	(29,310,656)
Reversal / (provision) against leases, loans, receivables and investment properties	16,040,726	9,569,307
(Loss) / Profit before taxation	(11,996,763)	(19,741,349)
(Loss) / Profit after taxation	(159,231)	(20,122,298)
(Loss) / Earnings per share – basic	(0.004)	(0.45)

The total income earned during the half year ended December 31, 2018 registered an increase of 46.1% when compared to the income during corresponding period of 2017. The operating loss before provisions stood at Rs 28 million during the period under consideration (operating loss of Rs 29.3 million in 2017). The management intends to carry out physical inspection and the realizable value for all movable assets against which FSV benefit has been recognized in these financial statements as an ongoing exercise and its impact is being accounted for accordingly. For this purpose the management is engaging independent valuers duly approved by NBF and Modarba Association.

The Company has been facing serious challenges on account of stuck up and non-performing loans/ leases and is facing liquidity issues. No fresh leasing business has been under taken since 2008 and the Company is concentrating on recoveries through settlements and salvaging the investments only. The company has filed legal suits in the respective courts and is also making concerted efforts and opting for out of court settlements as far as possible.

The Company has been able to substantially reduce its book size and maintain its operations with the help of internal resources. The Company is making intensive efforts to initiate negotiations for the settlement of its loan portfolio/ other liabilities with the sole objective of seeking remissions; write offs and long term deferment of payments to the creditors. If succeeded the said restructuring and rescheduling is likely to bring much needed improvement in overall financial health of the Company.

The efforts for the revival of the Company are underway and the management under the guidance of the Board continued their efforts directed towards the betterment of Company. The Board is fully aware of its responsibility towards its stakeholders and is determined to improve the financial condition.

For and on behalf of the Board

Ahsanullah Khan
Director



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Karachi: 24 Jul 2019





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

Report on review of Interim Financial Statements

Introduction

We were engaged to review the accompanying condensed interim statement of financial position of **Saudi Pak Leasing Company Limited** ("the Company") as at **December 31, 2018** and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and notes thereto (here-in-after referred to as the "condensed interim financial statements").

Management's Responsibility for the Interim Financial Statements

Management is responsible for the preparation and presentation of the condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Auditor's Responsibility for the Interim Financial Statements

Our responsibility is to express a conclusion on the condensed interim financial statements based on conducting a review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. However, because of the matters described in Bases for Disclaimer of Conclusion paragraph below, we were not able to obtain necessary assurance to provide a basis for a conclusion.

Bases for Disclaimer of Conclusion

Investment in finance leases

As on December 31, 2018, the Company's gross and net investment in finance leases (excluding the effect of provision for non-performing leases) amounted to Rs. 1.651 billion (June 30, 2018: Rs. 1.683 billion) and Rs. 1.340 billion (June 30, 2018: Rs. 1.361 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 12 to the condensed interim financial statements, markup held in suspense as on December 31, 2018 amounted to Rs. 311.255 million (June 30, 2018: Rs. 321.658 million). In contrast, markup held in suspense as reflected in the Company's subsidiary record of finance leases amounted to Rs. 230.418 million as on December 31, 2018 (June 30, 2018: Rs. 240.821 million). This noted discrepancy could not be reconciled by the Company's management; and

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Bases for Disclaimer of Conclusion (continued)

Investment in finance leases (continued)

- As reported in note 12 to the condensed interim financial statements, residual value of leased assets forming part of gross investment in finance leases, as on December 31, 2018, amounted to Rs. 344.669 million (June 30, 2018: Rs. 344.570 million). In contrast, security deposits payable as reported in note 18 to the interim financial statements amounted to Rs. 324.249 million as on December 31, 2018 (June 30, 2018: 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.

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 December 31, 2018 as well as the income from finance leases for the period 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 interim 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 interim 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 review 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 December 31, 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 December 31, 2018, the Company had an investment in unquoted ordinary shares of 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 method).

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 December 31, 2018 as well as the corresponding effects of change therein to be recognized in other comprehensive income.

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Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

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Bases for Disclaimer of Conclusion (continued)

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

As also noted in our audit report on the Company's financial statements for the preceding year, 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 amount of income tax payable as reflected in the tax return filed by the Company (in relation to the tax year 2015) stood at Rs. 0.623 million. This indicated that closing current tax liability reported in the annual financial statements for the years ended June 30, 2015, 2016, 2017 and 2018 as well as in the condensed interim financial statements for the half years ended December 31, 2015, 2016 and 2017 was overstated by a differential amount of Rs. 11.939 million (i.e. Rs. 12.562 million less Rs. 0.623 million). During the six-month period ended December 31, 2018, management of the Company, without taking any reasonable measures to investigate the cause of the difference, merely reversed the provision for current tax by the said differential amount and recognized its corresponding credit effect as current tax income in the condensed interim financial statements.

Since no steps to identify the cause of the noted discrepancy were taken by management, we remained unable to determine whether the aforesaid reversal of current tax provision made by management in the condensed interim financial statements is a correct accounting treatment in accordance with the requirements of the applicable financial reporting framework and, consequently, whether any adjustments might have been found necessary in respect of the carrying amount of the current tax liability as on December 31, 2018 as well as the related current tax income recognized in the condensed statement of profit or loss for the half year then ended.

Material Uncertainty relating to Going Concern

We draw attention to Note 1.3 to the condensed interim financial statements which indicates that the Company incurred a net loss of Rs. 0.519 million during the half year ended December 31, 2018 and, as of that date, its accumulated losses amounted to Rs. 1.849 billion, its equity was negative by Rs. 682.920 million and its current liabilities exceeded current assets by Rs. 733.420 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 conclusion on the condensed interim financial statements which we have expressed because of the significance of certain other matters as set out in the Bases for Disclaimer of Conclusion section of our report.


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 assurance to provide a basis for a conclusion. Accordingly, we do not express a conclusion as to whether anything has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Date:

23 JUL 2019

Karachi


RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants
Engagement Partner: Muhammad Waseem

A member of

Russell Bedford International

A global network of independent accountancy firms,
business consultants and specialist legal advisers.