Saudi Pak Leasing Company Limited
Balance Sheet
As at June 30, 2017

	Note	June 30, 2017	June 30, 2016
		(Rupees)	
ASSETS			
Current assets			
Cash and bank balances	4	8,386,192	13,582,736
Short term loans	5	88,322,635	90,122,635
Short term investments	6	29,557,182	33,744,768
Trade deposits and short term prepayments		911,493	1,180,847
Other receivables	7	7,340,383	3,339,438
Current maturity of non-current assets	8	524,211,983	552,911,760
Total current assets		658,729,868	694,882,184
Non-current assets			
Long term loans	9	-	-
Net investment in finance leases	10	-	-
Investment properties	11	35,345,889	37,933,773
Property, plant and equipment	12	32,119,471	43,297,293
Total non-current assets		67,465,360	81,231,066
Total Assets		726,195,228	776,113,250
LIABILITIES			
Current liabilities			
Borrowings from financial institutions	13	174,930,728	177,693,232
Certificates of investment		43,000,000	43,000,000
Accrued mark-up	14	330,062,479	299,505,913
Provision for taxation - net		12,538,810	12,877,608
Accrued expenses and other payables	15	19,877,230	18,184,520
Current maturity of non-current liabilities	16	770,330,572	780,421,190
Preference dividend payable		5,774,153	5,774,153
Total current liabilities		1,356,513,972	1,337,456,616
Non-current liabilities			
Certificates of investment	17	-	-
Deferred taxation	18	-	-
Long term finances	19	-	-
Security deposits against finance leases	20	-	-
Total non-current liabilities		-	-
Total Liabilities		1,356,513,972	1,337,456,616
NET ASSETS		(630,318,744)	(561,343,366)
FINANCED BY			
Authorised share capital			
100,000,000 (2016: 100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000
100,000,000 (2016: 100,000,000) preference shares of Rs. 10 each		1,000,000,000	1,000,000,000
		2,000,000,000	2,000,000,000
Issued, subscribed and paid-up share capital - ordinary shares	21	451,605,000	451,605,000
Issued, subscribed and paid-up share capital - preference shares	21	528,208,500	528,208,500
Capital reserves		177,928,194	177,928,194
Accumulated loss		(1,803,925,212)	(1,740,006,523)
Unrealised gain on re-measurement of available for sale investments		18,228	22,975
Accumulated actuarial (loss) / gain on defined benefit plan-net of tax		(999,666)	(1,020,858)
		(647,164,956)	(583,262,712)
Surplus on revaluation of property, plant and equipment - net	22	16,846,212	21,919,346
		(630,318,744)	(561,343,366)
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes from 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

Saudi Pak Leasing Company Limited
Profit and Loss Account
For the year ended 30 June 2017

	Note	2017	2016
		(Rupees)	
Revenue from:			
- Finance leases	24	**5,760,083**	10,945,704
- Operating leases		**2,132,020**	2,280,000
		7,892,103	13,225,704
Other income	25	**5,535,103**	38,281,088
		13,427,206	51,506,792
Expenses			
Finance cost	26	**(35,674,408)**	(39,036,262)
Administrative and operating expenses	27	**(43,231,568)**	(67,863,891)
Amount written-off directly against lease receivables		**-**	(2,544,051)
Direct cost of operating leases	28	**(1,426,400)**	(3,553,379)
		(80,332,376)	(112,997,583)
Operating loss before provisions		**(66,905,170)**	(61,490,791)
Provision for doubtful leases, loans and other receivables - net	29	**(1,849,332)**	(56,569,848)
Loss before taxation		**(68,754,502)**	(118,060,639)
Taxation	30	**(554,993)**	(792,888)
Loss after taxation		**(69,309,495)**	(118,853,527)
Loss per share - basic and diluted	31	**(1.53)**	(2.63)

The annexed notes from 1 to 39 form an integral part of these financial statements.

Chief Executive **Director**

Saudi Pak Leasing Company Limited
Statement of Comprehensive Income
For the year ended 30 June 2017

	2017	2016
	------------- (Rupees) -------------	
Loss after taxation	(69,309,495)	(118,853,527)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss :		
Unrealised loss on re-measurement of available for sale investments	(4,747)	(14,404)
Items that will not be reclassified subsequently to profit and loss account:		
Decrease in deferred tax liability on surplus on revaluation of fixed assets due to change in tax rate	317,672	378,836
Remeasurements of defined benefit plan	21,192	(391,870)
	338,864	(13,034)
	334,117	(27,438)
Total comprehensive loss for the year	(68,975,378)	(118,880,965)

The annexed notes from 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

Saudi Pak Leasing Company Limited
Statement of Changes in Equity
For the year ended 30 June 2017

	Issued, subscribed and paid-up share capital		Reserves				
	Ordinary shares	Non-redeemable preference shares	Statutory reserves	Unrealised gain on re-measurement of available for sale investments	Accumulated actuarial gain / loss on defined benefit plan- net	Accumulated loss	Total
	(Rupees)						
Balance as of 01 July, 2015	451,605,000	528,208,500	177,928,194	37,379	(628,988)	(1,625,373,326)	(468,223,241)
Total comprehensive loss for the year ended June 30, 2016							
- Loss after taxation					-	(118,853,527)	(118,853,527)
- *Other Comprehensive Loss:*							
Unrealised loss on re-measurement of available for sale investments	-	-	-	(14,404)	-	-	(14,404)
Remeasurement of defined benefit plan - net of tax	-	-	-	-	(391,870)	-	(391,870)
	-	-	-	(14,404)	(391,870)	-	(406,274)
- Transfer of incremental depreciation from surplus on revaluation of fixed assets- net of tax					-	4,220,330	4,220,330
Balance as at 30 June 2016	451,605,000	528,208,500	177,928,194	22,975	(1,020,858)	(1,740,006,523)	(583,262,712)
Total comprehensive loss for the year ended June 30, 2017							
- Loss after taxation	-	-	-	-	-	**(69,309,495)**	**(69,309,495)**
- *Other Comprehensive Loss:*							
Unrealised loss on re-measurement of available for sale investments	-	-	-	(4,747)	-	-	(4,747)
Remeasurement of defined benefit plan - net of tax	-	-	-	-	21,192	-	21,192
	-	-	-	(4,747)	21,192	-	16,445
- Transfer of incremental depreciation from surplus on revaluation of fixed assets- net of tax	-	-	-	-	-	5,390,806	5,390,806
Balance as at 30 June 2017	451,605,000	528,208,500	177,928,194	18,228	(999,666)	(1,803,925,212)	(647,164,956)

The annexed notes from 1 to 39 form an integral part of these financial statements.

Chief Executive

Director

Saudi Pak Leasing Company Limited
Cash Flow Statement
For the year ended 30 June 2017

	Note	2017	2016
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	36	**(24,102,574)**	(28,298,845)
Financial charges paid		**(37,980)**	(59,627)
Taxes paid		**(576,333)**	(1,142,509)
Finance lease rentals received		**13,243,601**	30,145,617
		12,629,288	28,943,481
Net cash (used in) / generated from operating activities		**(11,473,286)**	644,636
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(43,300)**	(219,953)
Proceeds from sale of property, plant and equipment		**78,500**	-
Short term investments - net		**787,049**	55,719,159
Recovery of long term loans		**5,446,573**	601,810
Dividend received		**7,920**	9,454
Net cash generated from investing activities		**6,276,742**	56,110,470
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term finances / term finance certificates		-	(20,900,000)
Encashment of certificates of investment		-	(25,695,301)
Net cash used in financing activities		-	(46,595,301)
Net (decrease) / increase in cash and cash equivalents during the year		**(5,196,544)**	10,159,805
Cash and cash equivalents at the beginning of the year		**13,582,736**	3,422,931
Cash and cash equivalents at the end of the year	4	**8,386,192**	13,582,736

The annexed notes from 1 to 39 form an integral part of these financial statements.

Chief Executive **Director**

Saudi Pak Leasing Company Limited
Notes to the Financial Statements
For the year ended 30 June 2017

1. LEGAL STATUS AND OPERATIONS

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

Saudi Pak Industrial & Agricultural Investment Company Limited (SAPICO) is the major shareholder and as of 30 June 2017 holds 35.06% (2016: 35.06%) of issued ordinary share capital of the Company and 63% (2016: 63%) of issued preference share capital of the Company.

1.2 These financial statements were required to be presented before the members of the Company in an annual general meeting to be held latest by October 31, 2017; however, due to certain administrative and governance issues, the same are being issued now in March 2019. With effect from August 2018, the Company is being headed by a new Managing Director. Furthermore, a new Board of Directors of the Company had also been reconstituted in its extra ordinary general meeting held on November 26, 2018 which was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 04, 2019.

Based on the direction received from the SECP on February 08 2019, the Company was required to prepare its financial statements and convene and hold the overdue AGMs for the years ended June 30, 2016, June 30, 2017 and June 30, 2018 not later than March 31, 2019. Accordingly, after a prolonged delay of over three years, these financial statements have been prepared and presented by the present management of the Company to ensure due compliance with the aforementioned direction received from the SECP.

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

- During the year ended June 30, 2017, the Company incurred a net loss amounting to Rs. 69.309 million (2016: Rs. 118.853 million) and as of that date its accumulated loss amounted to Rs. 1.804 billion (2016: Rs.1.740 billion), its equity was negative by Rs. 647.165 million (2016: Rs. 583.262 million) and its current liabilities exceeded current assets by Rs. 697.784 million (2016: Rs. 642.574 million). The Company’s accumulated loss is mainly attributable to the amount provided for against stuck up overdue balance of net investment in lease, short term loans and other assets as well as recording of mark up on Certificates of Investment and other liabilities outstanding.

- In its financial statements for the year ended June 30, 2015, the Company had disclosed its expectation of a substantial equity injection by a new incoming shareholder having been then identified by one of the strategic shareholders intending to revive the Company. This expectation, however, did not materialize for the reason that leasing business, since long, had been on a declining trend which is evident from the fact that 9 out of 33 major leasing companies remained in the field. This is mainly attributable to non-availability of long term funds at low costs, withdrawal of credit lines by the banks, high non-performing portfolio of leases and loans and slowdown in economic activities. Each of these factors has impacted leasing business to a considerable extent, and, similarly, affected the Company’s revenue generation and earning capacity.

- The Company's license to carry out the leasing business expired on May 18, 2010 and the Company has not been able to obtain renewal thereof from the SECP as the legal requirements laid down in this respect could not be met by the Company.

- The credit rating of the Company has not been re-assessed since it was last downgraded as in June 2010 and, since then, the Company is not permitted to issue new certificates of investment.

- Previously, the Company had entered into various agreements with its lenders (including, financial institutions, TFC holders and holders of Certificates of Investment for restructuring of its borrowing facilities with the objective of matching the expected recoveries from customers with its obligations to pay the lenders. However, the Company has continuously defaulted in meeting its financial obligations. As of June 30, 2017, total outstanding principal and accrued markup on which defaults were made amounted to Rs. 664.012 million (2016: Rs 666.775 million) and Rs. 330.062 million (2016: Rs.299.506 million) , respectively.

- Since 2010, the Company has not extended any lease facility to its customers owing to expiry of its leasing license. However, it continued its activities with a barely sufficient number of employees required for managing its recoveries from customers and for handing its financial obligations to lenders.

Despite the existence of the foregoing material uncertainties, these financial statements have been prepared using the going concern assumption primarily due to the reason that the Company managed to continue its operations in financial years subsequent to 2016-17 and, as of the date of approval of these financial statements, a number of recovery suits filed by the Company against its customers are expected to be disposed off in due course of time as the new management is actively seeking out-of-court settlement of such suits by way of auction of collateralized assets and / or negotiated settlements. This is expected to materially improve the recoveries of overdue lease rentals and term loans from customers which, in turn, would enable the Company to settle its long outstanding financial liabilities to lenders in order to make the Company a feasible investment avenue for a resourceful investor. For this very reason, the major shareholder has made arrangements for the reconstitution of the Board of Directors and entrusted them with the responsibility of speeding up the recovery process as well as negotiate settlement of liabilities.

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

- Regulation 5 (1) - aggregate liabilities, excluding contingent liabilities and security deposits, of an NBFC, shall not exceed ten times of the Company’s equity (in case of operations beyond the first 2 years).

- Regulation 5 (2) - contingent liabilities of an NBFC shall not exceed seven times of its equity for the first two years of its operations and ten times of its equity in the subsequent years.

- Regulation 14 (4) (h) - the deposits raised by the NBFC, from individual depositors including sole proprietorships shall not exceed three times of the equity of the NBFC.

- Regulation 17 (1) - total outstanding exposure (fund and non-fund based) of an NBFC to a person shall not at any time exceed 30% of the equity of the NBFC, provided that the maximum outstanding fund based exposure should not exceed 20% of the NBFC’s equity.

- Regulation 17 (2) - total outstanding exposure (fund based and non-fund based) of an NBFC to any group shall not exceed 50% of the equity of the NBFC, provided that the maximum outstanding fund based exposure should not exceed 35% of the equity.
- Regulation 19 (g) - an NBFC shall not hold shares on aggregate basis, whether as pledge, mortgagee or

absolute owner, of an amount exceeding 20% of the paid-up share capital of that company or 20% of its own equity.

- Regulation 28 (d) - total investments of a leasing company in shares, equities or scrips shall not exceed 50% of the equity of the leasing company.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. As per the requirements of circular no. 23/2017 dated October 04, 2017 issued by the SECP, companies the financial year of which closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Non- Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) , the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) and the directives issued by the SECP. In case requirements differ, provisions or directives of the Companies Ordinance, 1984, NBFC Rules and NBFC Regulations and directives issued by the SECP shall prevail.

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

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

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

2.5 Amendments / interpretation to existing standard and forthcoming requirements

a) Standards, amendments or interpretations which became effective during the year

During the year, certain amendments to standards or new interpretations became effective, however, the amendments or interpretation were either not relevant to the Company's operations or were not expected to have any significant impact on the Company's financial statements.

b) New / revised accounting standards, amendments to published accounting standards and interpretations that are not yet effective:

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

- Amendments to IAS 12 'Income Taxes' (effective for annual periods beginning on or after 1 January 2017) - The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

- Amendments to IFRS 2 'Share-based Payment' clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.

- Transfers of Investment Property (Amendments to IAS 40 'Investment Property'- effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments is not likely to have an impact on the Company's financial statements.

- Annual improvements to IFRS standards 2014-2016 cycle. The new cycle of improvements addresses improvements to following approved accounting standards:

- Amendments to IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2017) clarify that the requirements of IFRS 12 apply to an entity's interests that are classified as held for sale or discontinued operations in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. This amendment are not likely to have an impact on Company's financial statements.

- Amendments to IAS 28 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. This amendment is not likely to have an impact on Company's financial statements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. This amendment is not likely to have an impact on Company's financial statements.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The Company is currently in the process of analyzing the potential effects that this interpretation may have on its financial statements for future reporting periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

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

3.2 Investments

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

Investments at fair value through profit or loss

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

Held-to-maturity

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

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

Available-for-sale

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

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

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

Loans and receivables

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

3.3 Property, plant and equipment

Operating assets

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

Depreciation is charged to profit and loss account applying the straight line method in accordance with the rates specified in note-12 whereby the cost / revalued amount of an asset is written-off over its estimated useful life. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the preceding month of disposal.

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

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

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

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

Capital work-in-progress

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

3.4 Net investment in finance leases

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

3.5 Financial instruments

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

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

3.6 Leased assets repossessed upon termination of leases

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

3.7 Operating leases

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

3.8 Investment properties

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

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

3.9 Revenue recognition

Finance lease income

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

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

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

Operating lease income

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

Income on term loans

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

Mark-up / return on investments

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

Dividend income

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

Gain on sale of investments

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

Interest income on bank deposits

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

3.10 Taxation

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

Current

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

Deferred

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

A deferred tax asset is recognised only to the extent that the entity has sufficient taxable temporary differences or their is convincing other evidence that the sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the entity. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.11 Staff retirement benefits

Defined benefit scheme

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

Defined contribution scheme

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

3.12 Off-setting of financial assets and financial liabilities

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

3.13 Provisions

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

3.14 Allowance for potential lease, loan losses and other receivables

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

3.15 Borrowings

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

3.16 Foreign currency translation

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

3.17 Operating segments

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

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

3.18 Impairment

Available-for-sale financial assets

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

Non-financial assets

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

3.19 Dividend distribution

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

	Note	2017	2016
		-------------- (Rupees) --------------	

4. CASH AND BANK BALANCES

	Note	2017	2016
Cash in hand		**67,545**	67,545
Balance with State Bank of Pakistan in current account - local currency		**11,372**	15,185
Balances with other banks:			
- in current account		**5,500**	5,500
- in saving accounts	*4.1*	**8,301,775**	13,494,506
		8,386,192	13,582,736

4.1 This represents saving deposit accounts maintained with various commercial banks at mark-up rate at the rate of 4% - 5% (2016: 4% to 5%) per annum.

5. SHORT TERM LOANS - secured

	Note	2017	2016
		-------------- (Rupees) --------------	
Considered doubtful	*5.1*	**199,506,119**	202,156,794
Provision for non-performing loans	*5.2*	**(111,183,484)**	(112,034,159)
		88,322,635	90,122,635

5.1 This represents short term loans facilities provided to customers and carries mark-up ranging from 16.25% to 25.00% (2016: 16.25% to 25.00%) per annum.

5.2 Provision for non-performing loans

	Note	2017	2016
		-------------- (Rupees) --------------	
Balance at beginning of the year		**112,034,159**	76,175,700
(Reversal) / charge for the year	*29*	**(850,675)**	35,858,459
Balance at end of the year	*5.2.1*	**111,183,484**	112,034,159

5.2.1 The above provision for non-performing loans is net of forced sales value (FSVs) of collaterals of Rs. 88.322 million (2016: Rs. 90.122 million) considered by the Company for the purpose of determination of provision requirements.

6. SHORT TERM INVESTMENTS

	Note	2017	2016
		-------------- (Rupees) --------------	
Available for sale			
- Ordinary shares of listed companies	*6.1*	**85,935**	85,935
- Ordinary shares of unlisted companies	*6.1*	**14,664,938**	18,914,938
Investments - at cost		**14,750,873**	19,000,873
Unrealised gain on re-measurement of available			
During the year, Mr.Tariq Massod (then CEO of the Company) was pa		**18,228**	22,975
		14,769,101	19,023,848
Held to maturity			
This represents amount receivable from Mr.Tariq Masood (the	*6.2*	**14,788,081**	14,720,920
		29,557,182	33,744,768

6.1 Investment in available for sale securities

2017	2016		Note	2017		2016	
(Number of shares)		Name of companies		Cost	Market value	Cost	Market value
				--------- (Rupees) ---------		--------- (Rupees) ---------	
		Ordinary shares of listed companies					
495	495	MCB Bank Limited	*6.1.1*	**85,935**	**104,163**	85,935	108,910
				85,935	**104,163**	85,935	108,910
		Ordinary shares of unlisted companies					
-	425,000	Pace Barka Properties Limited	*6.1.2*	**-**	**-**	4,250,000	4,250,000
2,500,000	2,500,000	SPI Insurance Company Limited		**14,664,938**	**14,664,938**	14,664,938	14,664,938
				14,664,938	**14,664,938**	18,914,938	18,914,938

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

6.1.2 A financial liability of Rs. 2.76 million arising in respect of funds borrowed from M/S. AKD Aggressive Income Fund against issuance of an unsecured Letter of Placement (along with markup accrued thereon amounting to Rs. 5.079 million) was settled in full in consideration of the transfer of the Company's investment in ordinary shares of M/s. Pace Barka Properties Limited valuing Rs. 4.25 million. The gain on settlement of the financial liability amounting to Rs. 3.592 million, has been recognized as other income (see note 25).

6.2 This represents investment in Government Market Treasury Bills having maturity on April 03, 2017 and carry effective mark-up at a rate 5.96% (2016: 5.80%) per annum.

7. OTHER RECEIVABLES

	Note	2017	2016
		------------- (Rupees) -------------	
Operating lease rentals receivables		**11,745,095**	11,795,095
Receivable on termination of finance leases		**68,127,758**	67,860,053
Staff gratuity- net defined benefit asset		**2,815,828**	2,753,383
Receivable from provident fund	*7.1*	**2,880,000**	-
Others	*7.2*	**4,316,705**	3,209,948
		89,885,386	85,618,479
Provision against doubtful receivables	*7.3*	**(82,545,003)**	(82,279,041)
		7,340,383	3,339,438

7.1 On June 02, 2017, Mr.Tariq Masood (then CEO of the Company) completed his contracted tenure of service. As part of his full and final settlement dated June 16, 2017, he was paid his accumulated provident fund balance amounting to Rs. 2.88 million. This amount had been paid by the Company from its own funds against which a receivable from the provident fund has been recognized accordingly.

7.2 This includes amount receivable from Mr.Tariq Masood. As part of his full and final settlement, he was also paid his accumulated gratuity fund balance amounting to Rs 1.2 million. This amount had been paid by the Company from its own funds against which a receivable from Mr. Tariq Masood had been recognized accordingly. Subsequently, in May, 2018, the said amount was recovered from Mr. Tariq Masood.

7.3 Provision against doubtful receivables

	Note	2017	2016
		------------- (Rupees) -------------	
Balance at beginning of the year		**82,279,041**	79,082,927
Charge for the year		**265,962**	3,196,114
Reversal for the year		**-**	-
	29	**265,962**	3,196,114
Balance at end of the year		**82,545,003**	82,279,041

	Note	2017	2016
		------------- (Rupees) -------------	

8. CURRENT MATURITY OF NON-CURRENT ASSETS

	Note	2017	2016
Long term loans	9	**34,336,495**	39,783,068
Net investment in finance leases	10	**489,875,488**	513,128,692
		524,211,983	552,911,760

9. LONG TERM LOANS - secured

	Note	2017	2016
Loan to employees	9.1	**1,016,801**	1,073,477
Term loans to customers			
- Considered doubtful	9.2	**100,164,030**	105,553,927
		101,180,831	106,627,404
Provision for non-performing loans	9.3	**(66,844,336)**	(66,844,336)
		34,336,495	39,783,068
Current maturity of long term loans	8	**(34,336,495)**	(39,783,068)
		-	-

9.1 Loans to employees

Loan to employees represent house loans and are secured against the future salaries and retirement benefits of the employees. These loans are repayable within a period of 15 years from the date of disbursement or retirement date of the employee, whichever is earlier. The rate of return on these loans is 4% (2016: 4%) per annum. The maximum amount of loans to employees outstanding during the year amounts to Rs. 1.073 million.

9.2 Term loans due from customers are secured against property. The rate of return on these loans ranges from 16.00% to 22.66% (2016: 16.00% to 22.66%) per annum.

9.3 Provision for non-performing loans

	Note	2017	2016
		------------- (Rupees) -------------	
Balance at beginning of the year		**66,844,336**	69,109,486
Charge for the year		**-**	4,455,750
Reversal made during the year		**-**	(6,720,900)
	29	**-**	(2,265,150)
Balance at end of the year	9.3.1	**66,844,336**	66,844,336

9.3.1 The above provision for non-performing long term loans is net of forced sales value (FSVs) of collaterals of Rs. 33.319 million (2016: Rs. 38.709 million) considered by the Company for the purpose of determination of provision requirements.

This represents amount receivable from Mr.Tariq Masood (then CEO of the Company). During the year, he was paid his accumulated gratuity fund balance amounting to Rs 1.2 million. This amount was paid by the Company on its own funds against which a receivable was recognized accordingly. Subsequently, in May, 2018, the said amount was recovered from Mr. Tariq Masood.

10. NET INVESTMENT IN FINANCE LEASES

	2017			2016		
	Not later than one year	**Later than one year and less than five years**	**Total**	Not later than one year	Later than one year and less than five years	Total
	---------- (Rupees) ----------					
Minimum lease payment receivables	**1,367,827,435**	**-**	**1,367,827,435**	1,380,537,361	-	1,380,537,361
Residual value of leased assets	**344,569,999**		**344,569,999**	355,194,078	-	355,194,078
Gross investment in leases	**1,712,397,434**	**-**	**1,712,397,434**	1,735,731,439	-	1,735,731,439
Mark-up held in suspense	**(329,686,891)**	**-**	**(329,686,891)**	(332,201,737)	-	(332,201,737)
Provision for lease losses	**(892,835,055)**	**-**	**(892,835,055)**	(890,401,010)	-	(890,401,010)
Net investment in finance leases	**489,875,488**	**-**	**489,875,488**	513,128,692	-	513,128,692

10.1 The internal rate of return on leases disbursed by the Company ranges from 12.50% to 20.01% (2016: 12.50% to 20.01%) per annum. Certain lease rentals have been hypothecated against long term finances obtained (refer note 19.1.1).

10.2 Mark-up held in suspense

	Note	**2017**	2016
		---- (Rupees) ----	
Balance at beginning of the year		**332,201,737**	339,010,827
Income suspended during the year		**-**	918,956
		332,201,737	339,929,783
Suspended income:			
- realised during the year		**(2,514,846)**	(6,607,543)
- written-off during the year		**-**	(1,120,503)
		(2,514,846)	(7,728,046)
Balance at end of the year		**329,686,891**	332,201,737

10.3 Provision for lease losses

Balance at beginning of the year		**890,401,010**	883,161,218
Charge for the year		**18,940,640**	51,105,252
Reversal for the year		**(16,506,595)**	(31,324,827)
	29	**2,434,045**	19,780,425
Write-offs against provision		**-**	(12,540,633)
Balance at end of the year	*10.3.1*	**892,835,055**	890,401,010

During the year, Mr.Tariq Massod (then CEO of the Company) was paid his accumulated provident fund balance amounting t

10.3.1 The provision for non-performing lease losses is net of the forced sales value (FSVs) of leased assets / collaterals of Rs.168.633 million (2016: Rs. 177.482 million) considered by the Company for the purpose of determination of provision requirements.

10.4 As per NBFC Regulation 28(a), a leasing company undertaking the business of lease only, shall invest at least 70% of its assets in the business of leasing. As at 30 June 2017, the Company's investment in lease assets was 67% (2016: 66.12%) of the total assets.

11. INVESTMENT PROPERTIES

	Rupees
As at July 01, 2015	
Cost	66,160,092
Accumulated depreciation	(18,112,619)
Accumulated impairment	(6,805,696)
Net book value	41,241,777
Movement during the year ended June 30,2016	
Opening net book value	41,241,777
Depreciation charge	(3,308,004)
Closing net book value	**37,933,773**
As at June 30, 2016	
Cost	66,160,092
Accumulated depreciation	(21,420,623)
Accumulated impairment	(6,805,696)
Net book value	**37,933,773**
Movement during the year ended June 30,2017	
Opening net book value	37,933,773
Depreciation charge	(2,587,884)
Closing net book value	**35,345,889**
At June 30, 2017	
Cost	66,160,092
Accumulated depreciation	(24,008,507)
Accumulated impairment	(6,805,696)
Net book value	**35,345,889**
Rate of depreciation	**5%**

11.1 These represent real estate properties acquired by the Company in settlement of non-performing loans and lease receivables (i.e. repossessed properties) comprising of a bungalow and offices having carrying value, as on June 30, 2017, amounting to Rs. 31.905 million (2016: Rs. 34.492 million) and Rs. 3.441 million (2016: Rs. 3.441 million), respectively.

11.2 The bungalow was last revalued by M/s. Fairwater Property Valuers and Surveyors (Private) Limited in 2014. According to such valuation, the fair value of the bungalow, as on June 12, 2014, was assessed to be Rs. 90.68 million.

11.2.1 The tenant has defaulted in payment of rentals to the Company since inception and the Rent Controller passed rent order as well as decree in favour of the Company. The tenant subsequently filed a suit in High Court for relief. The amount of rent due till June 30, 2017, amounting to Rs. 10.349 million, has not been recorded awaiting the outcome of proceedings in High Court.

11.3 The offices were last revalued by M/s. Hamid Mukhtar & Co. (Private) Limited in 2015. According to such valuation, the fair value of the offices, as on August 26, 2015 was assessed to be Rs. 4.163 million.

12. PROPERTY, PLANT AND EQUIPMENT

2017

	Cost / Revaluation				Accumulated depreciation				Accumulated impairment			Written down value	Rate
	As at 01 July 2016	**Additions**	**Disposals**	**As at 30 June 2017**	**As at 01 July 2016**	**Charge for the year**		**As at 30 June 2017**	**As at 01 July 2016**	**Charge for the year**	**As at 30 June 2017**	**As at 30 June 2017**	**%**
	(Rupees)												
Owned assets													
Building improvements	3,526,371	-	-	3,526,371	3,526,371	-	-	3,526,371	-	-	-	-	20%
Office premises	103,803,703	-	-	103,803,703	65,007,346	9,128,554	-	74,135,900	-	-	-	29,667,803	5%
Furniture, fixtures and fittings	5,983,992	-	-	5,983,992	5,983,992	-	-	5,983,992	-	-	-	-	20%
Vehicles	4,567,630	-	(2,176,000)	2,391,630	3,719,202	391,680	(1,958,400)	2,152,482	-	-	-	239,148	20%
Office equipment	26,612,361	43,300	-	26,655,661	25,576,498	395,368	-	25,971,866	-	-	-	683,795	20%
	144,494,057	43,300	(2,176,000)	142,361,357	103,813,409	9,915,602	(1,958,400)	111,770,611	-	-	-	30,590,746	
Operating lease assets													
Plant and machinery	59,505,000	-	-	59,505,000	52,805,000	-	-	52,805,000	6,700,000	-	6,700,000	-	10%
Generators	11,492,012	-	-	11,492,012	8,875,367	1,087,920	-	9,963,287	-	-	-	1,528,725	20%
	70,997,012	-	-	70,997,012	61,680,367	1,087,920	-	62,768,287	6,700,000	-	6,700,000	1,528,725	
	215,491,069	43,300	-	213,358,369	165,493,776	11,003,522	-	174,538,898	6,700,000	-	6,700,000	32,119,471	

2016

	Cost / Revaluation				Accumulated depreciation				**Accumulated impairment**			Written down value	Rate
	As at 01 July 2015	Additions	Disposals	As at 30 June 2016	As at 01 July 2015	Charge for the year		As at 30 June 2016	**As at 01 July 2015**	Charge for the year	**As at 30 June 2016**	As at 30 June 2016	%
	(Rupees)												
Owned assets													
Building improvements	3,526,371	-	-	3,526,371	3,526,371	-	-	3,526,371	-	-	-	-	20%
Office premises	103,803,703	-	-	103,803,703	54,407,174	10,600,172	-	65,007,346	-	-	-	38,796,357	5%
Furniture, fixtures and fittings	5,983,992	-	-	5,983,992	5,983,992	-	-	5,983,992	-	-	-	-	20%
Vehicles	4,567,630	-	-	4,567,630	3,327,522	391,680	-	3,719,202	-	-	-	848,428	20%
Office equipment	26,392,408	219,953	-	26,612,361	25,208,400	368,098	-	25,576,498	-	-	-	1,035,863	20%
	144,274,104	219,953	-	144,494,057	92,453,459	11,359,950	-	103,813,409	-	-	-	40,680,648	
Operating lease assets													
Plant and machinery	59,505,000	-	-	59,505,000	50,357,041	2,447,959	-	52,805,000	-	6,700,000	6,700,000	-	10%
Generators	11,492,012	-	-	11,492,012	7,787,447	1,087,920	-	8,875,367	-	-	-	2,616,645	20%
	70,997,012	-	-	70,997,012	58,144,488	3,535,879	-	61,680,367	-	6,700,000	6,700,000	2,616,645	
	215,271,116	219,953	-	215,491,069	150,597,947	14,895,829	-	165,493,776	-	6,700,000	6,700,000	43,297,293	

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

	2017				2016			
	Cost	**Accumulated depreciation**	**Accumulated impairment**	**Written down value**	Cost	Accumulated depreciation	**Accumulated impairment**	Written down value
	(Rupees)							
Office premises	**28,548,042**	**22,946,254**	-	**5,601,788**	28,548,042	21,518,852	7,029,190	7,029,190
Plant and machinery	**67,000,000**	**60,300,000**	**6,700,000**	-	67,000,000	60,300,000	6,700,000	-
Generators	**9,848,000**	**8,319,275**	-	**1,528,725**	9,848,000	7,231,355	-	2,616,645

13. BORROWINGS FROM FINANCIAL INSTITUTIONS

	Note	2017	2016
		(Rupees)	
Letters of Placement - Unsecured			
National Bank of Pakistan	*13.1*	**77,500,000**	77,500,000
Innovative Investment Bank Limited	*13.2*	**60,000,000**	60,000,000
Meezan Bank Limited	*13.3*	**27,001,588**	27,001,588
AKD Aggressive Income Fund	*13.4*	**-**	2,762,504
KASB Income Opportunity Fund	*13.5*	**10,429,140**	10,429,140
		174,930,728	177,693,232

13.1 This represents finance of Rs. 77.50 million obtained from National Bank of Pakistan on April 01, 2010 through a letter of placement carrying mark-up at a rate of 11.20% per annum for a period of 14 days. Subsequently, the facility was rolled several times up to the total period of 140 days which expired on August 19, 2010. Till to-date, no repayments have made by the Company in respect of this finance. As of 30 June 2017, the Company has accrued a mark-up on this finance amounting to Rs. 62.972 million (2016: Rs. 54.291 million).

13.2 This represents finance of Rs. 63 million obtained from Innovative Investment Bank Limited on December 03, 2010 through a letter of placement carrying mark-up at a rate of 8% per annum for a period of 90 days. Due to financial difficulties faced by the Company, this facility was rolled over for a further period of 184 days on March 14, 2011. Since the disbursement of the facility, the Company has an aggregate principal repayment of Rs. 3 million. As of 30 June 2017, the Company has accrued a mark-up on this finance amounting to Rs. 35.235 million (2016: Rs. 30.435 million).

13.3 This represents finance of Rs. 150 million obtained from Meezan Bank Limited (MEBL) on September 20, 2008, under Murabaha arrangement at a rate of 12% per annum. On various dates between September 2008 and June 2011, the Company made principal repayments amounting, in aggregate, to Rs. 81 million.

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

During the year, Mr.Tariq Massod (then CEO of the Company) was paid his accumulated provident fund balance amount

13.4 During the year, the financial liability of Rs. 2.76 million arising in respect of funds borrowed from M/S. AKD Aggressive Income Fund against issuance of an unsecured Letter of Placement (along with markup accrued thereon amounting to Rs 5.09 million) was settled in full in consideration of the transfer of the Company's investment in ordinary shares of M/s. Pace Barka Properties Limited costing Rs. 4.25 million.

	2017				2016			
	Cost	**Accumulated depreciation**	**Accumulated impairment**	**Written down value**	Cost	Accumulated depreciation	**Accumulated impairment**	Written down value
	---------- (Rupees) ----------							
Office premises	**28,548,042**	**22,946,254**	**-**	**5,601,788**	28,548,042	21,518,852	7,029,190	7,029,190
Plant and machinery	**67,000,000**	**60,300,000**	**6,700,000**	**-**	67,000,000	60,300,000	6,700,000	-
Generators	**9,848,000**	**8,319,275**	**-**	**1,528,725**	9,848,000	7,231,355	-	2,616,645

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

- Down payments of Rs. 1.568 million and Rs. 1.517 million;
- Two subsequent cash payments of Rs. 1 million each; and
- 24 equal instalments of Rs. 0.75 million each.

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

14. ACCRUED MARK-UP

	2017	2016
	------------- (Rupees) -------------	
Mark-up on:		
- certificates of investment	**81,466,375**	74,760,373
- long term finances	**40,429,575**	39,010,386
- term finance certificates	**98,767,597**	84,805,991
- short term borrowings from financial institutions	**109,398,932**	100,929,163
	330,062,479	299,505,913

15. ACCRUED EXPENSES AND OTHER PAYABLES

	2017	2016
Accrued expenses	**3,028,430**	2,328,087
Unclaimed dividend	**1,661,291**	1,663,945
Others	**7,974,025**	7,562,658
Provision for Sindh sales tax on services	**7,213,484**	6,629,830
	19,877,230	18,184,520

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

16. CURRENT MATURITY OF NON-CURRENT LIABILITIES

		2017	2016
		------------- (Rupees) -------------	
Certificates of investment	*17*	**54,049,000**	54,049,000
Long term finances	*19*	**392,032,443**	392,032,443
Long term security deposits against finance leases	*20*	**324,249,129**	334,339,747
		770,330,572	780,421,190

17. CERTIFICATES OF INVESTMENT - unsecured

Long term certificates of investment		**54,049,000**	54,049,000
Current maturity of certificates of investment	*16*	**(54,049,000)**	(54,049,000)
		-	-

17.1 These certificates of investment are for periods ranging from 1 year to 5 years and interest rates on these certificates range from 7% to 11% (2016: 7% to 11%) per annum.

18. DEFERRED TAXATION

	Balance at beginning of the year	Recognized in profit and loss account	Recognized in other comprehensive income	Balance at end of the year
	----------	---------- (Rupees)	----------	----------
As on June 30, 2017				
Deferred tax liability in respect of:				
Surplus on revaluation of property, plant and equipment	**9,847,822**	**(2,310,345)**	**(317,672)**	**7,219,805**
	9,847,822	**(2,310,345)**	**(317,672)**	**7,219,805**
Deferred tax asset recognized	**(9,847,822)**	**2,628,017**	**-**	**(7,219,805)**
Net deferred tax position	**-**	**317,672**	**(317,672)**	**-**

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

	Balance at beginning of the year	Recognized in profit and loss account	Recognized in other comprehensive income	Balance at end of the year
	----------	---------- (Rupees)	----------	----------
As on June 30, 2016				
Deferred tax liability in respect of:				
Accelerated tax depreciation	2,765,540	(4,000,494)	-	(1,234,954)
Surplus on revaluation of property, plant and equipment	12,122,748	(1,896,090)	(378,836)	9,847,822
	14,888,288	(5,896,584)	(378,836)	8,612,868
Deferred tax asset recognized	(14,888,288)	6,275,420	-	(8,612,868)
Net deferred tax position	-	378,836	(378,836)	-

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

19. LONG TERM FINANCES

	Note	2017	2016
		------------- (Rupees) -------------	
Long term finance - secured	*19.1.1*	**163,061,501**	163,061,501
Long term finance - unsecured		**5,703,696**	5,703,696
	19.1	**168,765,197**	168,765,197
Term finance certificates - secured	*19.2*	**223,267,246**	223,267,246
		392,032,443	392,032,443
Current maturity of long term finances	*16*	**(392,032,443)**	(392,032,443)
		-	-

19.1 Long term finances

	Tenure		Price	Note	Principal Outstanding	
	From	To			2017	2016
					------------- (Rupees) -------------	
Secured						
National Bank of Pakistan	Mar-05	Mar-10	6 month KIBOR + 1.5% (payable semi annually)	*19.1.2*	**12,500,000**	12,500,000
First Women Bank Limited	Dec-08	Dec-12	Fixed at 12% (payable monthly)	*19.1.3*	**75,061,505**	75,061,505
Askari Income Fund	Mar-10	Sep-12	-	*19.1.4*	**13,500,000**	13,500,000
Soneri Bank Limited	May-13	Sep-14	-	*19.1.5*	**61,999,996**	61,999,996
Un secured						
Silk Bank Limited	Sep-12	Mar-17	-	*19.1.6*	**5,703,696**	5,703,696
					168,765,197	168,765,197

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

19.1.2 This represents a finance of Rs. 100 million obtained from National Bank of Pakistan on March 17, 2005 (mainly for lease financing activities). As per the agreement, loan was payable in semi-annual instalments of Rs. 12.5 million each from September 17, 2005 to March 17, 2009. However, subsequently, the agreement was restructured whereby the maturity date of the loan was extended to March 2010. Up to June 30, 2017, all instalments were paid except for the last instalment due on March 17, 2009 which is yet outstanding. As per the revised agreement, the finance carries mark-up at the rate of 6-month KIBOR + 1.5%, payable semi-annually. As of June 30, 2017, the Company had accrued mark-up amounting to Rs. 11.218 million (2016: Rs. 10.263 million).

19.1.3 This represents a finance of Rs. 150 million obtained from First Women Bank Limited (FWBL) through a Letter of Placement dated October 06, 2008 having a tenor of 1 day. Subsequently, the finance was rolled over several times during the period from October 07, 2008 to December 18, 2008. During this period, the Company managed to partially repay the principal and markup amount. Afterwards, the finance was restructured by way of a settlement agreement dated December 31, 2008 whereby the entire principal was converted into 12-month Money Market Finance facility on markup basis. Since the Company failed to make repayment as per agreed terms, the finance was, once again, restructured by way of a settlement agreement dated March 01, 2010. As per the revised rescheduled terms, the entire principal was payable in unequal monthly instalments up to December 31, 2012. The Company paid the instalments up to December 31, 2010 since when no further repayments have been made. Further, as per the revised agreement, the finance carries mark-up at 12% per annum, payable monthly. As of June 30, 2017, the Company had accrued mark-up of Rs. 24.054 million (2016: Rs. 24.054 million).

19.1.4 In March 2009, the Company obtained a finance of Rs. 50 million from Askari Income Fund against Certificate of Investment (COI) which was subsequently converted into a Term Finance Arrangement (TFA). Due to the liquidity issues faced by the Company, the finance was restructured by way of settlement agreements dated March 01, 2010 and January 31, 2011. As per the rescheduled terms, the entire principal was payable in monthly instalments of Rs. 1 million each starting from February 16, 2011 and outstanding mark-up was waived. The Company could managed to pay instalments up to June 2011 since when no repayments have been made. Further, as per rescheduled terms, the Company is liable to pay liquidated damages / penalty amounting to Rs. 10.8 million.

19.1.5 As on March 29, 2010, the Company had a financial obligation in respect of Term Finance I, Term Finance II and Running Finance facilities obtained from M/s. Soneri Bank Limited (SBL) amounting to Rs. 66.666 million, Rs. 35 million and Rs. 49.971 million, respectively (in aggregate, Rs. 151.637 million). The said obligation was restructured whereby SBL created a fresh facility of Rs. 115 million as TF-I, Rs. 35 million as TF-II and Rs. 1.5 million as RF. Subsequently, the Company managed to pay its entire liability under TF-II and RF. As regards restructured TF-I, the Company made a principal repayment of Rs. 5 million up to May 07, 2013, on which date, a revised settlement agreement was entered to with SBL to restructure the outstanding obligation of Rs. 110 million which was agreed to be settled as follows:

- Rs. 43 million by way of transfer of a property (held as collateral of Rs. 43 million against the borrower) or a cash payment of Rs. 25 million as full and final settlement of Rs. 43 million;

- Rs. 34.5 million by way of transfer of a property (held as collateral of Rs. 34.5 million against the borrower);

- Cash payment of Rs. 5 million in 12 equal monthly instalments of Rs. 0.416 million each commencing from the date of execution of settlement agreement; and

- Remaining principal obligation amounting to Rs. 27.5 million to be waived upon successful transfer of properties / cash payment as referred to above.

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

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

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

During the year, Mr.Tariq Massod (then CEO of the Company) was paid his accumulated provident fund balance amounting to Rs. 2.88 million. This amount was paid by the Company from its own funds against which a receivable from provident fund has been recognized accordingly.

19.2 This represents amount receivable from Mr.Tariq Masood (then CEO of the Company). During the year, he was paid his accumulated gratuity fund balance amounting to Rs 1.2 million. This amount was paid by the Company on its own funds against which a receivable was recognized accordingly. Subsequently, in May, 2018, the said amount was recovered from Mr. Tariq Masood.

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

Principal redemption

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

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

Mark-up on TFCs

- The issue carries markup at 6% per annum for the first 36 months (i.e from January 01, 2012 to December 13, 2014) and one-month KIBOR for the remaining 27 months (i.e. from January 01, 2015 to March 01, 2017).

- Mark-up accrued on TFCs up to December 2011, amounting to Rs. 25.368 million, to be repaid in 3 equal instalments falling due in December 2014, December 2015 and December 2016.

- Mark-up payments on TFCs for first 24 months (i.e from January 01, 2012 to December 13, 2014) to be deferred till December 31, 2013 and to be repaid thereafter on a monthly basis (starting from the 25th month till the maturity of the TFC).

Trustee

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

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

20. LONG TERM SECURITY DEPOSITS AGAINST FINANCE LEASES	*Note*	**2017**	2016
		------------- (Rupees) -------------	
Security deposits against finance leases	*20.1*	**324,249,129**	334,339,747
Current maturity of deposits against finance leases	*16*	**(324,249,129)**	(334,339,747)
		-	-

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

21. SHARE CAPITAL

2017	2016		Note	2017	2016
(Number of shares)				----------- (Rupees) -----------	
		AUTHORISED SHARE CAPITAL			
100,000,000	100,000,000	Ordinary shares of Rs. 10 each		**1,000,000,000**	1,000,000,000
100,000,000	100,000,000	Non-cumulative and non-voting, convertible unlisted preference shares of Rs. 10 each		**1,000,000,000**	1,000,000,000
		ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL			
		Ordinary shares			
		Issued for cash			
25,180,000	25,180,000	Ordinary shares of Rs. 10 each fully paid in cash	*21.1*	**251,800,000**	251,800,000
		Issued for consideration other than cash			
19,980,500	19,980,500	Ordinary shares of Rs. 10 each issued as fully paid bonus shares		**199,805,000**	199,805,000
45,160,500	45,160,500			**451,605,000**	451,605,000
		Non-cumulative preference shares			
		Issued for consideration other than cash			
52,820,850	52,820,850	Non-cumulative and non-voting, convertible unlisted fully paid preference shares of Rs. 10 each	*21.2*	**528,208,500**	528,208,500

21.1 Saudi Pak Industrial & Agricultural Investment Company Limited (SAPICO) holds 35.06% (2016:35.06%) of the issued, subscribed and paid-up ordinary share capital of the Company and 63% (2016: 63%) of the issued preference share capital of the Company.

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

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

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

- the preference shares were issued under the provisions of section 86 of the repealed Companies Ordinance, 1984 (the Ordinance) read with section 90 of the Ordinance and Companies Share Capital (Variation in Rights and Privileges) Rules, 2000.

- the authorized capital of the Company and the issue of the preference shares were duly approved by the shareholders of the Company in the Extra Ordinary General Meeting held on July 11, 2012.

- return of allotment in respect of these preference shares was filed under section 73(1) of the Ordinance.

- the preference share holders have the right to convert these shares into ordinary shares at Rs. 10 each.

- dividend on the shares is appropriation of profit both under the Ordinance and the tax laws.

- the requirements of the Ordinance take precedence over the requirements of International Accounting Standards.

21.3 Capital management policies and procedures

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

22. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET

	Note	2017	2016
		----------- (Rupees) -----------	
On office premises, plant and machinery and generators			
Gross surplus			
As at beginning of the year		**31,767,167**	37,883,588
Incremental depreciation transferred to retained earnings		**(7,701,152)**	(6,116,421)
		24,066,015	31,767,167
Related deferred tax charge			
As at beginning of the year		**(9,847,821)**	(12,122,748)
Tax effect of change in tax rate		**317,672**	378,836
Incremental depreciation transferred to retained earnings		**2,310,346**	1,896,091
		(7,219,803)	(9,847,821)
		16,846,212	21,919,346

23. CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

23.1.1 The Company is contesting various suits filed against it during the period from the year 2008 to 2017. These includes counter suits for damages as well as recovery suits including rendition of accounts of aggregate amount of Rs. 212.724 million (2016: Rs. 165.799 million). These suits are proceeding either in banking courts or in High Courts. The legal advisors of the Company defending the cases hold the view that the Company is not likely to suffer any loss on account of aforementioned cases.

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

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

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

During the year, Mr.Tariq Massod (then CEO of the Company) was paid his accumulated provident fund balance amounting to Rs. 2.88 million. This amount was paid by the Company from its own funds against which a receivable from provident fund has been recognized accordingly.

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

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

23.2 Commitments

As of the reporting date, no commitments were known to exist (2016: None).

24. REVENUE FROM FINANCE LEASE	*Note*	**2017**	2016
		----------- (Rupees)	**-----------**
Income on finance lease contracts		**2,514,846**	6,607,543
Document fee, front-end fee and other charges		**3,245,237**	4,338,161
		5,760,083	10,945,704
25. OTHER INCOME			
Income from financial assets			
Available-for-sale			
Dividend income		**7,920**	9,454
Held-to-maturity			
Income on amortisation of Government Market Treasury Bills		**854,210**	1,071,625
Loans and receivables			
Interest income on term loans		**836,599**	-
Return on certificates of deposit		**-**	1,213,697
Interest income from saving accounts		**361,108**	391,595
		1,197,707	1,605,292
Income from non-financial assets / others			
(Loss) / gain on sale of property, plant and equipment		**(139,100)**	-
Gain on settlement of financial liabilities	*6.1.2*	**3,592,366**	35,439,989
Others		**22,000**	154,728
		3,475,266	35,594,717
		5,535,103	38,281,088

26. FINANCE COSTS			
Mark-up on:			
- Long term finances		**1,419,189**	1,924,575
- Term finance certificates		**13,961,606**	15,434,624
- Short term borrowings		**13,549,635**	13,793,939
Return on certificates of investment		**6,706,002**	7,823,497
Bank charges		**37,976**	59,627
		35,674,408	39,036,262

	Note	**2017**	2016
		----------- (Rupees)	**-----------**

27. ADMINISTRATIVE AND OPERATING EXPENSES

	Note	2017	2016
Salaries, allowances and benefits	*27.1*	**20,906,784**	26,619,905
Defined benefit plan- net (reversal) / charge	*32.1.6*	**(41,253)**	134,479
Rent		**946,965**	865,020
Repairs and maintenance		**991,475**	1,373,264
Utilities		**814,854**	963,089
Depreciation on owned assets	*12*	**9,915,602**	11,359,950
Depreciation on investment properties	*11*	**2,587,884**	3,308,004
Insurance		**138,049**	137,463
Vehicle running expenses		**600,438**	335,348
Printing and stationery		**224,723**	1,045,131
Telephone and postage		**708,577**	734,573
Travelling and conveyance		**264,690**	889,260
Fee and subscriptions		**738,260**	1,248,710
Legal and professional charges		**1,888,087**	2,944,776
Advertising and entertainment		**302,739**	406,482
Auditors' remuneration	*27.2*	**605,000**	605,000
Brokerage and commission		**-**	3,000
Sindh sales tax on services	*15.1*	**583,654**	6,629,830
Impairment of plant and machinery		**-**	6,700,000
Miscellaneous		**1,055,040**	1,560,607
		43,231,568	67,863,891

27.1 Salaries, allowances and benefits include Rs. 0.48 million (2016: Rs. 0.62 million) in respect of staff retirement benefits.

27.2 Auditors' remuneration

	Note	**2017**	2016
		----------- (Rupees)	-----------
Annual audit fee		**350,000**	350,000
Fee for review of half yearly financial statements		**100,000**	100,000
Other certifications		**50,000**	50,000
Out of pocket expenses		**105,000**	105,000
		605,000	605,000

28. DIRECT COST OF OPERATING LEASES

Insurance and other expenses		**338,480**	17,500
Depreciation on operating lease assets	*12*	**1,087,920**	3,535,879
		1,426,400	3,553,379

29. PROVISION FOR DOUBTFUL LEASES, LOANS AND OTHER RECEIVABLES

Provision for potential lease losses - net	*10.3*	**2,434,045**	19,780,425
(Reversal) / provision for potential losses on short term loans - net	*5.2*	**(850,675)**	35,858,459
(Reversal) of provision for potential losses on long term loans - net	*9.3*	**-**	(2,265,150)
Provision for doubtful receivables - net	*7.3*	**265,962**	3,196,114
		1,849,332	56,569,848

30. TAXATION

Current		**237,321**	414,052
Deferred	*18*	**317,672**	378,836
		554,993	792,888

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

Ordinance, 2001.

30.2 Current status of tax assessments

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

31. LOSS PER SHARE - BASIC AND DILUTED	**2017**	2016
	----------- (Rupees) -----------	
Loss after taxation attributable to ordinary shareholders	**(69,309,495)**	(118,853,527)
Weighted average number of ordinary shares - Basic	**45,160,500**	45,160,500
Loss per share - Basic	**(1.53)**	(2.63)

31.1 At June 30 2017, the Company has 52.82 million (2016: 52.82 million) convertible preference shares which are not considered for the calculation of diluted earning per share as the effect would have been anti dilutive.

32. STAFF RETIREMENT BENEFIT SCHEMES

32.1 Defined benefit scheme

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

As aforesaid, on June 02, 2017, Mr. Tariq Masood, then Chief Executive of the Company completed his contracted tenure of service. As part of his full and final settlement dated June 16, 2017, he was paid his accumulated gratuity entitlement amounting to Rs. 1.2 million. This amount was paid by the Company from its own funds against which a receivable from Mr. Tariq Masood was recognized accordingly (see note 7.2 to these financial statements).

As of June 30, 2017, though the gratuity fund was in legal existence, it had no members.

32.1.1 Principal actuarial assumptions

Following principal actuarial assumptions were used for the valuation:

	2017	2016
Discount rate		9%
Expected rate of increase in salary level		8%
Expected rate of return on plan assets		12%
Mortality rate		SLIC (2001-05)
Withdrawal rate before normal retirement age		moderate
Expected remaining working life time of employees		8 years
Number of employees		11
Normal retirement age		55 years

	2017	2016
32.1.2 Net defined benefit (asset) / liability	----------- (Rupees) -----------	

Present value of defined benefit obligation	**-**	1,120,360
Fair value of plan assets	**(2,815,828)**	(3,873,743)
	(2,815,828)	(2,753,383)

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

Balance at beginning of the year	**(2,753,383)**	(3,279,732)
Amount chargeable to profit and loss account	**(41,253)**	134,479
Amount chargeable to other comprehensive income	**(21,192)**	391,870
Balance at end of the year	**(2,815,828)**	(2,753,383)

32.1.4 Changes in present value of defined benefit obligation

Present value of defined benefit obligation at beginning of the year	**1,120,360**	3,140,996
Current service cost for the year	**-**	429,655
Interest cost for the year	**100,832**	282,690
Benefits paid / payable	**(1,200,000)**	(2,732,981)
Actuarial gain on present value of defined benefit obligation	**(21,192)**	-
Present value of defined benefit obligation at end of the year	**-**	1,120,360

32.1.5 Changes in fair value of plan assets

Fair value of plan assets at beginning of the year	**3,873,743**	6,420,728
Expected return on plan assets	**142,085**	577,866
Return on plan assets excluding interest income	**-**	(391,870)
Benefits paid / payable	**(1,200,000)**	(2,732,981)
Fair value of plan assets at end of the year	**2,815,828**	3,873,743

32.1.6 Charge for defined benefit plan

Current service cost	**-**	429,655
Interest cost	**100,832**	282,690
Expected return on plan assets	**(142,085)**	(577,866)
	(41,253)	134,479

32.1.7 Fair value of plan assets at end of the year

Orix - Floater two years	**1,000,000**	1,000,000
Benefits payable	**(1,857,453)**	(657,453)
Cash at banks	**3,673,281**	3,531,196
	2,815,828	3,873,743

32.1.8 Component of defined benefit costs (re-measurement) recognized in other comprehensive income

Remeaurement due to changes in:		
- Demographic assumptions	**-**	-
- Experience adjustments	**(21,192)**	-
- Return on plan assets	**-**	391,870
Actuarial gains / (loss) at end of the year	**(21,192)**	391,870

32.1.9 Actual return on plan assets during the year was Rs. 0.142 million (2016: Rs. 0.186 million).

32.2 Defined contribution scheme

The Company operates an approved funded contributory provident fund for its employees. Details of net assets and investments of the fund as per its unaudited financial statements for the year ended June 30, 2017 are as follows:

	(Un-audited) June 30, 2017	(Un-audited) June 30, 2016
	----------- (Rupees)	**-----------**
Size of the fund	**4,176,796**	2,325,914
Cost of investment	**1,805,466**	2,325,914
Percentage of investments made	**43%**	100%
Fair value of investments made	**1,805,466**	2,325,914

Break up of investments of the provident fund

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

	June 30 2017	June 30, 2016
	----------- (Rupees)	**-----------**
Bank balances	**1,805,466**	2,325,914

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

33. NUMBER OF EMPLOYEES	**2017**	2016
	---------- (Number)	**----------**
As at end of the year	**29**	34
Average for the year	**33**	32

34. TRANSACTIONS WITH RELATED PARTIES

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

Transactions during the year

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

	2017		
	Major Shareholder	**Key management personnel**	**Other related parties**
		(Rupees)	
During the year, Mr.Tariq Massod (then CEO of th	**582,315**	**-**	**-**
Contributions to provident fund	**-**	**-**	**480,000**
Remuneration	**-**	**7,816,438**	**-**
Disposal of car	**-**	**78,500**	**-**

This represents amount receivable from Mr Tariq Masood (then CEO of the Company). During the year, he was paid his acc

	2016			
	Major Shareholder	Directors fee	Key management personnel	Other related parties
		(Rupees)		
Fee	-	360,000	-	-
Rent paid	559,020	-	-	-
Contributions to provident fund	-	-	-	620,345
Remuneration	-	-	8,580,000	-
Return on Certificate of Deposit	1,213,697	-	-	-

Balances outstanding as of the end of the reporting period

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

	2017	2016
	----------- (Rupees)	**-----------**
	Major Shareholder	Major Shareholder
Preference dividend payable	**5,774,153**	5,774,153

35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	---------- (Rupees) ----------							
Fee	-	-	-	360,000		-	-	360,000
Managerial remuneration	**4,800,000**	4,800,000	-	-	**1,536,000**	2,688,000	**6,336,000**	7,488,000
Housing, utilities etc.	**-**	-	-	-	**264,000**	612,000	**264,000**	612,000
Retirement benefits	**480,000**	480,000	-	-	**-**	-	**480,000**	480,000
Leave encashment	**736,438**	-	-	-	-	-	**736,438**	-
	6,016,438	5,280,000	-	360,000	**1,800,000**	3,300,000	**7,816,438**	8,940,000
Number of persons	**1**	1	-	6	**1**	2		

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

36. CASH USED IN OPERATING ACTIVITIES	**2017**	2016
	----------- (Rupees) -----------	
Loss before taxation	**(68,754,502)**	(118,060,639)
Adjustments for:		
Depreciation - owned assets	**9,915,602**	11,359,950
Depreciation - investment properties	**2,587,884**	3,308,004
Depreciation - assets under operating lease	**1,087,920**	3,535,879
Income on finance lease contracts	**(2,514,846)**	(6,607,543)
Finance cost	**35,674,408**	39,036,262
Provision for doubtful leases, loans and other receivables	**1,849,332**	56,569,848
Dividend income	**(7,920)**	(9,454)
Interest income on treasury bills	**(854,210)**	(1,071,625)
Gratuity charge for the year	**(41,253)**	134,479
Impairment of plant and machinery	**-**	6,700,000
Amount written off directly against loans, lease receivables and investments	**-**	2,544,051
Gain on settlement of loans - net	**(3,592,366)**	(35,439,989)
(Loss) / gain on sale of property, plant and equipment	**139,100**	-
	44,243,651	80,059,862
	(24,510,851)	(38,000,777)
Movement in working capital		
(Increase) / decrease in operating assets		
During the year, Mr.Tariq Massod (then CEO of the Company) was paid his accumulated pr	**2,650,675**	3,250,000
Accrued mark-up	**-**	166,858
Trade deposits and short term prepayments	**269,354**	(293,961)
Other receivables	**(4,204,462)**	(425,198)
This represents amount receivable from Mr.Tariq Masood (then CEO of the Company). Dur	**(1,284,433)**	2,697,699
Increase / (decrease) in operating liabilities		
Accrued expenses and other payables	**1,692,710**	7,004,233
	408,277	9,701,932
Cash used in operations	**(24,102,574)**	(28,298,845)

37. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

	2016					
	Finance lease	Operating lease	Term loans	Investments	Others	Total
	(Rupees)					
Segment revenue						
Lease income	10,945,704	2,280,000	-	-	-	13,225,704
Interest income	-	-	-	2,285,322	391,595	2,676,917
Other income	-	-	-	9,454	35,594,717	35,604,171
Direct cost of operating leases	-	(3,553,379)	-	-	-	(3,553,379)
(Provisions) / reversals against assets	(19,780,425)	-	(33,593,309)	-	(3,196,114)	(56,569,848)
Write-offs	(2,544,051)	-	-	-	-	(2,544,051)
Segment results	(11,378,772)	(1,273,379)	(33,593,309)	2,294,776	32,790,198	(11,160,486)
Unallocated cost						
Financial charges						(39,036,262)
Administrative / operating expenses						(67,863,891)
						(106,900,153)
Loss before taxation						(118,060,639)
Taxation						(792,888)
Loss after taxation						(118,853,527)
Other information						
Segment assets	513,128,692	2,616,645	129,905,703	33,744,768	-	679,395,808
Unallocated assets					96,717,442	96,717,442
Total assets						776,113,250
Segment liabilities	168,765,197	-	-	-	-	168,765,197
Unallocated liabilities	-	-	-	-	1,168,691,419	1,168,691,419
Total liabilities						1,337,456,616
Net Liability						(561,343,366)

37.1 Geographical segment analysis

The Company's operations are restricted to Pakistan only.

38. FINANCIAL RISK MANAGEMENT

Introduction and overview

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

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

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

Risk management framework

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

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

38.1 Credit risk

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

Management of credit risk

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

Exposure to credit risk

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

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

	2017	2016
	----------- **(Rupees)** -----------	
Financial assets		
Long term loans	**34,336,495**	39,783,068
Net investment in finance leases - net of security deposits held	**165,626,359**	178,788,945
Bank balances	**8,307,275**	13,500,006
Short term loans	**88,322,635**	90,122,635
Trade deposits	**908,267**	898,267
Other receivables	**4,524,555**	586,055
	302,025,586	323,678,976
Financial assets		
Secured	**288,285,489**	308,694,648
Unsecured	**13,740,097**	14,984,328
	302,025,586	323,678,976

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

	2017					
	Net investment in finance leases (Net of security deposits)		**Long term loans**		**Short term loans**	
	Principal	**Provision**	**Gross**	**Provision**	**Gross**	**Provision**
	---------- **(Rupees)** ----------					
I **Past due and impaired:**						
- 180 to 365 days	-	-	-	-	-	-
- 366 to 730 days	-	-	-	-	-	-
- more than 731 days	**1,058,461,414**	**892,835,055**	**101,180,831**	**66,844,336**	**199,506,119**	**111,183,484**
This represents amount receivable from Mr.Tariq Masood (then CEO of the Company). During the year, he was paid his accumulated gratuity fund balance amour						
Neither past due nor individually impaired	-	-	-	-	-	-
Total	**1,058,461,414**	**892,835,055**	**101,180,831**	**66,844,336**	**199,506,119**	**111,183,484**

	2016					
	Net investment in finance leases (Net of security deposits)		Long term loans		Short term loans	
	Principal	Provision	Gross	Provision	Gross	Provision
	(Rupees)					
Past due and impaired:						
- 180 to 365 days	-	-	-	-	-	-
- 366 to 730 days	-	-	-	-	-	-
- more than 731 days	1,069,189,955	890,401,010	106,627,404	66,844,336	202,156,794	112,034,159
Neither past due nor individually impaired	-	-	-	-	-	-
Total	1,069,189,955	890,401,010	106,627,404	66,844,336	202,156,794	112,034,159

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

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

	Rating as of June 30, 2017		Rating	2017	2016
	Short term	Long term	Agency	(Rupees)	
Faysal Bank Limited	A-1+	AA	JCR-VIS	**89,452**	4,006,042
Silk Bank Limited	A-2	A-	JCR-VIS	**9,886**	9,886
Samba Bank Limited	A-1	AA	JCR-VIS	**10,341**	10,341
MCB Bank Limited	A1+	AAA	PACRA	**8,192,095**	9,468,236
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**5,500**	5,500
				8,307,274	13,500,005

38.1.3 Concentration of credit risk

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

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

	Lease and loan receivables			
Sector	Percentage		Gross amount in Rupees	
	2017	2016	**2017**	2016
Sugar and allied	**0.92**	0.91	**12,520,098**	12,520,098
Energy, oils and gas	**5.46**	5.39	**74,137,062**	74,137,062
Steel and engineering & auto mobiles	**6.26**	6.42	**85,012,305**	88,364,316
Electric and electric goods	**0.31**	0.31	**4,211,512**	4,211,512
Transport and communications	**11.24**	11.09	**152,555,370**	152,555,370
Chemicals / fertilizers / pharmaceuticals	**1.29**	1.27	**17,494,480**	17,494,480
Textile	**21.86**	21.82	**296,617,495**	300,203,635
Paper and boards	**3.86**	3.80	**52,327,172**	52,327,172
Construction	**7.79**	7.68	**105,677,968**	105,677,968
Food, tobacco and beverages	**5.07**	5.00	**68,755,578**	68,755,578
Glass and ceramics	**1.45**	1.43	**19,618,099**	19,708,670
Hotels	**1.06**	1.22	**14,419,667**	16,825,057
Health care	**0.81**	0.80	**10,985,869**	10,985,869
Dairy and poultry	**2.40**	2.37	**32,581,937**	32,581,937
Services	**8.62**	8.57	**117,008,565**	117,859,240
Miscellaneous	**16.84**	17.05	**228,546,241**	234,522,202
Consumer	**4.77**	4.89	**64,727,424**	67,166,488
	100.00	100.00	**1,357,196,842**	1,375,896,654

38.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company wiil 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

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

2017

	Weighted average effective rate of interest %	Carrying	Contractual cash flows	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years
		(Rupees)						
Financial liabilities								
Borrowings from financial institutions	**9.60%**	**174,930,728**	**174,930,728**	**174,930,728**	**-**	**-**	**-**	**-**
Certificates of investment	**7% - 11.00%**	**97,049,000**	**97,049,000**	**97,049,000**	**-**	**-**	**-**	**-**
Accrued mark-up		**330,062,479**	**330,062,479**	**330,062,479**	**-**	**-**	**-**	**-**
Accrued expenses and other payables		**12,663,746**	**12,663,746**	**12,663,746**	**-**	**-**	**-**	**-**
Long term finances	**6.61%-10.21%**	**392,032,443**	**392,032,443**	**392,032,443**	**-**	**-**	**-**	**-**
		1,006,738,396	**1,006,738,396**	**1,006,738,396**	**-**	**-**	**-**	**-**

2016

	Weighted average effective rate of interest %	Carrying amount	Contractual cash flows	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years
		(Rupees)						
Financial liabilities								
Borrowings from financial institutions	8.67%	177,693,232	177,693,232	177,693,232	-	-	-	-
Certificates of investment	7% - 11.00%	97,049,000	97,049,000	97,049,000	-	-	-	-
Accrued mark-up		299,505,913	299,505,913	299,505,913	-	-	-	-
Accrued expenses and other payables		11,554,690	11,554,690	11,554,690	-	-	-	-
Long term finances	6.61%-10.21%	392,032,443	392,032,443	392,032,443	-	-	-	-
		977,835,278	977,835,278	977,835,278	-	-	-	-

38.2.1 Breach of loan agreements

Due to liquidity crunch, as of June 30, 2017, the Company had been in default in making repayments in respect of certain short term and long term financing arrangements. As of the reporting date, the total outstanding principal and accrued markup in default amounted to Rs. 664.012 million (2016: Rs. 666.775 million) and Rs. 330.062 million (2016: Rs. 299.505 million), respectively.

38.3 Market risk

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

During the year, Mr.Tariq Massod (then CEO of the Company) was paid his accumulated provident fund balance amounting to Rs. 2.88 million. Th

38.3.1 *Interest rate risk*

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

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

	Carrying amount	
	June 30, 2017	June 30, 2016
	(Rupees)	
Fixed rate instruments		
Financial assets	**14,788,081**	14,720,920
Financial liabilities	**(309,610,505)**	(312,373,009)
	(294,822,424)	(297,652,089)
Variable rate instruments		
Financial assets	**1,367,450,139**	1,391,468,659
Financial liabilities	**(235,767,246)**	(235,767,246)
	1,131,682,893	1,155,701,413

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

As at June 30, 2017	**Effective rate of mark-up / return %**	**Exposed to interest rate risk**					**Not exposed to interest rate risk**
		Carrying amount	**Upto 6 months**	**er 6 mon to 1 year**	**1 year o 5 year**	**over 5 years**	
		(Rupees)					
Financial assets							
Cash and bank balances	**4% -5%**	**8,386,192**	**8,301,775**	**-**	**-**	**-**	**84,417**
Short term loans	**16.25%-25%**	**88,322,635**	**88,322,635**	**-**	**-**	**-**	**-**
Short term investments	**5.96%**	**29,557,182**	**-**	**-**	**-**	**-**	**29,557,182**
Trade deposits		**911,493**	**-**	**-**	**-**	**-**	**911,493**
Other receivables		**4,524,555**	**-**	**-**	**-**	**-**	**4,524,555**
Long term loans	**16% - 22.66%**	**34,336,495**	**34,336,495**	**-**	**-**	**-**	**-**
Net investment in finance leases net of security deposit	**12.50% - 20.01%**	**165,626,359**	**165,626,359**	**-**	**-**	**-**	**-**
		331,664,911	**296,587,264**	**-**	**-**	**-**	**35,077,647**

As at June 30, 2016	Effective rate of mark-up / return %	Exposed to interest rate risk					Not exposed to interest rate risk
		Carrying amount	Upto 6 months	er 6 mon to 1 year	1 year o 5 year	over 5 years	
		(Rupees)					
Financial assets							
Cash and bank balances	4% -5%	13,582,736	13,494,506	-	-	-	88,230
Short term loans	16.25%-25%	90,122,635	90,122,635	-	-	-	-
Short term investments	5.80%	33,744,768	-	-	-	-	33,744,768
Trade deposits		1,180,847	-	-	-	-	1,180,847
Other receivables		586,055	-	-	-	-	586,055
Long term loans	16% - 22.66%	39,783,068	39,783,068	-	-	-	-
Net investment in finance leases net of security deposit	12.50% - 20.01%	178,788,945	178,788,945	-	-	-	-
		357,789,054	322,189,154	-	-	-	35,599,900

Fair Value sensitivity for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

The Company holds profit earning savings accounts with various banks exposing the Company to cash flow interest rate risk (as detailed in note 4).

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

	Profit or loss before tax 100 bp	
	Increase	**(Decrease)**
	(Rupees)	
As at June 30, 2017		
Cash flow sensitivity - Variable rate instruments	**11,316,829**	(11,316,829)
As at June 30, 2016		
Cash flow sensitivity - Variable rate instruments	11,557,014	(11,557,014)

38.3.2 ***Foreign exchange risk***

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

38.3.3 ***Other price risk***

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

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

Price sensitivity analysis

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

	Fair value	**Hypothetical price change**	**Estimated fair value after hypothetical change in prices**	**Hypothetical increase / (decrease) in equity**
	----------------------------	(Rupees)	----------------------------	
2017	**104,163**	**10% increase**	**114,579**	**10,416**
	104,163	**10% decrease**	**93,747**	**(10,416)**
2016	108,910	10% increase	119,801	10,891
	108,910	10% decrease	98,019	(10,891)

38.4 **Operational risk**

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

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

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;

- requirements for the reconciliation and monitoring of transactions;

- compliance with regulatory and other legal requirements;

- documentation of controls and procedures;

- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;

- contingency plan;

- ethical and business standards;

- risk mitigation, including insurance where this is effective.

38.5 Fair value of assets and liabilities

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

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

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

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

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

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

	Level 1	**Level 2**	**Level 3**	**Total**
	-------------------------------- (Rupees)		**--------------------------------**	
Office premises and generators	**-**	**31,196,528**	**-**	**31,196,528**
Investment in ordinary shares	**104,163**	**-**	**14,664,938**	**14,769,101**

During the year, Mr.Tariq Massod (then CEO of the Company) was paid his accumulated provident fund balance amounting to Rs. 2.88 million. This amount was paid by the Company from its own funds against

	2017	2016

	2017	2016
	----------- (Rupees) -----------	
38.6 Financial instrument by categories		
Financial assets		
Loans and receivables		
Cash and bank balances	8,386,192	13,582,736
Short term loans	88,322,635	90,122,635
Trade deposits	908,267	898,267
Other receivables	4,524,555	586,055
Long term loans	34,336,495	39,783,068
Net investment in finance leases	489,875,488	513,128,692
Available-for-sale		
Short term investments	14,769,101	19,023,848
Held-to-maturity		
Short term investments	14,788,081	14,720,920
Financial liabilities		
At amortised cost		
Long term finances	392,032,443	392,032,443
Security deposits against finance leases	324,249,129	334,339,747
Certificates of investment	97,049,000	97,049,000
Borrowings from financial institutions	174,930,728	177,693,232
Accrued mark-up	330,062,479	299,505,913
Accrued expenses and other payables	12,663,746	11,554,690

39. DATE OF AUTHORISATION OF FINANCIAL STATEMENTS

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

Chief Executive Officer

Director