ORIX

# ORIX Leasing Pakistan Limited

ANNUAL REPORT 2021

یقین

# DEDICATION

OLP takes pride in acknowledging the commitment and hard work of its staff in a challenging environment in which they worked with increased health risk in Pandemic conditions. In recognition of their continuing contribution to the Company's success, this year, the theme of our annual report celebrates our loyal and dedicated staff members.

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Geographical Presence

1 - Azhar Aziz - Lahore
2 - Atia Batul - Peshawar
3 - Saif Ullah - Peshawar
4 - Wasif Butt - Karachi
5 - Yasmeen Akhtar- Karachi

# تاریخ

# Vision

Excellence in pioneering creative and flexible financial services for a diverse market with particular emphasis on serving the needs of SME sector in Pakistan.

# Mission

A corporate culture and environment that attracts and fosters the best available talent, inspires trust of customers, promotes innovation in products and services, creates value for all stakeholders and is inclusive of support to the less privileged by improving their access to finance.

# Core **Values**

### Innovation

We seek continuous improvement and encourage creativity

### Ownership

We protect the interests of the Company as if it is our own business

### Teamwork

We work together to create synergies

### Integrity

We promote honesty and fairness in all our actions

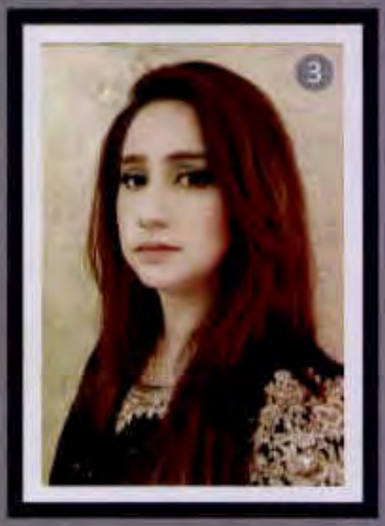
### Respect

We respect each others' feelings and opinions

### Customer Focus

We are because of our customers and our success lies in their satisfaction

1 - Zeeshan - Karachi
2 - Muhammad Siddiq - Lahore
3 - Iram Mehboob - Lahore
4 - Saher Bano - Karachi
5 - Faisal Masih - Karachi
6 - Salina - Karachi
7 - Hassan Ali - Karachi
8 - Shahid Hussain - Karachi
9 - Abaid Ullah - Lahore



# قوت

# Strategic **Objectives**

1. Enhance ORIX brand image in the market as a leading diverse non-banking financial institution with strong brand loyalty.

2. Be a role model for the industry with high standards of governance and risk assessment framework.

3. Be recognized as making meaningful contribution to the economy and the society with a focus on micro and middle-tier segments.

4. Maintain the highest credit ratings in the non-banking financial sector of Pakistan to provide maximum security to our depositors and lenders.

5. Meet varying and diverse demands of customers through innovation and differentiation in our products.

6. Take personalized customer service to next level through a highly trained and multi-skilled workforce.

7. Become an employer of choice by creating a fair and conducive work environment that fosters growth and rewards talent.

8. Bring transparency and control in all spheres of business and operations by introducing well-defined policies and procedures and training staff accordingly.

9. Identify and capitalize on opportunities for generating sustainable sources of income to secure the future interests of all stakeholders.

10. Maximize return to shareholders by steadily increasing ROE and ROA.

1 Sumaira Anwar - Faisalabad
2 Waqas Ahmed - Karachi
3 Hira Amjad -Faisalabad
4 Arshad - Peshawar
5 Sanaullah - Sargodha
6 M.Ahmed - Karachi
7 Adnan Awan - Chakwal
8 Shakeeluddin - Karachi
9 Muhammad Imran - Islamabad

# محنت

# Code of **Business Ethics**

**It is vital to the financial success of OLP that we conduct our business in compliance with the rules and regulations applicable to and laid down by the Company. Our Code of Conduct sets out the fundamental standards to be followed by employees in their everyday actions.**

**Our Code of Conduct principles are:**

1. Acting in the best interests of the Company by ensuring that personal interests do not influence decision-making ability.
2. Protecting OLP's proprietary and sensitive information by maintaining the highest level of confidentiality, both within and outside the Company.
3. Compliance with applicable laws, rules and regulations in letter and spirit.
4. Refrain from engaging in any illegal or unethical transaction.
5. Maintaining a conducive working environment by respecting human rights and treating each other with respect, fairness and dignity.
6. Exercising due care and acting within the scope of one's own authority.
7. Maintaining a respectful and reverential attitude toward customers and conducting ourselves at all times to meet customers' needs.
8. Considering values that serve to support and advance societal interests and harmony and conducting our business activities in a manner that promotes harmony with social and environmental issues.
9. Committing to a secure and safe work environment and striving to maintain uninterrupted business continuity.
10. Reporting the discovery of any illegal or unethical conduct and prohibiting any reprisal against or unfavorable treatment of OLP personnel who come forward in good faith to report issues.

1 - Muhammad Asim - Lahore
2 - Shahroz Shaukat - Lahore
3 - Shehroz - Karachi
4 - Umair Khalid - Rahim Yar Khan
5 - Shahid Farooq - Sargodha
6 - Sabir Jamal - Karachi
7 - Madiha Ghaffar- Karachi
8 - Abida Iqbal - Karachi
9 - Waseem - Karachi
10 - M Asif - Lahore

# جذبہ

# **Company** Profile

**ORIX Leasing Pakistan Limited ("OLP") was established in July 1986 as a joint venture between ORIX Corporation, Japan and local investors. The Company is listed on the Pakistan Stock Exchange.**

OLP is headquartered in Karachi and has 38 branches situated in 35 cities. Its major shareholder is ORIX Corporation (ORIX) having 49.58% shareholding. Established in 1964, ORIX is one of Japan's leading integrated financial services groups with operations in 31 countries worldwide. The group has experience of 57 years of operations and has a total asset base of Yen (¥) 13,582 billion and equity of ¥ 3,048 billion as at June 30, 2021, which equates to US$ 122 billion and US$ 27 billion respectively.

OLP has traditionally focused on the leasing of productive plant and machinery and transportation assets. Over the past 35 years, OLP has played an important role in the development of the leasing industry in Pakistan and is currently the largest player in the leasing industry.

OLP offers value-added financial products and innovative customized services to a wide array of customers throughout Pakistan. The blend of international experience and local expertise acquired over the last 35 years provides OLP a distinctive competitive edge.

# **Rebranding** of the Company

**OLP's Board of Directors has decided to rebrand the Company in line with the Company's vision of enhancing its corporate image as an SME focused financial services company. The proposed new name of the Company is "OLP Financial Services Pakistan Limited". This change is subject to regulatory and shareholders' approval.**

ORIX Corporation, OLP's principal shareholder, fully endorses the rebranding and remains wholly committed to OLP and its growth strategy.

OLP has upgraded its leasing license to an Investment Finance Services license which allows the Company to significantly broaden its product portfolio. The Board is of the view that a change in the Company's name is an essential step in developing the Company's image as a multi-product innovative financial institution rather than simply a leasing company. The new name reflects the Company's focus on providing full spectrum of financial services to its customers with particular emphasis on serving the needs of the SME sector.

# **Company** Information

## Board of Directors

1. **Mr. Khalid Aziz Mirza**
   Chairman and Independent
   Non-Executive Director
2. **Mr. Nasim Hyder**
   Independent Non-Executive Director
3. **Ms. Aminah Zahid Zaheer**
   Independent Non-Executive Director
4. **Mr. Yoshiaki Matsuoka**
   Non-Executive Director
5. **Ms. Keiko Watanabe**
   Non-Executive Director
6. **Mr. Shin Hamada**
   Non-Executive Director
7. **Mr. Daisuke Morita**
   Non-Executive Director
8. **Mr. Shaheen Amin**
   Chief Executive Officer and Executive Director
9. **Mr. Ramon Alfrey**
   Deputy CEO and Executive Director

**Chief Financial Officer**
Mr. Ramon Alfrey

**Company Secretary**
Mr. Haider Abbas Kalhar

**Head of Internal Audit and Secretary to Audit Committee**
Mr. Nadeem Amir Ali

**Head of Compliance**
Mr. Rashid Ahmed

## Board Committees

Audit Committee
1. **Mr. Nasim Hyder**
   Chairman
2. **Ms. Aminah Zahid Zaheer**
   Member
3. **Ms. Keiko Watanabe**
   Member
4. **Mr. Daisuke Morita**
   Member

Human Resource, Nomination and Remuneration Committee
1. **Mr. Khalid Aziz Mirza**
   Chairman
2. **Mr. Yoshiaki Matsuoka**
   Member
3. **Mr. Shin Hamada**
   Member
4. **Mr. Shaheen Amin**
   Member

Risk Committee
1. **Ms. Aminah Zahid Zaheer**
   Chairperson
2. **Mr. Nasim Hyder**
   Member
3. **Ms. Keiko Watanabe**
   Member
4. **Mr. Daisuke Morita**
   Member

Credit Committee
1. **Mr. Yoshiaki Matsuoka**
   Chairman
2. **Mr. Shaheen Amin**
   Member
3. **Mr. Ramon Alfrey**
   Member

# The Management Team

1. **Mian Faysal Riaz**
   Head of Operations
2. **Ms. Maryam Aziz**
   Head - ERM & Treasury
3. **Mr. Imtiaz Ahmad Chaudhary**
   Head - Marketing
4. **Mr. Hira Lal Bharvani**
   Head - Human Resource
5. **Mr. Tahir Ali Shah**
   Head - Commercial Vehicle Division
6. **Mr. Khawar Sultan**
   Head - Consumer Auto Division
7. **Mr. Waqas Ahmed Khawaja**
   Head - Corporate Lease
8. **Mr. Shafique Ur Rehman**
   Head - Risk Management
9. **Mr. Abid Hussain Awan**
   Head - Group Planning & Strategy
10. **Mr. Mohammad Aslam Khan**
    Head - Micro Finance Division
11. **Mr. Hamood Ahmed**
    Head - Business Control
12. **Syed Mohammad Matin**
    Head - Special Assets Management
13. **Mr. Muhammad Ikram**
    Head - Information Systems
14. **Mr. Shah Suleman Fareed**
    Head - Commercial Real Estate & Insurance Division
15. **Mr. M. Mamoon Ishaq**
    Head - Administration

## Credit Rating by PACRA

Long term entity rating AA+
Short term entity rating A1+

## Legal Advisors

M/s Mansoor Ahmad Khan & Co.

## Auditors

**A.F.Ferguson & Co.**
Chartered Accountants
State Life Building No. 1-C, I.I. Chundrigar Road,
P.O.Box 4716, Karachi - 74000, Pakistan

## Registrar and Share Transfer Office

**FAMCO Associates (Pvt.) Limited**
8-F, Near Hotel Faran, Nursery, Block-6,
P. E. C. H. S., Shahra-e-Faisal, Karachi.
Tel: (92-21) 34380101-5, 34384621-3

## Shariah Advisor

Al Hamd Shariah Advisory Services (Pvt.) Limited

## Banks and Lending Institutions

1. Allied Bank Limited
2. Askari Bank Limited
3. Bank Al Habib Limited
4. Bank Alfalah Limited
5. Faysal Bank Limited
6. Habib Bank Limited
7. Habib Metropolitan Bank Limited
8. JS Bank Limited
9. Karandaaz Pakistan
10. MCB Bank Limited
11. Meezan Bank Limited
12. Standard Chartered Bank (Pakistan) Limited
13. Telenor Microfinance Bank
14. United Bank Limited

## Registered and Head Office

ORIX Building, Plot No.16, Sector No.24, Korangi Industrial Area, Karachi-74900, Pakistan

# Parent, Subsidiaries and Associates

## PARENT COMPANY

### ORIX Corporation

Tokyo Headquarters,
World Trade Center Building, 2-4-1, Hamamatsu-cho
Minato-ku, Tokyo 105-6135, Japan
Tel:(81)-3-3435-3145
Fax:(81)-3-3435-3163
www.orix.co.jp

## SUBSIDIARIES

### ORIX Services Pakistan (Private) Limited

Office 601, 6th Floor,
Syedna Tahir Saifuddin
Memorial Trust Building
Civil Lines, Beaumont Road,
Karachi, Pakistan
Tel: (021) 35930000

### ORIX Modaraba

Office 601, 6th Floor,
Syedna Tahir Saifuddin Memorial Trust Building
Civil Lines, Beaumont Road,
Karachi, Pakistan
Tel: (021) 35930000
www.orixmodaraba.com

## ASSOCIATED COMPANIES

### Yanal Finance Company

**(Formerly Saudi ORIX Leasing Company)**

P.O. Box 22890, Riyadh 11416
343 King Saud Street, Riyadh
Kingdom of Saudi Arabia
Tel: (9661) 2997777
Fax: (9661) 2997770
www.yanal.com

### SAMA Finance SAE

**(Formerly ORIX Leasing Egypt SAE)**

5th Floor, Cairo Center Building,
2, Abd El Kader Hamza Street,
Garden City, Cairo 11461, Egypt
Tel: (202) 27922757-9
Fax: (202) 27922760
www.samafinance.com

1 Nausheen Iqbal - Karachi
2 Shoaib - Karachi
3 Khwaja Muneeb Ahmed - Karachi
4 Farhat Bashir - Karachi
5 Ammad Tarin -Multan
6 Hussain - Karachi
7 Salman Ali - Karachi
8 Haseeb Ansari - Karachi

# جنون

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# کامیابی

1 Wajiha Batool - Karachi
2 Shahzeb - Peshawar
3 Haroon Khan -Multan
4 Saleh Rehman - Mingora
5 Rafiuddin - Karachi
6 Mansoor Anwar - Karachi
7 Asad Jamal-Karachi
8 Abdul Ahad Khan - Karachi
9 Syed Mudassir Ali - Karachi
10 Naveen Hassan - Lahore
11 Munir Hussain - Lahore
12 Sultan Akber - Karachi
13 Sabeen Javed - Islamabad
14 Asim Bhatti -Lahore

# **Chairman's** Message

I am pleased to report that your Company has achieved good results during a difficult period and showed growth in both profit and assets portfolio. While Pakistan's economy fared much better than other economies during the pandemic, efforts of the management and staff were instrumental in ensuring that the Company achieved improved results. The performance of front line staff was especially commendable during the pandemic as they took higher risk while performing their responsibilities.

In the wake of COVID-19 pandemic, the Board and Management played an important role in guiding the Company in uncertain conditions. The Company fully supported its loyal customers during the most difficult time of the pandemic by rescheduling their facilities or deferring their principal repayments, within the concessionary guidelines allowed by the SECP. As the spread of virus subsided and lockdown was lifted, the staff doubled their efforts to recoup lost ground from last year. The balance sheet footing increased by 8% from Rs. 23 billion last year to Rs. 24.8 billion by the end of this year, while at the same time the non-performing portfolio was significantly reduced. This resulted in a 30% increase in net profit, from Rs. 702 million last year to Rs. 915 million in the current year.

OLP's strong governance structure also helped the Company to withstand the pandemic crisis and come out of it unscathed. Operational and credit risks remained the main areas of emphasis for the Board in the outgoing year. The Board and its sub-committees worked tirelessly during the year to ensure that the Company was protected from new risks arising out of pandemic related restrictions while pursuing acceptable actions to ensure that OLP came up to stakeholders expectations.

As the economy is showing upward trend, the Company will target expansion in the coming year, albeit with caution and greater vigilance as the repeated waves of pandemic increase uncertainties. The Company has deep roots in the Country's SME sector and, with its sound knowledge of this sector, OLP is well placed to expand business further given favorable economic conditions.

I take this opportunity to thank our customers for their continued support and loyalty. I would also like to express my gratitude to our depositors and shareholders for their continued trust. As mentioned earlier, our success this year is directly attributable to the hard work and dedication of our employees and my fellow board members who fully supported management in all spheres of operations. I am also greatly thankful to the Regulators, especially the SECP, for their guidance and support during the year.

KHALID AZIZ MIRZA
**Chairman Board of Directors**

# چیئرمین کا پیغام

مجھے یہ بتاتے ہوئے خوشی محسوس ہو رہی ہے کہ آپ کی کمپنی نے مشکل دور میں اچھے نتائج حاصل کئے ہیں اور منافع اور اثاثوں کے پورٹ فولیو دونوں میں نمو ظاہر کی ہے۔ اگرچہ پاکستان کی معیشت عالمی وبائی مرض کے دوران دیگر معیشتوں کے مقابلے میں بہت بہتر رہی، انتظامیہ اور عملے کی کوششوں نے اس بات کو یقینی بنانے میں اہم کردار ادا کیا کہ کمپنی بہتر نتائج حاصل کرے۔ وبائی مرض کے دوران فرنٹ لائن عملے کی کارکردگی خاص طور پر قابل تحسین رہی کیونکہ انہوں نے اپنی ذمہ داریاں نبھانے کے لئے سب سے زیادہ خطرہ مول لیا۔

COVID-19 کے عالمی وبائی مرض کے تناظر میں، بورڈ اور انتظامیہ نے غیر یقینی حالات میں کمپنی کی راہنمائی میں اہم کردار ادا کیا۔ کمپنی نے وبا کے مشکل ترین وقت میں اپنے صارفین کو ایس ای سی پی کی جانب سے فراہم کردہ رعایتی ہدایات کی روشنی میں قرضوں کی اصل ادائیگی موخر کی اور ری شیڈیولنگ کی سہولت فراہم کی۔ جیسے جیسے وائرس کا پھیلاؤ کم ہوا اور لاک ڈاؤن اٹھایا گیا تو عملے نے کمپنی کی سابقہ کارکردگی کو بحال کرنے کے لئے اپنی کوششوں کو دوگنا کر دیا۔ بیلنس شیٹ کی فوٹنگ گزشتہ سال کے 23 ارب روپے سے 8 فیصد بڑھ کر 24.8 ارب رہی اور غیر فعال پورٹ فولیو میں کمی واقع ہوئی۔ نتیجے کے طور پر خالص منافع میں 30 فیصد اضافہ ہوا جو پچھلے سال 702 ملین روپے اور رواں سال 915 ملین روپے رہا۔

اوایل پی کے مضبوط انتظامی ڈھانچے نے بھی کمپنی کو وبائی بحران کا مقابلہ کرنے اور اس سے باہر نکلنے میں بھی مدد کی۔ رواں سال آپریشنل اور کریڈٹ رسک بورڈ کی نظر میں بدستور مرکزی اہمیت کے حامل رہے۔ بورڈ اور اس کی ذیلی کمیٹیوں نے کمپنی کو وبائی مرض سے متعلقہ پابندیوں سے پیدا ہونے والے خطرات سے محفوظ رکھنے اور اپنے اسٹیک ہولڈرز کی توقعات پر پورا اترنے کے لئے انتھک محنت کی۔

اگرچہ معیشت بہتری کی طرف گامزن ہے مگر وبائی امراض کی بار بار اٹھتی لہریں غیر یقینی صورتحال میں بھی اضافہ کرتی ہیں، کمپنی احتیاط کے ساتھ آنے والے سال میں توسیع کو اپنا ہدف بنائے گی۔ کمپنی ملک کے SME سیکٹر میں مضبوط گرفت رکھتی ہے اور اس شعبے کے بارے میں اچھی معلومات کے سبب سازگار معاشی حالات میں اپنے کاروبار کو بہتر انداز میں وسعت دے سکتی ہے۔

میں اس موقع کی مناسبت سے اپنے صارفین کی مسلسل حمایت اور وفاداری کے لئے ان کا شکریہ ادا کرنا چاہتا ہوں۔ میں اپنے ڈپازٹرز اور حصص یافتگان کا بھی ان کے مسلسل اعتماد پر شکریہ ادا کرنا چاہتا ہوں۔ جیسا کہ پہلے ذکر کیا گیا کہ، اس سال ہماری کامیابی براہ راست ہمارے ملازمین اور میرے ساتھی بورڈ ممبرز کی محنت اور لگن کی وجہ سے ہے جنہوں نے آپریشن کے تمام شعبوں میں مینجمنٹ کی مکمل مدد کی۔ میں ریگولیٹرز، خاص طور پر ایس ای سی پی کا سال کے دوران رہنمائی اور مدد کے لئے شکر گزار ہوں۔

خالد عزیز مرزا

چیئرمین بورڈ آف ڈائریکٹرز

# **Directors'** Report

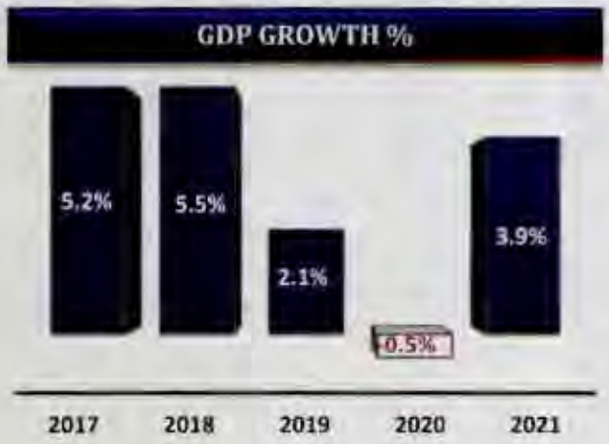
On behalf of the Board of Directors, we are pleased to present the thirty fifth annual report of ORIX Leasing Pakistan Limited (OLP/ the Company) together with the Unconsolidated Financial Statements for the year ended June 30, 2021.

**The Company**

OLP was established in 1986 as one of the pioneers of the leasing industry in Pakistan. The Company has an Investment Finance Services license from SECP under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. OLP focuses mainly on meeting the financial needs of the Small and Medium Enterprise (SME) sector of the Country.

**Overview of the Economy**

Pakistan economy showed strong resilience in the face of COVID-19 pandemic and remained relatively unscathed amidst the global economic turmoil. After a negative GDP growth of 0.47% last year, the economy registered growth of 3.94% in FY2021. All key sectors of the economy showed improved performance but the revival of Large Scale Manufacturing sector, which grew by 9% during the year, had a major impact on economic turnaround followed by the agriculture and services sectors which grew by 2.8% and 4.4% respectively.




The State Bank of Pakistan (SBP) continues its accommodative monetary policy and the policy rate was maintained at 7% throughout the fiscal year 2021. Several other measures taken by the SBP, including a range of concessionary financing schemes, continue to provide conducive environment for economic recovery. However, inflation remains the biggest challenge for the policy makers, especially food related inflations caused by supply side issues. Headline inflation measured by the Consumer Price Index (CPI) was recorded at 8.7% for FY2021 against 10.7% during the same period last year.

On the external front, the trade deficit increased by 34%, reaching US$ 31 billion, during the outgoing fiscal year. Exports of US$ 25 billion were 18% higher than last year while imports grew by 26% to US$ 56 billion. However, remittances from overseas Pakistanis hit an all-time high of US$ 29.4 billion during FY2021 which greatly helped the Country in improving the external account.

After focusing on economic stability for the past three years, the Government is now targeting economic growth. This is evident from the budget of fiscal 2021-2022 where Rs. 8.5 trillion of expenditure was budgeted, which included Rs. 2.1 trillion for Public Sector Development Program; 37% higher than last year. The Government is also renewing its focus on CPEC projects for which it has allocated Rs. 23 billion in the next budget. The risk of increase in COVID-19 cases remains a big challenge for the Government in steering the economy forward and requires utmost attention from policy makers.

**Business Review**

As business activities revived across the board (except for a few sectors directly affected by COVID 19 related restrictions) OLP achieved an appreciable increase of 82% in disbursements compared to last year. Relatively low interest rates helped the Automobile sector, with car sales growing by 90% during the year. The Company also benefited from the higher demand for vehicle leasing and financing.

In the last quarter of the previous financial year, the SECP introduced guidelines allowing NBFI's to defer / reschedule facilities provided to clients impacted by restrictions imposed to fight COVID 19. Under these guidelines, OLP also facilitated customers impacted by the pandemic by rescheduling their facilities or deferring their principal repayments. Between April 2020 and October 2020, 1,610 customers, with Rs. 4.03 billion of outstanding portfolio, were provided this facility. The Company is closely monitoring the overall repayment behavior of such customers.

OLP's lease and loan portfolio reduced considerably last year due to COVID 19 related restrictions and resultant curtailment in business. In the year under review, high business volumes resulted in the portfolio increasing by Rs. 2,637 million.

During the year, the Company aggressively pursued its non- performing portfolio. This approach together with improved business environment resulted in sharp reduction in the over 90 days overdue category. As of June 30, 2021, the Company's delinquency rate stood at 6% compared to 9.6% as at June 30, 2020.

OLP's share in profit of its associated company, Yanal Finance Company, formerly Saudi ORIX Leasing Company, improved to Rs 35.4 million (2020: Rs. 28.9 million).

ORIX Modaraba (ORIXM) reported net profit of Rs. 153 million for the year; 20% higher than the previous year's profit of Rs. 127 million. Total assets were 7% lower at Rs. 6,750 million (June 30, 2020: Rs. 7,246 million) mainly due to reduction in Ijarah assets as ORIXM is gradually moving towards a Diminishing Musharikah model. ORIXM declared a cash dividend 29% for the year

## Financial Performance

OLP's financial results are summarized below:

## Dividend

The Directors are pleased to recommend a final cash dividend of 20% for the year ended June 30, 2021. This is in addition to interim cash dividend of 20% paid during the year which brings the total dividend for the year to 40% (2020: cash dividend of 32.5%, bonus shares of 5%)

## Revenue

Total revenue for the year amounted to Rs. 3,681 million (2020: Rs. 4,436 million). The 17% reduction in revenue was mainly due to a significant lower average interest rates in the current year compared to the previous year. The SBP reduced its Policy Rate from a high 13.25% in March 2020 to 7% in June 2020. In the current year, the policy rate consistently remained at 7%. OLP's finance lease portfolio amounted to Rs. 14 billion as of June 30, 2021 (June 30, 2020: Rs. 14.4 billion); marginally lower by 3%. However, finance lease income at Rs. 2,219 million was 24% lower than Rs. 2,933 million earned last year. As mentioned earlier, sharp reduction in average interest rates was reflected in lower finance lease income.

Mark-up on term finance at Rs. 971 million was 5% higher than Rs. 926 million earned last year despite lower interest rates prevailing in the Country. Higher revenue was due to a significant increase in portfolio to Rs. 7.5 billion from Rs. 4.5 billion last year. The term finance portfolio, which mainly comprises of vehicle financing to individual and corporate customers, benefited from a sharp increase in vehicle sales in the Country.

Income on operating lease, which also includes income from Ijarah finance, decreased by 53% to Rs. 88 million in FY 2021 from Rs. 189 million last year. The reduction was due to completion of a large Ijarah finance contract during the year.

Other income for the year at Rs. 367 million (2020: RS. 359 million) was 2% higher than last year. It mainly comprises of documentation fee, return on government securities, gain on sale of leased assets and other fees & income.

## Expenses

Total expenses for the year amounted to Rs. 2,415 million; 23% lower than the last year's expenses of Rs. 3,138 million

- The decrease was mainly due to a 35% reduction in finance cost to Rs. 1,193 million from Rs. 1,845 million last year. The reduction was in line with the sharp decline in interest rates in the Country.

- Administrative and general expenses at Rs. 1,136 million were contained at previous year's level of Rs. 1,136 million.

- Direct cost, which mainly comprises of cost associated with operating lease business, declined by 46% to Rs. 86 million from Rs. 158 million last year. This was in line with the reduction in operating lease income as explained earlier.

During the year, a reversal of Rs. 40 million was made in provision for potential lease, loan and other losses as compared to a charge of Rs. 311 million last year. The reversal in provision for the year reflects improvement in OLP's asset portfolio. Reversal for the year would have been higher, however, as mentioned in note 3.5 to the financial statements, in the current year the ICAP issued new provisioning guidelines for NBFC's under which provision was made as the higher of provisioning requirements under the NBFC Regulations and IFRS 9.

**Funding and Liquidity**

OLP's total borrowings as of June 30, 2021 amounted to Rs. 14.1 billion (FY2020: Rs. 12.9 billion). Higher borrowings were necessitated by the increase in the asset portfolio. OLP's low debt to equity ratio and higher Capital Adequacy Ratio (CAR) are indicative of Company's strong financial position. The CAR as of June 30, 2021 was 31.78% as compared to 33.57% in June 2020, well above the regulatory requirement of 10%. The breakup of borrowings is as follows:

**Rs. in millions**

| | 2021 | 2020 |
|---|---|---|
| Bank borrowings | 9,203 | 8,453 |
| Certificates of Deposit | 4,869 | 4,407 |
| Total | 14,073 | 12,861 |

OLP's bank borrowings of Rs. 9.2 billion have been availed from 11 banks, signifying a strong and diversified relationships with major banks. As of June 30, 2021, Rs. 2.4 billion of unutilized long term and short term facilities were available (June 2020: Rs. 3.8 billion).

The Certificates of Deposit (COD) portfolio increased by 10% during the year despite stiff competition from banks and increased regulatory restrictions. In this product, OLP has loyal and recurring customer base due to its strong credibility and superior services.

**Risk Management**

Under the guidance of its Board of Directors, OLP has a well-established and robust risk management framework. The Board is responsible for ensuring that a sound system of risk identification, risk management and related internal controls is maintained to safeguard assets, resources, reputation and interest of the Company and shareholders. The Board reviews risks regularly to determine the level of Company's risk tolerance by establishing risk management policies and setting the risk appetite.

The Board's Risk Committee (BRC) assists the Board in achieving its objectives of risk management. An Enterprise Risk Management framework is in place which:

- Allows the Board to connect risk oversight practices with achievement of strategic objectives.
- Facilitates understanding of risks and their implications which are communicated across the Company
- Strengthen First Line of Defense, i.e. controls at front office and IT levels.
- Fosters greater management focus on risks that really matter
- Facilitates more informed risk taking and decision making

A robust risk assessment process has been implemented which ensures that risks at every level; strategic, operational, compliance and environmental are identified, assessed and suitable action plans are in place to ensure that these stay within the risk appetite set by the Board. The Company is exposed to various risks due to its large operations and geographical diversification. Some of the risks and control measures are discussed below:

In the current uncertain business environment, credit risk remained the major risk and was meticulously reviewed throughout the year, both at transactional and portfolio levels. Exposures of clients affected by COVID and availing deferment or rescheduling under SECP guidelines, were closely monitored. Sectoral analyses are regularly used to gauge the health of different sectors, assess OLP's portfolio quality in those sectors and curtail exposure to affected sectors. The BRC was regularly updated during the year on portfolio quality and different approaches taken by the management to mitigate credit risk in post-pandemic environment.

Market and liquidity risks are reviewed by Asset and Liability Management Committee (ALCO) which meets regularly. ALCO reviews and ensures that risk limits set under the Board approved Asset Liability Management Policy are adhered to and action plans are in place to remedy possible breaches. It also monitors market risks, particularly interest rate risk, which could have significant impact on OLP's financial performance. Appropriate policies are in place to guide the Company in taking proactive measures to protect its strategic objectives from being negatively affected by market risks.

Operational risks, including compliance, are controlled through numerous policies and SOPs which cover all areas of business. These policies are regularly reviewed and updated in line with changing business environment. IT systems also play a major role in controlling operational risks as controls are developed at entry levels, wherever possible. Information security policies are reviewed and updated throughout the year to tackle emerging risks in a highly evolving technological environment. Special emphasis is placed on development and upgradation of the IT infrastructure to ensure long-term sustainability. An independent Information Security Officer ensures that systems are protected against external threats and internal IT protocols are followed as per the approved policies.

COVID-19 pandemic continued to pose risks during the year, especially operational risks and health and safety risks for staff. Although no major business disruption occurred during the year, the Company remained fully equipped and ready with the facilities for remote working environment in case of any eventuality. Multiple waves of pandemic increased health risk of OLP's staff. To meet this challenge, the Company implemented best practices as prescribed by the Government health authorities. Management also ensured that all staff members are vaccinated against the virus and facilitated the staff in this regard, wherever required.

**Corporate Governance, Internal Control and Compliance**

It is one of OLP's strategic objectives to become a role model for the industry with high standards of governance and risk assessment framework and to bring transparency and control in all spheres of business and operations by introducing well-defined policies and procedures and training staff accordingly. The Board of Directors heads the governance structure of the Company. The Board comprises of 3 independent directors, 4 nominee directors and 2 executive directors. To discharge their duties more effectively, the Board has constituted the following 4 sub-committees:

**I. Board Audit Committee (BAC)**

The main function of BAC is to oversee the financial reporting process, internal and external audits and the system of internal control and compliance. It also reviews and recommends new policies and amendments to existing policies. The BAC is headed by an independent director and the Company's Internal Audit and Compliance departments report to this Committee.

**ii. Board Human Resource, Nomination and Remuneration Committee (BHRN&RC)**

The BHRN&RC advises the Board on appointment of directors to fill casual vacancies and appointment of principal officers of the Company. It is also responsible to recommend an overall hierarchical and remuneration structure of the Company and ensures that HR policies are in line with the regulatory requirement and are being followed across the Company.

**iii. Board Risk Committee (BRC)**

The BRC is responsible for establishing the overall risk management framework of the Company. It regularly reviews the risk exposures and the policies and procedures to control/mitigate those risks and evolve the risk management framework in line with the constantly changing environment.

**iv. Board Credit Committee (BCC)**

The BCC was established during the year to assist the Board in the credit review function. The Committee reviews the effectiveness and application of credit risk management policies and related procedures. The BCC also monitors portfolio concentration while focusing on changing business, political and other conditions. The Board also assigns credit approvals authority up to certain exposure to the BCC to improve the turnaround time of the credit approval process.

Apart from the Board's sub-committees, the Company has four internal committees namely, Management Committee, Credit Committee, Asset Liability Management Committee and IT Steering Committee. The structure and functions of all these committees ensure that all major areas of operations have strong oversight. Further, OLP has well-defined policies for all major functions and these policies, along with strong IT systems, act as the first line of defense. OLP ensures that OLP staff is well conversant with these policies and regular training sessions are organized to keep them updated.

Strong Internal Audit and Compliance departments are major parts of the overall governance and internal control framework. Both these departments function independently and report to the BAC. Internal audit plan is prepared at the start of every year under the guidance of BAC and audits are performed during the year accordingly. The BAC reviews the audit reports in detail and ensures that all relevant recommendations of the report are implemented while major audit issues are also reported to the Board.

The Compliance department is responsible for ensuring that all government laws and regulations are strictly adhered to and the Company remains compliant with newly introduced regulations. In the current business environment, where Regulators place more emphasis on regulatory compliance, especially Anti-Money laundering (AML) / Countering Financing of Terrorism (CFT) Regulations, the role of compliance function has become increasingly important. OLP's Compliance department initiated various policies and procedures to ensure such regulatory compliance and regular training sessions are conducted for staff to keep them updated.

**Corporate Social Responsibility**

OLP has always been mindful of the fact that the Company has a responsibility to nurture and support the community in which the Company operates. With this objective in mind, OLP supports and works closely with charitable institutions which have a proven track record of selfless commitment to improving the lives of the less privileged in the fields of Health, Education and Poverty Alleviation. The Company has a CSR Policy and a CSR Committee in place to ensure that an impartial assessment of charitable institutions/individual is carried and OLP's CSR vision is implemented.

**Rebranding of the Company**

OLP's Board of Directors has decided to rebrand the Company in line with the Company's vision of enhancing its corporate image as an SME focused financial services company. The proposed new name of the Company is OLP Financial Services Pakistan Limited. The details are provided on page no. 08

This change is subject to regulatory and shareholders' approval.

## Future Outlook

Pakistan's economy has witnessed a good recovery this year after the negative growth of FY2020. Although COVID-19 cases remained under control during the year, however multiple waves of pandemic underscore the risks still posed by COVID-19. In this scenario, the business conditions are still challenging, especially for the retail and entertainment sectors. OLP remains cautiously optimistic for the coming year and will focus on business growth with enhanced due diligence and emphasis on controlling delinquency rate. Business growth in future will be depend on the overall economic conditions and pandemic situation. OLP's size and structure allows it to rapidly adjust to a changing environment. In the coming year, the Company will look to introduce new products which will contribute to future growth.

## Board of Directors and Board Committees

The composition of the Board of Directors and its sub-committees are given in the Statement of Compliance on page no. 41.

## Evaluation of the Performance of the Board

As required by the Listed Companies (Code of Corporate Governance) Regulations, 2019, a formal process of evaluation of performance of the Board and its committees has been framed and implemented. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set by the Company.

As per the approved mechanism, the evaluation process is carried out in-house for two years and by the external independent consultant in the third year. For the purpose of this evaluation, comprehensive criteria have been developed and performance is evaluated on the set parameters, both at individual and group levels.

## Board's Remuneration Policy

The Board of Directors is authorized to fix remuneration of Directors from time to time. A 'Board Remuneration Policy' had been approved by the Board which provides the mechanism for determination of remuneration for attending the meetings. As per the Policy, Independent Non-executive Directors are eligible for remuneration for attending the Board and its Committees' meetings while Non-Executive Directors are entitled for reimbursement of expenses incurred for attending the meetings.

## Compliance with Pakistan Stock Exchange Limited (PSX) Regulations

In compliance with rule 5.6.1(a) and (d) of the PSX Regulations in respect of dissemination of price-sensitive information relating to the business and mandatory disclosure to PSX on buying and selling of shares by Directors, CEO, substantial shareholders and executives, the Board has set the following threshold for the term "Executive":

- Chief Executive Officer
- Deputy Chief Executive Officer
- Chief Financial Officer
- Company Secretary
- Head of Internal Audit
- All Departmental Heads

## Directors' Declaration

1. The financial statements of the Company fairly represent its financial state of affairs, the results of its operations, cash flows and changes in equity.

2. Proper books of accounts of the Company have been maintained.

3. Appropriate accounting policies have been consistently applied in the preparation of financial statements, and accounting estimates are based on reasonable and prudent judgment.

4. International Financial Reporting Standards as applicable in Pakistan have been followed in the preparation of financial statements, and any departure has been adequately disclosed and explained.

5. The system of internal control is sound in design and has been effectively implemented and monitored.

6. There is no reason to doubt the Company's ability to continue as a going concern.

7. Details of significant deviations in the Company's operating results during the year ended June 30, 2021, are stated within the Directors' Report.

8. Key operating and financial data for the last six years in a summarized form is given on page no. 47.

9. There are no statutory payments on account of taxes, duties, levies and charges outstanding as on June 30, 2021, except for those disclosed in the financial statements.

10. The value of investments of the recognized provident fund as at June 30, 2021, was PKR 618.1 million (unaudited), and as at June 30, 2020, was PKR 538.1 million (audited).
The value of investments of the Company's recognized gratuity fund as at June 30, 2021, was PKR 259 million (unaudited), and as at June 30, 2020, was PKR 241.5 million (audited).

11. Following are the details of the trade in the shares of the Company, carried out by the significant Shareholder, Director and Executives of the Company, during the year:

During the year, the Company issued bonus shares. The details of shares issued to the major shareholders, Directors and Executives are provided on page 190.

12. Seven (07) out of nine (09) Directors of the Company have certification/exemption under the Directors Training Program that meets the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

13. During the year, six meetings of the Board of Directors, eight meetings of the Audit Committee, three meetings of Board Human Resource Nomination and Remuneration Committee and three Meetings of Board Risk Committee were held. The Directors, who were unable to attend the meetings, followed the progress of the proceedings of the Board.

| Name | Designation | Nature of Transaction | Number of Shares |
|---|---|---|---|
| Mr. Shaheen Amin | CEO | Shares Purchased | 150,000 |

**Board of Directors' Meetings**

The attendance at the meetings of the Board of Directors is given below:

| Name of Director | Meetings Attended | Name of Director | Meetings Attended |
|---|---|---|---|
| Mr. Khalid Aziz Mirza | 6 | Mr. Nasim Hyder | 6 |
| Mr. Naveed Kamran Baloch[1] | 3 | Ms. Aminah Zahid Zaheer | 6 |
| Mr. Harukazu Yamaguchi (Non-resident) [2] | 3 | Mr. Masato Takata (Non-resident) [3] | 1 |
| Mr. Yoshiaki Matsuoka (Non-resident) | 6 | Mr. Takashi Nakayama (Non-resident) [6] | 4 |
| Mr. Yohei Honda (Non-resident) [6] | 6 | Ms. Keiko Watanabe (Non-resident) [4] | 3 |
| Mr. Shaheen Amin | 6 | Mr. Ramon Alfrey [5] | 2 |

The Board of Directors were elected on 27th October, 2020 for a term of three years.
[1] Resigned as Director on January 18, 2021.
[2] Resigned as Director on January 18, 2021.
[3] Term of Directorship ended on October 27, 2020.
[4] Appointed as Director on January 18, 2021.
[5] Appointed as Director on February 22, 2021.
[6] Mr. Takashi Nakayama and Mr. Yohei Honda resigned from the Board subsequent to the year end.

On request, leave of absence was granted to the Directors who could not attend the Board meetings

**Audit Committee's Meetings**

| Name of Director | Meetings Attended | Name of Director | Meetings Attended |
|---|---|---|---|
| Mr. Nasim Hyder | 8 | Ms. Aminah Zahid Zaheer | 8 |
| Mr. Yohei Honda (Non-resident) [2] | 7 | Ms. Keiko Watanabe (Non-resident) [1] | 2 |

[1] Appointed as a member on February 22, 2021
[2] Resigned as Director subsequent to the year end.

**Human Resource Nomination and Remuneration Committee's Meetings**

| Name of Director | Meetings Attended | Name of Director | Meetings Attended |
|---|---|---|---|
| Mr. Khalid Aziz Mirza | 3 | Mr. Naveed Kamran Baloch [1] | 2 |
| Mr. Yoshiaki Matsuoka (Non-resident) | 3 | Mr. Takashi Nakayama (Non-resident) [2] | 0 |
| Ms. Aminah Zahid Zaheer [3] | 1 | Mr. Shaheen Amin [4] | 0 |

[1] Resigned as Director on January 18, 2021.
[2] Appointed as a member on February 22, 2021 and resigned as Director subsequent to the year end.
[3] Appointed as a member on October 29, 2020 and ceased to be member on February 22, 2021
[4] Appointed as a member on February 22, 2021

**Risk Committee's Meetings**

| Name of Director | Meetings Attended | Name of Director | Meetings Attended |
|---|---|---|---|
| Ms. Aminah Zahid Zaheer | 3 | Mr. Nasim Hyder | 3 |
| Mr. Yohei Honda (Non-resident) [2] | 3 | Ms. Keiko Watanabe (Non-resident) [1] | 1 |
| Mr. Shaheen Amin [3] | 2 | | |

[1] Appointed as a member on February 22, 2021
[2] Resigned as Director subsequent to the year end
[3] Ceased to be member on February 22, 2021

**Credit Committee's Meetings**

| Name of Director | Meetings Attended | Name of Director | Meetings Attended |
|---|---|---|---|
| Mr. Yoshiaki Matsuoka (Non-resident) | 0 | Mr. Shaheen Amin | 0 |
| Mr. Ramon Alfrey | 0 | | |

* Board Credit Committee was formed on February 22, 2021 and as on June 30, 2021 no meeting of Board Credit Committee has been conducted.

**Board Changes**

In the Thirty Fourth Annual General Meeting held on October 27, 2020, the members of the Company elected nine directors for the term of three years. Term of Directorship of Mr. Masato Takata ended on October 27, 2020 while Mr. Naveed Kamran Baloch and Mr. Harukazu Yamaguchi resigned as Directors on January 18, 2021. Ms. Keiko Watanabe was appointed as a Director on January 18, 2021 and Mr. Ramon Alfrey was appointed as a Director on February 22, 2021 to fill casual vacancies caused by resignations of directors. Subsequent to the year end, Mr. Takashi Nakayama and Mr. Yohei Honda resigned with effect from September 07, 2021. Mr. Shin Hamada and Mr. Daisuke Morita were appointed as Directors by the Board to fill these casual vacancies. The Board of Directors places on record its appreciation for services rendered by Mr. Naveed Kamran Baloch, Mr. Harukazu Yamaguchi, Mr. Masato Takata, Mr. Takashi Nakayama and Mr. Yohei Honda. Further, the Board welcomes Ms. Keiko Watanabe, Mr. Shin Hamada, Mr. Daisuke Morita and Mr. Ramon Alfrey as Directors on the Board.

**Credit Rating**

The Pakistan Credit Rating Agency Limited (PACRA) maintained the Company's long term rating of AA+ (Double A plus) and short term rating of A1+ (A one plus) on March 03, 2021. These are among the highest ratings in the Non-Banking Financial Sector.

**Major Shareholder**

ORIX Corporation, Japan hold 49.58% of the Company's shareholding.

**Auditors**

M/s A.F. Ferguson & Co., Chartered Accountants were appointed as auditors for the year ending June 30, 2021. The Board of Directors endorses the recommendation of the Audit Committee for the appointment of M/s A.F. Ferguson & Co., Chartered Accountants, as auditors of the Company for the year ending June 30, 2022.

**Pattern of Shareholding**

The pattern of shareholding as at June 30, 2021 is given on page no. 188.

**Acknowledgement**

The Board would like to acknowledge the commitment and hard work of OLP's staff in the challenging environment where they worked with increased health risk due to pandemic. In recognition of their contribution to the Company's success, this year's theme of annual report has been dedicated to the staff.

The support and trust of our loyal customers and depositors were vital in achieving another successful year for the Company. The Board also acknowledges the support and cooperation of the regulatory authorities, bankers, business partners and other stakeholders.

On behalf of the Board

**Shaheen Amin**
Chief Executive Officer

**Nasim Hyder**
Director

September 23, 2021

## کریڈٹ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) نے مارچ 2021،03 کو کمپنی کی طویل المدتی AA+ (ڈبل A پلس) اور A1+ (A ون پلس) کی قلیل مدتی درجہ بندی برقرار رکھی ہے۔ یہ NBFC سیکٹر میں بلند ترین ریٹنگ ہے۔

## بڑے حصص یافتگان

ORIX کارپوریشن جاپان کی ملکیت میں کمپنی کے 49.58% کی حصص داری ہے۔

## آڈیٹرز

سال 30 جون 2021 کے لئے میسرز اے ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس کی تقرری گئی تھی۔ بورڈ آف ڈائریکٹرز میسرز اے ایف فرگوسن اینڈ کو، چارٹرڈ اکاؤنٹنٹس کی سال 30 جون 2022 کے لئے کمپنی آڈیٹرز کی حیثیت سے تقرری کی آڈٹ کمیٹی کی سفارش کی توثیق کی ہے۔

## حصص داری کی ساخت

30 جون 2021 کی حصص داری کی ساخت صفحہ نمبر 188 پر دی گئی ہے۔

## اعتراف

بورڈ مشکل حالات میں او ایل پی کے عملے کے عزم و ہمت کو تسلیم کرتا ہے۔ جہاں انہوں نے وبائی امراض کی وجہ سے صحت کے بڑھتے ہوئے خطرے کے ساتھ کام کیا۔ کمپنی کی کامیابی میں ان کی شراکت کے اعتراف میں، اس سال کی سالانہ رپورٹ کا موضوع (تھیم) عملے کے لئے وقف کیا گیا ہے۔

کمپنی کے ایک اور کامیاب سال کے حصول کے لئے ہمارے معزز صارفین اور ڈپازٹرز کا تعاون اور اعتماد بہت ضروری تھا۔ بورڈ، ریگیولیٹری اتھارٹیز، بینکرز، کاروباری شراکت دار اور دیگر اسٹیک ہولڈرز کی حمایت اور تعاون کو بھی تسلیم کرتا ہے۔

بورڈ کی جانب سے

شاہین امین
چیف ایگزیکٹو آفیسر

نسیم حیدر
ڈائریکٹر

23 ستمبر 2021

رسک کمیٹی کے اجلاس

| ڈائریکٹر کا نام | حاضر اجلاسوں کی تعداد | ڈائریکٹر کا نام | حاضر اجلاسوں کی تعداد |
|---|---|---|---|
| محترمہ آمنہ زاہد ظہیر | 3 | جناب نسیم حیدر | 3 |
| جناب یوای ہونڈا (نان ریزی ڈنٹ)[2] | 3 | محترمہ کیکو وتانابے (نان ریزی ڈنٹ)[1] | 1 |
| جناب شاہین امین[3] | 2 | | |

[1] بحیثیت ممبر فروری 22، 2021 کو تقرری ہوئی۔

[2] سال کے اختتام پر بحیثیت ڈائریکٹر مستعفی ہوئے۔

[3] 22 فروری، 2021 تک ممبر رہے۔

کریڈٹ کمیٹی کے اجلاس

| ڈائریکٹر کا نام | حاضر اجلاسوں کی تعداد | ڈائریکٹر کا نام | حاضر اجلاسوں کی تعداد |
|---|---|---|---|
| جناب یوشیاکی ماٹسوکا | 0 | جناب شاہین امین | 0 |
| جناب ریمن اطفر ے | 0 | | |

* بورڈ کریڈٹ کمیٹی 22 فروری 2021 کو تشکیل دی گئی اور 30 جون 2021 تک بورڈ کریڈٹ کمیٹی کا کوئی اجلاس منعقد نہیں ہوا۔

بورڈ میں تبدیلیاں

27 اکتوبر 2020 کو منعقدہ چونتیسویں سالانہ جنرل اجلاس میں کمپنی کے ممبران نے 9 ڈائریکٹرز کو تین سال کی مدت کے لئے منتخب کیا۔ جناب ماساتو تاکاتا کی ڈائریکٹرشپ کی مدت 27 اکتوبر 2020 کو ختم ہوئی جبکہ جناب نوید کامران بلوچ اور جناب ہاروکازو یاماگوچی نے 18 جنوری 2021 کو ڈائریکٹر کے عہدے سے استعفی دیا۔ محترمہ کیکو وتانابے کو جنوری 18، 2021 کو ڈائریکٹر کے عہدے پر تعینات کیا گیا اور جناب ریمن اطفر ے کو 22 فروری 2021 کو ڈائریکٹر کے طور پر تعینات کیا گیا تاکہ ڈائریکٹرز کے استعفوں کی وجہ سے ہونے والی خالی آسامیوں کو پر کیا جا سکے۔ سال کے اختتام کے بعد جناب تکاشی ناکایاما اور جناب یوہی ہونڈا نے 07 ستمبر 2021 کو استعفی دیا۔ جناب شن ہماڈا اور جناب ڈائیسو کے موریتا کو بورڈ نے خالی آسامیوں کو پر کرنے کے لئے ڈائریکٹر مقرر کیا تھا۔ بورڈ آف ڈائریکٹرز جناب نوید کامران بلوچ، جناب ہاروکازو یاماگوچی، جناب ماساتو تاکاتا، جناب تاکاشی ناکایاما اور جناب یوہی ہونڈا کی خدمات کو سراہتا ہے۔ مزید یہ کہ بورڈ محترمہ کیکو وتانابے، جناب شن ہماڈا، جناب ڈائیسو کے موریتا اور جناب ریمن اطفر ے کو بورڈ میں بحیثیت ڈائریکٹر خوش آمدید کہتا ہے۔

[1] بحیثیت ڈائیریکٹر جنوری 18، 2021 کو استعفیٰ دیا۔

[2] بحیثیت ڈائیریکٹر جنوری 18، 2021 کو استعفیٰ دیا۔

[3] ڈائریکٹرشپ کی میعاد کا اختتام اکتوبر 27، 2020 کو ہوا۔

[4] بحیثیت ڈائیریکٹر جنوری 18، 2021 کو تقرری ہوئی۔

[5] بحیثیت ڈائیریکٹر فروری 22، 2021 کو تقرری ہوئی۔

[6] جناب تکاشی ناکایاما اور جناب یوہی ہونڈا سال کے اختتام پر مستعفی ہوگئے۔

جو ڈائیریکٹران اجلاس میں حاضر نہ ہوسکے ان کی چھٹی کی درخواست منظور کرلی گئی

آڈٹ کمیٹی کے اجلاس

| ڈائیریکٹر کا نام | حاضر اجلاسوں کی تعداد | ڈائیریکٹر کا نام | حاضر اجلاسوں کی تعداد |
|---|---|---|---|
| جناب نسیم حیدر | 8 | محترمہ آمنہ زاہد ظہیر | 8 |
| جناب یوہی ہونڈا (نان ریزی ڈنٹ)[2] | 7 | محترمہ کیکو وتانابے (نان ریزی ڈنٹ)[1] | 2 |

[1] بحیثیت ممبر 22، فروری 2021 کو تقرری ہوئی

[2] سال کے اختتام پر مستعفی ہوگئیں

ہیومن ریسورس نومینیشن اینڈ ریمیونریشن کمیٹی

| ڈائیریکٹر کا نام | حاضر اجلاسوں کی تعداد | ڈائیریکٹر کا نام | حاضر اجلاسوں کی تعداد |
|---|---|---|---|
| جناب خالد عزیز مرزا | 3 | جناب نوید کامران بلوچ[1] | 2 |
| جناب یوشیاکی ماتسوکا (نان ریزی ڈنٹ) | 3 | جناب تکاشی ناکایاما (نان ریزی ڈنٹ)[2] | 0 |
| محترمہ آمنہ زاہد ظہیر[3] | 1 | جناب شاہین امین[4] | 0 |

[1] بحیثیت ڈائیریکٹر جنوری 18، 2021 کو استعفیٰ دیا۔

[2] بحیثیت ممبر فروری 22، 2021 کو تقرری ہوئی اور سال کے اختتام پر بحیثیت ڈائیریکٹر مستعفی ہوئے

[3] بحیثیت ممبر اکتوبر 29، 2020 کو تقرری ہوئی اور 22 فروری، 2021 تک ممبر رہے۔

[4] بحیثیت ممبر فروری 22، 2021 کو تقرری ہوئی۔

241.5 روپے (آڈیٹڈ) تھی۔

- سال کے دوران کمپنی کے قابل ذکر حصص یافتگان ڈائریکٹر اور عملے کی کمپنی کے حصص میں خرید و فروخت کی تفصیل درج ذیل ہے:

| نام | عہدہ | ٹرانزیکشن کی نوعیت | شیئرز کی تعداد |
|---|---|---|---|
| شاہین امین | چیف ایگزیکٹو آفیسر | حصص خریدے گئے | 150,000 |

سال کے دوران کمپنی نے بونس شیئرز جاری کیے۔ بڑے شیئر ہولڈرز، ڈائریکٹرز اور ایگزیکٹیوز کو جاری کردہ شیئرز کی تفصیلات صفحہ نمبر 190 پر فراہم کی گئی ہیں۔

- کمپنی کے نو(09) ڈائریکٹران میں سے (07) کو ڈائریکٹران کے تربیتی پروگرام سے استثناء/تصدیق حاصل ہے جو کہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشن 2019 کے تقاضوں کو پورا کرتا ہے۔
- سال کے دوران بورڈ آف ڈائریکٹرز کے 6 اجلاس، آڈٹ کمیٹی کے 5 اجلاس، بورڈ کی ہیومن ریسورس، نومینیشن اینڈ ریمونریشن کمیٹی کے 3 اجلاس اور بورڈ کی رسک کمیٹی کے 3 اجلاس منعقد ہوئے۔ وہ ڈائریکٹران جو بورڈ کے اجلاس میں حاضر نہ ہو سکے وہ بورڈ کے اجلاسوں کی کاروائیوں سے آگاہ رہے۔

بورڈ آف ڈائریکٹرز کے اجلاس

بورڈ کے اجلاس میں حاضری درج ذیل رہی:

| ڈائریکٹر کا نام | حاضر اجلاسوں کی تعداد | ڈائریکٹر کا نام | حاضر اجلاسوں کی تعداد |
|---|---|---|---|
| جناب خالد عزیز مرزا | 6 | جناب نسیم حیدر | 6 |
| جناب نوید کامران بلوچ[1] | 3 | محترمہ آمنہ زاہد ظہیر | 6 |
| جناب ہاروکازو یاما گوچی (نان ریزیڈنٹ)[2] | 3 | جناب ماساتوتاکاتا (نان ریزیڈنٹ)[3] | 1 |
| جناب یوشیاکی ماٹسوکا (نان ریزیڈنٹ) | 6 | جناب تکاشی ناکایاما (نان ریزیڈنٹ)[6] | 4 |
| جناب یوئی ہونڈا (نان ریزیڈنٹ)[6] | 6 | محترمہ کیکوواتانابے (نان ریزیڈنٹ)[4] | 3 |
| جناب شاہین امین | 6 | جناب ریمن ایلفرے[5] | 2 |

## پاکستان اسٹاک ایکسچینج لمیٹڈ (PSX) کے ضوابط کی تعمیل/پاسداری

PSX ریگولیشنز کے ضوابط 5.6.1(a) اور (d) کی پاسداری کرتے ہوئے کاروبار سے متعلق قیمتوں کی حساس معلومات اور ڈائیریکٹران، سی ای او، قابل ذکر حصص یافتگان اور اعلیٰ انتظامیہ کی حصص میں خرید و فروخت کے منکشافات PSX کو فراہم کرنے کے لئے بورڈ نے "ایگزیکٹیو" کی اصطلاح کے لئے درج ذیل حد مقرر کی ہے:

- چیف ایگزیکٹیو آفیسر
- ڈپٹی چیف ایگزیکٹیو آفیسر
- چیف فنانشل آفیسر
- کمپنی سیکریٹری
- ہیڈ آف انٹرنل آڈٹ
- تمام ڈپارٹ منٹل ہیڈز

## ڈائیریکٹران کا اعلامیہ

- کمپنی کی انتظامیہ کے تیار کردہ مالیاتی گوشوارے کمپنی کے معاملات، اس کے کاروباری نتائج، نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کی شفافیت کے ساتھ پیش کرتے ہیں۔
- کمپنی کے حسابات کی کتابیں مناسب انداز میں رکھی گئی ہیں۔
- درست حساباتی پالیسیوں کو تسلسل کے ساتھ مالیاتی گوشواروں کی تیاری کے دوران ملحوظ خاطر رکھا گیا ہے اور حساباتی تخمینوں کی بنیاد معقول اور دانشمندانہ فیصلوں پر ہے۔
- مالیاتی گوشوارے کی تیاری کے دوران عالمی مالیاتی رپورٹنگ معیارات، جو پاکستان میں لاگو ہیں کو ملحوظ خاطر رکھا گیا ہے اور کسی بھی انحراف کو مناسب انداز میں انکشاف اور وضاحت کی گئی ہے۔
- اندرونی نگرانی کے نظام کی شکل مضبوط ہے اور موثر انداز میں نافذ العمل ہے اور اس کی نگرانی کی جاتی ہے۔
- کمپنی کی چلتے ہوئے ادارے کے صلاحیت میں کوئی شک وشبہ نہیں ہے۔
- اختتام سال 30 جون 2021 کے دوران کمپنی کے نتائج کے قابل ذکر انحراف کی تفصیل ڈائیریکٹرز رپورٹ میں دی گئی ہے۔
- گزشتہ چھ سالوں کے اہم کاروباری اور مالیاتی اعداد و شمار اس سالانہ رپورٹ کے صفحہ نمبر 47 پر دیا گیا ہے۔
- ٹیکسوں، ڈیوٹیوں، محصولات اور اخراجات کی مد میں کوئی آئینی ادائیگی 30 جون 2021 کو واجب الادا نہیں تھی سوائے جنہیں مالیاتی گوشواروں میں انکشاف کیا گیا ہے۔
- تسلیم شدہ پروڈنٹ فنڈ سے کی گئی سرمایہ کاری کی مالیت 30 جون 2021 کو 618.1 ملین روپے تھی (غیر آڈٹ شدہ) اور جون 2020 کو 538.1 ملین روپے (آڈیٹڈ) تھی۔

تسلیم شدہ گریجویٹی فنڈ سے کی گئی سرمایہ کاری کی مالیت 30 جون 2021 کو 259 ملین روپے (غیر آڈٹ شدہ) اور 30 جون 2020 کو ملین

## کمپنی کی ری برینڈنگ

اوایل پی کے بورڈ آف ڈائیریکٹرز نے ایس ایم ای فوکسڈ فنانشل سروسز کمپنی کے طور پر کمپنی کے کارپوریٹ امیج کو بڑھانے کے لئے کمپنی کے وژن کے مطابق کمپنی کو ری برینڈ کرنے کا فیصلہ کیا ہے۔ کمپنی کا مجوزہ نیا نام اوایل پی فنانشل سروسز پاکستان لمیٹڈ ہے۔ تفصیلات صفحہ نمبر 08 پر دی گئی ہیں۔

## مستقبل کا منظر نامہ

مالی سال 2020 کی منفی نمو کے بعد اس سال پاکستان کی معیشت میں بہتری آئی ہے۔ اگرچہ سال کے دوران COVID-19 کے معاملات قابو میں رہے ہیں۔ تاہم وبا کی متعدد لہریں اب بھی COVID-19 کے خطرات کو نمایاں کرتی ہیں۔ اس منظر میں، کاروباری حالات اب بھی چیلنج ہیں، خاص طور پر ریٹیل اور تفریحی شعبوں میں۔ اوایل پی آنے والے سال کے لئے محتاط طور پر پرامید رہنے کے ساتھ کاروباری نمو پر اپنی توجہ مرکوز رکھے گی۔ مستقبل میں کاروباری ترقی کا انحصار مجموعی معاشی حالات اور وبائی صورتحال پر ہوگا۔ اوایل پی کا حجم اور ساخت اسے تیزی سے بدلتے ہوئے ماحول میں ایڈجسٹ کرنے کی اجازت دیتی ہے۔ آنے والے سال میں، کمپنی نئی مصنوعات متعارف کرانے کا ارادہ رکھتی ہے جو مستقبل کی ترقی میں معاون ثابت ہوں گی۔

## بورڈ آف ڈائیریکٹرز اور بورڈ کمیٹیاں

بورڈ آف ڈائیریکٹرز اور اس کی ذیلی کمیٹیوں کی تشکیل صفحہ نمبر 41 پر اسٹیٹمنٹ آف کمپلائنس میں دی گئی ہیں۔

## بورڈ کی کارکردگی کا جائزہ

جیسا کہ لسٹڈ کمپنیوں (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019 کی ضرورت کے تحت، بورڈ اور اس کی کمیٹیوں کی کارکردگی کا جائزہ لینے کا ایک باضابطہ عمل تیار کیا گیا ہے اور اس پر عمل درآمد کیا گیا ہے۔ اس جائزے کا مقصد اس بات کو یقینی بنانا ہے کہ بورڈ کی مجموعی کارکردگی کو کمپنی کی طرف سے مقرر کردہ مقاصد کے تناظر اور توقعات کے مقابلے میں ناپا اور بینچ مارک کیا جا سکے۔

منظور شدہ طریقہ کار کے مطابق، جائزے کا عمل اندرونی طور پر دو سال کے لئے اور بیرونی آزاد کنسلٹنٹ کے ذریعے تیسرے سال کیا جاتا ہے۔ اس تشخیص کے مقصد کے لئے جامع معیارات تیار کئے گئے ہیں اور کارکردگی کا تعین انفرادی اور اجتماعی دونوں سطحوں پر مقرر کردہ پیرامیٹر پر کیا جاتا ہے۔

## بورڈ کی معاوضہ پالیسی

بورڈ آف ڈائیریکٹرز کو وقتاً فوقتاً ڈائیریکٹرز کا معاوضہ طے کرنے کا اختیار حاصل ہے۔ کمپنی کے پاس بورڈ سے منظور شدہ بورڈ آف ڈائیریکٹرز کی معاوضہ جاتی پالیسی موجود ہے۔ یہ کمپنی کے ڈائیریکٹران کے بورڈ اور اس کی کمیٹیوں کے اجلاس میں حاضر ہونے کے معاوضے کے تعین کا طریقہ کار فراہم کرتی ہے۔ پالیسی کے مطابق صرف آزاد نان ایگزیکٹو ڈائیریکٹران بورڈ اور اس کی کمیٹیوں کے اجلاس میں حاضری پر معاوضہ کے اہل ہیں۔ جبکہ نان ایگزیکٹو ڈائیریکٹران اجلاس میں شرکت پر ہونے والے اخراجات کی ادائیگی کے حقدار ہیں۔

4 بورڈ کریڈٹ کمیٹی (بی سی سی)

بی سی سی کا قیام گزشتہ سال کیا گیا تا کہ بورڈ کو کریڈٹ ریویو فنکشن میں مدد دی جا سکے۔ کمیٹی کریڈٹ رسک مینیجمنٹ کی پالیسیوں اور متعلقہ طریقہ کار کی مضبوطی اور نفاذ کا جائزہ لیتی ہے۔ بی سی سی پورٹ فولیو کے ارتکاز پر بھی اپنی نظر رکھتی ہے۔ جبکہ بڑھتے ہوئے کاروباری، سیاسی اور دیگر حالات پر توجہ مرکوز رکھتی ہے۔ بورڈ کریڈٹ منظوری کے عمل کے ٹرن آراؤنڈ ٹائم کو بہتر بنانے کے لئے بی سی سی کو مخصوص ایکسپوژر تک کریڈٹ منظور کرنے کی اتھارٹی بھی دیتا ہے۔

بورڈ کی ذیلی کمیٹیوں کے علاوہ، کمپنی میں چار اندرونی کمیٹیاں بھی ہیں جن میں انتظامی کمیٹی، کریڈٹ کمیٹی، ایسٹ اینڈ لائیبلٹی مینیجمنٹ کمیٹی اور آئی ٹی اسٹیرنگ کمیٹی شامل ہیں۔ ان تمام کمیٹیوں کی ساخت اور افعال اس بات کو یقینی بناتے ہیں کہ آپریشنز کے تمام بڑے شعبوں کی مربوط طریقے سے نگرانی ہو۔ مزید یہ کہ اوایل پی کے تمام بڑے افعال کے لئے اچھی طرح سے طے شدہ پالیسیاں موجود ہیں اور یہ پالیسیاں مضبوط آئی ٹی سسٹم کے ساتھ دفاع کی پہلی لائن کے طور پر کام کرتی ہیں۔ اوایل پی اس بات کو یقینی بناتا ہے کہ اوایل پی کا عملہ ان پالیسیوں سے اچھی طرح واقف رہے جس کے لئے باقاعدہ تربیتی نشستوں کا انعقاد کر کے ان کو اپ ڈیٹ رکھا جاتا ہے۔

مضبوط انٹرنل آڈٹ اور کمپلائنس کے شعبے مجموعی گورننس اور انٹرنل کنٹرول فریم ورک کے اہم جزو ہیں۔ یہ دونوں شعبے آزادانہ طور پر کام کرتے ہیں اور بی اے سی کو رپورٹ کرتے ہیں۔ بی اے سی کی راہنمائی میں ہر سال کے آغاز میں اندرونی آڈٹ پلان تیار کیا جاتا ہے اور اسی کے مطابق سال کے دوران آڈٹ کئے جاتے ہیں۔ بی اے سی آڈٹ رپورٹ کا تفصیلی جائزہ لیتی ہے اور اس بات کو یقینی بناتی ہے کہ رپورٹ کی تمام متعلقہ سفارشات پر عمل درآمد کیا جائے جبکہ اہم آڈٹ کے مسائل بھی بورڈ کو رپورٹ کئے جائیں۔

کمپلائنس کا شعبہ اس بات کو یقینی بنانے کا ذمہ دار ہے کہ تمام حکومتی قوانین اور قواعد وضوابط پر سختی سے عمل کیا جائے اور کمپنی نئے متعارف کرائے گئے قواعد و ضوابط کے مطابق رہے۔ موجودہ کاروباری ماحول میں جہاں ریگولیٹرز ریگولیٹری قوانین کی تعمیل پر زیادہ زور دیتے ہیں، خاص طور پر اینٹی منی لانڈرنگ (AML)/ کاؤنٹرنگ فنانسنگ آف ٹیررزم (CFT) ریگولیشنز میں کمپلائنس فنکشن کا کردار بہت اہمیت اختیار کر گیا ہے۔ اوایل پی کے شعبہ کمپلائنس نے مختلف پالیسیاں اور طریقہ کار شروع کر رکھے ہیں تا کہ اس طرح کی ریگولیٹری کمپلائنس کو یقینی بنایا جا سکے اور عملے کے لئے باقاعدہ تربیتی نشستیں منعقد کر کے ان کو اپ ڈیٹ رکھا جا سکے۔

کارپوریٹ سماجی ذمہ داری CSR

اوایل پی ہمیشہ اس حقیقت کو مدنظر رکھتا ہے کہ کمپنی کی ذمہ داری ہے کہ وہ اس کمیونٹی کی مدد کرے جس میں کمپنی کام کرتی ہے۔ کمپنی نے مختلف ایسے اقدامات میں تعاون کیا ہے جن کا مقصد معاشرے کے پسماندہ اور جسمانی معذور افراد کی فلاح و بہبود ہے۔ مخصوص شعبے جن میں کمپنی نے تعاون کیا، ان میں تعلیم صحت اور غربت کا خاتمہ شامل ہے۔ کمپنی کے پاس CSR پالیسی اور کمیٹی موجود ہے تا کہ یہ یقینی بنایا جا سکے کہ فلاحی اداروں/افراد کا غیر جانبدار جائزہ لے کر اوایل پی کا CSR وژن نافذ کیا جا سکے۔

اور اپ گریڈیشن پر خاص زور دیا جاتا ہے تا کہ طویل المدتی پائیداری کو یقینی بنایا جا سکے۔ ایک آزاد سیکیورٹی انفارمیشن آفیسر اس بات کو یقینی بناتا ہے کہ نظام بیرونی خطرات سے محفوظ رہے اور اندرونی آئی ٹی پروٹوکول کی منظور شدہ پالیسیوں کے مطابق پیروی کی جائے۔

COVID-19 وبائی امراض اس سال کے دوران خطرات کا باعث بنے، خاص طور پر آپریشنل خطرات اور عملے کے لئے صحت اور حفاظت کے خطرات۔ اگرچہ پورے سال کے دوران کوئی بڑا کاروباری خلل نہیں پڑا مگر کمپنی کسی بھی صورتحال کے رونما ہونے پر ریموٹ ورکنگ کی سہولیات کے ساتھ تیار رہی۔ عالمی وبائی مرض کی متعدد لہروں نے او ایل پی کے عملے کی صحت کے خطرے کو بڑھایا ہے۔ اس چیلنج سے نمٹنے کے لئے، کمپنی نے حکومت کے فراہم اور تجویز کردہ احکامات کو نافذ کیا ہے۔ انتظامیہ نے اس بات کو بھی یقینی بنایا ہے کہ تمام عملے کے ارکان کو وائرس کے خلاف ویکسین دی جائے اور جہاں بھی ضرورت ہو اس سلسلے میں عملے کو سہولت فراہم کی جائے۔

کارپوریٹ گورننس، اندرونی کنٹرول اور کمپلائنس

او ایل پی کے اسٹریٹجک مقاصد میں سے ایک مقصد، انڈسٹری میں اعلیٰ معیار کی گورننس اور رسک کی تشخیص کے فریم ورک کے ساتھ رول ماڈل بننا بھی شامل ہے تا کہ طے شدہ پالیسیوں اور ان پر عمل کے طریقہ کار کو نافذ اور عملے کی تربیت کر کے کاروبار کے تمام شعبوں میں شفافیت اور کنٹرول ممکن بنایا جا سکے۔ بورڈ آف ڈائریکٹرز کمپنی گورننس کے ڈھانچے کی سربراہی کرتا ہیں۔ بورڈ میں 3 آزاد ڈائریکٹرز، 4 نامزد ڈائریکٹرز اور 2 ایگزیکٹیو ڈائریکٹرز شامل ہیں۔ اپنے فرائض کو زیادہ موثر طریقے سے انجام دینے کے لئے بورڈ نے مندرجہ ذیل 4 ذیلی کمیٹیاں تشکیل دی ہیں۔

1 بورڈ آڈٹ کمیٹی (بی اے سی)

بی اے سی کا بنیادی کام مالیاتی رپورٹنگ کے عمل، اندرونی اور بیرونی آڈٹ اور اندرونی کنٹرول اور کمپلائنس کے نظام کی نگرانی کرنا ہے۔ یہ نئی پالیسیوں اور موجودہ پالیسیوں میں ترامیم کا بھی جائزہ لے کر اپنی سفارشات پیش کرتی ہے۔ بی اے سی کی سربراہی ایک آزاد ڈائریکٹر کرتا ہے اور کمپنی کے اندرونی آڈٹ اور کمپلائنس کے محکمے اس کمیٹی کو رپورٹ کرتے ہیں۔

2 بورڈ ہیومن ریسورس نومینیشن اینڈ ریمیونریشن کمیٹی (بی ایچ آر این اینڈ آر سی)

بی ایچ آر این اینڈ آر سی بورڈ کو خالی اسامی پر کرنے کے لئے ڈائریکٹرز کی تقرری کے بارے میں اور کمپنی کے پرنسپل افسران کی تقرری کے لئے مشورے دیتا ہے۔ کمپنی کے پرنسپل افسران کی تقرری کرے۔ یہ کمیٹی کمپنی کی مجموعہ درجہ بندی اور معاوضے کے ڈھانچے کی سفارش کی بھی ذمہ دار ہے اور اس بات کو یقینی بناتی ہے کہ HR پالیسیاں ریگولیٹری ضروریات کے مطابق ہوں اور پوری کمپنی میں ان کی پیروی کی جا رہی ہو۔

3 بورڈ رسک کمیٹی (بی آر سی)

بی آر سی کمپنی کے مجموعی رسک مینجمنٹ فریم ورک کو قائم رکھنے کی ذمہ دار ہے۔ یہ رسک کے ایکسپوژر اور رسک کے کنٹرول اور مسلسل بدلتے ہوئے کاروباری ماحول کے مطابق رسک مینجمنٹ فریم ورک کو تیار کرنے کے لئے باقاعدگی سے پالیسیوں اور طریقہ کار کا جائزہ لیتی ہے۔

بورڈ کی رسک کمیٹی (بی آر سی) بورڈ کو رسک مینجمنٹ سے متعلق اپنے مقاصد کے حصول میں مدد کرتی ہے۔ اس سلسلے میں، ایک اینٹر پرائز رسک مینجمنٹ فریم ورک موجود ہے جو:

- بورڈ کی راہنمائی کرتا ہے کہ وہ خطرے کی نگرانی کے طریقوں کو اسٹریٹیجک مقاصد کے حصول کے ساتھ جوڑ دے۔
- خطرات اور مضمرات کو سمجھنے میں سہولت فراہم کرتا ہے جو کہ پوری کمپنی کے ملازمین کو پہنچائے جاتے ہیں۔
- پہلی لائن آف ڈیفینس کو مضبوط کرتا ہے، یعنی فرنٹ آفس اور آئی ٹی لیولز پر کنٹرول۔
- انتظامیہ کی توجہ زیادہ سے زیادہ ان خطرات پر مرکوز کروانا جو کہ زیادہ اہم ہیں۔
- زیادہ باخبر رسک لینے اور فیصلہ سازی میں سہولت فراہم کرتا ہے۔

خطرے کی تشخیص کا ایک مربوط نظام عمل میں لایا گیا ہے جو کہ ہر سطح پر خطرات کی تشخیص کو یقینی بناتا ہے۔ اسٹریٹیجک، آپریشنل، کمپلائنس اور ماحولیاتی خطرات کی نشاندہی، تشخیص اور مناسب ایکشن پلان موجود ہیں تاکہ یہ یقینی بنایا جاسکے کہ یہ بورڈ کی طرف سے مقرر خطرے کی حدود میں رہیں۔ کمپنی اپنے وسیع آپریشنز اور جغرافیائی تنوع کی وجہ سے مختلف خطرات کی زد میں رہتی ہے۔ کچھ خطرات اور کنٹرول کے اقدامات ذیل میں زیر بحث ہیں:

موجودہ غیر یقینی کاروباری ماحول میں، کریڈٹ رسک ایک بڑا خطرہ ہے اور سال بھر میں لین دین اور پورٹ فولیو دونوں سطحوں پر اس کا بغور جائزہ لیا گیا ہے۔ COVID-19 سے متاثر ہونے والے صارفین کے ایکسپوژر اور اس سلسلے میں ایس ای سی پی کے راہنما خطوط کے تحت ڈیفرمنٹ یا ری شیڈیولنگ سے فائدہ اٹھانے والوں کو نہایت قریب سے جانچا گیا۔ مختلف شعبوں کی صحت کا اندازہ لگانے، ان شعبوں میں OLP کے پورٹ فولیو کے معیار کا جائزہ لینے اور متاثرہ شعبوں کے ایکسپوژر کو کم کرنے کے لئے مختلف شعبوں کے تجزیے کے طریقہ کار کو باقاعدگی سے استعمال کیا گیا۔ بی آر سی کو پورٹ فولیو کے معیار اور COVID-19 کے بعد کے دنوں میں کریڈٹ رسک کو کم کرنے کے لئے انتظامیہ کی طرف سے اٹھائے جانے والے مختلف اقدامات کے بارے میں باقاعدگی سے اپ ڈیٹ کیا جاتا رہا۔

مارکیٹ اور لیکویڈیٹی کے خطرات کا جائزہ ایسٹ اینڈ لائیبلٹی مینجمنٹ کمیٹی (ALCO) کے ذریعے لیا جاتا ہے جس کا باقاعدگی سے انعقاد کیا جاتا ہے۔ ALCO جائزہ لے کر اس بات کو یقینی بناتی ہے کہ بورڈ کی منظور شدہ ایسٹ اینڈ لائیبلٹی پالیسی کے تحت مقررہ رسک حدود پر عمل کیا جاتا رہے اور ممکنہ خلاف ورزیوں کے ازالے کے لئے عملی منصوبہ مرتب کیا جائے۔ یہ مارکیٹ رسک، خاص طور پر شرح سود کے رسک پر بھی نظر رکھتی ہے، جو او ایل پی کی مالی کارکردگی پر نمایاں اثر ڈال سکتی ہے۔ اس کے لئے مناسب پالیسیاں موجود ہیں تاکہ کمپنی کے اسٹریٹیجک مقاصد کو منفی طور پر مارکیٹ کے خطرات سے متاثر ہونے سے بچانے کے لئے فعال اقدامات اٹھانے میں رہنمائی حاصل ہو۔

آپریشنل رسک، بشمول کمپلائنس رسک متعدد پالیسیوں اور ایس او پیز (SOPs) کے ذریعے کنٹرول کئے جاتے ہیں جو کاروبار کے تمام شعبوں کا احاطہ کرتے ہیں۔ ان پالیسیوں کا باقاعدہ جائزہ لیا جاتا ہے اور بدلتے کاروباری ماحول کے حساب سے اپ ڈیٹ کیا جاتا ہے۔ آپریشنل رسک کو قابو میں رکھنے کے لئے انفارمیشن ٹیکنالوجی سسٹمز بھی اہم کردار ادا کرتے ہیں تاکہ رسک جس حد تک بھی ممکن ہو سکے شروع میں ہی کنٹرول کیا جاسکے۔ تکنیکی ماحول میں ابھرتے ہوئے خطرات سے نمٹنے کے لئے سال بھر میں انفارمیشن سیکیورٹی پالیسیوں کا جائزہ لے کر ان کو اپ ڈیٹ کیا جاتا ہے۔ آئی ٹی انفراسٹرکچر کی ترقی

گزشتہ سال 311 ملین روپے کے چارج کے مقابلے میں اس سال کے دوران 40 ملین روپے کا ریورسل ممکنہ لیز، قرض اور دیگر نقصانات کی مد میں کیا گیا ۔سال کے دوران کیا گیا ریورسل اوایل پی کے اثاثوں کے پورٹ فولیو میں بہتری کی عکاسی کرتا ہے۔سال کے لئے ریورسل زیادہ ہوسکتی تھی تاہم، جیسا کہ مالیاتی بیانات کے نوٹ 3.5 میں ذکر کیا گیا ہے، کہ موجودہ سال میں ICAP نے این بی ایف سی کے لئے نئے پروڈنٹنگ کے اصول جاری کئے جس کے تحت این بی ایف سی ریگیولیشنز اور IFRS9 میں سے زیادہ پروڈن کے طریقے کو اپنایا گیا۔

## فنڈنگ اور لیکوڈیٹی

اوایل پی کے مجموعی قرضے 30 جون 2021 تک 14.1 ارب روپے رہے (جون 2020: 12.9 ارب روپے)۔زیادہ قرضہ جات کے حصول کا سبب اثاثوں کے پورٹ فولیو میں اضافہ تھا۔اوایل پی کا قرض اور ایکویٹی کا کم تناسب اور زیادہ کیپیٹل ایڈیکوسی تناسب (CAR) کمپنی کی مضبوط مالیاتی پوزیشن کا غماز ہے۔30 جون 2021 تک CAR 31.78% تھا جو جون 2020 میں 33.57% تھا اور یہ 10% کی ریگیولیٹری ضرورت سے کافی زیادہ ہے۔قرضوں کی تقسیم مندرجہ ذیل ہے:

| | 2021 | 2020 |
|---|---|---|
| بینک قرضہ جات | 9,203 | 8,453 |
| سرٹیفکیٹس آف ڈپازٹس | 4,869 | 4,407 |
| ٹوٹل | 14,073 | 12,861 |

اوایل پی نے 11 بینکوں سے 9.2 ارب روپے کے قرضے حاصل کئے، جو بڑے بینکوں کے ساتھ مضبوط تعلقات کی نشاندہی کرتا ہے۔30 جون، 2021 تک، 2.4 ارب روپے غیر استعمال شدہ طویل اور قلیل المدتی سہولیات دستیاب تھیں (جون 2020: 3.8 ارب روپے)

بینکوں سے سخت مقابلے اور ریگیولیٹری پابندیوں میں اضافے کے باوجود سال کے دوران سرٹیفکیٹس آف ڈپازٹ (COD) پورٹ فولیو میں 10% اضافہ ہوا۔اس پراڈکٹ میں، اوایل پی کی مضبوط ساکھ اور اعلی خدمات کے سبب بار بار آنے والا کسٹمر بیس ہے۔

## رسک مینیجمنٹ

بورڈ آف ڈائیریکٹرز کی راہنمائی میں، اوایل پی کے پاس ایک اچھی اور مضبوط رسک مینیجمنٹ فریم ورک موجود ہے۔بورڈ اس بات کو یقینی بنانے کا ذمہ دار ہے کہ کمپنی اور حصص یافتگان کے اثاثوں، وسائل، ساکھ اور مفادات کی حفاظت کے لئے خطرے کی نشاندہی، رسک مینیجمنٹ اور متعلقہ اندرونی کنٹرول کا ایک مضبوط نظام برقرار رکھا جائے۔بورڈ رسک مینیجمنٹ پالیسیاں قائم کرکے اور رسک ایپیٹائٹ کو قائم کرکے کمپنی کی رسک رواداری کی سطح کا تعین کرنے کے لئے باقائدگی سے خطرات کا جائزہ لیتا ہے۔

او ایل پی کے فنانس لیز پورٹ فولیو کی مالیت 30 جون 2021 تک 14 ارب روپے رہی (جون 30، 2021 تک 14.4 ارب روپے) جو کہ معمولی طور پر 3% کم تھی۔ تاہم فنانس لیز کی آمدنی 2,219 ملین روپے پر جو پچھلے سال میں 2,933 ملین روپے کے مقابلے میں 24% کم رہی۔ جیسا کہ پہلے ذکر کیا گیا فنانس لیز کی آمدنی میں نمایاں کمی شرح سود میں نمایاں کمی کی وجہ سے ہے۔

ٹرم فنانس پر مارک اپ 971 ملین روپے ملک میں کم شرح سود کے باوجود گزشتہ سال کے 926 ملین روپے سے 5% زیادہ تھا۔ زیادہ آمدنی کی وجہ پورٹ فولیو میں نمایاں اضافہ ہے جو کہ اس سال 7.5 ارب روپے رہا اور پچھلے سال 4.5 ارب روپے تھا۔ ٹرم فنانس پورٹ فولیو، جو کہ بنیادی طور پر انفرادی اور کارپوریٹ صارفین کو گاڑیوں کی فنانسنگ پر مشتمل ہے، نے ملک میں تیزی سے بڑھتی ہوئی گاڑیوں کی مانگ سے بھرپور فائدہ اٹھایا۔

آپریٹنگ لیز کی آمدنی، جس میں اجارہ فنانسنگ کی آمدنی بھی شامل ہے، مالی سال 2021 میں 53% کم ہو کر 88 ملین روپے رہی (پچھلے سال 188 ملین روپے)۔ یہ کمی سال کے دوران ایک بڑے اجارہ فنانس معاہدے کی تکمیل کی وجہ سے ہوئی۔

سال کی دیگر آمدنی 367 ملین روپے (2020: 359 ملین روپے) گزشتہ سال کے مقابلے میں 2 فیصد زیادہ رہی۔ اس میں بنیادی طور پر دستاویزات کی فیس، گورنمنٹ سیکیورٹیز پر منافع، لیز پر دیئے گئے اثاثوں کی فروخت اور دیگر فیس اور آمدنی شامل ہے۔

## اخراجات

سال کے کل اخراجات 2,415 ملین روپے رہے، جو کہ پچھلے سال کے اخراجات 3,138 کے مقابلے میں 23% کم رہے۔

- اخراجات میں کمی کی بنیادی وجہ فنانس کی لاگت میں 35% کمی تھی جو کہ اس سال 1,193 ملین روپے اور پچھلے سال 1,845 ملین روپے تھی۔ یہ کمی ملک میں جاری شرح سود میں تیزی سے کمی کی وجہ سے تھی۔
- انتظامی اور عمومی اخراجات 1,136 ملین روپے گزشتہ سال کے اخراجات کی سطح پر برقرار ہے۔
- براہ راست لاگت، جو بنیادی طور پر آپریٹنگ لیز کے کاروبار سے واسطہ لاگت پر مشتمل ہے، 46% کم ہو کر 86 ملین روپے (پچھلے سال 158 ملین روپے) پر آ گئی۔ جیسا کہ پہلے بیان کیا گیا کہ یہ آپریٹنگ لیز آمدنی میں کمی کے مطابق تھا۔

سال کے دوران کمپنی نے جارحانہ انداز میں اپنے غیر فعال پورٹ فولیو پر توجہ مرکوز رکھی۔ یہ طریقہ کار بہتر کاروباری ماحول کے ساتھ 90 دنوں سے زائد کے اورڈیوز میں تیزی سے کمی کا سبب بنا۔ 30 جون، 2021 تک، کمپنی کی ڈیلیکوئنسی کی شرح 6% رہی جو کہ 30 جون 2020 میں 9.6% تھی۔

اوایل پی کی واسطہ کمپنی، ینال فنانس کمپنی، جو پہلے سعودی اورکس لیزنگ کمپنی تھی، کے منافع میں اوایل پی کا حصہ بہتر ہو کر 35.4 ملین روپے رہا (2020: 28.9 ملین روپے)۔

اورکس مضاربہ (ORIXM) نے 153 ملین روپے کا خالص منافع رپورٹ کیا جو پچھلے سال کے منافع (127 ملین روپے) سے 20% زیادہ ہے۔ کل اثاثے 7% کمی کے ساتھ 6,750 ملین روپے (جون 30، 2020: 7,246 ملین روپے) رہے جو کے اجارہ اثاثوں میں کمی کی وجہ سے تھا کیونکہ ORIXM آہستہ آہستہ ڈمن شنگ مشارکہ ماڈل کی طرف بڑھ رہی ہے۔ ORIXM نے سال کے لئے 29% منافع منقسمہ کا اعلان کیا۔

## مالیاتی کارکردگی

اوایل پی کی مختصراً مالیاتی نتائج درج ذیل ہیں:

## منافع منقسمہ

ڈائریکٹران 30 جون 2021 کو ختم ہونے والے سال کے لئے 20% منافع منقسمہ کی سفارش کرتے ہوئے اظہار مسرت کرتے ہیں۔ یہ سال کے دوران ادا کئے جانے والے 20% عبوری منافع منقسمہ کے علاوہ ہے جو کہ سال کے مجموعی منافع منقسمہ کو 40% پر لے جاتا ہے۔ (2020 منافع منقسمہ 32.5% اور بونس شیئر 5%)۔

## آمدنی

مالی سال 2021 کی کل آمدن 3,681 ملین روپے رہی (2020: 4,436 ملین روپے)۔ آمدنی میں 17% کمی کی وجہ پچھلے سال کے مقابلے میں موجودہ سال میں شرح سود میں نمایاں کمی تھی۔ اسٹیٹ بینک نے اپنی پالیسی کی شرح کو مارچ 2020 کی 13.2% بلند سطح سے کم کر کے جون 2020 میں 7% کر دیا تھا۔ موجودہ سال میں پالیسی کی شرح مسلسل 7% رہی۔

بیرونی محاذ پر، رواں مالی سال کے دوران تجارتی خسارہ 34% بڑھ کر 31 ارب امریکی ڈالر تک پہنچ گیا۔ 25 ارب امریکی ڈالر کی برامدات گزشتہ سال کے مقابلے میں 18% زیادہ تھیں جبکہ درآمدات 26% اضافے کے ساتھ 56 ارب امریکی ڈالر ہوگئیں۔ تاہم بیرون ملک مقیم پاکستانیوں کی ترسیلات زر مالی سال 2021 کے دوران 29.4 ارب امریکی ڈالر کی بلند ترین سطح پر پہنچ گئیں جس نے بیرونی کھاتے کو بہتر بنانے میں ملک کی بہت مدد کی۔

پچھلے تین سالوں سے معاشی استحکام پر توجہ مرکوز کرنے کے بعد، اب حکومت کی ساری توجہ معاشی ترقی پر مرکوز ہے۔ یہ مالی سال 2021-2022 کے بجٹ سے واضح ہے جہاں 8.5 ٹریلین روپے اخراجات کا بجٹ بنایا گیا ہے، جس میں 2.1 ٹریلین روپے پبلک سیکٹر ڈیولپمنٹ پروگرام کے لئے مختص کئے گئے جو پچھلے سال کے مقابلے میں 37% زیادہ ہے۔ حکومت سی پیک منصوبوں پر بھی اپنی توجہ مرکوز کر رہی ہے جس کے لئے اس نے اگلے بجٹ میں 23 ارب روپے مختص کئے ہیں۔ COVID-19 کے کیسز میں اضافے کا خطرہ حکومت کے لئے معیشت کو آگے بڑھانے میں ایک بڑا چیلنج ہے اور پالیسی سازوں کے لئے توجہ طلب مسئلہ ہے۔

کاروباری جائزہ

جیسے ہی کاروباری سرگرمیاں بحال ہوئیں (سوائے چند شعبوں کے جو براہ راست کوویڈ 19 سے متعلقہ پابندیوں سے متاثر ہوئی) او ایل پی نے کاروباری حجم میں گزشتہ سال کے مقابلے میں 82% نمو حاصل کیا۔ نسبتاً کم شرح سود کی وجہ سے آٹو موبل سیکٹر میں کاروں کی فروخت کی شرح میں 90% اضافہ ہوا۔ کمپنی نے بھی گاڑیوں کی لیزنگ اور فنانسنگ کی زیادہ مانگ سے فائدہ اٹھایا۔

پچھلے مالی سال کی آخری سہ ماہی میں COVID-19 کی وجہ سے عائد پابندیوں کے نتیجے میں متاثر ہونے والے صارفین کے لئے ایس ای سی پی کی جانب سے ڈیفرمنٹ اور ری شیڈیولنگ کی سہولیات متعارف کروائی گئیں۔ ایس ای سی پی کی وضع کردہ خطوط پر او ایل پی نے عالمی وبائی مرض سے متاثرہ صارفین کو ری شیڈیولنگ یا اصل ادائیگی کو موخر کرنے کی سہولت فراہم کی۔ اپریل 2020 اور اکتوبر 2020 کے درمیان، 1,610 صارفین جن کا پورٹ فولیو 4.03 ارب روپے تھا، کو یہ سہولت فراہم کی۔ کمپنی ایسے صارفین کے مجموعی ادائیگی کے رویے پر کڑی نظر رکھے ہوئے ہے۔

او ایل پی کا لیز اور لون پورٹ فولیو پچھلے سال COVID-19 کی پابندیوں اور کاروبار میں کمی کے نتیجے میں کافی کم ہوا۔ زیر نظر سال میں، زیادہ کاروباری حجم کے نتیجے میں پورٹ فولیو میں 2,637 ملین روپے کا اضافہ ہوا۔

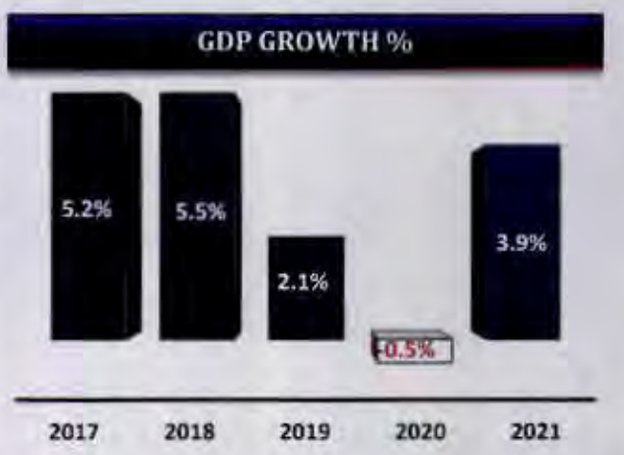
# ڈائریکٹرز کی رپورٹ

اورکس لیزنگ پاکستان لمیٹڈ (اوایل پی/دی کمپنی) کے ڈائریکٹران بمسرت 35ویں سالانہ رپورٹ بمعہ غیر مجموعی مالیاتی گوشوارے برائے اختتام سال 30 جون 2021 پیش کرتے ہیں۔

## کمپنی

اوایل پی 1986 میں پاکستان میں لیزنگ انڈسٹری کے بانیوں میں سے ایک کے طور پر قائم کیا گیا۔ کمپنی کے پاس نان بینکنگ فنانس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشن) رولز، 2003 کے تحت ایس ای سی پی کی جانب سے انویسٹمنٹ فنانس سروسز کا لائسنس ہے۔ اوایل پی کی بنیادی توجہ چھوٹے اور درمیانی اداروں (SME) کے شعبے کی مالی ضروریات کو پورا کرنے پر مرکوز ہے۔

## معیشت کا مجموعی جائزہ




پاکستان کی معیشت نے COVID-19 وبائی مرض کے دوران مضبوط لچک دکھائی اور عالمی معاشی بحران کے باوجود نسبتاً محفوظ رہی۔ پچھلے سال 0.47% کی منفی جی ڈی پی نمو کے بعد، معیشت نے مالی سال 2021 میں 3.94% اضافہ ریکارڈ کیا۔ معیشت کے تمام کلیدی شعبوں نے بہتر کارکردگی دکھائی لیکن بڑے پیمانے پر مینوفیکچرنگ سیکٹر کی بحالی، جو رواں سال کے دوران 9% بڑھی، نے معاشی تبدیلی پر بڑا اثر ڈالا اور اس کے بعد زراعت اور خدمات کے شعبوں میں بالترتیب 2.8% اور 4.4% اضافہ ہوا۔

اسٹیٹ بینک آف پاکستان (ایس بی پی) اپنی توسیعی مانیٹری پالیسی جاری رکھتے ہوئے سال 2021 میں پالیسی شرح کو 7% پر برقرار رکھا۔ اسٹیٹ بینک کی جانب سے کئی دیگر اقدامات جن میں رعایتی فنانسنگ اسکیمیں شامل ہیں معاشی بحالی کے لئے سازگار ماحول فراہم کرتی رہی ہیں۔ تاہم پالیسی سازوں کے لئے مہنگائی سب سے بڑا چیلنج بنی ہوئی ہے، خصوصاً خوراک سے متعلق مہنگائی جو کہ سپلائی کی وجہ سے ہے۔ کنزیومر پرائس انڈیکس (CPI) کے مطابق مالی سال 2021 کے لئے ناپی گئی افراط زر 8.7% ریکارڈ کی گئی جو گزشتہ سال کی اسی مدت کے دوران 10.7% تھی۔

# Statement of Compliance

## with Listed Companies [Code of Corporate Governance] Regulations, 2019

## FOR THE YEAR ENDED JUNE 30, 2021

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are Nine (9) as per the following:

   a. Male: Seven (7)
   b. Female: Two (2)

2. The composition of the Board of Director is as follows:

| | |
|---|---|
| Independent Directors | Mr. Khalid Aziz Mirza<br>Mr. Nasim Hyder<br>Ms. Aminah Zahid Zaheer |
| Non-Executive Directors | Mr. Yoshiaki Matsuoka<br>Ms. Keiko Watanabe<br>Mr. Takashi Nakayama<br>Mr. Yohei Honda |
| Executive Directors | Mr. Shaheen Amin<br>Mr. Ramon Alfrey |

3. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;

4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company, along with its supporting policies and procedures;

5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of significant policies along with their dates of approval or updating is maintained by the Company;

6. All the powers of the Board have been duly exercised, and decisions on relevant matters have been taken by the Board / Shareholders, as empowered by the relevant provisions of the Act and these Regulations;

7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

8. The Board have a formal policy and transparent procedure for remuneration of the directors in accordance with the Act and these Regulations;

9. The Board has arranged Directors' Training Program for the following
   Name of Directors:
   - Mr. Yoshiaki Matsuoka
   - Mr. Yohei Honda

   At present, seven out of nine Directors of the Board have certification / exemption under the Directors Training Program that meets the requirements of the Regulations;

10. The Board approved the appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief Financial Officer and Chief Executive Officer duly endorsed the Financial Statements before approval of the Board;

12. The Board has formed Committees comprising of the members given below:

| Name of Committees | Name of members and Chairman | |
|---|---|---|
| Audit Committee | Mr. Nasim Hyder | Chairman |
| | Ms. Aminah Zahid Zaheer | Member |
| | Mr. Yohei Honda | Member |
| | Ms. Keiko Watanabe | Member |
| Human Resource, Nomination and Remuneration Committee | Mr. Khalid Aziz Mirza | Chairman |
| | Mr. Takashi Nakayama | Member |
| | Mr. Yoshiaki Matsuoka | Member |
| | Mr. Shaheen Amin | Member |
| Risk Committee | Ms. Aminah Zahid Zaheer | Chairperson |
| | Mr. Nasim Hyder | Member |
| | Mr. Yohei Honda | Member |
| | Ms. Keiko Watanabe | Member |
| Credit Committee | Mr. Yoshiaki Matsuoka | Chairman |
| | Mr. Shaheen Amin | Member |
| | Mr. Ramon Alfrey | Member |

13. The terms of reference of the aforesaid Committees have been formed, documented and advised to the Committees for compliance.

14. The frequency of meetings of the Committees were as follows:

a) **Audit Committee** – Eight meetings were held during the year; at least one meeting was held in each quarter of the year.

b) **Human Resource, Nomination and Remuneration Committee** – Three meetings were held during the year.

c) **Risk Committee** –Three meetings were held during the year.

d) **Credit Committee*** – No meeting was held during the year

* Credit Committee was formed on 22nd February, 2021.

15. The Board has set up an effective internal audit function, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company;

16. The Statutory Auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with the Audit Oversight Board of Pakistan, that they and all their partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

17. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33, and 36 of the Regulations have been complied with.

Shaheen Amin
Chief Executive Officer

Khalid Aziz Mirza
Chairman

# **Notice Of The Annual** General Meeting

Notice is hereby given that the Thirty Fifth Annual General Meeting (the AGM) of ORIX Leasing Pakistan Limited (the Company) will be held on Tuesday, October 26, 2021, at 10:00 a.m. through video link, to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2021, the Auditors Report and Directors Report thereon.

2. To consider and approve dividend for the year ended June 30, 2021, in cash at PKR 2 per share of PKR 10/- (20%), as recommended by the Board of Directors, which is in addition to the 20% Interim Cash Dividend (i.e. PKR. 2 per share) already paid.

3. To appoint auditors of the Company for the financial year 2021-22 and fix their remuneration. The present auditors, Messrs. A.F Fergusons & Co., Chartered Accountants, retire and being eligible, have offered themselves for reappointment.

**SPECIAL BUSINESS**

4. To consider and if deemed fit, approve the change of name of the Company to 'OLP Financial Services Pakistan Limited' by passing the following resolution as Special Resolution, with or without modifications, subject to necessary regulatory approvals.

   **RESOLVED THAT** the name of the Company be changed from ORIX Leasing Pakistan Limited to OLP Financial Services Pakistan Limited.

   **FURTHER RESOLVED THAT** the Chief Executive Officer, Chief Financial Officer and Company Secretary, singly or jointly, be and are hereby authorized to do all necessary acts, deeds and things in connection herewith and ancillary thereto as may be required or expedient to give effect to the spirit and intent of the above resolution.

5. To consider and if deemed appropriate, approve amendments in the Company's Memorandum of Association and Articles of Associations as recommended by Board of Directors. For this purpose, it is proposed to consider and, if thought fit, to pass the following resolutions as Special Resolutions, with or without modifications, subject to necessary regulatory approvals:

   **RESOLVED THAT** the Memorandum of Association of the Company be amended / altered as may be required or expedient to give effect to the spirit and intent of the foregoing resolution, and for this purpose Clause I of the Memorandum of Association of the Company be substituted with the following,

   I. The name of the Company is "OLP Financial Services Pakistan Limited".

   **FURTHER RESOLVED THAT** the Articles of Association of the Company be amended so as to change the name of the Company wherever appearing from ORIX Leasing Pakistan Limited to "OLP Financial Services Pakistan Limited."

   **FURTHER RESOLVED THAT** the Chief Executive Officer, Chief Financial Officer and Company Secretary of the Company be and are hereby jointly and severally authorized and empowered to do or cause to do all acts, deeds and things that may be necessary or required from time to time to complete all necessary legal and corporate formalities to give effect to this resolution; including any change required therein by the Commission.

6. To transact any other business as may be placed before the meeting with the consent of the Chair.

A statement under section 134(3) of the Companies Act, 2017 pertaining to the special business is a part of this notice.

Karachi
Tuesday, October 05, 2021

BY ORDER OF THE BOARD

**HAIDER ABBAS**
Company Secretary

## NOTES

### 1. REASON FOR HOLDING AGM THROUGH ELECTRONIC MODE

In view of the threat of spread of COVID-19 (Corona Virus) pandemic, ORIX Leasing Pakistan Limited ('the Company') based on the directives of the Securities and Exchange Commission of Pakistan (SECP) vide its Circulars requiring listed companies to modify their usual planning for general meetings to protect the wellbeing of shareholders, requests its members to attend and participate in the Annual General Meeting through video link facility only to avoid large gathering at one place and prevent pandemic outbreak of COVID-19.

Therefore, to attend and participate in the AGM through video link facility, members are requested to register themselves by providing following particulars with the Company Secretary by emailing to agm@orixpakistan.com at least 48 hours before the AGM.

| Name of Shareholder | CNIC No. | Folio No./ CDC Account No. | Mobile No. | Email Address |
|---|---|---|---|---|
| | | | | |

Video link details and login credentials (ZOOM Application) will be shared with those shareholders who have shown their intent to attend the meeting containing all the particulars as mentioned above.

### 2. BOOK CLOSURE

2.1 The Members' Register shall remain closed from October 19, 2021 to October 26, 2021 (both days inclusive). Transfers in good order received at the office of the Company's Share Registrar before the close of the business on October 18, 2021, will be treated in time to attend the AGM and entitlement of the dividend. Address of the Company's Share Registrar is as follows:

FAMCO Associates (Pvt.) Ltd.
8-F, Block-6, PECHS
Main Shahra-e-Faisal
Karachi-74400
Pakistan
Phone: +92 (021) 34380101

2.2 All Shareholders are entitled to attend, speak and vote at the AGM. A Shareholder may appoint a proxy to attend, speak and vote on behalf of the Shareholder. The proxy needs to be a Member of the Company. A proxy, to be effective, must be received at the office of the Company's Share Registrar not less than 48 hours before the AGM.

2.3 The Shareholders and their proxies are required to produce their Computerized National Identity Card (CNIC) or passport for identification purpose, at the time of attending the AGM. The Proxy Form must be submitted to the Company within the stipulated time, duly witnessed by two persons whose names, addresses and CNIC numbers must be mentioned on the Proxy Form, along with attested copies of the CNICs or passports of the beneficial owner and the proxy. In case of corporate entity, the resolution of the Board of Directors or power of attorney with specimen signature of the nominee shall be produced at the time of AGM. The Proxy Form is available on Company's website (www.orixpakistan.com).

2.4 Members are requested to intimate any change in address immediately to the Company's Share Registrar.

2.5 The Financial Statements for the year ended June 30, 2021, along with the Auditors and Directors Report thereon are available on the Company's website (www.orixpakistan.com).

2.6 CDC account holders shall also follow the guidelines mentioned hereunder, as laid down by the Securities and Exchange Commission of Pakistan (SECP).

## 3. SUBMISSION OF COPIES OF CNICS/NTN

The Company with reference to the S.R.O. 779(I) 2011 dated August 18, 2011 and S.R.O. 831(I)/2012 dated July 5, 2012, had made several requests through advertisements in Urdu and English newspapers having circulation throughout the country, and Share Registrar of the Company had also sent letters to the Shareholders who have not yet provided valid copies of their CNICs/NTNs, requesting them to provide the same. As per the Companies (Distribution of Dividends) Regulations, 2017, CNIC/NTN number of a shareholder is mandatory for the payment of cash dividend, and in the absence of such information, the Company would be constrained to withhold dividend payment. Accordingly, the Members who have not yet submitted a copy of their valid CNIC/NTN are again requested to provide the same to the Company's Share Registrar, with Member's folio number mentioned thereon. It may be noted that in case of non-receipt of the copy of CNIC/NTN, the Company would be constrained to withhold the payment of the dividend.

## 4. PAYMENT OF CASH DIVIDEND THROUGH ELECTRONIC MODE

As per Section 242 of the Companies Act, 2017, a listed company shall pay cash dividend to its shareholders only through electronic mode directly into the bank account designated by the entitled shareholder. Therefore, the physical dividend warrants will not be issued to the Company's Shareholders. In order to receive dividend into respective banks accounts, the Shareholders are requested (if not already provided) to fill in the Dividend Mandate Form for Electronic Credit of Cash Dividend, available on the Company's website and send the duly signed form, along with a copy of CNIC to the Company's Share Registrar in case of physical shares. In case shares are held in the CDC/Brokerage House, Dividend Mandate Form must be directly submitted to the CDC investor account services/respective participant accounts. In case of non-receipt of information, the Company will be obliged to withhold payment of dividend to such shareholders.

## 5. DEDUCTION OF INCOME TAX FROM DIVIDEND UNDER THE SECTION 150 OF THE INCOME TAX ORDINANCE 2001

5.1 According to the provisions of the Finance Act 2021 effective July 2021, the rate of deduction of the Income Tax from dividend payments has been as follows:

i. The Rate of Income Tax deduction for filers of the Income Tax returns is 15%
ii. The Rate of Income Tax deduction for non-filers of income tax returns is 30%

The Shareholders whose names are not entered into the Active Tax-payers List (ATL) available on FBR's website, despite the fact that they have filed their returns, are advised to ensure that their names be entered in ATL. Otherwise, the tax on their cash dividend will be deducted @ 30% instead of 15%.

5.2 Withholding Tax exemption from the dividend income shall only be allowed if a copy of the valid tax exemption certificate is made available to the Company's Share Registrar by the first day of the book closure.

5.3 Withholding tax will be determined separately on 'Filer/Non-filer' status of principal shareholder as well as joint-holders(s) based on their shareholding proportions. In this regard, the Shareholders who hold the Company's shares jointly are requested to provide shareholding proportions of the principal shareholder and joint-holder(s) in respect of shares held by them (if not already provided) to the Company's Share Registrar in writing, within fifteen (15) days of this notice. Otherwise, it will be assumed that the shares are equally held by the principal shareholder and joint-holder(s).

5.4 The Corporate Shareholders having CDC accounts are required to have their NTN updated with their respective participants, and the corporate physical shareholders are requested to send a copy of their NTN certificate to the Company's Share Registrar. The Shareholders while sending NTN or NTN certificates, as the case may be, must quote the company's name and their respective folio numbers.

## 6. VIDEO CONFERENCE FACILITY

In pursuance to the SECP's circular No. 10/2014, dated May 21, 2014, and the Section 134(1)(b) of the Companies Act 2017, the Members can also avail video conference facility at places other than Karachi (since the AGM is scheduled to be held in Karachi); provided that the Company shall receive consent from members holding in aggregate 10% or more shareholding, residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to the AGM. The Company will arrange a video conference facility in the city subject to availability of such facility in that city. In this regard, the Shareholders are requested to send duly signed Form of Video Conference Facility, available on Company's website to the Company's Share Registrar.

## 7. AVAILABILITY OF ANNUAL AUDITED FINANCIAL STATEMENTS

The Audited Financial Statements of the Company for the year ended June 30, 2021, have been made available on the Company's website (https://www.orixpakistan.com) in addition to the Quarterly Financial Statements. Further, please note that in accordance with SRO 470(I)/2016 dated May 31, 2016, through which SECP had allowed the companies to circulate the annual audited accounts to its members through CD/DVD/USB instead of transmitting the hard copies at their registered addresses, subject to consent of shareholders and compliance with all other conditions, the Company had obtained approval from its Shareholders in its AGM held on October 19, 2017. Accordingly, the Annual Report of the Company for the year ended June 30, 2021 has been dispatched to the Shareholders in the form of CD. However, if a Shareholder, in addition, requests for hard copy of the Annual Audited Financial Statements, the same will be provided free of cost within seven working days of receipt of such request. For the Shareholders' convenience, a 'Standard Request Form for Provision of Annual Audited Financial Accounts' has also been made available on the Company's website.

## 8. CONVERSION OF PHYSICAL SHARES INTO CDC ACCOUNT

The Shareholders having physical shareholding are encouraged to place their physical shares into electronic form as Section 72(2) of the Companies Act, 2017 states that "Every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by SECP, within a period not exceeding four years from the commencement of the Act".

## STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This Statement sets out material facts concerning the Special Business to be transacted at the Annual General Meeting of the Company.

### 1) CHANGE OF NAME

The Board of Directors of ORIX Leasing Pakistan Limited (OLP/ the Company) has decided to rebrand the Company in line with the Company's vision of enhancing its corporate image as an SME focused financial services company. The new name of the Company will be OLP Financial Services Pakistan Limited. ORIX Corporation (ORIX), OLP's principal shareholder at 49.58% shareholding fully endorses the rebranding and remains wholly committed to OLP and its growth strategy.

OLP has traditionally focused on the leasing of productive plant and machinery and transportation assets. Over the past 35 years, OLP has played an important role in the development of the leasing industry in Pakistan and is currently the largest player in the leasing industry. OLP has upgraded its leasing license to an Investment Finance Services license which allows the Company to significantly broaden its product portfolio. The Board is of the view that a change in the Company's name is an essential step in developing the Company's image as a multi-product innovative financial institution rather than simply a leasing company. The new name reflects the Company's focus on providing full spectrum of financial services to its customers with particular emphasis on serving the needs of the SME sector.

This change is subject to regulatory approvals.

The Directors of the Company have no personal interest in the business except in their capacity as shareholders of the Company to the extent of their respective shareholding.

### 2) AMENDMENTS IN MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

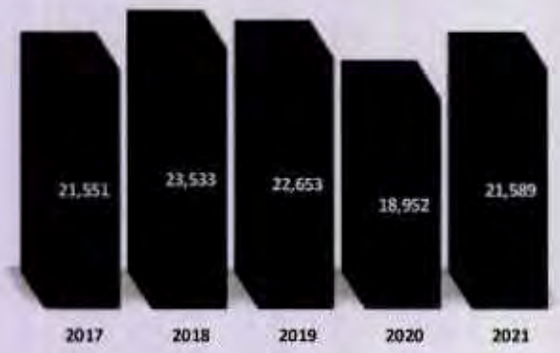
The Board of Directors recommends amendments in Clause I of the memorandum of Association of the Company to give effect to the change of name. Further, Articles of Association of the Company also require amendments with regards to the change of name of the Company.

The Directors of the Company have no personal interest in the business except in their capacity as shareholders of the Company to the extent of their respective shareholding.

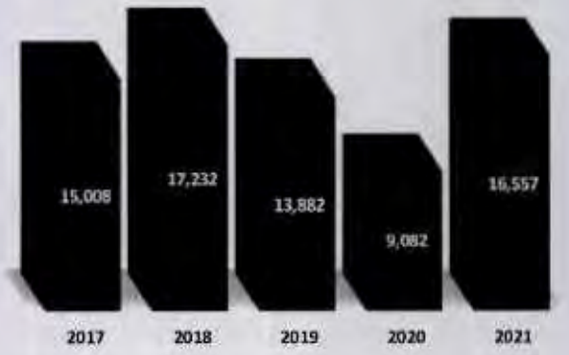
# **Six Years'** Financial Summary

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| **Operating Results (Rupees in million)** | | | | | | |
| Total disbursement | 16,557 | 9,082 | 13,882 | 17,232 | 15,008 | 14,551 |
| Revenues | 3,681 | 4,436 | 4,180 | 4,472 | 4,031 | 4,070 |
| Lease revenue | 2,307 | 3,122 | 3,072 | 2,844 | 2,891 | 2,859 |
| Finance cost | 1,194 | 1,845 | 1,542 | 1,390 | 1,586 | 1,666 |
| (Reversals) / provisions | (18) | 324 | (182) | 18 | (82) | 175 |
| Profit before taxation from continuing operations | 1,284 | 974 | 1,448 | 1,720 | 1,158 | 977 |
| Profit after taxation from continuing operations | 915 | 702 | 1,023 | 1,380 | 841 | 760 |
| Profit / (loss) after taxation from discontinued operations | - | - | - | - | - | (13) |
| Profit for the year after taxation | 915 | 702 | 1,023 | 1,380 | 841 | 747 |
| Proposed dividend | 702 | 626 | 626 | 696 | 418 | 369 |
| **Statement of Financial Position (Rupees in million)** | | | | | | |
| Portfolio | 21,589 | 18,952 | 22,653 | 23,533 | 21,551 | 21,286 |
| Fixed assets | 1,356 | 1,737 | 1,191 | 1,304 | 1,533 | 1,765 |
| Investment in associate | 916 | 944 | 942 | 672 | 1,972 | 2,266 |
| Total assets | 24,386 | 22,999 | 25,991 | 26,699 | 26,096 | 26,900 |
| Total borrowing | 14,073 | 12,862 | 15,646 | 17,050 | 19,371 | 20,780 |
| Long term debts | 7,319 | 7,209 | 9,130 | 9,022 | 10,708 | 12,036 |
| Total liabilities | 16,261 | 14,765 | 17,978 | 19,450 | 21,629 | 22,723 |
| Shareholders' equity | 8,526 | 8,234 | 8,013 | 7,249 | 4,466 | 4,177 |
| **PERFORMANCE INDICATORS FOR THE CURRENT AND PAST FIVE YEARS** | | | | | | |
| **Profitability** | | | | | | |
| Profit before taxation over revenue | 34.98% | 21.96% | 34.64% | 38.46% | 28.73% | 24.00% |
| Gross spread | 63.52% | 53.25% | 58.39% | 61.18% | 48.25% | 43.88% |
| Return on equity | 10.92% | 8.64% | 13.40% | 23.55% | 19.47% | 19.34% |
| Return on assets | 3.83% | 2.87% | 3.88% | 5.23% | 3.17% | 3.09% |
| Income / expense ratio | 1.52 | 1.41 | 1.43 | 1.64 | 1.36 | 1.39 |
| **Liquidity** | | | | | | |
| Current ratio | 1.39 | 1.62 | 1.56 | 1.39 | 1.27 | 1.38 |
| Cash to current liabilities | 0.03 | 0.03 | 0.02 | 0.05 | 0.03 | 0.03 |
| **Investment / Market** | | | | | | |
| Price to book ratio | 0.53 | 0.47 | 0.51 | 0.83 | 0.74 | 0.97 |
| Dividend yield | 15.53% | 13.98% | 15.24% | 11.50% | 7.45% | 9.10% |
| Dividend payout | 76.72% | 89.17% | 61.19% | 50.43% | 49.70% | 49.45% |
| Earning per share (Rs.) - Restated | 5.22 | 4.00 | 6.12 | 8.40 | 9.42 | 9.10 |
| Price earning ratio (Rs.) - Restated | 4.94 | 5.81 | 4.02 | 5.18 | 4.27 | 5.43 |
| Market value per share | 25.75 | 23.25 | 24.61 | 43.47 | 40.25 | 49.43 |
| Proposed dividend | 40.00% | 37.50% | 37.50% | 50.00% | 30.00% | 45.00% |
| **Capital Structure** | | | | | | |
| Debt / Equity ratio | 1.65 | 1.56 | 1.95 | 2.35 | 4.34 | 4.98 |
| Book value per share (Rs.) | 48.60 | 49.29 | 47.97 | 52.07 | 54.41 | 50.88 |
| Interest cover ratio | 2.06 | 1.70 | 1.82 | 2.25 | 1.68 | 1.69 |

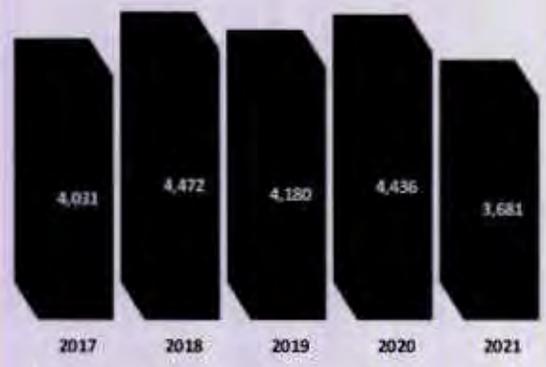
## Portfolio
(Rs. in million)



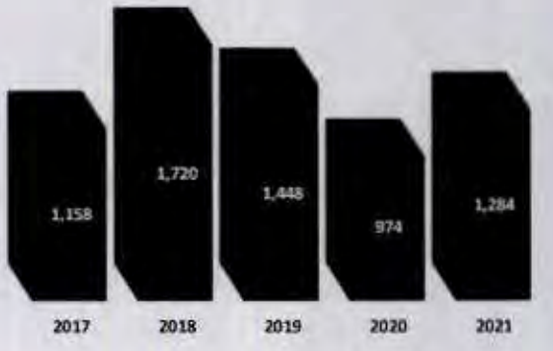

## Disbursements
(Rs. in million)



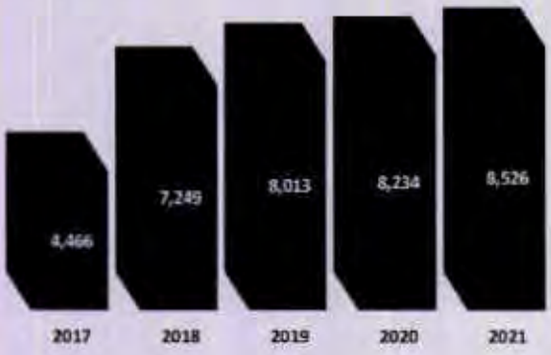

## Revenue
(Rs. in million)




## Profit before tax - Continuing operations
(Rs. in million)




## Shareholders' equity
(Rs. in million)




## Dividends
(Rs. in million)

# **Six Years'** Vertical Analysis

| STATEMENT OF FINANCIAL POSITION | 2021 | | 2020 | | 2019 | | 2018 | | 2017 | | 2016 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rs. in million | % | Rs. in million | % | Rs. in million | % | Rs. in million | % | Rs. in million | % | Rs. in million | % |
| **ASSETS** | | | | | | | | | | | | |
| **Non-current assets** | | | | | | | | | | | | |
| Fixed assets | 1,356 | 5.47% | 1,737 | 7.55% | 1,191 | 4.58% | 1,304 | 4.88% | 1,510 | 5.87% | 1,765 | 6.56% |
| Intangible assets | 4 | 0.02% | 11 | 0.05% | 18 | 0.07% | 20 | 0.07% | 12 | 0.05% | 12 | 0.04% |
| Net investment in finance lease | 5,738 | 23.15% | 5,984 | 26.02% | 8,136 | 31.30% | 8,594 | 32.15% | 7,511 | 29.21% | 7,416 | 27.57% |
| Investment in subsidiaries | 322 | 1.30% | 322 | 1.40% | 322 | 1.24% | 322 | 1.21% | 322 | 1.25% | 322 | 1.20% |
| Investment in associate | 916 | 3.73% | 944 | 4.10% | 942 | 3.62% | 672 | 2.52% | 1,972 | 7.66% | 2,266 | 8.42% |
| Long-term investments | 387 | 1.56% | 443 | 1.93% | 396 | 1.52% | 293 | 1.10% | 339 | 1.32% | 84 | 0.31% |
| Long-term finances and loans | 4,337 | 17.50% | 2,313 | 10.06% | 2,208 | 8.50% | 1,985 | 7.38% | 1,531 | 5.95% | 1,286 | 4.78% |
| Long-term deposits | 11 | 0.04% | 13 | 0.06% | 12 | 0.05% | 12 | 0.04% | 12 | 0.05% | 11 | 0.04% |
| | **12,071** | **52.74%** | **11,767** | **51.16%** | **13,224** | **50.88%** | **13,182** | **49.37%** | **13,228** | **50.73%** | **13,162** | **48.93%** |
| **Current assets** | | | | | | | | | | | | |
| Short-term finance | 5 | 0.02% | 234 | 1.02% | 285 | 1.10% | 243 | 0.91% | 149 | 0.57% | 296 | 1.09% |
| Accrued return on investments and term finance | 127 | 0.51% | 121 | 0.53% | 103 | 0.40% | 69 | 0.26% | 56 | 0.21% | 98 | 0.36% |
| Current maturity of non-current assets | 10,720 | 43.25% | 9,450 | 41.12% | 11,434 | 43.99% | 11,574 | 43.35% | 11,106 | 42.76% | 11,649 | 42.99% |
| Short term investments | 328 | 1.33% | 894 | 3.90% | 398 | 1.53% | 773 | 2.90% | 914 | 3.50% | 1,219 | 4.50% |
| Advances and prepayments | 29 | 0.11% | 18 | 0.08% | 42 | 0.16% | 32 | 0.12% | 38 | 0.15% | 44 | 0.16% |
| Other receivables | 20 | 0.08% | 80 | 0.35% | 33 | 0.13% | 44 | 0.16% | 55 | 0.21% | 100 | 0.37% |
| Cash and bank balances | 213 | 0.86% | 208 | 0.90% | 174 | 0.67% | 500 | 1.87% | 342 | 1.31% | 333 | 1.24% |
| Defined benefit plan asset - staff gratuity | 8 | 0.03% | 38 | 0.17% | 3 | 100.00% | | 0.00% | | 0.00% | | 0.00% |
| Taxation - net | | 0.00% | | 0.00% | | 0.00% | | 0.00% | 41 | 0.16% | 62 | 0.23% |
| | 11,450 | 46.30% | 10,981 | 47.88% | 12,473 | 47.87% | 13,236 | 49.57% | 12,703 | 48.93% | 13,931 | 50.52% |
| Assets classified as held for sale | 265 | 1.07% | 271 | 1.18% | 294 | 1.13% | 281 | 1.05% | 90 | 0.34% | 147 | 0.55% |
| | **11,715** | **47.36%** | **11,232** | **48.94%** | **12,767** | **49.12%** | **13,517** | **50.63%** | **12,858** | **49.27%** | **13,738** | **51.07%** |
| **Total assets** | **24,786** | **100.00%** | **22,999** | **100.00%** | **25,991** | **100.00%** | **26,699** | **100.00%** | **26,086** | **100.00%** | **26,900** | **100.00%** |
| **EQUITY AND LIABILITIES** | | | | | | | | | | | | |
| Share capital and reserves | 8,526 | 34.40% | 8,234 | 35.80% | 8,013 | 30.83% | 7,249 | 27.15% | 4,468 | 17.11% | 4,177 | 15.53% |
| **Non-current liabilities** | | | | | | | | | | | | |
| Long-term finances | 4,726 | 19.06% | 4,560 | 19.81% | 6,310 | 24.28% | 5,797 | 21.71% | 6,707 | 25.70% | 6,148 | 22.86% |
| Long-term certificates of deposit | 2,591 | 10.45% | 2,630 | 11.44% | 2,820 | 10.85% | 3,225 | 12.08% | 4,090 | 15.68% | 5,888 | 21.89% |
| Deferred taxation | 412 | 1.66% | 516 | 2.24% | 680 | 2.60% | 491 | 1.83% | 585 | 2.24% | 476 | 1.77% |
| Other long-term liabilities | 287 | 1.16% | 288 | 1.25% | 165 | 0.63% | 203 | 0.76% | 214 | 0.82% | 259 | 0.96% |
| Defined benefit obligation - staff gratuity | - | 0.00% | - | 0.00% | - | 0.00% | 20 | 0.07% | 17 | 0.07% | 1 | 0.00% |
| | **8,016** | **32.35%** | **8,013** | **34.84%** | **9,994** | **38.45%** | **9,726** | **36.43%** | **11,623** | **44.56%** | **12,772** | **47.48%** |
| **Current liabilities** | | | | | | | | | | | | |
| Trade and other payables | 855 | 3.45% | 362 | 1.57% | 909 | 3.50% | 1,017 | 3.81% | 1,092 | 4.18% | 794 | 2.95% |
| Accrued mark-up / profit on loans, finances and certificates of deposit | 232 | 0.94% | 344 | 1.57% | 324 | 1.25% | 242 | 0.91% | 333 | 1.28% | 395 | 1.47% |
| Unpaid dividend | 195 | 0.79% | - | 0.00% | | 0.00% | 208 | 0.78% | | 0.00% | | 0.00% |
| Unclaimed dividend | 27 | 0.11% | 27 | 0.12% | 23 | 0.09% | 20 | 0.07% | 19 | 0.07% | 17 | 0.06% |
| Short term borrowings | 1,423 | 5.74% | 171 | 0.74% | 1,233 | 5.13% | 2,355 | 8.82% | 2,445 | 9.38% | 1,900 | 7.13% |
| Short term certificates of deposit | 1,678 | 6.77% | 1,047 | 4.55% | 695 | 2.67% | 1,049 | 3.93% | 1,111 | 4.26% | 2,073 | 7.71% |
| Taxation - net | 172 | 0.69% | 368 | 1.60% | 212 | 0.82% | 269 | 0.78% | | 0.00% | | 0.00% |
| Current maturity of non-current liabilities | 3,670 | 14.81% | 4,401 | 19.13% | 4,858 | 17.27% | 4,525 | 17.32% | 5,100 | 19.55% | 4,792 | 17.73% |
| | **8,242** | **33.25%** | **6,752** | **29.36%** | **7,984** | **30.72%** | **9,734** | **36.42%** | **10,107** | **38.73%** | **9,951** | **36.99%** |
| **Total equity and liabilities** | **24,784** | **100.00%** | **22,999** | **100.00%** | **25,991** | **100.00%** | **26,699** | **100.00%** | **26,086** | **100.00%** | **26,900** | **100.00%** |

| STATEMENT OF PROFIT OR LOSS ACCOUNT | 2021 | | 2020 | | 2019 | | 2018 | | 2017 | | 2016 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rs. in million | % | Rs. in million | % | Rs. in million | % | Rs. in million | % | Rs. in million | % | Rs. in million | % |
| **INCOME** | | | | | | | | | | | | |
| **Income from operations** | | | | | | | | | | | | |
| Finance leases | 2,219 | 63.28% | 2,933 | 66.12% | 2,846 | 67.94% | 2,531 | 56.60% | 2,417 | 59.58% | 2,324 | 57.09% |
| Income from operating leases / Ijarah | 88 | 2.39% | 189 | 4.26% | 232 | 5.55% | 313 | 7.00% | 474 | 11.76% | 535 | 13.14% |
| Mark-up on finances and loans | 971 | 26.38% | 926 | 20.87% | 784 | 18.76% | 633 | 14.15% | 543 | 13.47% | 507 | 12.45% |
| | 3,278 | 89.05% | 4,048 | 91.25% | 3,862 | 92.25% | 3,477 | 77.75% | 3,434 | 85.19% | 3,366 | 82.68% |
| **Income from other operating activities** | | | | | | | | | | | | |
| Other income - net | 367 | 9.97% | 356 | 8.09% | 273 | 6.53% | 896 | 20.04% | 566 | 9.13% | 471 | 11.57% |
| Share of profit from associate | 35 | 0.95% | 30 | 0.68% | 51 | 1.22% | 99 | 2.21% | 29 | 0.68% | 234 | 5.75% |
| | 403 | 10.95% | 388 | 8.75% | 324 | 7.75% | 995 | 22.25% | 597 | 14.81% | 705 | 17.32% |
| **Total income** | **3,681** | **100.00%** | **4,436** | **100.00%** | **4,186** | **100.00%** | **4,472** | **100.00%** | **4,031** | **100.00%** | **4,071** | **100.00%** |
| **EXPENSES** | | | | | | | | | | | | |
| Finance cost | 1,193 | 32.41% | 1,846 | 41.58% | 1,543 | 36.91% | 1,380 | 31.08% | 1,586 | 39.35% | 1,666 | 40.92% |
| Administrative and general expenses | 1,136 | 30.86% | 1,136 | 25.61% | 1,186 | 28.42% | 1,094 | 24.46% | 896 | 22.23% | 857 | 21.05% |
| Direct cost | 86 | 2.34% | 158 | 3.56% | 185 | 4.43% | 250 | 5.58% | 483 | 12.00% | 396 | 9.70% |
| | **2,415** | **65.61%** | **3,139** | **70.76%** | **2,914** | **69.77%** | **2,734** | **61.14%** | **2,965** | **73.57%** | **2,919** | **71.68%** |
| **Profit before provision and taxation** | **1,266** | **34.39%** | **1,297** | **29.24%** | **1,266** | **30.29%** | **1,738** | **38.86%** | **1,076** | **26.69%** | **1,152** | **28.30%** |
| **Provisions** | | | | | | | | | | | | |
| Allowance for potential losses and other loan losses - net | 40 | 1.09% | 211 | 7.07% | (196) | -4.57% | 16 | 0.40% | (23) | -0.57% | 215 | 5.28% |
| Other provision - net | 22 | 0.60% | 13 | 0.29% | 6 | 0.22% | | 0.00% | (55) | -1.36% | 140 | 3.38% |
| | (18) | -0.49% | 324 | 7.30% | (192) | -4.59% | 16 | 0.40% | (82) | -2.03% | 175 | 4.30% |
| **Profit before taxation from continuing operations** | **1,284** | **34.88%** | **973** | **21.93%** | **1,448** | **34.64%** | **1,720** | **38.46%** | **1,158** | **28.72%** | **977** | **24.00%** |
| Taxation | 369 | 10.02% | 271 | 6.11% | 425 | 10.17% | 340 | 7.60% | 317 | 7.86% | 217 | 5.33% |
| **Profit after taxation from continuing operations** | **915** | **24.86%** | **702** | **15.83%** | **1,023** | **24.47%** | **1,380** | **30.86%** | **841** | **20.86%** | **760** | **18.67%** |
| **DISCONTINUED OPERATIONS** | | | | | | | | | | | | |
| Loss after taxation from discontinued operations | | 0.00% | | 0.00% | | 0.00% | | 0.00% | | 0.00% | (13) | -0.32% |
| **Profit for the year after taxation** | **915** | **24.86%** | **702** | **15.83%** | **1,023** | **24.47%** | **1,380** | **30.86%** | **841** | **20.86%** | **747** | **18.35%** |

# **Six Years'** Horizontal Analysis

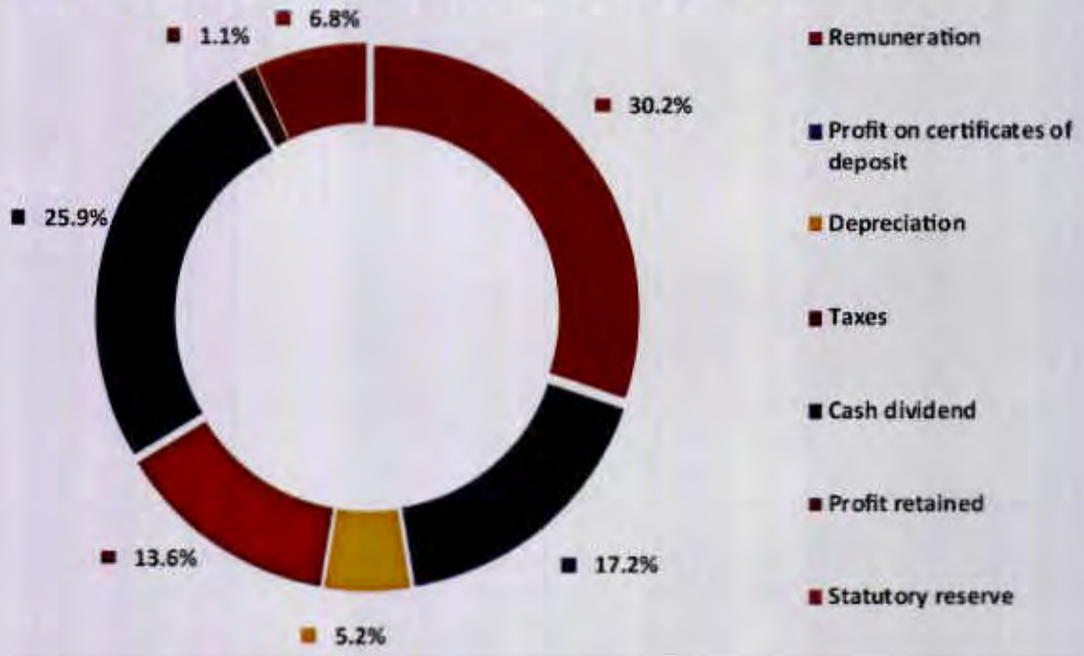
| STATEMENT OF FINANCIAL POSITION | 21 vs 20 | | 20 vs 19 | | 19 vs 18 | | 18 vs 17 | | 17 vs 16 | | 16 vs 15 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | % | 2020 | % | 2019 | % | 2018 | % | 2017 | % | 2016 | % |
| | Rs. in million | | Rs. in million | | Rs. in million | | Rs. in million | | Rs. in million | | Rs. in million | |
| **ASSETS** | | | | | | | | | | | | |
| Non-current assets | | | | | | | | | | | | |
| Fixed assets | 1,399 | 21.93% | 1,147 | 45.84% | 1,191 | -6.87% | 1,304 | -14.94% | 1,533 | -13.14% | 1,766 | 0.11% |
| Intangible assets | 9 | 43.64% | 11 | -38.89% | 18 | -10.00% | 20 | 66.67% | 12 | 0.00% | 12 | 33.33% |
| Net investment in finance lease | 5,738 | -4.11% | 5,984 | 20.44% | 6,139 | -5.24% | 6,694 | 14.33% | 5,517 | 5.36% | 2,416 | 21.22% |
| Investment in subsidiaries | 322 | 0.00% | 322 | 0.00% | 322 | 0.00% | 322 | 0.00% | 322 | 0.00% | 322 | 100.00% |
| Investment in associate | 918 | -2.97% | 944 | 0.21% | 942 | 40.16% | 672 | 65.62% | 1,972 | -12.97% | 2,266 | 4.14% |
| Long-term investments | 387 | -12.64% | 443 | 11.87% | 396 | 35.15% | 293 | -13.97% | 335 | 303.57% | 84 | 500.00% |
| Long-term finances and loans | 4,337 | 87.51% | 2,313 | 4.75% | 2,208 | 12.37% | 1,965 | 28.36% | 1,531 | 19.05% | 1,286 | 46.30% |
| Long-term deposits | 11 | 10.00% | 10 | 9.33% | 12 | 0.00% | 12 | 0.00% | 12 | 9.09% | 11 | 10.00% |
| | **13,071** | **11.08%** | **11,767** | **-11.02%** | **13,224** | **0.32%** | **13,182** | **-0.42%** | **13,238** | **0.56%** | **13,162** | **20.00%** |
| **Current assets** | | | | | | | | | | | | |
| Short-term finances | 6 | 97.44% | 234 | -7.80% | 286 | 17.28% | 243 | 63.09% | 149 | -47.90% | 286 | -29.73% |
| Accrued return on investments and term finance | 127 | 4.96% | 121 | 17.48% | 103 | 49.38% | 69 | 23.21% | 56 | -42.86% | 98 | 30.67% |
| Current maturity of non-current assets | 10,720 | 13.34% | 9,458 | -17.28% | 11,434 | -1.21% | 11,574 | 3.65% | 11,166 | -2.47% | 11,449 | 36.38% |
| Short-term investments | 328 | -59.20% | 804 | 107.54% | 388 | -49.92% | 773 | -15.43% | 914 | -28.02% | 1,219 | 10.22% |
| Advances and prepayments | 28 | 55.56% | 18 | -35.00% | 40 | 21.21% | 33 | -15.38% | 39 | -11.36% | 44 | -6.38% |
| Other receivables | 20 | 75.00% | 80 | 142.42% | 33 | -25.00% | 44 | -20.00% | 55 | -45.00% | 100 | 33.33% |
| Cash and bank balances | 213 | 2.40% | 208 | 19.54% | 174 | -65.20% | 500 | 46.20% | 342 | 2.70% | 333 | 92.49% |
| Defined benefit plan asset - staff gratuity | 9 | 76.99% | 38 | 322.22% | 9 | 100.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| Taxation - net | - | 0.00% | - | 0.00% | - | 0.00% | - | -100.00% | 47 | -34.19% | 82 | 63.74% |
| | 11,450 | 4.46% | 10,961 | 12.12% | 12,473 | 5.76% | 13,236 | 3.67% | 12,768 | -6.06% | 13,591 | 30.01% |
| Assets classified as held for sale | 265 | 2.21% | 271 | -7.82% | 294 | 4.63% | 281 | 212.22% | 90 | 38.78% | 147 | 81.54% |
| | **11,715** | **4.30%** | **11,232** | **-12.02%** | **12,767** | **-5.55%** | **13,517** | **5.13%** | **12,858** | **-5.41%** | **13,738** | **30.29%** |
| **Total assets** | **24,786** | **7.77%** | **22,999** | **-11.51%** | **25,991** | **-2.65%** | **26,699** | **2.31%** | **26,096** | **-2.99%** | **26,900** | **25.04%** |
| **EQUITY AND LIABILITIES** | | | | | | | | | | | | |
| Share capital and reserves | 8,505 | 3.05% | 8,254 | 2.49% | 8,011 | 10.54% | 7,249 | 62.32% | 4,466 | 5.02% | 4,171 | 17.70% |
| **Non-current liabilities** | | | | | | | | | | | | |
| Long-term finances | 4,705 | 3.23% | 4,560 | 27.40% | 6,310 | 9.85% | 5,797 | 13.57% | 5,707 | 3.09% | 5,148 | 39.59% |
| Long-term certificates of deposit | 2,091 | -1.48% | 2,630 | 6.74% | 2,820 | -12.56% | 3,225 | -19.38% | 4,000 | -32.63% | 5,568 | 15.07% |
| Deferred taxation | 412 | 20.60% | 315 | 26.32% | 698 | 45.52% | 481 | 17.78% | 585 | 22.98% | 476 | 4.85% |
| Other long-term liabilities | 287 | 0.35% | 286 | 14.53% | 185 | -18.72% | 205 | -5.14% | 214 | -17.37% | 259 | 3.36% |
| Defined benefit obligation - staff gratuity | - | 0.00% | - | 0.00% | - | -100.00% | 29 | 17.50% | 17 | 530.00% | 1 | 0.00% |
| | **6,816** | **0.06%** | **6,813** | **-19.82%** | **9,994** | **2.76%** | **9,726** | **-15.59%** | **11,523** | **-9.79%** | **12,772** | **21.88%** |
| **Current liabilities** | | | | | | | | | | | | |
| Trade and other payables | 855 | 38.78% | 362 | 66.18% | 408 | 10.63% | 1,011 | -6.87% | 1,086 | 37.02% | 794 | 25.24% |
| Accrued interest / mark up / profit on bank finances and certificates of deposit | 232 | 26.11% | 314 | -3.33% | 324 | 33.86% | 242 | -27.33% | 333 | 15.01% | 289 | 24.14% |
| Unpaid dividend | 195 | 100.00% | - | 0.00% | - | -100.00% | 205 | 530.30% | - | 0.00% | - | 0.00% |
| Unclaimed dividend | 27 | 0.00% | 27 | 17.39% | 23 | 15.00% | 20 | 5.26% | 19 | 11.76% | 17 | 142.86% |
| Short-term borrowings | 1,423 | 132.18% | 171 | 62.11% | 1,333 | -43.40% | 2,355 | -3.84% | 2,449 | 28.29% | 1,908 | 115.90% |
| Short-term certificates of deposit | 1,679 | 60.27% | 1,047 | 50.65% | 695 | 33.88% | 1,048 | -2.67% | 1,111 | 46.41% | 2,073 | 115.38% |
| Taxation - net | 172 | 53.68% | 89 | 11.98% | 212 | 1.44% | 209 | 130.00% | - | 0.00% | - | 0.00% |
| Current maturity of non-current liabilities | 3,613 | -17.77% | 4,463 | 2.98% | 4,335 | 2.56% | 4,225 | -5.37% | 5,193 | 7.16% | 4,792 | 2.30% |
| | **8,242** | **22.07%** | **6,753** | **15.43%** | **7,984** | **-17.89%** | **9,724** | **-3.79%** | **10,187** | **1.57%** | **9,951** | **34.18%** |
| **Total equity and liabilities** | **24,786** | **7.77%** | **22,999** | **11.51%** | **25,991** | **-2.65%** | **26,699** | **2.31%** | **26,096** | **-2.99%** | **26,900** | **25.04%** |

| STATEMENT OF PROFIT OR LOSS ACCOUNT | 21 vs 20 | | 20 vs 19 | | 19 vs 18 | | 18 vs 17 | | 17 vs 16 | | 16 vs 15 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | % | 2020 | % | 2019 | % | 2018 | % | 2017 | % | 2016 | % |
| **INCOME** | | | | | | | | | | | | |
| **Income from operations** | | | | | | | | | | | | |
| Finance lease | 2,219 | 24.34% | 2,633 | 2.27% | 2,646 | 13.21% | 2,531 | 4.72% | 2,417 | 4.00% | 2,324 | 2.77% |
| Income from operating leases / ijarah | 66 | 53.44% | 199 | -18.51% | 230 | 23.88% | 313 | 33.97% | 474 | 11.40% | 535 | 19.40% |
| Mark up on finances and loans | 971 | 4.96% | 926 | 18.11% | 784 | 27.85% | 633 | 19.57% | 543 | 2.13% | 517 | 9.80% |
| | 3,276 | 19.62% | 4,758 | 4.98% | 3,660 | 10.92% | 3,477 | 1.25% | 3,434 | 2.02% | 3,366 | -1.62% |
| **Income from other operating activities** | | | | | | | | | | | | |
| Other income - net | 357 | 2.23% | 349 | 31.50% | 270 | 69.53% | 398 | 143.48% | 368 | -21.87% | 471 | 51.58% |
| Share of profit from associate | 35 | 20.69% | 29 | 43.14% | 51 | 44.48% | 88 | 69.77% | 229 | -2.14% | 234 | 14.95% |
| | 403 | 1.87% | 396 | 19.72% | 321 | 67.44% | 995 | 89.67% | 597 | 15.92% | 705 | 20.30% |
| **Total income** | **3,681** | **17.02%** | **4,430** | **6.12%** | **4,195** | **-6.53%** | **4,472** | **10.94%** | **4,031** | **-5.98%** | **4,071** | **2.47%** |
| **EXPENSES** | | | | | | | | | | | | |
| Finance cost | **1,193** | 33.34% | 1,640 | 19.57% | 1,540 | 10.93% | 1,388 | -12.36% | 1,586 | -4.80% | 1,666 | -3.51% |
| Administrative and general expenses | 1,130 | 0.00% | 1,130 | -4.38% | 1,182 | 8.18% | 1,094 | 13.25% | 966 | 12.72% | 857 | 9.18% |
| Direct cost | 96 | -46.67% | 179 | -13.96% | 192 | -26.40% | 260 | -37.97% | 403 | 2.63% | 393 | -19.48% |
| | **2,419** | **-25.04%** | **3,139** | **7.72%** | **2,914** | **6.58%** | **2,734** | **-7.48%** | **2,955** | **1.27%** | **2,916** | **-2.84%** |
| **Profit before provision and taxation** | **1,266** | **-2.39%** | **1,297** | **2.46%** | **1,266** | **-27.16%** | **1,738** | **61.52%** | **1,076** | **-5.60%** | **1,152** | **18.79%** |
| **Provisions** | | | | | | | | | | | | |
| Allowance for potential lease and other loan losses - net | (40) | -112.36% | 311 | 262.83% | (191) | -1101.11% | 18 | -178.26% | (23) | -110.79% | 215 | 75.70% |
| Other provision - net | 22 | 69.23% | 13 | 44.44% | 9 | 100.00% | - | -100.00% | (59) | 47.50% | (40) | -9.02% |
| | (18) | -108.36% | 324 | 278.22% | (182) | -1111.11% | 18 | -121.95% | (82) | -146.88% | 175 | 9.20% |
| **Profit before taxation from continuing operations** | **1,284** | **31.96%** | **973** | **32.80%** | **1,448** | **-15.81%** | **1,720** | **48.53%** | **1,158** | **18.53%** | **977** | **20.90%** |
| Taxation | 369 | 36.16% | 271 | 38.24% | 425 | 26.00% | 340 | 7.28% | 317 | 46.08% | 217 | 26.43% |
| **Profit after taxation from continuing operations** | **915** | **30.34%** | **702** | **31.38%** | **1,023** | **-25.87%** | **1,380** | **64.09%** | **841** | **10.58%** | **760** | **21.04%** |
| **DISCONTINUED OPERATIONS** | | | | | | | | | | | | |
| Loss after taxation from discontinued operations | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% | - | -100.00% | (13) | -65.77% |
| **Profit for the year after taxation** | **915** | **30.34%** | **702** | **-31.38%** | **1,023** | **-25.87%** | **1,380** | **64.09%** | **841** | **12.56%** | **747** | **11.34%** |

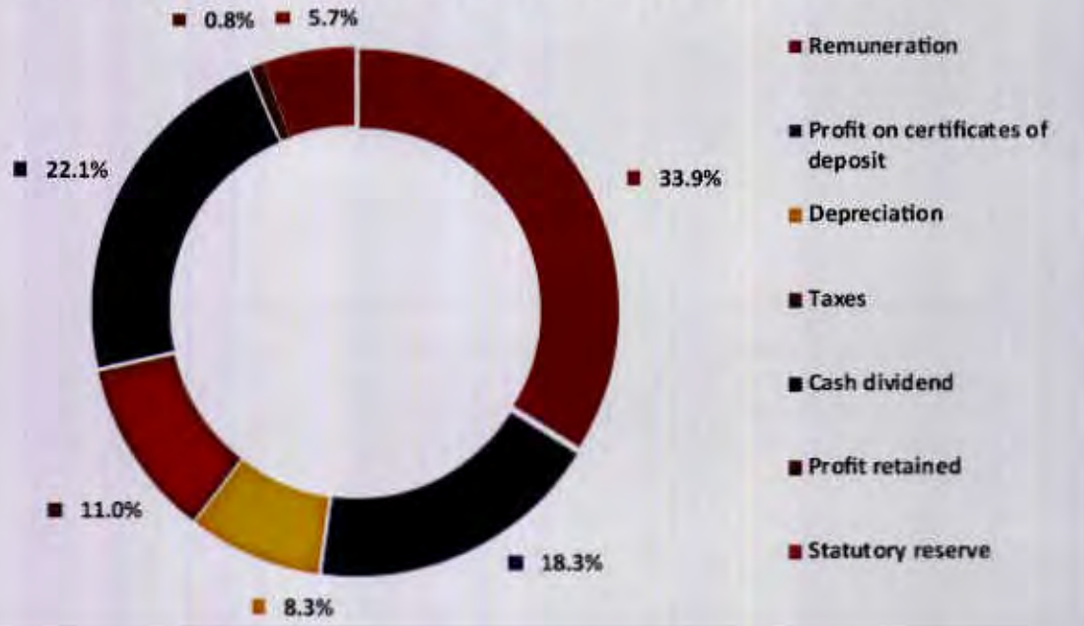
# **Statement of** Value Addition

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Rupees | % | Rupees | % |
| Revenues from operations | 3,296,375,362 | | 3,723,918,690 | |
| Other income | 367,407,196 | | 359,123,757 | |
| Share of profit from associate | 35,363,150 | | 28,938,203 | |
| | 3,699,145,708 | | 4,111,980,650 | |
| Finance cost | 726,222,691 | | 1,395,111,280 | |
| Direct cost | 263,326,124 | | 256,481,342 | |
| | 989,548,815 | | 1,651,592,622 | |
| **Value Added** | 2,709,596,893 | | 2,460,388,028 | |
| **Distributed as follows:** | | | | |
| Remuneration | 818,067,610 | 30.2% | 833,757,606 | 33.9% |
| Profit on Certificates of Deposit | 467,295,949 | 17.2% | 449,934,463 | 18.3% |
| Depreciation | 140,253,825 | 5.2% | 203,184,882 | 8.3% |
| Taxes | 369,168,975 | 13.6% | 271,289,487 | 11.0% |
| Cash dividend | 701,630,588 | 25.9% | 542,928,432 | 22.1% |
| Profit retained | 30,217,839 | 1.1% | 18,848,840 | 0.8% |
| Statutory reserve | 182,962,107 | 6.8% | 140,444,318 | 5.7% |
| | **2,709,596,893** | **100%** | **2,460,388,028** | **100%** |

## DISTRIBUTION OF VALUE ADDITION - 2021




## DISTRIBUTION OF VALUE ADDITION - 2020



# **Shariah Advisor's** Report

For the year ended June 30, 2021

ORIX Leasing Pakistan Limited (OLP) started Islamic Financing in April 2011. OLP, with the consultation of undersigned, developed and executed initially the following two Shariah Complaint products:

- Ijarah, and
- Diminishing Musharakah

By the grace of Allah, the year under review, was the tenth year of Islamic financing at ORIX Leasing Pakistan Limited. In this year, OLP also followed rules and regulations of Shariah in the implementation of Ijarah and Diminishing Musharakah.

I certify that the treasury function and accounting treatment of *Ijarah* and *Diminishing Musharakah* transactions are in conformity to Shariah requirements.

I would like to take this opportunity to offer praise to Almighty Allah and seek His Guidance and Blessings and to express my best wishes for further progress, development and prosperity of ORIX Leasing Pakistan Limited and Islamic Finance.

**MUFTI MUHAMMAD IBRAHIM ESSA**
For and on behalf of
Alhamd Shariah Advisory Services Private Limited
Dated: August 7, 2021

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## INDEPENDENT AUDITOR'S REVIEW REPORT

**To the members of ORIX Leasing Pakistan Limited**

**Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of ORIX Leasing Pakistan Limited (the Company) for the year ended June 30, 2021 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2021.

A.F. Ferguson & Co

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: October 1, 2021

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network*
*State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan*
*Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>*

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## INDEPENDENT AUDITOR'S REPORT

**To the members of ORIX Leasing Pakistan Limited**

**Report on the Audit of the Unconsolidated Financial Statements**

### Opinion

We have audited the annexed unconsolidated financial statements of ORIX Leasing Pakistan Limited (the Company), which comprise the unconsolidated statement of financial position as at June 30, 2021, and the unconsolidated statement of profit or loss, the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key audit matter:

| S. No. | Key audit matter | How the matter was addressed in our audit |
|---|---|---|
| 1 | **Provision for potential lease and loan losses**<br>(Refer notes 3.5, 6, 10, 11, 13 and 38 of the annexed unconsolidated financial statements) | |
| | The Company records provision for potential lease and loan losses under the requirement of IFRS 9 and the Non-Banking Finance Companies Regulations (the NBFC Regulations), whichever is higher. | Our audit procedures to assess adequacy and determination of provision for potential lease and loan losses included, amongst others, the following: |

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*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network*
*State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan*
*Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>*

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| S. No. | Key audit matter | How the matter was addressed in our audit |
|---|---|---|
| | Under IFRS 9, simplified approach and general approach are used for lease and loan losses respectively to determine Expected Credit Losses (ECL). A lifetime ECL is recorded on loans in which there have been Significant Increase in Credit Risk (SICR) from the date of initial recognition and on loans which are credit impaired as on the reporting date. A 12 months ECL is recorded for loans which do not meet the criteria for SICR or "credit impaired" as at the reporting date. To assess whether there is a significant increase in the credit risk, the Company compares the risk of a default occurring on the loans as at the reporting date with the risk of default as at the date of initial recognition. The Company also considers reasonable and supportive forward-looking information in the determination of ECL. The allowance is increased by provisions charged to the unconsolidated statement of profit or loss and is decreased by charge-offs, net of recoveries.<br><br>Determination of provision including calculating ECL for lease and loans is subject to numerous judgments and estimates. In evaluating the adequacy of ECL, the management considers various factors, including the nature and characteristics of the obligor, current economic conditions, credit concentrations or deterioration in collateral, historical loss experience and delinquencies. The management has further considered the impact of forward-looking information and its resulting impact on the provision for lease and loan portfolio of the Company.<br><br>The Company has determined a provision on lease and loans balances and has recognised a gross charge of Rs. 433.258 million and a gross reversal of Rs. 473.246 million in respect of potential lease and loan losses in the unconsolidated statement of profit or loss during the year ended June 30, 2021. As at June 30, 2021, the Company maintained a provision of Rs. 1,101.343 million for potential lease and loan losses.<br><br>The determination of provision in respect of lease and loans balances as per the requirements of NBFC Regulations and IFRS 9 remains a significant area of judgment and estimation. Because of the significance of the impact of these judgments / estimations and the materiality of lease and loans balances relative to the overall unconsolidated financial statements of the Company, we considered the area of provision for potential lease and loan losses as a key audit matter. | • Obtained an understanding of the design and tested the operating effectiveness of the relevant controls established by the Company to identify loss events and for determining the extent of provisioning required against lease and loans balances;<br><br>• Evaluated the key decisions made by the Company's management with respect to accounting policies, estimates and judgments in relation to computation of provision for potential lease and loan losses and assessed the appropriateness based on our understanding of the Company's business and operations;<br><br>• Assessed the reasonableness and accuracy of the data used for provision computation based on the accounting records and information system of the Company as well as the related external sources used for this purpose;<br><br>• Checked, on a test basis, the accuracy of specific provision made against non-performing lease and loans balances and of general provision made against performing lease and loans balances as per the requirements of NBFC by recomputing the provision amount in accordance with the criteria prescribed under the NBFC.<br><br>• Assessed the ECL model used by the management to calculate provision against lease and loans balances of the Company for appropriateness of the assumptions used and the methodology applied. We also tested the mathematical accuracy of the model;<br><br>• Assessed the reasonableness of the forward-looking factors used by the management in preparing ECL model; and<br><br>• Assessed the relevant disclosures made in the unconsolidated financial statements to determine whether they are complied with the accounting and reporting standards as applicable in Pakistan. |

**Information Other than the Unconsolidated and Consolidated Financial Statements and Auditor's Reports Thereon**

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the unconsolidated and consolidated financial statements and our auditor's reports thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is **Noman Abbas Sheikh**.

A.F. Ferguson & Co

A. F. Ferguson & Co.
Chartered Accountants
Dated: October 1, 2021
Karachi

# UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Fixed assets | 4 | 1,356,243,443 | 1,736,680,099 |
| Intangible assets | 5 | 3,728,814 | 10,907,307 |
| Net investment in finance lease | 6 | 14,049,104,260 | 14,423,109,666 |
| Current maturity of net investment in finance lease | 13 | (7,470,695,275) | (7,503,453,058) |
| Allowance for potential lease losses | 38 | (840,317,227) | (935,907,045) |
| | | 18,311,012,502) | (8,439,360,103) |
| | | 5,738,091,758 | 5,983,749,563 |
| Investment in subsidiaries | 7 | 322,374,294 | 322,374,294 |
| Investment in associate | 8 | 915,924,945 | 944,087,843 |
| Long-term investments | 9 | 387,046,864 | 442,872,077 |
| Long-term finances and loans | 10 | 4,336,118,777 | 2,312,670,328 |
| Long-term deposits | | 11,421,566 | 12,932,566 |
| | | 13,070,950,461 | 11,766,274,077 |
| **Current assets** | | | |
| Short-term finances | 11 | 6,332,180 | 233,606,528 |
| Accrued return on investments and term finance | 12 | 127,411,324 | 120,754,142 |
| Current maturity of non-current assets | 13 | 10,719,219,359 | 9,458,291,323 |
| Short-term investments | 14 | 327,973,997 | 803,339,788 |
| Advances and prepayments | 15 | 28,306,206 | 18,311,409 |
| Other receivables | 16 | 19,720,651 | 80,233,054 |
| Cash and bank balances | 17 | 213,293,662 | 207,910,897 |
| Defined benefit plan asset | 25 | 8,352,447 | 39,263,947 |
| | | 11,450,609,821 | 10,961,711,088 |
| Assets classified as held for sale | 18 | 264,747,437 | 270,818,625 |
| **Total assets** | | 24,786,307,719 | 22,998,803,790 |
| **EQUITY AND LIABILITIES** | | | |
| **Share capital and reserves** | | | |
| Authorised share capital | | | |
| 350,000,000 (2020: 350,000,000) ordinary shares of Rs. 10 each | | 3,500,000,000 | 3,500,000,000 |
| Issued, subscribed and paid-up capital | 19 | 1,754,076,470 | 1,670,549,020 |
| Reserves | | 6,771,427,291 | 6,563,188,320 |
| | | 8,525,503,761 | 8,233,737,340 |
| **Non-current liabilities** | | | |
| Long-term finances | 21 | 4,727,777,772 | 4,579,592,284 |
| Long-term certificates of deposit | 22 | 2,591,624,552 | 2,629,732,769 |
| Deferred taxation | 23 | 411,606,294 | 515,506,913 |
| Other long-term liabilities | 24 | 287,129,694 | 287,777,777 |
| | | 8,018,138,312 | 8,012,609,743 |
| **Current liabilities** | | | |
| Trade and other payables | 26 | 855,489,861 | 362,241,725 |
| Accrued interest / mark-up / profit on loans, finances and certificates of deposit | 27 | 231,679,239 | 314,177,222 |
| Unpaid dividend | | 185,467,295 | - |
| Unclaimed dividend | | 27,429,217 | 26,901,411 |
| Short-term borrowings | 28 | 1,422,881,763 | 171,304,003 |
| Short-term certificates of deposit | 29 | 1,677,709,483 | 1,046,812,035 |
| Taxation - net | | 171,593,920 | 367,775,838 |
| Current maturity of non-current liabilities | 30 | 3,670,414,848 | 4,463,244,473 |
| | | 8,242,665,646 | 6,752,456,707 |
| **Total equity and liabilities** | | 24,786,307,719 | 22,998,803,790 |
| **Contingencies and commitments** | 31 | | |

The annexed notes 1 to 56 form an integral part of these unconsolidated financial statements.

Shaheen Amin
Chief Executive Officer

Nasim Hyder
Director

Ramon Alfrey
Chief Financial Officer

# UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2021

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | ----------Rupees---------- | |
| **INCOME** | | | |
| **Income from operations** | | | |
| Finance leases | | 2,218,909,215 | 2,932,739,117 |
| Income from operating leases / ijarah | 32 | 88,224,287 | 189,214,890 |
| Mark-up on finances and loans | | 971,212,569 | 926,230,982 |
| | | 3,278,346,071 | 4,048,184,989 |
| **Income from other activities** | | | |
| Other income - net | 33 | 367,407,196 | 359,123,757 |
| Share of profit from associate | 34 | 35,363,150 | 28,938,203 |
| | | 402,770,346 | 388,061,960 |
| | | 3,681,116,417 | 4,436,246,949 |
| **EXPENSES** | | | |
| Finance cost | 35 | 1,193,518,640 | 1,845,045,743 |
| Administrative and general expenses | 36 | 1,135,904,153 | 1,135,780,835 |
| Direct cost | 37 | 85,743,406 | 157,642,995 |
| | | 2,415,166,199 | 3,138,469,573 |
| Profit before provision and taxation | | 1,265,950,218 | 1,297,777,376 |
| (Reversal of provision) / provision for potential lease and other loan losses - net | 38 | (39,987,946) | 311,465,490 |
| Other provision - net | 39 | 21,958,655 | 12,800,809 |
| | | (18,029,291) | 324,266,299 |
| **Profit before taxation** | | 1,283,979,509 | 973,511,077 |
| Taxation | 41 | 369,168,975 | 271,289,487 |
| **Profit for the year after taxation** | | 914,810,534 | 702,221,590 |
| | | | (Restated) |
| **Earnings per share - basic and diluted** | 52 | 5.22 | 4.00 |

The annexed notes 1 to 56 form an integral part of these unconsolidated financial statements.

Shaheen Amin
Chief Executive Officer

Nasim Hyder
Director

Ramon Alfrey
Chief Financial Officer

# UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2021

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | ----------Rupees---------- | |
| Profit for the year after taxation | | 914,810,534 | 702,221,590 |
| **Other comprehensive income** | | | |
| ***Items that will be reclassified to the unconsolidated statement of profit or loss*** | | | |
| Exchange (loss) / gain arising on translation of foreign associate - net of deferred tax | | (43,801,045) | 18,161,765 |
| Surplus on revaluation of leasehold land and office buildings - net of deferred tax | 20 | - | 566,450,107 |
| | | (43,801,045) | 584,611,872 |
| ***Items that will not be subsequently reclassified to the unconsolidated statement of profit or loss*** | | | |
| Fair value changes on remeasurement of financial assets - net of deferred tax | | 660,141 | (137,794,222) |
| Remeasurement (loss) / gain on defined benefit obligation | | (21,050,512) | 32,056,433 |
| Share of other comprehensive income from associate - net of deferred tax | | 781,225 | 118,610 |
| | | (19,609,146) | (105,619,179) |
| **Total comprehensive income for the year** | | 851,400,343 | 1,181,214,283 |

The annexed notes 1 to 56 form an integral part of these unconsolidated financial statements.

Shahzeen Amin
Chief Executive Officer

Nasim Hyder
Director

Ramon Alfrey
Chief Financial Officer

# UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2021

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Operating profit before working capital changes | 42 | 2,506,473,066 | 3,259,953,533 |
| **(Increase) / decrease in operating assets** | | | |
| Investment in finance lease - net | | 373,169,651 | 3,534,987,908 |
| Long-term finances and loans - net | | (3,261,919,350) | 148,087,784 |
| Short-term finances | | 190,802,351 | 22,383,812 |
| Long-term deposits | | 1,511,000 | (542,500) |
| Advances and prepayments | | (9,994,797) | 19,383,284 |
| Other receivables | | 64,041,274 | (38,906,302) |
| | | (2,642,389,871) | 3,685,393,986 |
| **(Decrease) / increase in operating liabilities** | | | |
| Other long term liabilities - net | | (479,612,539) | (417,348,749) |
| Trade and other payables | | 467,176,724 | (601,545,441) |
| | | (12,435,815) | (1,018,894,190) |
| | | (148,352,620) | 5,926,453,329 |
| Payment of provincial Workers' Welfare Fund | | - | (985,545) |
| Payment against staff retirement benefits | | (4,930,496) | (17,607,997) |
| Income tax paid | | (657,571,831) | (279,953,147) |
| **Net cash (used in) / generated from operating activities** | | (810,854,947) | 5,627,906,640 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Capital expenditure incurred - own use and intangible assets | | (61,096,540) | (44,088,718) |
| Capital expenditure incurred - operating lease and ijarah assets | | (2,508,500) | (9,450,000) |
| Proceeds from disposal of assets - own use | | 10,649,366 | 6,654,654 |
| Proceeds from sale of ijarah finance assets | | 293,006,196 | - |
| Investments - net | | 500,687,558 | (524,247,735) |
| Dividend received | | 20,485,308 | 62,554,151 |
| Interest received | | 47,292,878 | 41,481,070 |
| **Net cash generated from / (used in) investing activities** | | 808,716,266 | (467,096,578) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from long-term finances | | 3,200,000,000 | 2,000,000,000 |
| Short-term borrowings - net | | 900,000,000 | (250,000,000) |
| Certificates of deposit redeemed - net | | 462,092,445 | 147,803,717 |
| Repayment of long-term finances | | (3,702,777,779) | (3,774,702,383) |
| Finance cost paid | | (795,880,677) | (1,352,155,162) |
| Payment of lease liability against right-of-use assets | | (33,851,502) | (30,594,904) |
| Dividend paid | | (373,638,821) | (956,225,485) |
| **Net cash used in financing activities** | | (344,056,334) | (4,215,874,217) |
| **Net (decrease) / increase in cash and cash equivalents during the year** | | (346,195,015) | 944,935,845 |
| Cash and cash equivalents at the beginning of the year | | 36,606,894 | (908,328,951) |
| **Cash and cash equivalents at the end of the year** | 43 | (309,588,121) | 36,606,894 |

The annexed notes 1 to 56 form an integral part of these unconsolidated financial statements

Shaheen Amin
Chief Executive Officer

Nasim Hyder
Director

Ramon Alfrey
Chief Financial Officer

# UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2021

| | Issued, subscribed and paid-up capital | Reserves | | | | | | | Total shareholders equity |
|---|---|---|---|---|---|---|---|---|---|
| | | Capital reserves | | | | | Revenue reserve | | |
| | | Share premium | Statutory reserve (note 19.4) | Foreign currency translation reserve | Net surplus / (deficit) on re-measurement of financial assets at fair value through other comprehensive income | Surplus on revaluation of leasehold land and office building (note 20) | Unappropriated profit | Total reserves | |
| | (Rupees) | | | | | | | | |
| **Balance as at July 1, 2019** | 1,670,549,020 | 1,585,210,523 | 1,459,538,379 | 239,588,276 | (70,182,259) | 322,697,105 | 2,825,490,700 | 6,342,539,724 | 8,013,088,744 |
| Profit for the year after taxation | - | - | - | - | - | - | 702,221,590 | 702,221,590 | 702,221,590 |
| Other comprehensive income / (loss) | - | - | - | 18,161,765 | (137,794,222) | 566,450,107 | 32,175,043 | 478,992,693 | 478,992,693 |
| **Total comprehensive income / (loss) for the year ended June 30, 2020** | - | - | - | 18,161,765 | (137,794,222) | 566,450,107 | 734,396,633 | 1,181,214,283 | 1,181,214,283 |
| Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax | - | - | - | - | - | (6,828,720) | 6,828,720 | - | - |
| Transfer to statutory reserve | - | - | 140,444,318 | - | - | - | (140,444,318) | - | - |
| **Transaction with owners recorded directly in equity** | | | | | | | | | |
| - Final cash dividend @ Rs. 3.75 per ordinary share of Rs. 10 each for the year ended June 30, 2019 | - | - | - | - | - | - | (626,455,883) | (626,455,883) | (626,455,883) |
| - Interim cash dividend @ Rs. 2 per ordinary share of Rs. 10 each for the year ending June 30, 2020 | - | - | - | - | - | - | (334,109,804) | (334,109,804) | (334,109,804) |
| | - | - | - | - | - | - | (960,565,687) | (960,565,687) | (960,565,687) |
| **Balance as at June 30, 2020** | 1,670,549,020 | 1,585,210,523 | 1,599,976,697 | 257,750,041 | (207,976,481) | 882,318,492 | 2,495,756,049 | 6,163,188,320 | 8,233,737,340 |
| Profit for the year after taxation | - | - | - | - | - | - | 914,810,534 | 914,810,534 | 914,810,534 |
| Other comprehensive income / (loss) | - | - | - | (43,801,045) | 660,141 | - | (20,269,287) | (63,410,191) | (63,410,191) |
| **Total comprehensive income / (loss) for the year ended June 30, 2021** | - | - | - | (43,801,045) | 660,141 | - | 894,541,247 | 851,400,343 | 851,400,343 |
| Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax | - | - | - | - | - | (18,279,624) | 18,279,624 | - | - |
| Transferred to statutory reserve | - | - | 182,962,107 | - | - | - | (182,962,107) | - | - |
| **Transaction with owners recorded directly in equity** | | | | | | | | | |
| - Issuance of bonus shares | 83,527,450 | (83,527,450) | - | - | - | - | - | (83,527,450) | - |
| - Final cash dividend @ Rs. 1.25 per ordinary share of Rs. 10 each for the year ended June 30, 2020 | - | - | - | - | - | - | (208,818,628) | (208,818,628) | (208,818,628) |
| - Interim cash dividend @ Rs. 2 per ordinary share of Rs. 10 each for the year ending June 30, 2021 | - | - | - | - | - | - | (350,815,294) | (350,815,294) | (350,815,294) |
| | 83,527,450 | (83,527,450) | - | - | - | - | (559,633,922) | (643,161,372) | (559,633,922) |
| **Balance as at June 30, 2021** | 1,754,076,470 | 1,501,683,073 | 1,782,941,804 | 213,948,996 | (207,316,340) | 844,238,868 | 2,635,939,892 | 6,771,427,291 | 8,525,503,761 |

The annexed notes 1 to 56 form an integral part of these unconsolidated financial statements.

Shaheen Amin
Chief Executive Officer

Nasim Hyder
Director

Ramon Alfrey
Chief Financial Officer

## 1 LEGAL STATUS AND OPERATIONS

ORIX Leasing Pakistan Limited ("the Company") was incorporated in Pakistan as a private limited company on July 01, 1986 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) and was converted into a public limited company on December 23, 1987. The Company is listed on the Pakistan Stock Exchange Limited and is licensed to carry out Investment Finance Services as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 issued by the Securities and Exchange Commission of Pakistan (SECP).

The registered office of the Company is situated at ORIX Building, Plot No. 16, Sector No. 24, Korangi Industrial Area, Karachi.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a long-term rating of AA+ (2020: AA+) and a short-term rating of A1+ (2020: A1+) to the Company on March 03, 2021 (2020: March 04, 2020).

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- Provisions of and directives issued under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

Where provisions of and directives issued under the Companies Act, 2017, the IFAS, the NBFC Rules or the NBFC Regulations differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017, the IFAS, the NBFC Rules or the NBFC Regulations have been followed.

2.2 Islamic Financial Accounting Standard (IFAS) 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was adopted by the SECP vide SRO 431(1)/ 2007 dated May 22, 2007. Under IFAS 2, the Ijarah transactions are accounted for in the following manner:

- Mustajir (lessors) presents the assets subject to Ijarah in their statement of financial position according to the nature of the asset. The Mustajir is required to distinguish these Ijarah assets from the assets in own use.
- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income are recognised as expenses.
- Ijarah income is recognised in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

### 2.3 Basis of measurement

These unconsolidated financial statements have been prepared under the historical cost convention except for the following:

- Leasehold land and office building are stated at revalued amounts;
- Certain investments are stated at fair value;
- Non-current assets classified as held-for-sale are valued at lower of carrying amount and fair value less cost to sell;
- Investment in associate is valued under equity accounting method.

**2.4 Functional and presentation currency**

Items included in these unconsolidated financial statements are measured using the currency of the primary economic environment in which the Company operates. These unconsolidated financial statements are presented in Pakistani Rupee which is the Company's functional and presentation currency.

**2.5 Critical accounting estimates and judgments**

The preparation of unconsolidated financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in the application of accounting policies are as follows:

(a) determination of the residual values and useful lives of fixed assets (notes 3.2 and 4);
(b) determination of allowance for potential lease and other loan losses (notes 3.5 and 38);
(c) determination of classification, valuation and impairment of financial assets (note 3.10);
(d) classification and valuation of assets classified as held for sale (notes 3.6 and 18);
(e) recognition of taxation and deferred tax (notes 3.16 and 41);
(f) accounting for defined benefit obligation (notes 3.17 and 25);
(g) provision against workers' welfare fund (notes 26 and 39); and
(h) impairment of non-financial assets (note 3.9).

**2.6 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current year:**

2.6.1 There are certain amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2020 but are considered not to be relevant or do not have any significant effect on the Company's operations and are, therefore, not detailed in these unconsolidated financial statements.

**2.7 Interpretations and amendments to published accounting and reporting standards that are not yet effective:**

2.7.1 The following amendments and interpretations with respect to published accounting and reporting standards would be effective from the date mentioned below against the respective amendments or interpretations:

| Interpretations or Amendments | Effective date (accounting period beginning on or after) |
|---|---|
| - IAS 1 - 'Presentation of financial statements' (amendments) | January 1, 2023 |
| - IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendments) | January 1, 2023 |

The amendments highlighted above may impact the unconsolidated financial statements of the Company on adoption. The management is currently in the process of assessing the impact of these amendments on the unconsolidated financial statements of the Company.

2.7.2 There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after July 1, 2021 but are considered not to be relevant or will not have any significant effect on the Company's operations and are, therefore, not detailed in these unconsolidated financial statements.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting polices applied in the preparation of these unconsolidated financial statements are set out below. These polices have been consistently applied to all the years presented unless otherwise stated.

### 3.1 Business combination

Business combinations are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the Company's share of identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognised directly in the unconsolidated statement of profit or loss.

### 3.2 Fixed assets

#### 3.2.1 Own use, operating lease and capital work in progress

Fixed assets (except leasehold land and office building) are stated at cost less accumulated depreciation and impairment losses, if any. Leasehold land and office building are carried at revalued amounts less accumulated depreciation and subsequent impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Cost incurred to replace a component of an item of fixed asset is capitalised and the asset so replaced is retired from use. All repairs and maintenance expenditure are charged to the unconsolidated statement of profit or loss during the period in which these are incurred.

Depreciation is charged using the straight line method over the estimated useful lives of assets, at the rates specified in notes 4.1 and 4.2 to these unconsolidated financial statements after taking into account residual values if significant. Cranes under operating lease are depreciated at the rates specified in note 4.2 by considering residual values. The carrying value of leasehold land is amortised over its lease term. Depreciation on additions is charged from the month in which the assets are available for use. No depreciation is charged in the month of disposal.

Accounting treatment and presentation of revaluation of fixed assets is in conformity with IAS 16 'Property, Plant and Equipment'. Revaluation surplus on fixed assets is presented in the unconsolidated statement of financial position and unconsolidated statement of changes in equity as a capital reserve.

An increase arising on revaluation is credited to the surplus on revaluation of leasehold land and office building. A decrease arising on revaluation of leasehold land and office building is adjusted against the surplus of that asset or, if no surplus exists, is charged to the unconsolidated statement of profit or loss as an impairment of the asset. A surplus arising subsequently on an impaired asset is reversed through the unconsolidated statement of profit or loss up to the extent of the original impairment. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the unconsolidated statement of profit or loss and depreciation based on the asset's original cost, net of deferred taxation, is reclassified from revaluation surplus on leasehold land and office building to unappropriated profit.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains / losses on disposal of fixed assets, if any, are taken to the unconsolidated statement of profit or loss in the period in which they arise except that the related surplus on revaluation of leasehold land and office building (net of deferred taxation) is transferred directly to unappropriated profit.

Assets having an indefinite useful life are stated at acquisition cost less accumulated impairment losses, if any.

The residual values, useful lives and methods of depreciation of assets are reviewed and adjusted, if appropriate, at each reporting date.

Capital work-in-progress is stated at cost less impairment loss, if any and consists of expenditure incurred (including any borrowing cost, if applicable) and advances made in the course of their construction and installation. Transfers are made to relevant asset category as and when assets are available for intended use.

### 3.2.2 Ijarah assets

Rental from Ijarah arrangements are recognised in the unconsolidated statement of profit or loss on an accrual basis as and when rentals become due. Costs, including depreciation, incurred in earning the Ijarah income are recognised as an expense. Initial direct costs incurred specifically to earn revenues from Ijarah are recognised as an expense in the period in which they are incurred. The Ijarah assets are depreciated over the period of ijarah finance on a straight line basis over the underlying term of the contract as stated in note 4.3.

### 3.2.3 Lease liability and right-of-use assets

The Company lease premises of certain branches. Rental contracts are typically for a period of 3 years and may have renewal options as described below. At inception of a contract, the Company assesses whether a rental contract conveys the right to control the use of the rented premises for a period of time in exchange for consideration. Lease term is negotiated on an individual basis.

In determining the lease term, the management considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease liability is initially measured at the present value of the lease payments over the period of lease term and that are not paid at the commencement date, discounted using the Company's incremental borrowing rate.

Lease payments include fixed payments less any lease incentive receivable, variable lease payment that are based on an index or a rate which are initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Company under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payment.

The lease liability is remeasured when the Company reassesses the reasonable certainty of exercising the extension or termination option upon occurrence of either a significant event or a significant change in circumstances, or when there is a change in assessment of an option to purchase underlying asset, or when there is a change in amount expected to be payable under a residual value guarantee, or when there is a change in future lease payments resulting from a change in an index or rate used to determine those payment. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the unconsolidated statement of profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

When there is a change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease, it is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increases the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use assets.

Right-of-use assets are initially measured at an amount equal to the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to be incurred to dismantle and remove the underlying assets or to restore the underlying assets or the site on which the assets are located.

Right-of-use assets are subsequently measured at cost model and depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. Right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company has elected to apply the practical expedient of not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight line basis over the lease term.

### 3.3 Intangible assets

Intangible assets having definite lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets having indefinite lives are stated at cost less accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Amortisation is charged using the straight-line method over the estimated useful lives of the assets at the rates specified in note 5.1. Amortisation on additions is charged from the month in which the assets are available for use. No amortisation is charged in the month of disposal. The residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Gains / losses on disposal of intangible assets, if any, are taken to the unconsolidated statement of profit or loss in the period in which these arise.

### 3.4 Net investment in finance lease

Leases in which the Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. A receivable is recognised at an amount equal to the present value of the minimum lease payments, including any guaranteed residual value. The "net investment in finance lease" included in the unconsolidated financial statements is recorded as net of adjustable security deposit.

### 3.5 Allowance for potential lease and other loan losses

The Company applies IFRS 9 simplified approach and general approach for lease and loan losses respectively to determine Expected Credit Losses (ECL). A lifetime ECL is recorded on loans in which there has been Significant Increase in Credit Risk (SICR) from the date of initial recognition and on loans which are credit impaired as on the reporting date. A 12 months ECL is recorded for loans which do not meet the criteria for SICR or "credit impaired" as at the reporting date. To assess whether there is a significant increase in the credit risk, the Company compares the risk of a default occurring on the loans as at the reporting date with the risk of default as at the date of initial recognition. The Company also considers reasonable and supportive forward-looking information in the determination of ECL. The allowance is increased by provisions charged to the unconsolidated statement of profit or loss and is decreased by charge-offs, net of recoveries.

Calculating ECL for lease and loan is subject to numerous judgments and estimates. In evaluating the adequacy of ECL, the management considers various factors, including the nature and characteristics of the obligor, current economic conditions, credit concentrations or deterioration in collateral, historical loss experience and delinquencies. The management further considers the impact of forward-looking information and its resulting impact on the provision for lease and loan portfolio of the Company.

During the year, the Institute of Chartered Accountant of Pakistan (ICAP) has issued 'Accounting Guideline Application of IFRS 9 by Non-Banking Finance Companies' dated May 26, 2021, which allows NBFC's to apply the requirements of IFRS 9 in conjunction with the requirements of NBFC Regulations. Accordingly, the Company has recognised allowance for potential lease and other loans losses as the higher of provisioning requirements as specified under the NBFC Regulations and IFRS 9.

### 3.6 Assets classified as held for sale

The Company classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset classified as held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised through the unconsolidated statement of profit or loss for any initial or subsequent write down of the non-current asset to fair value less costs to sell. Subsequent gains in fair value less cost to sell are recognised to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale.

### 3.7 Investment in subsidiaries

Investment in subsidiaries is initially recognised at cost. At subsequent reporting dates, the recoverable amount is estimated to determine the extent of impairment loss, if any, and carrying amount of the investment is adjusted accordingly.

### 3.8 Investment in associate

Investment in associate is accounted for under the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method of accounting, the investment in an associate is carried in the unconsolidated statement of financial position at cost plus post-acquisition changes in the Company's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Company determines whether it is necessary to recognise any additional impairment loss with respect to the Company's net investment in the associate. The unconsolidated statement of profit or loss reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of an associate, the Company recognises its share of any changes and discloses this, when applicable, in the unconsolidated statement of changes in equity.

Associates' accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

The Company discontinues the use of the equity method from the date when it loses the power to participate in the financial and operating policy decisions of the investee. If the retained interest of the Company in the former associate is a financial asset, the Company measures the retained interest at its fair value. The fair value of the retained interest is regarded as its fair value on initial recognition as a financial asset. The Company recognises in the unconsolidated statement of profit or loss any difference between the fair value of the retained interest and any proceeds from disposing of a partial interest in the associate and the carrying amount of the investment at the date the equity method was discontinued.

When the investment in associate is sold, all amounts previously recognised in 'other comprehensive income' in relation to that investment are reclassified to the unconsolidated statement of profit or loss.

### 3.9 Impairment of non-financial assets

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognised in the unconsolidated statement of profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

### 3.10 Financial assets

#### 3.10.1 Classification and subsequent measurement

The Company classifies its financial assets in the following measurement categories:

- at amortised cost;
- at fair value through other comprehensive income (FVOCI) with recycling of cumulative gains and losses;
- at FVOCI with no recycling of cumulative gains and losses upon derecognition; and
- at fair value through profit or loss (FVPL).

**a) At amortised cost**

The Company measures financial assets at amortised cost if the financial asset is held within a business model with an objective to hold and collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3.10.2. Gains and losses are recognised in the unconsolidated statement of profit or loss when the asset is derecognised, modified or impaired.

**b) At fair value through other comprehensive income (FVOCI) with recycling of cumulative gains and losses**

The Company measures financial assets at FVOCI if the financial asset is held within a business model with an objective of both holding to collect contractual cash flows and selling and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment losses or reversals, recognised and measured as described in note 3.10.2, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the unconsolidated statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the unconsolidated statement of profit or loss.

**c) At FVOCI with no recycling of cumulative gains and losses upon derecognition**

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to the unconsolidated statement of profit or loss. Dividends are recognised in the unconsolidated statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

**d) Fair value through profit or loss (FVPL)**

Assets that do not meet the criteria for classification at amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in the unconsolidated statement of profit or loss in the period in which it arises.

**3.10.2 Impairment**

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost and FVOCI. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company applies the IFRS 9 simplified approach to measure expected credit losses for leases, Ijarah finance, musharikah finance and microfinance. For all other financial assets, a life time ECL is recorded in which there has been Significant Increase in Credit Risk (SICR) from the date of initial recognition and for financial assets which are credit impaired as on reporting date. A 12 months ECL is recorded for all other financial assets which do not meet the criteria for SICR or "credit impaired" as at reporting date.

**3.10.3 Derecognition**

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either

(i) the Company transfers substantially all the risks and rewards of ownership, or

(ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control

**3.10.4 Regular way contracts**

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Company commits to purchase or sell the asset.

**3.10.5 Initial recognition**

Financial assets are recognised at the time the Company becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value plus transaction costs except for financial assets carried at FVPL. Financial assets carried at FVPL are initially recognised at fair value and transaction costs associated with these financial assets are taken directly to the unconsolidated statement of profit or loss.

**3.10.6 Business model**

The business model reflects how the Company manages the assets in order to generate cash flows, that is, whether the objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

**3.10.7 SPPI**

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

**3.10.8 Reclassifications**

The Company reclassifies financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

**3.10.9 Write-offs**

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Against each customer's outstanding exposure which stands as impaired, the Company makes an assessment with respect to the timing and amount of write-off based on the expectation of recovery. However, financial assets that are written off remain subject to legal enforcement activities for recovery of amounts due.

**3.11 Financial liabilities**

Financial liabilities are recognised at the time the Company becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value less any directly attributable transaction cost.

Financial liabilities are subsequently measured at amortised cost except for:

- Financial liabilities at fair value through profit and loss; and
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer.

**3.11.1 Derecognition**

Financial liabilities are derecognised at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the unconsolidated statement of profit or loss.

**3.12 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the unconsolidated financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

**3.13 Certificate of deposits, borrowings, finances, loans and their costs**

These are initially recognised at cost being the fair value of consideration received. Subsequently, these are carried at amortised cost using the effective interest method.

Costs in respect of above are recognised as an expense in the period in which these are incurred using the effective interest method.

Transaction costs, if any, are amortised over the period of agreement using the effective interest method.

**3.14 Provisions**

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

**3.15 Contingent liabilities**

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or the Company has a present legal or constructive obligation that arise from past events but it is not probable that an outflow of resources embodying benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

**3.16 Taxation**

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

**Current**

Provision for current taxation is based on taxable income for the year at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any. Tax charge for the current year is determined in accordance with the prevailing laws for taxation. The charge for current tax is calculated using tax rates enacted or substantively enacted at the reporting date. The charge for the current tax also includes adjustments relating to prior years, if necessary, arising from assessments finalised during the year.

**Deferred**

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. In addition, the Company also records deferred tax asset on available tax losses, if any. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

The Company also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities / fixed assets / foreign currency translation reserves which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS) 12 Income Taxes.

**3.17 Staff retirement benefits**

**(a) Defined contribution plan**

The Company operates a recognised contributory Provident Fund Scheme (the Fund) for all its permanent employees who have completed the minimum qualifying period in accordance with the HR policy. The Fund is administered by a Board of Trustees. Equal monthly contributions to the Fund are made both by the Company and by the employees at the rate of 10% of basic salary.

**(b) Defined benefit plan**

The Company operates an approved funded gratuity scheme covering all permanent employees who have completed the minimum qualifying period of three years of service under the scheme. The scheme is administered by a Board of Trustees and contributions therein are made in accordance with the actuarial recommendations. The valuation in this regard is carried out at each reporting date, using the Projected Unit Credit Method for the valuation of the scheme.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income when these occur with no subsequent transfer through the unconsolidated statement of profit or loss.

**3.18 Employees compensated absences**

During the year, the Company has changed its basis for compensated absences for its eligible permanent employees. Previously, the Company operated an 'Accumulated paid absences' policy whereby the absences were of a vesting nature (employees were entitled to cash payments for unused entitlement on leaving the Company) and accordingly, recognised an obligation amounting to Rs 31.29 million as at June 30, 2020 measured on the basis of actuarial recommendations using the Projected Unit Credit Method, as per the requirements of IAS 19 which has been derecognised during the current period due to change in the HR policy.

Under the new policy which is effective from July 1, 2020, all un-availed privilege leave will lapse at year end with no accumulation or carry forward of privilege leave to the next year. Accordingly, the Company shall have no obligation at the close of the year to record any liability in respect of compensated absences at the year end.

**3.19 Foreign currency transactions**

Transactions in foreign currencies are translated to rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the reporting date.

Non-monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the date of initial recognition of the non-monetary assets / liabilities.

**Foreign operations**

The assets and liabilities of foreign operations (associate) are translated to rupees at exchange rates prevailing at the reporting date. The results of foreign operations are translated at the average rates of exchange for the year.

**Translation gains and losses**

Translation gains and losses are taken to the unconsolidated statement of profit or loss, except those arising on translation of the net investment in foreign operations (associate) which are taken to the unconsolidated statement of profit or loss and other comprehensive income under foreign currency translation reserve until the disposal of the net investment, at which time these are recognised in the unconsolidated statement of profit or loss.

**3.20 Revenue recognition**

**3.20.1 Finance leases**

The Company follows the 'financing method' in accounting for finance lease. The total unearned finance income i.e. the excess of aggregate instalment contract receivables plus residual value over the cost of the leased asset is deferred and amortised over the term of the lease, so as to produce a systematic return on the net investment in finance lease. Revenue recognition from finance leases is suspended when rent is past due by ninety days or more. Front end fee and other lease related income is recognised on receipt basis.

**3.20.2 Operating lease income**

Rental income from assets classified as operating lease is recognised on an accrual basis.

**3.20.3 Ijarah lease income**

Rental income from Ijarah arrangement is recognised on an accrual basis.

**3.20.4 Return on investments**

Return on debt securities and deposit accounts is recognised using the effective interest method.

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

Gain / loss on sale of investments is recognised in the period in which it arises.

**3.20.5 Finances and loans**

Income on finances and loans is recognised on a time proportionate basis using effective interest rate method taking into account the principal outstanding and applicable rates of interest / return thereon except in case of finance and loans classified under the NBFC Regulations, on which income is recognised on a receipt basis.

Income recognition on finances and loans is suspended when it is past due by ninety days or more and thirty days or more in case of micro finance portfolio.

Interest / mark-up on rescheduled / restructured leases, finances, loans and investments is recognised in accordance with the requirements of the NBFC Regulations.

**3.20.6 Others**

Other income is recognised on receipt basis.

### 3.21 Earnings per share

The Company presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders, and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

### 3.22 Proposed dividend and transfer between reserves

Dividends declared and transfers between reserves, except appropriations which are required by law, made subsequent to the reporting date are considered as non-adjusting events and are recognised in the unconsolidated financial statements in the period in which such dividends are declared / transfers are made.

### 3.23 Cash and cash equivalents

Cash and cash equivalents for the purposes of unconsolidated statement of cash flows includes cash and bank balances and short term running finance facilities that form an integral part of the Company's cash management.

### 3.24 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components.

Operating segments are reported in a manner consistent with the internal reporting structure. The management monitors the operating results of its business units separately for the purpose of making decisions regarding resources allocation and performance assessment. Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated assets and liabilities.

### 3.25 Commitments

Commitments are disclosed in the financial statements at committed amounts.

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| 4 | FIXED ASSETS | | ---------- Rupees ---------- | |
| | Own use (including capital work-in-progress) | 4.1 | 1,131,534,112 | 1,147,780,393 |
| | Operating leases | 4.2 | 124,270,850 | 134,373,122 |
| | Ijarah assets | 4.3 | 6,462,738 | 340,687,251 |
| | Right-of-use assets | 4.4 | 93,975,743 | 113,839,333 |
| | | | 1,356,243,443 | 1,736,680,099 |

# NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

## 4.1 Fixed assets - own use (including capital work-in-progress)

| Description | 2021 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost / revalued amount | | | | Accumulated depreciation | | | | Net book value | Rate of depreciation / number of years of useful life |
| | As at July 1, 2020 | Additions / (disposals) / (write off) * | Adjustments due to revaluation | As at June 30, 2021 | As at July 1, 2020 | Charge for the year / (disposals) / (write off)* | Adjustments due to revaluation | As at June 30, 2021 | As at June 30, 2021 | |
| | Rupees | | | | | | | | | |
| Leasehold land | 855,570,000 | - | - | 855,570,000 | | 12,507,500 | | 12,507,500 | 843,062,500 | 77 & 99 years |
| Office building | 109,858,358 | | - | 109,858,358 | - | 10,985,833 | - | 10,985,833 | 98,872,525 | 11.1% |
| Leasehold improvements | 170,637,704 | 15,028,476<br>(7,792,255) * | | 177,873,925 | 104,503,372 | 15,249,104<br>(7,792,255) * | - | 111,957,221 | 65,995,704 | 10% - 33% |
| Furniture, fittings and office equipment | 126,033,855 | 19,604,390<br>(1,616,600) | - | 144,221,645 | 101,203,544 | 10,526,300<br>(1,616,471) | - | 110,113,373 | 34,108,275 | 15% - 20% |
| Vehicles | 91,353,311 | 11,243,492<br>(11,658,100) | | 90,938,203 | 35,634,479 | 6,097,510<br>(5,198,495) | - | 36,532,994 | 54,405,209 | 4-5 years |
| Computers and accessories | 76,845,063 | 14,923,251<br>(136,300) | - | 91,632,994 | 56,562,799 | 11,037,613<br>(136,300) | - | 66,463,112 | 25,097,882 | 33% |
| Machinery | 15,924,013 | 117,500 | | 16,041,513 | 477,717 | 1,442,836 | - | 1,920,553 | 14,120,957 | 10 years |
| | 1,449,222,304 | 61,037,054<br>(13,410,420)<br>(7,792,255) * | - | 1,489,046,701 | 298,441,911 | 70,573,196<br>(8,710,266)<br>(7,792,255) * | - | 334,512,586 | 1,151,534,112 | |

| Description | 2020 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Cost / revalued amount | | | | Accumulated depreciation | | | | Net book value | Rate of depreciation / number of years of useful life |
| | As at July 1, 2019 | Additions / transferred * / (disposals / transfers** / (write off) | Adjustments due to revaluation | As at June 30, 2020 | As at July 1, 2019 | Charge for the year / (disposals) / (write off) | Adjustments due to revaluation | As at June 30, 2020 | As at June 30, 2020 | |
| | Rupees | | | | | | | | | |
| Leasehold land | 344,450,000 | | 531,606,106<br>(20,486,106) | 855,570,000 | 15,364,484 | 5,121,922 | (20,486,106) | | 855,570,000 | 77 & 99 years |
| Office building | 87,798,647 | - | 49,076,057<br>(27,014,346) | 109,858,358 | 20,260,758 | 6,753,588 | (27,014,346) | | 109,858,358 | 11.1% |
| Leasehold improvements | 139,882,409 | 9,256,799<br>58,333,310 *<br>(2,299,385)<br>(7,535,449) | - | 170,637,704 | 99,050,206 | 7,788,184<br>(1,379,019)<br>(1,936,449) | - | 104,503,372 | 66,134,332 | 10% - 33% |
| Furniture, fittings and office equipment | 123,358,978 | 1,815,687<br>3,422,296 *<br>(1,713,400)<br>(849,916) | - | 126,033,855 | 82,923,710 | 13,607,249<br>(1,619,818)<br>(847,597) | - | 101,203,544 | 24,770,311 | 15% - 20% |
| Vehicles | 100,134,026 | 3,346,785<br>(12,088,000)<br>(61,500) | - | 91,353,311 | 35,019,512 | 7,676,882<br>(7,200,425)<br>(61,500) | - | 35,634,479 | 55,718,832 | 4-5 years |
| Computers and accessories | 68,710,019 | 11,754,839<br>136,300 *<br>(3,714,341)<br>(103,754) | - | 76,845,063 | 49,652,966 | 10,867,928<br>(3,714,341)<br>(103,754) | - | 56,562,799 | 20,282,264 | 33% |
| Machinery | - | 15,924,013 * | - | 15,924,013 | - | 477,717 | - | 477,717 | 15,446,296 | 10 years |
| Capital work-in-progress | 60,470,098 | 16,155,133<br>(74,877,922) *<br>(345,889) **<br>(1,401,420) *** | - | - | - | - | | | - | |
| | 904,802,178 | 42,329,449<br>(19,793,106)<br>(345,889) **<br>(1,401,420) ***<br>(2,550,616) | 580,682,163<br>(47,500,452) | 1,449,222,304 | 309,711,666 | 52,493,180<br>(13,714,203)<br>(2,549,300) | (47,500,452) | 298,441,911 | 1,147,780,393 | |

* Transfer from capital work in progress

** Charged to office repair and maintenance expense

*** Transfer to intangible assets (note 5)

**4.1.1** For the year ended June 30, 2020 the leasehold land and building of the Company were revalued by M/s. Surval (an independent professional valuer) on the basis of professional assessment of the present market values which resulted in an increase in surplus on revaluation by Rs. 580.68 million.

Had the revaluation not been carried out, costs, accumulated depreciation and written down value of leasehold land and office building thereon would have been as follows:

| | 2021 | | |
|---|---|---|---|
| | Cost | Accumulated depreciation | Net book value |
| | Rupees | | |
| Leasehold land | 54,399,300 | 9,655,327 | 44,743,973 |
| Office building | 76,781,580 | 45,889,066 | 30,892,514 |
| | 131,180,880 | 55,544,393 | 75,636,487 |

| | 2020 | | |
|---|---|---|---|
| | Cost | Accumulated depreciation | Net book value |
| | Rupees | | |
| Leasehold land | 54,399,300 | 9,044,908 | 45,354,392 |
| Office building | 76,781,580 | 42,049,987 | 34,731,593 |
| | 131,180,880 | 51,094,895 | 80,085,985 |

**4.1.2** Included in the cost of fixed assets - own use are fully depreciated items which are still in use aggregating to Rs. 246.28 million (2020: Rs. 228.88 million).

**4.1.3** Details of fixed assets - own use disposed of during the year are as follows:

| Description | Cost | Accumulated depreciation | Book value | Sale proceeds | Gain on disposal | Mode of disposal | Particulars of buyers |
|---|---|---|---|---|---|---|---|
| | Rupees | | | | | | |
| **Book value not exceeding Rs. 500,000 each** | | | | | | | |
| Vehicles (various) | 2,280,500 | 1,349,935 | 930,565 | 1,709,436 | 778,871 | | |
| Furniture, fittings and office equipment | 1,616,602 | 1,376,471 | 240,131 | 318,463 | 78,339 | Negotiation | Various |
| Computers and accessories | 135,300 | 135,300 | - | 65,801 | 65,801 | Negotiation | Various |
| | 4,032,402 | 2,861,706 | 1,170,696 | 2,093,700 | 923,011 | Negotiation | Various |
| **Book value exceeding Rs. 500,000 each** | | | | | | | |
| Vehicle | 1,647,000 | 988,200 | 658,800 | 658,800 | | Company policy | Mr. Syed Shujat Ali Shah* |
| Vehicle | 2,174,000 | 1,304,400 | 869,600 | 869,600 | - | Company policy | Ms. Maryam Aziz ** |
| Vehicle | 5,557,000 | 1,555,960 | 4,001,040 | 7,227,266 | 3,226,226 | Negotiation | Mr. Murtaza Fazal Godil |
| | 9,378,000 | 3,848,560 | 5,529,440 | 8,755,666 | 3,226,226 | | |
| Total - June 30, 2021 | 13,410,402 | 6,710,266 | 6,700,136 | 10,849,366 | 4,149,237 | | |
| Total - June 30, 2020 | 19,793,106 | 13,714,203 | 6,078,903 | 6,652,335 | 573,432 | | |

* Employee of the Company

**Key Management Personnel of the Company

**4.1.4** Particulars of the Company's immovable fixed assets - own use are as follows:

| Particulars | Location | Area |
|---|---|---|
| Head Office Building | Plot no. 16, sector no. 24, Korangi Industrial Area, Karachi | 44,893 Sq. feet |
| Office Building | Plot no. 49, sector no. 24, Korangi Industrial Area, Karachi | 4,477 Sq. feet |
| Leasehold Land | Plot no. 16, sector no. 24, Korangi Industrial Area, Karachi | 6,667 Sq. Yds. |
| Leasehold Land | Plot no. 49, sector no. 24, Korangi Industrial Area, Karachi | 2,222 Sq. Yds. |

**4.1.5** The depreciation expense for the year has been charged to administrative and general expenses.

## 4.2 Fixed assets - operating leases

| Description | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cost | | | Accumulated depreciation | | | Net book value | |
| | As at July 1, 2020 | Additions | As at June 30, 2021 | As at July 1, 2020 | Charge for the year | As at June 30, 2021 | As at June 30, 2021 | Number of years of useful life |
| | Rupees | | | | | | | |
| Cranes | 155,419,512 | - | 155,419,512 | 21,046,390 | 10,102,272 | 31,148,662 | 124,270,850 | 10 years |

| Description | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cost | | | Accumulated depreciation | | | Net book value | |
| | As at July 1, 2019 | Additions | As at June 30, 2020 | As at July 1, 2019 | Charge for the year | As at June 30, 2020 | As at June 30, 2020 | Number of years of useful life |
| | Rupees | | | | | | | |
| Cranes | 155,419,512 | - | 155,419,512 | 10,944,118 | 10,102,272 | 21,046,390 | 134,373,122 | 10 years |

**4.2.1** The depreciation expense for the year has been charged to direct cost.

## 4.3 Fixed assets - ijarah assets

| Description | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cost | | | Accumulated depreciation | | | Net book value | |
| | As at July 1, 2020 | Additions / (disposals) | As at June 30, 2021 | As at July 1, 2020 | Charge / (disposal) for the year | As at June 30, 2021 | As at June 30, 2021 | Number of years of useful life |
| | Rupees | | | | | | | |
| Machinery and generators | 669,583,590 | - (642,733,591) | 26,849,999 | 337,407,132 | 48,644,655 (359,201,788) | 26,849,999 | - | 2.67 to 4 years |
| Vehicles | 13,083,960 | 2,508,500 (1,650,000) | 13,942,460 | 4,573,167 | 3,685,720 (779,165) | 7,479,722 | 6,462,738 | 3 to 5 years |
| | 682,667,550 | 2,508,500 (644,383,591) | 40,792,459 | 341,980,299 | 52,330,375 (359,980,953) | 34,329,721 | 6,462,738 | |

| Description | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cost | | | Accumulated depreciation | | | Net book value | |
| | As at July 1, 2019 | Additions / (disposals) | As at June 30, 2020 | As at July 1, 2019 | Charge / (disposal) for the year | As at June 30, 2020 | As at June 30, 2020 | Number of years of useful life |
| | Rupees | | | | | | | |
| Machinery and generators | 673,583,590 | - (4,000,000) | 669,583,590 | 214,183,063 | 127,224,069 (4,000,000) | 337,407,132 | 332,176,458 | 2.67 to 4 years |
| Vehicles | 32,692,460 | 9,450,000 (29,058,500) | 13,083,960 | 30,669,329 | 2,762,338 (29,058,500) | 4,573,167 | 8,510,793 | 3 to 5 years |
| | 706,276,050 | 9,450,000 (33,058,500) | 682,667,550 | 245,052,392 | 129,986,407 (33,058,500) | 341,980,299 | 340,687,251 | |

**4.3.1** Details of fixed assets - ijarah finance disposed of during the year are as follows:

| | Cost | Accumulated depreciation | Book value | Sale proceeds | Gain / (loss) on disposal | Mode of disposal | Particulars of buyers |
|---|---|---|---|---|---|---|---|
| | Rupees | | | | | | |
| Machinery and generators | 642,733,591 | 359,201,756 | 283,531,803 | 292,153,589 | 8,621,786 | As per contract terms | Crend Rental Modaraba |
| Vehicles | 1,650,000 | 779,165 | 870,835 | 852,607 | (18,228) | As per contract terms | Surmawala Electronics |
| Total - June 30, 2021 | 644,383,591 | 359,980,953 | 284,402,638 | 293,006,196 | 8,603,558 | | |
| Total - June 30, 2020 | 33,058,600 | 33,058,600 | - | - | - | | |

**4.3.2** The depreciation expense for the year has been charged to direct cost.

## 4.4 Right-of-use assets

| Description | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cost | | | Accumulated depreciation | | | Net book value | |
| | As at July 1, 2020 | Additions / (disposals) | As at June 30, 2021 | As at July 1, 2020 | Charge / (on disposals) for the year | As at June 30, 2021 | As at June 30, 2021 | Number of years of useful life |
| | Rupees | | | | | | | |
| Rental Property | 139,676,484 | 18,495,800<br>(14,091,840) | 144,080,444 | 25,837,151 | 26,315,799<br>(2,048,249) | 50,104,701 | 93,975,743 | 1 to 8.78 years |
| | 139,676,484 | 18,495,800<br>(14,091,840) | 144,080,444 | 25,837,151 | 26,315,799<br>(2,048,249) | 50,104,701 | 93,975,743 | |

| Description | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cost | | | Accumulated depreciation | | | Net book value | |
| | As at July 1, 2019 | Additions | As at June 30, 2020 | As at July 1, 2019 | Charge / (on disposals) for the year | As at June 30, 2020 | As at June 30, 2020 | Number of years of useful life |
| | Rupees | | | | | | | |
| Rental Property | 132,115,778 | 7,560,706 | 139,676,484 | - | 25,837,151 | 25,837,151 | 113,839,333 | 1 to 8.78 years |

**4.4.1** The depreciation expense for the year has been charged to administrative and general expenses.

| | Note | 2021 | 2020 |
|---|---|---|---|
| **5 INTANGIBLE ASSETS** | | Rupees | |
| Computer software and license | 5.1 | 3,728,814 | 10,907,307 |

**5.1** Following is a statement of intangible assets:

| Description | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cost | | | Accumulated amortisation | | | Net book value | |
| | As at July 1, 2020 | Additions | As at June 30, 2021 | As at July 1, 2020 | Charge for the year | As at June 30, 2021 | As at June 30, 2021 | Rate of amortisation |
| | Rupees | | | | | | | |
| Computer software and license | 92,454,395 | 69,486 | 92,523,881 | 81,547,088 | 7,247,979 | 88,795,067 | 3,728,814 | 33% |
| | 92,454,395 | 69,486 | 92,523,881 | 81,547,088 | 7,247,979 | 88,795,067 | 3,728,814 | |

| Description | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cost | | | Accumulated amortisation | | | Net book value | |
| | As at July 1, 2019 | Additions / transfer | As at June 30, 2020 | As at July 1, 2019 | Charge for the year | As at June 30, 2020 | As at June 30, 2020 | Rate of amortisation |
| | Rupees | | | | | | | |
| Computer software and license | 89,293,706 | 1,759,269<br>1,401,420 * | 92,454,395 | 70,944,065 | 10,603,023 | 81,547,088 | 10,907,307 | 33% |
| | 89,293,706 | 1,759,269<br>1,401,420 * | 92,454,395 | 70,944,065 | 10,603,023 | 81,547,088 | 10,907,307 | |

* transferred from capital work-in-progress

**5.2** Included in the cost of intangible assets are fully amortised items which are still in use aggregating to Rs. 78.82 million (2020: Rs. 60.99 million).

**5.3** The amortisation expense for the year has been charged to administrative and general expenses.

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| **6** | **NET INVESTMENT IN FINANCE LEASE** | | Rupees | |
| | Instalment contract receivables | | 16,873,260,459 | 17,778,931,662 |
| | Residual value | | 7,331,519,014 | 7,578,780,621 |
| | Less: adjustable security deposit | 6.1 | (7,310,865,773) | (7,554,263,764) |
| | Gross investment in finance lease | 6.2 | 16,893,913,700 | 17,803,448,519 |
| | Less: unearned finance income | | 2,844,809,440 | 3,380,338,853 |
| | Present value of investment in finance lease | | 14,049,104,260 | 14,423,109,666 |

**6.1** Security deposit is received from the lessees under finance lease contract which is adjustable at the expiry of the lease period.

**6.2** **Details of investment in finance lease**

| | Gross investment in finance lease | | Present value of investment in finance lease | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | Rupees | | | |
| Less than one year | 9,207,810,785 | 9,582,058,187 | 7,470,695,275 | 7,503,453,058 |
| One to five years | 7,686,102,915 | 8,221,390,332 | 6,578,408,985 | 6,919,656,608 |
| | 16,893,913,700 | 17,803,448,519 | 14,049,104,260 | 14,423,109,666 |

**6.3** The Company's implicit rate of return on leases ranges from 9.34% to 27.55% (2020: 11.67% to 27.55%) per annum. These are secured against leased assets, security deposits averaging 22.75% (2020: 21.64%) of the cost of leased assets and personal guarantees.

**6.4** Based on the NBFC Regulations, the aggregate amount of portfolio on which income is suspended as at June 30, 2021 amounted to Rs. 977.16 million (2020: Rs. 1,484.43 million).

**6.5** Lease rentals received during the year amounted to Rs. 9,286 million (2020: Rs. 10,648 million).

## 7 INVESTMENT IN SUBSIDIARIES

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| **Related parties** | | | |
| - ORIX Services Pakistan (Private) Limited (OSPPL) - unlisted | 7.1 | 182,430,262 | 182,430,262 |
| - ORIX Modaraba - listed | 7.2 | 139,944,032 | 139,944,032 |
| | | 322,374,294 | 322,374,294 |

7.1 The Company holds 100% shareholding (4,450,000 shares (2020: 4,450,000 shares)) in ORIX Services Pakistan (Private) Limited (OSPPL), a management company managing ORIX Modaraba.

The Company is incorporated in Karachi, Pakistan. The latest available financial statements, which are prepared on a going concern basis for the year ended June 30, 2021, have been audited by KPMG Taseer Hadi & Co., Chartered Accountants.

7.2 The Company holds 10% certificates (4,538,353 certificates (2020: 4,538,353 certificates)) in ORIX Modaraba which is being managed by OSPPL as the Modaraba management company. Since the Company holds 100% shareholding in the management company as mentioned in note 7.1 above, the investment in ORIX Modaraba has been accounted for as an investment in subsidiary in view of the control which the Company exercises through the fully owned management company and an aggregate holding of 20% in the certificates of Modaraba by the Company and OSPPL.

The latest available financial statements, which are prepared on a going concern basis for the year ended June 30, 2021, have been audited by A. F. Ferguson & Co., Chartered Accountants.

## 8 INVESTMENT IN ASSOCIATE

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| **Related party** | | | |
| Investment in associate | 8.1 | 915,924,945 | 944,087,843 |

8.1 Shares held and carrying value of investment in associate is as follows:

| 2021 | 2020 | | Note | 2021 | 2020 |
|---|---|---|---|---|---|
| --(Number of shares)-- | | | | Rupees | |
| | | **Unquoted** | | | |
| 1,375,000 | 1,375,000 | Yanal Finance Company (formerly Saudi ORIX Leasing Company) | 8.1.1 | 915,924,945 | 944,087,843 |

8.1.1 The Company holds 2.5% (2020: 2.5%) ownership interest in Yanal Finance Company (YFC) (Formerly Saudi ORIX Leasing Company), which was incorporated in Riyadh, Kingdom of Saudi Arabia. YFC is accounted under equity method of accounting due to the significant influence exercised by the Company. The latest available audited financial statements, which are prepared on a going concern basis, for the year ended December 31, 2020 have been audited by Pricewaterhouse Coopers, Kingdom of Saudi Arabia.

8.1.2 Summarised un-audited financial statements of associate are as follows:

| | Date of financial year end | As at June 30 | | For the period July 01 to June 30 | | Interest held |
|---|---|---|---|---|---|---|
| | | Total assets | Total liabilities | Revenues | Profit | |
| **2021** | | | | | | |
| **Unlisted** | | | | | | |
| Yanal Finance Company | 31 December | 60,046,212,760 | 23,273,357,321 | 5,648,591,071 | 1,566,536,671 | 2.50% |
| **2020** | | | | | | |
| **Unlisted** | | | | | | |
| Yanal Finance Company | 31 December | 58,076,892,395 | 20,343,020,207 | 4,408,031,837 | 1,250,544,081 | 2.50% |

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| | | | Rupees | |
| 8.1.3 | Movement of investment in associate is as follows: | | | |
| | Balance at the beginning of the year | | 944,087,843 | 942,321,227 |
| | Share of profit for the year | 34 | 35,363,150 | 28,938,203 |
| | Dividend received during the year | | (8,548,643) | (50,533,088) |
| | Exchange (loss) / gain arising on translation of foreign associate | | (55,975,776) | 23,209,923 |
| | Share of other comprehensive income | | 998,371 | 151,578 |
| | Balance at the end of the year | | 915,924,945 | 944,087,843 |

## 9 LONG-TERM INVESTMENTS

| | | | |
|---|---|---|---|
| **At amortised cost** | | | |
| Pakistan Investment Bonds (PIBs) | 9.1 | 451,973,817 | 442,872,077 |
| **At fair value through other comprehensive income** | | | |
| Sama Finance PSC (formerly Al Hail ORIX Finance PSC) - related party | | 279,097,858 | 279,097,858 |
| Less: fair value change on remeasurement of financial assets | | (279,097,858) | (279,097,858) |
| | | - | - |
| Less: current maturity | 13 | 64,924,953 | - |
| | | 387,048,864 | 442,872,077 |

9.1 This represents investments made as required under Regulation 14(4)(g) of the NBFC Regulations, 2008 to maintain liquidity against certificates of deposit. These carry coupon rate of 7.25% to 12.00% (2020: 7.25% to 12.00%) per annum and are due to mature latest by September 19, 2022 (2020: September 19, 2022).

## 10 LONG-TERM FINANCES AND LOANS

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| ***Considered good*** | | | |
| **Loans to key management personnel, other executives and employees - secured** | | | |
| Key management personnel - related parties | 10.1 | 20,162,239 | 20,042,773 |
| Other executives - related parties | | 84,520,274 | 52,352,049 |
| | 10.2 | 104,682,513 | 72,394,822 |
| Other employees | 10.7 | 142,475,977 | 114,353,473 |
| | | 247,158,490 | 186,748,295 |
| **Others - secured** | | | |
| Vehicle finance | 10.3 | 7,167,544,288 | 3,920,051,044 |
| Micro finance | 10.4 | | 36,289,462 |
| Term finance | 10.5 | 1,714,549 | - |
| Musharikah finance | 10.6 | 54,826,205 | 18,599,846 |
| | | 7,224,085,042 | 3,974,940,352 |
| | | 7,471,243,532 | 4,161,688,647 |
| ***Considered doubtful*** | | | |
| **Others - secured** | | | |
| Term finance | | 94,346,398 | 94,346,398 |
| Vehicle finance | 10.3 | 80,078,952 | 134,007,058 |
| Micro finance | 10.4 | 35,657,634 | 28,105,484 |
| Musharikah finance | 10.6 | - | 611,119 |
| Agri finance | 10.8 | 12,057,957 | 12,706,417 |
| | | 222,140,941 | 269,776,476 |
| Less: allowance for potential loan losses | 38.1 | (173,668,565) | (163,755,779) |
| | | 48,472,376 | 106,020,697 |
| Less: general provision against micro finance | 10.9 & 38.1 | - | (200,751) |
| | | 7,519,715,908 | 4,267,508,593 |
| **Less: current maturity** | | | |
| Key management personnel, other executives and employees | | 42,416,499 | 37,026,375 |
| Others | | 3,141,180,632 | 1,917,811,890 |
| | 13 | 3,183,599,131 | 1,954,838,265 |
| | | 4,336,116,777 | 2,312,670,328 |

**10.1 Loans to Key Management Personnel - related party**

| Names | Maximum amount outstanding | Provisions / (write-off) | 2021 | 2020 |
|---|---|---|---|---|
| | Rupees | | | |
| Mian Faysal Riaz | 1,850,000 | - | 1,333,181 | 859,750 |
| Mr. Haider Abbas Kalhar | 2,236,367 | - | 2,236,385 | 1,721,961 |
| Mr. Hamood Ahmed | 3,508,163 | - | 2,872,803 | 2,829,035 |
| Mr. Imtiaz Ahmad Chaudhary | 7,861,758 | - | 6,955,044 | 7,979,057 |
| Mr. Jawaid Akhter * | - | - | - | 1,000,330 |
| Mr. Khawar Sultan | 466,048 | - | - | 480,797 |
| Mr. Shafiq Ur Rehman | 2,357,728 | - | 1,753,074 | 1,445,425 |
| Mr. Syed Mohammad Malin | 2,335,097 | - | 1,373,126 | - |
| Mr. Tahir Ali Shah | 3,631,109 | - | 3,054,391 | 3,726,418 |
| Mr. Waqas Ahmad Khwaja | 878,519 | - | 584,255 | - |
| | | - | 20,162,239 | 20,042,773 |

* Mr. Jawaid Akhter ceased to be the Key Management Personnel from December 31, 2020

10.1.1 Loans to the Key Management Personnel include house loan, vehicle loan and personal loan

**10.2 Movement in loans to the key management personnel and other executives**

| | 2021 | 2020 |
|---|---|---|
| | Rupees | |
| Opening balance | 72,394,822 | 72,718,288 |
| Disbursements during the year | 87,410,544 | 26,932,712 |
| Repayments during the year | (55,122,853) | (27,256,178) |
| Closing balance | 104,682,513 | 72,394,822 |

10.3 These represent vehicle financing facilities provided to individual and corporate customers on mark-up basis. The mark-up on these finances ranges from 11.80% to 26.00% (2020: 11.99% to 26.00%) per annum. These finances are repayable within a period of 1 year to 6 years (2020: 1 year to 5 years) and are secured against charge over vehicles and personal guarantees.

10.4 These represent long-term micro finance facilities provided to individuals and women entrepreneurs on mark-up basis. The mark-up on these loans ranges from 28.0% to 38.30% (2020: 28.0% to 38.30%) per annum. These finances are repayable within a period of 1.2 to 1.5 years (2020: 1.2 to 1.5 years) and are secured against personal guarantees of community organisations.

10.5 These represent term finance facilities provided to customers holding Certificates of Deposit (CODs) on mark-up basis. The mark-up on these finances is 10.65% (2020: nil) per annum. These finances are recoverable within the remaining maturity period of pledged CODs and is secured against lien over the respective CODs with minimum security margin of 25% over the principal value of the CODs.

10.6 These represent musharikah finance facilities provided to customers. The mark-up on these finances ranges from 13.35% to 19.5% (2020: 14.0% to 19.5%) per annum. The facilities have a repayment term of 3 to 5 years (2020: 3 to 5 years) and are secured by assets subject to musharikah agreement.

**10.7** These represent loans given to staff in accordance with the terms of the Company's HR policy and include house loans which are repayable within a period of 20 years or retirement date, whichever is earlier. House loans are secured against equitable mortgage on the property by deposit of title documents of the property with the Company and carry mark-up rate ranging from 4.00% to 9.5% (2020: 4.00% to 9.5%) per annum.

Loans (other than house loans) carry mark-up rates ranging from 5% to 14.6% (2020: 5% to 14.6%) per annum. These are secured against retirement benefits and are repayable within a period of five years.

Maximum amount outstanding at the end of any month during the year against loans to the key management personnel and other executives was Rs. 104.6 million (2020: Rs. 90.1 million).

**10.8** These represent long-term finance facilities provided to farmers on mark-up basis. The rates of return on these loans range from 15.00% to 28.00% (2020: 15.00% to 28.00%) per annum. These loans are repayable within a period of 1.5 years to 3 years (2020: 1.5 years to 3 years) and are secured against title documents of immovable properties.

**10.9** As per Regulation 25(A) of the NBFC Regulations, NBFCs with micro finance portfolio are required to maintain a general provision equivalent to 0.5% of the net outstanding micro finance portfolio (net of specific provisions).

## 11 SHORT-TERM FINANCES

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| **Considered good - secured** | | | |
| Micro finance | 11.1 | - | 203,321,148 |
| Term finance | 11.2 | 6,000,001 | 21,500,001 |
| | | 6,000,001 | 224,821,149 |
| **Considered doubtful - secured** | | | |
| Micro finance | | 83,899,013 | 55,494,210 |
| Agri finance | 11.3 | 3,790,195 | 4,176,201 |
| | | 87,689,208 | 59,670,411 |
| Less: allowance for potential loan losses | 38.1 | (87,357,029) | (49,819,243) |
| | | 332,179 | 9,851,168 |
| Less: general provision against micro finance | 10.9 & 38.1 | - | (1,065,789) |
| | | 6,332,180 | 233,606,528 |

**11.1** These represent short-term micro finance facilities provided to individuals and women entrepreneurs on mark-up basis. The mark-up on these loans ranges from 35.01% to 38.41% (2020: 28.01% to 38.41%) per annum. These are secured against personal guarantees of community organisations and are repayable within twelve months.

**11.2** These represent term finance facilities provided to customers holding Certificates of Deposit (CODs) on mark-up basis. The mark-up on these finances range from 12.00% to 14.00% (2020: 12.00% to 15.00%) per annum. These finances are recoverable within the remaining maturity period of pledged CODs and are secured against lien over the respective CODs with minimum security margin of 25% over the principal value of the CODs.

**11.3** These represent short-term finance facilities offered to farmers on mark-up basis. The rate of return on these loans ranges from 17.00% to 20.00% (2020: 17.00% to 20.00%) per annum. These are repayable within twelve months (2020: twelve months) and are secured against title documents of the immovable properties.

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| | | | Rupees | |
| **12** | **ACCRUED RETURN ON INVESTMENTS AND FINANCES AND LOANS** | | | |
| | Accrued income on: | | | |
| | Government securities | | 16,803,340 | 16,803,344 |
| | Finances and loans | | 110,607,984 | 103,950,798 |
| | | | 127,411,324 | 120,754,142 |
| **13** | **CURRENT MATURITY OF NON-CURRENT ASSETS** | | | |
| | **Current maturity of** | | | |
| | Net investment in finance lease | 6.2 | 7,470,695,275 | 7,503,453,058 |
| | Long-term investments | 9 | 64,924,953 | - |
| | Long-term finances and loans | 10 | 3,183,599,131 | 1,954,838,265 |
| | | | 10,719,219,359 | 9,458,291,323 |
| **14** | **SHORT-TERM INVESTMENTS** | | | |
| | **At fair value through profit or loss** | | | |
| | Market Treasury bills | 14.1 | 301,110,445 | 777,319,670 |
| | **At fair value through other comprehensive income** | | | |
| | Ordinary shares - unlisted | 14.2 | 26,863,547 | 26,019,918 |
| | | | 327,973,992 | 803,339,788 |

**14.1** This represents investment made as required under Regulation 14(4)(g) of the NBFC Regulations to maintain liquidity against certificates of deposit. These are redeemable within a period of 1 to 5 months (2020: 1 to 9 months) from the reporting date, carrying yield ranging from 7.13% to 7.57% (2020: 7.14% to 13.29%) per annum.

**14.2** These include shares of LSE Financial Services Limited. The Company holds 843,975 (2020: 843,975) number of shares with a face value of Rs. 10 each. These include 506,385 (60%) shares which are required to be held separately in a blocked account with Central Depository Company of Pakistan Limited to restrict the sale of these shares by the members. However, the rights to receive dividend, bonus shares, right shares and the proceeds of sale of these shares are vested with the members while the voting rights attached to these shares are suspended.

**14.2.1** As at June 30, 2021, the fair value of LSE Financial Services Limited and Al Baraka Bank (Pakistan) Limited amounted to Rs.20.01 million (2020: Rs. 19.39 million) and Rs. 6.85 million (2020: Rs. 6.62 million) respectively. The Company has received dividend amounting to Rs. 0.59 million (2020: Rs. 0.67 million) from LSE Financial Services Limited.

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| | | | Rupees | |
| **15** | **ADVANCES AND PREPAYMENTS** | | | |
| | Advances - unsecured | | 5,810,559 | 3,762,502 |
| | **Prepayments** | | | |
| | Rent | | 5,718,470 | 1,458,555 |
| | Others | 15.1 | 16,777,177 | 13,090,352 |
| | | | 22,495,647 | 14,548,907 |
| | | | 28,306,206 | 18,311,409 |

**15.1** This includes furnishing allowance provided to the Key Management Personnel.

| Names | Maximum aggregate amount | 2021 | 2020 |
|---|---|---|---|
| | Rupees | | |
| Mr. Haider Abbas Kalhar | 102,083 | 77,083 | 102,083 |
| Ms. Maryam Aziz | 200,000 | 173,333 | - |
| Mian Faysal Riaz | 186,667 | 146,667 | 186,667 |
| Mr. Imtiaz Ahmed Chaudhary | 200,000 | 176,667 | 30,000 |
| Mr. Tahir Ali Shah | 48,125 | 21,875 | 48,125 |
| Mr. Shafiq Ur Rehman | 98,750 | 92,563 | - |
| Mr. Hamood Ahmed | 97,917 | 72,917 | 97,917 |
| Mr. Syed Muhammad Matin | 125,000 | 100,000 | - |
| Mr. Waqas Ahmed Khwaja | 170,417 | 138,417 | 110,417 |
| Mr. Jawaid Akhter * | - | - | 91,667 |
| | | 999,522 | 666,876 |

* Mr. Jawaid Akhter ceased to be the Key Management Personnel from December 31, 2020

## 16 OTHER RECEIVABLES

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| **Considered good** | | | |
| Operating lease | | 2,833,991 | - |
| Ijarah finance | | 674,163 | 63,824,651 |
| Others | 16.1 | 16,212,497 | 16,408,403 |
| | | 19,720,651 | 80,233,054 |
| **Considered doubtful** | | | |
| Operating lease | | 2,549,026 | 5,354,597 |
| Ijarah finance | | 15,228,990 | 15,228,990 |
| Others | | 1,520,401 | 1,738,164 |
| | | 19,298,417 | 22,321,751 |
| Less: allowance for potential losses | 38.2 | 19,298,417 | 22,321,751 |
| | | 19,720,651 | 80,233,054 |

**16.1** These include receivable under group shared services from Yanal Finance Company (formerly Saudi ORIX Leasing Company) (a related party) and ORIX Corporation, Japan (a related party) amounting to Rs. 8.8 million (2020: Rs. 9.7 million) and Rs. 1.4 million (2020: Rs. 0.76 million) respectively. Maximum amount outstanding at the end of any month during the year from Yanal Finance Company (formerly Saudi ORIX Leasing Company) and ORIX Corporation, Japan was Rs 9.7 million and Rs. 1.4 million respectively.

## 17 CASH AND BANK BALANCES

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| Cash in hand | | 1,763,389 | 1,743,970 |
| **Balances with banks in:** | | | |
| - Current accounts | | 146,416,737 | 155,619,204 |
| - Deposit accounts | 17.1 | 65,113,536 | 50,547,723 |
| | | 211,530,273 | 206,166,927 |
| | | 213,293,662 | 207,910,897 |

**17.1** These carry profit rates ranging from 2.9% to 5.5% per annum (2020: 2.75% to 6.75% per annum).

## 18 ASSETS CLASSIFIED AS HELD FOR SALE

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| Repossessed assets | 18.1 | 250,001 | 6,321,189 |
| Investment in associates | | | |
| - OPP (Private) Limited | 18.2 | 87,754,399 | 87,754,399 |
| - SAMA Finance SAE (SAMA) | 18.3 | 172,043,037 | 172,043,037 |
| Stock Exchange room | | 4,700,000 | 4,700,000 |
| | | 264,747,437 | 270,818,625 |

**18.1** These represent repossessed assets consisting of vehicles, machinery and other equipment previously leased out to customers. The Company intends to dispose of these assets to recover the balance amount outstanding against such leases.

**18.2** The Company holds 45% (2020: 45%) ownership interest in OPP (Private) Limited. During 2014, the Board of Directors of the Company approved divestment of the Company's entire investment in OPP.

The sales negotiations for disposal of investment in OPP were held with a minority shareholder of OPP and a Share Purchase Agreement (SPA) was signed by all the parties in July 2014. However, the minority shareholder had failed to comply with the terms of the SPA and initiated legal proceedings to restrict the Company in managing the affairs of OPP. The Company has also filed a reference in the Lahore High Court to allow the Company to buy out the minority stakeholder in OPP or to wind up OPP which is pending to date.

**18.3** The Company holds 23% (2020: 23%) ownership interest in SAMA. The Board of Directors in their meeting held in February 2019 approved divestment of the Company's investment in SAMA. In pursuance of the above, the Company intends to dispose of its investment in SAMA.

The sale negotiations for disposal of SAMA were held and a Sale Purchase Agreement (SPA) was signed on October 17, 2019 and is expected to be completed with agreed terms and conditions, subject to necessary regulatory approvals.

## 19 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| 2021 | 2020 | | 2021 | 2020 |
|---|---|---|---|---|
| (Number of Shares) | | | Rupees | |
| | | **Ordinary shares of Rs. 10 each** | | |
| 106,485,517 | 106,485,517 | Fully paid in cash | 1,064,855,170 | 1,064,855,170 |
| 66,739,592 | 58,386,847 | Fully paid bonus shares | 667,395,920 | 583,868,470 |
| 2,182,538 | 2,182,538 | Fully paid shares against amalgamation | 21,825,380 | 21,825,380 |
| 175,407,647 | 167,054,902 | | 1,754,076,470 | 1,670,549,020 |

**19.1** As at June 30, 2021, ORIX Corporation, Japan and its nominees held 86,960,515 (2020: 82,819,539) ordinary shares equivalent to 49.58% (2020: 49.58%) of the total shareholding.

**19.2** During the year, the Company issued 8,352,745 bonus shares from share premium reserves out of which 4,140,976 bonus shares were issued to ORIX Corporation, Japan.

**19.3** Reconciliation between ordinary shares in issue at beginning and end of the year is as follows:

| | 2021 | 2020 |
|---|---|---|
| | (Number of Shares) | |
| At beginning of the year | 167,054,902 | 167,054,902 |
| Issuance of bonus shares during the year | 8,352,745 | - |
| At end of the year | 175,407,647 | 167,054,902 |

**19.4** As per regulation 16 of Non-Banking Finance Companies and Notified Entities Regulations, 2008, an NBFC is required to transfer 20% of its profit after tax to a statutory reserve until the amount of the reserves equals the paid up capital. Thereafter, 5% of the profit after tax is required to be transferred to this reserves. Accordingly, the Company transfers 20% of its profit after tax to the statutory reserves.

## 20 SURPLUS ON REVALUATION OF LEASEHOLD LAND AND OFFICE BUILDING - NET OF TAX

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| Opening balance | | 883,887,210 | 310,980,411 |
| Revaluation surplus arising during the year | | - | 580,682,163 |
| Adjustment in respect of incremental depreciation transferred to unappropriated profit | | (20,453,617) | (7,775,364) |
| | | 863,433,593 | 883,887,210 |
| Opening balance of deferred tax liability | | (21,368,718) | (8,083,306) |
| Deferred tax liability on surplus on revaluation of office building arising during the year | | - | (14,232,056) |
| Adjustment in respect of incremental depreciation transferred to unappropriated profit | | 2,173,993 | 946,644 |
| | 23 | (19,194,725) | (21,368,718) |
| | | 844,238,868 | 862,518,492 |

## 21 LONG-TERM FINANCES

| | | | |
|---|---|---|---|
| **Secured** | | | |
| Long-term finances utilised under mark-up arrangements - financial institutions | 21.1 | 7,780,555,550 | 8,283,333,329 |
| Less: unamortised transaction cost | | - | 963,267 |
| Less: current maturity | 30 | 3,052,777,778 | 3,702,777,778 |
| | | 3,052,777,778 | 3,703,741,045 |
| | | 4,727,777,772 | 4,579,592,284 |

21.1 The Company has unutilised long term finance facilities of Rs. 1,000 million as at June 30, 2021 (2020: Rs. 1,000 million). These finances have been obtained for financing of operations and are secured by hypothecation of leased assets, related lease receivables and financing receivables. The mark-up rates thereon range from 7.60% to 8.63% (2020: 8.00% to 14.77%) per annum. These finances are repayable within a period of 36 to 60 months (2020: 36 to 60 months).

## 22 LONG-TERM CERTIFICATES OF DEPOSIT

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| **Unsecured** | | | |
| Certificates of deposit | 22.1 | 3,191,858,179 | 3,360,463,182 |
| Less: current maturity | 30 | 600,033,627 | 730,730,413 |
| | | 2,591,624,552 | 2,629,732,769 |

22.1 These certificates of deposit have been obtained for financing the operations of the Company and issued at rate of return ranging from 7.00% to 13.15% (2020: 7.00% to 13.15%) per annum and issued for terms ranging from 3 years to 10 years (2020: 3 years to 10 years).

## 23 DEFERRED TAXATION

The deferred tax liability is attributable to the following items:

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| - Accelerated tax depreciation | | 605,521,204 | 699,255,839 |
| - Right-of-use assets and lease liability against right-of-use assets | | (5,565,989) | (3,385,000) |
| - Surplus on revaluation of office building | 20 | 19,194,725 | 21,368,718 |
| - Unamortised transaction costs relating to long term finances and loans | | - | 279,348 |
| - Investments | | 131,790,015 | 138,799,235 |
| - Allowance for potential lease, loan and other losses | | (339,333,661) | (340,811,227) |
| | | 411,606,294 | 515,506,913 |

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| | | | Rupees | |
| 23.1 | The movement in deferred tax liability during the year is as follows: | | | |
| | Opening | | 515,506,913 | 699,540,763 |
| | Reversal of charge to the unconsolidated statement of profit or loss | 41 | (92,220,938) | (164,611,732) |
| | Reversal of charge to the unconsolidated statement of profit or loss and other comprehensive income | | (11,679,681) | (19,422,118) |
| | Closing | | 411,606,294 | 515,506,913 |

## 24 OTHER LONG-TERM LIABILITIES

| | Note | 2021 | 2020 |
|---|---|---|---|
| Profit on certificates of deposit | 24.1 | 197,119,786 | 197,559,646 |
| Lease liability against right-of-use assets | 24.2 | 90,009,908 | 90,218,131 |
| | | 287,129,694 | 287,777,777 |

**24.1** This represents accrued profit on certificates of deposits payable on maturity.

**24.2** Details of minimum lease payments, financial charges and principal outstanding related to lease liability are as follows:

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Minimum lease Payments | Financial charges | Principal outstanding | Minimum lease Payments | Financial charges | Principal outstanding |
| | Rupees | | | | | |
| Not later than one year | 30,794,709 | 13,191,266 | 17,603,443 | 32,190,875 | 2,454,593 | 29,736,282 |
| Later than one year and not later than five years | 110,985,029 | 27,550,303 | 83,434,726 | 116,126,625 | 38,190,286 | 77,936,339 |
| Later than five years | 7,272,648 | 697,466 | 6,575,182 | 23,730,699 | 11,448,907 | 12,281,792 |
| | 149,052,386 | 41,439,035 | 107,613,351 | 172,048,199 | 52,093,786 | 119,954,413 |

## 25 DEFINED BENEFIT PLAN ASSET - STAFF GRATUITY

### 25.1 General description

The Company operates a funded gratuity scheme which was established under the provisions of the Trust Deed dated July 1, 2004 for its permanent staff who have completed the minimum qualifying period of three years of service under the scheme. The funded scheme is administered by the Board of Trustees in accordance with the provisions of the Trust Deed. Contributions therein are made in accordance with actuarial recommendations. The most recent valuation in this regard was carried out as at June 30, 2021 using the Projected Unit Credit Method.

### 25.2 Principal actuarial assumptions

| | 2021 | 2020 |
|---|---|---|
| - Discount rate | 10.00% | 8.50% |
| - Expected rate of increase in salary for first year | 7.55% | 2.00% |
| - Expected rate of increase in salary for second year | 10.00% | 2.00% |
| - Expected rate of increase in salary for third year and onwards | 10.00% | 8.50% |
| - Expected rate of return on plan assets | 9.40% | 8.50% |
| - Average service years | 12.04 | 11.45 |

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the SLIC (2001 - 2005) -1 ultimate mortality tables rated down one year.

**25.3** The amount recognised in the unconsolidated statement of financial position is as follows:

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| Present value of defined benefit obligation | 25.4 | 248,556,585 | 202,888,717 |
| Fair value of plan assets | 25.4 | (256,909,032) | (242,152,664) |
| | | (8,352,447) | (39,263,947) |

**25.4** The movement in the defined benefit obligation over the year is as follows:

| | Note | 2021 | | |
|---|---|---|---|---|
| | | Present value of defined benefit obligation | Fair value of plan assets | Net asset |
| | | Rupees | | |
| At July 1 | | 202,888,717 | (242,152,664) | (39,263,947) |
| Current service cost | 25.5 | 18,060,824 | - | 18,060,824 |
| Interest expense / (income) | 25.5 | 17,393,272 | (20,662,612) | (3,269,340) |
| | | 238,342,813 | (262,815,276) | (24,472,463) |
| Remeasurements: | | | | |
| - Interest on plan assets, excluding amounts included in interest expense | | - | (700,289) | (700,289) |
| - Experience loss | | 21,750,801 | - | 21,750,801 |
| | | 21,750,801 | (700,289) | 21,050,512 |
| | | 260,093,614 | (263,515,565) | (3,421,951) |
| Contributions made | | - | (4,930,496) | (4,930,496) |
| Benefits paid | | (11,537,029) | 11,537,029 | - |
| At June 30 | | 248,556,585 | (256,909,032) | (8,352,447) |

| | Note | 2020 | | |
|---|---|---|---|---|
| | | Present value of defined benefit obligation | Fair value of plan assets | Net asset |
| | | Rupees | | |
| At July 1 | | 208,381,885 | (217,190,129) | (8,808,244) |
| Current service cost | 25.5 | 20,499,285 | - | 20,499,285 |
| Interest expense / (income) | 25.5 | 29,551,421 | (30,841,979) | (1,290,558) |
| | | 258,432,591 | (248,032,108) | 10,400,483 |
| Remeasurements: | | | | |
| - Interest on plan assets, excluding amounts included in interest expense | | - | 8,012,246 | 8,012,246 |
| - Experience gain | | (40,068,679) | - | (40,068,679) |
| | | (40,068,679) | 8,012,246 | (32,056,433) |
| | | 218,363,912 | (240,019,862) | (21,655,950) |
| Contributions made | | - | (17,607,997) | (17,607,997) |
| Benefits paid | | (14,674,985) | 15,403,305 | 728,320 |
| Benefits payable to outgoing members | | (800,210) | 71,890 | (728,320) |
| At June 30 | | 202,888,717 | (242,152,664) | (39,263,947) |

**25.5** The amount recognised in the unconsolidated statement of profit or loss is as follows:

| | 2021 | 2020 |
|---|---|---|
| | Rupees | |
| Current service cost | 18,060,824 | 20,499,285 |
| Interest expense - net | (3,269,340) | (1,290,558) |
| | 14,791,484 | 19,208,727 |

**25.6** The plan assets and defined benefit obligations are based in Pakistan.

**25.7** Plan assets consist of the following:

| | 2021 (Un-audited) | | 2020 (Audited) | |
|---|---|---|---|---|
| | (Rupees) | % | (Rupees) | % |
| Government securities | 245,404,514 | 95.52% | 236,686,193 | 97.74% |
| Term finance certificates | 6,000,000 | 2.34% | - | 0.00% |
| Cash and bank balances and others | 5,504,518 | 2.14% | 5,466,471 | 2.26% |
| | 256,909,032 | 100.00% | 242,152,664 | 100.00% |

**25.8 Historical results**

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| | Rupees | | | | |
| Present value of defined benefit obligation | 248,556,585 | 202,888,717 | 208,381,885 | 197,700,484 | 170,252,664 |
| Fair value of plan assets | (256,909,032) | (242,152,664) | (217,190,129) | (177,730,800) | (153,738,644) |
| (Surplus) / deficit | (8,352,447) | (39,263,947) | (8,808,244) | 19,969,684 | 16,514,020 |
| Remeasurement of plan liabilities | 21,750,801 | (40,068,679) | (3,175,430) | 19,345,982 | 9,530,886 |
| Remeasurement of plan assets | (700,289) | 8,012,246 | (5,632,814) | 623,703 | 6,983,136 |

**25.9** Actual return on plan assets during the year amounted to Rs. 21.363 million (2020: Rs. 20.829 million)

**25.10** Based on the actuarial advice, the Company intends to charge an amount of approximately Rs. 14.8 million in respect of contribution to gratuity fund in the unconsolidated financial statements for the year ending June 30, 2022.

**25.11** The Fund is exposed to a number of risks, the most significant of which are detailed below.

| | |
|---|---|
| **Mortality risk** | This is the risk that the actual mortality experience is different from what was initially expected. The effect depends on the beneficiaries' service / age distribution and the benefit. |
| **Investment risk** | This is the risk of investments underperforming and not being sufficient to meet liabilities. However, the trustees of the fund have a practice to invest the amounts in government securities that are secured. |
| **Final salary risk** | This is the risk that the final salary at the time of cessation of service is greater than expectation. Since the benefit is calculated on the basis of final salary, the benefit amount increases proportionately. In order to minimise the risk the actuary of the Company uses past pattern which provides basis to form a reliable estimate. |
| **Withdrawal risk** | This is the risk that withdrawals may be higher or lower than actuarial assumptions. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit. The Company ensures the availability of sufficient liquid funds in the gratuity fund and makes regular contributions to minimise the risk. |

**25.12** The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is as follows:

| | Defined benefit obligation | | |
|---|---|---|---|
| | Change in assumption | Increase in assumption | Decrease in assumption |
| | % | (Rupees) | |
| Discount rate | 1.0% | 229,999,862 | 268,091,562 |
| Salary growth rate | 1.0% | 266,685,957 | 230,899,489 |

The above sensitivity analyses are based on a change in assumption by 1% while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the unconsolidated statement of financial position.

**25.13** The distribution of timing of payment of benefits is as follows:

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 to Year 10 |
|---|---|---|---|---|---|---|
| Defined benefit obligation | 8,884,075 | 46,953,819 | 28,136,515 | 42,660,907 | 21,449,827 | 195,456,641 |

**25.14** The weighted average duration of the defined benefit obligation is 8.06 years.

**25.15** The information provided in notes 25.1 to 25.14 has been obtained from the details provided by the actuary of the Company.

| | Note | 2021 | 2020 |
|---|---|---|---|
| **26 TRADE AND OTHER PAYABLES** | | Rupees | |
| Trade creditors | | 552,629,360 | 97,949,767 |
| Accrued liabilities | | 103,699,027 | 109,219,737 |
| **Other liabilities** | | | |
| Advance from customers against finance lease and Ijarah finance | | 3,032,840 | 7,156,564 |
| Sales tax payable | | 2,342,312 | 2,129,755 |
| Federal excise duty payable | | 1,733,787 | 865,619 |
| Insurance premium payable | | 82,846,252 | 53,372,212 |
| Provision for Provincial Workers' Welfare Fund | | 60,062,945 | 33,989,425 |
| Payable to minority shareholders of Standard Chartered Leasing Limited | | 14,817,636 | 14,841,494 |
| Others | | 34,325,702 | 42,717,152 |
| | | 199,161,474 | 155,072,221 |
| | | 855,489,861 | 362,241,725 |
| **27 ACCRUED INTEREST / MARK-UP / PROFIT ON LOANS, FINANCES AND CERTIFICATES OF DEPOSIT** | | | |
| **Interest / mark-up / profit on** | | | |
| Long-term finances | | 140,400,946 | 225,225,837 |
| Short-term borrowings | | 23,251,906 | 9,048,268 |
| Certificates of deposit | | 68,026,387 | 79,903,117 |
| | | 231,679,239 | 314,177,222 |
| **28 SHORT-TERM BORROWINGS** | | | |
| **From banking companies - secured** | | | |
| Running finance arrangements | | 522,881,783 | 171,304,003 |
| Short term loans | | 900,000,000 | - |
| | 28.1 | 1,422,881,783 | 171,304,003 |

**28.1** This represents short-term running finance facilities and loan from commercial banks for financing of operations with limits aggregating to Rs. 2,820 million as at June 30, 2021 (2020: Rs. 3,010 million). These facilities have been obtained for financing of day to day operations. The rate of mark-up ranges from 7.62% to 8.58% (2020: 8.81% to 14.86%) per annum on a daily product basis. These are secured by hypothecation of leased assets, related lease receivables and financing receivables.

| | Note | 2021 | 2020 |
|---|---|---|---|
| **29 SHORT-TERM CERTIFICATES OF DEPOSIT** | | Rupees | |
| **Unsecured** | | | |
| Short-term certificates of deposit | 29.1 | 1,616,536,082 | 976,692,124 |
| Payable to holders of matured certificates of deposits | | 61,173,401 | 70,119,911 |
| | | 1,677,709,483 | 1,046,812,035 |

**29.1** These represent short-term certificates of deposit obtained for financing of operations, issued at rate of profit ranging from 6.50% to 8.40% (2020: 6.50% to 12.30%) per annum, for a term upto 12 months (2020: 12 months).

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| **30 CURRENT MATURITY OF NON-CURRENT LIABILITIES** | | | |
| **Current maturity of:** | | | |
| Long-term finances | 21 | 3,052,777,778 | 3,702,777,778 |
| Lease liability against right-of-use assets | 24.2 | 17,603,443 | 29,736,282 |
| Long-term certificates of deposit | 22 | 600,033,627 | 730,730,413 |
| | | 3,670,414,848 | 4,463,244,473 |

## 31 CONTINGENCIES AND COMMITMENTS

**31.1.1** The Additional Commissioner Inland Revenue (ACIR) passed an amended assessment order on July 18, 2014 under section 122(5A) of the Income Tax Ordinance 2001 (the Ordinance) for the tax year 2010 and created a demand of Rs. 167 million by disallowing capital loss on sale of shares and certain other matters. The Company preferred an appeal against the amended assessment order passed by the ACIR before the Commissioner Inland Revenue (Appeals) (CIR-A). The CIR-A disposed of the appeal with minor relief to the Company. The Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) on the issues decided against the Company by the CIR-A. During May 2021, the Company has filed an application for refixation of hearing of appeal against which hearing was fixed for June 10, 2021. However, the same was deferred and matter is pending for adjudication.

Based on the tax advisor's opinion, the management is confident of a favourable outcome. Accordingly no tax provision has been made in these unconsolidated financial statements.

**31.1.2** During 2017, the Deputy Commissioner Inland Revenue (DCIR) amended the orders for the tax years 2011 and 2014 creating an aggregate demand of Rs. 126.2 million mainly on account of difference in determination of minimum tax liability under section 113 of the Ordinance. The Company's appeals against these amended orders before the CIR-A was maintained and are currently pending adjudication before the ATIR. During May 2021, the Company has filed applications for refixation of hearing of appeals against which hearing was fixed for June 10, 2021. However, the same was deferred and matter is pending for adjudication. The Company has obtained a stay order against the recovery of demand from the Sindh High Court (SHC) until adjudication of the appeal by ATIR.

Based on the tax advisor's opinion, the management is confident of a favourable outcome. Accordingly no tax provision has been made in these unconsolidated financial statements.

**31.1.3** The assessments of Standard Chartered Leasing Limited (SCLL) - amalgamated entity - for the years 1998-99 to 2002-03 were finalised by the tax officer whereby lease key money amounting to Rs. 239 million was added to income. In appeals with the ATIR, the addition was maintained. SCLL filed a rectification application before ATIR that certain arguments advanced at the time of hearing of appeals were not considered while framing the order. The ATIR vide appellate order dated February 27, 2008 recalled its original appellate order for all these years and referred the case to the Chairman ATIR to constitute a larger bench for rehearing / decision of the case.

No provision has been made in these unconsolidated financial statements in this respect as the management is of the view that the same will be allowed in the favour of the Company.

**31.1.4** The ACIR passed an amended assessment order under section 122(5A) of the Ordinance for the tax years 2015 to 2016 where demands in aggregate of Rs. 3,229 million were raised. This was mainly the result of disallowance of tax loss on lease terminations and certain other matters. In tax years 2015 and 2016, the issue of determination of the levy of minimum tax has also been raised. Additionally on October 3, 2019, the ACIR rectified the amended assessment order (rectification order) under section 221(1) of the Ordinance for the tax year 2017 and created an additional demand of Rs. 290 million after taking into account the amended amount of brought forward tax losses. The Company preferred appeals against these amended assessment orders before the CIR-A for all these years. The Company was granted stay against recovery of demands for TY 2015 and TY 2016 from the SHC. On January 8, 2020 CIR-A has disposed off certain matters whereas certain matters were remanded back with specific directions to the officer. The Company as well as the income tax department have filed appeals before the ATIR on the matters which have not been decided in their favour by the CIR-A and these are pending for adjudication.

In January 2021, the ACIR has given effect to the orders passed by CIR(A) for tax years 2017 and 2018 in which demands of Rs. 1.22 billion and Rs. 1.36 billion respectively were raised. During February 2021, the Company filed rectification applications. The ACIR has substantially rectified the orders and allowed tax losses on termination and unabsorbed depreciation resulting in a reduction in tax demand to Rs. 252 million and Rs. 479 million respectively. Accordingly, the Company filed an appeal for both the tax years before CIR(A) against the remaining pending issues in the appeal effect orders along with an application for rectification for tax year 2017. The officer passed the rectification order and further revised the demand for tax year 2017 to Rs. 227 million. Further, the Company has discharged 10% of the demand u/s 140 of the Ordinance amounting to Rs 19.02 million and Rs 14.58 million for tax year 2017 and tax year 2018 respectively. Both are pending for adjudication.

In February 2021, the ACIR has also given effect to the first appeal order setting aside assessments for tax years 2015 and 2016 where demand of Rs. 11.06 million and Rs. 118.76 million were raised. During March 2021, the Company filed appeals against these orders before the CIR-A and the same are pending for adjudication. The Company has also discharged 10% of the demand u/s 140 of the Ordinance amounted to Rs 1.10 million and Rs 11.87 million for tax year 2015 and 2016 respectively.

Based on the tax advisor's opinion, the management is confident of a favourable outcome. Accordingly no tax provision has been made in these unconsolidated financial statements.

**31.1.5** The Company by way of the amendment notices and the orders under section 122(5A) of the Ordinance was charged with the levy of super tax under section 4B of the Ordinance for the years 2015 to 2018. The Company's legal advisor is of the opinion that levy of super tax is unlawful and leading to double taxation. Accordingly in January 2019, the Company had filed constitutional petition before the SHC challenging the levy of super tax. On July 21, 2020, the SHC dismissed the petition stating that levy of super tax is lawful its an additional tax, and not a double tax. The Company filed a petition in the Supreme Court of Pakistan (SCP) for tax years 2015-2018 dated September 12, 2020 where stay had been granted in November 2020 subject to deposit of 50% of the impugned outstanding tax with the authorities.

This matter was also challenged in appeal before CIR-A for tax years 2015 to 2019 and after being maintained it has also been taken up before the ATIR for the years 2015 to 2018. This levy has been considered in light of the position emerging after the appellate order of the CIR -A and it is expected not to have effect in the tax years 2015 and 2016 in light of the available losses.

Further, in line with the SCP decision, the Company has paid 50% of super tax liability for tax year 2017 and tax year 2018 amounting to Rs 18.5 million and Rs 25.8 million respectively.

The Company has already made a provision in respective tax years 2016 to 2019 amounting to Rs. 145 million against the super tax.

**31.1.6** In December 2020, the Company received an amended assessment order under section 122(5A) of the Ordinance for tax year 2019 wherein a demand of Rs. 1.022 million was raised. This was mainly due to the result of disallowance of tax losses on lease termination and certain other matters including super tax. The Company preferred an appeal against this order before the CIR-A and the same is pending for adjudication.

The Company had also received a notice to amend assessment dated 26 May 2021 for tax year 2020. This is mainly due to the result of disallowance of tax losses on lease termination and certain other matters. The Company has applied extension till August 16, 2021.

Based on the tax advisor's opinion, the management is confident of a favourable outcome. Accordingly no tax provision has been made in these unconsolidated financial statements.

**31.1.7** The DCIR issued show cause notices to the Company challenging the estimates of advance tax under section 147 of the Ordinance filed by the Company for the quarter ended March 31, 2019 and September 30, 2019 and additionally demanded Rs. 259.4 million and Rs. 117.2 million respectively for these year. The Company's tax advisors are of the opinion that the estimates filed by the Company is in accordance with the law and accordingly the Company filed a constitutional petition before the Sindh High Court (SHC) against the recovery of impugned advance tax demand. The SHC has passed a stay order restricting the FBR from taking any coercive measures against the Company.

Based on the tax advisor's opinion, the management is confident of a favourable outcome. Accordingly no tax provision has been made in these unconsolidated financial statements.

**31.1.8** In 2019, the Company received show cause notices from the Sindh Revenue Board (SRB) demanding Sindh Provincial Sales Tax (SPST) amounting to Rs. 519 million against income from operating lease rental of generators for the years ended June 30, 2012, 2013, 2014, 2015, 2016 and 2017 along with the applicable penalty and default surcharge.

In April, 2016, the Company had filed suits against the show cause notices relating to the years 2012 to 2015 before Sindh High Court (SHC) challenging the levy of SPST on renting of generators and obtained a stay order restricting SRB from taking any coercive measures against the Company. In 2019, these suits were withdrawn due to the decision by Supreme Court of Pakistan that in order for a suit to continue, a minimum of 50% of the tax calculated by the tax authorities must be deposited in the respective treasury. Consequent to withdrawal of the suits, SRB issued fresh show cause notices for each of the tax years 2012 to 2017. For financial year 2012 and 2016, the Assistant Commissioner SRB also passed an order against the Company and created a demand of Rs. 43.6 million and Rs. 77.3 million respectively and issued recovery notices. The Company has filed an appeal against the recovery orders before the Commissioner Appeals SRB and also obtained interim relief from SHC by filing separate petitions for each of the years from 2012 to 2017, challenging the levy of SPST on renting of generators and obtained stay order restricting SRB from taking coercive measures against the Company.

Based on the tax advisor's opinion, the management is confident of a favourable outcome. Accordingly no tax provision has been made in these unconsolidated financial statements.

**31.1.9** During 2017, the Company received show cause notice from SRB for short payment of SPST of Rs. 5.4 million against supplies made to a local vendor in September 2015. Additional Commissioner SRB Karachi confirmed the said liability through order No. 125 of 2017 dated May 15, 2017 which was also challenged by the Company by filing an appeal before Commissioner appeals SRB Karachi.

Based on the tax advisor's opinion, the management is confident of a favourable outcome. Accordingly no tax provision has been made in these unconsolidated financial statements.

**31.1.10** During 2018, the Company received a notice from SRB regarding non-payment of stamp duty on purchase orders amounting to Rs. 12.6 million. The Company's legal advisor is of the opinion that application of stamp duty on purchase orders is unlawful. The Company filed a petition before the SHC challenging the levy of stamp duty on purchase orders. The SHC has passed an interim stay order restricting SRB from taking any coercive measures against the Company until further orders of SHC.

Based on the tax advisor's opinion, the management is confident of a favourable outcome. Accordingly no tax provision has been made in these unconsolidated financial statements.

**31.2** Leases committed but not executed at the reporting date is Rs. Nil (2020: Rs. 9.01 million).

**31.3** Commitments relating to capital expenditure at the reporting date amounted to Rs. 0.25 million (2020: Rs. 5.65 million).

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| | | | Rupees | |
| **32** | **INCOME FROM OPERATING LEASES / IJARAH** | | | |
| | Operating lease assets | | 11,585,662 | 4,836,819 |
| | Ijarah finance | | 76,638,625 | 184,378,071 |
| | | | 88,224,287 | 189,214,890 |
| **33** | **OTHER INCOME - NET** | | | |
| | **Income from financial assets** | | | |
| | Return on investments and deposits | | 235,824 | 436,816 |
| | Interest income on government securities | | 37,299,827 | 75,795,233 |
| | Dividend income | | 11,936,665 | 12,021,063 |
| | Gain on sale of investments - net | | 41,119,784 | 9,408,704 |
| | Unrealised (loss) / gain on remeasurement of financial assets at fair value through profit or loss - net | | (4,007,824) | 4,098,900 |
| | | | 86,584,276 | 101,760,716 |
| | **Income from other than financial assets** | | | |
| | Fees and other income | | 181,256,912 | 180,724,809 |
| | Documentation fee | | 28,725,971 | 23,744,380 |
| | Gain on disposal of fixed assets | 4.1.3 & 4.3.1 | 12,752,795 | 573,432 |
| | Gain on sale of lease and finance assets | | 58,430,563 | 52,146,536 |
| | Exchange (loss) / gain - net | | (343,321) | 173,884 |
| | | | 280,822,920 | 257,363,041 |
| | | | 367,407,196 | 359,123,757 |

## 34 SHARE OF PROFIT OF ASSOCIATE

| Names of associate | 2021 | | 2020 | |
|---|---|---|---|---|
| | Associate's profit after tax | Share of associate's profit after tax | Associate's profit after tax | Share of associate's profit after tax |
| | Rupees | | | |
| **Un-quoted - related party** | | | | |
| Yanal Finance Company (formerly Saudi ORIX Leasing Company) | 1,414,446,746 | 35,363,150 | 1,157,528,120 | 28,938,203 |

## 35 FINANCE COST

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| Interest / mark-up / profit on: | | | |
| - Long-term finances | | 627,719,793 | 1,277,170,805 |
| - Short-term borrowings | | 76,337,518 | 88,021,058 |
| - Certificates of deposit | | 467,295,949 | 449,934,463 |
| - Lease liability against right-of-use assets | | 14,902,360 | 16,430,165 |
| Amortisation of transaction cost | | 963,267 | 3,200,792 |
| Bank charges and commission | | 6,299,753 | 10,288,460 |
| | | 1,193,518,640 | 1,845,045,743 |

## 36 ADMINISTRATIVE AND GENERAL EXPENSES

| | | | |
|---|---|---|---|
| Salaries, allowances, welfare and training | 36.1 | 818,067,610 | 833,757,606 |
| Rent and utilities | | 70,339,023 | 73,215,059 |
| Travelling | | 2,789,530 | 3,761,368 |
| Vehicle running and maintenance | | 13,375,139 | 12,658,907 |
| Insurance on operating assets | | 5,085,796 | 5,055,935 |
| Legal and professional charges | | 23,099,532 | 18,999,082 |
| Communication | | 16,861,127 | 18,563,293 |
| Subscriptions | | 5,582,941 | 7,058,171 |
| Auditors' remuneration | 36.2 | 6,121,320 | 4,781,970 |
| Advertising | | - | 4,383,444 |
| Printing and stationery | | 8,606,044 | 7,208,257 |
| Depreciation | 4.1 & 4.4 | 96,888,998 | 78,330,331 |
| Amortisation | 5.1 | 7,247,979 | 10,603,023 |
| Office repairs and maintenance of equipment | | 45,363,459 | 39,717,969 |
| Donations | 36.3 | 6,275,000 | 10,245,000 |
| Office general expenses | | 10,200,655 | 7,441,420 |
| | | 1,135,904,153 | 1,135,780,835 |

**36.1** This includes expenses in relation to the following employee benefits:

| | | | |
|---|---|---|---|
| Defined benefit plan - gratuity fund | 25.5 | 14,791,484 | 19,208,727 |
| Defined contribution plan - provident fund | | 29,890,223 | 30,685,620 |
| (Reversal) / charge against compensated absences | 3.18 | (30,534,618) | 3,034,009 |
| | | 14,147,089 | 52,928,356 |

### 36.2 Auditors' remuneration

| | | |
|---|---|---|
| Annual audit fee | 2,387,010 | 1,700,000 |
| Half yearly review fee | 594,000 | 300,000 |
| Other services and certifications | 2,455,400 | 2,220,947 |
| Sales tax on audit fee and other services | 434,913 | 337,676 |
| Out of pocket expenses | 249,997 | 223,347 |
| | 6,121,320 | 4,781,970 |

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| | | | Rupees | |
| **36.3** | **Donations above 10% of total donation or Rs. 1,000,000 which ever is higher** | | | |
| | The Citizens Foundation | | 1,000,000 | 2,800,000 |
| | The Layton Rahmatullah Benevolent Trust (LRBT) | 36.3.1 | 1,000,000 | 1,000,000 |
| | The Indus Hospital | 36.3.2 | 1,000,000 | 1,000,000 |
| | | | 3,000,000 | 4,800,000 |

**36.3.1** A director of the Company (Mr. Shaheen Amin) is a Trustee of LRBT.

**36.3.2** A director of the Company (Mr. Nasim Hyder) is a director of The Indus Hospital.

## 37 DIRECT COST

| | | | |
|---|---|---|---|
| Court fee, stamp duty and others | | 6,061,180 | 3,513,630 |
| **Operating lease and Ijarah finance** | | | |
| Maintenance and insurance cost | | 17,249,579 | 14,040,686 |
| Depreciation - operating lease assets | 4.2 | 10,102,272 | 10,102,272 |
| Depreciation - ijarah assets | 4.3 | 52,330,375 | 129,986,407 |
| | | 79,682,226 | 154,129,365 |
| | | 85,743,406 | 157,642,995 |

## 38 ALLOWANCE FOR POTENTIAL LEASE AND OTHER LOAN LOSSES

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Finance lease | Finances and loans (note 38.1) | Sub-total | Operating lease, ijarah and other receivables (note 38.2) | Total |
| | Rupees | | | | |
| Balance at the beginning of the year | 935,907,045 | 214,841,562 | 1,150,748,607 | 22,321,751 | 1,173,070,358 |
| Provision charge during the year | 337,151,860 | 96,106,204 | 433,258,064 | 5,560 | 433,263,624 |
| Reversal made during the year | (423,323,838) | (49,922,172) | (473,246,010) | (3,028,894) | (476,274,904) |
| | (86,171,978) | 46,184,032 | (39,987,946) | (3,023,334) | (43,011,280) |
| Write-offs | (9,417,840) | - | (9,417,840) | - | (9,417,840) |
| Balance at the end of the year | 840,317,227 | 261,025,594 | 1,101,342,821 | 19,298,417 | 1,120,641,238 |

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Finance leases | Finances and loans (note 38.1) | Sub-total | Operating lease, ijarah and other receivables (note 38.2) | Total |
| | Rupees | | | | |
| Balance at the beginning of the year | 669,018,735 | 172,758,870 | 841,777,605 | 28,774,755 | 870,552,360 |
| Provision charge during the year | 486,198,425 | 81,459,224 | 567,657,649 | 2,922,083 | 570,579,732 |
| Reversal made during the year | (216,815,627) | (39,376,532) | (256,192,159) | (6,137,004) | (262,329,163) |
| | 269,382,798 | 42,082,692 | 311,465,490 | (3,214,921) | 308,250,569 |
| Write-offs | (2,494,488) | - | (2,494,488) | (3,238,083) | (5,732,571) |
| Balance at the end of the year | 935,907,045 | 214,841,562 | 1,150,748,607 | 22,321,751 | 1,173,070,358 |

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| | | | Rupees | |
| **38.1** | **Provision against finances and loans** | | | |
| | Long-term finances and loans | 10 | 173,668,565 | 163,956,530 |
| | Short-term finances | 11 | 87,357,029 | 50,885,032 |
| | | | 261,025,594 | 214,841,562 |
| **38.2** | **Provision against operating lease, ijarah and other receivables** | | | |
| | Other receivables | 16 | 19,298,417 | 22,321,751 |

**39 OTHER PROVISIONS - NET**

| | 2021 | 2020 |
|---|---|---|
| **Operating lease, ijarah and other receivables** | | |
| Reversal of provision against other receivables | (217,763) | (4,666,667) |
| (Reversal of provision) / provision against operating lease receivables | (2,805,571) | 2,832,078 |
| Reversal of provision against ijarah receivables | - | (1,380,332) |
| | (3,023,334) | (3,214,921) |
| **Others** | | |
| Provision for provincial Workers' Welfare Fund | 26,073,520 | 24,999,970 |
| Reversal of impairment recognised on assets classified as 'held for sale' | (1,091,531) | (8,984,240) |
| | 21,958,655 | 12,800,809 |

**40 REMUNERATION OF CHIEF EXECUTIVE, EXECUTIVE DIRECTORS AND EXECUTIVES**

40.1 The aggregate amount charged in the unconsolidated financial statements for the year in respect of the remuneration and benefits to the Chief Executive, Executive Directors and Executives are as follows

| | 2021 | | | |
|---|---|---|---|---|
| | Chief Executive | Executive Director | Executives | Total |
| | Rupees | | | |
| Managerial remuneration and other perquisites | 33,432,347 | 10,804,873 | 209,437,975 | 253,675,195 |
| House rent and utilities | 11,063,945 | 3,195,198 | 51,809,232 | 66,068,375 |
| Retirement benefits | 5,531,015 | 1,039,438 | 18,080,355 | 24,650,808 |
| | 50,027,307 | 15,039,509 | 279,327,562 | 344,394,378 |
| Number of persons | 1 | 1 | 54 | 56 |

| | 2020 | | | |
|---|---|---|---|---|
| | Chief Executive | Executive Director | Executives | Total |
| | Rupees | | | |
| Managerial remuneration and other perquisites | 34,957,248 | - | 215,954,649 | 250,911,897 |
| House rent and utilities | 9,620,820 | - | 50,435,221 | 60,056,041 |
| Retirement benefits | 3,274,560 | - | 15,129,390 | 18,403,950 |
| | 47,852,628 | - | 281,519,260 | 329,371,888 |
| Number of persons | 1 | - | 48 | 49 |

**40.2** Executives denote employees, other than the Chief Executive and Executive Directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

**40.3** The Chief Executive, Executive Director and certain executives are also provided with Company maintained cars and other benefits in accordance with their entitlement as per Company's HR policy.

**40.4** The aggregate amount charged in these unconsolidated financial statements for meeting fees paid to 4 non-executive directors (2020: 4) amounting to Rs. 13.15 million (2020: Rs. 3.6 million). This includes fee paid to the Chairman of the Board of Directors amounting to Rs. 2.25 million (2020: Rs. 0.7 million).

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| | | | Rupees | |
| **41** | **TAXATION** | | | |
| | Current tax | | 460,010,073 | 436,565,030 |
| | Prior year tax | | 1,379,840 | (663,811) |
| | Deferred tax | 23.1 | (92,220,938) | (164,611,732) |
| | | | 369,168,975 | 271,289,487 |

**41.1 Effective tax rate reconciliation**

**41.1.1** Numerical reconciliation between the average tax rate and the applicable tax rate for the year ended June 30, 2021 is as follows:

| | 2021 (Effective tax rate) (%) | 2021 Rupees | 2020 (Effective tax rate) (%) | 2020 Rupees |
|---|---|---|---|---|
| Profit before taxation | | 1,283,979,509 | | 973,511,077 |
| Tax at enacted tax rate | 29.00 | 372,354,056 | 29.00 | 282,318,212 |
| Tax effect of income subject to final tax regime | (0.27) | (3,432,899) | (0.91) | (8,824,210) |
| Tax effect of income subject to lower tax rate | (0.14) | (1,757,005) | (0.14) | (1,317,219) |
| Prior year | 0.11 | 1,379,840 | (0.07) | (663,811) |
| Tax effect of rebates / credits | - | - | (0.08) | (768,443) |
| Others | 0.05 | 624,981 | 0.06 | 544,958 |
| | 28.75 | 369,168,975 | 27.66 | 271,289,487 |

**41.2 Current status of pending tax assessments**

**Tax Year 1999 to 2000**

In the assessment year 1999-2000 the Officer Inland Revenue (OIR) had revised the income tax assessment order of the Company under Section 221 of the Ordinance. The Company had preferred an appeal against the order of the OIR before the Commissioner Inland Revenue [CIR(A)] who confirmed the treatment of the OIR. The Company then filed an appeal before the Appellate Tribunal Inland Revenue (ATIR). The ATIR while deciding the appeal filed by the Company, has remanded back the appellate order dated December 12, 2005 to the CIR(A) to pass speaking order after considering all the relevant facts of the case. The case is still pending adjudication, however, as a matter of prudence, the Company has made adequate provision in respect of the disallowances.

**Tax Year 2010 to 2020**

Under Section 114 of the Income Tax Ordinance 2001, the Company has filed the returns of income for tax years 2010 to 2020. The said returns were taken to be assessment orders passed by the Commissioner Inland Revenue on the day the said returns were filed other than tax year 2010, 2011, 2014, 2017, 2018, 2019 and 2020.

**Tax Year 2010, 2011, 2014, 2017, 2018, 2019 and 2020**

Details of the assessment made by the Additional Commissioner Inland Revenue are provided in notes 31.1.1, 31.1.2, 31.1.3, 31.1.4, 31.1.5, 31.1.6 and 31.1.7.

## 42 OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| Profit before taxation | | 1,283,979,509 | 973,511,077 |
| **Adjustments for** | | | |
| Depreciation | 4.1, 4.2, 4.3 & 4.4 | 159,321,645 | 218,419,010 |
| Amortisation | 5.1 | 7,247,979 | 10,603,023 |
| Amortisation of transaction cost | 35 | 963,267 | 3,200,792 |
| (Reversal of provision) / provision for potential lease and other loan losses - net | 38 | (39,987,946) | 311,465,490 |
| Reversal of provision against Ijarah receivable | 39 | - | (1,380,332) |
| Reversal of impairment classified as 'held for sale' | 39 | (1,091,531) | (8,984,240) |
| Reversal of provision against other receivables | 39 | (3,023,334) | (1,834,589) |
| Gain on sale of investments - net | 33 | (41,119,784) | (9,408,704) |
| Share of profit from associate | 34 | (35,363,150) | (28,938,203) |
| Exchange loss / (gain) - net | 33 | 343,321 | (173,884) |
| Charge for defined benefit plan - gratuity fund | 36.1 | 14,791,484 | 19,208,727 |
| Capital work in progress reclassified to repair and maintenance | | - | 345,889 |
| Unrealised loss / (gain) on remeasurement of financial assets at fair value through profit or loss - net | 33 | 4,007,824 | (4,098,900) |
| Finance cost including bank charges | 35 | 725,259,424 | 1,391,910,488 |
| Profit on certificates of deposit | 35 | 467,295,949 | 449,934,463 |
| Dividend income | 33 | (11,936,665) | (12,021,063) |
| Return on investments and deposits | 33 | (235,824) | (436,816) |
| Interest income on government securities | 33 | (37,299,827) | (75,795,233) |
| Provision for provincial Workers Welfare Fund | 39 | 26,073,520 | 24,999,970 |
| Gain on disposal of fixed assets | 33 | (12,752,795) | (573,432) |
| | | 1,222,493,557 | 2,286,442,456 |
| | | 2,506,473,066 | 3,259,953,533 |

## 43 CASH AND CASH EQUIVALENTS

| | | | |
|---|---|---|---|
| Cash at bank | 17 | 211,530,273 | 206,166,927 |
| Cash in hand | 17 | 1,763,389 | 1,743,970 |
| Short-term running finance facilities | 28 | (522,881,783) | (171,304,003) |
| | | (309,588,121) | 36,606,894 |

### 43.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

| | 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Short term loans | Certificates of deposit | Long term finances | Unclaimed dividend / unpaid dividend | Share capital | Share premium | Total |
| | Rupees | | | | | | |
| Balance as at July 01, 2020 | | 4,407,275,217 | 6,283,333,328 | 26,901,411 | 1,670,549,020 | 1,585,210,523 | 15,973,269,500 |
| Changes from financing cash flows | | | | | | | |
| Repayment | (3,750,000,000) | (1,000,692,553) | (3,702,777,779) | - | - | - | (8,459,470,332) |
| Proceeds received | 4,650,000,000 | 1,466,784,998 | 3,200,000,000 | - | - | - | 9,316,784,998 |
| Dividend paid | - | - | - | (373,638,821) | - | - | (373,638,821) |
| **Total changes from financing activities** | 900,000,000 | 466,092,445 | (502,777,779) | (373,638,821) | - | - | 489,675,845 |
| Other changes | | | | | | | |
| Bonus shares | - | - | - | - | 83,527,450 | (83,527,450) | - |
| Dividend declared | - | - | - | 559,633,922 | - | - | 559,633,922 |
| **Total other changes** | - | - | - | 559,633,922 | 83,527,450 | (83,527,450) | 559,633,922 |
| **Balance as at June 30, 2021** | 900,000,000 | 4,873,367,662 | 7,780,555,556 | 212,896,512 | 1,754,076,470 | 1,501,683,073 | 17,018,579,267 |

## 44 SEGMENT INFORMATION

The Company has four primary reporting segments namely, 'Finance lease', 'Finances & Loans ', 'Islamic Finance ' and 'Operating lease', based on the nature of business and the related risks and returns associated with these segments. The finance lease operations are primarily for long-term leases of movable assets to corporate entities and individuals. Finances and loans are primarily extended to corporate entities and individuals for purchase of saloon vehicles. This segment also includes micro finance which primarily represents group / community based lending to the under-privileged community. Under the operating lease segment, the Company provides equipment on short-term rentals to corporate entities. Islamic Finance includes Ijarah and Diminishing musharikah to corporate entities and individuals. Other operations, which do not fall into the above segment categories and are not deemed by the management to be sufficiently significant to disclose as separate items, are reported under 'Investment in subsidiaries, associates, and others'.

**44.1** Segment analysis is given below:

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Finance lease | Finances and loans | Operating lease | Islamic Finance | Investment in subsidiaries, associates and others | Total |
| | Rupees | | | | | |
| Segment revenues | 2,331,596,316 | 1,088,682,517 | 11,385,602 | 76,818,456 | 172,433,454 | 3,681,116,417 |
| Finance cost | 730,234,070 | 320,783,329 | 6,307,808 | 7,326,112 | 128,667,321 | 1,193,518,640 |
| Administrative and general expenses | 816,202,615 | 297,123,216 | 17,343,053 | 5,235,267 | - | 1,135,904,153 |
| Direct cost | 9,257,746 | 8,057,191 | 16,056,294 | 52,372,075 | - | 85,743,406 |
| (Reversal of provision) / provision - net | (86,171,978) | 48,184,032 | (2,805,571) | - | (1,209,294) | (44,102,811) |
| **Segment results** | 862,073,863 | 416,534,747 | (25,516,022) | 11,885,004 | 45,075,437 | 1,310,053,029 |
| Provision for provincial Workers' Welfare Fund | | | | | | (26,073,520) |
| Provision for taxation | | | | | | (369,168,975) |
| **Profit for the year** | | | | | | 914,810,534 |
| **Other information** | | | | | | |
| Segment assets | 13,209,037,033 | 7,389,497,587 | 124,270,847 | 5,462,747 | 2,546,706,309 | 23,279,974,523 |
| Unallocated assets | | | | | | 1,510,333,196 |
| **Total assets** | | | | | | 24,786,307,719 |
| Segment liabilities | 344,367,014 | 168,543,299 | 331,284 | - | - | 513,231,597 |
| Unallocated liabilities | | | | | | 15,747,572,361 |
| **Total liabilities** | | | | | | 16,260,803,958 |
| Capital expenditure | - | - | - | 2,508,500 | - | 2,508,500 |
| Depreciation | - | - | 10,102,272 | 52,330,375 | - | 62,432,647 |
| **Unallocated** | | | | | | |
| Capital expenditure - fixed assets for own use | - | - | - | - | - | 81,027,054 |
| Additions made to intangible assets | - | - | - | - | - | 89,486 |
| Unallocated depreciation and amortisation | - | - | - | - | - | 104,136,977 |

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Finance lease | Finances and loans | Operating lease | Islamic Finance | Investment in subsidiaries, associates and others | Total |
| | Rupees | | | | | |
| Segment revenues | 3,150,083,120 | 940,421,598 | 4,853,819 | 184,521,642 | 156,366,770 | 4,436,246,949 |
| Finance cost | 1,267,075,500 | 357,002,303 | 10,716,940 | 31,830,236 | 178,420,765 | 1,845,045,743 |
| Administrative and general expenses | 866,945,266 | 230,001,049 | 24,978,947 | 13,855,573 | - | 1,135,780,835 |
| Direct cost | 10,091,056 | 4,765,913 | 12,732,514 | 130,053,512 | - | 157,642,995 |
| (Reversal of provision) / provision - net | 269,382,798 | 42,062,692 | 2,832,078 | (1,380,332) | (13,650,907) | 299,266,329 |
| **Segment results** | 736,588,500 | 306,589,641 | (46,406,660) | 10,162,654 | (8,403,088) | 998,511,047 |
| Provision for provincial Workers' Welfare Fund | | | | | | (24,999,970) |
| Provision for taxation | | | | | | (271,289,487) |
| **Profit for the year** | | | | | | 702,221,590 |
| **Other information** | | | | | | |
| Segment assets | 13,487,202,621 | 4,418,317,624 | 134,373,122 | 404,511,902 | 2,987,044,266 | 21,431,449,535 |
| Unallocated assets | | | | | | 1,567,354,255 |
| **Total assets** | | | | | | 22,998,803,790 |
| Segment liabilities | 52,771,236 | 9,539,048 | 7,190,967 | 134,490 | - | 69,635,741 |
| Unallocated liabilities | | | | | | 14,695,430,709 |
| **Total liabilities** | | | | | | 14,765,066,450 |
| Capital expenditure | - | - | - | 9,450,000 | - | 9,450,000 |
| Depreciation | - | - | 10,102,272 | 129,986,407 | - | 140,088,679 |
| **Unallocated** | | | | | | |
| Capital expenditure - fixed assets for own use | - | - | - | | | 42,329,449 |
| Additions made to intangible assets | - | - | - | | - | 1,759,269 |
| Unallocated depreciation and amortisation | - | - | - | | - | 88,933,354 |

## 44.2 Segment by class of business

An analysis by class of business of the Company's net investment in finance leases and other finances and loans is given below:

| Sectors | 2021 (Rupees) | 2021 % | 2020 (Rupees) | 2020 % |
|---|---|---|---|---|
| Individuals | 5,836,189,596 | 27.03% | 4,307,226,836 | 22.73% |
| Goods Transport | 2,721,547,116 | 12.61% | 2,829,252,167 | 14.93% |
| Public Transport | 1,594,143,445 | 7.38% | 1,482,331,553 | 7.82% |
| Distributer | 1,576,813,567 | 7.30% | 1,541,083,662 | 8.13% |
| Services | 1,474,530,973 | 6.83% | 1,655,530,820 | 8.74% |
| Textile & Allied | 1,370,688,890 | 6.35% | 1,171,203,188 | 6.18% |
| Trading | 1,241,977,276 | 5.75% | 1,085,167,652 | 5.73% |
| Fuel & Energy | 929,843,611 | 4.32% | 867,317,544 | 4.58% |
| Construction | 853,417,910 | 3.95% | 513,603,249 | 2.71% |
| Food & Allied | 644,338,565 | 2.98% | 549,023,002 | 2.90% |
| Chemical & Pharmaceutical | 522,149,399 | 2.42% | 433,417,908 | 2.29% |
| Glass, Ceramics & Plastic | 521,387,492 | 2.42% | 546,845,813 | 2.89% |
| Steel & Engineering | 500,979,910 | 2.32% | 496,719,988 | 2.62% |
| Paper, Board & Printing | 462,618,277 | 2.14% | 421,284,693 | 2.22% |
| Miscellaneous | 380,307,191 | 1.76% | 304,324,917 | 1.61% |
| Natural Resource And Farming | 347,565,013 | 1.61% | 305,022,461 | 1.61% |
| Automotive Industry | 257,202,568 | 1.19% | 250,977,921 | 1.32% |
| Sugar | 222,382,817 | 1.03% | 98,790,896 | 0.52% |
| Cables, Electric And Electronic Goods | 130,935,836 | 0.61% | 93,193,784 | 0.49% |
| | 21,589,019,452 | 100.00% | 18,952,318,054 | 100.00% |

Reconciliation of the Company's gross net investment in finance leases and other finances and loans is given below:

| | 2021 | 2020 |
|---|---|---|
| | Rupees | |
| Net investment in finance leases | 14,049,104,260 | 14,423,109,666 |
| Other finances and loans | 7,539,915,192 | 4,529,208,388 |
| | 21,589,019,452 | 18,952,318,054 |

**44.3 Segment by sector**

The Company's net investment in finance lease and other finances and loans includes exposure to private sector of Rs 15,752 million (2020: Rs. 14,645 million).

**44.4 Geographical segment analysis**

The Company's operations are restricted to Pakistan only.

**45 TRANSACTIONS WITH RELATED PARTIES**

The Company has related party relationships with its parent company, related group companies, associated companies, staff provident fund, staff gratuity fund, directors and key management personnel and entities over which the directors or key management personnel are able to exercise significant influence.

The Company in the normal course of business carries out transactions with various related parties. These transactions are executed substantially on the same terms as those prevailing at the time of comparable transactions with unrelated parties and do not involve more than a normal risk. Amounts due from, due to and other balances of related parties are disclosed in the relevant notes to the unconsolidated financial statements.

45.1 Transactions with related parties during the year are given below:

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| **ORIX Corporation, Japan - Parent Company - 49.58% Holding** | | | |
| Dividend paid - net of tax | | 95,760,091 | 440,496,423 |
| 4,140,976 Bonus shares issued (2020 : Nil) | | | |
| **Yanal Finance Company (Formerly Saudi ORIX Leasing Company) - Associate / Common directorship 2.5% ownership** | | | |
| Dividend received | | 8,548,643 | 50,533,088 |
| Reimbursement of cost | | 17,999,125 | 7,613,325 |
| **ORIX Modaraba - subsidiary - 20% ownership** | | | |
| Dividend received | | 11,345,883 | 11,345,883 |
| Reimbursement of cost | | 608,377 | 496,686 |
| **ORIX Leasing Pakistan Limited - Employees Provident Fund (OLP-EPF)** | | | |
| Contribution made | | 29,890,223 | 30,685,620 |
| **ORIX Leasing Pakistan Limited - Staff Gratuity Fund (OLP-SGF)** | | | |
| Contribution made | 25.4 | 4,930,496 | 17,607,997 |
| **Charity / Donation paid - Common Directorship** | | | |
| The Layton Rahmatullah Benevolent Trust - Charity | | 500,000 | - |
| The Indus Hospital - Donation | | 1,000,000 | 1,000,000 |
| The Layton Rahmatullah Benevolent Trust - Donation | | 1,000,000 | 1,000,000 |

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| **Other related party transactions during the year** | | | |
| **Directors and key management personnel** | | | |
| Compensation of directors and key management personnel | | | |
| Director fees paid | | 13,150,000 | 3,600,000 |
| Short-term employee benefits | | 162,592,687 | 177,249,098 |
| Retirement benefits | | 14,153,375 | 10,122,658 |
| Total compensation to directors and key management personnel | | 189,896,062 | 190,971,756 |
| Proceeds from sale of fixed assets | | 869,600 | 3,296,500 |
| Staff loans disbursed to key management personnel | | 7,216,939 | 13,247,411 |
| Interest recovered on staff loans | | 2,233,605 | 2,262,034 |
| Principal recovered on staff loans | | 9,354,100 | 23,552,235 |
| Dividend paid to key management personnel - net of tax | | 445,067 | 952,895 |
| 7,855 bonus shares issued to key management personnel (2020 : Nil) | | | |
| Dividend paid to the Chief Executive Officer of the Company - net of tax | | 826,208 | 852,932 |
| 10,030 bonus shares issued to the Chief Executive Officer of the Company (2020 : Nil) | | | |
| Issuance of certificates of deposit | | 500,000 | 200,000 |
| Redemption of certificates of deposit | | 1,300,000 | 200,000 |
| Amount of profit paid on certificates of deposit | | 185,524 | 189,998 |
| **45.2** The balances with related parties as at year end: | | | |
| Investment in subsidiaries | 7 | 322,374,294 | 322,374,294 |
| Investment in associate | 8 | 915,924,945 | 944,087,843 |
| Long-term investment -SAMA Finance PSC (formerly Al Hail ORIX Finance PSC)-net of provision | 9 | - | - |
| Assets classified as held for sale | | | |
| - OPP (Private) Limited | 18 | 87,754,399 | 87,754,399 |
| - SAMA Finance SAE (formerly ORIX Leasing Egypt SAE)- 23% ownership | 18 | 172,043,037 | 172,043,037 |
| Certificates of deposit held | | 1,300,000 | 2,100,000 |
| Accrued profit on certificates of deposit payable | | 8,430 | 9,628 |
| Outstanding loans to key management personnel | 10.1 | 20,162,239 | 20,042,773 |
| Receivable from Yanal Finance Company (formerly Saudi ORIX Leasing Company) | | 8,750,153 | 9,697,526 |
| Receivable from ORIX Corporation, Japan - Parent Company | | 1,387,140 | 757,140 |
| Unpaid dividend payable to ORIX Corporation, Japan - Parent Company | | 173,921,030 | - |

| | | 2021 | 2020 |
|---|---|---|---|
| **46** | **STAFF STRENGTH** | Number of staff | |
| Staff strength at the end of the year | | 474 | 487 |
| Average number of employees* | | 473 | 500 |

* Represents the average taken of the number of employees at the end of each month in the year.

## 47 PROVIDENT FUND RELATED DISCLOSURES

The Company operates a Staff Provident Fund for its employees. The following information is based on the financial statements of the Fund as at June 30, 2021 (unaudited) and 2020 (audited) respectively

| | 2021 Unaudited | 2020 Audited |
|---|---|---|
| | Rupees | |
| Size of the Fund - total assets | 627,940,572 | 546,765,718 |
| Fair value of investments | 618,057,165 | 538,084,827 |
| | Percentage | |
| Percentage of investments made | 98% | 98% |

The cost of the above investments amounted to Rs. 606.01 million (2020: Rs. 529.68 million).

The break-up of fair value of investments is as follows:

| | Unaudited 2021 | Audited 2020 | Unaudited 2021 | Audited 2020 |
|---|---|---|---|---|
| | Percentage | | Rupees | |
| Cash and bank deposits | 1.95% | 1.56% | 12,041,571 | 8,395,656 |
| Government securities | | | | |
| - Treasury Bills | 48.45% | 48.85% | 299,478,801 | 262,844,158 |
| - National Savings Certificates | 36.39% | 36.96% | 224,933,473 | 198,874,500 |
| - Pakistan Investment Bonds | 10.78% | 12.63% | 66,603,320 | 67,970,513 |
| - Debt Securities - Listed ( TFC) | 2.43% | - | 15,000,000 | - |
| | 100.00% | 100.00% | 618,057,165 | 538,084,827 |

The investments of the provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

## 48 FINANCIAL INSTRUMENTS BY CATEGORY

| | 2021 | | | |
|---|---|---|---|---|
| | At amortised cost | At fair value through profit or loss | At fair value through other comprehensive income | Total |
| | Rupees | | | |
| **ASSETS** | | | | |
| Net investment in finance lease | 13,208,787,033 | - | - | 13,208,787,033 |
| Long-term investments | 451,973,817 | - | - | 451,973,817 |
| Long-term deposits | 11,421,566 | - | - | 11,421,566 |
| Finances and loans | 7,526,048,088 | - | - | 7,526,048,088 |
| Accrued return on investments and finance and loans | 127,411,324 | - | - | 127,411,324 |
| Short-term investments | - | 301,110,445 | 26,863,547 | 327,973,992 |
| Other receivables | 19,720,651 | | - | 19,720,651 |
| Cash and bank balances | 213,293,662 | - | - | 213,293,662 |
| | 21,558,656,141 | 301,110,445 | 26,863,547 | 21,886,630,133 |

| | 2021 | | |
|---|---|---|---|
| | At fair value through profit or loss | At amortised cost | Total |
| | Rupees | | |
| **LIABILITIES** | | | |
| Term finances | - | 7,780,555,550 | 7,780,555,550 |
| Certificates of deposit | - | 4,869,367,662 | 4,869,367,662 |
| Other long-term liabilities | - | 197,119,786 | 197,119,786 |
| Trade and other payables | - | 788,317,977 | 788,317,977 |
| Accrued interest / mark-up / profit on loans, finances and certificates of deposit | - | 231,679,239 | 231,679,239 |
| Lease liability against right-of-use assets | - | 107,613,351 | 107,613,351 |
| Unpaid dividend | - | 185,467,295 | 185,467,295 |
| Unclaimed dividend | - | 27,429,217 | 27,429,217 |
| Short-term borrowings | - | 1,422,881,783 | 1,422,881,783 |
| | - | 15,610,431,860 | 15,610,431,860 |

| | 2020 | | | |
|---|---|---|---|---|
| | At amortised cost | At fair value through profit or loss | At fair value through other comprehensive income | Total |
| | Rupees | | | |
| **ASSETS** | | | | |
| Net investment in finance lease | 13,487,202,621 | - | - | 13,487,202,621 |
| Long-term investments | 442,872,077 | - | - | 442,872,077 |
| Long-term deposits | 12,932,566 | - | - | 12,932,566 |
| Finances and loans | 4,501,115,121 | - | - | 4,501,115,121 |
| Accrued return on investments and finance and loans | 120,754,142 | - | - | 120,754,142 |
| Short-term investments | - | 777,319,870 | 26,019,918 | 803,339,788 |
| Other receivables | 80,233,054 | - | - | 80,233,054 |
| Cash and bank balances | 207,910,897 | - | - | 207,910,897 |
| | 18,853,020,478 | 777,319,870 | 26,019,918 | 19,656,360,266 |

| | 2020 | | |
|---|---|---|---|
| | At fair value through profit or loss | At amortised cost | Total |
| | Rupees | | |
| **LIABILITIES** | | | |
| Term finances | - | 8,283,333,329 | 8,283,333,329 |
| Certificates of deposit | - | 4,407,275,217 | 4,407,275,217 |
| Other long-term liabilities | - | 197,559,646 | 197,559,646 |
| Trade and other payables | - | 318,100,362 | 318,100,362 |
| Accrued interest / mark-up / profit on loans, finances and certificates of deposit | - | 314,177,222 | 314,177,222 |
| Lease liability against right-of-use assets | - | 119,954,413 | 119,954,413 |
| Unclaimed dividend | - | 26,901,411 | 26,901,411 |
| Short-term borrowings | - | 171,304,003 | 171,304,003 |
| | - | 13,838,605,603 | 13,838,605,603 |

## 49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks which mainly include market risk, credit risk and liquidity risk. The Board of Directors of the Company has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

### 49.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. Market risk comprises three types of risks: currency risk, yield / interest rate risk and other price risk.

#### 49.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk in US dollar, Saudi Riyal, UAE Dirhams and Egyptian Pound on account of its foreign currency bank account, held for sale investments and investment in associates. The Company's exposure to foreign currency transactions is as follows:

| | 2021 | 2020 |
|---|---|---|
| | Rupees | |
| Foreign currency bank account | 4,447,984 | 4,735,993 |
| Investment in associate | 915,924,945 | 944,087,843 |
| Assets classified as held for sale | 172,043,037 | 172,043,037 |

As at June 30, 2021, if the Pakistani Rupee had strengthened / weakened by 10% against these currencies with all other variables held constant, the impact on the total comprehensive income would have been lower / higher by an amount of Rs. 109.241 million (2020: Rs. 112.086 million).

#### 49.1.2 Yield / interest rate risk

Yield / interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company has adopted appropriate policies to minimise its exposure to this risk. The interest rate profile of the Company's significant interest bearing financial instruments and the periods in which these will mature are as follows:

# NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

| | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Exposed to yield / interest rate risk | | | | | | | Not exposed to yield / profit rate risk |
| | Effective yield / profit rate % | Total | Upto one month | Over one month to three months | Over three months to one year | Over one year to five years | Over five years | |
| | | Rupees | | | | | | |
| **On-balance sheet financial instruments** | | | | | | | | |
| **Financial assets** | | | | | | | | |
| Net investment in finance lease | 9.34% - 7.55% | 13,208,787,033 | 812,951,698 | 1,769,416,163 | 4,048,110,191 | 6,578,408,982 | - | - |
| Long-term investments | 7.25% - 12.00% | 451,973,817 | - | 64,924,953 | - | 387,048,864 | - | - |
| Finances and loans | 4.00% - 38.41% | 7,526,046,088 | 301,460,440 | 797,334,611 | 2,022,795,519 | 4,404,457,518 | | - |
| Long-term deposits | | 11,421,566 | - | - | - | - | - | 11,421,566 |
| Accrued return on investments and finance and loans | | 127,411,324 | - | - | - | - | - | 127,411,324 |
| Short-term investments | 7.23% - 7.60% | 327,973,992 | 234,035,341 | 59,276,316 | 7,796,788 | - | - | 26,865,547 |
| Other receivables | | 19,720,651 | - | - | - | - | - | 19,720,651 |
| Cash and bank balances | 2.9% - 6.5% | 213,293,862 | 65,113,536 | - | - | - | - | 148,180,126 |
| **Total** | | 21,886,630,133 | 1,413,461,015 | 2,690,952,044 | 6,078,704,498 | 11,369,915,364 | - | 333,597,214 |
| **Financial Liabilities** | | | | | | | | |
| Term finances | 7.60% - 8.63% | 7,780,555,550 | 394,097,223 | 760,416,667 | 1,898,263,889 | 4,727,777,771 | - | - |
| Certificates of deposit | 6.50% - 13.15% | 4,869,367,662 | 131,026,476 | 496,193,571 | 1,648,523,063 | 2,591,624,552 | - | - |
| Other long-term liabilities | | 197,119,786 | - | | - | - | - | 197,119,786 |
| Trade and other payables | | 788,317,977 | - | - | - | - | - | 788,317,977 |
| Accrued interest / mark-up on loans, finances and certificates of deposit | | 231,679,239 | - | - | - | - | - | 231,679,239 |
| Lease liability against right-of-use assets | | 107,613,351 | - | - | - | - | - | 107,613,351 |
| Unpaid dividend | | 165,467,295 | - | - | - | - | - | 165,467,295 |
| Unclaimed dividend | | 27,429,217 | - | - | - | - | - | 27,429,217 |
| Short-term borrowings | 7.62% - 8.58% | 1,422,881,783 | 1,422,881,783 | - | - | - | - | - |
| **Total** | | 15,610,431,860 | 1,948,005,482 | 1,256,610,238 | 3,546,786,952 | 7,319,402,323 | - | 1,537,626,865 |
| **On-balance sheet gap (a)** | | 6,276,198,273 | (534,544,467) | 1,432,341,806 | 2,531,917,544 | 4,050,513,041 | - | (1,204,029,651) |
| **Off-balance sheet financial instruments** | | - | - | - | - | - | - | - |
| **Off-balance sheet gap (b)** | | - | - | - | - | - | - | - |
| **Total interest rate sensitivity gap (a+b)** | | 6,276,198,273 | (534,544,467) | 1,432,341,806 | 2,531,917,544 | 4,050,513,041 | | |
| **Cumulative interest rate sensitivity gap** | | 6,276,198,273 | (534,544,467) | 897,797,339 | 3,429,714,883 | 7,480,227,924 | 7,480,227,924 | |

| | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Exposed to yield / interest rate risk | | | | | | | Not exposed to yield / profit rate risk |
| | Effective yield / profit rate % | Total | Upto one month | Over one month to three months | Over three months to one year | Over one year to five years | Over five years | |
| | Rupees | | | | | | | |
| **On-balance sheet financial instruments** | | | | | | | | |
| **Financial assets** | | | | | | | | |
| Net investment in finance lease | 11.67% - 27.55% | 13,487,202,621 | 913,073,722 | 1,572,319,740 | 4,941,883,257 | 6,059,925,902 | - | - |
| Long-term investments | 7.20% - 12.00% | 442,872,077 | - | - | - | 442,872,077 | - | - |
| Finances and loans | 4.00% - 38.30% | 4,501,116,121 | 374,303,732 | 223,023,354 | 557,859,021 | 3,345,629,014 | - | - |
| Long-term deposits | | 12,932,566 | - | - | - | - | - | 12,932,566 |
| Accrued return on investments and finance and loans | | 120,754,142 | - | - | - | - | - | 120,754,142 |
| Short-term investments | 7.05% - 13.95% | 803,339,788 | 662,877,910 | 114,442,360 | - | - | - | 26,019,918 |
| Other receivables | | 80,233,054 | - | - | - | - | - | 80,233,054 |
| Cash and bank balances | 2.75% - 6.75% | 207,910,897 | 50,547,723 | - | - | - | - | 157,363,174 |
| **Total** | | 19,656,360,266 | 2,000,802,687 | 1,910,385,454 | 5,499,442,278 | 9,848,426,993 | - | 397,302,854 |
| **Financial liabilities** | | | | | | | | |
| Term finances | 8.00% - 14.10% | 6,283,353,320 | 394,097,220 | 692,708,333 | 2,615,972,222 | 4,580,555,554 | - | - |
| Certificates of deposit | 6.50% - 13.15% | 4,407,275,217 | 272,899,199 | 327,147,185 | 1,177,696,064 | 2,615,532,769 | 14,200,000 | - |
| Other long-term liabilities | | 197,555,646 | - | - | - | - | - | 197,555,646 |
| Trade and other payables | | 318,100,392 | - | - | - | - | - | 318,100,392 |
| Accrued interest / mark-up on loans, finances and certificates of deposit | | 314,177,222 | - | - | - | - | - | 314,177,222 |
| Lease liability against right-of-use assets | | 119,954,413 | - | - | - | - | - | 119,954,413 |
| Unclaimed dividend | | 26,901,411 | - | - | - | - | - | 26,901,411 |
| Short-term borrowings | 8.93% - 12.19% | 171,304,003 | 171,304,003 | - | - | - | - | - |
| **Total** | | 13,838,625,603 | 838,100,422 | 1,019,855,518 | 3,793,668,286 | 7,196,088,323 | 14,200,000 | 976,693,054 |
| **On-balance sheet gap (a)** | | 5,817,754,663 | 1,162,702,265 | 890,529,936 | 1,705,773,992 | 2,652,338,670 | (14,200,000) | (579,390,200) |
| **Off-balance sheet financial instruments** | | - | - | - | - | - | - | |
| **Off-balance sheet gap (b)** | | - | - | - | - | - | - | |
| **Total interest rate sensitivity gap (a+b)** | | 5,817,754,663 | 1,162,702,265 | 890,529,936 | 1,705,773,992 | 2,652,338,670 | (14,200,000) | |
| **Cumulative interest rate sensitivity gap** | | 5,817,754,663 | 1,162,702,265 | 2,053,232,201 | 3,759,006,193 | 6,411,344,863 | 6,397,144,863 | |

**a) Sensitivity analysis for variable rate financial instruments**

The Company has extended KIBOR based long-term leases and finances to various counter parties that expose the Company to cash flow interest rate risk. In case of increase / decrease in KIBOR by 100 basis points on the last repricing date with all other variables held constant, the profit before tax would have been higher / lower by Rs. 159.9 million (2020: Rs. 130.9 million).

Furthermore, the Company also has KIBOR based financial liabilities in Pakistani Rupees representing short-term running finance arrangements, short-term and long-term finances obtained from various financial institutions and certificates of deposit which expose the Company to cash flow interest rate risk. In case of increase / decrease in KIBOR by 100 basis points on the last repricing date with all other variables held constant, the profit before tax would have been lower / higher by Rs.92.0 million (2020: Rs. 112.5 million).

The Company holds unutilised credit lines with banks amounting in aggregate to Rs. 2,397 million as at June 30, 2021 (2020: Rs. 3,839 million) as mentioned in the note 21.1 and 28.1

**b) Sensitivity analysis for fixed rate financial instruments**

As at June 30, 2021, the Company holds Market Treasury Bills which are classified as 'financial assets at fair value through profit or loss', exposing the Company to fair value interest rate risk. In case of 100 basis points increase / decrease in rates announced by the Financial Markets Association of Pakistan for Market Treasury Bills with all other variables held constant, the net profit for the year and net assets of the Company would have been higher / lower by Rs. 4.6 million (2020: Rs. 5.1 million).

**49.1.3 Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As at June 30, 2021 and June 30, 2020, the Company did not hold any listed instruments which exposed it to price risk.

**49.2 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The risk is generally limited to principal amounts and accrued profit thereon, if any. The Company has established procedures to manage credit exposure including credit approval limit, credit exposure limits, collateral and guarantee requirements. These procedures incorporate both internal guidelines as well as the requirements of the NBFC Rules and the NBFC Regulations. The Company also manages credit risk through an independent credit department which evaluates customers' credit worthiness and obtains adequate securities where applicable.

All investing transactions are settled / paid for upon delivery. The Company's policy is to enter into financial instrument contracts by following internal guidelines for approval.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location. Significant concentration of the Company's risk assets by class of business, industry sector and geographical region is set out in note 44.

The maximum exposure to credit risk at the reporting date is as follows

| | Carrying value | | Maximum exposure | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | Rupees | | Rupees | |
| Net investment in finance lease | 13,208,787,033 | 13,487,202,621 | 13,208,787,033 | 13,487,202,621 |
| Long-term investments | 451,973,817 | 442,872,077 | - | - |
| Finances and loans | 7,526,048,088 | 4,501,115,121 | 7,526,048,088 | 4,501,115,121 |
| Long-term deposits | 11,421,566 | 12,932,566 | 11,421,566 | 12,932,566 |
| Accrued return on investments and finance and loans | 127,411,324 | 120,754,142 | 127,411,324 | 120,754,142 |
| Short-term investments | 327,973,992 | 803,339,788 | - | - |
| Other receivables | 19,720,651 | 80,233,054 | 19,720,651 | 80,233,054 |
| Cash and bank balances | 213,293,662 | 207,910,897 | 211,530,273 | 206,166,927 |
| | 21,886,630,133 | 19,656,360,266 | 21,104,918,935 | 18,408,404,431 |

Difference in the balance as per the carrying value and maximum exposure is due to the fact that investments in Government securities, equity securities and cash in hand are not exposed to credit risk.

The Company controls the credit quality of receivables through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments. For such purpose, the Company has established exposure limits for single lessees and industrial sectors. The Company has an effective rental monitoring system which allows it to evaluate customers' credit worthiness and identify potential problem accounts. An allowance for potential lease, instalment and other loan losses is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on lease and other loan portfolios that can be reasonably anticipated. The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history.

The carrying value of non-performing receivables is as follows

| | 2021 | | | |
|---|---|---|---|---|
| | Finance lease (net of security deposit) | Finances & loans | Investments & other receivables | Total |
| | Rupees | | | |
| Within 90 days | 31,319,417 | 16,194,125 | - | 47,513,542 |
| 91 - 180 days | 186,815,888 | 55,273,499 | - | 242,089,387 |
| 181-365 days | 58,884,293 | 30,317,303 | - | 89,201,596 |
| Over 1 year | 731,463,614 | 208,045,222 | 19,298,417 | 958,807,253 |
| | 1,008,483,212 | 309,830,149 | 19,298,417 | 1,337,611,778 |
| Less: general and specific provision | 840,317,227 | 261,025,594 | 19,298,417 | 1,120,641,238 |
| Net of provision | 168,165,985 | 48,804,555 | - | 216,970,540 |
| Coverage ratio | 83.32% | 84.25% | 100.00% | 83.78% |

| | 2020 | | | |
|---|---|---|---|---|
| | Finance lease (net of security deposit) | Finances & loans | Investments & other receivables | Total |
| | Rupees | | | |
| Within 90 days | 428,168,049 | 13,989,683 | - | 442,157,732 |
| 90 - 180 days | 432,497,343 | 86,282,978 | - | 518,780,321 |
| 181-365 days | 247,124,777 | 65,289,351 | - | 312,414,128 |
| Over 1 Year | 804,804,489 | 177,874,570 | 22,321,751 | 1,005,000,810 |
| | 1,912,594,658 | 343,436,582 | 22,321,751 | 2,278,352,991 |
| Less: general and specific provision | 935,907,045 | 214,841,562 | 22,321,751 | 1,173,070,358 |
| Net of provision | 976,687,613 | 128,595,020 | - | 1,105,282,633 |
| Coverage ratio | 48.93% | 62.56% | 100.00% | 51.49% |

The credit quality of the Company's bank balances and investment portfolio are assessed with reference to external credit ratings which in all cases are above investment grade rating.

The analysis below summarises the credit rating quality of the Company's bank balances as at June 30, 2021

| Bank balances | 2021 | 2020 |
|---|---|---|
| | Rupees | |
| AAA | 164,789,648 | 105,853,575 |
| AA+ | 39,562,653 | 55,301,098 |
| AA | - | 37,232,960 |
| AA- | 2,469,883 | 6,322,766 |
| A+ | 3,997,390 | 428,636 |
| A | 71,104 | 71,379 |
| State Bank of Pakistan | 639,595 | 956,512 |
| | 211,530,273 | 206,166,927 |

The Company does not hold any other financial assets which are rated

**49.2.1** The Company applies the IFRS 9 simplified approach to measure expected credit losses for net investment in finance lease, micro finance, ijarah and musharikah finance. To measure the expected credit losses, such financial assets have been grouped based on days past due. On that basis, the loss allowance as at June 30, 2021 and June 30, 2020 was determined as follows

**Net investment in finance lease**

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Expected loss rate | Gross carrying amount | Loss allowance | Expected loss rate | Gross carrying amount | Loss allowance |
| | Rupees | | | | | |
| Not yet due | 0.11% | 11,273,042,968 | 12,630,398 | 0.15% | 9,435,628,703 | 13,712,238 |
| 1-30 days | 1.86% | 1,475,354,751 | 27,424,640 | 1.66% | 1,206,747,129 | 20,021,223 |
| 31-90 days | 4.73% | 677,034,162 | 32,053,657 | 5.07% | 2,531,022,705 | 128,297,070 |
| 91-365 days | 16.38% | 238,907,810 | 39,141,768 | 29.54% | 812,403,148 | 240,023,435 |
| More than 365 days | 100.00% | 729,066,764 | 729,066,764 | 66.79% | 799,301,932 | 533,853,079 |
| Total | | | 840,317,227 | | | 935,907,045 |

**Micro finance, ijarah and musharikah finance**

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Expected loss rate | Gross carrying amount | Loss allowance | Expected loss rate | Gross carrying amount | Loss allowance |
| | Rupees | | | | | |
| Not yet due | 6.70% | 59,168,240 | 3,966,143 | 0.35% | 261,637,664 | 926,538 |
| 1-30 days | 61.48% | 5,944,158 | 3,654,714 | 0.41% | 38,025,435 | 156,599 |
| 31-90 days | 90.83% | 9,070,811 | 8,239,091 | 18.61% | 22,982,513 | 4,278,085 |
| 91-365 days | 100.00% | 36,389,907 | 36,389,907 | 67.26% | 52,484,086 | 35,302,454 |
| More than 365 days | 100.00% | 85,075,908 | 85,075,908 | 100.00% | 51,699,197 | 51,699,197 |
| Total | | | 137,327,763 | | | 92,362,873 |

For loans and other financial assets, a life time ECL is recorded in which there has been Significant Increase in Credit Risk (SICR) from the date of initial recognition and for financial assets which are credit impaired as on reporting date. A 12 months ECL is recorded for all other financial assets which do not meet the criteria for SICR or "credit impaired" as at reporting date. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Company also considers reasonable and supportive forwarding-looking information in determination of ECL.

### 49.3 Liquidity risk

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

The table below summarises the Company's financial liabilities into relevant maturity groupings based on the remaining period at the unconsolidated statement of financial position date to contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Upto three months | More than three months and upto one year | More than one year |
| | (Rupees) | | | | |
| Term finances | 7,780,555,550 | 8,872,593,692 | 1,158,813,512 | 2,444,953,283 | 5,268,826,897 |
| Certificates of deposit | 4,869,367,662 | 6,074,021,859 | 655,064,256 | 1,994,862,436 | 3,424,095,168 |
| Trade and other payables | 788,317,977 | 788,317,977 | 788,317,977 | - | - |
| Accrued interest / mark-up / profit on loans, finances and certificates of deposit | 428,799,025 | 428,799,025 | 177,041,194 | 45,577,884 | 206,179,947 |
| Lease liability against right of use assets | 107,613,351 | 107,613,351 | - | 16,289,997 | 91,323,354 |
| Unpaid dividend | 185,467,295 | 185,467,295 | 185,467,295 | - | - |
| Unclaimed dividend | 27,429,217 | 27,429,217 | 27,429,217 | - | - |
| Short-term borrowings | 1,422,881,783 | 1,422,881,783 | 954,602,720 | 468,279,063 | - |
| | 15,610,431,860 | 17,907,124,199 | 3,946,736,171 | 4,969,962,665 | 8,990,425,363 |

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Upto three months | More than three months and upto one year | More than one year |
| | (Rupees) | | | | |
| Term finances | 6,283,333,329 | 9,370,582,534 | 1,391,587,085 | 2,956,419,430 | 5,022,576,019 |
| Certificates of deposit | 4,407,275,217 | 5,609,590,696 | 588,542,724 | 1,204,275,565 | 3,816,772,407 |
| Trade and other payables | 318,100,362 | 342,666,236 | 342,666,236 | - | - |
| Accrued interest / mark-up / profit on loans, finances and certificates of deposit | 511,736,868 | 511,736,868 | 249,657,308 | 55,508,590 | 206,570,970 |
| Lease liability against right of use assets | 119,954,413 | 119,954,413 | - | 29,736,282 | 90,218,131 |
| Unclaimed dividend | 26,901,411 | 26,901,411 | 26,901,411 | - | - |
| Short-term borrowings | 171,304,003 | 171,304,003 | 171,304,003 | - | - |
| | 13,838,605,603 | 16,152,736,161 | 2,770,658,767 | 4,245,939,867 | 9,136,137,527 |

## 50 FAIR VALUE MEASUREMENT

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. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of investments classified as "at fair value through profit or loss" and "at fair value through other comprehensive income" are based on active market. The investment in associates are accounted for using the equity method while the subsidiaries have been kept at cost.

Fair value of net investments in finance lease, long term loans and finances, long term deposits and other assets, other liabilities, certificates of deposit and other accounts are approximate to their carrying value. The provision for impairment of finance lease and long term loans and finances has been calculated in accordance with the Company's accounting policy.

In the opinion of management, fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these assets and liabilities are short term in nature or are periodically repriced.

**Fair value hierarchy**

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Company to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: 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); and
- Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

| | 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | (Rupees) | | | |
| ***Financial assets*** | | | | |
| **Financial assets at fair value through other comprehensive income** | | | | |
| Ordinary shares - unlisted | - | 26,863,547 | - | 26,863,547 |
| **Financial assets at fair value through profit or loss** | | | | |
| Market Treasury bills | - | 301,110,445 | - | 301,110,445 |
| ***Non-financial assets*** | | | | |
| Fixed assets (Leasehold land and building) | - | - | 940,875,025 | 940,875,025 |
| **Total** | - | 327,973,992 | 940,875,025 | 1,268,849,017 |

| | 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | (Rupees) | | | |
| ***Financial assets*** | | | | |
| **Financial assets at fair value through other comprehensive income** | | | | |
| Ordinary shares - unlisted | - | 26,019,918 | - | 26,019,918 |
| **Financial assets at fair value through profit or loss** | | | | |
| Market Treasury bills | - | 777,319,870 | - | 777,319,870 |
| ***Non-financial assets*** | | | | |
| Fixed assets (Leasehold land & building) | - | - | 965,428,358 | 965,428,358 |
| **Total** | - | 803,339,788 | 965,428,358 | 1,768,768,146 |

| Item | Valuation approach and input used |
|---|---|
| Treasury bills | The fair value of Treasury bills is derived using PKRV rates. PKRV rate is average of the yield-to-maturity on government securities traded in the secondary market and determined at the end of day. The yield-to-maturity on government securities is quoted by the six (06) brokerage houses keeping in view the yield-to-maturity on government securities traded in the secondary market. |
| Fixed assets (leasehold land and office building) | The revaluation by the valuer is carried out on the basis of professional assessment of present market values. |
| Short-term investments | The fair value of unlisted ordinary shares is determined using the Market Value approach. |

## 51 CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to its shareholders or issue new shares.

As required under the NBFC Regulations, every Investment finance company involved in deposit taking shall maintain a capital adequacy ratio of 8% for the first two years after the amendment coming into force and thereafter at the rate of 10%. The Company has maintained and complied with the minimum equity requirement during the current year.

## 52 EARNINGS PER SHARE - basic and diluted

| | 2021 | 2020 (Restated) |
|---|---|---|
| Profit for the year after taxation (Rupees) | 914,810,534 | 702,221,590 |
| Weighted average number of ordinary shares | 175,407,647 | 175,407,647 |
| Earnings per share - basic and diluted (Rupees) | 5.22 | 4.00 |

52.1 Diluted earnings per share has not been presented separately as the Company does not have any convertible instruments in issue at June 30, 2021 and June 30, 2020 which would have any effect on the earnings per share if the option to convert is exercised.

## 53 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Board of Directors in its meeting held on September 23, 2021 proposed a final cash dividend of Rs. 2 per share (2020: Rs. 3.25 per share) for the year ended June 30, 2021, amounting to Rs.350,815,294 (2020: Rs. 559,633,922). This appropriation will be approved by the members of the Company at the Annual General Meeting to be held on October 26, 2021. The unconsolidated financial statements for the year ended June 30, 2021 do not include the effect of the above appropriations which will be accounted for in the unconsolidated financial statements of the Company for the year ending June 30, 2022.

## 54 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and better presentation. No significant rearrangements or reclassifications have been made in these unconsolidated financial statements during the current year.

## 55 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on September 23, 2021 by the Board of Directors of the Company.

## 56 GENERAL

Figures reported in these unconsolidated financial statements have been rounded off to the nearest Rupee unless otherwise stated.

Shaheen Amin
Chief Executive Officer

Nasim Hyder
Director

Ramon Alfrey
Chief Financial Officer

# Directors Report on
# Consolidated Financial Statements

The directors of ORIX Leasing Pakistan Limited (OLP) are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 30 June 2021. The Group comprises of:

- ORIX Leasing Pakistan Limited (OLP) -The Holding Company
- ORIX Modaraba (OM) - Subsidiary Company.
- ORIX Services Pakistan (Private) Limited (OSP) - Subsidiary Company

The Directors' Report giving commentary on the performance of OLP for the year ended 30 June 2021 has been presented separately on page 17, which contains the business review, operational performance of OLP, future prospects and other requisite information on OLP. The contents of the said report shall be read along with this report and shall form an integral part of the Director's Report in terms of section 227 of the Companies Act, 2017 and the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 issued by the Securities and Exchange Commission of Pakistan.

**GROUP RESULTS**

The consolidated financial results of the Group are summarized below

| Description | 2021 | 2020 |
|---|---|---|
| | ----------Rupees---------- | |
| Profit before taxation | 1,402,397,165 | 1,063,200,248 |
| Taxation | 369,168,975 | 271,289,487 |
| Profit for the year after taxation | 1,033,228,190 | 791,910,761 |
| Profit attributable to Equity shareholders of the Holding Company | 921,041,652 | 699,772,567 |
| Profit attributable to Non-controlling interest | 112,186,538 | 92,138,194 |
| | | (Restated) |
| Earnings Per Share – basic and diluted | 5.25 | 3.99 |
| Appropriation: Transferred to statutory reserve | 182,962,107 | 140,444,318 |

**PATTERN OF SHAREHOLDING:**

The pattern of shareholding and related information as at June 30, 2021 is presented at page 188.

**FINANCIAL AND OPERATIONAL PERFORMANCE BASED ON CONSOLIDATED FINANCIAL STATEMENTS**

Consolidated profit after tax of the Group for the year ended June 30, 2021 was Rs. 1,033.2 million (2020: Rs. 791.9 million) with the EPS of Rs. 5.25 (2020: Rs. 3.99). Profit from OM amounted to Rs. 152.5 million (2020: Rs. 127.4 million) and loss from OSP amounted to Rs. 4.3 million (2020: loss of 5.7 million). Minority interest accounts for 80% of OM's equity. As such, Rs. 112.2 million (2020: Rs. 92.1 million) out of OM's profit is attributable to non-controlling interest.

On Behalf of the Board.

Shaheen Amin
Chief Executive Officer
September 23, 2021

Nasim Hyder
Director

## ڈائریکٹرز کی رپورٹ برائے اشتمالی مالیاتی گوشوارے

اورکس لیزنگ پاکستان لمیٹڈ (اوایل پی) کے ڈائریکٹران بمسرت معہ گروپ کے آڈٹ شدہ اشتمالی مالیاتی گوشوارے برائے اختتام سال 30 جون 2021 پیش کرتے ہیں۔ گروپ میں شامل

- اورکس لیزنگ پاکستان لمیٹڈ (OLP) ہولڈنگ کمپنی
- اورکس مضاربہ (ORIXM) ذیلی کمپنی
- اورکس سروسز پاکستان (پرائیویٹ) لمیٹڈ (OSP) ذیلی کمپنی

اختتام سال 30 جون 2021 کے لئے اورکس لیزنگ پاکستان لمیٹڈ (اوایل پی) کی کارکردگی کا احاطہ کرتی ڈائریکٹران کی رپورٹ صفحہ نمبر 17 پر پیش کی گئی ہے۔ جس میں کاروباری جائزہ، اوایل پی کی آپریشنل کارکردگی، مستقبل کے امکانات اور اوایل پی پر دیگر معلومات شامل ہیں۔ مذکورہ بالا رپورٹ کے مندرجات کو اس رپورٹ کے ساتھ پڑھا جائے، جو کمپنیز ایکٹ 2017 کے سیکشن 227 اور سیکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے جاری کردہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) کے قواعد وضوابط 2019 کی رو سے ڈائریکٹرز کی رپورٹ کا لازمی حصہ ہیں۔

### گروپ کے نتائج

گروپ کے اشتمالی مالیاتی نتائج مختصراً درج ذیل ہیں:

| | 2020 | 2021 |
|---|---|---|
| | روپے | |
| قبل از محصول (ٹیکس) منافع | 1,063,200,248 | 1,402,397,165 |
| محصولات (ٹیکس) | 271,289,487 | 369,168,975 |
| بعد از محصول (ٹیکس) سال کا منافع | 791,910,761 | 1,033,228,190 |
| ہولڈنگ کمپنی کے ایکویٹی شیئر ہولڈرز کے لئے منافع | 699,772,567 | 921,041,652 |
| اقلیتی شیئر ہولڈرز کے لئے منافع | 92,138,194 | 112,186,538 |
| فی شیئر آمدنی - بنیادی اور دقیق شدہ | 3.99 (ری اسٹیٹڈ) | 5.25 |
| تخصیص قانونی ریزرو میں منتقلی | 140,444,318 | 182,962,107 |

### شیئر ہولڈنگ کا طرز

شیئر ہولڈنگ کا طرز اور متعلقہ معلومات بمطابق 30 جون 2021 صفحہ نمبر 188 پر پیش کردی گئی ہیں۔

### اشتمالی مالیاتی گوشواروں پر مبنی مالیاتی اور عملی کارکردگی

گروپ کا اشتمالی منافع بعد از محصول (ٹیکس) برائے اختتام سال 30 جون 2021، 1,033.2 ملین روپے تھا (2020: میں 791 ملین روپے) اور فی حصص آمدنی 5.25 روپے (جون 2020: 3.99 روپے)۔ اورکس مضاربہ سے 152.5 ملین روپے منافع (2020: میں 127.4 ملین روپے)۔ جبکہ اورکس سروسز پاکستان میں سے 4.3 ملین روپے نقصان ہوا (2020: میں 5.7 ملین روپے)۔ اورکس مضاربہ میں 80 فیصد ایکویٹی اقلیتی حصص یافتگان کی ہے۔ اور اس طرح، اورکس مضاربہ کے منافع میں 112.2 ملین (2020: 92.1 ملین) اقلیتی حصص یافتگان کا حصہ ہے۔

بورڈ کی جانب سے

شاہین امین
چیف ایگزیکٹو آفیسر

نسیم حیدر
ڈائریکٹر

ستمبر 23, 2021

# **Consolidated** Vertical Analysis

| STATEMENT OF FINANCIAL POSITION | 2021 Rs. in million | 21 vs 20 % | 2020 Rs. in million | 20 vs 19 % | 2019 Rs. in million | 19 vs 18 % | 2018 Rs. in million | 18 vs 17 % | 2017 Rs. in million | 17 vs 16 % | 2016 Rs. in million | 16 vs 15 % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | | | | |
| **Non-current assets** | | | | | | | | | | | | |
| Fixed assets | 3,604 | 11.53% | 4,324 | 14.59% | 4,836 | 13.26% | 5,164 | 15.41% | 6,027 | 16.94% | 5,434 | 16.97% |
| Intangible assets | 42 | 0.13% | 62 | 0.21% | 63 | 0.23% | 96 | 0.28% | 102 | 0.32% | 121 | 0.38% |
| Net investment in finance leases | 5,738 | 18.36% | 6,884 | 19.96% | 8,150 | 24.87% | 8,994 | 26.76% | 7,617 | 23.67% | 7,416 | 23.17% |
| Investment in associated undertakings | 916 | 2.93% | 844 | 2.11% | 842 | 2.88% | 672 | 2.01% | 1,972 | 6.18% | 2,256 | 7.08% |
| Long-term investments | 387 | 1.24% | 454 | 1.51% | 407 | 1.24% | 307 | 0.92% | 256 | 1.12% | 98 | 0.31% |
| Long-term finances and loans | 8,309 | 26.32% | 4,059 | 13.23% | 4,236 | 12.93% | 3,881 | 11.60% | 2,620 | 7.81% | 2,375 | 7.23% |
| Long-term deposits | 14 | 0.04% | 13 | 0.04% | 12 | 0.04% | 12 | 0.04% | 13 | 0.04% | 14 | 0.05% |
| | **17,033** | **54.49%** | **16,386** | **54.60%** | **18,162** | **55.48%** | **18,758** | **56.02%** | **18,363** | **57.68%** | **17,861** | **55.57%** |
| **Current assets** | | | | | | | | | | | | |
| Short-term finances | 4 | 0.02% | 334 | 1.11% | 208 | 0.67% | 243 | 0.73% | 143 | 0.47% | 288 | 0.90% |
| Accrued return on investments and term finances | 160 | 0.51% | 183 | 0.54% | 135 | 0.41% | 83 | 0.25% | 68 | 0.18% | 106 | 0.33% |
| Current maturity of non-current assets | 12,047 | 38.54% | 12,443 | 41.51% | 12,492 | 38.18% | 12,119 | 36.20% | 11,269 | 35.34% | 11,619 | 36.29% |
| Short-term investments | 329 | 1.05% | 803 | 2.68% | 386 | 1.21% | 773 | 2.31% | 374 | 0.87% | 1,215 | 3.81% |
| Advances and prepayments | 203 | 0.65% | 134 | 0.41% | 152 | 0.50% | 100 | 0.32% | 37 | 0.13% | 73 | 0.23% |
| Other receivables | 138 | 0.44% | 268 | 0.90% | 147 | 0.46% | 358 | 0.47% | 164 | 0.51% | 211 | 0.66% |
| Cash and bank balances | 542 | 3.17% | 1,251 | 4.17% | 815 | 1.68% | 525 | 2.17% | 728 | 2.28% | 613 | 1.91% |
| Taxation - net | | 0.00% | | 0.03% | | 0.00% | | 0.00% | 65 | 0.20% | 75 | 0.23% |
| Deferred tax asset - staff gratuity | 8 | 0.03% | 36 | 0.12% | 9 | 0.00% | | 0.00% | | 0.00% | | 0.00% |
| Net investment in lease finance | 0.07 | 0.00% | 0.4 | 0.00% | 0.4 | 0.00% | 0.4 | 0.00% | 0.4 | 0.00% | | 0.00% |
| | **13,999** | **44.68%** | **13,396** | **44.64%** | **14,279** | **43.62%** | **14,421** | **43.14%** | **12,895** | **42.34%** | **14,201** | **44.37%** |
| Assets classified as held for sale | 205 | 0.66% | 271 | 0.90% | 204 | 0.62% | 281 | 0.84% | 99 | 0.28% | 148 | 0.46% |
| | **14,204** | **45.51%** | **13,667** | **45.55%** | **14,484** | **44.23%** | **14,706** | **43.98%** | **13,494** | **42.32%** | **14,351** | **44.83%** |
| **Total assets** | **31,237** | **100.00%** | **29,986** | **100.00%** | **32,716** | **100.00%** | **33,436** | **100.00%** | **31,867** | **100.00%** | **32,012** | **100.00%** |
| **EQUITY AND LIABILITIES** | | | | | | | | | | | | |
| **Share capital and reserves** | | | | | | | | | | | | |
| Total equity attributable to equity holder of the Holding Company | 6,669 | 21.35% | 6,198 | 21.24% | 7,083 | 24.38% | 7,222 | 21.60% | 4,450 | 13.96% | 4,170 | 13.02% |
| Non-controlling interest | 926 | 2.97% | 961 | 3.27% | 989 | 3.35% | 982 | 2.94% | 1,002 | 3.14% | 1,023 | 3.20% |
| **Non-current liabilities** | | | | | | | | | | | | |
| Long-term finances | 5,740 | 18.38% | 5,303 | 17.67% | 6,441 | 22.60% | 6,854 | 20.49% | 7,494 | 23.51% | 6,258 | 19.55% |
| Long-term certificates of deposit | 7,592 | 9.28% | 2,808 | 9.77% | 2,808 | 9.60% | 3,723 | 9.55% | 4,002 | 13.94% | 3,968 | 18.39% |
| Long-term deposits | 394 | 1.07% | 375 | 1.25% | 407 | 1.41% | 394 | 1.18% | 397 | 1.07% | 494 | 1.48% |
| Deferred taxation | 412 | 1.32% | 516 | 1.72% | 700 | 2.14% | 481 | 1.44% | 545 | 1.85% | 478 | 1.49% |
| Other long-term liabilities | 201 | 0.02% | 218 | 0.06% | 160 | 0.50% | 203 | 0.61% | 214 | 0.67% | 262 | 0.81% |
| Post-employment benefits | | 0.00% | - | 0.00% | | 0.00% | 20 | 0.06% | 17 | 0.06% | 2 | 0.01% |
| Redeemable capital | 343 | 1.10% | 39 | 0.13% | 38 | 0.12% | 8 | 0.02% | 0 | 0.00% | 683 | 2.13% |
| | **9,708** | **31.06%** | **9,149** | **30.51%** | **11,594** | **35.44%** | **11,323** | **33.87%** | **12,867** | **40.36%** | **14,071** | **43.96%** |
| **Current liabilities** | | | | | | | | | | | | |
| Trade and other payables | 1,106 | 3.54% | 483 | 2.01% | 1,128 | 3.44% | 1,206 | 3.71% | 1,295 | 4.06% | 1,069 | 3.34% |
| Accrued mark-up / profit on loans, finances and certificates of deposit | 257 | 2.82% | 383 | 1.27% | 449 | 1.37% | 284 | 0.85% | 391 | 1.23% | 446 | 1.37% |
| Unpaid dividend | 145 | 0.46% | | 0.00% | | 0.00% | 208 | 0.62% | | 0.00% | | 0.00% |
| Unclaimed dividend | 69 | 0.22% | 66 | 0.22% | 76 | 0.24% | 71 | 0.21% | 69 | 0.22% | 77 | 0.24% |
| Short-term borrowings | 1,423 | 4.55% | 171 | 0.57% | 1,533 | 4.69% | 2,355 | 7.04% | 2,449 | 7.68% | 1,915 | 5.99% |
| Short-term certificates of deposit | 1,676 | 5.37% | 1,047 | 3.49% | 690 | 2.11% | 1,048 | 3.13% | 1,111 | 3.48% | 2,073 | 6.48% |
| Current maturity of non-current liabilities | 7,205 | 23.06% | 6,017 | 20.07% | 6,367 | 19.24% | 6,511 | 20.46% | 9,257 | 29.06% | 7,235 | 22.60% |
| Taxation - net | 142 | 0.45% | 343 | 1.14% | 181 | 0.56% | 191 | 0.57% | - | 0.00% | - | 0.00% |
| | **12,105** | **38.73%** | **11,659** | **38.88%** | **12,162** | **37.17%** | **13,367** | **41.59%** | **13,568** | **42.56%** | **12,742** | **39.80%** |
| **Total equity and liabilities** | **31,237** | **100.00%** | **29,986** | **100.00%** | **32,716** | **100.00%** | **33,436** | **100.00%** | **31,867** | **100.00%** | **32,012** | **100.00%** |

| STATEMENT OF PROFIT OR LOSS ACCOUNT | 2021 Rs. in million | 21 vs 20 % | 2020 Rs. in million | 20 vs 19 % | 2019 Rs. in million | 19 vs 18 % | 2018 Rs. in million | 18 vs 17 % | 2017 Rs. in million | 17 vs 16 % | 2016 Rs. in million | 16 vs 15 % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **INCOME** | | | | | | | | | | | | |
| Income from operations | | | | | | | | | | | | |
| Finance lease | 2,219 | 40.90% | 2,993 | 45.08% | 3,840 | 41.30% | 2,531 | 38.91% | 2,417 | 40.87% | 2,324 | 56.48% |
| Income from operating leases / Ijarah | 1,375 | 25.34% | 1,690 | 25.46% | 1,901 | 20.24% | 2,117 | 32.55% | 2,234 | 37.78% | 574 | 13.95% |
| Mark-up on term finance | 1,287 | 24.45% | 1,383 | 21.28% | 1,122 | 12.61% | 786 | 11.82% | 642 | 10.86% | 510 | 12.39% |
| | **4,901** | **90.69%** | **6,066** | **92.31%** | **5,863** | **93.58%** | **5,417** | **83.29%** | **5,313** | **89.56%** | **3,409** | **82.82%** |
| Income from other activities | | | | | | | | | | | | |
| Other income - net | 471 | 8.68% | 411 | 7.24% | 311 | 5.00% | 389 | 15.21% | 434 | 7.31% | 422 | 11.40% |
| Share of profit of equity accounted undertakings | 35 | 0.64% | 29 | 0.42% | 31 | 0.51% | 58 | 1.50% | 229 | 3.86% | 284 | 6.89% |
| | **506** | **9.32%** | **500** | **7.69%** | **402** | **6.42%** | **1,097** | **16.71%** | **663** | **10.86%** | **707** | **17.18%** |
| **Total income** | **5,427** | **100.00%** | **6,506** | **100.00%** | **6,269** | **100.00%** | **6,504** | **100.00%** | **5,966** | **100.00%** | **4,115** | **100.00%** |
| **EXPENSES** | | | | | | | | | | | | |
| Finance cost | 1,522 | 28.04% | 2,444 | 37.57% | 1,890 | 31.78% | 1,938 | 29.16% | 1,790 | 30.00% | 1,674 | 40.68% |
| Administrative and general expenses | 1,358 | 24.99% | 1,342 | 20.63% | 1,310 | 21.87% | 1,260 | 19.40% | 1,124 | 18.84% | 803 | 20.07% |
| Direct cost | 1,123 | 20.69% | 1,318 | 20.26% | 1,513 | 24.78% | 1,753 | 27.47% | 1,901 | 31.87% | 427 | 10.38% |
| | **4,001** | **73.72%** | **5,104** | **78.45%** | **4,913** | **78.42%** | **4,951** | **76.13%** | **4,815** | **80.72%** | **2,964** | **72.03%** |
| **Profit before provision and taxation** | **1,426** | **26.28%** | **1,402** | **21.55%** | **1,352** | **21.58%** | **1,553** | **23.87%** | **1,147** | **19.23%** | **1,151** | **27.97%** |
| Allowance for potential lease and other loan losses - net | 13 | 0.18% | 322 | 4.95% | (192) | -3.06% | 28 | 0.31% | 223 | 3.74% | 216 | 5.25% |
| Other provisions / (reversal) - net | 11 | 0.26% | 13 | 0.20% | 14 | 0.22% | 5 | 0.11% | (76) | -1.27% | (40) | -0.97% |
| | **24** | **0.44%** | **335** | **5.15%** | **(178)** | **-2.84%** | **33** | **0.42%** | **(69)** | **-1.16%** | **175** | **4.25%** |
| **Profit before taxation from continuing operations** | **1,402** | **25.83%** | **1,063** | **16.34%** | **1,530** | **24.42%** | **1,792** | **27.55%** | **1,216** | **20.39%** | **976** | **23.72%** |
| Taxation | 369 | 6.80% | 271 | 4.17% | 425 | 6.78% | 343 | 5.27% | 322 | 5.40% | 217 | 5.27% |
| **Profit after taxation from continuing operations** | **1,033** | **19.03%** | **792** | **12.17%** | **1,105** | **17.64%** | **1,449** | **22.28%** | **924** | **15.49%** | **759** | **18.44%** |
| **DISCONTINUED OPERATIONS** | | | | | | | | | | | | |
| Loss after taxation from discontinued operations | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% | (13) | -0.32% |
| **Profit for the year after taxation** | **1,033** | **19.03%** | **792** | **12.17%** | **1,105** | **17.64%** | **1,449** | **22.28%** | **924** | **15.49%** | **746** | **18.12%** |

# **Consolidated** Horizontal Analysis

| STATEMENT OF FINANCIAL POSITION | 2021 Rs. in million | 21 vs 20 % | 2020 Rs. in million | 20 vs 19 % | 2019 Rs. in million | 19 vs 18 % | 2018 Rs. in million | 18 vs 17 % | 2017 Rs. in million | 17 vs 16 % | 2016 Rs. in million | 16 vs 15 % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | | | | |
| **Non-current assets** | | | | | | | | | | | | |
| Fixed assets | 3,804 | -17.50% | 4,574 | 8.43% | 4,336 | 15.63% | 5,154 | -14.20% | 6,007 | 10.54% | 5,434 | 208.43% |
| Intangible assets | 42 | -32.26% | 63 | -34.38% | 82 | -14.58% | 96 | -6.88% | 103 | -15.70% | 121 | 1501.89% |
| Net investment in finance lease | 5,138 | -4.11% | 5,358 | 25.44% | 4,135 | 5.34% | 5,594 | 14.39% | 7,517 | 1.36% | 7,418 | 62.26% |
| Investment in associate | 916 | 2.97% | 944 | 0.21% | 942 | 45.18% | 672 | -65.90% | 1,972 | 12.97% | 2,298 | 4.12% |
| Long term investments | 287 | -14.75% | 454 | 17.58% | 407 | 33.57% | 307 | -13.78% | 356 | 283.27% | 93 | 580.34% |
| Long-term finances and loans | 5,232 | 38.92% | 4,358 | 7.60% | 4,238 | 8.12% | 3,920 | -60.56% | 9,406 | 4.76% | 2,315 | 163.59% |
| Long-term deposits | 11 | -15.38% | 13 | 8.33% | 12 | 0.00% | 12 | -7.69% | 13 | 18.18% | 11 | 9.47% |
| | **17,033** | **3.93%** | **16,389** | **-9.71%** | **18,152** | **-3.09%** | **18,790** | **1.83%** | **16,393** | **4.14%** | **17,661** | **87.88%** |
| **Current assets** | | | | | | | | | | | | |
| Short-term finances | 9 | -57.44% | 234 | 17.89% | 286 | 11.28% | 343 | 53.36% | 146 | -41.90% | 396 | -28.78% |
| Accrued return on investments and term finances | 160 | -1.84% | 163 | 20.74% | 135 | 62.65% | 83 | 38.33% | 60 | -43.42% | 106 | -41.74% |
| Current maturity of non-current assets | 13,047 | 15.36% | 10,443 | 18.36% | 12,490 | 2.50% | 12,139 | 7.78% | 11,265 | -3.01% | 11,619 | 16.38% |
| Short-term investments | 329 | 58.15% | 500 | 133.60% | 586 | 45.86% | 773 | 16.43% | 904 | -25.02% | 1,206 | 16.23% |
| Advances and prepayments | 287 | 130.51% | 124 | -35.75% | 192 | 62.58% | 118 | 85.96% | 57 | -24.00% | 75 | 58.62% |
| Other receivables | 138 | -44.74% | 249 | 62.96% | 147 | -16.77% | 176 | -4.89% | 184 | -22.27% | 211 | 182.17% |
| Cash and bank balances | 986 | -52.78% | 1,251 | 103.68% | 616 | -53.43% | 823 | 27.38% | 726 | 18.78% | 611 | 253.76% |
| Taxation - net | | 0.00% | | 0.00% | | 0.00% | | -100.00% | 65 | 13.52% | 79 | -38.14% |
| Defined plan assets - staff gratuity | 8 | -19.49% | 38 | 333.33% | 8 | 100.00% | | 0.00% | | 0.00% | | 0.00% |
| Net investment in lease finance | 0.4 | 0.00% | 0.4 | 0.00% | 0.4 | 0.00% | 0.4 | 0.00% | 0.4 | 100.00% | | 0.00% |
| | **15,964** | **4.75%** | **13,339** | **-8.61%** | **14,270** | **-1.08%** | **14,425** | **7.81%** | **13,406** | **-5.62%** | **14,203** | **18.16%** |
| Assets classified as held for sale | 269 | 3.23% | 277 | -7.82% | 294 | 4.67% | 281 | 215.73% | 89 | -89.90% | 146 | 92.12% |
| **Total assets** | **34,234** | **4.81%** | **32,667** | **-4.64%** | **34,564** | **-0.97%** | **33,706** | **6.90%** | **31,494** | **-0.97%** | **31,811** | **48.49%** |
| | **31,267** | **4.24%** | **29,988** | **4.34%** | **32,716** | **-2.15%** | **33,436** | **4.80%** | **31,887** | **-0.39%** | **32,012** | **48.51%** |
| **EQUITY AND LIABILITIES** | | | | | | | | | | | | |
| **Share capital and reserves** | | | | | | | | | | | | |
| Total equity attributable to equity holders of the Holding Company | 9,465 | 5.50% | 8,969 | 3.73% | 7,980 | 12.53% | 7,093 | 62.29% | 4,370 | 8.56% | 4,136 | 72.67% |
| Non controlling interest | 655 | -3.24% | 681 | 0.70% | 569 | -0.20% | 682 | -3.08% | 703 | 2.05% | 1,253 | 102.00% |
| **Non-current liabilities** | | | | | | | | | | | | |
| Long-term finances | 5,746 | 8.32% | 5,305 | -28.48% | 7,417 | 8.44% | 6,839 | 6.33% | 7,454 | 18.28% | 6,306 | 33.78% |
| Long-term certificates of deposit | 2,592 | -1.44% | 2,630 | -6.74% | 2,820 | 18.56% | 3,225 | -18.38% | 4,000 | -32.57% | 5,933 | 18.67% |
| Long-term deposits | 334 | 13.93% | 293 | -14.68% | 450 | 16.97% | 384 | -7.20% | 697 | 28.56% | 464 | 100.00% |
| Deferred taxation | 412 | -26.36% | 559 | -39.29% | 765 | 45.53% | 481 | -11.78% | 385 | 22.92% | 478 | 4.91% |
| Other long-term liabilities | 287 | 2.35% | 268 | 74.59% | 165 | 18.77% | 203 | -5.14% | 274 | -7.69% | 296 | 3.87% |
| Post-employment benefits | | 0.00% | | 0.00% | | 100.00% | 26 | 17.65% | 17 | 750.00% | 2 | 128.52% |
| Retirement cause | 342 | 779.48% | 39 | 2.60% | 38 | 171.00% | 1 | 100.00% | 0 | -100.00% | 160 | 100.00% |
| | **9,708** | **6.12%** | **9,148** | **-21.10%** | **11,594** | **2.38%** | **11,335** | **-11.99%** | **12,887** | **-8.58%** | **14,071** | **33.48%** |
| **Current liabilities** | | | | | | | | | | | | |
| Trade and other payables | 1,108 | 93.42% | 573 | -47.93% | 1,100 | 8.54% | 1,013 | -4.32% | 1,059 | 22.26% | 1,066 | 69.16% |
| Accrued interest / mark-up / profit on loans, finances and certificates of deposit | 287 | -42.93% | 502 | -12.41% | 573 | 38.18% | 414 | -21.33% | 526 | 17.65% | 447 | 37.94% |
| Unpaid dividend | 100 | 100.00% | | 0.00% | | -100.00% | 208 | -100.00% | | 0.00% | | -3.82% |
| Unclaimed dividend | 85 | 0.00% | 85 | 8.97% | 78 | 8.86% | 71 | 8.23% | 66 | 252.35% | 17 | 100.36% |
| Short-term borrowings | 1,423 | -72.31% | 171 | -87.11% | 1,330 | -43.40% | 2,354 | 3.84% | 2,449 | -37.69% | 1,934 | 117.01% |
| Short-term certificates of deposit | 1,978 | 45.22% | 1,362 | 50.43% | 906 | 33.58% | 1,248 | 8.47% | 1,151 | -48.41% | 2,073 | 119.52% |
| Current maturity of non-current liabilities | 7,208 | 20.19% | 6,017 | 6.20% | 6,257 | 12.98% | 5,537 | 2.70% | 5,391 | 14.54% | 7,239 | 16.36% |
| Taxation - net | 143 | -18.63% | 143 | 79.89% | 191 | 0.00% | 191 | 100.00% | | 0.00% | | 0.36% |
| | **12,105** | **3.85%** | **11,655** | **-4.14%** | **12,162** | **-12.56%** | **13,907** | **2.60%** | **13,553** | **6.48%** | **12,742** | **71.81%** |
| **Total equity and liabilities** | **31,267** | **4.24%** | **29,988** | **4.34%** | **32,716** | **-2.15%** | **33,436** | **4.80%** | **31,887** | **-0.39%** | **32,012** | **48.51%** |

| STATEMENT OF PROFIT OR LOSS ACCOUNT | 2021 Rs. in million | 21 vs 20 % | 2020 Rs. in million | 20 vs 19 % | 2019 Rs. in million | 19 vs 18 % | 2018 Rs. in million | 18 vs 17 % | 2017 Rs. in million | 17 vs 16 % | 2016 Rs. in million | 16 vs 15 % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **INCOME** | | | | | | | | | | | | |
| Income from operations | | | | | | | | | | | | |
| Finance lease | 2,216 | -34.24% | 3,369 | 3.27% | 2,346 | 12.21% | 2,501 | 4.32% | 2,411 | 4.00% | 2,324 | 2.27% |
| Income from operating leases / ijarah | 1,372 | 18.64% | 1,156 | 11.10% | 1,501 | -12.00% | 1,717 | -9.68% | 2,204 | 252.66% | 574 | -13.95% |
| Mark-up on term Finance | 1,327 | -4.23% | 1,385 | 23.28% | 1,122 | 45.90% | 769 | 19.78% | 642 | 25.86% | 510 | 16.45% |
| | **4,921** | **18.87%** | **6,006** | **2.64%** | **5,853** | **9.22%** | **5,417** | **1.96%** | **5,313** | **55.50%** | **3,408** | **3.62%** |
| Other income - net | 471 | 0.00% | 471 | 38.13% | 351 | -64.57% | 989 | 133.25% | 424 | 70.36% | 473 | 52.22% |
| Share of profit from associate | 35 | 20.59% | 29 | -43.14% | 51 | -47.06% | 96 | -57.21% | 229 | -2.14% | 234 | -14.95% |
| | **506** | **1.20%** | **500** | **34.36%** | **402** | **-43.63%** | **1,087** | **46.46%** | **653** | **-7.64%** | **707** | **20.67%** |
| **Total Income** | **5,427** | **16.56%** | **6,506** | **3.05%** | **6,255** | **-3.67%** | **6,504** | **9.02%** | **5,966** | **44.96%** | **4,115** | **3.67%** |
| **EXPENSES** | | | | | | | | | | | | |
| Finance cost | 1,520 | -57.13% | 3,544 | 22.81% | 1,890 | 21.69% | 1,636 | 8.92% | 1,796 | 9.63% | 1,674 | -3.11% |
| Administrative and general expenses | 1,299 | 1.04% | 1,342 | 2.04% | 1,315 | 9.98% | 1,282 | 12.78% | 1,124 | 32.24% | 863 | 9.94% |
| Direct cost | 1,123 | -14.82% | 1,319 | 15.13% | 1,083 | -12.90% | 1,243 | -8.40% | 1,908 | 346.14% | 427 | 12.92% |
| | **4,881** | **21.81%** | **6,104** | **3.89%** | **4,513** | **4.96%** | **4,661** | **2.86%** | **4,819** | **82.58%** | **2,964** | **-1.31%** |
| **Profit before provision and taxation** | **1,426** | **1.71%** | **1,402** | **3.70%** | **1,352** | **-25.84%** | **1,823** | **68.94%** | **1,147** | **-8.35%** | **1,151** | **18.68%** |
| Allowance for expected credit loss and other bad debts - net | 10 | -96.85% | 322 | 267.71% | (190) | -1000.00% | 20 | 186.96% | (23) | -110.20% | 215 | 76.20% |
| Other provisions / (reversal) - net | 14 | -17.86% | 17 | 21.40% | 14 | 27.27% | 11 | -114.47% | (76) | 36.32% | (56) | 100.00% |
| | **24** | **-92.52%** | **339** | **290.45%** | **(176)** | **-674.19%** | **31** | **-131.21%** | **(99)** | **-156.57%** | **175** | **8.25%** |
| **Profit before taxation from continuing operations** | **1,402** | **31.84%** | **1,063** | **-30.52%** | **1,528** | **-14.62%** | **1,792** | **43.62%** | **1,246** | **27.86%** | **976** | **30.78%** |
| Taxation | 369 | 38.18% | 271 | -35.24% | 420 | 23.81% | 343 | 8.52% | 322 | 48.38% | 217 | 20.42% |
| **Profit after taxation from continuing operations** | **1,033** | **30.43%** | **792** | **-28.33%** | **1,108** | **-23.74%** | **1,449** | **56.62%** | **924** | **21.74%** | **759** | **30.88%** |
| **DISCONTINUED OPERATIONS** | | | | | | | | | | | | |
| Loss after taxation from discontinued operations | | 0.00% | | 0.00% | | 0.00% | | 0.00% | | 100.00% | (13) | -130.23% |
| **Profit for the year after taxation** | **1,033** | **30.43%** | **792** | **-28.33%** | **1,108** | **-23.74%** | **1,449** | **56.62%** | **924** | **22.88%** | **746** | **31.19%** |

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## INDEPENDENT AUDITOR'S REPORT

**To the members of ORIX Leasing Pakistan Limited**

### Opinion

We have audited the annexed consolidated financial statements of ORIX Leasing Pakistan Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2021, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key audit matter:

| S.No. | Key audit matter | How the matter was addressed in our audit |
|---|---|---|
| 1 | **Provision for potential lease and loan losses**<br>(Refer notes 3.8, 6, 9, 10, 12 and 39 of the annexed consolidated financial statements) | |
| | In respect of provision for potential lease and loan losses:<br>• The Group records provision for potential lease and loan losses related to the Holding Company under the requirement of IFRS 9 and the Non-Banking Finance Companies Regulations (NBFC Regulations), whichever is higher; and | Our audit procedures to assess adequacy and determination of provision for potential lease and loan losses included, amongst others, the following:<br>• Obtained an understanding of the design and tested the operating effectiveness of the relevant controls established by the Group to identify loss events and for determining the extent of provisioning required against lease and loans balances; |

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*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network*
*State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan*
*Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>*

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| S.No. | Key audit matter | How the matter was addressed in our audit |
|---|---|---|
| | • The Group records provision for potential lease and loan losses related to the Modaraba under the requirement of IFRS 9 and the Modaraba Regulations, 2021 (Modaraba Regulations), whichever is higher.<br><br>Under IFRS 9, simplified approach and general approach are used for lease and loan losses respectively to determine Expected Credit Losses (ECL). A lifetime ECL is recorded on loans in which there have been Significant Increase in Credit Risk (SICR) from the date of initial recognition and on loans which are credit impaired as on the reporting date. A 12 months ECL is recorded for loans which do not meet the criteria for SICR or "credit impaired" as at the reporting date. To assess whether there is a significant increase in the credit risk, the Group compares the risk of a default occurring on the loans as at the reporting date with the risk of default as at the date of initial recognition. The Group also considers reasonable and supportive forward-looking information in the determination of ECL. The allowance is increased by provisions charged to the consolidated statement of profit or loss and is decreased by charge-offs, net of recoveries.<br><br>Determination of provision including calculating ECL for lease and loans is subject to numerous judgments and estimates. In evaluating the adequacy of ECL, the management considers various factors, including the nature and characteristics of the obligor, current economic conditions, credit concentrations or deterioration in collateral, historical loss experience and delinquencies. The management has further considered the impact of forward-looking information and its resulting impact on the provision for lease and loan portfolio of the Group.<br><br>The Group has determined a provision on lease and loans balances and has recognised a gross charge of Rs. 482.947 million and a gross reversal of Rs. 473.246 million in respect of potential lease and loan losses in the consolidated statement of profit or loss during the year ended June 30, 2021. As at June 30, 2021, the Group maintained a provision of Rs. 1,189.805 million for potential lease and loan losses.<br><br>The determination of provision in respect of lease and loans balances as per the requirements of applicable local regulations and IFRS 9 remains a significant area of judgment and estimation. Because of the significance of the impact of these judgments / estimations and the materiality of lease and loans balances relative to the overall consolidated financial statements of the Group, we considered the area of provision for potential lease and loan losses as a key audit matter. | • Evaluated the key decisions made by the Group's management with respect to accounting policies, estimates and judgments in relation to computation of provision for potential lease and loan losses and assessed the appropriateness based on our understanding of the Group's business and operations;<br><br>• Assessed the reasonableness and accuracy of the data used for provision computation based on the accounting records and information system of the Group as well as the related external sources used for this purpose;<br><br>• Checked, on a test basis, the accuracy of specific provision made against non-performing lease and loans balances and of general provision made against performing lease and loans balances as per the requirements of NBFC Regulations / Modaraba Regulations by recomputing the provision amount in accordance with the criteria prescribed under the NBFC Regulations / Modaraba Regulations.<br><br>• Assessed the ECL model used by the management to calculate provision against lease and loans balances of the Group for appropriateness of the assumptions used and the methodology applied. We also tested the mathematical accuracy of the model;<br><br>• Assessed the reasonableness of the forward-looking factors used by the management in preparing ECL model; and<br><br>• Assessed the relevant disclosures made in the consolidated financial statements to determine whether they are complied with the accounting and reporting standards as applicable in Pakistan. |

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**Information Other than the Consolidated and Unconsolidated Financial Statements and Auditor's Reports Thereon**

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is **Noman Abbas Sheikh**.

A.F. Ferguson & Co

A. F. Ferguson & Co.
Chartered Accountants
Dated: October 1, 2021
Karachi

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Fixed assets | 4 | 3,604,262,358 | 4,373,998,839 |
| Intangible assets | 5 | 42,150,299 | 61,906,765 |
| Net investment in finance lease | 6 | 14,049,104,260 | 14,423,109,666 |
| Current maturity of net investment in finance lease | 12 | (7,470,685,275) | (7,503,453,058) |
| Allowance for potential lease losses | 39 | (840,317,227) | (935,907,045) |
| | | (8,311,012,502) | (8,439,360,103) |
| | | 5,738,091,758 | 5,983,749,563 |
| Investment in associate | 7 | 915,924,945 | 944,087,843 |
| Long-term investments | 8 | 387,048,864 | 454,228,517 |
| Long-term finances and loans | 9 | 6,334,443,135 | 4,558,157,907 |
| Long-term deposits | | 11,421,566 | 12,932,566 |
| | | 17,033,342,925 | 16,389,061,800 |
| **Current assets** | | | |
| Short-term finances | 10 | 6,332,180 | 233,606,528 |
| Accrued return on investments and term finance | 11 | 160,067,808 | 163,434,051 |
| Current maturity of non-current assets | 12 | 12,046,611,741 | 10,443,289,111 |
| Short-term investments | 13 | 327,973,992 | 603,339,768 |
| Advances and prepayments | 14 | 279,785,152 | 123,539,353 |
| Other receivables | 15 | 137,202,827 | 268,546,763 |
| Cash and bank balances | 16 | 992,004,722 | 1,250,709,145 |
| Defined benefit plan asset | 25 | 6,352,447 | 36,263,947 |
| Net investment in qarah finance | | 370,000 | 370,000 |
| | | 13,958,810,889 | 13,326,098,586 |
| Assets classified as held for sale | 17 | 264,747,437 | 270,818,625 |
| **Total assets** | | 31,256,901,231 | 29,985,979,111 |
| **EQUITY AND LIABILITIES** | | | |
| **Share capital and reserves** | | | |
| Authorised share capital | | | |
| 350,000,000 (2020: 350,000,000) ordinary shares of Rs. 10 each | | 3,500,000,000 | 3,500,000,000 |
| Issued, subscribed and paid-up capital | 18 | 1,754,076,470 | 1,670,549,020 |
| Reserves | | 6,731,329,840 | 6,527,831,451 |
| Total equity attributable to equity holders of the Holding Company | | 8,485,406,310 | 8,198,380,471 |
| Non-controlling interest | | 958,875,571 | 981,345,164 |
| | | 9,444,281,881 | 9,179,725,635 |
| **Non-current liabilities** | | | |
| Long-term finances | 20 | 5,739,890,022 | 5,300,407,469 |
| Long-term certificates of deposit | 21 | 2,591,624,562 | 2,629,732,769 |
| Long-term deposits | 22 | 334,024,954 | 375,075,659 |
| Deferred taxation | 23 | 411,606,294 | 515,506,913 |
| Other long-term liabilities | 24 | 287,129,694 | 287,777,777 |
| Redeemable capital | 26 | 343,450,000 | 39,100,000 |
| | | 9,707,725,516 | 9,147,600,607 |
| **Current liabilities** | | | |
| Trade and other payables | 27 | 1,106,099,857 | 602,817,775 |
| Accrued interest / mark-up / profit on loans, finances and certificates of deposit | 28 | 260,775,725 | 392,671,256 |
| Unpaid dividend | | 185,467,295 | - |
| Unclaimed dividend | | 84,845,503 | 85,020,835 |
| Short-term borrowings | 29 | 1,422,881,783 | 171,304,000 |
| Short-term certificates of deposit | 30 | 1,677,709,480 | 1,046,812,035 |
| Current maturity of non-current liabilities | 31 | 7,265,475,132 | 9,016,838,060 |
| Taxation - net | | 141,639,056 | 343,188,705 |
| | | 12,104,893,834 | 11,658,652,869 |
| **Total equity and liabilities** | | 31,256,901,231 | 29,985,979,111 |
| **Contingencies and commitments** | 32 | | |

The annexed notes 1 to 58 form an integral part of these consolidated financial statements.

Shaheen Amin
Chief Executive Officer

Nasim Hyder
Director

Ramon Alfrey
Chief Financial Officer

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2021

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| **INCOME** | | | |
| **Income from operations** | | | |
| Finance leases | | 2,218,909,215 | 2,932,739,117 |
| Income from operating leases / ijarah | 33 | 1,375,027,834 | 1,690,052,756 |
| Mark-up on finances and loans | | 1,327,472,833 | 1,383,600,800 |
| | | 4,921,409,882 | 6,006,392,673 |
| **Income from other activities** | | | |
| Other income - net | 34 | 471,217,722 | 471,011,108 |
| Share of profit from associate | 35 | 35,363,150 | 28,938,203 |
| | | 506,580,872 | 499,949,311 |
| | | 5,427,990,754 | 6,506,341,984 |
| **EXPENSES** | | | |
| Finance cost | 36 | 1,522,428,482 | 2,443,983,988 |
| Administrative and general expenses | 37 | 1,356,046,160 | 1,342,223,916 |
| Direct cost | 38 | 1,123,225,552 | 1,317,836,771 |
| | | 4,001,700,194 | 5,104,044,675 |
| Profit before provision and taxation | | 1,426,290,560 | 1,402,297,309 |
| Provision for potential lease and other loan losses - net | 39 | 9,701,389 | 321,788,886 |
| Other provision - net | 40 | 14,192,006 | 17,308,175 |
| | | 23,893,395 | 339,097,061 |
| **Profit before taxation** | | 1,402,397,165 | 1,063,200,248 |
| Taxation | 42 | 369,168,975 | 271,289,487 |
| **Profit for the year after taxation** | | 1,033,228,190 | 791,910,761 |
| **Profit for the year after taxation attributable to:** | | | |
| Equity holders of the Holding Company | | 921,041,652 | 699,772,567 |
| Non-controlling interest | | 112,186,538 | 92,138,194 |
| | | 1,033,228,190 | 791,910,761 |
| | | | (Restated) |
| **Earnings per share - basic and diluted** | 53 | 5.25 | 3.99 |

The annexed notes 1 to 58 form an integral part of these consolidated financial statements.

Shaheen Amin
Chief Executive Officer

Nasim Hyder
Director

Ramon Alfrey
Chief Financial Officer

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2021

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| **Profit for the year after taxation attributable to:** | | | |
| Equity holders of the Holding Company | | 921,041,652 | 699,772,567 |
| Non-controlling interest | | 112,186,538 | 92,138,194 |
| | | 1,033,228,190 | 791,910,761 |
| **Other comprehensive income** | | | |
| ***Items that will be subsequently reclassified to the consolidated statement of profit or loss*** | | | |
| Exchange (loss) / gain arising on translation of a foreign associate - net of deferred tax | | (43,801,045) | 18,161,765 |
| Surplus on revaluation of leasehold land and office buildings - net of deferred tax | 19 | - | 566,450,107 |
| | | (43,801,045) | 584,611,872 |
| ***Items that will not be subsequently reclassified to the consolidated statement of profit or loss*** | | | |
| Fair value change on remeasurement of financial assets - net of deferred tax | | 660,141 | (137,794,222) |
| Remeasurement (loss) / gain on defined benefit obligation - staff gratuity | | (21,050,512) | 32,056,433 |
| Share of other comprehensive income from an associate - net of deferred tax | | 781,225 | 118,610 |
| | | (19,609,146) | (105,619,179) |
| **Total comprehensive income for the year** | | 969,817,999 | 1,270,903,454 |
| **Total comprehensive income for the year attributable to:** | | | |
| Equity holders of the Holding Company | | 857,631,461 | 1,178,765,260 |
| Non-controlling interest | | 112,186,538 | 92,138,194 |
| | | 969,817,999 | 1,270,903,454 |

The annexed notes 1 to 58 form an integral part of these consolidated financial statements

Shaheen Amin
Chief Executive Officer

Nasim Hyder
Director

Ramon Alfrey
Chief Financial Officer

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2021

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Operating profit before working capital changes | 43 | 3,954,161,552 | 5,037,552,130 |
| **(Increase) / decrease in operating assets** | | | |
| Investment in finance lease - net | | 373,169,651 | 3,534,987,908 |
| Long-term finances and loans - net | | (3,434,981,637) | (8,340,948) |
| Short-term finances | | 190,802,351 | 22,383,812 |
| Long-term deposits | | 1,511,000 | (542,500) |
| Advances and prepayments | | (145,525,869) | 57,821,002 |
| Other receivables | | 119,555,164 | (112,688,602) |
| | | (2,895,469,340) | 3,493,620,672 |
| **Increase / (decrease) in operating liabilities** | | | |
| Deposits from lessee - net | | (616,975) | (71,796,613) |
| Other long term liabilities - net | | (479,612,539) | (417,348,749) |
| Trade and other payables | | 478,982,284 | (614,229,386) |
| | | (1,247,230) | (1,103,374,748) |
| | | 1,057,444,982 | 7,427,798,054 |
| Payment of provincial Workers' Welfare Fund | | (7,183,085) | (985,545) |
| Payment against staff retirement benefits | | (4,930,496) | (17,607,997) |
| Income tax paid | | (662,939,555) | (283,954,842) |
| **Net cash generated from operating activities** | | 382,391,846 | 7,125,249,670 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Capital expenditure incurred - own use and intangible assets | | (64,104,060) | (46,381,937) |
| Capital expenditure incurred - operating lease and ijarah assets | | (1,396,045,933) | (1,510,598,709) |
| Proceeds from disposal of assets - own use | | 10,849,368 | 6,696,405 |
| Proceeds from sale of Ijarah finance assets | | 1,101,250,259 | 904,655,237 |
| Instalment against consideration on sale of e-business | | 14,459,160 | - |
| Investments - net | | 500,687,558 | (524,247,735) |
| Dividend received | | 9,400,005 | 51,521,368 |
| Interest received | | 88,075,977 | 97,271,635 |
| **Net cash generated from / (used in) investing activities** | | 264,572,332 | (1,021,083,736) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from long-term finances | | 3,357,479,812 | 2,535,000,000 |
| Redeemable capital less repayments | | (620,800,000) | 1,085,800,000 |
| Short-term borrowings-net | | 900,000,000 | (250,000,000) |
| Certificates of deposit issued - net | | 462,092,445 | 147,803,717 |
| Repayment of long-term finances | | (3,702,777,779) | (5,003,303,756) |
| Profit paid on Redeemable capital | | (233,705,739) | (401,575,544) |
| Finance cost paid | | (920,482,328) | (1,596,841,063) |
| Payment of lease liability against right-of-use assets | | (33,851,502) | (30,594,904) |
| Dividend paid | | (465,111,290) | (1,044,627,630) |
| **Net cash used in financing activities** | | (1,257,156,381) | (4,558,339,180) |
| **Net (decrease) / increase in cash and cash equivalents during the year** | | (610,192,203) | 1,545,826,754 |
| Cash and cash equivalents at the beginning of the year | | 1,079,405,142 | (466,421,612) |
| **Cash and cash equivalents at the end of the year** | 44 | 469,212,939 | 1,079,405,142 |

The annexed notes 1 to 58 form an integral part of these consolidated financial statements

Shaheen Amin
Chief Executive Officer

Nasim Hyder
Director

Ramon Alfrey
Chief Financial Officer

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2021

| | Attributable to equity holders of the Holding Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Reserves | | | | | | | | | |
| | | Capital Reserves | | | | | Revenue reserve | | | |
| | Issued, subscribed and paid-up capital | Share premium | Statutory reserve (note 19.4) | Foreign currency translation reserve | Surplus / (deficit) on re-measurement of financial assets at fair value through other comprehensive income | Surplus on revaluation of leasehold land and office building (note 18) | Unappropriated profit | Total reserves | Non-controlling interest | Total |
| | Rupees | | | | | | | | | |
| **Balance as at July 1, 2019** | 1,670,543,020 | 1,585,210,723 | 1,492,530,139 | 238,596,276 | (70,182,259) | 502,907,104 | 2,702,582,864 | 6,329,631,848 | 576,576,301 | 8,580,751,169 |
| **Total comprehensive income for year ended June 30, 2020** | | | | | | | | | | |
| Profit for the year | | | | | | | 699,772,587 | 699,772,587 | 82,135,184 | 781,910,771 |
| Other comprehensive income / (loss) | | | | 18,151,755 | (37,794,222) | 566,450,107 | 32,175,043 | 579,082,683 | - | 579,082,683 |
| **Total comprehensive income / (loss) for the year** | | | | 18,151,755 | (37,794,222) | 566,450,107 | 731,947,630 | 1,278,855,270 | 82,135,184 | 1,361,010,454 |
| Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax | | | | | | (6,828,720) | 6,828,720 | | | |
| Transfer to statutory reserve | | | 140,444,319 | | | | (140,444,319) | | | |
| **Transactions with owners recorded directly in equity** | | | | | | | | | | |
| - Final cash dividend @ Rs. 3.75 per ordinary share of Rs. 10.00 each for the year ended June 30, 2019 | | | | | | | (626,453,963) | (626,453,963) | | (626,453,963) |
| - Interim cash dividend @ Rs. 2 per ordinary share of Rs. 10.00 each for the year ending June 30, 2020 | | | | | | | (334,109,584) | (334,109,584) | | (334,109,584) |
| - Profit distribution for the year ended June 30, 2019 @ Rs. 2.5 per certificate | | | | | | | | | (80,789,331) | (80,789,331) |
| | | | | | | | (960,563,547) | (960,563,547) | (80,789,331) | (1,041,352,878) |
| **Balance as at July 1, 2020** | 1,670,543,020 | 1,585,210,723 | 1,632,974,458 | 257,747,031 | (107,976,481) | 502,535,492 | 2,429,317,767 | 6,510,352,011 | 577,922,154 | 7,088,274,165 |
| **Effect of change in accounting policies** - Impact of IFRS 9 (note 3.1) | | | | | | | (10,931,700) | (10,931,700) | (43,668,100) | (54,599,800) |
| **Balance as at July 1, 2020 - restated** | 1,670,543,020 | 1,585,210,723 | 1,632,974,458 | 257,747,031 | (107,976,481) | 502,535,492 | 2,418,386,067 | 6,499,420,311 | 534,254,054 | 7,033,674,365 |
| **Total comprehensive income for year ended June 30, 2021** | | | | | | | | | | |
| Profit for the year | | | | | | | 521,041,602 | 521,041,602 | 112,180,928 | 633,222,530 |
| Other comprehensive income / (loss) | | | | (43,871,045) | 980,111 | | 29,259,247 | (13,631,687) | - | (13,631,687) |
| **Total comprehensive income / (loss) for the year** | | | | (43,871,045) | 980,111 | | 550,300,849 | 507,409,915 | 112,180,928 | 619,590,843 |
| Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax | | | | | | (15,270,924) | 15,270,924 | | | |
| Transfer to statutory reserve | | | 102,962,161 | | | | (102,962,161) | | | |
| **Transactions with owners recorded directly in equity** | | | | | | | | | | |
| - Issuance of bonus shares | 83,527,450 | 97,327,450 | | | | | (180,854,900) | | | |
| - Final cash dividend @ Rs. 3.75 per ordinary share of Rs. 10.00 each for the year ended June 30, 2020 | | | | | | | (626,453,963) | (626,453,963) | | (626,453,963) |
| - Interim cash dividend @ Rs. 2 per ordinary share of Rs. 10.00 each for the year ending June 30, 2021 | | | | | | | (350,815,184) | (350,815,184) | | (350,815,184) |
| - Profit distribution for the year ended June 30, 2020 @ Rs. 2.5 per certificate | | | | | | | | | (90,789,331) | (90,789,331) |
| | 83,527,450 | 97,327,450 | | | | | (1,558,855,223) | (1,377,854,323) | (90,789,331) | (1,468,643,654) |
| **Balance as at June 30, 2021** | 1,754,070,470 | 1,682,538,173 | 1,735,936,619 | 213,875,986 | (107,996,370) | 487,264,568 | 2,595,833,439 | 6,761,522,865 | 556,675,651 | 7,318,198,516 |

The annexed notes 1 to 58 form an integral part of these consolidated financial statements.

Shaheen Amin
Chief Executive Officer

Nasim Hyder
Director

Ramon Alfrey
Chief Financial Officer

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

## 1 LEGAL STATUS AND OPERATIONS

The "Group" consists of:

(i) ORIX Leasing Pakistan Limited, the Holding Company;
(ii) ORIX Services Pakistan (Private) Limited - subsidiary company; and
(iii) ORIX Modaraba - subsidiary company.

### 1.1 Holding company

ORIX Leasing Pakistan Limited ("the Holding Company / the Company") was incorporated in Pakistan as a private limited company on July 01, 1986 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) and was converted into a public limited company on December 23, 1987. The Holding Company is listed on the Pakistan Stock Exchange Limited and is licensed to carry out Investment Finance Services as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 issued by the Securities and Exchange Commission of Pakistan (SECP).

The registered office of the Company is situated at ORIX Building, Plot No. 16, Sector No. 24, Korangi Industrial Area, Karachi.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a long-term rating of AA+ (2020: AA+) and a short-term rating of A1+ (2020: A1+) to the Company on March 03, 2021 (2020: March 04, 2020).

### 1.2 Subsidiary companies

#### 1.2.1 ORIX Services Pakistan (Private) Limited - 100% effective holding

ORIX Services Pakistan (Private) Limited ("the Management Company") was incorporated as a private limited company on February 25, 1957 under the then applicable Companies Act, 1913 (now the Companies Act, 2017). Subsequently, it was registered as a Modaraba Management Company with the Registrar of Modaraba Companies and Modarabas under the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980.

The principal activity of the Management Company is to engage in the business of floatation of Modarabas and to function as a Modaraba Management Company within the meaning of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980. Presently, the Management Company manages only ORIX Modaraba. The registered office of the Management Company is situated at 6th Floor, Syedna Tahir Saif-ud-din Trust Building, Beaumont Road, Civil Lines, Karachi, Pakistan.

On June 20, 2016, the Holding Company acquired 100% shareholding (4,450,000 shares) of the Management Company. The Holding Company continues to hold 100% shares in ORIX Services Pakistan (Private) Limited till date.

#### 1.2.2 ORIX Modaraba - 20% effective holding

ORIX Modaraba ("the Modaraba") was formed in the name of Standard Chartered Modaraba under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder. The Modaraba is managed by ORIX Services Pakistan (Private) Limited ("the Management Company") which is a wholly owned subsidiary of ORIX Leasing Pakistan Limited.

The Modaraba is operated through a head office in Karachi and two branches each which are located in Lahore and Islamabad. The head office is placed separately within the premises of the Management Company. In Lahore, the branch office is situated at 602-B, 6th Floor, City Towers, Gulberg-II whereas in Islamabad, the branch address is Ground Floor, Phase 1, State Life Building No. 5, Nazimuddin Road, Blue Area.

The Modaraba is a perpetual Modaraba and is primarily engaged in financing of plant and machinery, motor vehicles (both commercial and private), computer equipment and housing under the modes of Ijarah (Islamic leasing) and Diminishing Musharika. The Modaraba may also invest in commercial and industrial ventures suitable for the Modaraba. The Modaraba is listed on the Pakistan Stock Exchange Limited. The Pakistan Credit Rating Agency Limited (PACRA) has assigned long term rating of AA (2020: AA) and short term rating of A1+ (2020: A1+) to the Modaraba on 04 March 2021 (2020: March 24, 2020).

On June 21, 2016, the Holding Company acquired 10% certificate holding (4,538,353 certificates) in the Modaraba. Since the Holding Company had acquired 100% shareholding in the Management Company as mentioned in note 1.2.1 above, the Modaraba became a subsidiary of the Holding Company in view of the control which the Holding Company exercised through its fully owned Management Company and an effective holding of 20% in the certificates of Modaraba by the Holding Company collectively with the Management Company. Subsequent to the acquisition, the Modaraba has been renamed as ORIX Modaraba.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- Provisions of and directives issued under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

Where provisions of and directives issued under the Companies Act, 2017, the IFAS, the NBFC Rules or the NBFC Regulations differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017, the IFAS, the NBFC Rules or the NBFC Regulations have been followed.

2.2 Islamic Financial Accounting Standard (IFAS) 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was adopted by the SECP vide SRO 431(1)/ 2007 dated May 22, 2007. Under IFAS 2, the Ijarah transactions are accounted for in the following manner:

- Mustajir (lessors) presents the assets subject to Ijarah in their statement of financial position according to the nature of the asset. The Mustajir is required to distinguish these Ijarah assets from the assets in own use.
- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income are recognised as expenses.
- Ijarah income is recognised in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

2.3 IFRS 9: "Financial Instruments" has become applicable effective for accounting periods beginning on or after July 1, 2018. The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach. The Holding Company and the Management Company had already adopted the requirements of IFRS 9 during the year ended June 30, 2019.

During 2019 Modaraba Association of Pakistan informed its members that the SECP has deferred the applicability of IFRS 9 to the extent of provision against financings made by the modaraba and required the modaraba to follow all other requirements of IFRS 9. The aforementioned communication by the Modaraba Association of Pakistan to its members was based on the clarification given by the SECP to Modaraba Association of Pakistan. Accordingly, the Modaraba had adopted all requirements of IFRS 9 and had determined the provision against financings (Ijarah and Diminishing Musharika) as per the requirements of the Prudential Regulations issued by the SECP at the time of finalization of the financial statements for the year ended June 30, 2019.

During the year ended June 30, 2020, the SECP extended the applicability of IFRS 9 for modarabas for period / year ending on or after June 30, 2021. According to SRO 800(i)/2021 dated June 22, 2021 issued by the SECP, the application of IFRS 9 has been further extended for reporting period / year ending on or after June 30, 2022 with an option of earlier adoption. The Modaraba had already adopted all the requirements of IFRS 9 in 2019 with the exception of determining the provision against financing (Ijarah and Diminishing Musharika). The Modaraba has early adopted the afore-mentioned requirements of provision against financing from the current year using modified retrospective approach which has been detailed in note 3.1 to these consolidated financial statements.

**2.4 Basis of measurement**

These consolidated financial statements have been prepared under the historical cost convention except for the following:

- Leasehold land and office building are stated at revalued amounts;
- Certain investments are stated at fair value;
- Non-current assets classified as held-for-sale are valued at lower of carrying amount and fair value less cost to sell;
- Obligation in respect of staff gratuity is measured at present value of the defined benefit obligation; and
- Investment in associate is valued under equity accounting method.

**2.5 Functional and presentation currency**

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. These consolidated financial statements are presented in Pakistani Rupee which is the Group's functional and presentation currency.

**2.6 Critical accounting estimates and judgments**

The preparation of consolidated financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods.

The areas where various assumptions and estimates are significant to the Group's financial statements or where judgments were exercised in the application of accounting policies are as follows:

(a) determination of the residual values and useful lives of fixed assets (notes 3.5 and 4);
(b) determination of amortisation rates for intangible assets (notes 3.4, 3.6 and 5);
(c) determination of allowance for potential lease and other loan losses (notes 3.8 and 39);
(d) determination of classification, valuation and impairment of financial assets (note 3.12);
(e) classification and valuation of assets classified as held for sale (notes 3.9 and 17);
(f) recognition for taxation and deferred tax (notes 3.19 and 42);
(g) accounting for defined benefit obligation (notes 3.20 and 25);
(h) provision against workers' welfare fund (notes 3.17 and 40); and
(i) impairment of non-financial assets (notes 3.11)

**2.7 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current year**

**2.7.1** There are certain amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2020 but are considered not to be relevant or do not have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated financial statements.

**2.8 Interpretations and amendments to published accounting and reporting standards that are not yet effective**

**2.8.1** The following amendments and interpretations with respect to published accounting and reporting standards would be effective from the date mentioned below against the respective amendments or interpretations:

| Interpretations or amendments | Effective date (accounting period beginning on or after) |
|---|---|
| - IAS 1 - 'Presentation of financial statements' (amendments) | January 1, 2023 |
| - IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendments) | January 1, 2023 |

The amendments highlighted above may impact the consolidated financial statements of the Group on adoption. The management is currently in the process of assessing the impact of these amendments on the consolidated financial statements of the Group.

**2.8.2** There are certain other new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after July 1, 2021 but are considered not to be relevant or will not have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated financial statements.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting polices applied in the preparation of these consolidated financial statements are set out below. These polices have been consistently applied to all the years presented except for the change described in note 3.1 to the consolidated financial statements.

### 3.1 Change in accounting policy

Effective from July 1, 2020, the Modaraba has adopted the requirements of IFRS 9, 'Financial instruments' with respect to Expected Credit Loss (ECL) model. The ECL has an impact on the assets of the Modaraba which are exposed to credit risk.

The Modaraba has adopted the requirements of ECL model as given in IFRS 9 using the modified retrospective approach. Accordingly, the cumulative impact of the adoption has been recognised in the unappropriated profit as of July 1, 2020 and comparatives have not been restated.

The impacts of applying ECL approach on the opening and current year balances on the consolidated statement of financial position, consolidated statement of changes in equity, consolidated profit or loss and other comprehensive income and consolidated statement of cash flows are as follows:

| | July 1, 2020 – Rupees – |
|---|---|
| **Impact on consolidated statement of financial position:** | |
| - Decrease in Ijarah finance - Provision against Ijarah finance | (26,718,922) |
| - Decrease in Diminishing Musharika - Provision against Diminishing Musharika | (28,139,578) |
| Decrease in total assets | (54,858,500) |
| **Impact on the consolidated statement of changes in equity:** | |
| - Decrease in unappropriated profit | (54,858,500) |

| | Year ended June 30, 2021 – Rupees – |
|---|---|
| **Impact on consolidated statement of profit or loss and other comprehensive income:** | |
| - Decrease in Ijarah finance - Reversal of provision against Ijarah finance | 15,704,328 |
| - Increase in Diminishing Musharika - Provision against Diminishing Musharika | (45,741,469) |
| Decrease in profit after taxation | (30,037,143) |
| - Decrease in Earning per share | (0.03) |
| **Impact on consolidated statement of cash flows:** | |
| - Decrease in Ijarah finance - Provision against Ijarah finance | (11,014,596) |
| - Increase in Diminishing Musharika - Provision against Diminishing Musharika | (73,881,047) |
| Impact on cash generated from operations | (84,895,643) |

The Modaraba applies the IFRS 9 general approach to measure Expected Credit Losses (ECL) for Ijarah Finance and Diminishing Musharika. A lifetime ECL is recorded on Ijarah Finance and Diminishing Musharika in which there has been Significant Increase in Credit Risk (SICR) from the date of initial recognition and which are credit impaired as on the reporting date. A 12 months ECL is recorded for Ijarah Finance and Diminishing Musharika which do not meet the criteria for SICR or "credit impaired" as at the reporting date. To assess whether there is a significant increase in credit risk the Modaraba compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Modaraba also considers reasonable and supportive forwarding-looking information in determination of ECL.

**3.2 Basis of consolidation**

The consolidated financial statements include the financial statements of the Holding Company and its subsidiary companies.

Subsidiary companies are fully consolidated from the date on which the power to control the company is established and are excluded from consolidation from the date of disposal or when the control is lost.

The financial statements of subsidiaries are prepared for the same reporting period as the Holding Company, using accounting policies that are consistent with those of the Holding Company.

The assets and liabilities of the subsidiaries have been consolidated with those of the Holding Company on a line by line basis and the carrying values of the Holding Company's investment in the subsidiaries are eliminated against the subsidiaries' share capital and pre-acquisition reserves in these consolidated financial statements.

Non-controlling interests represent that part of the net results of operations and of the net assets of the subsidiaries that are not owned by the Group.

All material intra-group balances and transactions have been eliminated.

Acquisitions of non-controlling interest (NCI) are measured at the proportionate share of the NCI in the fair value of the net assets acquired by the Holding Company. The excess of the fair value of consideration transferred over the proportionate share of the NCI in the fair value of net assets acquired is recognised in equity.

**3.3 Business combination**

Business combinations are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the Holding Company's share of identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

**3.4 Goodwill**

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at its cost less accumulated impairment losses, if any. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units (CGUs), or groups of CGU, that is expected to benefit from the synergies of the combination. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense in the consolidated statement of profit or loss and is not subsequently reversed.

### 3.5 Fixed assets

#### 3.5.1 Own use, operating lease and capital work in progress

Fixed assets (except leasehold land and office building) are stated at cost less accumulated depreciation and impairment losses, if any. Leasehold land and office building are carried at revalued amounts less accumulated depreciation and subsequent impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Cost incurred to replace a component of an item of fixed asset is capitalised and the asset so replaced is retired from use. All repairs and maintenance expenditure are charged to the consolidated statement of profit or loss during the period in which these are incurred.

Depreciation is charged using the straight line method over the estimated useful lives of assets, at the rates specified in notes 4.1 and 4.2 to these consolidated financial statements after taking into account residual values if significant. Cranes under operating lease are depreciated at the rates specified in note 4.2 by considering residual values. The carrying value of leasehold land is amortised over its lease term. Depreciation on additions is charged from the month in which the assets are available for use. No depreciation is charged in the month of disposal.

Accounting treatment and presentation of revaluation of fixed assets is in conformity with IAS 16 'Property, Plant and Equipment'. Revaluation surplus on fixed assets is presented in the consolidated statement of financial position and consolidated statement of changes in equity as a capital reserve.

An increase arising on revaluation is credited to the surplus on revaluation of leasehold land and office building. A decrease arising on revaluation of leasehold land and office building is adjusted against the surplus of that asset or, if no surplus exists, is charged to the consolidated statement of profit or loss as an impairment of the asset. A surplus arising subsequently on an impaired asset is reversed through the consolidated statement of profit or loss up to the extent of the original impairment. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the consolidated statement of profit or loss and depreciation based on the asset's original cost, net of deferred taxation, is reclassified from revaluation surplus on leasehold land and office building to unappropriated profit.

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains / losses on disposal of fixed assets, if any, are taken to the consolidated statement of profit or loss in the period in which they arise except that the related surplus on revaluation of fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

Assets having an indefinite useful life are stated at acquisition cost less accumulated impairment losses, if any.

The residual values, useful lives and methods of depreciation of assets are reviewed and adjusted, if appropriate, at each reporting date.

Capital work-in-progress is stated at cost less impairment loss, if any and consists of expenditure incurred (including any borrowing cost, if applicable) and advances made in the course of construction and installation. Transfers are made to relevant asset category as and when assets are available for intended use.

#### 3.5.2 Ijarah assets

Rental from ijarah arrangements are recognised in the consolidated statement of profit or loss on an accrual basis as and when rentals become due. Costs (including depreciation), incurred in earning the ijarah income are recognised as an expense. Initial direct costs incurred specifically to earn revenues from ijarah are recognised as an expense in the period in which they are incurred. The ijarah assets are depreciated over the period of ijarah finance on a straight line basis at the rates specified in note 4.3.

### 3.5.3 Lease liability and right-of-use assets

The Group leases premises of certain branches. Rental contracts are typically for a period of 3 years and may have renewal options as described below. At inception of a contract, the Group assesses whether a rental contract conveys the right to control the use of the rented premises for a period of time in exchange for consideration. Lease term is negotiated on an individual basis.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease liability is initially measured at the present value of the lease payments over the period of lease term and that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

Lease payments include fixed payments less any lease incentive receivable, variable lease payment that are based on an index or a rate which are initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Group under residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. The extension and termination options are incorporated in determination of lease term only when the Group is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payment.

The lease liability is remeasured when the Group reassesses the reasonable certainty of exercising the extension or termination option upon occurrence of either a significant event or a significant change in circumstances, or when there is a change in assessment of an option to purchase underlying asset, or when there is a change in amount expected to be payable under a residual value guarantee, or when there is a change in future lease payments resulting from a change in an index or rate used to determine those payment. The corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of profit or loss if the carrying amount of right-of-use asset has been reduced to zero.

When there is a change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease, it is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increases the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use assets.

Right-of-use assets are initially measured at an amount equal to the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which the asset is located.

Right-of-use assets are subsequently measured at cost model and depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. Right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Group has elected to apply the practical expedient of not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight line basis over the lease term.

### 3.6 Intangible assets

Intangible assets having definite lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets having indefinite lives are stated at cost less accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Amortisation is charged using the straight-line method over the estimated useful lives of the assets at the rates specified in note 5.1. Amortisation on additions is charged from the month in which the assets are available for use. No amortisation is charged in the month of disposal. The residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Gains / losses on disposal of intangible assets, if any, are taken to the consolidated statement of profit or loss in the period in which these arise.

### 3.7 Net investment in finance lease

Leases in which the Group transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. A receivable is recognised at an amount equal to the present value of the minimum lease payments, including any guaranteed residual value. The "net investment in finance lease" included in these consolidated financial statements is recorded net of adjustable security deposit.

### 3.8 Allowance for potential lease and other loan losses

The Group applies IFRS 9 simplified approach and general approach for lease and loan losses respectively to determine Expected Credit Losses (ECL) for lease and loan balances related to the Holding Company. A lifetime ECL is recorded on loans in which there has been Significant Increase in Credit Risk (SICR) from the date of initial recognition and on loans which are credit impaired as on the reporting date. A 12 months ECL is recorded for loans which do not meet the criteria for SICR or "credit impaired" as at the reporting date. To assess whether there is a significant increase in the credit risk, the management of the Group compares the risk of a default occurring on the loans as at the reporting date with the risk of default as at the date of initial recognition. The Group also considers reasonable and supportive forward-looking information in the determination of ECL. The allowance is increased by provisions charged to the consolidated statement of profit or loss and is decreased by charge-offs, net of recoveries.

Calculating ECL for lease and loan is subject to numerous judgments and estimates. In evaluating the adequacy of ECL, the management of the Group considers various factors, including the nature and characteristics of the obligor, current economic conditions, credit concentrations or deterioration in collateral, historical loss experience and delinquencies. The management has further considered the impact of forward-looking information and its resulting impact on the provision for lease and loan portfolio of the Group.

During the year, the Institute of Chartered Accountant of Pakistan (ICAP) has issued 'Accounting Guideline Application of IFRS 9 by Non-Banking Finance Companies' dated May 26, 2021, which allows NBFC's to apply the requirements of IFRS 9 in conjunction with the requirements of NBFC Regulations. Accordingly, the Group has recognised allowance for potential lease and other loans losses as the higher of provisioning requirements as specified under the NBFC Regulations and IFRS 9.

### 3.9 Assets classified as held for sale

The Group classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised through the consolidated statement of profit or loss for any initial or subsequent write down of the non-current asset to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale.

### 3.10 Investment in associate

Investment in associate is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method of accounting, the investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The consolidated statement of profit or loss reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of an associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

Associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The Group discontinues the use of the equity method from the date when it loses the power to participate in the financial and operating policy decisions of the investee. If the retained interest of the Group in the former associate is a financial asset, the Group measures the retained interest at its fair value. The fair value of the retained interest is regarded as its fair value on initial recognition as a financial asset. The Group recognises in the consolidated statement of profit or loss any difference between the fair value of the retained interest and any proceeds from disposing of a partial interest in the associate and the carrying amount of the investment at the date the equity method was discontinued.

When the investment in associate is sold, all amounts previously recognised in 'other comprehensive income' in relation to that investment are reclassified to the consolidated statement of profit or loss.

### 3.11 Impairment of non-financial assets

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognised in the consolidated statement of profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

### 3.12 Financial assets

#### 3.12.1 Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:

- at amortised cost;
- at fair value through other comprehensive income (FVOCI); and
- at fair value through profit or loss (FVPL).

**a) At amortised cost**

The Group measures financial assets at amortised cost if the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3.12.2. Gains and losses are recognised in the consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

**b) At fair value through other comprehensive income (FVOCI)**

The Group measures financial assets at FVOCI if the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment losses or reversals, recognised and measured as described in note 3.12.2, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the consolidated statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of profit or loss.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 'Financial Instruments: Presentation' and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are not recycled to the consolidated statement of profit or loss. Dividends are recognised in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

**c) Fair value through profit or loss (FVPL)**

Assets that do not meet the criteria for classification at amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a financial asset that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in the consolidated statement of profit or loss in the period in which it arises.

**3.12.2 Impairment**

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets carried at amortised cost and FVOCI. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Holding Company applies the IFRS 9 simplified approach to measure expected credit losses for leases, Ijarah finance, musharika finance and microfinance. For all other financial assets, a life time ECL is recorded in which there has been Significant Increase in Credit Risk (SICR) from the date of initial recognition and for financial assets which are credit impaired as on reporting date. A 12 months ECL is recorded for all other financial assets which do not meet the criteria for SICR or "credit impaired" as at reporting date.

The Modaraba applies the IFRS 9 general approach to measure Expected Credit Losses (ECL) for Ijarah Finance and Diminishing Musharika. A lifetime ECL is recorded on Ijarah Finance and Diminishing Musharika in which there has been Significant Increase in Credit Risk (SICR) from the date of initial recognition and which are credit impaired as on the reporting date. A 12 months ECL is recorded for Ijarah Finance and Diminishing Musharika which do not meet the criteria for SICR or "credit impaired" as at the reporting date. To assess whether there is a significant increase in credit risk the Modaraba compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Modaraba also considers reasonable and supportive forwarding-looking information in determination of ECL.

**3.12.3 Derecognition**

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either:

(i) the Group transfers substantially all the risks and rewards of ownership, or
(ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

**3.12.4 Regular way contracts**

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Group commits to purchase or sell the asset.

### 3.12.5 Initial recognition

Financial assets are recognised at the time the Group becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value plus transaction costs except for financial assets carried at FVPL. Financial assets carried at FVPL are initially recognised at fair value and transaction costs associated with these financial assets are taken directly to the consolidated statement of profit or loss.

### 3.12.6 Business model

The business model reflects how the Group manages the assets in order to generate cash flows, that is, whether the objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

### 3.12.7 SPPI

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

### 3.12.8 Reclassifications

The Group reclassifies financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

### 3.12.9 Write-offs

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. Against each customer's outstanding exposure which stands as impaired, the Group makes an assessment with respect to the timing and amount of write-off based on the expectation of recovery. However, financial assets that are written off remain subject to legal enforcement activities for recovery of amounts due.

### 3.13 Financial liabilities

Financial liabilities are recognised at the time the Group becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value less any directly attributable transaction cost.

Financial liabilities are subsequently measured at amortised cost except for:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer.

### 3.13.1 Derecognition

Financial liabilities are derecognised at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expires. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the consolidated statement of profit or loss.

### 3.14 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously.

### 3.15 Certificate of deposits, borrowings, finances, loans and their costs

These are initially recognised at cost being the fair value of consideration received. Subsequently, these are carried at amortised cost using the effective interest method.

Costs in respect of above are recognised as an expense in the period in which these are incurred using the effective interest method.

Transaction costs, if any, are amortised over the period of agreement using the effective interest method.

### 3.16 Redeemable capital

The Modaraba offers only one deposit product, "Certificates of Musharika (COM)" under a scheme duly approved by the Securities and Exchange Commission of Pakistan vide its letter no 7(04) Reg-Mod/95-449 dated April 4, 1995. The Scheme of COM has been formulated under the parameters laid down for this purpose by the Securities and Exchange Commission of Pakistan ("SECP") in its "Guidelines for Issue of Certificates of Musharika for Modarabas" (the "Guidelines") issued on September 7, 1994.

As per the requirements of the Guidelines, the scheme of COM is based on the concept of "Musharika". Hence, it is classified as redeemable capital. The salient features of the COM are as follows:

- This is a return based certificate wherein a deposit is placed with the Modaraba for a definite period of time.

- Total profits after charging all expenses, provisions/impairments and Management Company's remuneration of the Modaraba are shared by the COM holders and the Modaraba in accordance with ratio declared by the Modaraba and accepted by the COM holders. In the absence of such declaration, the total profits shall be shared between the COM holders and the Modaraba in proportion to their contribution in the Funds.

- The amount of profit allocated to the COM holders shall be shared among different categories/tiers of the COM holders on the basis of predetermined weightages announced by the Modaraba at the beginning of each quarter.

- In the event of loss, such loss shall be shared between the COM holders and the Modaraba in proportion to their respective funds.

### 3.17 Provisions

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

### 3.18 Contingent liabilities

A contingent liability is disclosed when the Group has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Group; or the Group has a present legal or constructive obligation that arise from past events, but it is not probable that an outflow of resources embodying benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

### 3.19 Taxation

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

#### Current

Provision for current taxation is based on taxable income for the year at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any. Tax charge for the current year is determined in accordance with the prevailing laws for taxation. The charge for current tax is calculated using tax rates enacted or substantively enacted at the reporting date. The charge for the current tax also includes adjustments relating to prior years, if necessary, arising from assessments finalised during the year.

The income of non-trading Modarabas is exempt from income tax provided that not less than 90% of their profits are distributed to the certificate holders. The tax clause which provides for such exemption has been omitted through Tax Laws (second) amendment Ordinance, 2021. Based on the advice of the tax advisor, the management is of the view that the said exemption is valid for the entire year ended June 30, 2021 and it's withdrawal will be effective from July 1, 2021. Accordingly, no provision for taxation has been made in the consolidated financial statements for the current year.

**Deferred**

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. In addition, the Group also records deferred tax asset on available tax losses, if any. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

The Group also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities / fixed assets / foreign currency translation reserves which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS) 12 Income Taxes.

As a result of withdrawal of tax exemption the Modaraba, there are implications of deferred tax which have been assessed by the management as at June 30, 2021 in consultation with its tax advisor. The management and the tax advisor are of the view that since the income of the Modaraba would be chargeable to tax for the first time in the tax year 2022, potential differences may arise in practice which are not yet envisaged. Therefore, the management has prudently decided not to recognise the deferred tax asset in these consolidated financial statements.

**3.20 Staff retirement benefits**

**(a) Defined contribution plans**

**Operated by the Holding Company**

The Holding Company operates a recognised contributory Provident Fund Scheme (the Fund) for all its permanent employees who have completed the minimum qualifying period in accordance with the HR policy. The Fund is administered by a Board of Trustees. Equal monthly contributions to the Fund are made both by the Holding Company and by the employees at the rate of 10% of basic salary.

**Operated by the Modaraba**

The Modaraba operates a recognised provident fund for all eligible employees and an approved funded defined contributory gratuity scheme for all permanent employees. Gratuity is payable to employees on completion of the prescribed qualifying period of service under the scheme. Contributions to the provident fund and gratuity fund are made at the rate of 10% and 8.33% respectively, of the basic salaries of employees.

Obligation for contribution to defined contribution plans are recognised as an employee benefit expense in the consolidated statement of profit or loss when these are due.

**(b) Defined benefit plan**

The Holding Company operates an approved funded gratuity scheme covering all permanent employees who have completed the minimum qualifying period of three years of service under the scheme. The scheme is administered by a Board of Trustees and contributions therein are made in accordance with the actuarial recommendations. The valuation in this regard is carried out at each reporting date using the Projected Unit Credit Method for the valuation of the scheme.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income when these occur with no subsequent transfer through the consolidated statement of profit or loss.

### 3.21 Employees compensated absences

During the year, the Holding Company has changed its policy for compensated absences for its eligible permanent employees. Previously, the Holding Company operated an 'Accumulated paid absences' policy whereby the absences were of a vesting nature (employees were entitled to cash payments for unused entitlement on leaving the Holding Company) and accordingly, recognised an obligation amounting to Rs 31.29 million as at June 30, 2020 measured on the basis of actuarial recommendations using the Projected Unit Credit Method, as per the requirements of IAS 19 which has been derecognised during the current period due to change in the HR policy.

Under the new policy which is effective from July 1, 2020, all un-availed privilege leave will lapse at year end with no accumulation or carry forward of privilege leave to the next year. Accordingly, the Holding Company shall have no obligation at the close of the year to record any liability in respect of compensated absences at the year end.

### 3.22 Foreign currency transactions

Transactions in foreign currencies are translated to rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the reporting date.

Non-monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the date of initial recognition of the non-monetary assets / liabilities.

**Foreign operations**

The assets and liabilities of foreign operations (associate) are translated to rupees at exchange rates prevailing at the reporting date. The results of foreign operations are translated at the average rates of exchange for the year.

**Translation gains and losses**

Translation gains and losses are taken to the consolidated statement of profit or loss, except those arising on translation of the net investment in foreign operations (associate) which are taken to the consolidated statement of profit or loss and other comprehensive income under foreign currency translation reserve until the disposal of the net investment, at which time these are recognised in the consolidated statement of profit or loss.

### 3.23 Revenue recognition

#### 3.23.1 Finance leases

The Group follows the 'financing method' in accounting for finance lease. The total unearned finance income i.e. the excess of aggregate instalment contract receivables plus residual value over the cost of the leased asset is deferred and amortised over the term of the lease, so as to produce a systematic return on the net investment in finance lease. Revenue recognition from finance leases is suspended when rent is past due by ninety days or more. Front end fee and other lease related income is recognised on receipt basis.

#### 3.23.2 Operating lease income

Rental income from assets classified as operating lease is recognised on accrual basis.

#### 3.23.3 Ijarah lease income

Rental income from Ijarah is recognised on accrual basis.

#### 3.23.4 Return on investments

Return on debt securities and deposit accounts is recognised using the effective interest rate method.

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

Gain / loss on sale of investments is recognised in the period in which it arises.

**3.23.5 Finances and loans**

Income on finances and loans is recognised on a time proportionate basis using effective interest rate method taking into account the principal outstanding and applicable rates of interest / return thereon except in case of finance and loans classified under the NBFC Regulations, on which income is recognised on a receipt basis.

Income recognition on finances and loans is suspended when it is past due by ninety days or more and thirty days or more in case of micro finance portfolio.

Interest / mark-up on rescheduled / restructured leases, finances, loans and investments is recognised in accordance with the requirements of the NBFC Regulations.

**3.23.6 Diminishing musharika**

Profit on Diminishing Musharika arrangements is recognised under the effective profit rate method based on the outstanding amount.

**3.23.7 Others**

Other income is recognised on receipt basis.

**3.24 Earnings per share**

The Group presents basic and diluted earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Holding Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders, and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, if any.

**3.25 Proposed dividend and transfer between reserves**

Dividends declared and transfers between reserves, except appropriations which are required by law, made subsequent to the reporting date are considered as non-adjusting events and are recognised in the consolidated financial statements in the period in which such dividends are declared / transfers are made.

**3.26 Cash and cash equivalents**

Cash and cash equivalents for the purposes of the consolidated statement of cash flows includes cash and bank balances and short term running finance facilities that form an integral part of the Group's cash management.

**3.27 Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components.

Operating segments are reported in a manner consistent with the internal reporting structure. The management monitors the operating results of its business units separately for the purpose of making decisions regarding resources allocation and performance assessment. Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated assets and liabilities.

**3.28 Commitments**

Commitments are disclosed in the consolidated financial statements at committed amounts.

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| **4 FIXED ASSETS** | | | |
| Own use (including capital work-in-progress) | 4.1 | 1,135,658,854 | 1,153,155,844 |
| Operating leases | 4.2 | 124,270,850 | 134,373,122 |
| Ijarah assets | 4.3 | 2,250,356,911 | 2,972,630,340 |
| Right-of-use assets | 4.4 | 93,975,743 | 113,839,333 |
| | | 3,604,262,358 | 4,373,998,639 |

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

## 4.1 Fixed assets - own use (including capital work-in-progress)

| | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Leasehold land | Office building | Leasehold improvements | Furniture, fittings and office equipment | Vehicles | Computers and accessories | Machinery | Total |
| | Rupees | | | | | | | |
| **As at July 01, 2020** | | | | | | | | |
| Cost / revalued amount | 855,570,000 | 109,858,358 | 181,847,712 | 135,448,334 | 93,947,027 | 36,113,104 | 15,924,013 | 1,428,708,148 |
| Accumulated depreciation | - | - | (113,658,287) | (113,547,977) | (38,134,111) | (59,735,212) | (477,717) | (325,553,304) |
| Net book value | 855,570,000 | 109,858,358 | 68,189,425 | 21,900,357 | 55,813,516 | 26,377,892 | 15,446,296 | 1,153,155,844 |
| **Year ended June 30, 2021** | | | | | | | | |
| Opening net book value | 855,570,000 | 109,858,358 | 68,189,425 | 21,900,357 | 55,813,516 | 26,377,892 | 15,446,296 | 1,153,155,844 |
| Additions | - | - | 15,935,976 | 22,744,415 | 11,343,462 | 14,623,231 | 117,500 | 64,034,574 |
| Transfers from capital work in progress | - | - | - | - | - | - | - | - |
| | - | - | 15,935,976 | 22,744,415 | 11,343,462 | 14,623,231 | 117,500 | 64,034,574 |
| **Disposals** | | | | | | | | |
| Cost | - | - | - | (1,616,602) | (11,658,500) | (135,300) | - | (13,410,402) |
| Accumulated Depreciation | - | - | - | 1,376,471 | 5,189,496 | 135,300 | - | 6,701,268 |
| | - | - | - | (240,131) | (6,469,004) | - | - | (6,709,136) |
| **Write off** | | | | | | | | |
| Cost | - | - | (7,792,256) | - | - | - | - | (7,792,256) |
| Accumulated Depreciation | - | - | 7,792,256 | - | - | - | - | 7,792,256 |
| Less: Depreciation charge | 13,567,500 | 10,985,833 | 17,303,447 | 12,332,502 | 8,191,694 | 13,007,813 | 1,442,638 | 74,831,428 |
| **Net book value** | 842,002,500 | 98,872,525 | 65,991,954 | 32,072,139 | 54,495,280 | 28,193,510 | 14,120,957 | 1,135,658,854 |
| **As at June 30, 2021** | | | | | | | | |
| Cost / revalued amount | 855,570,000 | 109,858,358 | 189,791,432 | 156,575,147 | 93,632,970 | 50,601,035 | 16,041,513 | 1,521,564,455 |
| Less: Accumulated depreciation | 13,567,500 | 10,985,833 | 123,799,478 | 124,504,008 | 39,137,310 | 72,407,525 | 1,920,556 | 386,692,211 |
| **Net book value** | **842,002,500** | **98,872,525** | **65,991,954** | **32,072,139** | **54,495,280** | **28,193,510** | **14,120,957** | **1,135,658,854** |
| Useful life / Rate of depreciation | 77 & 99 years | 11.10% | 15% - 33% | 15% - 20% | 4-5 years | 33% | 10 years | |

| | 2020 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Leasehold land | Office building | Leasehold improvements | Furniture, fittings and office equipment | Vehicles | Computers and accessories | Machinery | Capital work-in-progress | Total |
| | Rupees | | | | | | | | |
| **As at July 01, 2019** | | | | | | | | | |
| Cost / revalued amount | 544,460,000 | 87,799,647 | 121,092,417 | 132,772,456 | 102,728,342 | 75,960,879 | - | 60,470,098 | 625,283,841 |
| Accumulated depreciation | (15,364,484) | (20,263,758) | (106,563,151) | (102,208,143) | (36,654,376) | (51,392,778) | - | - | (332,443,690) |
| Net book value | 329,095,516 | 67,535,889 | 14,529,266 | 30,565,315 | 66,073,966 | 24,569,101 | - | 60,470,098 | 592,849,951 |
| **Year ended June 30, 2020** | | | | | | | | | |
| Opening net book value | 329,095,516 | 67,535,889 | 14,529,266 | 30,565,315 | 66,073,966 | 24,569,101 | - | 60,470,098 | 592,849,951 |
| Additions | - | - | 9,256,799 | 1,615,893 | 3,346,785 | 14,048,098 | - | 19,155,133 | 44,422,668 |
| Transfers from capital work in progress | - | - | 55,333,310 | 3,422,299 | - | 188,300 | 15,924,013 | (74,877,922) | |
| Transfers to intangible assets | - | - | - | - | - | - | - | (1,401,420) | (1,401,420) |
| Charged to office repair and maintenance expense | - | - | - | - | - | - | - | (345,889) | (345,889) |
| | - | - | 64,590,109 | 5,038,192 | 3,346,785 | 14,236,398 | 15,924,013 | (60,470,098) | 42,675,359 |
| **Adjustments due to revaluation** | | | | | | | | | |
| Cost | 511,120,000 | 22,061,711 | - | - | - | - | - | - | 533,181,711 |
| Accumulated Depreciation | 20,488,105 | 27,014,346 | - | - | - | - | - | - | 47,502,452 |
| | 531,608,105 | 49,076,057 | - | - | - | - | - | - | 980,682,163 |
| **Disposals** | | | | | | | | | |
| Cost | - | - | (2,299,365) | (1,713,400) | (12,366,000) | (14,012,179) | - | - | (30,390,944) |
| Accumulated Depreciation | - | - | 1,379,619 | 1,513,818 | 7,500,425 | 14,012,179 | - | - | 14,512,041 |
| | - | - | (919,746) | (293,582) | (4,865,575) | - | - | - | (9,878,903) |
| **Write off** | | | | | | | | | |
| Cost | - | - | (1,535,449) | (849,916) | (61,500) | (103,754) | - | - | (2,550,619) |
| Accumulated Depreciation | - | - | 1,535,449 | 847,597 | 61,500 | 103,754 | - | - | 2,548,300 |
| | - | - | - | (2,319) | - | - | - | - | (2,319) |
| Less: Depreciation charge | 5,121,622 | 6,753,588 | 10,210,204 | 13,607,249 | 8,741,660 | 12,458,367 | 477,717 | - | 57,170,407 |
| **Net book value** | 855,570,000 | 109,858,358 | 68,189,425 | 21,900,357 | 55,813,516 | 26,377,892 | 15,446,296 | - | 1,153,155,844 |
| **As at June 30, 2020** | | | | | | | | | |
| Cost / revalued amount | 855,570,000 | 109,858,358 | 181,847,712 | 135,448,334 | 93,947,627 | 36,113,104 | 15,924,013 | - | 1,428,709,148 |
| Less: Accumulated depreciation | - | - | 113,658,287 | 113,547,977 | 38,134,111 | 59,735,212 | 477,717 | - | 325,553,304 |
| **Net book value** | **855,570,000** | **109,858,358** | **68,189,425** | **21,900,357** | **55,813,516** | **26,377,892** | **15,446,296** | **-** | **1,153,155,844** |
| Useful life / Rate of depreciation | 77 & 99 years | 11.10% | 15% - 33% | 15% - 20% | 4-5 years | 33% | 10 years | | |

**4.1.1** For the year ended June 30, 2020 the leasehold land and building of the Group were revalued by M/s. Surval (an independent professional valuer) on the basis of professional assessment of the present market values which resulted in an increase in surplus on revaluation by Rs. 580.68 million.

Had the revaluation not been carried out, costs, accumulated depreciation and written down value of leasehold land and office building thereon would have been as follows:

| | 2021 | | |
|---|---|---|---|
| | Cost | Accumulated depreciation | Net book value |
| | Rupees | | |
| Leasehold land | 54,399,300 | 9,655,327 | 44,743,973 |
| Office building | 76,781,580 | 45,889,066 | 30,892,514 |
| | 131,180,880 | 55,544,393 | 75,636,487 |

| | 2020 | | |
|---|---|---|---|
| | Cost | Accumulated depreciation | Net book value |
| | Rupees | | |
| Leasehold land | 54,399,300 | 9,044,908 | 45,354,392 |
| Office building | 76,781,580 | 42,049,987 | 34,731,593 |
| | 131,180,880 | 51,094,895 | 80,085,985 |

**4.1.2** Included in cost of fixed assets - own use are fully depreciated items which are still in use aggregating to Rs. 283.30 million (2020: Rs.246.88 million).

**4.1.3** Details of fixed assets - own use disposed of during the year are as follows:

| Description | Cost | Accumulated depreciation | Book value | Sale proceeds | Gain on disposal | Mode of disposal | Particulars of buyers |
|---|---|---|---|---|---|---|---|
| | Rupees | | | | | | |
| **Book value not exceeding Rs. 500,000 each** | | | | | | | |
| Vehicles (various) | 2,280,500 | 1,349,935 | 930,565 | 1,709,436 | 778,871 | Negotiation | Various |
| Furniture, fittings and office equipment | 1,616,602 | 1,376,471 | 240,131 | 318,463 | 78,339 | Negotiation | Various |
| Computers and accessories | 135,300 | 135,300 | - | 65,801 | 65,801 | Negotiation | Various |
| | 4,032,402 | 2,861,706 | 1,170,6 9 | 2,093,700 | 923,011 | | |
| **Book value exceeding Rs. 500,000 each** | | | | | | | |
| Vehicle | 1,647,000 | 988,200 | 658,800 | 658,800 | - | Company policy | Mr. Syed Shuat Ali Shah* |
| Vehicle | 2,174,000 | 1,304,400 | 869,600 | 869,600 | - | Company policy | Ms. Maryam Aziz ** |
| Vehicle | 5,557,000 | 1,555,960 | 4,001,040 | 7,227,266 | 3,226,226 | Negotiation | Mr. Murtaza Fazal Godil |
| | 9,378,000 | 3,848,560 | 5,529,440 | 8,755,666 | 3,226,226 | | |
| | 9,378,000 | 3,848,560 | 5,529,440 | 8,755,666 | 3,226,226 | | |
| | | | 2 | | | | |
| **Total - June 30, 2021** | 13,410,402 | 6,710,266 | 6,700,1 9 | 10,849,366 | 4,149,237 | | |
| **Total - June 30, 2020** | 20,090,944 | 14,012,041 | 6,078,903 | 6,696,405 | 617,502 | | |

* Employee of the Holding Company

**Key Management Personnel of the Holding Company

**4.1.4** Particulars of the Group's immovable fixed assets - own use are as follows:

| Particulars | Location | Area |
|---|---|---|
| Head office building | Plot no.16 sector 24, Korangi Industrial Area, Karachi | 44,893 Sq. feet |
| Office building | Plot no.49 sector 24, Korangi Industrial Area, Karachi | 4,477 Sq. feet |
| Leasehold land | Plot no.16 sector 24, Korangi Industrial Area, Karachi | 6,667 Sq. Yds. |
| Leasehold land | Plot no.49 sector 24, Korangi Industrial Area, Karachi | 2,222 Sq. Yds. |

**4.1.5** The depreciation expense for the year has been charged to administrative and general expenses.

### 4.2 Fixed assets - operating lease

| Description | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cost | | | Accumulated depreciation | | | Net book value | Number of years of useful life |
| | As at July 1, 2020 | Additions | As at June 30, 2021 | As at July 1, 2020 | Charge for the year | As at June 30, 2021 | As at June 30, 2021 | |
| | Rupees | | | | | | | |
| Cranes | 155,419,512 | - | 155,419,512 | 21,046,390 | 10,102,272 | 31,148,662 | 124,270,850 | 10 years |

| Description | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cost | | | Accumulated depreciation | | | Net book value | Number of years of useful life |
| | As at July 1, 2019 | Additions | As at June 30, 2020 | As at July 1, 2019 | Charge for the year | As at June 30, 2020 | As at June 30, 2020 | |
| | Rupees | | | | | | | |
| Cranes | 155,419,512 | - | 155,419,512 | 10,944,118 | 10,102,272 | 21,046,390 | 134,373,122 | 10 years |

4.2.1 The depreciation expense for the year has been charged to direct cost

### 4.3 Fixed assets - Ijarah assets

| Description | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cost | | | Accumulated depreciation | | | Net book value | Number of years of useful life |
| | As at July 1, 2020 | Additions / (disposals) | As at June 30, 2021 | As at July 1, 2020 | Charge / (disposal) for the year | As at June 30, 2021 | As at June 30, 2021 | |
| | Rupees | | | | | | | |
| Machinery and generators | 2,792,264,923 | 974,816,897<br>(1,397,596,040) | 2,369,484,580 | 633,458,431 | 792,052,027<br>(756,422,051) | 669,088,407 | 1,710,396,173 | 2.67 to 4 years |
| Vehicles | 890,701,205 | 421,230,236<br>(955,701,992) | 346,229,449 | 76,877,357 | 295,474,780<br>(585,083,426) | (193,731,289) | 539,960,738 | 3 to 5 years |
| | 3,682,966,128 | 1,396,045,033<br>(2,353,298,032) | 2,715,714,029 | 710,335,788 | 1,077,526,807<br>(1,322,505,477) | 465,357,118 | 2,250,356,911 | |

| Description | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cost | | | Accumulated depreciation | | | Net book value | Number of years of useful life |
| | As at July 1, 2019 | Additions / (disposals) | As at June 30, 2020 | As at July 1, 2019 | Charge / (disposals) for the year | As at June 30, 2020 | As at June 30, 2020 | |
| | Rupees | | | | | | | |
| Machinery and generators | 2,726,162,165 | 1,062,814,904<br>(996,712,146) | 2,792,264,923 | 411,061,884 | 831,441,605<br>(609,044,858) | 633,458,431 | 2,158,806,492 | 2.67 to 4 years |
| Vehicles | 1,574,864,354 | 447,783,805<br>(1,131,946,954) | 890,701,205 | 289,223,455 | 446,452,864<br>(658,798,962) | 76,877,357 | 813,823,848 | 3 to 5 years |
| | 4,301,026,519 | 1,510,598,709<br>(2,128,659,100) | 3,682,966,128 | 700,285,139 | 1,277,894,469<br>(1,267,843,820) | 710,335,788 | 2,972,630,340 | |

**4.3.1** Disposals during the year in respect of Ijarah finance have been made to the lessees as per the contract terms.

**4.3.2** The depreciation expense for the year has been charged to direct cost.

**4.4 Right-of-use assets**

| Description | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cost | | | Accumulated depreciation | | | Net book value | Number of years of useful life |
| | As at July 1, 2020 | Additions / (disposals) | As at June 30, 2021 | As at July 1, 2020 | Charge / (on disposals) for the year | As at June 30, 2021 | As at June 30, 2021 | |
| | Rupees | | | | | | | |
| Rental property | 139,676,484 | 18,495,800 | 144,080,444 | 25,837,151 | 26,315,799 | 50,104,701 | 93,975,743 | 1 to 8.78 years |
| | | (14,091,840) | | | (2,048,249) | | | |
| | 139,676,484 | 18,495,800 | 144,080,444 | 25,837,151 | 26,315,799 | 50,104,701 | 93,975,743 | |
| | | (14,091,840) | | | (2,048,249) | | | |

| Description | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cost | | | Accumulated depreciation | | | Net book value | Number of years of useful life |
| | As at July 1, 2019 | Additions | As at June 30, 2020 | As at July 1, 2019 | Charge / (on disposals) for the year | As at June 30, 2020 | As at June 30, 2020 | |
| | Rupees | | | | | | | |
| Rental property | 132,115,778 | 7,560,706 | 139,676,484 | - | 25,837,151 | 25,837,151 | 113,839,333 | 1 to 8.78 years |

**4.4.1** The depreciation expense for the year has been charged to administrative and general expenses.

| | Note | 2021 | 2020 |
|---|---|---|---|
| **5 INTANGIBLE ASSETS** | | Rupees | |
| Computer software and license | 5.1 | 3,850,137 | 11,320,889 |
| Goodwill | | 13,728,733 | 13,728,733 |
| Customer relationship for Ijarah | 5.1 & 5.4 | 24,571,429 | 36,857,143 |
| | | 42,150,299 | 61,906,765 |

**5.1** Following is a statement of intangible assets.

| Description | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cost | | | Accumulated amortisation | | | Net book value | Rate of amortisation / Number of years of useful |
| | As at July 1, 2020 | Additions | As at June 30, 2021 | As at July 1, 2020 | Charge for the year | As at June 30, 2021 | As at June 30, 2021 | |
| | Rupees | | | | | | | |
| Computer software and license | 101,608,959 | 69,486 | 101,678,445 | 90,288,070 | 7,540,238 | 97,828,308 | 3,850,137 | 33% |
| Customer relationship for Ijarah | 86,000,000 | - | 86,000,000 | 49,142,857 | 12,285,714 | 61,428,571 | 24,571,429 | 7 years |
| | 187,608,959 | 69,486 | 187,678,445 | 139,430,927 | 19,825,952 | 159,256,879 | 28,421,566 | |

| Description | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Cost | | | Accumulated amortisation | | | Net book value | Rate of amortisation / Number of years of useful |
| | As at July 1, 2019 | Additions | As at June 30, 2020 | As at July 1, 2019 | Charge for the year | As at June 30, 2020 | As at June 30, 2020 | |
| | Rupees | | | | | | | |
| Computer software and license | 98,448,270 | 1,759,269<br>1,401,420 * | 101,608,959 | 79,380,955 | 10,907,115 | 90,288,070 | 11,320,889 | 33% |
| Customer relationship for ijarah | 86,000,000 | – | 86,000,000 | 36,857,143 | 12,285,714 | 49,142,857 | 36,857,143 | 7 years |
| | 184,448,270 | 1,759,269<br>1,401,420 | 187,608,959 | 116,238,098 | 23,192,829 | 139,430,927 | 48,178,032 | |

* transferred from capital work-in-progress

5.2 Included in cost of intangible assets are fully amortised items which are still in use aggregating to Rs. 108.83 million (2020: Rs. 90.96 million)

5.3 The amortisation expense of computer software and license for the year has been charged to administrative and general expenses. The amortisation expense of customer relationship for ijarah for the year has been charged to direct cost.

5.4 Customer relationship for ijarah comprises of ijarah portfolio relationships which were recognised at the time of acquisition of ORIX Modaraba. Customer relationship arises from disbursements expected to be made to existing ijarah customers. These ijarah represent a more beneficial investment than alternate financing in the market. The customer relationship implies that the economic life of ijarah portfolio is longer than its contractual life.

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| **6 NET INVESTMENT IN FINANCE LEASE** | | | |
| Instalment contract receivables | | 16,873,260,459 | 17,778,931,662 |
| Residual value | | 7,331,519,014 | 7,578,780,621 |
| Less: adjustable security deposit | 6.1 | (7,310,865,773) | (7,554,263,764) |
| Gross investment in finance lease | 6.2 | 16,893,913,700 | 17,803,448,519 |
| Less: unearned finance income | | 2,844,809,440 | 3,380,338,853 |
| Present value of investment in finance lease | | 14,049,104,260 | 14,423,109,666 |

6.1 Security deposit is received from the lessees under finance lease contract which is adjustable at the expiry of the lease period.

6.2 **Details of investment in finance lease**

| | Gross investment in finance lease | | Present value of investment in finance lease | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | Rupees | | | |
| Less than one year | 9,207,810,785 | 9,582,058,187 | 7,470,695,275 | 7,503,453,058 |
| One to five years | 7,686,102,915 | 8,221,390,332 | 6,578,408,985 | 6,919,656,608 |
| | 16,893,913,700 | 17,803,448,519 | 14,049,104,260 | 14,423,109,666 |

6.3 The Group's implicit rate of return on leases ranges from 9.34% to 27.55% (2020: 11.67% to 27.55%) per annum. These are secured against leased assets, security deposits averaging 22.75% (2020: 21.64%) of the cost of leased assets and personal guarantees.

6.4 Based on the NBFC Regulations, the aggregate amount of portfolio on which income is suspended as at June 30, 2021 amounted to Rs. 977.16 million (2020: Rs. 1,484.43 million).

6.5 Lease rentals received during the year aggregate to Rs. 9,286 million (2020: Rs. 10,648 million).

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| 7 | **INVESTMENT IN ASSOCIATE** | | ---------- Rupees ---------- | |
| | **Related party** | | | |
| | Investment in associate | 7.1 | 915,924,945 | 944,087,843 |

7.1 Shares held and carrying value of investment in associate is as follows:

| 2021 | 2020 | | Note | 2021 | 2020 |
|---|---|---|---|---|---|
| ---(Number of shares)--- | | **Unquoted** | | ---------- Rupees ---------- | |
| 1,375,000 | 1,375,000 | Yanal Finance Company (formerly Saudi ORIX Leasing Company) | 7.1.1 | 915,924,945 | 944,087,843 |

7.1.1 The Group holds 2.5% (2020: 2.5%) ownership interest in Yanal Finance Company (YFC) (Formerly Saudi ORIX Leasing Company), which was incorporated in Riyadh, Kingdom of Saudi Arabia. YFC is accounted for as an associate under equity method of accounting due to the significant influence exercised by the Group. The latest available audited financial statements, which are prepared on a going concern basis, for the year ended December 31, 2020 have been audited by Pricewaterhouse Coopers, Kingdom of Saudi Arabia.

7.1.2 Summarised un-audited financial statements of associate under equity accounting are as follows:

| Name | Date of financial year end | As at June 30 | | For the period July 01 to June 30 | | Interest held |
|---|---|---|---|---|---|---|
| | | Total assets | Total liabilities | Revenues | Profit | |
| | | (Rupees) | | | | |
| **2021** | | | | | | |
| **Unlisted** | | | | | | |
| Yanal Finance Company | 31 December | 60,046,212,760 | 23,273,357,321 | 5,648,591,671 | 1,586,536,671 | 2.50% |
| **2020** | | | | | | |
| **Unlisted** | | | | | | |
| Yanal Finance Company | 31 December | 58,076,892,395 | 20,343,020,207 | 4,408,031,837 | 1,260,544,081 | 2.50% |

| | Note | 2021 | 2020 |
|---|---|---|---|
| 7.1.3 Movement of investment in associate is as follows: | | ---------- Rupees ---------- | |
| Balance at the beginning of the year | | 944,087,843 | 942,321,227 |
| Share of profit for the year | 35 | 35,363,150 | 28,938,203 |
| Dividends received during the year | | (8,548,643) | (50,533,088) |
| Exchange (loss) / gain arising on translation of foreign associate | | (55,975,776) | 23,209,923 |
| Share of other comprehensive income | | 998,371 | 151,578 |
| Balance at the end of the year | | 915,924,945 | 944,087,843 |

## 8 LONG-TERM INVESTMENTS

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| **Amortised cost** | | | |
| Pakistan Investment Bonds (PIBs) | 8.1 | 451,973,817 | 442,872,077 |
| Investment in sukuk certificates | 8.2 | 57,701,835 | 57,701,835 |
| Less: Provision for potential losses on investments | 39.2 | 57,701,835 | 57,701,835 |
| | | - | - |
| | | 451,973,817 | 442,872,077 |
| **At fair value through profit or loss** | | | |
| **Units of collective investment scheme** | | | |
| National Investment (Unit) Trust | | | |
| 202,000 (2020: 202,000) units of Rs. 10 each | | | |
| Cost Rs. 1,363,500 (2020: Rs. 1,363,500) | | - | 11,356,440 |
| **At fair value through other comprehensive income** | | | |
| Samia Finance PSC (formerly Al Hail ORIX Finance PSC) - related party | | 279,097,858 | 279,097,858 |
| Less: Fair value change on remeasurement of financial assets | | (279,097,858) | (279,097,858) |
| | | - | - |
| | | 451,973,817 | 454,228,517 |
| Less: Current maturity | 12 | 64,924,953 | - |
| | | 387,048,864 | 454,228,517 |

8.1 This represents investments made as required under Regulation 14(4)(g) of the NBFC Regulations, 2008 to maintain liquidity against certificates of deposit. These carry coupon rate of 7.25% to 12.07% (2020: 7.25% to 12.00%) per annum and are due to mature latest by September 19, 2022 (2020: September 19, 2022).

8.2 This represents investment by the Modaraba in unlisted sukuk certificates which have been fully provided.

## 9 LONG-TERM FINANCES AND LOANS

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| ***Considered good*** | | | |
| **Loans to key management personnel, other executives and employees - secured** | | | |
| Key management personnel - related parties | 9.1 | 55,028,692 | 73,577,531 |
| Other executives | | 156,183,364 | 119,822,619 |
| | 9.2 | 211,212,056 | 193,395,150 |
| Other employees | 9.7 | 142,475,977 | 114,353,473 |
| | | 353,688,033 | 307,748,623 |
| **Others - secured** | | | |
| Vehicle finance | 9.3 | 7,167,544,288 | 3,920,051,044 |
| Term finance | 9.4 | 1,714,549 | |
| Musharikah finance | 9.5 | 3,274,915,402 | 3,128,084,885 |
| Micro finance | 9.6 | - | 36,289,462 |
| | | 10,443,274,239 | 7,084,425,391 |
| | | 10,796,962,272 | 7,392,174,014 |
| ***Considered doubtful*** | | | |
| **Others - secured** | | | |
| Term finance | | 182,808,904 | 104,979,991 |
| Vehicle finance | 9.3 | 80,078,952 | 134,007,058 |
| Musharikah finance | 9.5 | - | 611,119 |
| Micro finance | 9.6 | 35,657,634 | 28,105,484 |
| Agri finance | 9.8 | 12,057,957 | 12,706,417 |
| | | 310,603,447 | 280,410,069 |
| Less: allowance for potential loan losses | 39.1 | 262,131,071 | 174,389,372 |
| | | 48,472,376 | 106,020,697 |
| Less: general provision against micro finance loans | 9.9 & 39.1 | - | (200,751) |
| | | 10,845,434,648 | 7,497,993,960 |
| **Less: Current maturity** | | | |
| Key Management Personnel, other executives and employees | | 42,419,499 | 37,026,375 |
| Others | | 4,468,573,014 | 2,502,809,678 |
| | 12 | 4,510,991,513 | 2,539,836,053 |
| | | 6,334,443,135 | 4,958,157,907 |

**9.1 Loans to Key Management Personnel**

| Names | Maximum amount outstanding | Provisions / (write-off) | 2021 | 2020 |
|---|---|---|---|---|
| | Rupees | | | |
| Mian Faysal Riaz | 1,850,000 | - | 1,333,181 | 859,750 |
| Mr. Haider Abbas Kalhar | 2,236,367 | - | 2,236,365 | 1,721,961 |
| Mr. Hamood Ahmed | 3,508,163 | - | 2,872,803 | 2,829,035 |
| Mr. Imtiaz Ahmad Chaudhary | 7,861,758 | - | 6,955,044 | 7,979,057 |
| Mr. Jawaid Akhter* | - | - | - | 1,000,330 |
| Mr. Khawar Sultan | 466,048 | - | - | 480,797 |
| Mr. Shafiq Ur Rehman | 2,357,728 | - | 1,753,074 | 1,445,425 |
| Mr. Syed Mohammad Matin | 2,335,097 | - | 1,373,126 | - |
| Mr. Tahir Ali Shah | 3,631,109 | - | 3,054,391 | 3,726,418 |
| Mr. Waqas Ahmad Khwaja | 878,519 | - | 584,255 | - |
| Mr. Muhammad Siddique | 3,997,000 | - | 3,736,914 | 1,573,262 |
| Mr. Mohammad Arif Dayal | 5,798,860 | - | 5,505,756 | 5,060,363 |
| Mr. Nadir Shah | 6,874,749 | - | 5,471,816 | 6,922,826 |
| Mr. Muhammad Asim Javed | 17,965,822 | - | - | 18,004,822 |
| Mr. Salwat Ahmad | 19,995,626 | - | 17,596,806 | 20,201,058 |
| Mr. Muhammad Ahsan Ilyas | 2,564,437 | - | 2,555,161 | 1,767,427 |
| | | - | 55,028,692 | 73,572,531 |

* Mr. Jawaid Akhter ceased to be the Key Management Personal from December 31, 2020.

9.1.1 Loans to the Key Management Personnel include house loan, vehicle loan and personal loan.

**9.2 Movement in loans to the key management personnel and other executives**

| | 2021 | 2020 |
|---|---|---|
| | Rupees | |
| Opening balance | 193,395,150 | 174,329,463 |
| Disbursements during the year | 117,596,554 | 62,490,323 |
| Repayments during the year | (99,779,648) | (43,424,636) |
| Closing balance | 211,212,056 | 193,395,150 |

9.3 These represent vehicle financing facilities provided to individual and corporate customers on mark-up basis. The mark-up on these finances ranges from 11.80% to 26.00% (2020: 11.99% to 26.00%) per annum. These finances are repayable within a period of 1 year to 6 years (2020: 1 year to 5 years) and are secured against charge over vehicles and personal guarantees.

9.4 These represent term finance facility provided to customers holding Certificates of Deposit (CODs) on mark-up basis. The mark-up on these finances is 10.65% (2020: nil) per annum. These finances are recoverable within the remaining maturity period of pledged CODs and are secured against lien over the respective CODs with minimum security margin of 25% over the principal value of the CODs.

9.5 These represent musharikah facilities provided to customers. The mark-up on these finances ranges from 8.94% to 19.5% (2020: 6.0% to 19.5%) per annum. The facilities have a repayment term of 3 to 5 years (2020: 2 to 5 years) and are secured by assets subject to musharikah agreement.

9.6 These represent long-term micro finance facilities provided to individuals and women entrepreneurs on mark-up basis. The mark-up on these loans ranges from 28.0% to 38.30% (2020: 28.0% to 38.30%) per annum. These finances are repayable within a period of 1.2 to 1.5 years (2020: 1.2 to 1.5 years) and are secured against personal guarantees of community organisations.

9.7 These represent loans given to staff in accordance with the terms of the Holding Company's HR policy and include house loans which are repayable within a period of 20 years or retirement date, whichever is earlier. House loans are secured against equitable mortgage on the property by deposit of title documents of the property with the Company and carry mark-up rate ranging from 4.00% to 9.5% (2020: 4.00% to 9.5%) per annum.

Loans (other than house loans) carry mark-up rates ranging from 5% to 14.6% (2020: 5% to 14.6%) per annum. These are secured against retirement benefits and are repayable within a period of five years.

Maximum amount outstanding at the end of any month during the year against loans to the key management personnel and other executives was Rs. 104.6 million (2020: Rs. 211.10 million).

9.8 These represent long-term finance facilities provided to farmers on mark-up basis. The rates of return on these loans range from 15.00% to 28.00% (2020: 15.00% to 28.00%) per annum. These loans are repayable within a period of 1.5 year to 3 years (2020: 1.5 year to 3 years) and are secured against title documents of the immovable property.

9.9 As per Regulation 25(A) of the NBFC Regulations, NBFCs with micro finance portfolio are required to maintain a general provision equivalent to 0.5% of the net outstanding micro finance portfolio (net of specific provisions).

| 10 SHORT-TERM FINANCES | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| **Considered good - secured** | | | |
| Micro finance | 10.1 | | 203,321,148 |
| Term finance | 10.2 | 8,000,001 | 21,500,001 |
| | | 8,000,001 | 224,821,149 |
| **Considered doubtful - secured** | | | |
| Micro finance | | 83,899,013 | 55,494,210 |
| Agri finance | 10.3 | 3,790,195 | 4,176,201 |
| | | 87,689,208 | 59,670,411 |
| Less: allowance for potential loan losses | 39.1 | (87,357,029) | (49,819,243) |
| | | 332,179 | 9,851,168 |
| Less: general provision against micro finance loans | 9.9 | - | (1,065,789) |
| | | 8,332,180 | 233,606,528 |

10.1 These represent short-term micro finance facilities provided to individuals and women entrepreneurs on mark-up basis. The mark-up on these loans ranges from 35.01% to 38.41% (2020: 28.01% to 38.41%) per annum. These are secured against personal guarantees of community organisations and are repayable within twelve months.

10.2 These represent term finance facilities provided to customers holding Certificates of Deposit (CODs) on mark-up basis. The mark-up on these finances range from 12.00% to 14.00% (2020: 12.00% to 15.00%) per annum. These finances are recoverable within the remaining maturity period of pledged CODs and are secured against lien over the respective CODs with minimum security margin of 25% over the principal value of the CODs.

10.3 These represent short-term finance facilities offered to farmers on mark-up basis. The rate of return on these loans ranges from 17.00% to 20.00% (2020: 17.00% to 20.00%) per annum. These are repayable within twelve months (2020: twelve months) and are secured against title documents of the immovable properties.

| 11 ACCRUED RETURN ON INVESTMENTS AND FINANCES AND LOANS | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| Accrued income on: | | | |
| Government securities | | 16,809,988 | 16,803,344 |
| Finances and loans | | 143,277,820 | 146,630,707 |
| | | 160,087,808 | 163,434,051 |

| 12 CURRENT MATURITY OF NON-CURRENT ASSETS | | | |
|---|---|---|---|
| **Current maturity of:** | | | |
| Net investment in finance lease | 6.2 | 7,470,695,275 | 7,503,453,058 |
| Long-term investments | 8 | 64,924,953 | - |
| Long-term finances and loans | 9 | 4,510,991,513 | 2,939,836,053 |
| | | 12,046,611,741 | 10,443,289,111 |

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| 13 | **SHORT-TERM INVESTMENTS** | | Rupees | |
| | **At fair value through profit or loss** | | | |
| | Market Treasury bills | 13.1 | 301,110,445 | 777,319,870 |
| | **At fair value through other comprehensive income** | | | |
| | Ordinary shares - unlisted | 13.2 | 26,863,547 | 26,019,918 |
| | | | 327,973,992 | 803,339,788 |

13.1 This represents investment made as required under Regulation 14(4)(g) of the NBFC Regulations to maintain liquidity against certificates of deposit. These are redeemable within a period of 1 to 5 months (2020: 1 to 9 months) from the reporting date, carrying yield ranging from 7.13% to 7.57% (2020: 7.14% to 13.29%) per annum.

13.2 These include shares of LSE Financial Services Limited. The Group holds 843,975 (2020: 843,975) number of shares with a face value of Rs. 10 each. These include 506,385 (60%) shares are required to be held separately in a blocked account with the Central Depository Company of Pakistan Limited to restrict the sale of these shares by the members. However, the rights to receive dividend, bonus shares, right shares and the proceeds of sale of these shares are vested with members while the voting rights attached to these shares are suspended.

13.2.1 As at June 30, 2021, the fair value of LSE Financial Services Limited and Al Baraka Bank (Pakistan) Limited amounted to Rs. 20.01 million (2020: Rs. 19.39 million) and Rs. 6.85 million (2020: Rs. 6.62 million) respectively. The Group has received dividend amounting to Rs. 0.59 million (2020: Rs. 0.67 million) from LSE Financial Services Limited.

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| 14 | **ADVANCES AND PREPAYMENTS** | | Rupees | |
| | Advances - unsecured | | 232,215,989 | 79,768,068 |
| | **Prepayments** | | | |
| | Rent | | 5,761,758 | 2,060,849 |
| | Others | 14.1 | 41,807,405 | 41,710,436 |
| | | | 47,569,163 | 43,771,285 |
| | | | 279,785,152 | 123,539,353 |

14.1 This includes furnishing allowance provided to Key Management Personnel.

| Names | Maximum aggregate amount | 2021 | 2020 |
|---|---|---|---|
| | Rupees | | |
| Mr. Haider Abbas Kalhar | 102,083 | 77,083 | 102,083 |
| Ms. Maryam Aziz | 200,000 | 173,333 | - |
| Mian Faysal Riaz | 186,667 | 146,667 | 186,667 |
| Mr. Imtiaz Ahmed Chaudhary | 200,000 | 176,667 | 30,000 |
| Mr. Tahir Ali Shah | 48,125 | 21,875 | 48,125 |
| Mr. Shafiq Ur Rehman | 98,750 | 92,563 | - |
| Mr. Hamood Ahmed | 97,917 | 72,917 | 97,917 |
| Mr. Syed Muhammad Matin | 125,000 | 100,000 | - |
| Mr. Waqas Ahmed Khwaja | 170,417 | 138,417 | 110,417 |
| Mr. Jawaid Akhter * | - | - | 91,667 |
| | | 999,522 | 666,876 |

* Mr. Jawaid Akhter ceased to be the Key Management Personnel from December 31, 2020.

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| | | | Rupees | |
| 15 | **OTHER RECEIVABLES** | | | |
| | **Considered good** | | | |
| | Operating lease | | 2,833,991 | - |
| | Ijarah finance | | 117,551,425 | 247,230,402 |
| | Others | 15.1 | 16,817,411 | 21,316,361 |
| | | | 137,202,827 | 268,546,763 |
| | **Considered doubtful** | | | |
| | Operating lease | | 2,549,026 | 5,354,597 |
| | Ijarah finance | | 28,371,838 | 17,517,235 |
| | Others | | 4,206,601 | 1,738,164 |
| | | | 35,127,465 | 24,609,996 |
| | Less: allowance for potential losses | 39.2 | 35,127,465 | 24,609,996 |
| | | | 137,202,827 | 268,546,763 |

15.1 These include receivable from Yanal Finance Company (formerly Saudi ORIX Leasing Company) (a related party) and ORIX Corporation, Japan (a related party) amounting to Rs. 8.8 million (2020: Rs. 9.7 million) and Rs. 1.4 million (2020: Rs. 0.76 million) respectively. Maximum amount outstanding at the end of any month during the year from Yanal Finance Company (formerly Saudi ORIX Leasing Company) and ORIX Corporation, Japan was Rs 9.7 million and Rs. 1.4 million respectively.

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| | | | Rupees | |
| 16 | **CASH AND BANK BALANCES** | | | |
| | Cash in hand | | 1,838,389 | 1,793,730 |
| | **Balances with banks in:** | | | |
| | - Current accounts | | 399,056,506 | 262,038,348 |
| | - Deposit accounts | 16.1 | 541,199,827 | 486,877,067 |
| | | | 940,256,333 | 748,915,415 |
| | Term deposit | 16.2 | 50,000,000 | 500,000,000 |
| | | 16.3 | 992,094,722 | 1,250,709,145 |

16.1 These carry expected profits rates ranging from 2.9% to 5.5% per annum (2020: 2.75% to 6.75% per annum).

16.2 Term deposit receipts carry profit at the rate of 6% per annum (2020: 7.35%) and are due to mature on 31 July, 2021.

16.3 These include balances amounting to Rs 516.19 million held with banks in deposit accounts and term deposit receipts which have been kept in order to comply with the requirement of the guidelines issued by the SECP with respect to the maintenance of prescribed liquidity against the Certificates of Musharika issued by the Modaraba.

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| | | | Rupees | |
| 17 | **ASSETS CLASSIFIED AS HELD FOR SALE** | | | |
| | Repossessed assets | 17.1 | 250,001 | 6,321,189 |
| | Investment in associates | | | |
| | - OPP (Private) Limited | 17.2 | 87,754,399 | 87,754,399 |
| | - ORIX Leasing Egypt SAE | 17.3 | 172,043,037 | 172,043,037 |
| | Stock Exchange room | | 4,700,000 | 4,700,000 |
| | | | 264,747,437 | 270,818,625 |

17.1 These represent repossessed assets consisting of vehicles, machinery and other equipment previously leased out to customers. The Group intends to dispose of these assets to recover the balance amount outstanding against such leases.

**17.2** The Holding Company holds 45% (2020: 45%) ownership interest in OPP (Private) Limited. During 2014, the Board of Directors of the Holding Company approved divestment of the Holding Company's entire investment in OPP.

The sales negotiations for disposal of investment in OPP were held with a minority shareholder of OPP and a Share Purchase Agreement (SPA) was signed by all the parties in July 2014. However, the minority shareholder had failed to comply with the terms of the SPA and initiated legal proceedings to restrict the Holding Company in managing the affairs of OPP. The Holding Company has also filed a reference in the Lahore High Court to allow the Holding Company to buy out the minority stakeholder in OPP or to wind up OPP which is pending to date.

**17.3** The Holding Company holds 23% (2020: 23%) ownership interest in SAMA. The Board of Directors of the Holding Company in their meeting held in February 2019 approved divestment of the Holding Company's investment in SAMA. In pursuance of the above, the Holding Company intends to dispose of its investment in SAMA.

The sale negotiations for disposal of SAMA were held and a Sale Purchase Agreement (SPA) was signed on October 17, 2019 and is expected to be completed with agreed terms and conditions, subject to necessary regulatory approvals.

## 18 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| 2021 | 2020 | | 2021 | 2020 |
|---|---|---|---|---|
| (Number of shares) | | | Rupees | |
| | | **Ordinary shares of Rs. 10/- each** | | |
| 106,485,517 | 106,485,517 | Fully paid in cash | 1,064,855,170 | 1,064,855,170 |
| 66,739,592 | 58,386,847 | Fully paid bonus shares | 667,395,920 | 583,868,470 |
| 2,182,538 | 2,182,538 | Fully paid shares against amalgamation | 21,825,380 | 21,825,380 |
| 175,407,647 | 167,054,902 | | 1,754,076,470 | 1,670,549,020 |

**18.1** As at June 30, 2021, ORIX Corporation, Japan and its held 86,960,515 (2020: 82,819,539) ordinary shares equivalent to 49.58% (2020: 49.58%) of the total shareholding.

**18.2** During the year, the Holding Company issued 8,352,745 bonus shares from share premium reserves.

**18.3** Reconciliation between ordinary shares in issue at beginning and end of the year is as follows:

| | 2021 | 2020 |
|---|---|---|
| | (Number of shares) | |
| At beginning of the year | 167,054,902 | 167,054,902 |
| Issuance of bonus shares during the year | 8,352,745 | - |
| At end of the year | 175,407,647 | 167,054,902 |

**18.4** As per regulation 16 of Non-Banking Finance Companies and Notified Entities Regulations, 2008, an NBFC is required to transfer 20% of its profit after tax to a statutory reserve until the amount of the reserves equals the paid up capital. Thereafter, 5% of the profit after tax is required to be transferred to this reserves. Accordingly, the Holding Company transfers 20% of its profit after tax to the statutory reserves.

## 19 SURPLUS ON REVALUATION OF LEASEHOLD LAND AND OFFICE BUILDING - NET OF TAXATION

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| Opening balance | | 883,887,210 | 310,980,411 |
| Revaluation surplus arising during the year | 4.1.1 | - | 580,682,163 |
| Adjustment in respect of incremental depreciation transferred to unappropriated profit | | (20,453,617) | (7,775,364) |
| | | 863,433,593 | 883,887,210 |
| Opening balance of deferred tax liability | | (21,368,718) | (8,083,306) |
| Deferred tax liability on surplus on revaluation of office building arising during the year | | - | (14,232,056) |
| Adjustment on transfer of incremental depreciation to unappropriated profit | | 2,173,993 | 946,644 |
| | 23 | (19,194,725) | (21,368,718) |
| | | 844,238,868 | 862,518,492 |

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| | | | Rupees | |
| **20** | **LONG-TERM FINANCES - secured** | | | |
| | Long-term finances utilised under mark-up arrangements - financial institutions | 20.1 & 20.2 | 9,178,106,866 | 9,523,403,833 |
| | Less: unamortised transaction cost | | - | 963,267 |
| | Less: current maturity | 31 | 3,438,215,844 | 4,222,033,077 |
| | | | 3,438,215,844 | 4,222,996,344 |
| | | | 5,739,890,022 | 5,300,407,489 |

**20.1** The Group has unutilised long term finance facilities of Rs. 1,150.0 million as at June 30, 2021 (2020: Rs. 1,640.5 million). These finances have been obtained for financing of operations and are secured by hypothecation of leased assets, related lease receivables and financing receivables. The mark-up rates thereon range from 6.52% to 8.63% (2020: 8.00% to 14.77%) per annum. These finances are repayable within a period of 36 to 60 months (2020: 36 to 60 months).

**20.2** This also includes Musharika term finance from various banks / companies amounting to Rs. 150 million (2020: Rs.1,240.07 million). These carry profit ranging from 6.52% to 8.48% (2020: 6 % to 14.51%) per annum. These finances are repayable within a period of 60 months (2020: 60 months).

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| | | | Rupees | |
| **21** | **LONG-TERM CERTIFICATES OF DEPOSIT** | | | |
| | **Unsecured** | | | |
| | Certificates of deposit | 21.1 | 3,191,658,179 | 3,360,463,182 |
| | Less: current maturity | 31 | 600,033,627 | 730,730,413 |
| | | | 2,591,624,552 | 2,629,732,769 |

**21.1** These certificates of deposit have been obtained for financing the operations of Holding Company and issued at expected rates of return ranging from 7.00% to 13.15% (2020: 7.00% to 13.15%) per annum and issued for terms ranging from 3 years to 10 years (2020: 3 years to 10 years).

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| | | | Rupees | |
| **22** | **LONG-TERM DEPOSITS** | | | |
| | Security deposit on ijarah contracts | | 576,392,172 | 577,009,147 |
| | Less: current maturity | 31 | 242,367,218 | 201,933,288 |
| | | | 334,024,954 | 375,075,859 |

**22.1** This represents amounts received under Ijarah finance repayable / adjustable at the expiry of the lease period.

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| | | | Rupees | |
| **23** | **DEFERRED TAXATION** | | | |
| | The deferred tax liability is attributable to the following items: | | | |
| | - Accelerated tax depreciation | | 605,521,204 | 699,255,839 |
| | - Asset capitalised under IFRS 16 | | (5,565,989) | (3,385,000) |
| | - Surplus on revaluation of office building | 19 | 19,194,725 | 21,368,718 |
| | - Unamortised transaction costs relating to long term finances and loans | | - | 279,348 |
| | - Investments | | 131,790,015 | 138,799,235 |
| | - Allowance for potential lease, loan and other losses | | (339,333,661) | (340,811,227) |
| | | | 411,606,294 | 515,506,913 |
| **23.1** | The movement in deferred tax liability during the year is as follows: | | | |
| | Opening | | 515,506,913 | 699,540,763 |
| | Reversal of charge to the consolidated statement of profit or loss | 42 | (92,220,938) | (164,611,732) |
| | Reversal of charge in other comprehensive income | | (11,679,681) | (19,422,118) |
| | Closing | | 411,606,294 | 515,506,913 |
| **24** | **OTHER LONG-TERM LIABILITIES** | | | |
| | Profit on certificates of deposit | 24.1 | 197,119,786 | 197,559,646 |
| | Lease liability against right-of-use assets | 24.2 | 90,009,908 | 90,218,131 |
| | | | 287,129,694 | 287,777,777 |

**24.1** This represents accrued profit on certificates of deposits payable on maturity.

**24.2** Details of minimum lease payments, financial charges and principal outstanding related to lease liability are as follows:

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Minimum lease Payments | Financial charges | Principal outstanding | Minimum lease Payments | Financial charges | Principal outstanding |
| | Rupees | | | | | |
| Not later than one year | 30,794,709 | 13,191,266 | 17,603,443 | 32,190,875 | 2,454,593 | 29,736,282 |
| Later than one year and not later than five years | 110,985,029 | 27,550,303 | 83,434,726 | 116,126,625 | 38,190,286 | 77,936,339 |
| Later than five years | 7,272,646 | 697,466 | 6,575,182 | 23,730,699 | 11,448,907 | 12,281,792 |
| | 149,052,386 | 41,439,035 | 107,613,351 | 172,048,199 | 52,093,786 | 119,954,413 |

**25 DEFINED BENEFIT OBLIGATION - STAFF GRATUITY**

**25.1 General description**

The Holding Company operates a funded gratuity scheme which was established under the provision of the trust deed dated July 1, 2004 for its permanent staff who have completed the minimum qualifying period of three years of service under the scheme. The funded scheme is administered by the Board of Trustees in accordance with the provisions of the Trust Deed. Contributions therein are made in accordance with actuarial recommendations. The most recent valuation in this regard was carried out as at June 30, 2021, using the Projected Unit Credit Method.

**25.2 Principal actuarial assumptions**

| | 2021 | 2020 |
|---|---|---|
| - Discount rate | 10.00% | 8.50% |
| - Expected rate of increase in salary for first year | 7.55% | 2.00% |
| - Expected rate of increase in salary for second year | 10.00% | 2.00% |
| - Expected rate of increase in salary for third year and onwards | 10.00% | 8.50% |
| - Expected rate of return on plan assets | 9.40% | 8.50% |
| - Average service years | 12.04 | 11.45 |

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the SLIC (2001 - 2005) -1 ultimate mortality tables rated down one year.

**25.3** The amount recognised in the consolidated statement of financial position is as follows:

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| Present value of defined benefit obligation | 25.4 | 248,556,585 | 202,888,713 |
| Fair value of any plan assets | 25.4 | (256,909,032) | (242,152,660) |
| | | (8,352,447) | (39,263,947) |

**25.4** The movement in the defined benefit obligation over the year is as follows:

| | Note | 2021 | | |
|---|---|---|---|---|
| | | Present value of defined benefit obligation | Fair value of plan assets | Net asset |
| | | Rupees | | |
| At July 1 | | 202,888,717 | (242,152,664) | (39,263,947) |
| Current service cost | 25.5 | 18,060,824 | - | 18,060,824 |
| Interest expense / (income) | 25.5 | 17,393,272 | (20,662,612) | (3,269,340) |
| | | 238,342,813 | (262,815,276) | (24,472,463) |
| Remeasurements: | | | | |
| - Interest on plan assets, excluding amounts included in interest expense | | - | (700,289) | (700,289) |
| - Experience losses | | 21,750,801 | - | 21,750,801 |
| | | 21,750,801 | (700,289) | 21,050,512 |
| | | 260,093,614 | (263,515,565) | (3,421,951) |
| Contributions made | | - | (4,930,496) | (4,930,496) |
| Benefits paid | | (11,537,029) | 11,537,029 | - |
| At June 30 | | 248,556,585 | (256,909,032) | (8,352,447) |

| | Note | 2020 | | |
|---|---|---|---|---|
| | | Present value of defined benefit obligation | Fair value of plan assets | Net asset |
| | | Rupees | | |
| At July 1 | | 208,381,885 | (217,190,129) | (8,808,244) |
| Current service cost | 25.5 | 20,499,285 | - | 20,499,285 |
| Interest expense / (income) | 25.5 | 29,551,421 | (30,841,979) | (1,290,558) |
| | | 258,432,591 | (248,032,108) | 10,400,483 |
| Remeasurements: | | | | |
| - Interest on plan assets, excluding amounts included in interest expense | | - | 8,012,246 | 8,012,246 |
| - Experience gains | | (40,068,679) | - | (40,068,679) |
| | | (40,068,679) | 8,012,246 | (32,056,433) |
| | | 218,363,912 | (240,019,862) | (21,655,950) |
| Contributions made | | - | (17,607,997) | (17,607,997) |
| Benefits paid | | (14,674,985) | 15,403,305 | 728,320 |
| Benefits payable to outgoing member(s) | | (800,210) | 71,890 | (728,320) |
| At June 30 | | 202,888,717 | (242,152,664) | (39,263,947) |

**25.5** The amount recognised in the consolidated statement of profit or loss is as follows:

| | 2021 | 2020 |
|---|---|---|
| | Rupees | |
| Current service cost | 18,060,824 | 20,499,285 |
| Interest expense - net | (3,269,340) | (1,290,558) |
| | 14,791,484 | 19,208,727 |

**25.6** The plan assets and defined benefit obligations are based in Pakistan.

**25.7** Plan assets consist of the following:

| | 2021 (Un-audited) | | 2020 (Audited) | |
|---|---|---|---|---|
| | (Rupees) | % | (Rupees) | % |
| Government securities | 245,404,514 | 95.52% | 236,686,193 | 97.74% |
| Term finance certificates | 6,000,000 | 2.34% | - | |
| Cash and bank balances and others | 5,504,518 | 2.14% | 5,466,471 | 2.26% |
| | 256,909,032 | 100.00% | 242,152,664 | 100.00% |

**25.8** **Historical results**

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| | Rupees | | | | |
| Present value of defined benefit obligation | 248,556,585 | 202,888,717 | 208,381,885 | 197,700,484 | 170,252,664 |
| Fair value of plan assets | (256,909,032) | (242,152,664) | (217,190,129) | (177,730,800) | (153,738,644) |
| (Surplus) / deficit | (8,352,447) | (39,263,947) | (8,808,244) | 19,969,684 | 16,514,020 |
| Remeasurements of plan liabilities | 21,750,801 | (40,068,579) | (3,175,430) | 19,345,982 | 9,530,886 |
| Remeasurements of plan assets | (700,289) | 8,012,246 | (5,632,814) | 623,703 | 6,983,136 |

**25.9** Actual return on plan assets during the year amounted to Rs. 21.363 million (2020: Rs. 20.829 million).

**25.10** Based on the actuarial advice, the Holding Company intends to charge an amount of approximately Rs. 14.8 million in respect of contribution to gratuity fund in the financial statements for the year ending June 30, 2022.

**25.11** The Fund is exposed to a number of risks, the most significant of which are detailed below:

| | |
|---|---|
| **Mortality risk** | This is the risk that the actual mortality experience is different from what was initially expected. The effect depends on the beneficiaries' service / age distribution and the benefit. |
| **Investment risk** | This is the risk of investments underperforming and not being sufficient to meet liabilities. However, the trustees of the fund have a practice to invest the amounts in government securities that are secured. |
| **Final salary risk** | This is the risk that the final salary at the time of cessation of service is greater than expectation. Since the benefit is calculated on the basis of final salary, the benefit amount increases proportionately. In order to minimise the risk the actuary of the Company uses past pattern which provides basis to form a reliable estimate. |
| **Withdrawal risk** | This is the risk that withdrawals may be higher or lower than actuarial assumptions. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit. The Company ensures the availability of sufficient liquid funds in the gratuity fund and makes regular contributions to minimise the risk. |

**25.12** The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is as follows:

| | Defined benefit obligation | | |
|---|---|---|---|
| | Change in assumption | Increase in assumption | Decrease in assumption |
| | ------%------ | ----------(Rupees)---------- | |
| Discount rate | 1.0% | 229,999,862 | 268,091,562 |
| Salary growth rate | 1.0% | 266,685,957 | 230,899,489 |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the consolidated statement of financial position.

**25.13** The distribution of timing of payment of benefits is as follows:

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 to Year 10 |
|---|---|---|---|---|---|---|
| | ---------- Rupees ---------- | | | | | |
| Defined benefit obligation | 8,884,075 | 46,953,819 | 28,136,515 | 42,660,907 | 21,449,827 | 195,456,641 |

**25.14** The weighted average duration of the defined benefit obligation is 8.06 years.

**25.15** The information provided in notes 25.1 to 25.14 has been obtained from the details provided by the actuary of the Holding Company.

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | ---------- (Rupees) ---------- | |
| **26 REDEEMABLE CAPITAL - PARTICIPATORY AND UNSECURED** | | | |
| Certificates of Musharika (COM) | 26.1 | 3,250,705,000 | 3,871,505,000 |
| Less: Current portion of redeemable capital | 31 | (2,907,255,000) | (3,832,405,000) |
| | | 343,450,000 | 39,100,000 |

**26.1** These carry estimated share of profit ranging between Re. 0.18 to Re. 0.21 per thousand per day (6.50% to 7.75% per annum) (2020: Re. 0.2148 to Re. 0.3093 per thousand per day (7% to 14% per annum)) and are due to mature latest by May 18, 2024 (2020: June 22, 2023).

**26.1.1** This includes COM issued to key management personnel amounting to Rs. 7.050 million (2020: Rs. 4.550 million) at the rate of 6.75% (2020: 8.90%) per annum and to mutual fund managed by AWT Investments Limited (a related party) amounting to Rs. Nil (2020: 29 million) at Nil % (2020: 8.56%) per annum.

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | ---------- (Rupees) ---------- | |
| **26.2 Current portion of redeemable capital** | | | |
| Current portion of Certificates of Musharika | | 2,699,950,000 | 3,664,000,000 |
| Payable to holders of matured Certificates of Musharika | 26.2.1 | 207,305,000 | 168,405,000 |
| | | 2,907,255,000 | 3,832,405,000 |

**26.2.1** These represent amounts with respect to already matured certificates against which respective customer's request for encashment along with original certificates are pending.

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| **27 TRADE AND OTHER PAYABLES** | | | |
| Trade creditors | | 692,985,980 | 229,876,409 |
| Accrued liabilities | | 140,597,234 | 151,350,096 |
| **Other liabilities** | | | |
| Advance from customers against finance lease and ijarah finance | | 15,948,424 | 9,019,559 |
| Sales tax payable | | 23,771,480 | 21,277,965 |
| Federal excise duty payable | | 1,733,787 | 865,619 |
| Insurance premium payable | | 82,846,252 | 53,372,212 |
| Provision for Provincial Worker's Welfare Fund | 27.1 | 78,251,975 | 56,231,027 |
| Payable to minority shareholders of Standard Chartered Leasing Limited | | 14,817,636 | 14,841,494 |
| Others | | 55,147,089 | 65,983,394 |
| | | 272,516,643 | 221,591,270 |
| | | 1,106,099,857 | 602,817,775 |

27.1 This includes Rs 17.35 million in respect of Sindh Workers' Welfare Fund liability of the Modaraba. As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income.

The Sindh Revenue Board (SRB) vide letter no. SRB /DC-A(W)/2017/Rep/4760 dated January 16, 2017 had advised the Modaraba to pay off all its liabilities falling due under the SWWF Act. The management considered that the SWWF Act is limited only to the province of Sindh and till the time there is any mechanism available for apportionment of total income relevant to province of Sindh, no SWWF liability to SRB can be paid out. On these grounds, foreseeing the expected WWF demand and penal actions from SRB, the Modaraba had filed a Constitutional Petition (CP) No. CP D.3879/2017 with the Honorable Sindh High Court. On March 16, 2020, an interim order was issued by the Honorable Sindh High Court whereby it was instructed to deposit the SWWF liability either with SRB or Nazir as appointed by the Court. Subsequent to the year end, the Modaraba has deposited the SWWF amounting to Rs 7.183 million with SRB, calculated on a proportionate basis and as advised by its legal counsel and consistent with the grounds adopted by the Modaraba in its petition. The management has provided for SWWF liability for the period from January 1, 2014 to June 30, 2021 in these consolidated financial statements on a prudent basis.

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| **28 ACCRUED INTEREST / MARK-UP / PROFIT ON LOANS, FINANCES AND CERTIFICATES OF DEPOSIT** | | | |
| **Interest / mark-up / profit on:** | | | |
| Long-term finances | | 158,011,746 | 250,506,218 |
| Redeemable capital | | 31,485,686 | 53,211,653 |
| Short-term borrowings | | 23,251,906 | 9,048,268 |
| Certificates of deposit | | 68,026,387 | 79,903,117 |
| | | 280,775,725 | 392,671,256 |

| | | | |
|---|---|---|---|
| **29 SHORT-TERM BORROWINGS** | | | |
| **From banking companies - secured** | | | |
| Running finance arrangements | 29.1 | 522,881,783 | 171,304,003 |
| Short term loans | | 900,000,000 | - |
| | | 1,422,881,783 | 171,304,003 |

29.1 This represents short-term running finance facilities and loan from commercial banks for financing of operations with limits aggregating to Rs. 2,820 million as at June 30, 2021 (2020: Rs. 3,010 million). These facilities have been obtained for financing of day to day operations. The rate of mark-up ranges from 7.62% to 8.58% (2020: 8.93% to 12.19%) per annum on a daily product basis. These are secured by hypothecation of leased assets, related lease receivables and financing receivables.

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| 30 | **SHORT-TERM CERTIFICATES OF DEPOSIT** | | ---------- Rupees | ---------- |
| | ***Unsecured*** | | | |
| | Short-term certificates of deposit | 30.1 | 1,616,536,082 | 976,692,124 |
| | Payable to holders of matured certificates of deposit | | 61,173,401 | 70,119,911 |
| | | | 1,677,709,483 | 1,046,812,035 |

30.1 These represent short-term certificates of deposit obtained for financing of operations, issued at rate of profit ranging from 6.50% to 8.40% (2020: 6.50% to 12.30%) per annum, for a term upto 12 months (2020: 12 months).

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| 31 | **CURRENT MATURITY OF NON-CURRENT LIABILITIES** | | ---------- Rupees | ---------- |
| | **Current maturity of:** | | | |
| | Long-term finances | 20 | 3,438,215,844 | 4,222,033,077 |
| | Long-term certificates of deposit | 21 | 600,033,627 | 730,730,413 |
| | Lease liability against right-of-use assets | 24.2 | 17,603,443 | 29,736,282 |
| | Long-term deposits | 22 | 242,367,218 | 201,933,288 |
| | Current portion of redeemable capital | 26 | 2,907,255,000 | 3,832,405,000 |
| | | | 7,205,475,132 | 9,016,838,060 |

## 32 CONTINGENCIES AND COMMITMENTS

32.1.1 The Additional Commissioner Inland Revenue (ACIR) passed an amended assessment order on July 18, 2014 under section 122(5A) of the Income Tax Ordinance 2001 (the Ordinance) for the tax year 2010 and created a demand of Rs. 167 million by disallowing capital loss on sale of shares and certain other matters. The Holding Company preferred an appeal against the amended assessment order passed by the ACIR before the Commissioner Inland Revenue (Appeals) (CIR-A). The CIR-A disposed of the Holding Company's appeal with minor relief. The Holding Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) on the issues decided against the Holding Company by the CIR-A. During May 2021, the Holding Company has filed an application for refixation of hearing. Subsequently, the appeal has been fixed on June 10, 2021. However, the same was deferred and matter is pending for adjudication.

Based on the tax advisor's opinion, the management is confident of a favourable outcome. Accordingly, no tax provision has been made in these consolidated financial statements.

32.1.2 During 2017, the Deputy Commissioner Inland Revenue (DCIR) amended the orders for the tax years 2011 and 2014 creating an aggregate demand of Rs. 126.2 million mainly on account of difference in determination of minimum tax liability under section 113 of the Ordinance. The Holding Company's appeals against these amended orders before the CIR-A was maintained and are currently pending adjudication before the ATIR. During May 2021, the Holding Company filed applications for refixation of hearing of appeals. Subsequently, the hearing has been fixed for June 10, 2021, however adjourned and the matter is still pending for adjudication. The Holding Company has obtained a stay order against the recovery of demand from the Sindh High Court (SHC) until adjudication of the appeal by ATIR.

Based on the tax advisor's opinion, the management is confident of a favourable outcome. Accordingly, no tax provision has been made in these consolidated financial statements.

32.1.3 The assessments of Standard Chartered Leasing Limited (SCLL) - amalgamated entity - for the years 1998-99 to 2002-03 were finalised by the tax officer whereby lease key money amounting to Rs. 239 million was added to income. In appeals with the ATIR, the addition was maintained. SCLL filed a rectification application before ATIR that certain arguments advanced at the time of hearing of appeals were not considered while framing the order. The ATIR vide appellate order dated February 27, 2008 recalled its original appellate order for all these years and referred the case to the Chairman ATIR to constitute a larger bench for rehearing / decision of the case.

No provision has been made in these consolidated financial statements in this respect as the management is of the view that the same will be allowed in favour of the Holding Company.

**32.1.4** The ACIR passed an amended assessment order under section 122(5A) of the Ordinance for the tax years 2015 to 2018 where demands in aggregate of Rs. 3,229 million were raised. This was mainly the result of disallowance of tax loss on lease terminations and certain other matters. In tax years 2015 and 2016, the issue of determination of the levy of minimum tax has also been raised. Additionally on October 3, 2019, the ACIR rectified the amended assessment order (rectification order) under section 221(1) of the Ordinance for the tax year 2017 and created an additional demand of Rs. 290 million after taking into account the amended amount of brought forward tax losses. The Holding Company preferred appeals against these amended assessment orders before the CIR-A for all these years. The Holding Company was granted stay against recovery of demands for TY 2015 and TY 2016 from the SHC. On January 8, 2020 CIR-A has disposed off certain matters whereas certain matters were remanded back with specific directions to the officer. The Holding Company as well as the income tax department have filed appeals before the ATIR on the matters which have not been decided in their favour by the CIR-A and these are pending for adjudication.

In January 2021, the ACIR has given effect to the orders passed by CIR(A) for tax years 2017 and 2018 in which demands of Rs. 1.22 billion and Rs. 1.36 billion respectively were raised. During February 2021, the Holding Company filed rectification applications. The ACIR has substantially rectified the orders and allowed tax losses on termination and unabsorbed depreciation resulting in a reduction in tax demand to Rs. 252 million and Rs. 479 million respectively. Accordingly, the Holding Company filed an appeal for both the tax years before CIR(A) against the remaining pending issues in the appeal effect orders along with application for rectification for tax year 2017. The officer passed the rectification order and further revised the demand for tax year 2017 to Rs. 227 million. Further, the Holding Company has discharged 10% of the demand u/s 140 of the Ordinance amounting to Rs 19.02 million and Rs 14.58 million for tax year 2017 and tax year 2018 respectively. Both are pending for adjudication.

In February 2021, the ACIR has also given effect to the first appeal order setting aside assessments for tax years 2015 and 2016 where demand of Rs. 11.06 million and Rs. 118.76 million were raised. During March 2021, the Holding Company filed appeals against these orders before the CIR-A and the same are pending for adjudication. The Holding Company has also discharged 10% of the demand u/s 140 of the Ordinance amounted to Rs 1.10 million and Rs 11.87 million for tax year 2015 and 2016 respectively.

Based on the tax advisor's opinion, the management is confident of a favourable outcome. Accordingly no tax provision has been made in these consolidated financial statements.

**32.1.5** The Holding Company by way of the amendment notices and the orders under section 122(5A) of the Ordinance was charged with the levy of super tax under section 4B of the Ordinance for the years 2015 to 2018. The Holding Company's legal advisor is of the opinion that levy of super tax is unlawful and leading to double taxation. Accordingly in January 2019, the Holding Company had filed constitutional petition before the SHC challenging the levy of super tax. On July 21, 2020, the SHC dismissed the petition stating that levy of super tax is lawful it is an additional tax and not a double tax. The Holding Company filed a petition in the Supreme Court of Pakistan (SCP) for tax years 2015-2018 dated September 12, 2020 where stay has been granted in November 2020 subject to deposit of 50% of the impugned outstanding tax with the authorities.

This matter was also challenged in appeal before CIR-A for tax years 2015 to 2019 and after being maintained it has also been taken up before the ATIR for the years 2015 to 2018. This levy has been considered in light of the position emerging after the appellate order of the CIR -A and it is expected not to have effect in the tax years 2015 and 2016 in light of the available losses.

Further, in line with the SCP decision, the Holding Company has paid 50% of super tax liability for tax year 2017 and tax year 2018 amounting to Rs 18.5 million and Rs 25.8 million respectively.

The Holding Company has already made a provision in respective tax years 2016 to 2019 amounting to Rs. 145 million against the super tax.

**32.1.6** In December 2020, the Holding Company received an amended assessment order under section 122(5A) of the Ordinance for tax year 2019 wherein a demand of Rs. 1,022 million was raised. This was mainly the result of disallowance of tax losses on lease termination and certain other matters including super tax. The Holding Company preferred an appeal against this order before the CIR-A and the same is pending for adjudication.

The Holding Company had also received a notice to amend assessment dated 26 May 2021 for tax year 2020. This is mainly due to the result of disallowance of tax losses on lease termination and certain other matters. The Company has applied extension till August 16, 2021.

Based on the tax advisor's opinion, the management is confident of a favourable outcome. Accordingly no tax provision has been made in these consolidated financial statements.

32.1.7 The DCIR issued show cause notices to the Holding Company challenging the estimates of advance tax under section 147 of the Ordinance filed by the Holding Company for the quarters ended March 31, 2019 and September 30, 2019 and additionally demanded Rs. 259.4 million and Rs. 117.2 million respectively for these year. The Holding Company's legal and tax advisors are of the opinion that the estimates filed by the Holding Company are in accordance with the law and accordingly the Holding Company filed a constitutional petitions before the Sindh High Court (SHC) against the recovery of impugned advance tax demand. The SHC has passed a stay order restricting the FBR from taking any coercive measures against the Holding Company.

Based on the merits of the case, the management is confident of a favourable outcome. Accordingly, no tax provision has been made in these consolidated financial statements.

32.1.8 In 2019, the Holding Company received show cause notices from the Sindh Revenue Board (SRB) demanding Sindh Provincial Sales Tax (SPST) amounting to Rs. 519 million against income from operating lease rental of generators for the years ended June 30, 2012, 2013, 2014, 2015, 2016 and 2017 along with the applicable penalty and default surcharge.

In April, 2016, the Holding Company had filed suits against the show cause notices relating to the years 2012 to 2015 before Sindh High Court (SHC) challenging the levy of SPST on renting of generators and obtained a stay order restricting SRB from taking any coercive measures against the Company. In 2019, these suits were withdrawn due to the decision by Supreme Court of Pakistan that in order for a suit to continue, a minimum of 50% of the tax calculated by the tax authorities must be deposited in the respective treasury. Consequent to withdrawal of the suits, SRB issued fresh show cause notices for each of the tax years 2012 to 2017. For financial year 2012 and 2016, the Assistant Commissioner SRB also passed an order against the Holding Company and created a demand of Rs. 43.6 million and Rs. 77.3 million respectively and issued recovery notices. The Holding Company has filed an appeal against the recovery orders before the Commissioner Appeals SRB and also obtained interim relief from SHC by filing separate petitions for each of the years from 2012 to 2017, challenging the levy of SPST on renting of generators and obtained stay order restricting SRB from taking coercive measures against the Holding Company.

Based on the tax advisor's opinion, the management is confident of a favourable outcome. Accordingly no tax provision has been made in these consolidated financial statements.

32.1.9 During 2017, the Holding Company received show cause notice from SRB for short payment of SPST of Rs. 5.4 million against supplies made to a local vendor in September 2015. Additional Commissioner SRB Karachi confirmed the said liability through order No. 125 of 2017 dated May 15, 2017 which was also challenged by the Holding Company by filing an appeal before Commissioner appeals SRB Karachi.

Based on the tax advisor's opinion, the management is confident of a favourable outcome. Accordingly no tax provision has been made in these consolidated financial statements.

32.1.10 During 2018, the Holding Company received a notice from SRB regarding non-payment of stamp duty on purchase orders amounting to Rs. 12.6 million. The Holding Company's legal advisor is of the opinion that application of stamp duty on purchase orders is unlawful. The Holding Company filed a petition before the SHC challenging the levy of stamp duty on purchase orders. The SHC has passed an interim stay order restricting SRB from taking any coercive measures against the Holding Company until further orders of SHC.

Based on the tax advisor's opinion, the management is confident of a favourable outcome. Accordingly no tax provision has been made in these consolidated financial statements.

32.2 Leases committed but not executed at the reporting date is Rs. Nil. (2020: Rs. 9.01 million)

32.3 Commitments relating to capital expenditure at the reporting date amounted to Rs. 0.25 million (2020: Rs. 5.65 million).

32.4 The Deputy Commissioner Inland Revenue (ACIR) has issued an amended order to the Modaraba Management Company and has created a demand of Workers' Welfare Fund (WWF) amounting to Rs 48,367 under section 221 of the Income Tax Ordinance, 2001 with respect to tax year 2013. Against the order, the Modaraba Management Company has not filed an appeal as the financial impact is nominal.

32.5 The Modaraba has issued letters of comfort to various commercial banks on behalf of its customers. These aggregate to Rs. 57.5 million (2021: Rs. 107.7 million) as at the reporting date.

## 33 INCOME FROM OPERATING LEASES / IJARAH

| | 2021 | 2020 |
|---|---|---|
| | Rupees | |
| Operating lease | 11,585,662 | 4,836,819 |
| Ijarah finance | 1,363,442,172 | 1,685,215,937 |
| | 1,375,027,834 | 1,690,052,756 |

## 34 OTHER INCOME - NET

| | | |
|---|---|---|
| **Income from financial assets** | | |
| Return on investments and deposits | 39,958,593 | 58,252,608 |
| Interest income on government securities | 37,299,827 | 75,795,233 |
| Dividend income | 851,362 | 988,280 |
| Gain on sale of investments - net | 44,222,504 | 9,408,704 |
| Unrealised (loss) / gain on remeasurement of financial assets at fair value through profit or loss - net | (4,007,824) | 4,466,540 |
| | 118,324,462 | 148,911,365 |
| **Income from other than financial assets** | | |
| Fees and other income | 201,473,106 | 180,730,506 |
| Documentation fee | 28,725,971 | 44,591,358 |
| Gain on disposal of fixed assets | 12,752,795 | 617,502 |
| Gain on disposal of Ijarah assets | 51,854,146 | 43,839,957 |
| Gain on sale of lease and finance assets | 58,430,563 | 52,146,536 |
| Exchange (loss) / gain - net | (343,321) | 173,884 |
| | 352,893,260 | 322,099,743 |
| | 471,217,722 | 471,011,108 |

## 35 SHARE OF PROFIT OF ASSOCIATE

| Names of associate | 2021 | | 2020 | |
|---|---|---|---|---|
| | Associate's profit after tax | Share of associate's profit after tax | Associate's profit after tax | Share of associate's profit after tax |
| | Rupees | | | |
| **Un-quoted - related party** | | | | |
| Yanal Finance Company (formerly Saudi ORIX Leasing Company) | 1,414,446,746 | 35,363,150 | 1,157,528,120 | 28,938,203 |

## 36 FINANCE COST

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| Interest / mark-up / profit on: | | | |
| - Long-term finances | | 627,719,793 | 1,277,170,805 |
| - Redeemable capital | | 211,979,772 | 364,767,807 |
| - Musharika finance arrangements | | 85,610,377 | 208,348,873 |
| - Short-term borrowings | | 76,337,518 | 88,021,058 |
| - Certificates of deposit | | 467,295,949 | 449,934,463 |
| - Lease liability against right-of-use assets | | 14,902,360 | 16,430,165 |
| Amortisation of transaction costs | | 963,267 | 3,200,792 |
| Bank charges and commission | | 37,619,446 | 36,110,025 |
| | | 1,522,428,482 | 2,443,983,988 |

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| | | | Rupees | |
| **37** | **ADMINISTRATIVE AND GENERAL EXPENSES** | | | |
| | Salaries, allowances, welfare and training | 37.1 | 982,598,201 | 991,136,154 |
| | Rent and utilities | | 83,485,581 | 81,956,574 |
| | Travelling | | 2,789,530 | 3,761,368 |
| | Vehicle running and maintenance | | 13,375,139 | 12,658,907 |
| | Insurance on operating assets | | 5,320,955 | 5,367,236 |
| | Legal and professional charges | | 29,140,334 | 24,804,544 |
| | Communication | | 22,228,553 | 24,613,067 |
| | Subscriptions | | 7,956,423 | 8,987,039 |
| | Auditors' remuneration | 37.2 | 8,601,124 | 5,739,641 |
| | Advertising | | 1,324,417 | 6,164,124 |
| | Printing and stationery | | 11,588,899 | 9,871,309 |
| | Depreciation | 4.1 & 4.4 | 101,147,227 | 83,007,558 |
| | Amortisation of computer software and license | 5.1 | 7,540,238 | 10,907,115 |
| | Office repairs and maintenance of equipment | | 59,156,961 | 49,271,707 |
| | Donations | 37.3 | 6,275,000 | 10,245,000 |
| | Office general expenses | | 13,517,578 | 13,732,573 |
| | | | 1,356,046,160 | 1,342,223,916 |

**37.1** This includes expenses in relation to the following employee benefits:

| | | | |
|---|---|---|---|
| Defined benefit plan - gratuity fund | 25.5 | 14,791,484 | 19,208,727 |
| Defined contribution plan - gratuity fund | | 3,986,000 | 3,927,610 |
| Defined contribution plan - provident fund | | 35,019,223 | 35,400,687 |
| (Reversal) / charge against compensated absences | 3.21 | (30,534,618) | 3,034,009 |
| | | 23,262,089 | 61,571,033 |

**37.2 Auditors' remuneration**

| | | |
|---|---|---|
| Annual audit fee including consolidation | 2,387,010 | 1,700,000 |
| Fee for special certification including half yearly review fee | 594,000 | 300,000 |
| Other services and certifications | 2,455,400 | 2,220,947 |
| Sales tax on audit fee and other services | 434,913 | 337,676 |
| Out of pocket expenses | 249,997 | 223,347 |
| | 6,121,320 | 4,781,970 |
| Subsidiaries | 2,479,804 | 957,671 |
| | 8,601,124 | 5,739,641 |

**37.3 Donations above 10% of total donation or Rs. 1,000,000 which ever is higher**

| | | | |
|---|---|---|---|
| The Citizens Foundation | | 1,000,000 | 2,800,000 |
| The Layton Rahmatullah Benevolent Trust (LRBT) | 37.3.1 | 2,000,000 | 1,500,000 |
| The Indus Hospital | 37.3.2 | 1,000,000 | 1,000,000 |
| | | 4,000,000 | 5,300,000 |

**37.3.1** Mr. Shaheen Amin (a director of the Holding Company) is a Trustee of LRBT.

**37.3.2** Mr. Nasim Hyder (a director of the Holding Company) is a director of The Indus Hospital.

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| **38 DIRECT COST** | | | |
| Court fee, stamp duty and others | | 6,061,180 | 3,513,630 |
| **Operating lease and Ijarah finance** | | | |
| Maintenance and insurance | | 17,249,579 | 14,040,686 |
| Depreciation - operating lease assets | 4.2 | 10,102,272 | 10,102,272 |
| Depreciation - ijarah assets | 4.3 | 1,077,526,807 | 1,277,894,469 |
| Amortisation | 5.1 | 12,285,714 | 12,285,714 |
| | | 1,117,164,372 | 1,314,323,141 |
| | | 1,123,225,552 | 1,317,836,771 |

## 39 ALLOWANCE FOR POTENTIAL LEASE AND OTHER LOAN LOSSES

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Finance leases | Finances and loans (note 39.1) | Sub-total | Operating lease, investments, ijarah rentals and other receivables (note 39.2) | Total |
| | Rupees | | | | |
| Balance at the beginning of the year | 935,907,045 | 225,475,155 | 1,161,382,200 | 82,311,831 | 1,243,694,031 |
| Impact of IFRS 9 (note 3.1) | - | 28,139,578 | 28,139,578 | 26,718,922 | 54,858,500 |
| Provision charge for the year | 337,151,860 | 145,795,539 | 482,947,399 | 2,691,761 | 485,639,160 |
| Reversal made during the year | (423,323,838) | (49,922,172) | (473,246,010) | (18,893,214) | (492,139,224) |
| | (86,171,978) | 95,873,367 | 9,701,389 | (16,201,453) | (6,500,064) |
| Write-offs | (9,417,840) | - | (9,417,840) | - | (9,417,840) |
| | 840,317,227 | 349,488,100 | 1,189,805,327 | 92,829,300 | 1,282,634,627 |

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Finance leases | Finances and loans (note 39.1) | Sub-total | Operating lease, investments, ijarah rentals and other receivables (note 39.2) | Total |
| | Rupees | | | | |
| Balance at the beginning of the year | 669,018,735 | 173,069,067 | 842,087,802 | 88,764,835 | 930,852,637 |
| Provision charge for the year | 486,198,425 | 91,782,618 | 577,981,043 | 2,922,083 | 580,903,126 |
| Reversal made during the year | (216,815,627) | (39,376,530) | (256,192,157) | (6,137,004) | (262,329,161) |
| | 269,382,798 | 52,406,088 | 321,788,886 | (3,214,921) | 318,573,965 |
| Write-offs | (2,494,488) | - | (2,494,488) | (3,238,083) | (5,732,571) |
| | 935,907,045 | 225,475,155 | 1,161,382,200 | 82,311,831 | 1,243,694,031 |

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| | | | Rupees | |
| **39.1** | **Provision against finances and loans** | | | |
| | Long-term finances and loans | 9 | 262,131,071 | 174,590,123 |
| | Short-term finances and loans | 10 | 87,357,029 | 50,885,032 |
| | | | 349,488,100 | 225,475,155 |
| **39.2** | **Provision against investments and other receivables** | | | |
| | Other receivables | 15 | 35,127,465 | 24,609,996 |
| | Long-term investments | 8 | 57,701,835 | 57,701,835 |
| | | | 92,829,300 | 82,311,831 |

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| | | | Rupees | |
| **40** | **OTHER PROVISIONS - NET** | | | |
| | **Investments and other receivables** | | | |
| | Reversal of provision against other receivables | | 2,308,438 | (1,834,589) |
| | Reversal of provision against operating lease receivables | | (2,805,571) | - |
| | Reversal of provision against ijarah receivables | | (15,704,320) | (1,380,332) |
| | | | (16,201,453) | (3,214,921) |
| | **Others** | | | |
| | Provision for Provincial Workers' Welfare Fund | | 29,204,032 | 27,601,163 |
| | Provision for services sales tax on Management Company's remuneration | 40.1 | 2,280,988 | 1,906,173 |
| | Reversal of impairment recognised on assets classified as 'held for sale' | | (1,091,531) | (8,984,240) |
| | | | 14,192,006 | 17,308,175 |

**40.1** During 2013, the Sindh Revenue Board (SRB) levied Sindh sales tax on management remuneration, which is paid by the Modaraba to its Management Company under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, treating it as a fee and chargeable under the Sindh Sales Tax Act, 2011. The Modaraba, however, considers that the management remuneration is an allocation of profit under the Shariah principle of "Modaraba" and therefore does not qualify to be treated as a fee and therefore does not attract any services sales tax.

Pursuant to Order number SRB-COM-I/AC-V/Mgt/SCSOP/5878/2012 of the SRB dated April 22, 2013 issued to the Management Company, the Modaraba has recorded a provision in respect of Sindh Sales Tax on Management Company's remuneration at applicable rates with effect from November 1, 2011. The Management Company had filed an appeal before the Appellate Tribunal SRB against this order. The Appellate Tribunal SRB through its order dated February 19, 2016 allowed the appeal and set aside the order-in-original and order-in-appeal and remanded back the case to the assessing officer for re-assessment. Thereafter, on April 8, 2016, the assessing officer issued a fresh notice to the Management Company contending that sales tax on the Management Company's remuneration is applicable. Against the notice, the Management Company has filed an appeal before the Honorable Sindh High Court. As an interim relief, the Court vide its Order dated October 13, 2016 has stopped the assessing authorities to pass any final order till the culmination of its proceedings. The interim relief was reconfirmed by the Court in its Order dated November 5, 2018. The case is pending to date. However, the Modaraba has continued to recognise the provision for services sales tax on the Management Company's remuneration.

## 41 REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

41.1 The aggregate amount charged in the consolidated financial statements for the year in respect of the remuneration and benefits to the Chief Executive, Executive Directors and Executives are as follows:

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Chief Executive of the Holding Company | Executive Director | Chief Executive of the Management Company | Executives | Total |
| | Rupees | | | | |
| Managerial remuneration and other perquisites | 33,432,347 | 10,804,873 | 20,963,467 | 241,877,635 | 307,078,322 |
| House rent and utilities | 11,063,945 | 3,195,198 | - | 83,143,820 | 97,402,963 |
| Retirement benefits | 5,531,015 | 1,039,438 | 1,278,841 | 24,026,545 | 31,875,839 |
| | 50,027,307 | 15,039,509 | 22,242,308 | 349,048,000 | 436,357,124 |
| Number of persons | 1 | 1 | 1 | 69 | 72 |

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Chief Executive of the Holding Company | Executive Director | Chief Executive of the Management Company | Executives | Total |
| | Rupees | | | | |
| Managerial remuneration and other perquisites | 34,957,248 | - | 22,360,459 | 261,853,194 | 319,170,901 |
| House rent and utilities | 9,620,820 | - | - | 62,188,309 | 71,809,129 |
| Retirement benefits | 3,274,560 | - | - | 20,515,228 | 23,789,788 |
| | 47,852,628 | - | 22,360,459 | 344,556,731 | 414,769,818 |
| Number of persons | 1 | - | 1 | 62 | 64 |

41.2 Executives denote employees, other than the Chief Executive Officer and Directors of the Group, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

41.3 The Chief Executive and certain executives are also provided with the Group maintained cars and other benefits in accordance with their entitlement as per the Group policy.

41.4 Aggregate amount charged in these consolidated financial statements includes meeting fees paid to 6 non-executive directors amounting to Rs.14.05 million (2020: Rs. 4.1 million to 5 non-executive directors). This includes fee paid to the Chairman of the Board of Directors of the Holding Company amounting to Rs. 2.25 million (2020: Rs. 1 million).

## 42 TAXATION

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | Rupees | |
| Current tax | | 460,010,073 | 436,565,030 |
| Prior year tax | | 1,379,840 | (663,811) |
| Deferred tax | 23.1 | (92,220,938) | (164,611,732) |
| | | 369,168,975 | 271,289,487 |

**42.1 Effective tax rate reconciliation**

Numerical reconciliation between the average tax rate and the applicable tax rate for the year ended June 30, 2021 is as follows.

| | 2021 (Effective tax rate) (%) | 2021 Rupees | 2020 (Effective tax rate) (%) | 2020 Rupees |
|---|---|---|---|---|
| Profit before taxation | | 1,402,397,155 | | 1,063,200,248 |
| Tax at enacted tax rate | 29.00 | 406,695,178 | 29.00 | 308,328,072 |
| Tax effect of income subject to final tax regime | (0.24) | (3,432,899) | (0.83) | (8,824,210) |
| Tax effect of income subject to lower tax rate | (0.13) | (1,757,005) | (0.12) | (1,317,219) |
| Prior year | 0.10 | 1,379,840 | (0.06) | (663,811) |
| Net exempt income | (3.15) | (44,230,479) | (3.48) | (36,962,952) |
| Tax effect of rebates/credits | - | - | (0.07) | (768,443) |
| Others | 0.75 | 10,514,340 | 1.08 | 11,498,050 |
| | 26.33 | 369,168,975 | 25.52 | 271,289,487 |

**42.2 Current status of pending tax assessments**

**Tax Year 1999 to 2000**

In the assessment year 1999-2000 the Officer Inland Revenue (OIR) had revised the income tax assessment order of the Holding Company under Section 221 of the Ordinance. The Holding Company had preferred an appeal against the order of the OIR before the Commissioner Inland Revenue [CIR(A)] who confirmed the treatment of the OIR. The Holding Company then filed an appeal before the Appellate Tribunal Inland Revenue (ATIR). The ATIR while deciding the appeal filed by the Holding Company, has remanded back the appellate order dated December 12, 2005 to the CIR(A) to pass speaking order after considering all the relevant facts of the case. The case is still pending for adjudication, however, as a matter of prudence, the Holding Company has made adequate provision in respect of the disallowances.

**Tax Year 2010 to 2020**

Under Section 114 of the Income Tax Ordinance 2001, the Holding Company has filed the returns of income for tax years 2010 to 2019. The said returns were taken to be assessment orders passed by the Commissioner Inland Revenue on the day the said returns were filed other than tax year 2010, 2011, 2014, 2017 and 2018, 2019 and 2020.

**Tax Year 2010-2011, 2014, 2017, 2018, 2019 and 2020**

Details of the assessment made by the Additional Commissioner Inland Revenue are provided in notes 32.1.1, 32.1.2, 32.1.3, 32.1.4, 32.1.5, 32.1.6 and 32.1.7.

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

| | | Note | 2021 | 2020 |
|---|---|---|---|---|
| | | | Rupees | |
| **43** | **OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES** | | | |
| | Profit before taxation | | 1,402,397,165 | 1,063,200,248 |
| | **Adjustments for** | | | |
| | Depreciation | 4.1, 4.2 & 4.3 | 1,188,776,306 | 1,371,004,299 |
| | Amortisation | 5.1 | 19,825,952 | 23,192,829 |
| | Amortisation of transaction cost | 36 | 963,267 | 3,200,792 |
| | Provision for potential lease and other loan losses - net | 39 | 9,701,389 | 321,788,886 |
| | Provision against Workers' Welfare Fund | 40 | 29,204,032 | 27,601,163 |
| | Reversal of provision against Ijarah receivable | 40 | (15,704,320) | (1,380,332) |
| | Reversal of impairment of assets classified as 'held for sale' | 40 | (1,091,531) | (8,984,240) |
| | Reversal of provision against other receivables | 40 | (497,133) | (1,834,589) |
| | Provision for services sales tax on Management Company's remuneration | 40 | 2,280,958 | 1,906,173 |
| | Gain on sale of investments - net | 34 | (44,222,504) | (9,408,704) |
| | Share of profit from associate | 35 | (35,363,150) | (28,938,203) |
| | Other exchange gain - net | 34 | 343,321 | (173,884) |
| | Charge for defined benefit plan - gratuity fund | 37.1 | 14,791,484 | 19,208,727 |
| | Capital work in progress reclassified to repair and maintenance | | - | 345,889 |
| | Unrealised loss / (gain) on remeasurement of financial assets at fair value through profit or loss - net | 34 | 4,007,824 | (4,466,540) |
| | Finance cost including bank charges | 36 | 1,054,169,266 | 1,990,848,733 |
| | Profit on certificates of deposit | 36 | 467,295,949 | 449,934,463 |
| | Dividend income | 34 | (851,362) | (988,280) |
| | Return on investments and deposits | 34 | (39,958,593) | (58,252,608) |
| | Interest income on government securities | 34 | (37,299,827) | (75,795,233) |
| | Gain on disposal of ijarah asets | 34 | (51,854,146) | (43,839,957) |
| | Gain on disposal of fixed assets | 34 | (12,752,795) | (617,502) |
| | | | 2,551,764,387 | 3,974,351,882 |
| | | | 3,954,161,552 | 5,037,552,130 |
| **44** | **CASH AND CASH EQUIVALENTS** | | | |
| | Cash at bank | 16 | 990,256,333 | 1,248,915,415 |
| | Cash in hand | 16 | 1,838,389 | 1,793,730 |
| | Short-term running finance facilities | 29 | (522,881,783) | (171,304,003) |
| | | | 469,212,939 | 1,079,405,142 |

**44.1 Reconciliation of movements of liabilities to cash flows arising from financing activities**

| | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Short term loans | Certificate of deposit | Long term finances | Unclaimed dividend / unpaid dividend | Share capital | Share premium | Redeemable capital | Total |
| | Rupees | | | | | | | |
| Balance as at July 01, 2020 | | 4,407,275,217 | 9,523,401,630 | 89,020,835 | 1,670,549,020 | 1,585,210,523 | 3,671,505,000 | 21,147,964,225 |
| **Changes from financing cash flows** | | | | | | | | |
| Repayment | - | (1,008,692,553) | (3,702,777,779) | - | - | - | (3,359,650,000) | (8,069,120,332) |
| Proceeds received | - | 1,466,764,998 | 3,357,479,612 | - | - | - | 2,738,850,000 | 7,563,114,610 |
| Dividend paid | - | - | - | (465,111,290) | - | - | - | (465,111,290) |
| **Total changes from financing activities** | - | 462,072,445 | (345,297,967) | (465,111,290) | - | - | (620,800,000) | (969,116,812) |
| **Other changes** | | | | | | | | |
| Bonus shares | - | - | - | - | 83,527,450 | (83,527,450) | - | - |
| Dividend Declared | - | - | - | 860,403,253 | - | - | - | 860,403,253 |
| **Total other changes** | - | - | - | 860,403,253 | 83,527,450 | (83,527,450) | - | 860,403,253 |
| **Balance as at June 30, 2021** | - | 4,869,347,662 | 9,178,103,663 | 279,312,798 | 1,754,076,470 | 1,501,683,073 | 3,050,705,000 | 20,838,250,666 |

## 45 SEGMENT INFORMATION

The Group has four primary reporting segments namely, 'Finance lease', 'Finances & Loans ', 'Islamic Finance ' and 'Operating lease', based on the nature of business and the related risks and returns associated with these segments. The finance lease operations are primarily for long-term leases of movable assets to corporate entities and individuals. Finances and loans are primarily extended to corporate entities and individuals for purchase of saloon vehicles. This segment also includes micro finance which primarily represents group / community based lending to the under-privileged community. Under the operating lease segment, the Group provides equipment on short-term rentals to corporate entities. Islamic Finance includes Ijarah and Diminishing Musharakah to corporate entities and individuals. Other operations, which do not fall into the above segment categories and are not deemed by the management to be sufficiently significant to disclose as separate items, are reported under 'Investment in associates and others'.

### 45.1 Segment analysis is given below:

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Finance lease | Finances and loans | Operating lease | Islamic Finance | Investment in associates & others | Total |
| | Rupees | | | | | |
| Segment revenues | 2,331,586,316 | 1,408,575,465 | 1,358,626,866 | 76,818,458 | 204,173,649 | 5,427,990,754 |
| Finance cost | 730,234,070 | 486,420,683 | 152,074,516 | 7,326,112 | 146,373,101 | 1,522,428,482 |
| Administrative and general expenses | 816,202,615 | 401,977,241 | 109,491,681 | (14,591,522) | 42,966,145 | 1,356,046,160 |
| Direct cost | 9,257,746 | 8,057,191 | 1,039,963,056 | 65,927,559 | - | 1,123,225,552 |
| Provisions / (reversals) - net | (86,171,978) | 95,873,367 | (17,240,121) | 1,011,189 | 1,216,906 | (5,310,637) |
| **Segment results** | 862,073,863 | 464,246,983 | 74,517,734 | 17,145,120 | 13,617,497 | 1,431,601,197 |
| Provision for provincial Worker's Welfare Fund | | | | | | (29,204,032) |
| Provision for taxation | | | | | | (369,168,975) |
| **Profit for the year** | | | | | | 1,033,228,190 |
| **Other information** | | | | | | |
| Segment assets | 13,209,407,033 | 10,715,526,925 | 2,481,685,046 | 6,462,747 | 2,993,051,129 | 29,406,112,480 |
| Unallocated assets | | | | | | 1,850,788,751 |
| **Total assets** | | | | | | 31,256,901,231 |
| Segment liabilities | 344,623,541 | 2,641,188,923 | 2,338,459,191 | - | 503,878,445 | 5,828,148,100 |
| Unallocated liabilities | | | | | | 15,984,496,866 |
| **Total liabilities** | | | | | | 21,812,644,966 |
| Capital expenditure | - | - | - | 1,396,045,933 | - | 1,396,045,933 |
| Depreciation and amortisation | - | - | 10,102,272 | 1,089,812,521 | - | 1,099,914,793 |
| Unallocated | | | | | | |
| Capital expenditure - fixed assets for own use | - | - | - | - | - | 84,034,574 |
| Additions made to intangible assets | - | - | - | - | - | 68,486 |
| Unallocated depreciation and amortisation | - | - | - | - | - | 108,887,465 |

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Finance lease | Finances and loans | Operating lease | Islamic Finance | Investment in associates & others | Total |
| | Rupees | | | | | |
| Segment revenues | 3,150,083,120 | 940,421,598 | 4,853,819 | 2,207,416,580 | 203,564,867 | 6,506,341,984 |
| Finance cost | 1,267,075,500 | 357,002,303 | 10,716,940 | 630,768,480 | 178,420,765 | 2,443,983,988 |
| Administrative and general expenses | 866,045,266 | 230,001,049 | 24,978,947 | 189,568,529 | 30,730,125 | 1,342,223,916 |
| Direct cost | 10,091,056 | 4,765,913 | 12,732,514 | 1,290,247,288 | - | 1,317,836,771 |
| Provisions / (reversals) - net | 269,382,798 | 42,082,692 | 2,832,078 | 10,849,236 | 11,349,064 | 336,495,868 |
| **Segment results** | 736,588,500 | 306,569,641 | (46,406,660) | 85,985,047 | (16,935,087) | 1,065,801,441 |
| Provision for Sindh Worker's Welfare Fund | | | | | | (2,601,193) |
| Provision for taxation | | | | | | (271,289,487) |
| Finance cost | | | | | | |
| Provision for taxation | | | | | | |
| **Profit for the year** | | | | | | 791,910,761 |
| **Other information** | | | | | | |
| Segment assets | 13,487,572,624 | 4,418,317,624 | 134,373,122 | 6,447,279,073 | 2,675,716,214 | 27,163,258,657 |
| Unallocated assets | | | | | | 2,822,720,454 |
| **Total assets** | | | | | | 29,985,979,111 |
| Segment liabilities | 52,771,236 | 9,539,048 | 7,190,967 | 134,490 | - | 69,635,741 |
| Unallocated liabilities | | | | | | 20,736,617,735 |
| **Total liabilities** | | | | | | 20,806,253,476 |
| Capital expenditure | - | - | - | 1,510,598,709 | - | 1,510,598,709 |
| Depreciation and amortisation | - | - | 10,102,272 | 1,290,180,183 | - | 1,300,282,455 |
| Unallocated | | | | | | |
| Capital expenditure - fixed assets for own use | - | - | - | - | - | 109,935,604 |
| Additions made to intangible assets | - | - | - | - | - | 1,759,269 |
| Unallocated depreciation and amortisation | - | - | - | - | - | 93,914,873 |

**45.2 Segment by class of business**

An analysis by class of business of the Group's net investment in finance leases and other finances and loans is given below:

| Sectors | 2021 (Rupees) | 2021 % | 2020 (Rupees) | 2020 % |
|---|---|---|---|---|
| Individuals | 6,465,173,919 | 24.17% | 5,094,646,821 | 20.98% |
| Goods Transport | 2,721,547,116 | 10.17% | 2,829,252,167 | 11.64% |
| Public Transport | 1,812,957,501 | 6.78% | 1,729,692,735 | 7.11% |
| Services | 2,276,704,126 | 8.51% | 2,607,305,975 | 10.72% |
| Distributor | 1,577,200,037 | 5.90% | 1,542,777,507 | 6.34% |
| Textile & Allied | 1,844,022,919 | 6.89% | 1,656,615,861 | 6.81% |
| Trading | 1,241,977,276 | 4.64% | 1,085,167,652 | 4.46% |
| Fuel & Energy | 1,116,630,294 | 4.19% | 961,278,536 | 3.95% |
| Construction | 853,417,910 | 3.19% | 513,603,249 | 2.11% |
| Chemical & Pharmaceutical | 845,504,318 | 3.16% | 675,654,096 | 2.78% |
| Glass, Ceramics & Plastic | 642,366,327 | 2.40% | 647,756,505 | 2.66% |
| Food & Allied | 1,217,648,946 | 4.55% | 929,176,472 | 3.82% |
| Miscellaneous | 1,152,210,626 | 4.31% | 1,144,040,347 | 4.70% |
| Steel & Engineering | 1,083,399,612 | 4.05% | 1,144,846,311 | 4.71% |
| Paper, Board & Printing | 813,702,575 | 3.04% | 857,948,479 | 3.53% |
| Automotive Industry | 257,202,568 | 0.96% | 250,977,921 | 1.03% |
| Natural Resource & Farming | 347,565,013 | 1.30% | 305,022,461 | 1.25% |
| Sugar | 347,565,349 | 1.30% | 247,717,278 | 1.02% |
| Cables, Electric & Electronic Goods | 130,335,636 | 0.49% | 93,193,784 | 0.38% |
| | 26,747,832,468 | 100.00% | 24,316,674,157 | 100.00% |

Reconciliation of the Group's gross net investment in finance leases and other finances and loans is given below:

| | 2021 | 2020 |
|---|---|---|
| | Rupees | |
| Net investment in finance leases | 14,049,104,260 | 14,423,109,666 |
| Other finances and loans | 12,698,728,208 | 9,893,564,491 |
| | 26,747,832,468 | 24,316,674,157 |

**45.3 Segment by sector**

The Group's net investment in finance lease and other finances and loans includes exposure to private sector of Rs. 20,283 million (2020: Rs. 19,222 million).

**45.4 Geographical segment analysis**

The Group's operations are restricted to Pakistan only.

**46 TRANSACTIONS WITH RELATED PARTIES**

The Group has related party relationships with its subsidiary companies, related group companies, associated companies, staff provident fund, staff gratuity fund, directors and key management personnel and entities over which the directors or key management personnel are able to exercise significant influence.

The Group in the normal course of business carries out transactions with various related parties. These transactions are executed substantially on the same terms as those prevailing at the time of comparable transactions with unrelated parties and do not involve more than a normal risk. Amounts due from, due to and other balances of related parties are disclosed in the relevant notes.

**46.1** Transactions with related parties during the year are given below:

| | 2021 | 2020 |
|---|---|---|
| | Rupees | |
| **ORIX Corporation, Japan - Parent Company - 49.58% Holding** | | |
| Dividend paid | 95,760,091 | 440,496,423 |
| 4,140,976 Bonus shares issued (2020 : Nil) | | |
| **Yanal Finance Company (Formerly Saudi ORIX Leasing Company) - 2.5% ownership** | | |
| Dividend received | 8,548,643 | 50,533,088 |
| Reimbursement of cost | 17,999,126 | 7,613,325 |
| **ORIX Leasing Pakistan Limited - Employees Provident Fund (OLP-EPF)** | | |
| Contribution made | 29,890,223 | 30,685,620 |

| | 2021 | 2020 |
|---|---|---|
| | Rupees | |
| **ORIX Modaraba - Staff Provident Fund (OM-EPF)** | | |
| Contribution made | 5,149,606 | 5,383,776 |
| **ORIX Leasing Pakistan Limited - Staff Gratuity Fund (OLP-SGF)** | | |
| Contribution made | 4,930,496 | 17,607,997 |
| **ORIX Modaraba - Staff Gratuity Fund (OM-SGF)** | | |
| Contribution made | 4,289,591 | 3,927,610 |
| Reimbursement from Staff Gratuity Fund | 301,123 | 218,555 |
| **Charity / Donation paid - Common Directorship** | | |
| The Indus Hospital - Donation | 1,000,000 | 1,000,000 |
| The Layton Rahmatullah Benevolent Trust - Charity | 500,000 | - |
| The Layton Rahmatullah Benevolent Trust - Donation | 2,000,000 | 1,500,000 |
| **Other related party transactions during the year** | | |
| **Directors and key management personnel** | | |
| Compensation of directors and key management personnel | | |
| Director fees paid | 13,150,000 | 3,600,000 |
| Short-term employee benefits | 233,578,962 | 247,339,800 |
| Retirement benefits | 17,705,171 | 13,468,241 |
| Total compensation to directors and key management personnel | 264,434,133 | 264,408,041 |
| Proceeds from sale of vehicles | 869,600 | 3,296,500 |
| Staff loans disbursed | 7,216,939 | 13,247,411 |
| Interest recovered on staff loans | 2,233,605 | 2,262,034 |
| Principal recovered on staff loans | 9,354,100 | 23,552,235 |
| Profit on Redeemable capital | 478,094 | 505,515 |
| Advance to the Chief Executive Officer of the Management Company | 1,320,000 | 1,320,000 |
| Provision for performance bonus to the Chief Executive Officer of the Management Company | - | 6,000,000 |
| Dividend paid to key management personnel - net of tax | 445,067 | - |
| 7,855 bonus shares issued to key management personnel (2020 : Nil) | | |
| Dividend received by the Chief Executive Officer of the Holding Company | 1,076,208 | 250,000 |
| 10,030 bonus shares issued to the Chief Executive Officer of the Holding Company (2020 : Nil) | | |
| Issuance of certificates of deposit | 500,000 | 200,000 |
| Redemption of certificates of deposit | 1,300,000 | 200,000 |
| Amount of profit paid on Certificates of Deposit | 185,524 | 189,998 |
| Income earned on Musharika finance to key management personnel of the Modaraba | 12,169,499 | 7,955,245 |
| Amount of profit paid on Certificate of Musharika | 504,551 | 3,873,252 |
| **46.2 The balances with related parties as at year end:** | | |
| Investment in associates | 915,924,945 | 944,087,843 |
| Long term investment - Sama Finance PSC (formerly Al Hail ORIX Finance PSC) | - | - |
| Investment in associates - held for sale | | |
| - OPP (Private) Limited | 87,754,399 | 87,754,399 |
| - SAMA Finance SAE (formerly ORIX Leasing Egypt SAE) - 23% ownership | 172,043,037 | 172,043,037 |

| | 2021 | 2020 |
|---|---|---|
| | Rupees | |
| Certificates of deposit held | 1,300,000 | 2,100,000 |
| Accrued profit on certificates of deposit | 8,430 | 9,628 |
| Outstanding loans to Key Management Personnel | 55,028,692 | 73,572,531 |
| Receivable from Yanal Finance Company (formerly Saudi ORIX Leasing Company) | 8,750,153 | 9,697,526 |
| Receivable from ORIX Corporation, Japan - Parent Company | 1,387,140 | 757,140 |
| Unpaid dividend payable to ORIX Corporation, Japan - Parent Company | 173,921,030 | - |
| Accrued profit on finances under Diminishing Musharika | 45,072 | 226,999 |
| Profit payable on redeemable capital to Key Management Personnel | 355,912 | 280,127 |
| Redeemable capital to Key Management Personnel | 7,050,000 | 4,550,000 |

## 47 STAFF STRENGTH

| | 2021 | 2020 |
|---|---|---|
| | Number of Staff | |
| Group's staff strength at the end of the year | 528 | 540 |
| Average number of employees* | 515 | 541 |

* Represents the average taken of the number of employees at the end of each month in the year. This average has been calculated for Group's employees

## 48 PROVIDENT FUND RELATED DISCLOSURES

The Group operates Staff Provident Fund for its employees. The following information is based on the financial statements of the Fund as at June 30, 2021 (un-audited) and June 30, 2020 (audited):

| | 2021 Un-audited | 2020 Audited |
|---|---|---|
| | Rupees | |
| Size of the Fund - total assets | 693,092,726 | 603,091,629 |
| Fair value of investments | 682,794,764 | 594,199,268 |
| | (Percentage) | |
| Percentage of investments made | 99% | 99% |

The cost of the above investments amounted to Rs. 670.75 million (2020: Rs. 559.2 million).

The break-up of fair value of investments is as follows:

| | Un-audited 2021 | Audited 2020 | Un-audited 2021 | Audited 2020 |
|---|---|---|---|---|
| | Percentage | | Rupees | |
| Cash and bank deposits | 11.24% | 10.85% | 76,779,170 | 64,510,097 |
| Government securities | | | | |
| - Market Treasury bills | 43.88% | 44.24% | 299,478,901 | 262,844,158 |
| - National Savings Certificate | 32.94% | 33.47% | 224,933,473 | 198,874,500 |
| - Pakistan Investment Bonds | 9.76% | 11.44% | 66,603,320 | 67,970,513 |
| - Debt Securities - Listed ( TFC) | 2.20% | 0.00% | 15,000,000 | - |
| | 100.00% | 100.00% | 682,794,764 | 594,199,268 |

The investments of the provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

## 49 FINANCIAL INSTRUMENTS BY CATEGORY

| | 2021 | | | |
|---|---|---|---|---|
| | At amortised cost | At fair value through profit or loss | At fair value through other comprehensive income | Total |
| | Rupees | | | |
| **ASSETS** | | | | |
| Net investment in finance lease | 13,208,787,033 | - | - | 13,208,787,033 |
| Long-term investments | 451,973,817 | - | - | 451,973,817 |
| Long-term deposits | 11,421,566 | - | - | 11,421,566 |
| Finances and loans | 10,851,766,828 | - | - | 10,851,766,828 |
| Accrued return on investments and finance and loans | 160,087,508 | - | - | 160,087,508 |
| Short-term investments | - | 301,110,445 | 26,863,547 | 327,973,992 |
| Other receivables | 137,202,827 | - | - | 137,202,827 |
| Cash and bank balances | 992,094,722 | - | - | 992,094,722 |
| Net investment in ijarah finance | 370,000 | - | - | 370,000 |
| | 25,813,704,601 | 301,110,445 | 26,863,547 | 26,141,678,593 |

| | 2021 | | |
|---|---|---|---|
| | At fair value through profit or loss | At amortised cost | Total |
| | Rupees | | |
| **LIABILITIES** | | | |
| Long-term finances | - | 9,178,106,866 | 9,178,106,866 |
| Certificates of deposit | - | 4,669,367,662 | 4,669,367,662 |
| Other long-term liabilities | - | 197,119,766 | 197,119,766 |
| Redeemable capital | - | 3,250,705,000 | 3,250,705,000 |
| Trade and other payables | - | 986,394,191 | 986,394,191 |
| Accrued interest / mark-up / profit on loans, finances and certificates of deposit | - | 280,775,725 | 280,775,725 |
| Lease liability against right-of-use assets | - | 107,613,351 | 107,613,351 |
| Unpaid dividend | - | 185,467,295 | 185,467,295 |
| Unclaimed dividend | - | 84,845,503 | 84,845,503 |
| Short-term borrowings | - | 1,422,661,783 | 1,422,661,783 |
| | - | 20,563,276,162 | 20,563,276,162 |

| | 2020 | | | |
|---|---|---|---|---|
| | At amortised cost | At fair value through profit or loss | At fair value through other comprehensive income | Total |
| | Rupees | | | |
| **ASSETS** | | | | |
| Net investment in finance lease | 13,487,202,621 | - | - | 13,487,202,621 |
| Long-term investments | 442,872,077 | 11,356,440 | - | 454,228,517 |
| Long-term deposits | 12,932,566 | - | - | 12,932,566 |
| Finances and loans | 7,731,600,488 | - | - | 7,731,600,488 |
| Accrued return on investments and finance and loans | 163,434,051 | - | - | 163,434,051 |
| Short-term investments | - | 777,319,870 | 26,019,918 | 803,339,788 |
| Other receivables | 268,546,763 | - | - | 268,546,763 |
| Cash and bank balances | 1,250,709,145 | - | - | 1,250,709,145 |
| Net investment in ijarah finance | 370,000 | - | - | 370,000 |
| | 23,357,667,711 | 788,676,310 | 26,019,918 | 24,172,363,939 |

| | 2020 | | |
|---|---|---|---|
| | At fair value through profit or loss | At amortised cost | Total |
| | Rupees | | |
| **LIABILITIES** | | | |
| Long-term finances | - | 9,523,403,833 | 9,523,403,833 |
| Certificates of deposit | - | 4,407,275,217 | 4,407,275,217 |
| Other long-term liabilities | - | 197,559,646 | 197,559,646 |
| Redeemable capital | - | 3,871,505,000 | 3,871,505,000 |
| Trade and other payables | - | 515,423,605 | 515,423,605 |
| Accrued interest / mark-up / profit on loans, finances and certificates of deposit | - | 392,671,256 | 392,671,256 |
| Lease liability against right-of-use asset | - | 119,954,413 | 119,954,413 |
| Unclaimed dividend | - | 85,020,835 | 85,020,835 |
| Short-term borrowings | - | 171,304,003 | 171,304,003 |
| | - | 19,284,117,808 | 19,284,117,808 |

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

## 50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks which mainly include market risk, credit risk and liquidity risk. The Board of Directors of the Holding Company has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is also responsible for developing and monitoring the Group's risk management policies.

### 50.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. Market risk comprises three types of risks: currency risk, yield / interest rate risk and other price risk.

### 50.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk in US dollar, Saudi Riyal, UAE Dirhams and Egyptian Pound on account of its foreign currency bank account, held for sale investments and investment in associates. The Company's exposure to foreign currency transactions is as follows:

| | 2021 | 2020 |
|---|---|---|
| | Rupees | |
| Foreign currency bank account | 4,447,984 | 4,735,993 |
| Investment in associate | 915,924,945 | 944,087,843 |
| Assets classified as held for sale | 172,043,037 | 172,043,037 |

As at June 30, 2021, if the Pakistani Rupee had strengthened / weakened by 10% against these currencies with all other variables held constant, the impact on the total comprehensive income would have been lower / higher by an amount of Rs. 109.241 million (2020: Rs. 112.086 million).

### 50.1.2 Yield / interest rate risk

Yield / interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Group has adopted appropriate policies to minimise its exposure to this risk. The interest rate profile of the Group's significant interest bearing financial instruments and the periods in which these will mature are as follows:

| | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Effective yield / profit rate % | Total | Upto one month | Over one month to three months | Over three months to one year | Over one year to five years | Over five years | Not exposed to yield / profit rate risk |
| | | (Rupees) | | | | | | |
| **On-balance sheet financial instruments** | | | | | | | | |
| **Financial assets** | | | | | | | | |
| Net investment in finance lease | 9.34% - 27.55% | 13,268,787,053 | 612,861,698 | 1,700,430,162 | 4,049,110,161 | 6,879,406,993 | | |
| Long-term investments | 7.25% - 12.00% | 851,973,817 | - | 34,004,955 | - | 817,968,862 | | |
| Long-term deposits | | 11,421,560 | | - | | | | 11,421,560 |
| Term finances and loans | 4.00% - 38.41% | 10,851,289,828 | 301,190,341 | 1,226,202,107 | 6,020,123,860 | 3,304,773,519 | | - |
| Accrued return on investments and finance and loans | | 160,097,806 | | | | | | 160,097,806 |
| Short-term investments | 7.13% - 7.62% | 327,870,892 | 234,235,341 | 59,178,116 | 1,098,386 | | | 35,359,047 |
| Other receivables | | 137,202,827 | | | | | | 137,202,827 |
| Cash and bank balances | 2.50%-6.00% | 862,094,728 | 446,598,500 | | | | | 415,496,217 |
| Net investment in sarah finance | | 370,000 | | | | | | 370,000 |
| **Total** | | 26,541,678,503 | 1,797,283,787 | 3,019,815,340 | 8,070,334,407 | 11,349,515,384 | | 859,867,565 |
| **Financial liabilities** | | | | | | | | |
| Long-term finances | 6.52% - 8.63% | 6,175,155,866 | 284,397,320 | 1,180,267,702 | 2,290,025,170 | 4,727,171,777 | | |
| Certificates of deposit | 9.50% - 13.15% | 4,865,357,662 | 131,599,478 | 408,193,577 | 1,049,529,980 | 3,301,034,627 | | |
| Other long-term liabilities | | 197,119,786 | | | | | | 197,119,786 |
| Trade and other payables | | 986,394,191 | | | | | | 986,394,191 |
| Accrued interest / mark-up / profit on loans, finances and certificates of deposit | | 280,779,725 | | | | | | 280,779,725 |
| Lease liability against right-of-use asset | | 107,613,391 | | | | | | 107,613,391 |
| Unpaid dividend | | 185,467,295 | | | | | | 185,467,295 |
| Unclaimed dividend | | 84,845,503 | | | | | | 84,845,503 |
| Short-term borrowings | 7.62% - 8.58% | 1,422,861,783 | 1,422,861,783 | | | | | - |
| Redeemable capital | 6.5% - 7.75% | 3,250,705,000 | 200,500,000 | 361,100,000 | 2,139,250,000 | 343,400,000 | | 156,405,000 |
| **Total** | | 20,563,276,142 | 2,137,505,462 | 2,049,561,279 | 6,082,746,233 | 7,902,352,323 | | 2,010,620,851 |
| **On-balance sheet gap (a)** | | 5,978,402,431 | (340,221,675) | 970,253,961 | 2,987,588,174 | 3,447,163,061 | | (1,150,753,286) |
| **Off-balance sheet financial instruments** | | | | | | | | |
| **Off-balance sheet gap (b)** | | | | | | | | |
| **Total interest rate sensitivity gap (a+b)** | | 5,978,402,431 | (340,221,675) | 970,253,961 | 2,987,588,174 | 3,447,163,061 | | |
| **Cumulative interest rate sensitivity gap** | | 5,978,402,431 | (340,221,675) | 629,987,572 | 3,617,575,746 | 7,064,738,807 | 7,064,738,807 | |

| | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Effective yield / profit rate % | Total | Upto one month | Over one month to three months | Over three months to one year | Over one year to five years | Over five years | Not exposed to yield / profit rate risk |
| | | (Rupees) | | | | | | |
| **On-balance sheet financial instruments** | | | | | | | | |
| **Financial assets** | | | | | | | | |
| Net investment in finance lease | 11.67% - 27.55% | 13,497,202,621 | 913,073,722 | 1,072,319,740 | 4,941,883,267 | 6,059,975,902 | | |
| Long-term investments | 7.25% - 12.00% | 454,228,517 | - | - | | 442,872,077 | | 11,356,440 |
| Long-term deposits | | 12,332,508 | - | - | | | | 12,332,508 |
| Term finances and loans | 4.00% - 38.30% | 7,131,930,489 | 521,013,229 | 360,672,979 | 1,273,758,861 | 5,166,440,902 | 429,814,527 | - |
| Accrued return on investments and finance and loans | | 183,434,051 | - | - | | | | 183,434,051 |
| Short-term investments | 7.06% - 13.95% | 893,335,768 | 862,971,510 | 118,442,368 | - | | | 29,019,918 |
| Other receivables | | 288,546,703 | - | - | | | | 288,546,703 |
| Cash and bank balances | 2.75%-8.75% | 1,290,709,145 | 702,038,948 | - | | | | 488,670,797 |
| Net investment in Ijarah finance | | 370,000 | - | - | | | | 370,000 |
| **Total** | | 24,173,363,939 | 2,899,062,809 | 2,027,275,079 | 6,215,642,128 | 11,669,288,881 | 429,814,527 | 971,300,535 |
| **Financial liabilities** | | | | | | | | |
| Long-term finances | 5.25% - 13.60% | 9,523,403,693 | 526,039,693 | 717,708,333 | 2,576,285,048 | 5,301,370,759 | | - |
| Certificates of deposit | 6.00% - 12.82% | 4,487,275,217 | 272,689,199 | 327,147,185 | 1,177,096,084 | 2,816,532,769 | 14,250,000 | |
| Other long-term liabilities | - | 197,559,649 | - | - | | - | - | 197,559,649 |
| Trade and other payables | | 515,423,609 | - | - | | | | 515,423,609 |
| Accrued interest / mark-up / profit on loans finances and certificates of deposit | | 392,671,259 | - | - | | | - | 392,671,259 |
| Lease liability against right-of-use asset | | 119,954,413 | | | | | | 119,954,413 |
| Unclaimed dividend | | 86,020,838 | | | | | - | 86,020,838 |
| Short-term borrowings | 11.50% - 13.80% | 171,304,083 | 171,304,083 | - | | | | - |
| Redeemable capital | 9.55% - 13.25% | 3,871,525,000 | 305,605,000 | 393,750,000 | 2,133,050,000 | 39,100,000 | | - |
| **Total** | | 19,284,117,808 | 1,275,647,995 | 1,438,605,518 | 7,289,031,112 | 7,996,003,528 | 14,250,000 | 1,310,629,755 |
| **On-balance sheet gap (a)** | | 4,889,246,131 | 1,583,414,814 | 588,669,561 | (1,073,389,084) | 3,713,285,353 | 415,614,527 | (339,299,220) |
| **Off-balance sheet financial instruments** | | - | | | | | | - |
| **Off-balance sheet gap (b)** | | - | | | | | | |
| **Total interest rate sensitivity gap (a+b)** | | 4,889,246,131 | 1,583,414,814 | 588,669,561 | (1,073,389,084) | 3,713,285,353 | 415,614,527 | |
| **Cumulative interest rate sensitivity gap** | | 4,889,246,131 | 1,583,414,814 | 2,172,084,475 | 1,098,695,471 | 4,811,980,824 | 5,227,595,351 | |

### a) Sensitivity analysis for variable rate financial instruments

The Group has extended KIBOR based long-term leases and finances to various counter parties that expose the Group to cash flow interest rate risk. In case of increase / decrease in KIBOR by 100 basis points on the last repricing date with all other variables held constant, the profit before tax would have been higher / lower by Rs. 175.4 million (2020: Rs.145.1 million).

Furthermore, the Group also has KIBOR based financial liabilities in Pakistani Rupees representing short-term running finance arrangements, short-term and long-term finances obtained from various financial institutions and certificates of deposit which expose the Group to cash flow interest rate risk. In case of increase / decrease in KIBOR by 100 basis points on the last repricing date with all other variables held constant, the profit before tax for the year ended June 30, 2021 would have been lower / higher by Rs.107.5 million (2020: Rs.126.6 million).

The Group holds unutilised credit lines with banks amounting in aggregate to Rs 2,547 million as at June 30, 2021 (2020: Rs 4,479) as disclosed in the note 20.1 and 29.1.

### b) Sensitivity analysis for fixed rate financial instruments

As at June 30, 2021, the Group holds Market Treasury Bills which are classified as 'financial assets at fair value through profit or loss', exposing the Group to fair value interest rate risk. In case of 100 basis points increase / decrease in rates announced by the Financial Markets Association of Pakistan for Market Treasury Bills with all other variables held constant, the net profit for the year and net assets of the Group would have been higher / lower by Rs. 4.6 million (2020: Rs. 5.1 million).

**50.1.3 Other price risk**

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

**50.2 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The risk is generally limited to principal amounts and accrued profit thereon, if any. The Group has established procedures to manage credit exposure including credit approval limit, credit exposure limits, collateral and guarantee requirements. These procedures incorporate both internal guidelines as well as the requirements of the NBFC Rules and the NBFC Regulations. The Group also manages credit risk through an independent credit department which evaluates customers' credit worthiness and obtains adequate securities where applicable.

All investing transactions are settled / paid for upon delivery. The Group's policy is to enter into financial instrument contract by following internal guidelines for approval.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. Significant concentration of the Group's risk assets by class of business, industry sector and geographical region is set out in note 45.

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

| | Carrying value | | Maximum exposure | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | Rupees | | Rupees | |
| Net investment in finance lease | 13,208,787,033 | 13,487,202,621 | 13,208,787,033 | 13,487,202,621 |
| Long-term investments | 451,973,817 | 454,228,517 | - | - |
| Long-term deposits | 11,421,566 | 12,932,566 | 11,421,566 | 12,932,566 |
| Finances and loans | 10,851,766,828 | 7,731,600,488 | 10,851,766,828 | 7,731,600,488 |
| Accrued return on investments and finance and loans | 160,087,808 | 163,434,051 | 160,087,808 | 163,434,051 |
| Short-term investments | 327,973,992 | 803,339,788 | - | - |
| Other receivables | 137,202,827 | 268,546,763 | 137,202,827 | 268,546,763 |
| Cash and bank balances | 992,094,722 | 1,250,709,145 | 990,256,333 | 1,246,915,415 |
| Net investment in ijarah finance | 370,000 | 370,000 | 370,000 | 370,000 |
| | 26,141,678,593 | 24,172,363,939 | 25,359,892,395 | 22,913,001,904 |

Difference in the balance as per the carrying value and maximum exposure is due to the fact that investments in Government securities, equity securities and cash in hand are not exposed to credit risk.

The Group controls the credit quality of receivables through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments. For such purpose, the Group has established exposure limits for single lessees and industrial sectors. The group has an effective rental monitoring system which allows it to evaluate customers' credit worthiness and identify potential problem accounts. An allowance for potential lease, instalment and other loan losses is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on lease and other loan portfolios that can be reasonably anticipated. The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history.

The carrying value of receivables which are past due are as under:

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Finance lease (net of security deposit) | Finances & loans | Investments & other receivables | Net investment in ijarah finance | Total |
| | Rupees | | | | |
| Within 90 days | 31,319,417 | 16,194,125 | - | - | 47,513,542 |
| 90 - 180 days | 201,440,888 | 55,273,499 | - | - | 256,714,387 |
| 181-365 days | 58,884,293 | 71,692,548 | - | - | 130,576,841 |
| Over 1 Year | 842,199,605 | 233,478,666 | 77,000,252 | 1,134,443 | 1,153,812,966 |
| | 1,133,844,203 | 376,638,838 | 77,000,252 | 1,134,443 | 1,588,617,736 |
| Less: general and specific provision | 840,317,227 | 349,488,100 | 92,829,300 | 1,134,443 | 1,283,769,070 |
| Net of Provision | 293,526,976 | 27,150,738 | (15,829,048) | - | 304,848,666 |
| Coverage Ratio | 74.11% | 92.79% | 120.56% | 100.00% | 80.81% |

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Finance lease (net of security deposit) | Finances & loans | Investments & other receivables | Net investment in ijarah finance | Total |
| | Rupees | | | | |
| Within 90 days | 428,168,049 | 13,989,683 | - | - | 442,157,732 |
| 90 - 180 days | 432,497,343 | 86,282,978 | - | - | 518,780,321 |
| 181-365 days | 247,124,777 | 65,289,351 | - | - | 312,414,128 |
| Over 1 Year | 804,804,489 | 178,184,764 | 108,565,104 | 1,134,443 | 1,092,688,800 |
| | 1,912,594,658 | 343,746,776 | 108,565,104 | 1,134,443 | 2,366,040,981 |
| Less: general and specific provision | 935,907,045 | 225,476,155 | 82,311,831 | 1,134,443 | 1,244,828,474 |
| Net of provision | 976,687,613 | 118,271,621 | 26,253,273 | - | 1,121,212,507 |
| Coverage Ratio | 48.93% | 65.59% | 75.82% | 100.00% | 52.61% |

The credit quality of the Group's bank balances and investment portfolio are assessed with reference to external credit ratings which in all cases are above investment grade rating.

The analysis below summarises the credit rating quality of the Group's bank balances and investment in NIT units as at June 30, 2021:

| | 2021 | 2020 |
|---|---|---|
| | Rupees | |
| **Bank balances** | | |
| AAA | 891,369,017 | 1,143,607,444 |
| AA+ | 91,580,117 | 60,243,661 |
| AA | - | 37,232,960 |
| AA- | 2,469,883 | 6,322,766 |
| A+ | 3,997,898 | 429,144 |
| A | 71,104 | 71,379 |
| State bank of Pakistan | 768,314 | 1,008,061 |
| | 990,256,333 | 1,248,915,415 |
| **Units of collective investment scheme** | | |
| AM2++ | - | 11,356,440 |

The Group does not hold any other financial asset which are rated.

**50.2.1** The Group applies the IFRS 9 simplified approach to measure expected credit losses for net investment in finance lease, micro finance, Ijarah and musharikah finance. To measure the expected credit losses, such financial assets have been grouped based on days past due. On that basis, the loss allowance as at June 30, 2021 and June 30, 2020 was determined as follows:

**Net investment in finance lease**

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Expected loss rate | Gross carrying amount | Loss allowance | Expected loss rate | Gross carrying amount | Loss allowance |
| | Rupees | | | | | |
| Not yet due | 0.11% | 11,273,042,968 | 12,630,398 | 0.15% | 9,435,828,703 | 13,712,238 |
| 1-30 days | 1.86% | 1,475,354,751 | 27,424,840 | 1.66% | 1,206,747,129 | 20,021,223 |
| 31-90 days | 4.73% | 677,034,162 | 32,053,657 | 5.07% | 2,531,022,705 | 128,297,070 |
| 91-365 days | 16.38% | 238,907,810 | 39,141,768 | 29.54% | 812,403,148 | 240,023,435 |
| More than 365 days | 100.00% | 729,066,764 | 729,066,764 | 66.79% | 799,301,932 | 533,853,079 |
| Total | | | 840,317,227 | | | 935,907,045 |

**Micro finance, Ijarah and Musharika finance**

| | 2021 | | | 2020 | | |
|---|---|---|---|---|---|---|
| | Expected loss rate | Gross carrying amount | Loss allowance | Expected loss rate | Gross carrying amount | Loss allowance |
| | Rupees | | | | | |
| Not yet due | 0.19% | 3,714,524,587 | 6,974,890 | 0.06% | 4,160,471,021 | 2,332,671 |
| 1-30 days | 0.40% | 1,080,701,441 | 4,318,402 | 0.11% | 793,712,584 | 907,171 |
| 31-90 days | 2.10% | 464,877,073 | 9,761,437 | 2.74% | 461,266,832 | 12,650,460 |
| 91-365 days | 62.31% | 116,223,457 | 72,415,090 | 19.84% | 597,480,748 | 118,566,620 |
| More than 365 days | 95.33% | 214,435,410 | 204,430,754 | 92.01% | 82,091,814 | 75,530,942 |
| Total | | | 297,900,573 | | | 209,987,864 |

For loans and other financial assets, a life time ECL is recorded in which there has been Significant Increase in Credit Risk (SICR) from the date of initial recognition and for financial assets which are credit impaired as on reporting date. A 12 months ECL is recorded for all other financial assets which do not meet the criteria for SICR or "credit impaired" as at reporting date. To assess whether there is a significant increase in credit risk the Holding Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Group also considers reasonable and supportive forwarding-looking information in determination of ECL.

**50.2.2** An analysis of the portfolio of the Modaraba that is classified as non-performing as per the requirements of the Prudential Regulations for Modarabas is as follows:

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Other Assets Especially Mentioned | Substandard | Doubtful | Loss | Total |
| | (Rupees) | | | | |
| Ijarah rentals receivable (being principal outstanding) | - | - | - | 65,674,246 | 65,674,246 |
| Net investment in Ijarah finance | - | - | - | 1,134,443 | 1,134,443 |
| Diminishing Musharika | 14,625,000 | - | 8,574,284 | 102,161,707 | 125,360,991 |
| Sukuk certificates | - | - | - | 57,701,835 | 57,701,835 |
| | 14,625,000 | - | 8,574,284 | 226,672,231 | 249,871,515 |

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Other Assets Especially Mentioned | Substandard | Doubtful | Loss | Total |
| | (Rupees) | | | | |
| Ijarah rentals receivable (being principal outstanding) | 85,676,283 | - | 48,850,000 | 28,541,518 | 163,067,801 |
| Net investment in Ijarah finance | - | - | - | 1,134,443 | 1,134,443 |
| Diminishing Mushanka | 240,860,185 | 16,208,906 | 76,159,823 | - | 333,228,914 |
| Sukuk certificates | - | - | - | 57,701,835 | 57,701,835 |
| | 326,536,468 | 16,208,906 | 125,009,823 | 87,377,796 | 555,132,993 |

**50.3 Liquidity risk**

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

The table below summarises the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Upto three months | More than three months and upto one | More than one year |
| | (Rupees) | | | | |
| Long-term finances | 9,178,105,866 | 10,270,144,008 | 2,158,654,547 | 2,842,662,564 | 5,268,826,897 |
| Certificates of deposit | 4,869,367,662 | 6,074,021,659 | 655,064,256 | 1,994,862,438 | 3,424,095,165 |
| Trade and other payables | 986,394,191 | 986,394,191 | 986,394,191 | - | - |
| Accrued interest / mark-up / profit on loans, finances and certificates of deposit | 477,695,511 | 477,695,511 | 177,041,194 | 45,577,884 | 255,276,433 |
| Lease liability against right--of-use asset | 107,613,351 | 107,613,351 | - | 16,289,997 | 91,323,354 |
| Unpaid dividend | 185,467,295 | 185,467,295 | 185,467,295 | - | - |
| Unclaimed dividend | 84,845,503 | 84,845,503 | 84,845,503 | - | - |
| Short-term borrowings | 1,422,881,783 | 1,422,881,783 | 954,602,720 | 468,279,063 | - |
| Redeemable capital | 3,250,705,000 | 3,250,705,000 | 600,600,000 | 2,138,250,000 | 511,855,000 |
| | 20,563,276,162 | 22,859,968,501 | 5,802,669,706 | 7,505,921,946 | 9,551,376,849 |

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Upto three months | More than three months and upto one | More than one year |
| | (Rupees) | | | | |
| Long-term finances | 9,523,403,833 | 10,610,653,037 | 1,548,529,558 | 3,318,732,256 | 5,743,391,223 |
| Certificates of deposit | 4,407,275,217 | 5,609,590,696 | 588,542,724 | 1,204,275,565 | 3,816,772,407 |
| Trade and other payables | 515,423,605 | 515,423,605 | 515,423,605 | | - |
| Accrued interest / mark-up / profit on loans, finances and certificates of deposit | 590,230,902 | 590,230,902 | 328,151,342 | 55,508,590 | 206,570,970 |
| Lease liability against right--of-use asset | 119,954,413 | 119,954,413 | - | 29,736,282 | 90,218,131 |
| Unclaimed dividend | 85,020,835 | 85,020,835 | 85,020,835 | - | - |
| Short-term borrowings | 171,304,003 | 171,304,003 | 171,304,003 | - | - |
| Redeemable capital | 3,871,505,000 | 3,871,505,000 | 699,355,000 | 3,133,050,000 | 39,100,000 |
| | 19,284,117,808 | 21,573,682,491 | 3,936,327,067 | 7,741,302,693 | 9,896,052,731 |

## 51 FAIR VALUE MEASUREMENT

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. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of investments classified as "at fair value through profit or loss" and "at fair value through other comprehensive income" are based on active market. The investment in associates are accounted for using the equity method of accounting.

Fair value of net investments in finance lease, long term loans and finances, long term deposits and other assets, other liabilities, long term certificates of deposit and other accounts are approximate to their carrying value. The provision for impairment of finance lease and long term loans and finances has been calculated in accordance with the accounting policy mentioned in note 3.8.

In the opinion of management, fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since these assets and liabilities are short term in nature or are periodically repriced.

**Fair value hierarchy**

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Group to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: 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); and
- Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

| | 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | (Rupees) | | | |
| **RECURRING FAIR VALUE MEASUREMENTS** | | | | |
| **Financial assets** | | | | |
| **Financial assets at fair value through other comprehensive income** | | | | |
| Ordinary shares-unlisted | - | 26,863,547 | - | 26,863,547 |
| Units of collective investment scheme | - | - | - | - |
| **Financial assets at fair value through profit or loss** | | | | |
| Market Treasury bills (T-Bills) | - | 301,110,445 | - | 301,110,445 |
| **Non-financial assets** | | | | |
| Fixed assets (Leasehold land & building) | - | - | 940,875,025 | 940,875,025 |
| **Total** | - | 327,973,992 | 940,875,025 | 1,268,849,017 |

| | 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | (Rupees) | | | |
| **RECURRING FAIR VALUE MEASUREMENTS** | | | | |
| **Financial assets** | | | | |
| **Financial assets at fair value through other comprehensive income** | | | | |
| Ordinary shares-unlisted | - | 26,019,918 | - | 26,019,918 |
| Units of collective investment scheme | - | 11,356,440 | - | 11,356,440 |
| **Financial assets at fair value through profit or loss** | | | | |
| Market Treasury bills (T-Bills) | - | 777,319,870 | - | 777,319,870 |
| **Non-financial assets** | | | | |
| Fixed assets (Leasehold land & building) | - | - | 965,428,358 | 965,428,358 |
| **Total** | - | 814,696,228 | 965,428,358 | 1,780,124,586 |

| Item | Valuation approach and input used |
|---|---|
| Market Treasury bills | The fair value of Market Treasury bills is derived using PKRV rates. PKRV rate is average of the yield-to-maturity on government securities traded in the secondary market and determined at the end of day. The yield-to-maturity on government securities is quoted by the six (06) brokerage houses keeping in view the yield-to-maturity on government securities traded in the secondary market. |
| Fixed assets (leasehold land and office building) | The revaluation by the valuer is carried out on the basis of professional assessment of present market values. |
| Short-term investments | The fair value of unlisted ordinary shares and units of mutual funds is determined using the Market Value approach. |

## 52 CAPITAL RISK MANAGEMENT

The objective of the Group when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its business.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to its shareholders or issue new shares.

As required under the NBFC Regulations, every investment finance company involved in deposit taking shall maintain a capital adequacy ratio of 8% for the first two years after the amendment coming into force and 10% thereafter. The Group has maintained and complied with the minimum equity requirement during the current year.

## 53 EARNINGS PER SHARE - basic and diluted

| | 2021 | 2020 (Restated) |
|---|---|---|
| Profit for the year after taxation attributable to equity holders of the Holding Company (Rupees) | 921,041,652 | 699,772,567 |
| Weighted average number of ordinary shares | 175,407,647 | 175,407,647 |
| Earnings per share - basic and diluted (Rupees) | 5.25 | 3.99 |

53.1 Diluted earnings per share has not been presented separately as the Holding Company did not have any convertible instruments in issue at June 30, 2021 and June 30, 2020 which would have had any effect on the earnings per share, had the option to convert been exercised.

## 54 INTERESTS IN OTHER ENTITIES

| | 2021 | 2020 |
|---|---|---|
| NCI Percentage (%) | 80% | 80% |
| | Rupees | |
| Non-current assets | 4,246,776,793 | 4,883,529,899 |
| Current assets | 2,503,515,888 | 2,362,837,279 |
| Non-current liabilities | 1,689,587,204 | 1,134,991,064 |
| Current liabilities | 3,902,033,376 | 4,936,903,309 |
| Net assets attributable to non-controlling interest | 926,937,681 | 939,578,244 |
| Revenue | 1,754,460,013 | 2,079,511,349 |
| Expenses | (1,601,941,120) | (1,952,052,893) |
| Profit after taxation for the year | 152,518,893 | 127,458,456 |
| Other comprehensive income attributable to non-controlling interest | - | - |
| Total comprehensive income attributable to non-controlling interest | 122,015,114 | 101,966,765 |
| Net cash inflow from operating activities | 271,057,913 | 272,389,417 |
| Net cash inflow from investing activities | 37,376,672 | 52,290,268 |
| Net cash (outflow) / inflow from financing activities | (577,484,423) | 281,104,716 |

**Associates**

Details about the Group's investment in associate and summarised financial information are disclosed in note 7 of these consolidated financial statements.

## 55 NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Holding Company in its meeting held on September 23, 2021 proposed a final cash dividend of Rs. 2 per share (2020: Rs. 3.25 per share) for the year ended June 30, 2021, amounting to Rs. 350,815,294 (2020: Rs. 559,633,922). This appropriation will be approved by the members of the Holding Company at the Annual General Meeting to be held on October 26, 2021. The consolidated financial statements for the year ended June 30, 2021 do not include the effect of the above appropriations which will be accounted for in the consolidated financial statements of the Group for the year ending June 30, 2022.

## 56 CORRESPONDING FIGURES

Certain corresponding figures have been reclassified, rearranged or additionally incorporated in this consolidated financial statements for the purposes of comparison and better presentation. No significant rearrangements or reclassifications have been made in these consolidated financial statements during the current year.

## 57 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on September 23, 2021 by the Board of Directors of the Holding Company.

## 58 GENERAL

Figures reported in these consolidated financial statements have been rounded off to the nearest Rupee unless otherwise stated.

Shaheen Amin
Chief Executive Officer

Nasim Hyder
Director

Ramon Alfrey
Chief Financial Officer

# **Pattern** Of Shareholding

AS AT JUNE 30, 2021

| No Of Shareholders | FROM | TO | Shares Held | Percentage % |
|---|---|---|---|---|
| 1,441 | 1 | 100 | 41,597 | 0.02 |
| 616 | 101 | 500 | 153,659 | 0.09 |
| 289 | 501 | 1,000 | 200,792 | 0.11 |
| 657 | 1,001 | 5,000 | 1,514,517 | 0.86 |
| 178 | 5,001 | 10,000 | 1,244,952 | 0.71 |
| 123 | 10,001 | 15,000 | 1,506,284 | 0.86 |
| 48 | 15,001 | 20,000 | 846,145 | 0.48 |
| 38 | 20,001 | 25,000 | 862,161 | 0.49 |
| 30 | 25,001 | 30,000 | 822,729 | 0.47 |
| 19 | 30,001 | 35,000 | 624,983 | 0.36 |
| 12 | 35,001 | 40,000 | 460,605 | 0.26 |
| 14 | 40,001 | 45,000 | 598,586 | 0.34 |
| 11 | 45,001 | 50,000 | 534,981 | 0.30 |
| 13 | 50,001 | 55,000 | 684,777 | 0.39 |
| 3 | 55,001 | 60,000 | 176,647 | 0.10 |
| 6 | 60,001 | 65,000 | 376,431 | 0.21 |
| 8 | 65,001 | 70,000 | 536,855 | 0.31 |
| 5 | 70,001 | 75,000 | 361,651 | 0.21 |
| 2 | 75,001 | 80,000 | 155,172 | 0.09 |
| 2 | 80,001 | 85,000 | 166,507 | 0.09 |
| 5 | 85,001 | 90,000 | 440,712 | 0.25 |
| 4 | 90,001 | 95,000 | 371,808 | 0.21 |
| 6 | 95,001 | 100,000 | 595,125 | 0.34 |
| 7 | 100,001 | 105,000 | 725,612 | 0.41 |
| 1 | 105,001 | 110,000 | 109,200 | 0.06 |
| 1 | 110,001 | 115,000 | 110,880 | 0.06 |
| 2 | 120,001 | 125,000 | 246,725 | 0.14 |
| 6 | 125,001 | 130,000 | 760,441 | 0.43 |
| 2 | 130,001 | 135,000 | 268,756 | 0.15 |
| 3 | 135,001 | 140,000 | 411,176 | 0.23 |
| 3 | 140,001 | 145,000 | 422,364 | 0.24 |
| 1 | 145,001 | 150,000 | 146,790 | 0.08 |
| 1 | 150,001 | 155,000 | 152,820 | 0.09 |
| 2 | 155,001 | 160,000 | 317,500 | 0.18 |
| 2 | 160,001 | 165,000 | 327,540 | 0.19 |
| 1 | 165,001 | 170,000 | 169,807 | 0.10 |
| 2 | 185,001 | 190,000 | 376,695 | 0.21 |
| 1 | 195,001 | 200,000 | 200,000 | 0.11 |
| 1 | 205,001 | 210,000 | 207,500 | 0.12 |
| 2 | 210,001 | 215,000 | 426,355 | 0.24 |
| 2 | 220,001 | 225,000 | 445,609 | 0.25 |
| 2 | 230,001 | 235,000 | 466,055 | 0.27 |
| 2 | 245,001 | 250,000 | 495,668 | 0.28 |
| 1 | 250,001 | 255,000 | 252,000 | 0.14 |
| 1 | 260,001 | 265,000 | 260,025 | 0.15 |

| No Of Shareholders | FROM | TO | Shares Held | Percentage % |
|---|---|---|---|---|
| 1 | 275,001 | 280,000 | 278,500 | 0.16 |
| 1 | 295,001 | 300,000 | 295,337 | 0.17 |
| 2 | 305,001 | 310,000 | 615,500 | 0.35 |
| 1 | 310,001 | 315,000 | 315,000 | 0.18 |
| 1 | 315,001 | 320,000 | 320,000 | 0.18 |
| 1 | 320,001 | 325,000 | 323,000 | 0.18 |
| 1 | 330,001 | 335,000 | 334,475 | 0.19 |
| 1 | 335,001 | 340,000 | 339,150 | 0.19 |
| 1 | 345,001 | 350,000 | 349,060 | 0.20 |
| 1 | 360,001 | 365,000 | 360,630 | 0.21 |
| 1 | 375,001 | 380,000 | 378,630 | 0.22 |
| 1 | 400,001 | 405,000 | 403,000 | 0.23 |
| 1 | 410,001 | 415,000 | 412,500 | 0.24 |
| 1 | 455,001 | 460,000 | 456,526 | 0.26 |
| 2 | 460,001 | 465,000 | 924,325 | 0.53 |
| 1 | 490,001 | 495,000 | 492,475 | 0.28 |
| 2 | 495,001 | 500,000 | 998,330 | 0.57 |
| 1 | 520,001 | 525,000 | 525,000 | 0.30 |
| 2 | 525,001 | 530,000 | 1,054,242 | 0.60 |
| 1 | 540,001 | 545,000 | 544,000 | 0.31 |
| 1 | 545,001 | 550,000 | 550,000 | 0.31 |
| 1 | 565,001 | 570,000 | 568,318 | 0.32 |
| 2 | 595,001 | 600,000 | 1,198,000 | 0.68 |
| 1 | 660,001 | 665,000 | 663,902 | 0.38 |
| 1 | 670,001 | 675,000 | 672,500 | 0.38 |
| 1 | 675,001 | 680,000 | 679,447 | 0.39 |
| 1 | 680,001 | 685,000 | 680,400 | 0.39 |
| 1 | 690,001 | 695,000 | 693,000 | 0.40 |
| 1 | 695,001 | 700,000 | 697,620 | 0.40 |
| 1 | 795,001 | 800,000 | 800,000 | 0.46 |
| 1 | 920,001 | 925,000 | 922,392 | 0.53 |
| 1 | 935,001 | 940,000 | 937,932 | 0.53 |
| 1 | 940,001 | 945,000 | 945,000 | 0.54 |
| 1 | 1,030,001 | 1,035,000 | 1,030,600 | 0.59 |
| 1 | 1,050,001 | 1,055,000 | 1,052,100 | 0.60 |
| 1 | 1,060,001 | 1,065,000 | 1,062,068 | 0.61 |
| 1 | 1,385,001 | 1,390,000 | 1,386,000 | 0.79 |
| 1 | 1,585,001 | 1,590,000 | 1,585,500 | 0.90 |
| 1 | 3,115,001 | 3,120,000 | 3,118,892 | 1.78 |
| 1 | 3,215,001 | 3,220,000 | 3,215,597 | 1.83 |
| 1 | 4,405,001 | 4,410,000 | 4,410,000 | 2.51 |
| 1 | 8,860,001 | 8,865,000 | 8,863,417 | 5.05 |
| 1 | 9,210,001 | 9,215,000 | 9,212,223 | 5.25 |
| 1 | 13,205,001 | 13,210,000 | 13,209,035 | 7.53 |
| 1 | 86,955,001 | 86,960,000 | 86,956,830 | 49.57 |
| 3,626 | | | 175,407,647 | 100.00 |

# **Pattern** Of Shareholding
## AS AT JUNE 30, 2021

| Categories of Shareholders | Number of Shares Held | Category wise Number of Shareholders | Category wise Shares held | Percentage |
|---|---|---|---|---|
| **Directors, Chief Executive Officer and their Spouse(s) and Minor Children** | | | | |
| Mr. Khalid Aziz Mirza | 630 | | | |
| Ms. Aminah Zahid Zaheer | 630 | | | |
| Mr. Nasim Hyder | 630 | | | |
| Mr.Shaheen Amin | 360,630 | | | |
| Mr. Ramon Alfrey | 49,900 | | | |
| | | 7 | 412,428 | 0.24% |
| **Executives** | | 10 | 137,805 | 0.08% |
| **Associated Companies, Undertaking and Related Parties** | | | | |
| ORIX Corporation | | 3 | 86,960,515 | 49.58% |
| **NIT and ICP** | | 0 | 0 | 0.00% |
| **Banks, Development Financial Institutions, Non Banking Financial Institutions** | | 7 | 6,306,986 | 3.60% |
| **Insurance Companies** | | 4 | 10,364,151 | 5.91% |
| **Modarabas and Mutual Funds** | | 7 | 482,468 | 0.28% |
| **Share holders holding 10%** | | 3 | 86,960,515 | 49.58% |
| **Foreign Companies** | | 2 | 13,273,417 | 7.57% |
| **General Public** | | | | |
| a. Local | | 3534 | 37,222,563 | 21.22% |
| b. Foreign | | 0 | 0 | 0.00% |
| **Others** | | 52 | 20,247,312 | 11.54% |
| **Total (excluding : share holders holding 10%)** | | **3626** | **175,407,647** | **100%** |

**Shareholders holding five percent or more voting rights**

| | | |
|---|---|---|
| ORIX Corporation | 86,960,515 | 49.58% |
| Arif Habib Corporation Limited | 13,209,035 | 7.53% |
| State Life Insurance Corp. of Pakistan | 9,212,223 | 5.25% |
| Aberdeen Asian Smaller Companies Investment Trust PLC | 8,863,417 | 5.05% |
| **Total** | **118,245,190** | **67.41%** |

**Trading in Shares by Associated Company, Directors and Executives during the Year 2020-21**

**By Associated Company**

| Name of Associated Company | Number of Shares | Subscribed/Acquired/Sold/ Transferred of Shares |
|---|---|---|
| ORIX Corporation | 4,140,976 | Bonus Shares |

**By Director**

| Name of Director | Designation | Number of Shares | Purchased / Sold |
|---|---|---|---|
| Mr. Khalid Aziz Mirza | Chairman and Independent Director | 30 | Bonus Shares |
| Mr. Naveed Kamran Baloch [1] | Independent Non-Executive Director | 6,000 | Bonus Shares |
| Mr. Nasim Hyder | Independent Non-Executive Director | 30 | Bonus Shares |
| Ms. Aminah Zahid Zaheer | Independent Non-Executive Director | 30 | Bonus Shares |
| Mr. Shaheen Amin | Executive Director & Chief Executive Officer | 10,030 | Bonus Shares |
| Mr. Shaheen Amin | Executive Director & Chief Executive Officer | 150,000 | Shares Purchased |
| Mr. Ramon Alfrey | Executive Director | 2,375 | Bonus Shares |

**By Executive**

| Name of Executive | Designation | Number of Shares | Purchased / Sold |
|---|---|---|---|
| Ms. Maryam Aziz | Executive | 2,156 | Bonus Shares |
| Mr. HiraLal Bhanvani | Executive | 2,412 | Bonus Shares |
| Mr. Mohammad Ayub Khan [2] | Executive | 401 | Bonus Shares |
| Mr. Imtiaz Ahmed Chaudhry | Executive | 72 | Bonus Shares |
| Mr. Waqas Ahmed Khawaja | Executive | 600 | Bonus Shares |
| Mr. Shafique Ur Rehman | Executive | 1 | Bonus Shares |
| Mr. Hamood Ahmed | Executive | 1 | Bonus Shares |
| Mr. Muhammad Ikram | Executive | 238 | Bonus Shares |

[1] Resigned as Director on 18th January, 2021

[2] Term of employment ended on 29th November 2020

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ORIX

# ORIX Leasing Pakistan Limited

## Proxy Form

I / We _____

of (full address) _____

being a Member of ORIX Leasing Pakistan Limited hereby appoint _____

of (full address) _____

_____

_____

or failing him / her _____

of (full address) _____

as my/our proxy (the Proxy) to attend and vote for me and on my behalf at the Thirty Fifth Annual General Meeting of the Company to be held on October 26, 2021 and at any adjournment thereof.

Signature this _____ (day) _____ month _____ Year 2021 (date)

Signature of Member: _____

Folio Number: _____

Number of shares held: _____

Signatures and addresses of witnesses

Please affix revenue stamp

Signature and Company Seal

1. _____

2. _____

**Note:**

1. A Member entitled to attend and vote at the General Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A Proxy needs to be a Member of the Company.
2. The instrument appointing a Proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorized in writing, if the appointer is a corporation, under its common seal or the hand of an officer or attorney duly authorized.
3. The instrument appointing a Proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of a power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting.
4. An individual Beneficial Owner of the Central Depository Company entitled to attend and vote at this meeting must bring the original Computerized National Identity Card (CNIC) or Passport to prove identity. In case of Proxy, must enclose an attested copy of the CNIC or Passport. The representative of corporate entity shall submit the Board of Directors' resolution or power of attorney with specimen signature (unless it has been provided earlier) along with the Proxy Form to the Company.

ORIX

# اورِکس لیزنگ پاکستان لمیٹڈ

## پراکسی فارم

میں مسمّی / مسماۃ _____ ساکن _____

ضلع _____ بحیثیت ممبر اوریکس لیزنگ پاکستان لمیٹڈ، مسمی / مسماۃ _____

ساکن _____ کو بطورِ مختار (پراکسی) مقرر کرتا ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے پینتیسویں (35) سالانہ اجلاسِ عام جو بتاریخ 26 اکتوبر، 2021 منعقد ہو رہا ہے، میں اور اس کے کسی ملتوی شدہ اجلاس میں ووٹ ڈالے۔

دستخط کی تاریخ _____

ممبر کے دستخط _____

فولیو نمبر _____

حصص کی تعداد _____

گواہوں کے دستخط اور پتے

ڈاک ٹکٹ
چسپاں کریں

دستخط اور کمپنی کی مہر

۱۔ _____

۲۔ _____

نوٹ:

۱۔ اجلاس عام میں شرکت اور رائے دہی کا اہل ممبر اپنی جانب سے شرکت اور رائے دہی کے لئے اپنا پراکسی مقرر کر سکتا ہے پراکسی کا کمپنی کا ممبر ہونا ضروری ہے۔

۲۔ یہ فارم ممبر یا اس کے مختار کی جانب سے جسے تحریری طور پر اختیار دیا گیا ہو، کی جانب سے دستخط کیا جائے۔ اگر ممبر کوئی کارپوریشن ہے تو اس کی عام مہر موجود ہونی چاہیے۔

۳۔ پراکسی کی تقرری کے دستاویز مختار نامہ یا دیگر دستاویز جس کے تحت تقرری ہوئی یا مختار نامہ کی تصدیق شدہ کاپی اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل جمع کرانی ہوگی۔

۴۔ سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو پراکسی فارم کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول بھی منسلک کرنی ہوگی۔ پراکسی کو اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔ کارپوریٹ ادارہ ہونے کی صورت میں بحیثیت ممبر بورڈ آف ڈائریکٹرز کی منظور شدہ قرارداد / مختار نامہ بمعہ نمونہ دستخط ہمراہ پراکسی فارم جمع کرانا ہوگے۔

# Geographical Presence

**Head Office / Registered Office**
ORIX Building, Plot No. 16, Sector No. 24,
Korangi Industrial Area, Karachi
Tel: 021-35144029-40
Fax: 021-35144002, 35144020, 35144090-91
UAN: 111 24 24 24
Email: olp@orixpakistan.com
Website: www.orixpakistan.com

**COD Office, Karachi**
1st Floor, 23-C, Street No. 5
Ittehad Commercial Area,
Phase VI, DHA, Karachi.
Tel: 021-35350560-63

**KBW - Karachi**
Plot # 151-A, Shop No. 9 & 10,
Datari Arcade, P.E.C.H.S. Block-2.
Tel: 021-35143752-5

**Hyderabad**
First Floor, State Life Building,
Thandi Sarak.
Tel: 022-2784143, 2720397
Fax: 022-2785368

**Sukkur**
Shop No. S-33 & 34, New City Banglows,
Shikarpur Road.
Tel: 071-5807031-32

**Multan**
Plot # 116, Pull Moj Darya.
LMQ Road Multan
Tel: 061- 4518431-3, 4518435-6
Fax: 061-4518436
UAN: 111 24 24 24

**Rahim Yar Khan**
Plot No. 26, Main Street
Businessman Colony, Rahim Yar Khan.
Tel: 068-5888565, 5887617-8
Fax: 068-5887618

**Bahawalpur**
Ground Floor, Near Cantonment Office Board
Ahmed Pur East Road, Bahawalpur
Tel: 062-9255382, 9255494
Fax: 062-2886273

**Vehari**
137, Block-D, Vehari
Tel: 067-3360351 – 3

**Lahore**
76-B, E-1, Main Boulevard,
Gulberg III
Tel: 042-35782586-93
Fax: 042-35790488
UAN: 111 24 24 24

**Thokar Niaz Baig**
1st floor, 55th Avenue,
Lalazar Commercial Market, Raiwind Road,
Thokar Niaz Baig, Lahore
Tel: 042-35963581-84

**Faisalabad**
3rd Floor, Sitara Towers, Bilal Chowk,
Civil Lines, Faisalabad
Tel: 041-2633926, 2633811-3
Fax: 041-2633927
UAN: 111 24 24 24

**Sargodha**
Khan Arcade, 66 Old Civil Lines
Katchiery Road, Sargodha
Tel: 048-3729521
Fax: 048-3729522

**Sahiwal**
Plot No. 174/28, Ground Floor,
New Civil Lines, Katchery
Road, Sahiwal.
Tel: 040-4227613-4
Fax: 040-4227615

**Jhang**
Church Road, Near Government
Girls College Chowk, Jhang
Tel: 047-7650421-2
Fax: 047-7650423

**Sialkot**
1st Floor, Ghoolam Kadir Arcade,
Aziz Shaheed Road, Sialkot Cantt.
Tel: 052-4260616, 4260877
UAN: 111 24 24 24

**Gujrat**
Office No.1, First Floor, Empire Centre,
Opp. Small Industrial Estate Gate No. 1,
G.T. Road, Gujrat
Tel: 053-3726053-55

**Gujranwala**
76-ABC, Block - P, Trust Plaza
G.T. Road, Gujranwala.
Tel: 055-3731021-22
Fax: 055-3250599

**Islamabad**
Ground Floor, State Life Building No. 5,
Nizamuddin Road, Blue Area, Islamabad
Tel: 051-2822800-2, 2821706, 2821748
Fax: 051-2821917
UAN- 111 24 24 24

**Rawalpindi**
146-B Satellite Town, Chandni Chowk,
Murree Road, Rawalpindi
Tel: 051-4571431-3, 4571442-3
Fax: 051-4571445

**Chakwal**
Ground Floor, Opposite Sadar Police Station
Talagang Road Chakwal
Tel: 0543-666221, 666052-53
Fax: 0543-666054

**Mirpur A.K.**
1st floor, Jamal plaza, 63/F, Sector F-1,
Kotli Road, Mirpur, A.K
Tel: 05827-434368, 451219
Fax: 05827-432216

**Taxila**
1st Floor, Raja Business Tower,
Plot No. 1023/1028, Taxila Cantt
Main G.T Road, Taxila
Tel: 051-4254473, 4254475, 4254476

**Peshawar**
Ground Floor, State Life Building
The Mall
Tel: 091- 5278647, 5279789, 5285541, 5285520
Fax: 091-5273389,
UAN: 111 24 24 24

**Abbottabad**
Yousaf Jamal Plaza, Near HBL
Mansehra Road,
Tel: 0992-343888, 343188
Fax: 0992-405856

**Mingora**
First Floor, Shahzad Plaza, Makan Bagh,
Saidu Road, Mingora Swat
Tel: 0946 -722620
Fax: 0946 -722621

**Kohat**
Ground Floor, Saad Ullah Shah Market,
Near Kachehri Chowk, Kohat City
Tel: 0922- 512564-5

**Micro Finance Division**

**Kot Abdul Malik**
11 K.M Lahore, Near Askari Bank,
Kot Abdul Malik, Distt. Sheikhupura
Tel: 042-37340711

**Jallo Morre**
Sooter Mill Stop, Near Karachi Hot & Spicy
Restaurant, Batapur Lahore
Tel: 042-36522931

**Sharaqpur Sharif**
Main Lahore Jaranwala Road, Opposite
Government Pilot High School Sharaqpur Sharif,
District Sheikhupura
Tel: 056-2590021

**Morre Khunda**
Opposite Rice Mill, Main Jarranwala Road,
Morre Khunda, District Nankana Sahib
Tel: 056-2442371

**Pattoki**
Faisal Colony Road, Near Raffay Sajid Hospital
Tel: 049-4422064

**Chunian**
Purana Khankhana, Allahbad Road, Near Dare
Akram School, Chunian. District Kasur.
Tel: 049-4310054

**Renala Khurd**
Brothers Tractor Workshop
Near Military Farm, G.T. Road,
Renala Khurd, Distt. Okara
Tel: 044-2635185

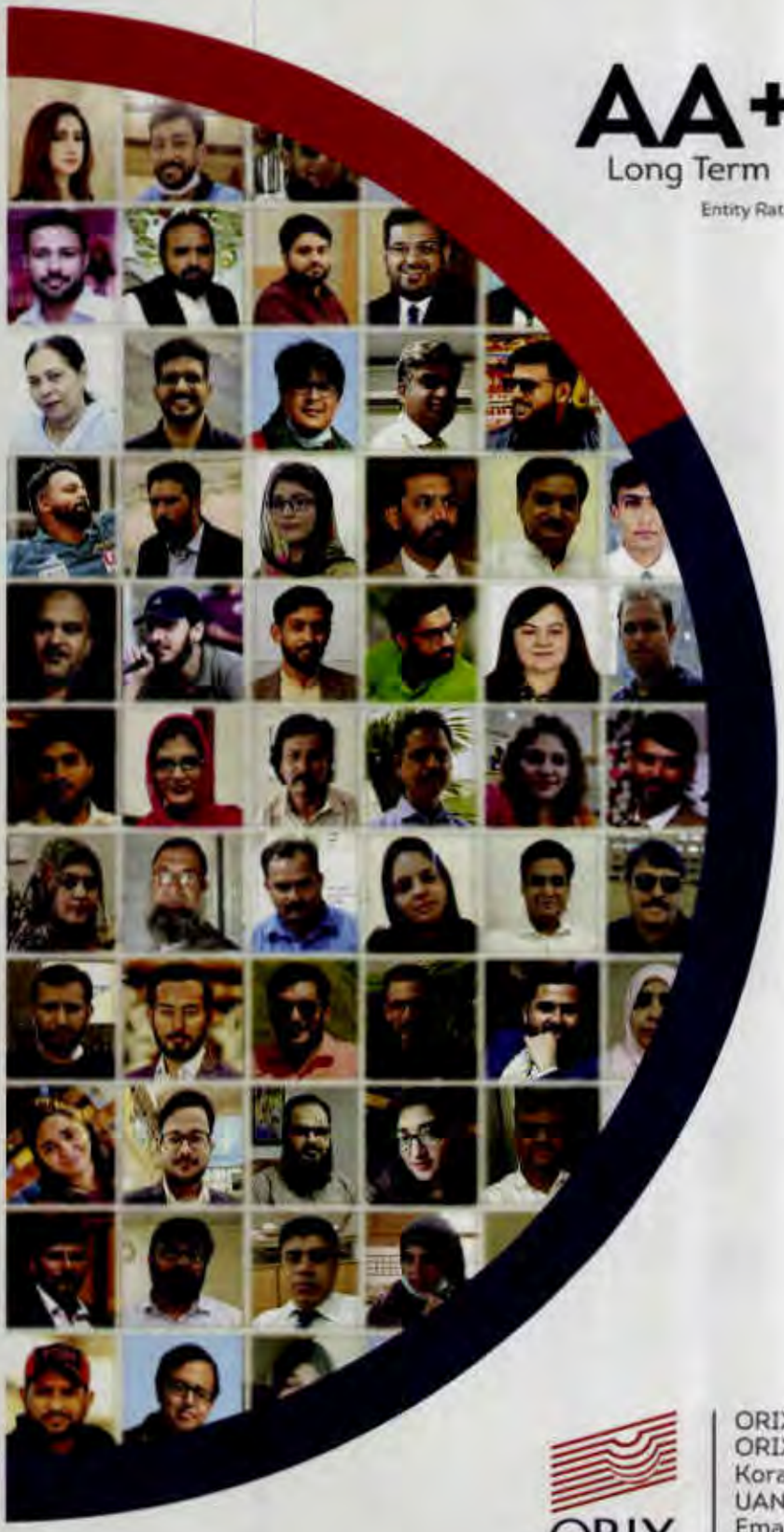
**Manga Mandi**
Main Multan Road, Madina Market, Kalma
Chowk.
Tel: 042-35383864

**Bhalwal**
First Floor, Rehmat Plaza, Mandir Road,
Block No. 3, Bhalwal. District Sargodha
Tel: 048-6644448

**Sahiwal**
Main Circular Road, Opposite Kashmir
Gate Tehsil Sahiwal District, Sargodha
Tel: 048-6785505

**Sillanwali**
Chaudhary Akhtar Market, 46 Adda Road
Sillanwali, District Sargodha
Tel: 048-6532666

**Shahpur**
Khushab Road Shahpur Saddar
Near Bismallah Hotel, District Sargodha
Tel: 048-6310424



**AA+** Long Term | **A1+** Short Term

Entity Rating by PACRA: March 03, 2021

ORIX

ORIX Leasing Pakistan Limited
ORIX Building, Plot No. 16, Sector No. 24,
Korangi Industrial Area, Karachi
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Email: olp@orixpakistan.com
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