

**CONDENSED INTERIM FINANCIAL  
INFORMATION (UN-AUDITED)  
OF  
SAUDI PAK LEASING COMPANY LTD.  
FOR THE PERIOD ENDED  
DECEMBER 31, 2019**

**Rahman Sarfaraz Rahim Iqbal Rafiq  
Chartered Accountants  
KARACHI, LAHORE & ISLAMABAD**



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

**REPORT ON REVIEW OF CONDENSED 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, 2019** 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 section of our report, 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 reported in note 12 to the condensed interim financial statements, the Company's gross and net investment in finance leases (before the effect of provision for non-performing leases) amounted to Rs. 1.599 billion (June 30, 2019: Rs. 1.614 billion) and Rs.1.371 billion (June 30, 2019: Rs. 1.385 billion), respectively. We were unable to satisfy ourselves as to the *accuracy* of such lease receivable balances primarily due to the following reasons:

- (a) We could not obtain any reasonable assurance over the *apportionment* of the outstanding gross lease rentals into markup held in suspense and the principal investment since there were no sufficient documentary evidences in relation to the revisions that were incorporated in the scheduled lease receivables in prior years (as reflected in the lease amortization schedules maintained by the Company) either due to repricing of floating interest rates or the re-scheduling of overdue lease rentals. This can be corroborated by the fact that the percentage of markup component included in overdue lease rentals recovered during the half year ended December 31, 2019 comes to 9.10% (year ended June 30, 2019: 8.65%) which is not consistent with the percentage of markup component included in overdue lease rentals outstanding as on December 31, 2019 which comes to 14.26% (June 30, 2019: 14.19%).

*Cont'd... P/2*



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

*Investment in finance leases (continued)*

- (b) 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, 2019, amounted to Rs. 315.703 million (June 30, 2019: Rs. 319.234 million). In contrast, security deposits payable as reported in note 17 to the interim financial statements amounted to Rs.296.084 million as on December 31, 2019 (June 30, 2019: Rs. 298.914 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, 2019 as well as the income from finance leases for the period then ended.

*Investment in unquoted equity instruments (an accounting issue that, in the absence of disclaimer of conclusion, would also have required us to express a qualified conclusion on the condensed interim financial statements)*

As on December 31, 2019, 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 condensed interim financial statements, as an 'investment carried at fair value through other comprehensive income'. In this connection, we noted that the International Financial Reporting Standard (IFRS) 9 *Financial Instruments* requires such investments to be revalued and reported at their fair value at the end of reporting period. 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 and recognized business valuation models.

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, 2019 as well as the corresponding effects of change therein to be recognized in other comprehensive income for the period then ended.

**Material Uncertainty relating to Going Concern**

We draw attention to note 1.2 to the condensed interim financial statements which indicates that the Company incurred a net loss of Rs. 30.900 million during the half year ended December 31, 2019 and, as of that date, its accumulated losses amounted to Rs. 1.818 billion, its equity was negative by Rs. 621.571 million and its current liabilities exceeded current assets by Rs. 732.934 million. These events or conditions, along with other matters as set forth in Note 1.2, 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.

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# Rahman Sarfaraz Rahim Iqbal Rafiq

CHARTERED ACCOUNTANTS

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## Disclaimer of Conclusion

Because of the significance of the matters described in the Bases for Disclaimer of Conclusion section of our report, 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 condensed 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:

Karachi

RAHMAN SARFARAZ RAHIM IQBAL RAFIQ  
Chartered Accountants

Engagement Partner: Muhammad Waseem

Saudi Pak Leasing Company Limited  
Condensed Interim Statement of Financial Position (Un-audited)  
As at 31 December 2019

|  | Note | 31 December<br>2019  | (Restated)<br>(Audited)<br>30 June<br>2019 | (Restated)<br>(Audited)<br>30 June<br>2018 |
|--|------|----------------------|--|--|
| ----- (Rupees) -----   |      |                      |  |  |
| <b>ASSETS</b>  |      |                      |  |  |
| <b>Current assets</b>  |      |                      |  |  |
| Cash and bank balances   | 6    | 1,633,908            | 6,060,252                                  | 9,738,553                                  |
| Short term loans   | 7    | 86,922,935           | 86,922,935                                 | 88,022,635                                 |
| Short term investments   | 8    | 29,189,764           | 29,515,516                                 | 29,401,822                                 |
| Trade deposits and short term prepayments  |      | 1,327,675            | 1,093,160                                  | -  |
| Other receivables  | 9    | 5,512,871            | 5,566,100                                  | 908,865                                    |
| Taxation-net   |      | 175,225              | -  | 5,940,826                                  |
| Current maturity of non-current assets   | 10   | 514,517,061          | 518,412,619                                | 514,496,033                                |
|  |      | 639,279,439          | 647,570,582                                | 648,508,734                                |
| <b>Non-current assets</b>  |      |                      |  |  |
| Long-term loans  | 11   | -                    | -  | -  |
| Net investment in finance leases   | 12   | -                    | -  | -  |
| Investment properties  | 13   | 43,143,480           | 43,717,770                                 | 45,135,391                                 |
| Intangible   |      | 101,798              | 125,882                                    | -  |
| Property, plant and equipment  | 14   | 68,117,480           | 66,504,098                                 | 63,655,641                                 |
|  |      | 111,362,758          | 110,347,750                                | 108,791,032                                |
| <b>Total assets</b>  |      | <b>750,642,197</b>   | <b>757,918,332</b>                         | <b>757,299,766</b>                         |
| <b>LIABILITIES</b>   |      |                      |  |  |
| <b>Current liabilities</b>   |      |                      |  |  |
| Borrowings from financial institutions   | 15   | 164,501,588          | 164,501,588                                | 174,930,728                                |
| Certificates of investment   |      | 43,000,000           | 43,000,000                                 | 43,000,000                                 |
| Accrued mark-up  | 16   | 424,424,075          | 398,009,594                                | 365,927,127                                |
| Provision for taxation - net   |      | -                    | -  | 194,975                                    |
| Accrued expenses and other payables  |      | 7,687,255            | 9,378,800                                  | 11,719,731                                 |
| Current maturity of non-current liabilities  | 17   | 725,165,067          | 728,495,117                                | 770,330,572                                |
| Unclaimed dividend   |      | 1,661,291            | 1,661,291                                  | 1,661,291                                  |
| Preference dividend payable  |      | 5,774,153            | 5,774,153                                  | 5,774,153                                  |
|  |      | 1,372,213,429        | 1,350,820,543                              | 1,373,538,577                              |
| <b>Non-current liabilities</b>   |      |                      |  |  |
| Deferred tax liability - net   | 18   | -                    | -  | -  |
| Long term finances   | 19   | -                    | -  | -  |
|  |      | -                    | -  | -  |
| <b>Total liabilities</b>   |      | <b>1,372,213,429</b> | <b>1,350,820,543</b>                       | <b>1,373,538,577</b>                       |
| <b>NET ASSETS</b>  |      | <b>(621,571,232)</b> | <b>(592,902,211)</b>                       | <b>(616,238,811)</b>                       |
| <b>FINANCED BY</b>   |      |                      |  |  |
| <i>Authorized share capital</i>  |      |                      |  |  |
| 100,000,000 (June 30, 2019: 100,000,000) ordinary shares of Rs. 10/-each                             |      | 1,000,000,000        | 1,000,000,000                              | 1,000,000,000                              |
| 100,000,000 (June 30, 2019: 100,000,000) preference shares of Rs. 10/-each                           |      | 1,000,000,000        | 1,000,000,000                              | 1,000,000,000                              |
|  |      | 2,000,000,000        | 2,000,000,000                              | 2,000,000,000                              |
| Issued, subscribed and paid-up share capital - ordinary shares                                       |      | 451,605,000          | 451,605,000                                | 451,605,000                                |
| Issued, subscribed and paid-up share capital - preference shares                                     |      | 528,208,500          | 528,208,500                                | 528,208,500                                |
| Capital reserves   |      | 183,361,290          | 183,361,290                                | 177,928,194                                |
| Accumulated loss   |      | (1,818,256,145)      | (1,787,982,959)                            | (1,805,198,343)                            |
| Surplus on revaluation of property, plant and equipment - net of tax                                 | 20   | 34,494,279           | 32,905,207                                 | 32,205,543                                 |
| Unrealised gain on re-measurement of investments as at fair value through other comprehensive income |      | 15,510               | 417  | 11,961                                     |
| Accumulated actuarial loss on defined benefit plan- net of tax                                       |      | (999,666)            | (999,666)                                  | (999,666)                                  |
|  |      | (621,571,232)        | (592,902,211)                              | (616,238,811)                              |
| <b>CONTINGENCIES AND COMMITMENTS</b>   |      |                      |  |  |

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The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

Saudi Pak Leasing Company Limited  
 Condensed Interim Statement Profit or Loss (Un-audited)  
 For the period ended 31 December 2019

|  | Note | Six months period ended<br>31 December |                    | Three months period ended<br>31 December |                    |
|--|------|--|--------------------|--|--------------------|
|  |      | 2019                                   | 2018<br>(Restated) | 2019                                     | 2018<br>(Restated) |
|  |      | ----- (Rupees) -----                   |                    |  |                    |
| Revenue from finance leases                  | 22   | 1,373,041                              | 10,643,749         | 907,394                                  | 9,584,733          |
| Administrative and operating expenses        | 23   | (18,240,464)                           | (15,316,966)       | 2,529,678                                | (9,244,552)        |
| Reversal for doubtful lease receivables      |      | 9,636,293                              | 16,040,726         | 5,394,209                                | 13,559,923         |
|  |      | (7,231,130)                            | 11,367,509         | 8,831,281                                | 13,900,104         |
| Finance costs                                | 24   | (26,428,509)                           | (20,429,153)       | (13,291,111)                             | (10,681,197)       |
| Other operating income                       | 25   | 1,872,136                              | 1,086,317          | 955,533                                  | 808,233            |
| <b>(Loss) / profit before taxation</b>       |      | <b>(31,787,503)</b>                    | <b>(7,975,327)</b> | <b>(3,504,297)</b>                       | <b>4,027,140</b>   |
| Taxation                                     | 26   | 887,551                                | (133,443)          | 895,981                                  | (81,743)           |
| <b>(Loss) / profit after taxation</b>        |      | <b>(30,899,952)</b>                    | <b>(8,108,770)</b> | <b>(2,608,316)</b>                       | <b>3,945,397</b>   |
| <b>(Loss) / earnings per share - basic</b>   | 27   | <b>(0.684)</b>                         | <b>(0.180)</b>     | <b>(0.06)</b>                            | <b>0.09</b>        |
| <b>(Loss) / earnings per share - diluted</b> | 27   | <b>(0.320)</b>                         | <b>(0.080)</b>     | <b>(0.03)</b>                            | <b>0.04</b>        |

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.

  
 Chief Executive Officer

  
 Director

  
 Chief Financial Officer




Saudi Pak Leasing Company Limited  
 Condensed Interim Statement of Comprehensive Income (Un-audited)  
 For the period ended 31 December 2019

|   | Six months period ended<br>31 December |                           | Three months period<br>31 December |                         |
|---|--|---------------------------|------------------------------------|-------------------------|
|   | 2019                                   | 2018<br>(Restated)        | 2019                               | 2018<br>(Restated)      |
| ----- (Rupees) -----  |  |                           |                                    |                         |
| (Loss) / profit after taxation  | <u>(30,899,952)</u>                    | <u>(8,108,770)</u>        | <u>(2,608,316)</u>                 | <u>3,945,397</u>        |
| <b>Other comprehensive income</b>   |  |                           |                                    |                         |
| <i>Items that will not be reclassified subsequently to profit or loss:</i>                                      |  |                           |                                    |                         |
| Unrealised gain / (loss) on re-measurement of investment<br>as at fair value through other comprehensive income | 15,093                                 | (2,079)                   | 15,093                             | (2,079)                 |
| <i>Items that may be reclassified subsequently to profit or loss:</i>   |  |                           |                                    |                         |
| Surplus recognized on revaluation of office premises<br>carried out during the period                           | 3,120,899                              | -                         | -                                  | -                       |
| Deferred tax on above surplus   | (905,061)                              | -                         | -                                  | -                       |
|   | <u>2,215,838</u>                       | <u>-</u>                  | <u>-</u>                           | <u>-</u>                |
|   | <u>2,230,931</u>                       | <u>(2,079)</u>            | <u>15,093</u>                      | <u>(2,079)</u>          |
| <b>Total comprehensive (loss) / income for the period</b>   | <u><u>(28,669,021)</u></u>             | <u><u>(8,110,849)</u></u> | <u><u>(2,593,223)</u></u>          | <u><u>3,943,318</u></u> |

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.

  
 Chief Executive Officer

  
 Director

  
 Chief Financial Officer



Saudi Pak Leasing Company Limited  
Condensed Interim Statement of Changes in Equity (Un-audited)  
For the period ended 31 December 2019

|   | Issued, subscribed and paid-up share capital |                                  | Reserves           |   |  |   | Total                |
|---|--|----------------------------------|--------------------|---|--|---|----------------------|
|   | Ordinary shares                              | Non-redeemable preference shares | Statutory reserves | Unrealised gain on re-measurement of investment | Accumulated actuarial loss on defined benefit plan- net of tax | Surplus on revaluation of property, plant and equipment - net |                      |
|   | ----- Rupees -----                           |                                  |                    |   |  |   |                      |
| Balance as at June 30, 2018 (as previously reported)  | 451,605,000                                  | 528,208,500                      | 177,928,194        | 11,961  | (999,666)  | 11,619,054  | (670,818,459)        |
| Effect of correction of prior period errors (refer note 31)   | -  | -                                | -                  | -   | -  | 20,586,489  | 54,579,648           |
| <b>Balance as at June 30, 2018 (as restated)</b>  | <b>451,605,000</b>                           | <b>528,208,500</b>               | <b>177,928,194</b> | <b>11,961</b>                                   | <b>(999,666)</b>   | <b>32,205,543</b>   | <b>(616,238,811)</b> |
| <b>Total comprehensive loss for the six months ended December 31, 2018</b>  |  |                                  |                    |   |  |   |                      |
| - Loss after taxation (restated)  | -  | -                                | -                  | -   | -  | -   | (8,108,770)          |
| - Other comprehensive loss (restated)   | -  | -                                | -                  | (2,079)   | -  | -   | (2,079)              |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax (restated) | -  | -                                | -                  | (2,079)   | (8,108,770)  | -   | (8,110,849)          |
| <b>Balance as at December 31, 2018 (restated)</b>   | <b>451,605,000</b>                           | <b>528,208,500</b>               | <b>177,928,194</b> | <b>9,882</b>                                    | <b>(999,666)</b>   | <b>11,027,821</b>   | <b>(680,111,774)</b> |
| Balance as at June 30, 2019 (as previously reported)  | 451,605,000                                  | 528,208,500                      | 183,361,290        | 417   | (999,666)  | 42,783,336  | (607,032,425)        |
| Effect of correction of prior period errors (refer note 31)   | -  | -                                | -                  | -   | -  | (9,878,129)   | 14,130,214           |
| <b>Balance as at June 30, 2019 (as restated)</b>  | <b>451,605,000</b>                           | <b>528,208,500</b>               | <b>183,361,290</b> | <b>417</b>                                      | <b>(999,666)</b>   | <b>32,905,207</b>   | <b>(592,902,211)</b> |
| <b>Total comprehensive loss for the six months ended December 31, 2019</b>  |  |                                  |                    |   |  |   |                      |
| - Loss after taxation   | -  | -                                | -                  | 15,093  | -  | -   | (30,899,952)         |
| - Other comprehensive income  | -  | -                                | -                  | 15,093  | -  | 2,215,838   | 2,230,931            |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax            | -  | -                                | -                  | -   | (30,899,952)   | 2,215,838   | (28,669,021)         |
| <b>Balance as at December 31, 2019</b>  | <b>451,605,000</b>                           | <b>528,208,500</b>               | <b>183,361,290</b> | <b>15,510</b>                                   | <b>(999,666)</b>   | <b>34,494,279</b>   | <b>(621,571,232)</b> |

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.

  
Chief Executive Officer

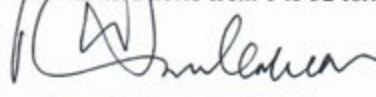
  
Director

  
Chief Financial Officer

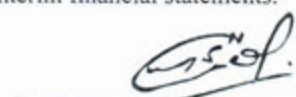
Saudi Pak Leasing Company Limited  
Condensed Interim Statement of Cash Flows (Un-audited)  
For the period ended 31 December 2019

|  | Six months period ended |                     |
|--|-------------------------|---------------------|
|  | 31 December             |                     |
| Note   | 2019                    | 2018<br>(Restated)  |
|  | ----- (Rupees) -----    |                     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                              |                         |                     |
| Loss before taxation   | (31,787,503)            | (7,975,327)         |
| <i>Adjustments for:</i>  |                         |                     |
| Depreciation- owned assets and investment properties                     | 2,014,180               | 2,121,652           |
| Amortization of intangible   | 24,084                  | -                   |
| Income from finance leases   | (1,064,731)             | (10,402,939)        |
| Finance cost   | 26,428,509              | 20,429,153          |
| Provision for doubtful finance leases                                    | (9,636,293)             | (16,040,726)        |
| Dividend income  | (3,466)                 | (3,960)             |
| Interest income from government securities                               | (932,867)               | (560,221)           |
| Gain on disposal of property, plant and equipment                        | (742,376)               | (279,571)           |
|  | <u>16,087,040</u>       | <u>(4,736,612)</u>  |
| <b>Operating loss before working capital changes</b>                     | <b>(15,700,463)</b>     | <b>(12,711,939)</b> |
| <b>Movement in working capital</b>                                       |                         |                     |
| <i>(Increase) / decrease in current assets</i>                           |                         |                     |
| Trade deposits and short term prepayments                                | (234,515)               | (256,935)           |
| Other receivables  | 53,229                  | 2,271               |
| Short term loans   | -                       | 200,000             |
|  | <u>(181,286)</u>        | <u>(54,664)</u>     |
| <i>Increase / (decrease) in operating liabilities</i>                    |                         |                     |
| Accrued expenses and other payables                                      | (1,691,545)             | 178,254             |
| <b>Cash used in operations</b>   | <b>(17,573,294)</b>     | <b>(12,588,349)</b> |
| Finance cost paid  | (14,028)                | (13,438)            |
| Taxes paid   | (192,735)               | (163,650)           |
| Finance lease rentals received   | 11,771,885              | 32,083,660          |
|  | <u>11,565,122</u>       | <u>31,906,572</u>   |
| <b>Net cash (used in) / generated from operating activities</b>          | <b>(6,008,172)</b>      | <b>19,318,223</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                              |                         |                     |
| Acquisition of property, plant and equipment                             | -                       | (2,501,530)         |
| Proceeds from disposal of property, plant and equipment                  | 810,000                 | 348,550             |
| Interest income received   | 932,867                 | 560,221             |
| Short term investment- net   | 340,845                 | (7,160)             |
| Long term loans  | (5,350)                 | (39,371)            |
| Dividend received  | 3,466                   | 3,960               |
| <b>Net cash generated from / (used in) investing activities</b>          | <b>2,081,828</b>        | <b>(1,635,330)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                              |                         |                     |
| Repayment of certificates of investment                                  | (500,000)               | -                   |
| <b>Net cash used in financing activities</b>                             | <b>(500,000)</b>        | <b>-</b>            |
| Net (decrease) / increase in cash and cash equivalents during the period | <u>(4,426,344)</u>      | <u>17,682,893</u>   |
| Cash and cash equivalents at the beginning of the period                 | 6,060,252               | 9,738,553           |
| Cash and cash equivalents at the end of the period                       | <u>1,633,908</u>        | <u>27,421,446</u>   |

The annexed notes from 1 to 32 form an integral part of these condensed interim financial statements.

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

Saudi Pak Leasing Company Limited  
Notes to the Condensed Interim Financial Information ( Un-Audited)  
For the period ended 31 December 2019

1. LEGAL STATUS AND OPERATIONS

- 1.1 Saudi Pak Leasing Company Limited ('the Company') was incorporated in Pakistan on 08 January 1991 under the Companies Ordinance, 1984 (now repealed with the enactment of the Company Act, 2017 on May 30, 2017) 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 31 December, 2019 held 35.06% (June 30, 2019: 35.06%) of issued ordinary share capital of the Company and 63% (June 30, 2019: 63%) of issued preference share capital of the Company.

The Company also operates its offices at Office No. 337/338, 4th Floor, JEFF Heights, Commercial Plaza, 77-E-1, Gulberg III, Lahore.

- 1.2 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 half year ended December 31, 2019, the Company incurred a net loss amounting to Rs. 30.900 million (Period ended December 31, 2018: Rs. 8.109 million) and as of that date its accumulated loss amounted to Rs. 1.818 billion (June 30, 2019: Rs. 1.788 billion), its equity was negative by Rs. 621.571 million (June 30, 2019: Rs. 592.902 million) and its current liabilities exceeded current assets by Rs. 732.934 million (June 30, 2019: Rs. 703.250 million). The Company's accumulated loss is mainly attributable to the amount provided for against stuck up overdue balance of net investment in lease, short term loans and other assets as well as recording of mark up on COIs and other liabilities outstanding.
- The Company's license to carry out the leasing business expired on May 18, 2010 and the Company has not been able to obtain renewal thereof from the SECP as the legal requirements laid down in this respect could not be met by the Company.
- The credit rating of the Company has not been re-assessed since it was last downgraded as in June 2010 and, since then, the Company is not permitted to issue new certificates of investment.
- Previously, the Company had entered into various agreements with its lenders (including, financial institutions, TFC holders and holders of Certificates of Investment (COIs)) for restructuring of its borrowing facilities with the objective of matching the expected recoveries from customers with its obligations to pay the lenders. However, the Company has continuously defaulted in meeting its financial obligations. As of December 31, 2019, total outstanding principal and accrued markup on which defaults were made amounted to Rs. 636.583 million (June 30, 2019: Rs. 637.083 million) and Rs. 424.424 million (June 30, 2019: Rs. 398.009 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 handling its financial obligations to lenders.

Despite the existence of the foregoing material uncertainties, these condensed interim financial statements have been prepared using the going concern assumption primarily due to the reason that 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 management is actively seeking settlements of such suits by way of auction of collateralized assets and / or negotiated settlements. A reasonable number of cases have been decreed in the favour of the Company. It 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.

During the six-month period ended December 31, 2019, the Company submitted its rehabilitation plan duly approved by its Board of Directors to the SECP. The plan envisages revival of operation upon renewal of its license by the SECP based on MER of Rs. 50 million upon meeting the condition of final negotiated settlement of certain liabilities out of recoveries expected to be materialized during 2020-2022 besides negotiations underway with investors desirous of revival of the Company subject to approval of the competent authority.

1.3 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
- Regulation 28 (d) - total investments of a leasing company in shares, equities or scrips shall not exceed 50% of the equity of the leasing company.
- Regulation 28 (e) - a leasing company shall not own shares, equities or scrips of any one company in excess of 10% of its own equity or the issued capital of that company, whichever is lower.

## 2. STATEMENT OF COMPLIANCE

2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of International Accounting Standard - 34 (IAS 34), 'Interim Financial Reporting' issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, and provisions of, and directives issued under, the Companies Act, 2017, the Non-Banking Finance Companies (Establishment and regulation) Rules, 2003( NBFC Rules, 2003), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations, 2008). In case requirements differ, the provisions or directives issued under the Companies Act, 2017, NBFC Rules, 2003 and NBFC Regulations, 2008 shall prevail.

These condensed interim 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 requirements of the NBFC Regulations, 2008.

2.2 The requirements of International Financial Reporting Standard - IFRS-9 "Financial Instruments: Recognition and Measurement", relating to the assessment of impairment loss on leasing portfolio have not been followed in the preparation of these condensed interim financial statements based on a clarification received from the SECP specifying that the requirements of IFRS 9 should only be followed by leasing companies so far as it related to investments made by them. The Company provides for impairment in the carrying value of its net investment in finance leases based on the requirements laid down in the NBFC Regulations, 2008.

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2.3 The comparative statement of financial position as at June 30, 2019 and June 30, 2018 presented in these condensed interim financial statements have been extracted from the audited financial statements of the Company for the year ended June 30, 2019, whereas the comparative statement of profit or loss, statement of comprehensive income, statement of cash flows and the statement of changes in equity have been extracted from the condensed interim financial statements for the period ended December 31, 2018. However, the corresponding figures presented in these statements have been restated, wherever considered necessary, to account for the effects of correction of prior period errors as disclosed in note 31 to these condensed interim financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the year ended June 30, 2019 except that with effect from July 01, 2019, the Company has adopted the International Financial Reporting Standard (IFRS) 16 *Leases* which replaced the previous leases standard IAS 17 *Leases*. However, as permitted by paragraph C14 of IFRS 16, the Company has not made any adjustments on transition for leases in which it is a lessor and has accounted for its investment in finance leases applying IFRS 16 from the date of initial application i.e. July 01, 2019.

### 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. However, actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the annual financial statements for the year ended June 30, 2018.

### 5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in its annual financial statements for the year ended June 30, 2019.

|    |   | December 31,<br>2019<br>Rupees<br>(Un-audited) | June 30,<br>2019<br>Rupees<br>(Audited) |
|----|---|--|---|
| 6. | <b>CASH AND BANK BALANCES</b>   | <i>Note</i>                                    |   |
|    | Cash in hand  | 50,000   | 117,545                                 |
|    | Balance with State Bank of Pakistan in current account - local currency | 41,050   | 46,977                                  |
|    | Balances with other banks:  |  |   |
|    | - in current account  | 5,500  | 5,500                                   |
|    | - in saving accounts  | 6.1 1,537,358                                  | 5,890,230                               |
|    |   | <u>1,633,908</u>                               | <u>6,060,252</u>                        |

6.1 These represent saving deposit accounts maintained with various commercial banks at mark-up rate ranging from 10% to 11.25% (30 June 2019: 7% to 8.5%) per annum.

|    |  | December 31,<br>2019<br>Rupees<br>(Un-audited) | June 30,<br>2019<br>Rupees<br>(Audited) |
|----|--|--|---|
| 7. | <b>SHORT TERM LOANS - Secured</b>            | <i>Note</i>                                    |   |
|    | Term loans to customers- considered doubtful | 7.1 165,231,135                                | 165,231,135                             |
|    | Provision for non-performing loans           | 7.2 (78,308,200)                               | (78,308,200)                            |
|    |  | <u>86,922,935</u>                              | <u>86,922,935</u>                       |

7.1 This represents short term loan facilities provided to customers and carries mark-up ranging from 16.25% to 25% (30 June 2019: 16.25% to 25%) per annum.

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|   | December 31,<br>2019<br>Rupees<br>(Un-audited) | June 30,<br>2019<br>Rupees<br>(Audited) |
|---|--|---|
| <b>7.2 Provision for non-performing loans</b> |  |   |
| Balance at beginning of the year              | 78,308,200                                     | 85,424,664                              |
| Charge for the period / year                  | -  | -                                       |
| Reversal during the period / year             | -  | (7,116,464)                             |
|   | -  | (7,116,464)                             |
| Balance at end of the period / year           | <u>78,308,200</u>                              | <u>78,308,200</u>                       |

7.2.1 The above provision for non-performing loans is net of forced sales value (FSVs) of collaterals of Rs. 86.922 million (June 30, 2019: Rs. 86.922 million) considered by the Company for the purpose of determination of the provision requirements.

|  | December 31,<br>2019<br>Rupees<br>(Un-audited) | June 30,<br>2019<br>Rupees<br>(Audited) |
|--|--|---|
| <b>8. SHORT TERM INVESTMENTS</b>                 | <i>Note</i>                                    |   |
| At fair value through other comprehensive income | 8.1 14,766,383                                 | 14,751,290                              |
| At amortized cost                                | 8.2 14,423,381                                 | 14,764,226                              |
|  | <u>29,189,764</u>                              | <u>29,515,516</u>                       |

**8.1 Investments at fair value through other comprehensive income**

|  |                     |                     |
|--|---------------------|---------------------|
| Ordinary shares of listed companies- at cost     | 85,935              | 85,935              |
| Ordinary shares of unlisted companies- at cost   | 14,664,938          | 14,664,938          |
| Other investment- at cost                        | <u>25,758,520</u>   | <u>25,758,520</u>   |
|  | 40,509,393          | 40,509,393          |
| Unrealised gain on re-measurement of investments | 15,510              | 417                 |
| Accumulated impairment                           | <u>(25,758,520)</u> | <u>(25,758,520)</u> |
|  | <u>14,766,383</u>   | <u>14,751,290</u>   |

**8.2 Investment at amortized cost**

This represents investment in Government Market Treasury Bills having maturity on January 16, 2020 and carrying effective mark-up at a rate of 13.25% (30 June 2019: 11%) per annum.

|   | December 31,<br>2019<br>Rupees<br>(Un-audited) | June 30,<br>2019<br>Rupees<br>(Audited) |
|---|--|---|
| <b>9. OTHER RECEIVABLES</b>                 | <i>Note</i>                                    |   |
| Operating lease rentals receivable          | 11,545,095                                     | 11,545,095                              |
| Receivable on termination of finance leases | 68,127,582                                     | 68,127,758                              |
| Staff gratuity-net defined benefit asset    | 2,390,828                                      | 2,390,828                               |
| Receivable from provident fund              | 2,880,000                                      | 2,880,000                               |
| Others                                      | <u>3,114,369</u>                               | <u>3,167,422</u>                        |
|   | 88,057,874                                     | 88,111,103                              |
| Provision against doubtful receivables      | <u>(82,545,003)</u>                            | <u>(82,545,003)</u>                     |
|   | <u>5,512,871</u>                               | <u>5,566,100</u>                        |

**10. CURRENT MATURITY OF NON - CURRENT ASSETS**

|                                  |                    |                    |
|----------------------------------|--------------------|--------------------|
| Current portion of:              |                    |                    |
| Long term loans                  | 11 33,920,957      | 33,915,607         |
| Net investment in finance leases | 12 480,596,104     | 484,497,012        |
|                                  | <u>514,517,061</u> | <u>518,412,619</u> |

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|  |             | December 31,<br>2019<br>Rupees<br>(Un-audited) | June 30,<br>2019<br>Rupees<br>(Audited) |
|--|-------------|--|---|
| <b>11. LONG TERM LOANS - secured</b>         | <i>Note</i> |  |   |
| Due from employees - considered good         |             | 601,263  | 595,913                                 |
| Term loans to customers- considered doubtful | <i>11.1</i> | <u>100,164,030</u>                             | <u>100,164,030</u>                      |
|  |             | 100,765,293                                    | 100,759,943                             |
| Provision for non-performing loans           | <i>11.2</i> | <u>(66,844,336)</u>                            | <u>(66,844,336)</u>                     |
|  |             | 33,920,957                                     | 33,915,607                              |
| Current maturity of long term loans          | <i>10</i>   | <u>(33,920,957)</u>                            | <u>(33,915,607)</u>                     |
|  |             | -  | -                                       |

**11.1** Term loans due from customers are secured against property. The rate of return on these loans ranges from 16.00% to 22.66% (30 June 2019: 16.00% to 22.66%) per annum.

**11.2** The above provision for non-performing long term loans is net of forced sales value (FSVs) of collaterals of Rs. 33.319 million (2019: Rs. 33.319 million) considered by the Company for the purpose of determination of provision requirements.

|   |             | December 31,<br>2019<br>Rupees<br>(Un-audited) | June 30,<br>2019<br>Rupees<br>(Audited) |
|---|-------------|--|---|
| <b>12. NET INVESTMENT IN FINANCE LEASES</b>               | <i>Note</i> |  |   |
| Minimum lease payments receivable                         |             | 1,283,212,036                                  | 1,295,194,270                           |
| Add: Residual value of leased assets                      | <i>12.2</i> | <u>315,703,285</u>                             | <u>319,234,544</u>                      |
| <b>Gross investment in finance leases</b>                 |             | 1,598,915,321                                  | 1,614,428,814                           |
| Less: Mark-up held in suspense                            | <i>12.3</i> | <u>(227,980,787)</u>                           | <u>(229,045,598)</u>                    |
| <b>Net investment in finance leases</b>                   |             | 1,370,934,534                                  | 1,385,383,216                           |
| Less: Provision for potential lease losses                | <i>12.4</i> | <u>(890,338,430)</u>                           | <u>(900,886,204)</u>                    |
|   |             | 480,596,104                                    | 484,497,012                             |
| Less: Current portion of net investment in finance leases | <i>10</i>   | <u>(480,596,104)</u>                           | <u>(484,497,012)</u>                    |
|   |             | -  | -                                       |

**12.1** The internal rate of return on leases disbursed by the Company ranges from 12.50% to 20.01% (June 30, 2019: 12.50% to 20.01%) per annum. Certain lease rentals have been hypothecated against long term finances obtained (refer note 19.1.1).

**12.2** The residual value of leased assets reported above is in excess of amount of the security deposits payable reported in Note 17 to these condensed interim financial statements. This is due to the fact that residual value of certain leased assets is unguaranteed and, hence, in such cases, no corresponding security deposits had been received from the lessees upon commencement of the lease.

|  |  | December 31,<br>2019<br>Rupees<br>(Un-audited) | June 30,<br>2019<br>Rupees<br>(Audited) |
|--|--|--|---|
| <b>12.3 Mark-up held in suspense</b>               |  |  |   |
| Balance at beginning of the period / year          |  | 229,045,598                                    | 232,791,861                             |
| Suspended income realised during the period / year |  | <u>(1,064,811)</u>                             | <u>(3,746,263)</u>                      |
| Balance at the end of the period / year            |  | <u>227,980,787</u>                             | <u>229,045,598</u>                      |
| <b>12.4 Provision for lease losses</b>             |  |  |   |
| Balance at beginning of the period / year          |  | 900,886,204                                    | 970,078,595                             |
| Charge for the period / year                       |  | -  | 3,191,354                               |
| Reversal for the period / year                     |  | <u>(9,636,293)</u>                             | <u>(72,383,745)</u>                     |
| Written off during the period / year               |  | <u>(911,481)</u>                               | -                                       |
|  |  | (10,547,774)                                   | (69,192,391)                            |
| Balance at end of the period / year                |  | <u>890,338,430</u>                             | <u>900,886,204</u>                      |

|   | December 31,<br>2019<br>Rupees<br>(Un-audited) | June 30,<br>2019<br>Rupees<br>(Audited) |
|---|--|---|
| <b>12.5 Breakup of provision</b>                    |  |   |
| Provision against residual value                    | 19,619,661                                     | 20,320,870                              |
| Provision against minimum lease payment             | 870,718,766                                    | 880,565,334                             |
|   | <u>890,338,427</u>                             | <u>900,886,204</u>                      |
| <b>12.6 Net residual value and security deposit</b> |  |   |
| Residual value                                      | 315,703,285                                    | 319,234,544                             |
| Provision against residual value                    | (19,619,661)                                   | (20,320,870)                            |
| Net residual value                                  | <u>296,083,624</u>                             | <u>298,913,674</u>                      |
| Security deposit against net residual value         | <u>(296,083,624)</u>                           | <u>(298,913,674)</u>                    |
|   | <u>-</u>                                       | <u>-</u>                                |

**12.7 Investment in leases and contra assets position**

|  | 31-Dec-19     |                    |                    |                    |
|--|---------------|--------------------|--------------------|--------------------|
|  | MARKUP        | RESIDUAL<br>VALUE  | PRINCIPAL<br>MLP   | TOTAL              |
|  | (Rupees)      |                    |                    |                    |
| Gross investment in leases                       | 227,980,867   | 315,703,285        | 1,055,231,249      | 1,598,915,401      |
| Contra asset created against receivables         |               |                    |                    |                    |
| Suspended mark up                                | (227,980,867) | -                  | -                  | (227,980,867)      |
| Provision for lease losses                       | <u>-</u>      | (19,619,661)       | (870,718,766)      | (890,338,427)      |
| Net residual value covered by security deposit   |               | <u>296,083,624</u> |                    |                    |
| Minimum lease payment covered by FSV             |               |                    | <u>184,512,483</u> |                    |
| Covered under FSV benefits and security deposits |               |                    |                    | <u>480,596,107</u> |

|  | 30-Jun-19     |                    |                    |                    |
|--|---------------|--------------------|--------------------|--------------------|
|  | MARKUP        | RESIDUAL<br>VALUE  | PRINCIPAL<br>MLP   | TOTAL              |
|  | (Rupees)      |                    |                    |                    |
| Gross investment in leases                       | 229,045,598   | 319,234,544        | 1,066,148,672      | 1,614,428,814      |
| Contra asset created against receivables         |               |                    |                    |                    |
| Suspended mark up                                | (229,045,598) | -                  | -                  | (229,045,598)      |
| Provision for lease losses                       | <u>-</u>      | (20,320,870)       | (880,565,334)      | (900,886,204)      |
| Net residual value covered by security deposit   |               | <u>298,913,674</u> |                    |                    |
| Minimum lease payment covered by FSV             |               |                    | <u>185,583,338</u> |                    |
| Covered under FSV benefits and security deposits |               |                    |                    | <u>484,497,012</u> |

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| 13. INVESTMENT PROPERTIES                                 | <u>(Restated)</u><br><u>Rupees</u> |
|---|------------------------------------|
| <b>As at July 01, 2018</b>                                |                                    |
| Cost  | 66,160,092                         |
| Accumulated depreciation                                  | (14,219,005)                       |
| Accumulated impairment                                    | (6,805,696)                        |
| <b>Net book value</b>                                     | <u>45,135,391</u>                  |
| <i>Movement during the period ended December 31, 2018</i> |                                    |
| Opening net book value                                    | 45,135,391                         |
| Depreciation charge                                       | (821,697)                          |
| <b>Closing net book value</b>                             | <u>44,313,694</u>                  |
| <b>As at December 31, 2018</b>                            |                                    |
| Cost  | 66,160,092                         |
| Accumulated depreciation                                  | (15,040,702)                       |
| Accumulated impairment                                    | (6,805,696)                        |
| <b>Net book value</b>                                     | <u>44,313,694</u>                  |
| <b>As at July 01, 2019</b>                                |                                    |
| Cost  | 66,160,092                         |
| Accumulated depreciation                                  | (15,636,626)                       |
| Accumulated impairment                                    | (6,805,696)                        |
| <b>Net book value</b>                                     | <u>43,717,770</u>                  |
| <i>Movement during the period ended December 31, 2019</i> |                                    |
| Opening net book value                                    | 43,717,770                         |
| Depreciation charge                                       | (574,290)                          |
| <b>Closing net book value</b>                             | <u>43,143,480</u>                  |
| <b>At December 31, 2019</b>                               |                                    |
| Cost  | 66,160,092                         |
| Accumulated depreciation                                  | (16,210,916)                       |
| Accumulated impairment                                    | (6,805,696)                        |
| <b>Net book value</b>                                     | <u>43,143,480</u>                  |
| <b>Rate of depreciation (per annum)</b>                   | <u>2.22% - 5%</u>                  |

| 14. PROPERTY, PLANT AND EQUIPMENT                         | December 31,<br>2019<br>Rupees<br>(Un-audited) | June 30,<br>2019<br>Rupees<br>(Audited) |
|---|--|---|
| Property, plant and equipment - own use                   | 67,737,080                                     | 66,123,698                              |
| Property, plant and equipment - operating lease           | 380,400  | 380,400                                 |
|   | <u>68,117,480</u>                              | <u>66,504,098</u>                       |
| <b>Additions for the period / year- at cost</b>           |  |   |
| <i>Owned assets</i>                                       |  |   |
| Vehicles  | -  | 2,352,595                               |
| Office equipment  | -  | 538,835                                 |
|   | <u>-</u>                                       | <u>2,891,430</u>                        |
| <b>Disposals for the period / year- at net book value</b> |  |   |
| <i>Owned assets</i>                                       |  |   |
| Vehicles  | 67,624   | 68,979                                  |
|   | <u>67,624</u>                                  | <u>68,979</u>                           |

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|   |      | December 31,<br>2019<br>Rupees<br>(Un-audited) | June 30,<br>2019<br>Rupees<br>(Audited) |
|---|------|--|---|
| <b>15. BORROWINGS FROM FINANCIAL INSTITUTIONS</b> |      |  |   |
| <b>Letter of placements - Unsecured</b>           |      |  |   |
| National Bank of Pakistan                         | 15.1 | 77,500,000                                     | 77,500,000                              |
| Innovative Investment Bank Limited                | 15.2 | 60,000,000                                     | 60,000,000                              |
| Meezan Bank Limited                               | 15.3 | 27,001,588                                     | 27,001,588                              |
|   |      | <u>164,501,588</u>                             | <u>164,501,588</u>                      |

15.1 This represents finance of Rs. 77.50 million obtained from National Bank of Pakistan on April 01, 2010 through a letter of placement carrying mark-up at a rate of 11.20% per annum for a period of 14 days. Subsequently, the facility was rolled several times up to the total period of 140 days which expired on August 19, 2010. Till to-date, no repayments have been made by the Company in respect of this finance.

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

15.3 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.

|   |  | December 31,<br>2019<br>Rupees<br>(Un-audited) | June 30,<br>2019<br>Rupees<br>(Audited) |
|---|--|--|---|
| <b>16. ACCRUED MARK-UP</b>                          |  |  |   |
| <i>Mark-up on:</i>                                  |  |  |   |
| - certificates of investment                        |  | 98,109,156                                     | 94,843,283                              |
| - long term finances                                |  | 44,880,725                                     | 43,732,689                              |
| - term finance certificates                         |  | 149,611,242                                    | 134,406,068                             |
| - short term borrowings from financial institutions |  | 131,822,952                                    | 125,027,554                             |
|   |  | <u>424,424,075</u>                             | <u>398,009,594</u>                      |

**17. CURRENT MATURITY OF NON- CURRENT LIABILITIES**

|  |    |                    |                    |
|--|----|--------------------|--------------------|
| Certificate of investment                |    | 50,549,000         | 51,049,000         |
| Long term finances                       | 19 | 378,532,443        | 378,532,443        |
| Security deposits against finance leases |    | 296,083,624        | 298,913,674        |
|  |    | <u>725,165,067</u> | <u>728,495,117</u> |

18. DEFERRED TAXATION

| For the six months ended December 31, 2019   |  |  |                                 |                    |
|--|--|--|---------------------------------|--------------------|
| Balance as at July 01, 2019 (restated)   | Charge / (income) recognized in profit or loss | Charge / (income) recognized in other comprehensive income | Balance as at December 31, 2019 |                    |
| ----- (Rupees) -----   |  |  |                                 |                    |
| <b>Deferred tax liability in respect of:</b>   |  |  |                                 |                    |
| Surplus on revaluation of property, plant and equipment                                      | 13,440,152                                     | (256,003)  | 905,061                         | 14,089,210         |
| Accelerated accounting depreciation / impairment   | 2,547,392                                      | 59,146   | -                               | 2,606,538          |
|  | 15,987,544                                     | (196,857)  | 905,061                         | 16,695,748         |
| <b>Deferred tax asset recognized</b>   | (15,987,544)                                   | (708,204)  | -                               | (16,695,748)       |
| <b>Net deferred tax position</b>   | -  | (905,061)  | 905,061                         | -                  |
| <b>Rupees</b>  |  |  |                                 |                    |
| <b>Details of deferred tax assets</b>  |  |  |                                 |                    |
| Provision for lease losses   |  |  |                                 | 258,198,145        |
| Provision for non-performing short term loans  |  |  |                                 | 22,709,378         |
| Provision for non-performing long term loans   |  |  |                                 | 23,938,051         |
| Provision for doubtful other receivables   |  |  |                                 | 19,384,857         |
| Unused tax losses  |  |  |                                 | 97,642,707         |
|  |  |  |                                 | 421,873,138        |
| Less: Deferred tax asset recognized to the extent of available taxable temporary differences |  |  |                                 | (16,695,748)       |
| <b>Unrecognized deferred tax asset</b>   |  |  |                                 | <b>405,177,390</b> |

| For the year ended June 30, 2019 (restated)  |  |  |                             |                    |
|--|--|--|-----------------------------|--------------------|
| Balance as at July 01, 2018  | Charge / (income) recognized in profit or loss | Charge / (income) recognized in other comprehensive income | Balance as at June 30, 2019 |                    |
| ----- (Rupees) -----   |  |  |                             |                    |
| <b>Deferred tax liability in respect of:</b>   |  |  |                             |                    |
| Surplus on revaluation of property, plant and equipment                                      | 13,154,374                                     | (482,979)  | 768,757                     | 13,440,152         |
| Accelerated accounting depreciation / impairment   | 2,282,031                                      | 265,361  | -                           | 2,547,392          |
|  | 15,436,405                                     | (217,618)  | 768,757                     | 15,987,544         |
| <b>Deferred tax asset recognized</b>   | (15,436,405)                                   | (551,139)  | -                           | (15,987,544)       |
| <b>Net deferred tax position</b>   | -  | (768,757)  | 768,757                     | -                  |
| <b>Rupees</b>  |  |  |                             |                    |
| <b>Details of deferred tax assets</b>  |  |  |                             |                    |
| Provision for lease losses   |  |  |                             | 261,256,999        |
| Provision for non-performing short term loans  |  |  |                             | 22,709,378         |
| Provision for non-performing long term loans   |  |  |                             | 19,384,857         |
| Provision for doubtful other receivables   |  |  |                             | 23,938,051         |
| Unused tax losses  |  |  |                             | 97,642,707         |
|  |  |  |                             | 424,931,992        |
| Less: Deferred tax asset recognized to the extent of available taxable temporary differences |  |  |                             | (15,987,544)       |
| <b>Unrecognized deferred tax asset</b>   |  |  |                             | <b>408,944,448</b> |

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|  | Note   | December 31,<br>2019<br>Rupees<br>(Un-audited) | June 30,<br>2019<br>Rupees<br>(Audited) |
|--|--------|--|---|
| <b>19. LONG TERM FINANCES</b>          |        |  |   |
| Long term finances - secured           | 19.1.1 | 149,561,501                                    | 149,561,501                             |
| Long term finances - unsecured         |        | 5,703,696                                      | 5,703,696                               |
|  | 19.1   | <u>155,265,197</u>                             | <u>155,265,197</u>                      |
| Term finance certificates - secured    | 19.2   | 223,267,246                                    | 223,267,246                             |
|  |        | <u>378,532,443</u>                             | <u>378,532,443</u>                      |
| Current maturity of long term finances | 17     | <u>(378,532,443)</u>                           | <u>(378,532,443)</u>                    |
|  |        | <u>-</u>                                       | <u>-</u>                                |

**19.1 Long term finances**

|                           | Tenure |        | Markup  | Note   | Principal Outstanding |                    |
|---------------------------|--------|--------|---|--------|-----------------------|--------------------|
|                           | From   | To     |   |        | Dec. 31, 2019         | Jun. 30, 2019      |
|                           |        |        |   |        | (Rupees)              |                    |
| <b>Secured</b>            |        |        |   |        |                       |                    |
| National Bank of Pakistan | Mar-05 | Mar-10 | 6 month KIBOR + 1.5%<br>(payable semi annually) | 19.1.2 | 12,500,000            | 12,500,000         |
| First Women Bank Limited  | Dec-08 | Dec-12 | Fixed at 12%<br>(payable monthly)               | 19.1.3 | 75,061,505            | 75,061,505         |
| Soneri Bank Limited       | May-13 | Sep-14 | -   | 19.1.4 | 61,999,996            | 61,999,996         |
| <b>Un secured</b>         |        |        |   |        |                       |                    |
| Silk Bank Limited         | Sep-12 | Mar-17 | -   | 19.1.5 | 5,703,696             | 5,703,696          |
|                           |        |        |   |        | <u>155,265,197</u>    | <u>155,265,197</u> |

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

19.1.2 This represents a finance of Rs. 100 million obtained from National Bank of Pakistan on March 17, 2005 (mainly for lease financing activities). As per the agreement, loan was payable in semi-annual instalments of Rs. 12.5 million each from September 17, 2005 to March 17, 2009. However, subsequently, the agreement was restructured whereby the maturity date of the loan was extended to March 2010. Up to December 31, 2019, 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.

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

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19.1.4 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);
- Cash payment of Rs. 5 million in 12 equal monthly instalments of Rs. 0.416 million each commencing from the date of execution of settlement agreement; and
- Remaining principal obligation amounting to Rs. 27.5 million to be waived upon successful transfer of properties / cash payment as referred to above.

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

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

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

Up to November 2014, the Company repaid 26 monthly instalments of Rs. 0.204 million each and defaulted thereafter.

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

The issue was first restructured by way of "Supplemental Declaration of Trust" dated October 05, 2010 and was further restructured by way of "Second Supplemental Declaration of Trust" 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.

|                      | (Restated)       |
|----------------------|------------------|
| December 31,<br>2019 | June 30,<br>2019 |
| Rupees               | Rupees           |
| (Un-audited)         | (Audited)        |

## 20. SURPLUS ON REVALUATION OF PROPERTY AND EQUIPMENT-NET

### On office premises, plant and machinery and generators

#### Gross surplus

|   |                   |                   |
|---|-------------------|-------------------|
| As at beginning of the year                                 | 46,345,359        | 45,359,918        |
| Effect of revaluation carried out during the year           | 3,120,899         | 2,650,886         |
| Incremental depreciation transferred to unappropriated loss | (882,769)         | (1,665,445)       |
|   | <u>48,583,489</u> | <u>46,345,359</u> |

#### Related deferred tax charge

|   |                     |                     |
|---|---------------------|---------------------|
| As at beginning of the year                                 | (13,440,152)        | (13,154,374)        |
| Effect of revaluation carried out during the year           | (905,061)           | (768,757)           |
| Incremental depreciation transferred to unappropriated loss | 256,003             | 482,979             |
|   | <u>(14,089,210)</u> | <u>(13,440,152)</u> |
|   | <u>34,494,279</u>   | <u>32,905,207</u>   |

## 21. CONTINGENCIES AND COMMITMENTS

There is no significant change in the status of contingencies and commitments as reported in the audited financial statements for the year ended June 30, 2019.

| December 31,<br>2019 | December 31,<br>2018 |
|----------------------|----------------------|
| (Rupees)             |                      |

## 22. REVENUE FROM FINANCE LEASES

|  |                  |                   |
|--|------------------|-------------------|
| Markup recovery on finance lease contracts | 1,064,731        | 10,402,939        |
| Delayed payment charges                    | 308,310          | 240,810           |
|  | <u>1,373,041</u> | <u>10,643,749</u> |

|  | December 31,<br>2019 | (Restated)<br>December 31,<br>2018 |
|--|----------------------|------------------------------------|
|  | (Rupees)             |                                    |
| <b>23. ADMINISTRATIVE AND OPERATING EXPENSES</b> |                      |                                    |
| Salaries, allowances and benefits                | 9,206,198            | 8,243,775                          |
| Expenses on meetings of Board of Directors       | 1,791,953            | 60,000                             |
| Rent   | 383,669              | 608,548                            |
| Repairs and maintenance                          | 1,023,790            | 891,095                            |
| Insurance  | 90,588               | 68,484                             |
| Utilities  | 530,079              | 585,675                            |
| Vehicle running expenses                         | 47,254               | 140,835                            |
| Printing and stationery                          | 323,132              | 125,197                            |
| Telephone and postage                            | 332,740              | 190,394                            |
| Travelling and conveyance                        | 145,110              | 333,517                            |
| Fee and subscriptions                            | 749,563              | 668,235                            |
| Legal and professional charges                   | 728,779              | 307,938                            |
| Advertising and entertainment                    | 79,040               | 219,308                            |
| Auditors' remuneration                           | 156,500              | 156,500                            |
| Depreciation                                     | 2,014,180            | 2,121,652                          |
| Amortization of intangible                       | 24,084               | -                                  |
| Miscellaneous                                    | 613,805              | 595,813                            |
|  | <u>18,240,464</u>    | <u>15,316,966</u>                  |
|  | December 31,<br>2019 | December 31,<br>2018               |
|  | (Rupees)             |                                    |
| <b>24. FINANCE COSTS</b>                         |                      |                                    |
| Mark-up on:                                      |                      |                                    |
| - Long term finances                             | 1,148,036            | 834,460                            |
| - Term finance certificates                      | 15,205,174           | 9,405,240                          |
| - Short term borrowings                          | 6,795,398            | 6,795,398                          |
| Return on certificates of investment             | 3,265,873            | 3,380,560                          |
| Bank charges                                     | 14,028               | 13,495                             |
|  | <u>26,428,509</u>    | <u>20,429,153</u>                  |
| <b>25. OTHER OPERATING INCOME</b>                |                      |                                    |
| <b>Income from financial assets:</b>             |                      |                                    |
| - Dividend income                                | 3,466                | 3,960                              |
| - Interest income from government securities     | 932,867              | 560,221                            |
| - Interest income from savings accounts          | 147,361              | 43,189                             |
|  | <u>1,083,694</u>     | <u>607,370</u>                     |
| <b>Income from other sources:</b>                |                      |                                    |
| - Gain on disposal of vehicles                   | 742,376              | 279,571                            |
| - Others   | 46,066               | 199,376                            |
|  | <u>788,442</u>       | <u>478,947</u>                     |
|  | <u>1,872,136</u>     | <u>1,086,317</u>                   |
|  | December 31,<br>2019 | (Restated)<br>December 31,<br>2018 |
|  | (Rupees)             |                                    |
| <b>26. TAXATION</b>                              |                      |                                    |
| Current charge                                   | 17,510               | 133,443                            |
| Deferred tax                                     | (905,061)            | -                                  |
|  | <u>(887,551)</u>     | <u>133,443</u>                     |

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|  | 2019                 | 2018               |
|--|----------------------|--------------------|
|  | ----- (Rupees) ----- |                    |
| 27. LOSS PER SHARE   |                      |                    |
| 27.1 Basic loss per share  |                      |                    |
| Loss after taxation attributable to ordinary shareholders  | (30,899,952)         | (8,108,770)        |
|  | ----- (Number) ----- |                    |
| Weighted average number of ordinary shares   | <u>45,160,500</u>    | <u>45,160,500</u>  |
|  | ----- (Rupees) ----- |                    |
| Loss per share - basic   | <u>(0.684)</u>       | <u>(0.180)</u>     |
| 27.2 Diluted loss per share  |                      |                    |
| Loss after taxation attributable to ordinary shareholders  | <u>(30,899,952)</u>  | <u>(8,108,770)</u> |
|  | -----Number-----     |                    |
| Weighted average number of ordinary shares outstanding (including those obtainable upon conversion of potential ordinary shares)   | <u>97,981,350</u>    | <u>97,981,350</u>  |
|  | -----Rupees-----     |                    |
| Loss per share - diluted   | <u>(0.32)</u>        | <u>(0.08)</u>      |
| 27.2.1 As at December 31, 2019, the Company had 52.82 million (December 31, 2018: 52.82 million) convertible preference shares which have been considered for the calculation of diluted loss per share. |                      |                    |

## 28. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise of Saudi Pak Industrial & Agricultural Investment Company Limited (the major shareholder), other group companies, directors, key management personnel and employee benefit plans. The transactions between the Company and the related parties are carried out as per agreed terms.

### Transactions during the period

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

|  | December 31,<br>2019 | December 31,<br>2018 |
|--|----------------------|----------------------|
|  | ----- (Rupees) ----- |                      |
| <b>Major shareholder</b>                 |                      |                      |
| Rent paid                                | -                    | <u>300,000</u>       |
| <b>Key management personnel</b>          |                      |                      |
| Remuneration to key management personnel | <u>5,544,363</u>     | <u>2,331,855</u>     |
| <b>Other related parties</b>             |                      |                      |
| Contributions to provident fund          | <u>255,000</u>       | <u>197,500</u>       |

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

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

|                             | December 31,<br>2019 | June 30,<br>2019 |
|-----------------------------|----------------------|------------------|
|                             | ----- (Rupees) ----- |                  |
| <b>Major shareholder</b>    |                      |                  |
| Preference dividend payable | <u>5,774,153</u>     | <u>5,774,153</u> |

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29. 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.

|   | 31-Dec-19     |                 |             |             |               | Total         |
|---|---------------|-----------------|-------------|-------------|---------------|---------------|
|   | Finance lease | Operating lease | Term loans  | Investments | Others        |               |
|   | (Rupees)      |                 |             |             |               |               |
| <b>Segment revenue</b>                  |               |                 |             |             |               |               |
| Lease income                            | 1,373,041     | -               | -           | -           | -             | 1,373,041     |
| Interest income                         | -             | -               | -           | 932,867     | 147,361       | 1,080,228     |
| Other income                            | -             | -               | -           | 3,466       | 788,442       | 791,908       |
| (Provisions) / reversals against assets | 9,636,293     | -               | -           | -           | -             | 9,636,293     |
| <b>Segment results</b>                  | 11,009,334    | -               | -           | 936,333     | 935,803       | 12,881,470    |
| <b>Unallocated cost</b>                 |               |                 |             |             |               |               |
| Financial charges                       |               |                 |             |             |               | (26,428,509)  |
| Administrative / operating expenses     |               |                 |             |             |               | (18,240,464)  |
|   |               |                 |             |             |               | (44,668,973)  |
| <b>Loss before taxation</b>             |               |                 |             |             |               | (31,787,503)  |
| Taxation                                |               |                 |             |             |               | 887,551       |
| <b>Loss after taxation</b>              |               |                 |             |             |               | (30,899,952)  |
| <b>Other information</b>                |               |                 |             |             |               |               |
| Segment assets                          | 480,596,104   | 380,400         | 120,843,892 | 29,189,764  | -             | 631,010,160   |
| Unallocated assets                      | -             | -               | -           | -           | 119,632,037   | 119,632,037   |
| <b>Total assets</b>                     |               |                 |             |             |               | 750,642,197   |
| Segment liabilities                     | 155,265,197   | -               | -           | -           | -             | 155,265,197   |
| Unallocated liabilities                 | -             | -               | -           | -           | 1,216,948,232 | 1,216,948,232 |
| <b>Total liabilities</b>                |               |                 |             |             |               | 1,322,213,429 |
| <b>Net liabilities</b>                  |               |                 |             |             |               | (621,571,232) |
|   | 31-Dec-18     |                 |             |             |               |               |
|   | Finance lease | Operating lease | Term loans  | Investments | Others        | Total         |
|   | (Rupees)      |                 |             |             |               |               |
| <b>Segment revenue</b>                  |               |                 |             |             |               |               |
| Lease income                            | 10,643,749    | -               | -           | -           | -             | 10,643,749    |
| Interest income                         | -             | -               | -           | 560,221     | 43,189        | 603,410       |
| Other income                            | -             | -               | -           | 3,960       | 478,947       | 482,907       |
| (Provisions) / reversals against assets | 16,040,726    | -               | -           | -           | -             | 16,040,726    |
| <b>Segment results</b>                  | 26,684,475    | -               | -           | 564,181     | 522,136       | 27,770,792    |
| <b>Unallocated cost</b>                 |               |                 |             |             |               |               |
| Financial charges                       |               |                 |             |             |               | (20,429,153)  |
| Administrative / operating expenses     |               |                 |             |             |               | (15,316,966)  |
|   |               |                 |             |             |               | (35,746,119)  |
| <b>Loss before taxation</b>             |               |                 |             |             |               | (7,975,327)   |
| Taxation                                |               |                 |             |             |               | (133,443)     |
| <b>Loss after taxation</b>              |               |                 |             |             |               | (8,108,770)   |

|                          | 30-Jun-19     |                 |             |             |               |                      |
|--------------------------|---------------|-----------------|-------------|-------------|---------------|----------------------|
|                          | Finance lease | Operating lease | Term loans  | Investments | Others        | Total                |
|                          | (Rupees)      |                 |             |             |               |                      |
| <b>Other information</b> |               |                 |             |             |               |                      |
| Segment assets           | 484,497,012   | 380,400         | 120,838,542 | 29,515,516  | -             | 635,231,470          |
| Unallocated assets       | -             | -               | -           | -           | 122,686,862   | 122,686,862          |
| <b>Total assets</b>      |               |                 |             |             |               | <u>757,918,332</u>   |
| Segment liabilities      | 155,265,197   | -               | -           | -           | -             | 155,265,197          |
| Unallocated liabilities  | -             | -               | -           | -           | 1,195,555,346 | 1,195,555,346        |
| <b>Total liabilities</b> |               |                 |             |             |               | <u>1,350,820,543</u> |
| <b>Net liabilities</b>   |               |                 |             |             |               | <u>(592,902,211)</u> |

### 30. FAIR VALUE HIERARCHY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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    |
|---|----------|------------|------------|
|   | (Rupees) |            |            |
| <i>As on December 31, 2019</i>                              |          |            |            |
| Office premises and generators                              | -        | 65,306,400 | -          |
| Investment in quoted shares of MCB Bank Limited             | 101,445  | -          | -          |
| Investment in unquoted shares of SPI Insurance Company Limi | -        | -          | 14,664,938 |
| <i>As on June 30, 2019</i>                                  |          |            |            |
| Office premises and generators                              | -        | 63,385,600 | -          |
| Investment in quoted shares of MCB Bank Limited             | 86,352   | -          | -          |
| Investment in unquoted shares of SPI Insurance Company Limi | -        | -          | 14,664,938 |

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

### 31. CORRECTION OF PRIOR PERIOD ERRORS

#### Revision in useful lives of the office premises and the bungalow

As of December 31, 2019, the Company reviewed the useful lives of its office premises (classified under property, plant and equipment) and its bungalow located at 25th Street, Khayaban-e-Rahat, Phase-6, DHA, Karachi (classified under investment properties). As outcome of this exercise, the revised remaining useful lives of the office premises and the bungalow, as of December 31, 2019, were determined to be 25 years and 35 years, respectively (which can also be corroborated from the valuation reports of the office premises and the bungalow issued by M/s. Fairwater Property Valuers & Surveyors (Private) Limited in December 2019) as against the previously determined remaining useful lives of 1.25 years and 10 years, respectively. However, it was noted that the aforesaid increase in remaining useful lives was not on account of any recent new developments (such as major overhauls or structural changes to the office premises and the bungalow); instead, the increase was solely attributable to the initial incorrect estimate of such useful lives i.e. the initial estimates of the useful lives of the office premises and the bungalow were erroneously determined to be 20 years instead of 45 years.

### Overstatement in provision for current tax for the year ended June 30, 2015

In its financial statements for the year ended June 30, 2015, the Company had recognized a provision for current tax amounting to Rs. 12.5 million. Contrary to this, current tax payable declared in the return for the tax year 2015 amounted to Rs. 0.6 million. In this regard, management had requested the tax advisor of the Company to confirm the amount of current tax chargeable in respect of the tax year 2015 who confirmed it to be Rs. 0.6 million (as it was declared in the tax return). Hence, in its condensed interim financial statements for the six-month period ended December 31, 2018, the Company had reversed the aforesaid excess provision *prospectively*.

However, in light of the requirements of the applicable financial reporting framework, the correct treatment would be to regard the aforesaid rectification as a 'correction of a material prior period error' and account for it retrospectively in accordance with the requirements of the International Accounting Standard (IAS) 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Accordingly, in its financial statements for the year ended June 30, 2019, the Company accounted for the correction of the said error *retrospectively*.

In view of the retrospective rectification done in the financial statements for the year ended June 30, 2019, the corresponding figure of current tax charge presented in the condensed interim statement of comprehensive income for the six-month period ended December 31, 2019 (previously reported as current tax income) has been restated to account for the effect of the aforesaid reversal of excess current tax provision *retrospectively*.

The correction of the above errors has been accounted for retrospectively in accordance with the requirements of International Accounting Standard (IAS) 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and corresponding figures have been restated. Due to these restatements, the statement of financial position as at the beginning of the earliest period presented (i.e. as of June 30, 2018) has also been included.

The retrospective correction of errors has its effects on the corresponding figures presented in these condensed interim financial statements as follows:


|   | Property, plant and equipment | Investment Properties | Accumulated loss       | Surplus on revaluation of property, plant and equipment - net of tax | Deferred tax liability - net |
|---|-------------------------------|-----------------------|------------------------|--|------------------------------|
|   | Rupees                        |                       |                        |  |                              |
| <b>Effects on the statement of financial position</b>   |                               |                       |                        |  |                              |
| <b>Balance as at June 30, 2018 (as previously reported)</b>                                   | 21,541,364                    | 32,670,020            | (1,839,191,502)        | 11,619,054   | -                            |
| <i>Effects of restatement as on June 30, 2018</i>   |                               |                       |                        |  |                              |
| Increase in property, plant and equipment   | 42,114,277                    | -                     | 13,119,224             | -  | -                            |
| Increase in surplus on revaluation of property, plant and equipment                           | -                             | -                     | -                      | 28,995,053   | -                            |
| Increase in deferred tax liability on surplus on revaluation of property, plant and equipment | -                             | -                     | -                      | (8,408,564)  | 8,408,564                    |
| Increase in deferred tax liability on accelerated accounting depreciation / impairment        | -                             | -                     | (2,282,031)            | -  | 2,282,031                    |
| Increase in recognized deferred tax asset   | -                             | -                     | 10,690,595             | -  | (10,690,595)                 |
| Increase in investment properties   | -                             | 12,465,371            | 12,465,371             | -  | -                            |
|   | 42,114,277                    | 12,465,371            | 33,993,159             | 20,586,489   | -                            |
| <b>Balance as at June 30, 2018 (as restated)</b>  | <b>63,655,641</b>             | <b>45,135,391</b>     | <b>(1,805,198,343)</b> | <b>32,205,543</b>  | <b>-</b>                     |
| <b>Balance as at June 30, 2019 (as previously reported)</b>                                   | 66,504,298                    | 29,587,556            | (1,811,991,302)        | 42,783,336   | -                            |
| <i>Effects of restatement as on June 30, 2019</i>   |                               |                       |                        |  |                              |
| Decrease in surplus on revaluation of property, plant and equipment                           | -                             | -                     | 13,912,859             | (13,912,859)   | -                            |
| Decrease in deferred tax liability on surplus on revaluation of property, plant and equipment | -                             | -                     | -                      | 4,034,730  | (4,034,730)                  |
| Increase in deferred tax liability on accelerated accounting depreciation / impairment        | -                             | -                     | (2,547,392)            | -  | 2,547,392                    |
| Decrease in recognized deferred tax asset   | -                             | -                     | (1,487,338)            | -  | 1,487,338                    |
| Increase in investment properties   | -                             | 14,130,214            | 14,130,214             | -  | -                            |
|   | -                             | 14,130,214            | 24,008,343             | (9,878,129)  | -                            |
| <b>Balance as at June 30, 2019 (as restated)</b>  | <b>66,504,298</b>             | <b>43,717,770</b>     | <b>(1,787,982,959)</b> | <b>32,905,207</b>  | <b>-</b>                     |

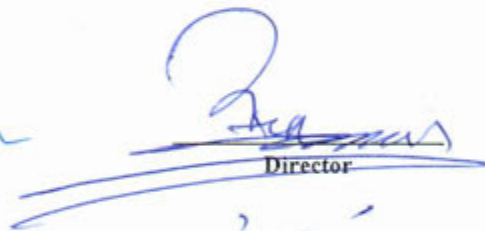
Effects on the statement of comprehensive income

|   | Six months<br>period ended<br>December 31,<br>2018 | Three months<br>period ended<br>December 31,<br>2018 |
|---|--|--|
|   | ----- (Rupees) -----                               |  |
| <i>Effects on profit or loss</i>  |  |  |
| Decrease in administrative and operating expenses - Depreciation charge | 4,021,436  | 2,010,718  |
| Decrease in loss before taxation  | <u>4,021,436</u>                                   | <u>2,010,718</u>                                     |
| Increase in current tax charge  | (11,970,975)                                       | (11,970,975)   |
| Increase in loss after taxation   | <u>(7,949,539)</u>                                 | <u>(9,960,257)</u>                                   |
| Increase in loss per share - basic                                      | <u>(0.176)</u>                                     | <u>(0.221)</u>                                       |
| Increase in loss per share - diluted                                    | <u>(0.081)</u>                                     | <u>(0.102)</u>                                       |

32. **DATE OF AUTHORIZATION**

These condensed interim financial statements (un-audited) were authorized for issue by the Board of Directors of the Company in their meeting held on **18 FEB 2020**

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Chief Financial Officer

