

CORPORATE INFORMATION

BOARD OF DIRECTORS ELECTED ON NOVEMBER 26, 2018

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

AUDIT COMMITTEE ELECTED ON JANUARY 29, 2019

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

HR & REMUNERATION COMMITTEE ELECTED ON JANUARY 29, 2019

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

CHIEF EXECUTIVE OFFICER

Mr. Ahsanullah

COMPANY SECRETARY

Mr. M. Imtiaz Ali

CHIEF FINANCIAL OFFICER

Mr. Muhammad Siddique Ahmed, FCA

TAX CONSULTANT

Junaid Shoaib Asad
Chartered Accountants

AUDITORS

M/s. Rahman Sarfaraz Rahim Iqbal Rafiq
Chartered Accountant
(appointed on 26-11-2018)
A member of Russell Bedford International

LEGAL ADVISOR

1)M/s. S&B Durrani Law Associates, House No. 5-A/11/11, Sunset Lane,DHA,
Phase – II (Ext.), Karachi
2)M/s. Zafar & Zafar Law Associates, Zafar
Cottage, 25, Mason Road, Lahore

BANKS

MCB Bank Limited
Faysal Bank Limited
National Bank of Pakistan

REGISTERED OFFICE

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

BRANCH

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

CONTACT DETAILS

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

REGISTRAR AND SHARE TRANSFER OFFICE

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

NOTICE OF THE 29TH ANNUAL GENERAL MEETING OF
SAUDI PAK LEASING COMPANY LIMITED

Notice is hereby given that the 29th Annual General Meeting of Saudi Pak Leasing Company Limited will be held on Tuesday the 22nd October, 2019 at 11:00 a.m. at Registered Office i.e. 6th Floor, Lakson Square Building # 1, Sarwar Shaheed Road, Saddar, Karachi to transact the following business:

A. Ordinary Business:

1. To confirm the minutes of 28th Annual General Meeting (AGM) held on May 16, 2019.
2. To receive, consider and adopt the audited Accounts for the year ended June 30, 2019 together with the Directors' and Auditors' reports thereon approved by Board of Directors.
3. To Re-appointment of retiring auditors M/s. Rahman, Sarfaraz, Iqbal, Rafiq, Chartered Accountants (Russell Bedford) for the year 2020 and fix their remuneration recommended by Board of Directors.

B. Special Business:

4. To ratify the proposal for the sale of Office premises and investment properties as decision taken by the Board of Directors.
5. To transact any other business with the permission of the Chair.

By Order of the Board

MUHAMMAD IMTIAZ ALI
Company Secretary

Karachi October 1, 2019

NOTES:

- i) The Share Transfer Books of the Company will remain closed from October 16, 2019 to October 22, 2019 (both days inclusive).
- ii) A member entitled to attend and vote at the Annual General Meeting may appoint another as a Proxy to attend and vote instead of him/her save that a company being a member of this Company may appoint as proxy or as its representative under Section 138 of the Companies Act., 2017 any person though not a member of the Company, and the person so appointed shall be entitled to exercise the same powers on behalf of the Company which he represents, as if he was an individual member of the Company.
- iii) The instrument appointing a proxy shall be lodged with the Company Secretary not less than 48 hours before the time fixed for the Meeting. A member shall not be entitled to appoint more than one proxy. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

CHAIRMAN'S REVIEW

I hereby present the 29th Annual Report along with the audited Financial Statements of Saudi Pak Leasing Company Limited for the year ended June 30, 2019.

The year under review was comparatively better than 2018. This year also faced severe operational and financial problems. Due to extreme resource constraints, the core business activities remained suspended during the current year as well. The Company remained unable to generate revenue from the business operations both from financial leases and operating leases. On the other hand, substantial portion of leases written a decade ago have been long overdue for payments, stuck up and continued to be classified in Loss category. Despite using all possible measures for recovery through negotiated settlements, no significant success was achieved during the year under review.

The recoveries have become increasingly difficult owing to cumbersome and prolonged litigation process. The gross revenues of the Company during the year registered at Rs.43.282 million as compared to Rs.11.983 million in FY 2018. Other operating income increased to Rs.31.985 million during the year under review as compared to Rs. 2.238 million in the preceding year due to recovery effect of the management. The administrative and operating expenses including depreciation increased to Rs. 55.027 million in 2019 from Rs. 39.432 million in 2018.

The management of the Company is striving hard to improve the financial condition of the Company through extensive efforts for recoveries. In this regards, a rehabilitation plan has been submitted to SECP with the approval of the board for changing status from deposit taking to non-deposit taking and comply with the prescribed MER requirement during 2019-2020.

I am pleased to inform you that the required infrastructure and human resources are now in place to assist the Company for its revival. The Management is making utmost efforts for capitalizing recoveries on one hand and addressing the liability position by evolving settlements through meaningful negotiations with the Company's Creditors.

On behalf of the Board of Directors, I avail the opportunity to acknowledge with thanks the guidance of the Regulatory Authorities particularly the SECP which is genuinely assisting for the revival of the Company besides the support and gesture

of COIs//TFC holders and Financial Institutions. I also appreciate the efforts being made by the CEO and his team for revival of the Company.

A handwritten signature in dark ink, appearing to read 'Soman', with a stylized, cursive script.

Chairman

Karachi: October 2, 2019

FINANCIAL HIGHLIGHTS

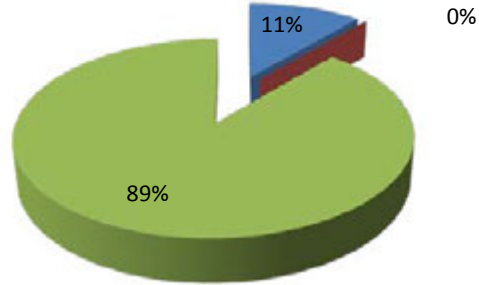
	2019	2018	2017	2016	2015	2014
Operational results						
Total disbursement	-	-	-	-	-	-
Revenues	36	12	13	52	61	208
Profit / (Loss) before tax	12	(52)	(69)	(118)	(191)	5
Profit / (Loss) after tax	27	(53)	(69)	(119)	(193)	7
Financial charges	43	36	36	39	51	56
(Reversal) / Provision against non-performing portfolio	(76)	(12)	2	57	132	66
Impairment loss on equity investment	-	-	-	-	(1)	4
Cash dividend - ordinary shares	-	-	-	-	-	-
Cash dividend - preference shares	-	-	-	-	-	-
Balance sheet						
Gross lease receivables	1,614	1,683	1,712	1,736	1,864	1,953
Net investment in leases	484	480	490	513	641	837
Net worth	(607)	(670)	(618)	(561)	(531)	(338)
Fixed assets - owned & operating lease	67	21	32	43	65	22
Total assets	744	703	726	776	1,014	1,223
Long term liabilities	-	-	-	-	74	104
Long term investments	30	33	35	38	50	63

SAUDI PAK LEASING COMPANY LIMITED
Key Performance Indicators

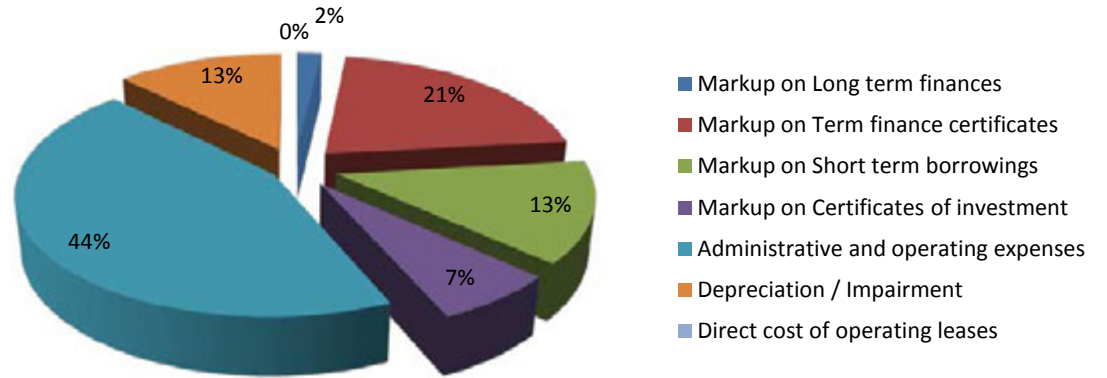
Ratio	2019	2018	2017	2016	2015	2014
Break up Value (Rs.)	(13.42)	(15.12)	(13.95)	(12.43)	(11.76)	(7.48)
Current Ratio (X)	0.48	0.47	0.49	0.52	0.61	0.78
Debt Leverage	(2.87)	(2.79)	(1.60)	(1.72)	(1.73)	(3.12)
Dividend per Share (Rs.)	-	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-	-
Earnings / (Loss) per Share (Rs.)	0.60	(1.17)	(1.53)	(2.63)	(4.27)	0.16
Financial Charges / Total Expenses (%)	(219.61)	126.59	44.51	34.55	42.49	42.51
Financial Charges / Total Revenue (%)	10.78	3.68	266.19	75.79	83.99	27.08
Market Value per Share (Rs.)	-	-	1.90	1.90	1.90	2.91
Net Profit / (Loss) Margin (%)	6.74	(5.40)	(515.76)	(230.75)	(316.87)	3.47
Operating Profit / (Loss) Margin (%)	(15.88)	(6.55)	(498.01)	(119.38)	(97.64)	36.30
Price Earning Ratio (X)	1.50	(1.63)	(1.24)	(0.72)	(0.44)	18.21
Return on Assets (%)	0.04	(0.07)	(9.52)	(15.31)	(19.03)	0.59
Return on Equity (%)	2.25	(4.51)	10.94	21.17	36.33	(2.14)
Revenue per Share (Rs.)	0.09	0.22	0.30	1.14	1.35	4.60
Times Interest Earned (X)	(1.63)	0.46	(0.87)	(0.58)	(0.16)	2.34
Total Assets / Net Worth (X)	(1.23)	(1.03)	(1.12)	(1.33)	(1.66)	(3.62)
Total Financing / Net Worth (X)	(3.16)	(2.88)	(1.03)	(1.14)	(1.20)	(2.29)

Revenue Analysis - FY 2019

■ Finance leases ■ Operating leases ■ Other income

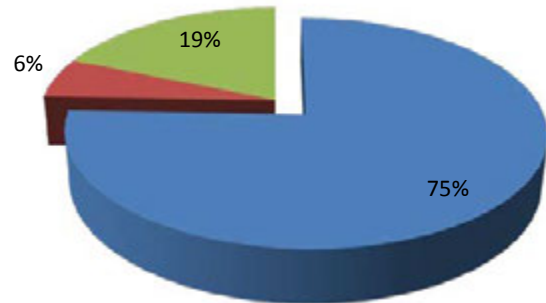


Expenses Analysis - FY 2019

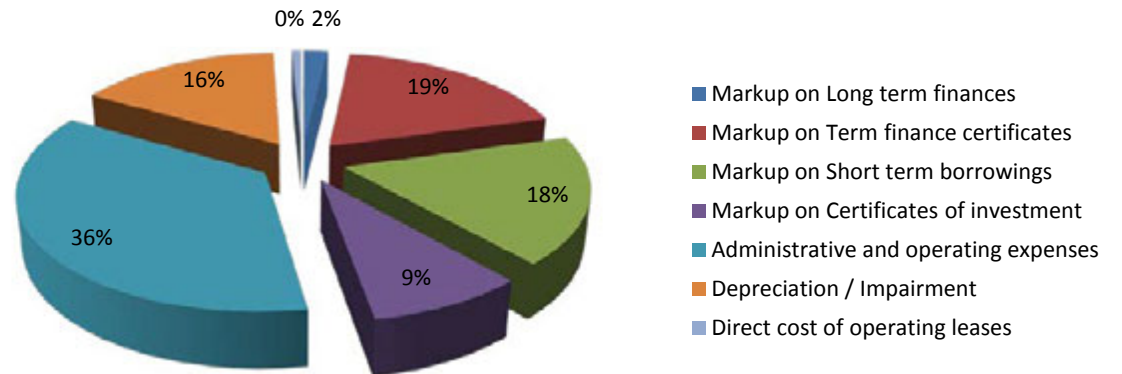


Revenue Analysis - FY 2018

■ Finance leases ■ Operating leases ■ Other income



Expenses Analysis - FY 2018



ANNUAL REPORT 2019

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Saudi Pak Leasing Company Limited (SPLC) are pleased to present the 29th Annual Report together with audited financial statements of the Company for the year ended June 30, 2019.

FINANCIAL INFORMATION		(Rs.in million)	
The financial results of the Company are summarized below:		2019	2018
Income from operating and financial leases		4.021	9.745
Other operating income		31.985	2.238
Total income		36.006	11.983
Financial Cost		(43.443)	(35.892)
Depreciation		(12.540)	(12.148)
Administrative and operating costs except depreciation		(43.986)	(27.284)
Direct cost of operating leases		-	(0.543)
Operating profit/ (loss) before provisioning		(63.963)	(63.885)
Provisions for write-offs, reversals, etc.		76.308	11.622
Profit /(loss) before taxation		12.345	(52.263)
Profit/(loss) after taxation		27.165	(52.673)

KEY OPERATING AND FINANCIAL DATA

Key operating and other financial data for the last six years are being given hereinafter this report.

REVIEW OF OPERATIONS

The company has been out of leasing business for the last several years mainly due to severe liquidity crunch. This has led to a situation where the Company has been managing its affairs out of funds generated through settlements and recovery of stuck up portfolio.

The Company is trying its level best to recover as much as possible from the non performing portfolio and therefore has to offer concessions to the customers for encouraging them to pay early. This policy helped in arriving at settlements with customers who have agreed for repayments of amounts in installments. Due to lengthy and complex legal process, the pace of recoveries through courts is very slow. Therefore, the main factor for the present position of the Company remains slow pace of court's proceedings resultantly affecting the pace of recoveries. Future prospects of the Company heavily rely upon recoveries through court

decrees/out of court settlements, besides other measures that have been mentioned in the Rehabilitation Plan submitted to SECP. Settlement negotiations with several defaulters are however, at an advanced stage and substantial recoveries are expected in the coming months.

FUTURE OUTLOOK

Your company is facing liquidity constraints. Management and BOD are fully cognizant of the prevailing situation. Settlement negotiations with defaulters as well COI holders etc. have been initiated. It is a major step towards revival and the management is optimistic about bringing further improvement in the next year's results.

RISK MANAGEMENT

Risk is inherent in all spheres of company's activities. Overall responsibility for establishing the risk management framework rests with the Board of Directors, which is actively involved in review, approval and monitoring the Company's risk management policies and ensuring that an appropriately sound internal control system is in place to manage those risks. This oversight is implemented through independent internal audit reporting to the Audit Committee.

Statutory Reserve

The Board of Directors has approved to carry 20% of the profit to the Statutory Reserve.

Dividend

On account of persistent liquidity crisis together with huge accumulated losses, the Board of Directors of Company could not recommend dividend this year also.

Directors' Declaration

1. The financial statements prepared by the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of accounts of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained.
5. The system of internal control is sound in design and has been effectively implemented and monitored and is being improved further.
6. There are no significant doubts upon the Company's ability to continue as a going concern.

7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. The key information as to operating and financial data of the company is available in the annual report. The categories and pattern of shareholding as required by the Companies Ordinance, 1984 are also included in the annual report.
9. No trading in shares of the Company was carried out by the Directors, Executives and their spouses and minor children during the year.
10. Due to present financial and liquidity position, the Company has been facing difficulties in fulfilling its financial obligations. The details of amounts overdue if any are disclosed in relevant notes to the financial statements.
11. The management has introduced structural changes in the organization structure of your Company with a view to consolidate and streamline overall functions into five departments to ensure efficient working environment with better MIS and management & cost controls.
12. During the year sixteen meetings of the Board of Directors were held during the year to approve the pending accounts for the last three years i.e. 2016, 2017 and 2018, and transact the other routine business of the Company. Thirteen meetings of the Board's Audit Committee were also held during the year to approve the pending Accounts for the years 2016, 2017 and 2018. Leave of absence was granted to those Directors who could not attend some of the Board meetings.

Name of Directors	Designation	Number of meetings held during the year	Attended
Mr. Niaz Ahmed Khan	Chairman	16	8
Mr. Muhammad Waqar	Director	16	8
Ms. Fozia Fakhar	Director	16	16
Sheikh Aftab Ahmad	Director	16	16
Mr. Zafar Iqbal	Director	16	16
Syed Najmul Hasnain Kazmi	Director	16	15
Mr. Ahsan Ullah	CEO/Director	16	16

Audit Committee

The Audit Committee comprised of four non - executive directors, viz. Syed NajmulHasnainKazmi, Sheikh Aftab Ahmad, Mr. Muhammad Waqar and MS. Fozia Fakhar. During the year, thirteen (13) meetings of the Audit Committee were held to approve the pending accounts for the last three years 2016, 2017 and 2018.

HR & Remuneration Committee

The Board has formed an HR & Remuneration Committee. It comprised of four members, Viz: Mr. Niaz Ahmed Khan (Chairman / Non-Executive Director), SheikhAftab Ahmad (Non-Executive Director), Mr. Zafar Iqbal (Non-Executive Director) and Mr. Ahsan Ullah(Executive Director/ CEO).

External Auditors

M/s. Rahman, Sarfaraz Rahim, IqbalRafique were appointed as auditors of the Company for the year 2019.

Pattern of Shareholding

The pattern of shareholding as required under the Companies Act, 2017 and Clause (xvi) of the Code of Corporate Governance form part of this annual Report.

MANAGEMENTS' COMMENTS ON DISCLAIMER OF OPINION ON (Bases for Disclaimer of Opinion)

The External auditors have expressed their reservation on the apportionment of receivables into markup held in suspense account and principal investment. In this regard we refer to note no. 11.7 to the Financial Statements which clearly shows that all principal investment is fully provided except to the extent of FSV benefit taken under law and net residual value (against which we have already received the security). Therefore, the net Lease Receivables appearing in the Financial Statements are accurate, valid and complete. The apportionment errors, if any and regardless of any quantum, will not materially impact the decision of user of Financial Statements.

The component of markup in lease rentals recovered is 8.65% because we settled the receivables with our customers by giving relief in markup.

The auditors' reservation regarding difference in the amount of Security Deposits and Residual Values does not cast any impact on the decision of the Financial Statements because the residual values in excess of security deposit are fully provided and net residual value is equal to the security deposit as mentioned in note no. 11.6 and 11.5 of the Financial Statements.

Acknowledgement

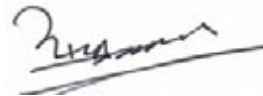
On behalf of the Board, we would like to express our sincere appreciation to the shareholders for their continued trust and patronage, the Securities and Exchange Commission of Pakistan and other Regulatory bodies for their guidance and support.

On behalf of the Board of Directors



Chief Executive Officer

October 02, 2019



Director

STATEMENT OF COMPLIANCE

with Listed Companies (Code of Corporate Governance) Regulations, 2017

For the year ended 30 June 2019

Saudi Pak Leasing Co. Limited (hereinafter referred to as the Company) has complied with the requirements of the Regulations in the following manner.

1. The total number of Directors are Seven (7) as per the following:

a) Male	-	6
b) Female	-	1

2. The composition of the Board is as follows:

Independent Directors	Mr. Niaz Ahmed Khan, Mr. Muhammad Waqar, Syed Najmul Hasnain Kazmi
Non-Executive Directors	Sheikh Aftab Ahmad, Ms. Fozia Fakhar, Mr. Zafar Iqbal
Executive Director	Mr. Ahsan Ullah

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. All the directors of the company are registered tax payer and none of them defaulted in payment of any loan to a banking company, DFI or NBFI or, being a member of Stock Exchange as defaulter by the Stock Exchange.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company.
7. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

9. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
10. Five Directors of the Company have obtained 'Director's Training Certification' during the year. Now all directors hold "Directors Training Certification".
11. The Board appointed the Chief Financial Officer (CFO), Company Secretary and fixed their remuneration and terms and conditions of employment during the year, the Internal Auditor could not be appointed during the year as the Company could not find any suitable candidate in the limited available resources. The said post is still vacant and it was decided to outsource the work of Internal Auditor to a reputable Chartered Accountant firm, which is under process and will be finalized in upcoming Board meeting.
12. CFO and CEO duly endorsed the financial statements before approval of the board.
13. The Board has formed Committees comprising of members given below;

Name of Committees	Name of members and Chairman	
Audit Committee	Syed Najmul Hasnain Kazmi	Chairman
	Sheikh Aftab Ahmad	Member
	Ms. Fozia Fakhar	Member
	Mr. Muhammad Waqar	Member
Human Resource & Remuneration Committee	Mr. Niaz Ahmed Khan	Chairman
	Sheikh Aftab Ahmad	Member
	Mr. Zafar Iqbal	Member
	Mr. Ahsanullah	Member

14. The frequency of meetings of the Board and Committees were as follows;
 - a) Sixteen (16) meetings of the Board of Directors were held during the year to approve the pending accounts for the last three years i.e. 2016, 2017 and 2018 and transact the other routine business of the company.
 - b) Thirteen (13) meeting of the Audit Committee were held during the year to approve the pending Accounts of the Company for the year 2016, 2017 and 2018.
 - c) One (01) HRR committee meeting was held during the year.
15. The Board due to non-availability of the Internal Auditor could not set-up an effective internal audit function.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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

18. We confirm that all other requirements of the Regulations have been complied with.

A handwritten signature in dark ink, appearing to read 'Niaz Ahmed Khan', is written over a faint, circular official stamp.

NIAZ AHMED KHAN
Chairman

Karachi: September 18, 2019.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SAUDI PAK LEASING COMPANY LIMITED****REPORT ON THE FINANCIAL STATEMENTS****Disclaimer of Opinion**

We were engaged to audit the annexed financial statements of **M/s. Saudi Pak Leasing Company Limited** ('the Company') which comprise the statement of financial position as at **June 30, 2019**, and the statement of profit or loss, statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information ('the financial statements').

Because of the significance of the matters described in the Bases for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. Accordingly, we do not express an opinion as to whether the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and, respectively, give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the profit, total comprehensive income, its changes in equity and cash flows for the year then ended.

Bases for Disclaimer of Opinion*Investment in finance leases*

As reported in Note 11 to the financial statements, the Company's gross and net investment in finance leases as on June 30, 2019 (before considering the effect of provision for non-performing leases) amounted to Rs. 1.614 billion (2018: Rs. 1.683 billion) and Rs. 1.385 billion (2018: Rs. 1.451 billion), respectively. We were unable to satisfy ourselves as to the *accuracy* of such lease receivable balances primarily due to the following reasons:

- We could not obtain any reasonable assurance over the *apportionment* of the outstanding gross lease rentals into markup held in suspense and the principal investment since there were no sufficient documentary evidences in relation to the revisions that were incorporated in the scheduled lease receivables in prior years (as reflected in the lease amortization schedules maintained by the Company) either due to repricing of floating interest rates or the re-scheduling of overdue lease rentals. In addition, we noted as follows:
 - (a) The percentage of markup component included in overdue lease rentals recovered during the year ended June 30, 2019 comes to 8.65% (2018: 27.27%) which is not consistent with the percentage of markup component included in overdue lease rentals outstanding as on June 30, 2019 which comes to 14.19% (2018: 13.83%).
 - (b) In Note 41 to the financial statements, it is stated that, during the year ended June 30, 2019, management carried out an exercise to identify the reason(s) for the material differences noted between the amounts of markup held in suspense as reported in the prior years' financial statements and those reflected in the Company's subsidiary record of finance leases which also revealed the fact that the overstatement noted in the previously reported amounts of markup held in suspense was due to an *inaccurate allocation* of the overdue rentals recovered, in prior years, into the principal and the markup components. Accordingly, in the financial statements 2018-19, management corrected the said prior period error retrospectively in order to bring the amounts of outstanding markup held in suspense and the principal investment reported therein in line with those reflected in the Company's subsidiary record of finance leases.

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Bases for Disclaimer of Opinion (continued)*Investment in finance leases (continued)*

- As reported in Note 11 to the financial statements, residual value of leased assets forming part of gross investment in finance leases, as on June 30, 2019, amounted to Rs. 319.234 million (2018: Rs. 344.570 million). In contrast, security deposits payable as reported in Note 22 to the financial statements amounted to Rs. 298.914 million as on June 30, 2019 (2018: Rs. 324.249 million). As per management, this noted discrepancy is due to the fact that there are certain leases where the residual value of the underlying assets is unguaranteed and, hence, in such cases, no corresponding security deposits had been received from the lessees upon commencement of the lease. However, no supporting documentary evidences in support of this assertion were made available to us.

In view of the aforementioned limitations, we were unable to determine whether any adjustments might have been found necessary in respect of finance lease receivable balances and the related security deposit balances outstanding as on June 30, 2018 and 2019 as well as markup recovery on finance leases recognized as income in the statement of comprehensive income for the years then ended.

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

As on June 30, 2019, the Company had an investment in unquoted ordinary shares of M/s. SPI Insurance Company Limited which has been carried at cost notwithstanding its classification, in the financial statements, as an 'investment carried at fair value through other comprehensive income'. In this connection, we noted that the International Financial Reporting Standard (IFRS) 9 *Financial Instruments* requires such investments to be revalued and reported at their fair value at the end of reporting period. We further noted that the published historical financial statements of the above named investee company are readily available and, hence, the fair value of the investment could be measured reliably by employing standard and recognized business valuation models.

However, since the aforesaid valuation was not carried out by management, we were unable to determine whether any adjustments might have been found necessary in respect of the carrying amount of the investment in unquoted equity instruments of M/s. SPI Insurance Company Limited as on June 30, 2019 as well as the corresponding effects of change therein to be recognized in other comprehensive income.

Material Uncertainty relating to Going Concern

We draw attention to Note 1.2 to the financial statements which indicates that, as of June 30, 2019, the accumulated losses of the Company amounted to Rs. 1.811 billion (2018: Rs. 1.839 billion), its equity was negative by Rs. 607.032 million (2018: Rs. 670.818 million) and its current liabilities exceeded current assets by Rs. 703.249 million (2018: Rs. 725.029 million). These events or conditions, along with other matters as set forth in Note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, accordingly, it may be unable to realize its assets and discharge its obligations in the normal course of business. However, this matter has no bearing on our disclaimer of opinion on the financial statements which we have expressed because of the significance of certain other matters as set out in the Bases of Disclaimer of Opinion section of our report.

-: 3 :-

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Because of the significance of the matters described in the Bases for Disclaimer of Opinion paragraph above, we have not been able to obtain sufficient appropriate evidence to provide a basis for an opinion on the following matters as required by the Companies Act, 2017 (XIX of 2017):

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

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

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

Date: 02 OCT 2019
Karachi



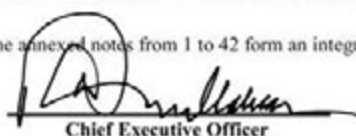
RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

Engagement Partner: Muhammad Waseem

Saudi Pak Leasing Company Limited
Statement of Financial Position
As at June 30, 2019

			(Restated) June 30, 2018	(Restated) June 30, 2017
	Note	2019	(Rupees)	
ASSETS				
Current assets				
Cash and bank balances	5	6,060,252	9,738,553	8,386,192
Short term loans	6	86,922,935	88,022,635	88,322,635
Short term investments	7	29,515,516	29,401,822	29,557,182
Trade deposits and short term prepayments		1,093,160	908,865	911,493
Other receivables	8	5,566,100	5,940,827	7,340,383
Current maturity of non-current assets	9	518,412,617	514,496,033	524,211,983
Total current assets		647,570,579	648,508,734	658,729,868
Non-current assets				
Long-term loans	10	-	-	-
Net investment in finance leases	11	-	-	-
Investment properties	12	29,587,556	32,670,020	35,345,889
Intangible assets	13	125,882	-	-
Property, plant and equipment	14	66,504,098	21,541,364	32,119,471
Total non-current assets		96,217,536	54,211,384	67,465,360
Total Assets		743,788,115	702,720,118	726,195,228
LIABILITIES				
Current liabilities				
Borrowings from financial institutions	15	164,501,588	174,930,728	174,930,728
Certificates of investment		43,000,000	43,000,000	43,000,000
Accrued mark-up	16	398,009,594	365,927,127	330,062,479
Provision for taxation - net		-	194,975	599,160
Accrued expenses and other payables	17	9,378,798	11,719,731	18,135,941
Current maturity of non-current liabilities	18	728,495,116	770,330,572	770,330,572
Provident fund payable		-	-	79,998
Unclaimed dividend		1,661,291	1,661,291	1,661,291
Preference dividend payable		5,774,153	5,774,153	5,774,153
Total current liabilities		1,350,820,540	1,373,538,577	1,344,574,322
Non-current liabilities				
Certificates of investment	19	-	-	-
Deferred tax liability - net	20	-	-	-
Long term finances	21	-	-	-
Security deposits against finance leases	22	-	-	-
Total non-current liabilities		-	-	-
Total liabilities		1,350,820,540	1,373,538,577	1,344,574,322
NET ASSETS		(607,032,425)	(670,818,459)	(618,379,094)
FINANCED BY				
<i>Authorized share capital</i>				
100,000,000 (June 30, 2018: 100,000,000) ordinary shares of Rs. 10/-each		1,000,000,000	1,000,000,000	1,000,000,000
100,000,000 (June 30, 2018: 100,000,000) preference shares of Rs. 10/-each		1,000,000,000	1,000,000,000	1,000,000,000
		2,000,000,000	2,000,000,000	2,000,000,000
Issued, subscribed and paid-up share capital - ordinary shares	23	451,605,000	451,605,000	451,605,000
Issued, subscribed and paid-up share capital - preference shares	23	528,208,500	528,208,500	528,208,500
Statutory reserves		183,361,290	177,928,194	177,928,194
Accumulated loss		(1,811,991,302)	(1,839,191,502)	(1,791,985,562)
Surplus on revaluation of property, plant and equipment - net of tax	24	42,783,336	11,619,054	16,846,212
Unrealised gain on re-measurement as at fair value through other comprehensive income		417	11,961	18,228
Accumulated actuarial (loss) / gain on defined benefit plan-net of tax		(999,666)	(999,666)	(999,666)
		(607,032,425)	(670,818,459)	(618,379,094)
CONTINGENCIES AND COMMITMENTS				

The annexed notes from 1 to 42 form an integral part of these financial statements.


Chief Executive Officer


Director


Chief Financial Officer

Saudi Pak Leasing Company Limited
Statement of Profit or Loss
For the year ended June 30, 2019

		2019	2018
	Note	----- (Rupees) -----	
Revenue from:			
Finance leases	26	4,021,193	9,051,940
Operating leases		-	693,333
		<u>4,021,193</u>	<u>9,745,273</u>
Other operating income	27	31,985,153	2,238,402
		<u>36,006,346</u>	<u>11,983,675</u>
Expenses			
Finance cost	28	(43,443,773)	(35,892,642)
Administrative and operating expenses	29	(56,526,350)	(39,432,526)
Direct cost of operating leases	30	-	(543,925)
		<u>(99,970,123)</u>	<u>(75,869,093)</u>
Operating loss before provisions		<u>(63,963,777)</u>	<u>(63,885,418)</u>
Reversal of provisions for doubtful leases, loans and other receivables-net	31	76,308,855	11,622,124
Profit / (loss) before taxation		<u>12,345,078</u>	<u>(52,263,294)</u>
Taxation	32	14,820,400	(410,464)
Profit / (loss) after taxation		<u>27,165,478</u>	<u>(52,673,758)</u>
Earnings / (loss) per share - basic	36	<u>0.60</u>	<u>(1.17)</u>
Earnings / (loss) per share - diluted	36	<u>0.28</u>	<u>(0.54)</u>

The annexed notes from 1 to 42 form an integral part of these financial statements.


Chief Executive Officer


Director



Chief Financial Officer



Saudi Pak Leasing Company Limited
Statement of Comprehensive Income
For the year ended June 30, 2019

	2019 ----- (Rupees) -----	2018 ----- (Rupees) -----
Profit / (loss) after taxation	<u>27,165,478</u>	<u>(52,673,758)</u>
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit and loss account:</i>		
Unrealised loss on re-measurement of investment as at fair value through other comprehensive income	(11,544)	(6,267)
Surplus recognized on revaluation of office premises carried out during the year	51,594,507	-
Deferred tax on above	(14,962,407)	-
	36,632,100	-
Decrease in deferred tax liability on surplus on revaluation of fixed assets due to change in tax	-	240,660
Total other comprehensive income for the year	<u>36,620,556</u>	<u>234,393</u>
Total comprehensive income/ (loss) for the year	<u>63,786,034</u>	<u>(52,439,365)</u>

The annexed notes from 1 to 42 form an integral part of these financial statements.


 Chief Executive Officer


 Director


 Chief Financial Officer



Saudi Pak Leasing Company Limited
Statement of Changes in Equity
For the year ended June 30, 2019

Issued, subscribed and paid-up share capital

	Rupees					Total
	Ordinary shares	Non-redeemable preference shares	Statutory reserves	Unrealised gain on re-measurement of investment as at fair value through other comprehensive income	Accumulated actuarial gain / loss on defined benefit plan- net of tax	Accumulated loss of property, plant and equipment - net
Balance as at July 01, 2017 (as previously reported)	451,605,000	528,208,500	177,928,194	18,228	(999,666)	(630,318,744)
Effect of correction of prior period errors (refer note 42)	-	-	-	-	11,939,650	11,939,650
Balance as at July 01, 2017 (as restated)	451,605,000	528,208,500	177,928,194	18,228	(999,666)	(618,379,094)
Total comprehensive income for the year ended June 30, 2018	-	-	-	-	-	-
- Loss after taxation for the year ended June 30, 2018	-	-	-	-	(52,673,758)	(52,673,758)
- Other comprehensive income	-	-	-	(6,267)	-	234,393
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	-	(6,267)	-	240,660
Balance as at June 30, 2018 (as restated)	451,605,000	528,208,500	177,928,194	11,961	(999,666)	(670,818,459)
Total comprehensive income for the year ended June 30, 2019	-	-	-	-	-	-
- Profit after taxation for the year ended June 30, 2019	-	-	-	-	27,165,478	27,165,478
- Other comprehensive income	-	-	-	(11,544)	-	36,632,100
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	-	(11,544)	-	36,632,100
Transfer to statutory reserves	-	-	5,433,096	-	-	(5,467,818)
Balance as at 30 June 2019	451,605,000	528,208,500	183,361,290	417	(999,666)	(607,032,425)

The annexed notes from 1 to 42 form an integral part of these financial statements.


Chief Executive Officer

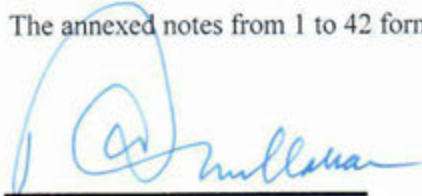

Chief Financial Officer

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Saudi Pak Leasing Company Limited
Statement of Cash Flows
For the year ended June 30, 2019

		2019	2018
	Note	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	35.	(40,486,938)	(29,417,788)
Financial charges paid		(33,515)	(27,994)
Taxes paid		(336,982)	(573,989)
Finance lease rentals received		43,193,544	29,439,621
		<u>42,823,047</u>	<u>28,837,638</u>
<i>Net cash generated from / (used in) operating activities</i>		2,336,109	(580,150)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(3,037,380)	(42,647)
Short term investments - Net		1,173,431	1,039,419
Proceeds from disposal of property, plant and equipment		348,550	1,000,000
Long term loans - net		493,069	(72,181)
Dividend received		7,920	7,920
<i>Net cash (used in) / from investing activities</i>		(1,014,410)	1,932,511
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term finances		(2,000,000)	-
Repayment of certificates of investment		(3,000,000)	-
<i>Net cash used in financing activities</i>		(5,000,000)	-
Net (decrease) / increase in cash and cash equivalents during the year		(3,678,301)	1,352,361
Cash and cash equivalents at beginning of the year		9,738,553	8,386,192
Cash and cash equivalents at end of the year		<u><u>6,060,252</u></u>	<u><u>9,738,553</u></u>

The annexed notes from 1 to 42 form an integral part of these financial statements.


Chief Executive Officer


Director


Chief Financial Officer



Saudi Pak Leasing Company Limited
Notes to the Financial Statements
For the year ended 30 June 2019

1. LEGAL STATUS AND OPERATIONS

- 1.1** Saudi Pak Leasing Company Limited (the Company) was incorporated in Pakistan on 08 January 1991 under the 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

Saudi Pak Industrial & Agricultural Investment Company Limited (SAPICO) is the major shareholder and as of 30 June 2019 holds 35.06% (2018: 35.06%) of issued ordinary share capital of the Company and 63% (2018: 63%) of issued preference share capital of the Company.

The Company also operates its offices at 337/338, 4th Floor, JEFF Heights, Main Boulevard, Gulberg-III, Lahore.

- 1.2** As of the reporting date, the Company is apparently 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, 2019, the Company earned incurred a net profit amounting to Rs. 27.165 million (2018: Loss of Rs. 52.674 million) and as of that date its accumulated loss amounted to Rs. 1.811 billion (2018: Rs.1.839 billion), its equity is negative by Rs. 607.032 million (2018: Rs. 670.818 million) and its current liabilities exceeded current assets by Rs. 703.249 million (2018: Rs. 725.029 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.
- 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 regarding minimum capital requirement 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 defaulted in meeting its financial obligations. As of June 30, 2019, total outstanding principal and accrued markup on which defaults were made amounted to Rs. 637.083 million (2018: Rs 664.012 million) and Rs. 398.009 million (2018: Rs. 365.927 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 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 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. A reasonable number of cases have been decreed in the favour of the Company. It is expected to materially improve the recoveries of overdue lease rentals and term loans from customers which, in turn, would enable the Company to settle its long outstanding financial liabilities to lenders in order to make the Company a feasible investment avenue for a resourceful investor.

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

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

- Regulation 5 (1) - aggregate liabilities, excluding contingent liabilities and security deposits, of an NBFC, shall not exceed ten times of the Company's equity (in case of operations beyond the first 2 years).
- Regulation 5 (2) - contingent liabilities of an NBFC shall not exceed seven times of its equity for the first two years of its operations and ten times of its equity in the subsequent years.
- Regulation 14 (4) (h) - the deposits raised by the NBFC, from individual depositors including sole proprietorships shall not exceed three times of the equity of the NBFC.
- Regulation 17 (1) - total outstanding exposure (fund and non-fund based) of an NBFC to a person shall not at any time exceed 30% of the equity of the NBFC, provided that the maximum outstanding fund based exposure should not exceed 20% of the NBFC's equity.
- Regulation 17 (2) - total outstanding exposure (fund based and non-fund based) of an NBFC to any group shall not exceed 50% of the equity of the NBFC, provided that the maximum outstanding fund based exposure should not exceed 35% of the equity.
- Regulation 19 (g) - an NBFC shall not hold shares on aggregate basis, whether as pledge, mortgagee or absolute owner, of an amount exceeding 20% of the paid-up share capital of that company or 20% of its own 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 the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of such International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017 (the Act), provisions of and directives issued under the Companies Act, 2017, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) and the directives issued by the SECP. In case requirements differ, provisions or directives of the Companies Act, 2017, NBFC Rules and NBFC Regulations and directives issued by the SECP shall prevail.

As mentioned in note 1.2 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.

The requirements of International Financial Reporting Standard - IFRS-9 "Financial Instruments: Recognition and Measurement", relating to the assessment of impairment loss on leasing portfolio have not been followed in the preparation of these financial statements based on a clarification received from the SECP specifying that the requirements of IFRS 9 should only be followed by leasing companies so far as it related to investments made by them.

The Company provides for impairment in the carrying value of its net investment in finance leases based on the requirements laid down in the NBFC Regulations, 2008.

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 carried at fair value through other comprehensive income 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 and also according to the requirement of the statutory regulations, 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 below:

- 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;
- Allowance for potential lease, loan losses and other receivables; and
- Classification of investment in leases

2.5 NEW ACCOUNTING PRONOUNCEMENTS

a) New standards / amendments to existings standards / interpretations that became effective during the year

During the year, certain new accounting and reporting standards / amendments / interpretations became effective and applicable to the Company. However, since such updates (except for those disclosed in note 3 to these financial statements) were not considered to be relevant to the Company's financial reporting, the same have not been disclosed here.

b) Standards, interpretations and amendments to published approved accounting standards that are not yet effective

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

- IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing

leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The management is in the process of analyzing the potential impacts on adoption of this standard.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 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 application of interpretation is not likely to have an impact on Company's financial statements. The management is in the process of analyzing the potential impacts on adoption of this interpretation.
- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 01 January 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Company's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration
- Amendments to IAS 1 'Presentation of Financial Statements, and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

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

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

The above improvements to standards are not likely to have material / significant impact on Company's financial statements.

3. INITIAL APPLICATION OF IFRS 9 'FINANCIAL INSTRUMENTS'

With effect from July 01, 2018, the Company has adopted IFRS 9 'Financial Instruments'. Following is the analysis as to whether and, if so, how the adoption of these new standards has an impact on the financial

3.1 IFRS 9 'Financial Instruments'

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

i) Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available for sale. IFRS 9, classifies financial assets in the following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortised cost.

The accounting policies that apply to financial instruments are stated in note 4.15 to the financial statements.

The following table explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at 30 June 2018:

Financial assets	Original classification as per IAS 39	New classification as per IFRS 9	Carrying Amount as per IAS 39 as on June 30, 2018	Carrying Amount on Initial adoption of IFRS 9 on July 01, 2018
Amount in 'Rs'				
Cash and bank balances	Loans and receivables	Amortized cost	9,738,553	9,738,553
Short term loans	Loans and receivables	Amortized cost	88,022,635	88,022,635
Short term investment in ordinary shares and membership cards	Available-for-sale	Fair value through OCI	14,762,834	14,762,834
Short term investment in T bills	Held-to-maturity	Held-to-maturity	14,638,988	14,638,988
Trade deposits	Loans and receivables	Amortized cost	908,865	908,865
Other receivables	Loans and receivables	Amortized cost	3,124,999	3,124,999
Long term loans	Loans and receivables	Amortized cost	34,408,676	34,408,676
Net investment in finance lease	Loans and receivables	Amortized cost	480,087,357	480,087,357

Though upon initial application of IFRS 9, the classification of financial assets changed as aforesaid, the said change had no impact on the carrying amount of those financial assets as on July 01, 2018 (i.e. the date of initial application of IFRS 9).

The adoption of IFRS 9 did not have a significant effect on the Company's accounting policies related to financial liabilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been applied consistently to all years presented except as otherwise stated in note 3 above.

4.1 Cash and cash equivalents

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

4.2 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-14 whereby the cost / revalued amount of an asset is written-off over its estimated useful life. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the preceding month of disposal.

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

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

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

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

Capital work-in-progress

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

4.3 Intangible asset

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged to the profit and loss account using the straight line method over a period of 5 year. Amortization is charged when asset is available for use until asset is disposed off. The residual values, useful life and amortization methods are reviewed and adjusted, if appropriate, at reporting date.

Gain and losses on disposal of such assets, if any, are included in the profit and loss account.

4.4 Net investment in finance leases

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

4.5 Leased assets repossessed upon termination of leases

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

4.6 Operating leases

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

4.7 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.

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.

Interest income on bank deposits

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

4.9 Taxation

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

Current

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

Deferred

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

A deferred tax asset is recognised only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that the sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the entity. Deferred tax assets are reviewed at each reporting date.

and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.10 Staff retirement benefits

Defined contribution scheme

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

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

4.11 Provisions

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

4.12 Allowance for potential lease, loan losses and other receivables

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

4.13 Borrowings

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

4.14 Foreign currency translation

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

4.15 Operating segments

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

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

4.16 Financial assets

4.16.1 Classification and initial measurement

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

- (a) financial assets measured at amortized cost.
- (b) fair value through other comprehensive income (FVOCI);
- (c) fair value through profit or loss (FVTPL); and

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it is held within business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

(b) Financial assets at FVOCI

A financial asset is classified as at fair value through other comprehensive income when either:

- (a) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; or
- (b) it is an investment in equity instrument which is designated as at fair value through other comprehensive income in accordance with the irrevocable election available to the Company to at

Such financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof.

(c) Financial assets at FVTPL

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, as aforesaid.

Such financial assets are initially measured at fair value.

4.16.2 Subsequent measurement

(a) Financial assets measured at amortized cost

These assets are subsequently measured at amortized cost (determined using the effective interest method) less accumulated impairment losses.

Interest / markup income, foreign exchange gains and losses and impairment losses arising from such financial assets are recognized in the profit and loss account.

(b) Financial assets at FVOCI

These are subsequently measured at fair value less accumulated impairment losses.

A gain or loss on a financial asset measured at fair value through other comprehensive income in accordance is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment (except for investments in equity instruments which are designated as at fair value through other comprehensive income in whose case the cumulative gain or loss previously recognized in other comprehensive income is not so reclassified). Interest is calculated using the effective interest method and is recognised in profit or loss.

(c) Financial assets at FVTPL

These assets are subsequently measured at fair value.

Net gains or losses arising from remeasurement of such financial assets as well as any interest income accruing thereon are recognized in profit and loss account.

4.16.3 De-recognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

4.17 Financial liabilities

Financial liabilities are classified as measured at amortized cost or 'at fair value through profit or loss' (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit and loss account.

Financial liabilities are derecognized when the contractual obligations are discharged or cancelled or have expired or when the financial liability's cash flows have been substantially modified.

4.18 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet only when there is a legally enforceable right to set off the recognised amount and the Company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

4.19 Dividend distribution

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

		2019	2018
		----- Rupees -----	
5. CASH AND BANK BALANCES	<i>Note</i>		
Cash in hand		117,545	67,545
Call Deposit Receipts		-	9,575,000
Balance with State Bank of Pakistan in current account - local currency		46,977	2,880
Balances with other banks:			
- in current account		5,500	5,500
- in saving accounts	5.1	5,890,230	87,628
		<u>6,060,252</u>	<u>9,738,553</u>

5.1 These represents saving deposit accounts maintained with MCB Bank Limited carrying mark-up rate ranging from 7% to 8.5% (2018: 4% to 5%) per annum.

		2019	(Restated) 2018
		----- Rupees -----	
6. SHORT TERM LOANS - secured	<i>Note</i>		
Term loan to customers			
- Considered doubtful	6.1	165,231,135	173,447,299
Provision for non-performing loans	6.2	(78,308,200)	(85,424,664)
		<u>86,922,935</u>	<u>88,022,635</u>

6.1 This represents short term loan facilities provided to customers carrying mark-up ranging from 16.25% to 25% (2018: 16.25% to 25%) per annum.

		2019	(Restated) 2018
		----- Rupees -----	
6.2 Provision for non-performing loans	<i>Note</i>		
Balance at beginning of the year		85,424,664	85,424,664
Charge for the year			-
Reversal during the year	31	(7,116,464)	-
		(7,116,464)	-
Write-offs against provision		-	-
Balance at end of the year	6.2.1	<u>78,308,200</u>	<u>85,424,664</u>

6.2.1 The above provision for non-performing loans is net of forced sales value (FSVs) of collaterals of Rs. 86.922 million (2018: Rs. 88.023 million) considered by the Company for the purpose of determination of provision requirements.

		2019	2018
		----- Rupees -----	
7. SHORT TERM INVESTMENTS	<i>Note</i>		
Fair value through other comprehensive income	7.1	14,751,290	14,762,834
Amortized cost	7.2	14,764,226	14,638,988
		<u>29,515,516</u>	<u>29,401,822</u>

7.1 Investment in available for sale

2019	2018		Note	2019		2018	
(Number of shares / cards)		Name of investee		Cost	Market value	Cost	Market value
				----- (Rupees) -----		----- (Rupees) -----	
		Ordinary shares of listed company					
495	495	MCB Bank Limited	7.1.1	85,935	86,352	85,935	97,896
		Ordinary shares of unlisted company					
3,427,408	#####	SPI Insurance Company Limited	7.1.2	14,664,938	14,664,938	14,664,938	14,664,938
		Other investment					
		Club membership cards		25,758,520	25,758,520	25,758,520	25,758,520
				40,509,393	40,509,810	40,509,393	40,521,354
		Accumulated impairment - Club membership cards		(25,758,520)	(25,758,520)	(25,758,520)	#####
				14,750,873	14,751,290	14,750,873	14,762,834

7.1.1 The investments in the listed equity securities held as fair value through other comprehensive income are valued at prices quoted on Pakistan Stock Exchange.

7.1.2 The shares of SPI Insurance are stated at cost, as the determination of the market value of such shares is not practically possible for the Company as active market does not exist and application of standard business valuation model like discounted free cash flow to equity methodology is also not possible due to unavailability of reliable cash flow projections of the M/s SPI Insurance. The Company has applied to SECP to seek exemption from the application of IFRS 9, which requires that shares in un-quoted company must be stated at market value. The break up value of the share is 10.85 per share (2018: 10.47 per share) as per financial statements of SPI Insurance Company.

The short term investment is 4% of the total assets and 1.6% of accumulated losses (2018: 4.18% of total assets and 1.59% of accumulated losses). The investment in SPI Insurance is 2% of total assets and 0.81% of accumulated losses (2018: 2.09% of total assets and 0.79% of accumulated losses)

7.2 This represents investment in Government Market Treasury Bill having maturity on August 01, 2019 and carrying effective mark-up at a rate of 11.00% (2018: 6.72%) per annum.

	<i>Note</i>	2019 ----- Rupees -----	2018 -----
8. OTHER RECEIVABLES			
Operating lease rentals receivables		11,545,095	11,545,095
Receivable on termination of finance leases		68,127,758	68,127,758
Staff gratuity- net defined benefit asset		2,390,828	2,815,828
Receivable from Provident Fund	8.1	2,880,000	2,880,000
Others		3,167,422	3,117,149
		88,111,103	88,485,830
Provision against doubtful receivables		(82,545,003)	(82,545,003)
		5,566,100	5,940,827

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

	<i>Note</i>	2019 ----- Rupees -----	2018 -----
9. CURRENT MATURITY OF NON - CURRENT ASSETS			
Current portion of:			
Long term loans	10	33,915,607	34,408,676
Net investment in finance leases	11	484,497,010	480,087,357
		518,412,617	514,496,033

10. LONG TERM LOANS - secured

Due from employees - considered good		595,913	1,088,982
Term loan to customers			
- Considered doubtful	10.1	100,164,030	100,164,030
		100,759,943	101,253,012
Provision for non-performing loans	10.2	(66,844,336)	(66,844,336)
		33,915,607	34,408,676
Current maturity of long term loans	9	(33,915,607)	(34,408,676)
		-	-

10.1 Term loans due from customers are secured against property. The rate of return on these loans ranges from 16.00% to 22.66% (2018: 16.00% to 22.66%) per annum.

10.2 The provision for non-performing long term loans is net of forced sales value (FSVs) of collaterals of Rs. 33.319 million (2018: Rs. 33.319 million) considered by the Company for the purpose of determination of provision requirements.

11. NET INVESTMENT IN FINANCE LEASES

	2019			2018 (Restated)		
	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	1,295,194,270	-	1,295,194,270	1,338,387,814	-	1,338,387,814
Residual value of leased assets	319,234,544	-	319,234,544	344,569,999	-	344,569,999
Gross investment in leases	1,614,428,814	-	1,614,428,814	1,682,957,813	-	1,682,957,813
Unearned lease income	-	-	-	-	-	-
Mark-up held in suspense	(229,045,598)	-	(229,045,598)	(232,791,861)	-	(232,791,861)
	(229,045,598)	-	(229,045,598)	(232,791,861)	-	(232,791,861)
	1,385,383,216	-	1,385,383,216	1,450,165,952	-	1,450,165,952
Provision for lease losses	(900,886,204)	-	(900,886,204)	(970,078,595)	-	(970,078,595)
Net investment in finance leases	484,497,012	-	484,497,012	480,087,357	-	480,087,357

- 11.1 The internal rate of return on leases at the time of disbursement by the Company in and before 2008 ranged from 12.5% to 20.01% per annum. Certain lease rentals have been hypothecated against long term finances obtained (refer note 21.1.)

11.2 Mark-up held in suspense	Note	2019	(Restated) 2018
		(Rupees)	
Balance as at beginning of the year		232,791,861	240,821,227
Suspended income:			
- reversal during the year		(3,746,263)	(8,029,366)
- written-off during the year		-	-
		(3,746,263)	(8,029,366)
Balance at end of the year		229,045,598	232,791,861

11.3 Provision for lease losses

Balance as at beginning of the year		970,078,595	981,700,719
Charge for the year		3,191,354	7,305,020
Reversal for the year	11.3.1 31	(72,383,745) (69,192,391)	(18,927,144) (11,622,124)
Balance at end of the year	11.3.2	900,886,204	970,078,595

- 11.3.1 Reversal of provision for lease losses recognized during the year is on account of the following reasons:

Effect of settlement agreements entered into with lessees / recoveries made	34,607,285	18,927,144
Effect of fresh revaluation of collaterals carried out during the year	37,776,460	-
	72,383,745	18,927,144

- 11.3.2 The provision for non-performing lease losses is net of the forced sales value (FSVs) of leased assets / collaterals of Rs.184.648 million (2018: Rs. Rs.160.919 million) considered by the Company for the purpose of determination of provision requirements.

- 11.4 As per NBFC Regulation 28(a), a leasing company undertaking the business of lease only, shall invest at least 70% of its assets in the business of

leasing. As at June 30, 2019, the Company's investment in lease assets was 66% (2018: 68%) of the total assets.

	2019	2018		
	----- (Rupees) -----			
11.5 Breakup Of Provision				
Provision Against Residual Value	20,320,870	20,320,870		
Provision Against Minimum Lease Payment	880,565,335	949,757,725		
	900,886,205	970,078,595		
11.6 Net Residual Value And Security Deposit				
Residual Value	319,234,544	344,569,999		
Provision Against Residual Value	(20,320,870)	(20,320,870)		
Net Residual Value	298,913,674	324,249,129		
Security Deposit Against Net Residual Value	(298,913,674)	(324,249,129)		
	-	-		
11.7 Investment In Leases And Contra Assets Position				
	2019			
	MARKUP	RESIDUAL VALUE	PRINCIPAL MLP	TOTAL
	----- (Rupees) -----			
Gross Investment In Leases	229,045,598	319,234,544	1,066,148,672	1,614,428,814
Contra Asset Created Against Receivables				
Suspended Mark Up	(229,045,598)	-	-	(229,045,598)
Provision For Lease Losses		(20,320,870)	(880,565,335)	(900,886,205)
	-			
Net Residual Value Covered By Security Deposit		298,913,674		
			185,583,337	
Minimum Lease Payment Covered By FSV				484,497,012
Covered under FSV Benefits and Security Deposits				
	2018			
	MARKUP	RESIDUAL VALUE	PRINCIPAL MLP	TOTAL
	----- (Rupees) -----			
Gross Investment In Leases	321,657,525	344,569,999	1,016,730,289	1,682,957,813
Contra Asset Created Against Receivables				
Suspended Mark Up	(321,657,525)			(321,657,525)
Provision For Lease Losses		(20,320,870)	(860,892,061)	(881,212,931)
	-			
Net Residual Value Covered By Security Deposit		324,249,129		
			155,838,228	
Minimum Lease Payment Covered By FSV				480,087,358
Covered under FSV Benefits and Security Deposits				

12. INVESTMENT PROPERTIES**Rupees****As at July 01, 2017**

Cost	66,160,092
Accumulated depreciation	(24,008,507)
Accumulated impairment	(6,805,696)
Net book value	<u>35,345,889</u>

Movement during the year ended June 30,2018

Opening net book value	35,345,889
Depreciation charge	(2,675,869)

Closing net book value**32,670,020**

At June 30, 2018

Cost	66,160,092
Accumulated depreciation	(26,684,376)
Accumulated impairment	(6,805,696)

Net book value**32,670,020**

Movement during the year ended June 30,2019

Opening net book value	32,670,020
Depreciation charge	(3,082,464)

Closing net book value**29,587,556**

At June 30, 2019

Cost	66,160,092
Accumulated depreciation	(29,766,840)
Accumulated impairment	(6,805,696)

Net book value**29,587,556**

Rate of depreciation

5%

- 12.1** These represent real estate properties acquired by the Company in settlement of non-performing loans and lease receivables (i.e. repossessed properties) comprising of a bungalow and offices having carrying value, as on June 30, 2019, amounting to Rs. 26.956 million (2018: Rs. 29.318 million) and Rs. 2.630 million (2018: Rs. 3.353 million), respectively.
- 12.2** The bungalow was last revalued by M/s. Perfect Consultants on June 28, 2018. According to such valuation, the fair value and forced sale value of the bungalow, as on June 28, 2018, was assessed to be Rs. 144.0726 million and Rs. 108.054 million, respectively.
- 12.2.1** The tenant has defaulted in payment of rentals to the Company since inception and the Rent Controller passed rent order as well as decree in favour of the Company. The tenant, subsequently, filed a suit in Sind High Court for relief. The amount of rent due till June 30, 2019, amounting to Rs. 15.083 million (2018: Rs. 12.595 million), has not been recorded awaiting the outcome of proceedings in High Court.
- 12.3** The shops in Lahore were last revalued by M/s. Hamid Mukhtar & Co. (Private) Limited in June, 2019. According to such valuation, the fair value and forced sales value of the shops, as on June 21, 2019 was assessed to be Rs. 4.163 million and Rs. 3.330 million, respectively.

13. INTANGIBLE ASSETS

2019								
Cost				Accumulated amortization			Written down value	Rate
As at 01 July 2018	Additions	Disposals	As at 30 June 2019	As at 01 July 2018	Amortization for the year	As at 30 June 2019	As at 30 June 2019	%
(Rupees)								
Computer Software	-	145,950	-	145,950	-	(20,068)	(20,068)	125,882 33%

14. PROPERTY, PLANT AND EQUIPMENT

	2019														Rate %
	Cost / revalued amount				Accumulated depreciation				Accumulated impairment				Written down value		
	As at 01 July 2018	Additions	Effect of Revaluation	Disposals	As at 30 June 2019	As at 01 July 2018	Charge for the year	Effect of Revaluation	Reversal on Disposal	As at 30 June 2019	As at 01 July 2018	Charge for the	As at 30 June 2019	As at 30 June 2019	
(Rupees)															
Owned assets															
Building improvements	3,526,371	-		-	3,526,371	3,526,371	-	-	-	3,526,371	-	-	-	-	20%
Office premises (refer note 4.1)	103,803,703	-	(40,798,503)	-	63,005,200	83,260,864	9,132,146	(92,393,010)	-	-	-	-	-	63,005,200	5%
Furniture, fixtures and fittings	5,983,992	-		-	5,983,992	5,983,992	-	-	-	5,983,992	-	-	-	-	20%
Vehicles	2,391,630	2,352,595		(689,790)	4,054,435	2,152,482	133,217	-	(620,811)	1,664,888	-	-	-	2,389,547	20%
Office equipment	26,698,308	538,835		-	27,237,143	26,315,741	192,451	-	-	26,508,192	-	-	-	728,951	20%
	142,404,004	2,891,430	(40,798,503)	(689,790)	103,807,141	121,239,450	9,457,814	(92,393,010)	(620,811)	37,683,443	-	-	-	66,123,698	
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	5,448,012	-	-	-	5,448,012	5,067,647	-	-	-	5,067,647	-	-	-	380,400	20%
	64,953,012	-	-	-	64,953,012	57,872,647	-	-	-	57,872,647	6,700,000	-	6,700,000	380,400	
	207,357,016	2,891,430	(40,798,503)	(689,790)	168,760,153	179,112,097	9,457,814	(92,393,010)	(620,811)	95,556,090	6,700,000	-	6,700,000	66,504,098	
2018															
	Cost / revalued amount				Accumulated depreciation				Accumulated impairment				Written down value		Rate %
	As at 01 July 2017	Additions	Effect of Revaluation	Disposals	As at 30 June 2018	As at 01 July 2017	Charge for the year	Effect of Revaluation	Reversal on Disposal	As at 30 June 2018	As at 01 July 2017	Charge for the	As at 30 June 2018	As at 30 June 2018	
	(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	74,135,900	9,128,554	-	-	83,264,454	-	-	-	20,539,249	5%
Furniture, fixtures and fittings	5,983,992	-		-	5,983,992	5,983,992	-	-	-	5,983,992	-	-	-	-	20%
Vehicles	2,391,630	-		-	2,391,630	2,152,482	-	-	-	2,152,482	-	-	-	239,148	20%
Office equipment	26,655,661	42,647		-	26,698,308	25,971,866	343,875	-	-	26,315,741	-	-	-	382,567	20%
	142,361,357	42,647	-	-	142,404,004	111,770,611	9,472,429	-	-	121,243,040	-	-	-	21,160,964	
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	-	-	(6,044,000)	5,448,012	9,963,287	543,925	-	(5,439,600)	5,067,612	-	-	-	380,400	20%
	70,997,012	-	-	(6,044,000)	64,953,012	62,768,287	543,925	-	(5,439,600)	57,872,647	6,700,000	-	6,700,000	380,400	
	213,358,369	42,647	-	(6,044,000)	207,357,016	174,538,898	10,016,354	-	(5,439,600)	179,115,687	6,700,000	-	6,700,000	21,541,364	

- 14.1 The effect of revaluation carried during the year on the cost of office premises is as follows:

	<u>Rupees</u>
Reversal of cost to the extent of accumulated depreciation as on the date of revaluation	(92,393,010)
Revaluation surplus recognized as on June 30, 2019	51,594,507
	<u><u>(40,798,503)</u></u>

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

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

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

- 14.3 The office premises of the Company has been revalued as on 16 July 2019 resulting in surplus 51.594 million. The valuation has been carried out by independent valuer, M/s Fairwater Property Valuer and Surveyor (Pvt.) Ltd. on the basis of professional assessment.

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

	2019				2018			
	Cost	Accumulated depreciation	Accumulated impairment	Written down value	Cost	Accumulated depreciation	Accumulated impairment	Written down value
	----- (Rupees) -----							
Office premises	<u>28,548,042</u>	<u>27,120,599</u>	<u>-</u>	<u>1,427,443</u>	<u>28,548,042</u>	<u>24,373,657</u>	<u>-</u>	<u>4,174,385</u>
Plant and machinery	<u>67,000,000</u>	<u>60,300,000</u>	<u>6,700,000</u>	<u>-</u>	<u>67,000,000</u>	<u>60,300,000</u>	<u>6,700,000</u>	<u>-</u>
Generators	<u>3,804,000</u>	<u>3,423,600</u>	<u>-</u>	<u>380,400</u>	<u>3,804,000</u>	<u>3,423,600</u>	<u>-</u>	<u>380,400</u>

		June 30 2019	June 30, 2018
	Note	----- Rupees -----	
15. BORROWINGS FROM FINANCIAL INSTITUTIONS			
Letter of placements - Unsecured			
National Bank of Pakistan	15.1	77,500,000	77,500,000
Innovative Investment Bank Limited	15.2	60,000,000	60,000,000
Meezan Bank Limited	15.3	27,001,588	27,001,588
KASB Income Opportunity Fund	15.4	-	10,429,140
		164,501,588	174,930,728
15.1	This represents finance of Rs. 77.50 million obtained from National Bank of Pakistan on April 01, 2010 through a letter of placement carrying mark-up at a rate of 11.20% per annum for a period of 14 days. Subsequently, the facility was rolled several times up to the total period of 140 days which expired on August 19, 2010. Till to-date, no repayments have made by the Company in respect of this finance. As of 30 June 2019, the Company has accrued a mark-up on this finance amounting to Rs. 71.652 million (2018: Rs. 71.652 million).		
15.2	This represents finance of Rs. 63 million obtained from Innovative Investment Bank Limited on December 03, 2010 through a letter of placement carrying mark-up at a rate of 8% per annum for a period of 90 days. Due to financial difficulties faced by the Company, this facility was rolled over for a further period of 184 days on March 14, 2011. Since the disbursement of the facility, the Company has an aggregate principal repayment of Rs. 3 million. As of 30 June 2019, the Company has accrued a mark-up on this finance amounting to Rs. 40.800 million (2018: Rs. 40.035 million).		
15.3	This represents finance of Rs. 150 million obtained from Meezan Bank Limited (MEBL) on September 20, 2008, under Murabaha arrangement at a rate of 12% per annum. On various dates between September 2008 and June 2011, the Company made principal repayments amounting, in aggregate, to Rs. 81 million. The remaining principal obligation of Rs. 69 million was restructured by way of a settlement agreement entered on April 22, 2011 whereby the Company transferred, to the lender, a lease portfolio of Rs. 32 million. On September 03, 2012, a revised settlement agreement was signed according to which the loan was to be settled by way of transferring 27 membership cards of ACACIA Golf Club ('the Club') (then beneficially held by the Company in its own name) to MEBL valuing, in aggregate, Rs. 27 million as well as making a cash payment of Rs. 9.870 million. The said cash payment as made by the Company on September 06, 2012. Further, the aforementioned membership cards held by the Company are to be transferred after the execution of a tripartite agreement between the Company, MEBL and the Club. Currently, the Company's management is under the process of negotiation for an early execution of the said agreement. As per the revised restructuring terms, the finance carries no mark-up.		
15.4	During the year, the Company settled in full the liability of KASB Income Opportunity Fund by way of a tri-party Novation Agreement entered into among the Company, Mr. Muzaffar Ali Shah Bukhari and M/s. Wisdom Education System (Private) Limited ('WESL') whereby a term loan and granted to WESL amounting to Rs. 7.916 million was transferred to M/s. KASB Income Opportunity Fund against the full and final settlement of their principal liability of Rs. 10.429 million and the related markup accrued thereon (see also note 27.1 to these financial statements).		

		2019	2018
	Note	----- Rupees -----	
16. ACCRUED MARK-UP			
Mark-up on:			
- certificates of investment		94,843,283	88,172,377
- long term finances		43,732,689	41,868,478
- term finance certificates		134,406,068	113,007,339
- short term borrowings from financial institutions	16.1	125,027,554	122,878,933
		<u>398,009,594</u>	<u>365,927,127</u>
16.1	During the year, accrued markup amounting to Rs. 11.331 million was waived as part of the settlement agreement executed between the Company and M/s. KASB Income Opportunity Fund (refer also note 27.1 to these financial statements.)		
		2019	2018
		----- Rupees -----	
17. ACCRUED EXPENSES AND OTHER PAYABLES	Note		
Accrued expenses		4,516,202	3,825,372
Others		4,862,596	7,894,359
		<u>9,378,798</u>	<u>11,719,731</u>
18. CURRENT MATURITY OF NON- CURRENT LIABILITIES			
Current portion of:			
Certificates of investment	19	51,049,000	54,049,000
Long term finances	21	378,532,443	392,032,443
Security deposits against finance leases	22	298,913,674	324,249,129
		<u>728,495,116</u>	<u>770,330,572</u>
19. CERTIFICATE OF INVESTMENT - unsecured			
Long term certificates of investment		51,049,000	54,049,000
Current maturity of certificates of investment	18	(51,049,000)	(54,049,000)
		<u>-</u>	<u>-</u>
19.1	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% (2018: 7% to 11%) per annum.		

20. 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) -----			
<u>As on June 30, 2019</u>				
Deferred tax liability in respect of:				
Surplus on revaluation of property, plant and equipment	4,745,810	(2,233,334)	14,962,407	17,474,883
	4,745,810	(2,233,334)	14,962,407	17,474,883
Deferred tax asset recognized	(4,745,810)	(12,729,073)	-	(17,474,883)
Net deferred tax position	-	(14,962,407)	14,962,407	-

	Rupees
<u>Details of deferred tax assets</u>	
Accelerated accounting depreciation / impairment	1,870,004
Provision for lease losses	261,256,999
Provision for non-performing short term loans	22,709,378
Provision for non-performing long term loans	19,384,857
Provision for doubtful other receivables	23,938,051
Unused tax losses	97,642,707
	426,801,996
Less: Deferred tax asset recognized to the extent of available taxable temporary differences	(17,474,883)
Unrecognized deferred tax asset	409,327,113

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

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

21.	LONG TERM FINANCES	Note	2019	2018
			----- Rupees -----	
	Long term finances - secured	21.1	149,561,501	163,061,501
	Long term finances - unsecured		5,703,696	5,703,696
		21.2	155,265,197	168,765,197
	Term finance certificates - secured	21.3	223,267,246	223,267,246
			378,532,443	392,032,443
	Current maturity of long term finances	18	(378,532,443)	(392,032,443)
			-	-

21.1 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.

21.2	Long term finances	Tenure		Markup	Note	Principal Outstanding	
		From	To			Jun. 30, 2019	Jun. 30, 2018
						----- (Rupees) -----	
	Secured						
	National Bank of Pakistan	Mar-05	Mar-10	6 month KIBOR + 1.5% (payable semi annually)	21.2.1	12,500,000	12,500,000
	First Women Bank Limited	Dec-08	Dec-12	Fixed at 12% (payable monthly)	21.2.2	75,061,505	75,061,505
	Askari Income Fund	Mar-10	Sep-12	-	21.2.3	-	13,500,000
	Soneri Bank Limited	May-13	Sep-14	-	21.2.4	61,999,996	61,999,996
	Un secured						
	Silk Bank Limited	Sep-12	Mar-17	-	21.2.5	5,703,696	5,703,696
						155,265,197	168,765,197

21.2.1 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, 2019, the Company had accrued mark-up amounting to Rs. 13.4 million (2018: Rs. 12.188 million).

21.2.2 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, 2019, the Company had accrued mark-up of Rs. 24.054 million (2018: Rs. 24.054 million).

21.2.3 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 had been made.

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

- Rs. 43 million by way of transfer of a property (held as collateral of Rs. 43 million against the 'borrower') or a cash payment of Rs. 25 million as full and final settlement of Rs. 43 million.
- Rs. 34.5 million by way of transfer of a property (held as collateral of Rs. 34.5 million against the borrower) at Thokar Niaz Baig, Lahore. However, this property has not been transferred to Soneri Bank Limited due to legal complications and the Company is considering to offer alternate property of the same value acceptable to Soneri Bank Limited;
- Cash payment of Rs. 5 million in 12 equal monthly instalments of Rs. 0.416 million each commencing from the date of execution of settlement agreement; and
- Remaining principal obligation amounting to Rs. 27.5 million to be waived upon successful transfer of properties / cash payment as referred to above.

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

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

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

Up to November 2014, the Company repaid 26 monthly installments of Rs. 0.204 million each and defaulted thereafter. As of June 30, 2019, the Company had accrued a markup of Rs. 6.234 million (2018: Rs. 5.627)

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

The issue was first restructured by way of "Supplemental Declaration of Trust" dated October 05, 2010 and was further restructured by way of "Second Supplemental Declaration of Trust" effective dated April 30, 2012. To make the second proposed restructuring terms of Supplemental Declaration of Trust effective, an extra ordinary resolution has been passed by at least 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.

	<i>Note</i>	2019 ----- Rupees -----	2018 -----
22. LONG TERM SECURITY DEPOSITS			
AGAINST FINANCE LEASES			
Security deposits against finance leases	22.1	298,913,674	324,249,129
Current maturity of deposits against finance leases	18	(298,913,674)	(324,249,129)
		<u>-</u>	<u>-</u>
22.1	This represents security deposits received from lessees under lease contracts and are adjustable on expiry of the resp lease periods.		

23. SHARE CAPITAL

2019 (Number of shares)	2018	Note	2019 ----- (Rupees) -----	2018
AUTHORISED SHARE CAPITAL				
<u>100,000,000</u>	<u>100,000,000</u>	Ordinary shares of Rs. 10 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>
<u>100,000,000</u>	<u>100,000,000</u>	Non-cumulative and non-voting, convertible unlisted preference shares of Rs. 10 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>
ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL				
Ordinary shares				
<i>Issued for cash</i>				
25,180,000	25,180,000	Ordinary shares of Rs. 10 each fully paid in cash 23.1	251,800,000	251,800,000
<i>Issued for consideration other than cash</i>				
19,980,500	19,980,500	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	199,805,000	199,805,000
<u>45,160,500</u>	<u>45,160,500</u>		<u>451,605,000</u>	<u>451,605,000</u>
Non-cumulative preference shares				
<i>Issued for consideration other than cash</i>				
52,820,850	52,820,850	Non-cumulative and non-voting, convertible unlisted fully paid preference shares of Rs. 10 each 23.2	528,208,500	528,208,500

23.1 Saudi Pak Industrial & Agricultural Investment Company Limited (SAPICO) holds 35.06% (2018: 35.06%) of the issued, subscribed and paid-up ordinary share capital of the Company and 63% (2018: 63%) of the issued preference share capital of the Company.

23.2 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.

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

23.4 Capital management policies and procedures

Capital requirements applicable to the Company are set out and regulated by the Securities and Exchange Commission of Pakistan (SECP). These requirements are put in place to ensure sufficient solvency margins. SECP extended the minimum equity requirement (MCR) as per NBFC Regulations, 2008 vide SRO 764(I) / 2009 dated September 02, 2009 wherein the Company is required to meet the minimum equity requirements of Rs. 350 million, Rs. 500 million and Rs. 700 million by June 30, 2011, June 30, 2012 and June 30, 2014, respectively. Further amendment to Schedule I to Regulation 4 made vide SRO 1160 (1) / 2015 dated November 25, 2015 maintained MCR for existing NBFCs at Rs. 750 million and relaxation of MCR for non-deposit taking NBFCs for leasing etc. at Rs. 50 million. The Company intends to exercise the low MCR requirement option once it has settled liability owed to its depositors. Hence, at the year end, the company is non compliant with the MCR requirement laid down by the SECP (also see note 1.2).

	2019	2018
24. SURPLUS ON REVALUATION OF PROPERTY AND EQUIPMENT-NET	-----Rupees-----	
On office premises, plant and machinery and generators		
Gross surplus		
As at beginning of the year	16,364,863	24,066,015
Effect of revaluation carried out during the year	51,594,507	-
	67,959,370	24,066,015
Incremental depreciation transferred to unappropriated loss	(7,701,152)	(7,701,152)
	60,258,218	16,364,863
Related deferred tax charge		
As at beginning of the year	(4,745,809)	(7,219,803)
Effect of revaluation carried out during the year	(14,962,407)	-
Tax effect of change in tax rate	-	240,660
Incremental depreciation transferred to unappropriated loss	2,233,334	2,233,334
	(17,474,882)	(4,745,809)
	42,783,336	11,619,054

25. CONTINGENCIES AND COMMITMENTS

25.1 Contingencies

25.1.1 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 (2018: Rs. 212.724 million). These suits are proceeding either in banking courts or in High Courts. The legal advisors of the Company defending the cases hold the view that the Company is not likely to suffer any loss on account of aforementioned cases.

25.1.2 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.

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

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

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

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

- 25.1.4** 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.

25.2 Commitments

As of the reporting date, no commitments were known to exist (2018: None).

	2019	2018
	-----Rupees-----	
26. INCOME FROM FINANCE LEASES		
Markup recovery on finance lease contracts	3,746,263	8,029,366
Document fee, front-end fee and other charges	274,930	1,022,574
	<u>4,021,193</u>	<u>9,051,940</u>
27. OTHER INCOME		
Income from financial assets:		
- Dividend income	7,920	7,920
- Interest income from government securities	1,298,669	890,326
- Interest income from savings accounts	838,911	419,820
	<u>2,145,500</u>	<u>1,318,066</u>
Income from other sources:		
- Gain on sale of property, plant and equipment	279,571	395,600
- Waiver on settlement of long term finances	25,344,056	-
- Others	4,216,026	524,736
	<u>29,839,653</u>	<u>920,336</u>
	<u>31,985,153</u>	<u>2,238,402</u>

- 27.1** This represents gain realized on settlement of outstanding short term and long term borrowings previously obtained from M/s. KASB Income Opportunity Fund and M/s. Askari Income Fund, respectively. Presented below is the detailed analysis of the liabilities extinguished and value transferred to the lenders upon execution of the settlement agreements entered into with them.

	Short term borrowing from M/s. KASB Income Opportunity Fund	Long term borrowing from M/s. Askari Income Fund	Total
	-----Rupees-----		
Total outstanding principal prior to settlement	10,429,140	13,500,000	23,929,140
Total outstanding markup prior to settlement	11,331,380	-	11,331,380
	<u>21,760,520</u>	<u>13,500,000</u>	<u>35,260,520</u>
Less: Assets transferred / cash paid on settlement	(7,916,464)	(2,000,000)	(9,916,464)
	<u>13,844,056</u>	<u>11,500,000</u>	<u>25,344,056</u>

28. FINANCE COSTS

2019 2018

-----Rupees-----

Note

Mark-up on:

- Long term finances	1,864,211	1,438,903
- Term finance certificates	21,398,729	14,239,742
- Short term borrowings	13,480,001	13,480,001
Return on certificates of investment	6,670,906	6,706,002
Bank charges	29,926	27,994
	<u>43,443,773</u>	<u>35,892,642</u>

29. ADMINISTRATIVE AND OPERATING EXPENSES

Salaries, allowances and benefits	29.1	18,661,853	16,394,256
Directors' Fee		10,379,326	-
Rent		994,548	1,068,574
Repairs and maintenance		2,066,760	1,011,737
Insurance		174,718	127,368
Utilities		520,117	584,352
Depreciation on investment properties	12	3,082,464	2,675,869
Amortization of intangible	13	20,068	-
Depreciation on owned assets	14	9,457,814	9,472,429
Vehicle running expenses		241,307	900,512
Printing and stationery		622,061	132,764
Telephone and postage		552,469	615,859
Travelling and conveyance		417,740	199,220
Fee and subscriptions		1,954,421	1,784,191
Legal and professional charges		3,303,531	2,871,574
Advertising and entertainment		283,411	220,452
Auditors' remuneration	29.2	605,000	605,000
Miscellaneous		3,188,742	768,369
		<u>56,526,350</u>	<u>39,432,526</u>

29.1 Salaries, allowances and benefits include Rs. 0.422 million (2018: Rs. 0.48 million) in respect of staff retirement benefits.

	2019	2018
	-----Rupees-----	
29.2 Auditors' remuneration		
Annual audit fee	350,000	350,000
Fee for review of half yearly financial statements	100,000	100,000
Other certifications	50,000	50,000
Out of pocket expenses	105,000	105,000
	<u>605,000</u>	<u>605,000</u>

30. DIRECT COST OF OPERATING LEASES

Depreciation on operating lease assets	-	543,959
----------------------------------------	---	---------

31. PROVISION FOR DOUBTFUL LEASES, LOANS AND OTHER RECEIVABLES

Provision / (reversals) / write-offs for potential lease losses - net	(69,192,391)	(11,622,124)
Provision for potential losses on short term loans - net	(7,116,464)	-
	<u>(76,308,855)</u>	<u>(11,622,124)</u>

32. TAXATION

Current	142,007	169,804
Deferred	(14,962,407)	240,660
	<u>(14,820,400)</u>	<u>410,464</u>

- 32.1 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.

32.2 **Current status of tax assessments**

The tax assessments of the Company relating to assessment years before tax year 2002 have been completed and no appeal is being pending in appellate forums. The income tax return for tax years 2003-2018 have been filed which are deemed assessed under section 120 of Income Tax Ordinance, 2001 ('the Ordinance') except for the tax year 2007, which has been selected for audit under the provision of section 177 of the Ordinance and tax years 2014-2017, which have been selected for audit under provision of section 214C 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 authorities.

33. **STAFF RETIREMENT BENEFIT SCHEME**

Defined benefit scheme

As of June 30, 2018, though the gratuity fund was in legal existence, it had no members. However, during the year ended June 30, 2019, one member (i.e. the Chief Executive of the Company appointed in August 2018) was added. Further, no actuarial valuation of the defined benefit gratuity scheme was carried out during the year since the effect of doing so was regarded as immaterial.

Presented below is the movement in the defined benefit obligation and the fair value of plan assets:

	2019	2018
	-----Rupees-----	
33.1 Net defined benefit (asset) / liability as of the reporting date		
Present value of defined benefit obligation	425,000	-
Fair value of plan assets	(2,815,828)	(2,815,828)
	<u>(2,390,828)</u>	<u>(2,815,828)</u>
33.2 Movement in defined benefit obligation		
Opening balance	-	-
Current service cost	425,000	-
Interest cost	-	-
Repayments made to retiring members	-	-
Closing balance	<u>425,000</u>	<u>-</u>
33.3 Movement in fair value of plan assets		
Opening balance	2,815,828	2,815,828
Contributions made during the year	-	-
Repayments made to retiring members	-	-
Closing balance	<u>2,815,828</u>	<u>2,815,828</u>
34. NUMBER OF EMPLOYEES		
As at end of the year	22	28
Average for the year	<u>28</u>	<u>26</u>

	2019	2018
	-----Rupees-----	
35. CASH USED IN OPERATIONS		

Profit / (loss) before taxation	12,345,078	(52,263,294)
---------------------------------	------------	--------------

Adjustment for non cash charges and other items :

Depreciation - owned assets	9,457,814	9,472,429
Depreciation - investment properties	3,082,464	2,675,869
Depreciation - assets under operating lease	-	543,925
Amortization of intangible assets	20,068	-
Interest income from finance leases	(3,746,263)	(8,029,366)
Financial charges	43,443,773	35,892,642
Reversal of provision for doubtful leases, loans and other receivables	(76,308,855)	(11,622,124)
Dividend income	(7,920)	(7,920)
Interest income from government securities	(1,298,669)	(890,326)
Gain on sale of property, plant & equipment	(279,571)	(395,600)
Gain on settlement of short term and long term inances	(25,344,056)	-
	(50,981,215)	27,639,529
(Loss)/profit before working capital changes	(38,636,137)	(24,623,765)

Movement in working capital

(Increase) / decrease in operating assets

Short term loans	299,700	300,000
Trade deposits and short term prepayments	(184,295)	2,628
Other receivables	374,727	1,399,557
	490,132	1,702,185

(Increase) / decrease in operating assets

Accrued expenses and other payables	(2,340,933)	(6,496,208)
	(1,850,801)	(4,794,023)
	(40,486,938)	(29,417,788)

Cash used in operations

36. EARNINGS / (LOSS) PER SHARE- Basic and Diluted

Profit / (loss) after taxation attributable to ordinary shareholders	27,165,478	(52,673,758)
----------------------------------------------------------------------	------------	--------------

-----Number-----

Weighted average number of ordinary shares	45,160,500	45,160,500
--------------------------------------------	------------	------------

-----Rupees-----

Earning / (loss) per share - Basic	0.60	(1.17)
------------------------------------	------	--------

Profit / (loss) after taxation attributable to ordinary shareholders- diluted	27,165,478	(52,673,758)
-------------------------------------------------------------------------------	------------	--------------

-----Number-----

Weighted average number of ordinary shares - diluted	97,981,350	97,981,350
------------------------------------------------------	------------	------------

-----Rupees-----

Earnings / (loss) per share - Diluted	0.28	(0.54)
---------------------------------------	------	--------

36.1 As at June 30 2019, the Company had 52.82 million (2018: 52.82 million) convertible preference shares which have been considered for the calculation of diluted earnings / loss per share.

37. 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:

	2019		
	Major Shareholder	Key management personnel	Other related parties
	(Rupees)		
Rent paid	300,000	-	-
Contributions to provident fund	-	-	422,500
Remuneration	-	16,285,503	-

	2018		
	Major Shareholder	Key management personnel	Other related parties
	(Rupees)		
Rent paid	614,928	-	-
Contributions to provident fund	-	-	480,000
Remuneration	-	8,350,000	-

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:

	2019	2018
	(Rupees)	
Major Shareholder		
Preference dividend payable	<u>5,774,153</u>	<u>5,774,153</u>

38. 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	
	2019	2018	2019	2018	2019	2018	2019	2018
	----- (Rupees) -----							
Managerial remuneration	4,225,000	4,800,000	10,379,326	-	-	1,536,000	14,604,326	6,336,000
Housing, utilities etc.	-	-	-	-	-	264,000	-	264,000
Retirement benefits	422,500	480,000	-	-	-	-	422,500	480,000
Leave encashment	425,000	400,000	-	-	-	-	425,000	400,000
Other perquisites	833,677	870,000	-	-	-	-	833,677	870,000
	<u>5,906,177</u>	<u>6,550,000</u>	<u>10,379,326</u>	<u>-</u>	<u>-</u>	<u>1,800,000</u>	<u>16,285,503</u>	<u>8,350,000</u>
Number of persons	<u>1</u>	<u>1</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>1</u>		

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

38.2 Remuneration to director represents fee pertaining to 21 meetings of directors and committees in connection with accounts of four financial years and other matters.

39. 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.

	2019					
	Finance lease	Operating lease	Term loans	Investments	Others	Total
	(Rupees)					
Segment revenue						
Lease income	4,021,193	-	-	-	-	4,021,193
Interest income	-	-	-	1,298,669	838,911	2,137,580
Other income	-	-	-	7,920	29,839,653	29,847,573
Re versal of provision for potential lease losses-net	69,192,391	-	-	-	-	69,192,391
Re versal of provision for potential losses on short term loan-net	7,116,464	-	-	-	-	7,116,464
Segment results	80,330,048	-	-	1,306,589	30,678,564	112,315,201
Unallocated cost						
Financial charges						(43,443,773)
Administrative / operating expenses						(56,526,350)
						(99,970,123)
Profit before taxation						12,345,078
Taxation						14,820,400
Profit after taxation						27,165,478
Other information						
Segment assets	484,497,012	380,400	120,838,280	29,515,516	-	635,231,208
Unallocated assets	-	-	-	-	108,556,907	108,556,907
Total assets						743,788,115
Segment liabilities	155,265,197	-	-	-	-	155,265,197
Unallocated liabilities					1,195,555,343	1,195,555,343
Total liabilities						1,350,820,540
Net Liability						(607,032,425)

	2018					
	Finance lease	Operating lease	Term loans	Investments	Others	Total
	(Rupees)					
Segment revenue						
Lease income	9,051,940	693,333	-	-	-	9,745,273
Interest income	-	-	-	890,326	419,820	1,310,146
Other income	-	-	-	7,920	920,336	928,256
Direct cost of operating leases	-	(543,925)	-	-	-	(543,925)
Provision for doubtful leases, loans and other receivables- net	11,622,124	-	-	-	-	11,622,124
Segment results	20,674,064	149,408	-	898,246	1,340,156	23,061,874
Unallocated cost						
Financial charges						(35,892,642)
Administrative / operating expenses						(39,432,526)
						(75,325,168)
Loss before taxation						(52,263,294)
Taxation						(410,464)
Loss after taxation						(52,673,758)
Other information						
Segment assets	480,087,357	380,400	122,431,311	29,401,822	-	632,300,890
Unallocated assets	-	-	-	-	70,419,228	70,419,228
Total assets						702,720,118
Segment liabilities	168,765,197	-	-	-	-	168,765,197
Unallocated liabilities	-	-	-	-	1,204,773,380	1,204,773,380
Total liabilities						1,373,538,577
Net Liability						(670,818,459)

39.1 Geographical segment analysis

The Company's operations are restricted to Pakistan only.

40. 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.

40.1 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:

	2019	2018
	----- (Rupees) -----	
Financial assets		
Long term loans	33,915,607	34,408,676
Net investment in finance leases - net of security deposits held	185,583,338	155,838,228
Bank balances	5,895,730	9,668,128
Short term loans	86,922,935	88,022,635
Trade deposits	1,036,767	908,267
Other receivables	3,175,272	3,124,999
	<u>316,529,649</u>	<u>291,970,933</u>

- 40.1.1 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:

	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 730 days	1,086,469,542	900,886,204	100,759,943	66,844,336	165,231,135	78,308,200
Total	<u>1,086,469,542</u>	<u>900,886,204</u>	<u>100,759,943</u>	<u>66,844,336</u>	<u>165,231,135</u>	<u>78,308,200</u>

	2018		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 730 days	1,125,916,823	970,078,595	101,253,012	66,844,336	173,447,299	85,424,664
Total	<u>1,037,051,160</u>	<u>881,212,931</u>	<u>101,253,011</u>	<u>66,844,336</u>	<u>199,206,119</u>	<u>111,183,484</u>

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

- 40.1.2 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, 2019		Rating Agency	2019	2018
	Short term	Long term		----- (Rupees) -----	
Faysal Bank Limited	A1+	AA	PACRA	26,574	26,574
Silk Bank Limited	A-	A-	JCR-VIS	5,527	9,886
Samba Bank Limited	A-1	AA	JCR-VIS	10,341	10,341
MCB Bank Limited	A1+	AAA	PACRA	5,847,788	9,615,827
National Bank of Pakistan	A-1+	AAA	PACRA	5,500	5,500
				<u>5,895,730</u>	<u>9,668,128</u>

40.1.3 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.

40.2 Liquidity risk

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

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

2019								
	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	9.60%	164,501,588	164,501,588	164,501,588	-	-	-	-
Certificates of investment	7% - 11.00%	94,049,000	94,049,000	94,049,000	-	-	-	-
Accrued mark-up		398,009,594	398,009,594	398,009,594	-	-	-	-
Accrued expenses and other payables		9,378,798	9,378,798	9,378,798	-	-	-	-
Long term finances	6.61%-10.21%	378,532,443	378,532,443	378,532,443	-	-	-	-
		1,044,471,423	1,044,471,423	1,044,471,423	-	-	-	-
2018								
	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	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		365,927,127	365,927,127	365,927,127	-	-	-	-
Accrued expenses and other payables		11,719,731	11,719,731	11,719,731	-	-	-	-
Long term finances	6.61%-10.21%	392,032,443	392,032,443	392,032,443	-	-	-	-
		1,041,659,029	1,041,659,029	1,041,659,029	-	-	-	-

40.2.1 Breach of loan agreements

Due to liquidity crunch, as of June 30, 2019, 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. 637.083 million (2018: Rs. 664.012 million) and Rs. 398.009 million (2018: Rs. 365.927 million), respectively.

40.3 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 price risk.

40.3.1 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, 2019	June 30, 2018
	----- (Rupees) -----	
Fixed rate instruments		
Financial assets	14,764,226	14,638,988
Financial liabilities	(306,610,505)	(309,610,505)
	<u>(291,846,279)</u>	<u>(294,971,517)</u>
Variable rate instruments		
Financial assets	1,257,590,907	1,299,451,750
Financial liabilities	(235,767,246)	(235,767,246)
	<u>1,021,823,661</u>	<u>1,063,684,504</u>

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

As at June 30, 2019	Effective rate of mark-up / return %	Exposed to interest rate risk					Not exposed to interest rate risk
		Carrying amount	Upto 6 months	Over 6 months to 1 year	1 year to 5 years	over 5 years	
		----- (Rupees) -----					
Financial assets							
Cash and bank balances	7%-8.5%	6,060,252	5,890,230	-	-	-	170,022
Short term loans	16.25%-25%	165,231,135	165,231,135	-	-	-	-
Short term investments	11%	29,515,516	14,764,226	-	-	-	14,751,290
Trade deposits		1,036,767	-	-	-	-	1,036,767
Other receivables		3,175,272	-	-	-	-	3,175,272
Long term loans	16% - 22.66%	33,915,607	33,915,607	-	-	-	-
Net investment in finance leases net of security deposit	12.50% - 20.01%	185,583,338	185,583,338	-	-	-	-
		<u>424,517,887</u>	<u>405,384,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,133,351</u>

As at June 30, 2018	Effective rate of mark-up / return %	Exposed to interest rate risk					Not exposed to interest rate risk
		Carrying amount	Upto 6 months	Over 6 months to 1 year	1 year to 5 years	over 5 years	
		----- (Rupees) -----					
Financial assets							
Cash and bank balances	4% -5%	9,738,553	87,628	-	-	-	9,650,925
Short term loans	16.25%-25%	88,022,635	88,022,635	-	-	-	-
Short term investments	6.72%	29,401,822	-	-	-	-	29,401,822
Trade deposits		908,267	-	-	-	-	908,267
Other receivables		3,124,999	-	-	-	-	3,124,999
Long term loans	16% - 22.66%	34,408,676	34,408,676	-	-	-	-
Net investment in finance leases net of security deposit	12.50% - 20.01%	155,838,228	155,838,228	-	-	-	-
		<u>321,443,180</u>	<u>278,357,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,086,013</u>

Fair Value sensitivity for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

For cash flow sensitivity analysis of variable rate instruments, a hypothetical change of 100 basis points in interest rates during the year would have decreased / increased profit and equity for the year 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, 2019		
Cash flow sensitivity - Variable rate instruments	10,218,237	(10,218,237)
As at June 30, 2018		
Cash flow sensitivity - Variable rate instruments	10,636,845	(10,636,845)

40.3.2 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.

40.3.3 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.

As of the reporting date, the Company was not exposed to any material equity price risk.

40.4 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.

40.5 Fair value of assets and liabilities

Fair value is the price that would be received to sell an asset or settle a liability in an orderly transaction between market participants at measurement date. The management is of view that the fair values of the 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.

	2019		
	Level 1	Level 2	Level 3
	(Rupees)		
Office premises and generators	-	63,385,600	-
Investment in ordinary shares	86,352	-	14,664,938
	<u>86,352</u>	<u>63,385,600</u>	<u>14,664,938</u>

	2018		
	Level 1	Level 2	Level 3
	(Rupees)		
Office premises and generators	-	20,919,649	-
Investment in ordinary shares	97,896	-	14,664,938
	<u>97,896</u>	<u>20,919,649</u>	<u>14,664,938</u>

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

	2019	2018
	(Rupees)	
40.6 Financial instrument by categories		
Financial assets		
<i>At amortized cost</i>		
Cash and bank balances	6,060,252	9,738,553
Short term loans	86,922,935	88,022,635
Trade deposits	1,036,767	908,267
Other receivables	3,175,272	3,124,999
Long term loans	33,915,607	34,408,676
Net investment in finance leases	484,497,012	480,087,357
<i>Held-to-maturity</i>		
Short term investments	14,764,226	14,638,988
<i>Fair value through OCI</i>		
Short term investments	14,751,290	14,762,834
Financial liabilities		
<i>At amortised cost</i>		
Long term finances	378,532,443	392,032,443
Security deposits against finance leases	298,913,674	324,249,129
Certificates of investment	94,049,000	97,049,000
Borrowings from financial institutions	164,501,588	174,930,728
Accrued mark-up	398,009,594	365,927,127
Accrued expenses and other payables	9,378,798	11,719,731

41. CORRECTION OF PRIOR PERIOD ERRORS

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

In its financial statements for the year ended June 30, 2015, the Company recognized a provision for current tax amounting to Rs. 12.5 million. However, contrary to this, current tax payable declared in the return for the tax year 2015 amounted to Rs. 0.6 million. In this connection, management also requested the tax advisor of the Company to confirm the amount of current tax chargeable in respect of the tax year 2015 who confirmed it to be Rs. 0.6 million (as it was declared in the aforesaid tax return). Hence, in these financial statements, the Company rectified the aforesaid inadvertent overstatement in the current tax liability amounting to Rs. 11.9 million and accounted for the said rectification retrospectively in accordance with the requirements of the International Accounting Standard (IAS) 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Investment in membership cards of ACACIA Golf Club

As shown in note 7.1 to these financial statements, the Company has been holding membership cards of ACACIA Golf Club. These membership cards had been acquired by the Company in 2010. However, instead of being classified as 'short term investment', such cards had, inadvertently, been classified as 'short term loans to customers'. Further, since the said golf club was not operational, a provision for impairment there-against had also been recognized in the previous financial statements of the Company.

The correction of the above error has been accounted for retrospectively in these financial statements whereby the membership cards as well as the accumulated impairment loss recognized thereon have been re-classified to the head 'short term investments'.

Internal adjustment to align Markup held in Suspense Account and Required Provision in control and subsidiary record

The control account and total of subsidiary records of suspended markup were not in agreement since 2015. Prior to the year, management carried out an exercise in this regards which revealed the fact that the overstatement in overdue markup (in the previous financial statements) was due to an inaccurate allocation of the overdue rentals recovered in prior years into: (i) the markup component (which was then recognized as income in the statement of profit or loss); and (ii) the principal component (against which the already recognized provision for impairment was reversed in the statement of profit or loss). Since the said incorrect allocation had an equal and compensating effect on the statements of profit or loss for those previous years, as explained above, the accumulated losses/ retained earnings reported as of the end of each such previous financial year did not require any adjustment.

The correction of the above error has been accounted for retrospectively in these financial statements whereby the markup held in suspense reported as of June 30, 2017 and 2018 has been reduced and the provision for lease losses has been increased by an equal amount.

The retrospective correction of the errors explained in the above paragraphs has the following effects on these financial statements:

	Accumulated Loss	Provision For Taxation-net	Mark-up held in suspense	Provision for lease losses	Short term loans-Gross	Short term loans-Provision	Short term investments-Gross	Short term investment-Accumulated impairment
(Rupees)								
Effects on the statement of financial position								
Balance as at July 01, 2017 (as previously reported)	(1,803,925,212)	12,538,810	329,686,891	892,835,055	199,506,119	(111,183,484)	29,557,182	-
<i>Effects of restatements as on July 01, 2017</i>								
Decrease in short term investment	-	-	-	-	(25,758,520)	-	25,758,520	-
Decrease in provision against short term investment	-	-	-	-	-	25,758,520	-	(25,758,520)
Decrease in provision for tax liability	11,939,650	(11,939,650)	-	-	-	-	-	-
Decrease in markup held in suspense	-	-	(88,865,664)	88,865,664	-	-	-	-
	11,939,650	(11,939,650)	(88,865,664)	88,865,664	(25,758,520)	25,758,520	25,758,520	(25,758,520)
Balance as at July 01, 2017 (as restated)	(1,791,985,562)	599,160	240,821,227	981,700,719	173,747,599	(85,424,964)	55,315,702	(25,758,520)
Balance as at June 30, 2018 (as previously reported)	(1,851,131,152)	12,134,625	321,657,525	881,212,931	199,206,119	(111,183,484)	29,401,822	-
<i>Effects of restatements as on June 30, 2018</i>								
Decrease in short term investment	-	-	-	-	(25,758,520)	-	25,758,520	-
Decrease in provision against short term investment	-	-	-	-	-	25,758,520	-	(25,758,520)
Decrease in provision for tax liability	11,939,650	(11,939,650)	-	-	-	-	-	-
Decrease in markup held in suspense	-	-	(88,865,664)	88,865,664	-	-	-	-
	11,939,650	(11,939,650)	(88,865,664)	88,865,664	(25,758,520)	25,758,520	25,758,520	(25,758,520)
Balance as at June 30, 2018 (as restated)	(1,839,191,502)	194,975	232,791,861	970,078,595	173,447,599	(85,424,964)	55,160,342	(25,758,520)

42. 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 01 OCT 2019

Chief Executive Officer

Director

Chief Financial Officer

SAUDI PAK LEASING COMPANY LIMITED

Pattern of Shareholding

As of June 30, 2019

# Of Shareholders	Shareholdings'Slab			Total Shares Held
470	1	to	100	11,980
361	101	to	500	111,673
187	501	to	1000	153,949
495	1001	to	5000	1,321,526
130	5001	to	10000	1,029,288
46	10001	to	15000	611,792
29	15001	to	20000	519,521
17	20001	to	25000	384,851
11	25001	to	30000	303,066
10	30001	to	35000	333,406
7	35001	to	40000	273,325
7	40001	to	45000	302,191
7	45001	to	50000	334,272
11	50001	to	55000	575,174
3	55001	to	60000	171,341
4	60001	to	65000	255,008
1	65001	to	70000	69,000
3	70001	to	75000	221,016
2	75001	to	80000	156,695
3	80001	to	85000	251,356
4	90001	to	95000	367,072
6	95001	to	100000	600,000
3	100001	to	105000	314,000
1	105001	to	110000	110,000
1	120001	to	125000	124,000
1	125001	to	130000	129,500
1	135001	to	140000	137,500
3	145001	to	150000	449,000
1	155001	to	160000	157,796
2	165001	to	170000	334,100
1	170001	to	175000	175,000
1	180001	to	185000	184,553
1	210001	to	215000	210,745
2	215001	to	220000	431,261
3	225001	to	230000	681,604
2	245001	to	250000	496,764
1	260001	to	265000	263,431
1	265001	to	270000	270,000
1	270001	to	275000	272,500
1	280001	to	285000	283,940
1	310001	to	315000	314,000
1	315001	to	320000	318,255

SAUDI PAK LEASING COMPANY LIMITED

Pattern of Shareholding

As of June 30, 2019

# Of Shareholders	Shareholdings'Slab			Total Shares Held
1	345001	to	350000	347,752
1	450001	to	455000	451,080
1	460001	to	465000	460,500
1	465001	to	470000	470,000
1	495001	to	500000	500,000
1	510001	to	515000	511,432
1	585001	to	590000	585,500
1	920001	to	925000	923,211
1	1215001	to	1220000	1,218,536
1	1520001	to	1525000	1,522,920
1	1805001	to	1810000	1,806,420
1	1995001	to	2000000	1,997,822
1	4510001	to	4515000	4,514,473
1	15835001	to	15840000	15,835,403
1857				45,160,500

SAUDI PAK LEASING COMPANY LIMITED

Categories of Shareholders

As of June 30, 2019

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
NIAZ AHMED KHAN	1	500	0.00
MUHAMMAD TARIQ MASUD	1	500	0.00
Associated Companies, undertakings and related parties			
SAUDI PAK IND. & AGR. INV. CO.(PVT) LTD	1	15,835,403	35.06
PREMIER MERCANTILE SERVICES (PVT.) LTD.	2	4,516,048	10.00
MARINE SERVICES (PVT.) LIMITED	2	914,352	2.02
HAROON IHSAN PIRACHA & FAMILY	2	4,547,876	10.07
Public Sector Companies and Corporations	5	1,336,275	2.96
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and	4	1,069,020	2.37
Mutual Funds			
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	372,752.00	0.83
General Public	1785	15,556,163	34.45
OTHERS	26	1,011,611	2.24
Totals	1830	45,160,500	100.00
SAUDI PAK IND. & AGR. INV. CO.(PVT) LTD		15,835,403	35.06
PREMIER MERCANTILE SERVICES (PRIVATE) LIMITED		4,516,048	10.00
HAROON IHSAN PIRACHA & FAMILY		4547876	10.07

PROXY FORM

I/We _____ of _____
_____ (full address)
being member(s) of Saudi Pak Leasing Company Limited hereby appoint Mr./Ms. _____
_____ of _____
_____ (full address)
or falling him/her Mr. / Ms. _____
of _____ (full address)
(being member of the Company as my / our Proxy to attend, act and vote for me/us and on my/our
behalf at the **29th Annual General Meeting** of the Company to be held on **October 22, 2019** and at any
adjournment thereof.

As witness my/our hand this _____ day of _____ 2019

Signed by _____

In presence of _____

Signature and address of witness

Please affix Rs.5/- revenue stamp

Signature of Member(s)

Shareholder's Folio No. _____

Number of Shares held _____

A member entitled to attend and vote at a general Meeting is entitled to appoint a proxy to attend and vote for him/her. A proxy must be a member of the Company.

The instrument appointing a proxy shall be in written under the hand of the appointer of his/her attorney duly authorized in writing, if the appointer is a corporation, under its common seal of the hand of any officer or attorney duly authorized.

The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarized certified copy thereof, should be deposited at the Registered Office not less than 48 hours before the time of holding the Meeting.