

**Saudi Pak Leasing Company Limited**  
**Financial Statements**  
**For the year ended 30 June 2021**

**Saudi Pak Leasing Company Limited**  
**Statement of Financial Position**  
*As at June 30, 2021*

|   | Note | 2021                 | 2020            |
|---|------|----------------------|-----------------|
|   |      | ----- (Rupees) ----- |                 |
| <b>ASSETS</b>   |      |                      |                 |
| <b>Current assets</b>   |      |                      |                 |
| Cash and bank balances  | 5    | 1,571,466            | 4,978,655       |
| Short term loans  | 6    | 128,281,135          | 126,330,635     |
| Short term investments  | 7    | 54,265,866           | 29,236,789      |
| Trade deposits and short term prepayments   |      | 1,060,466            | 1,134,689       |
| Other receivables   | 8    | 229,131              | 313,379         |
| Taxation-net  |      | 621,029              | 288,243         |
| Current maturity of non-current assets  | 9    | 541,539,478          | 550,573,969     |
|   |      | 727,568,571          | 712,856,359     |
| <b>Non-current assets</b>   |      |                      |                 |
| Long-term loans   | 10   | -                    | -               |
| Net investment in finance leases  | 11   | -                    | -               |
| Investment properties   | 12   | 40,880,539           | 42,299,155      |
| Intangible assets   | 13   | -                    | -               |
| Property, plant and equipment   | 14   | 64,410,010           | 66,677,157      |
|   |      | 105,290,549          | 108,976,312     |
| <b>Total assets</b>   |      | 832,859,120          | 821,832,671     |
| <b>LIABILITIES</b>  |      |                      |                 |
| <b>Current liabilities</b>  |      |                      |                 |
| Borrowings from financial institutions  | 15   | 162,801,588          | 162,801,588     |
| Certificates of investment  |      | 43,000,000           | 43,000,000      |
| Accrued mark-up   | 16   | 471,172,547          | 449,025,140     |
| Provision for taxation - net  |      | -                    | -               |
| Accrued expenses and other payables   | 17   | 7,778,566            | 8,501,068       |
| Current maturity of non-current liabilities   | 18   | 692,835,336          | 724,600,516     |
| Unclaimed dividend  |      | 1,661,291            | 1,661,291       |
|   |      | 1,379,249,328        | 1,389,589,603   |
| <b>Non-current liabilities</b>  |      |                      |                 |
| Certificates of investment  | 19   | -                    | -               |
| Deferred tax liability - net  | 20   | -                    | -               |
| Long term finances  | 21   | -                    | -               |
| Security deposits against finance leases  | 22   | -                    | -               |
|   |      | -                    | -               |
| <b>Total liabilities</b>  |      | 1,379,249,328        | 1,389,589,603   |
| <b>NET ASSETS</b>   |      | (546,390,208)        | (567,756,932)   |
| <b>SHARE CAPITAL AND RESERVES</b>   |      |                      |                 |
| <i>Authorized share capital</i>   |      |                      |                 |
| 100,000,000 (2020: 100,000,000) ordinary shares of Rs. 10/- each                              |      | 1,000,000,000        | 1,000,000,000   |
| 100,000,000 (2020: 100,000,000) preference shares of Rs. 10/- each                            |      | 1,000,000,000        | 1,000,000,000   |
|   |      | 2,000,000,000        | 2,000,000,000   |
| <i>Issued, subscribed and paid-up share capital</i>   |      |                      |                 |
| 45,160,000 (2020: 45,160,000) ordinary shares of Rs. 10/- each                                | 23   | 451,605,000          | 451,605,000     |
| 52,820,850 (2020: 52,820,850) preference shares of Rs. 10/- each                              | 23   | 528,208,500          | 528,208,500     |
|   |      | 979,813,500          | 979,813,500     |
| <i>Capital reserves</i>   |      |                      |                 |
| Statutory reserves  |      | 179,549,025          | 179,279,601     |
| Surplus on revaluation of property, plant and equipment - net of tax                          | 24   | 32,534,786           | 33,840,902      |
| Accumulated actuarial loss on defined benefit plan-net of tax                                 |      | (999,666)            | (999,666)       |
| Unrealised gain on re-measurement carried as at fair value through other comprehensive income |      | 20,013,895           | (5,711)         |
|   |      | 231,098,040          | 212,115,126     |
| <i>Revenue reserves</i>   |      |                      |                 |
| Accumulated losses  |      | (1,757,301,748)      | (1,759,685,558) |
| <b>Total shareholders' equity</b>   |      | (546,390,208)        | (567,756,932)   |

The annexed notes from 1 to 39 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, 2021*

|  | Note | 2021<br>----- (Rupees) ----- | 2020                       |
|--|------|------------------------------|----------------------------|
| <b>Revenue:</b>                                    |      |                              |                            |
| - Finance leases                                   | 26   | 3,817,227                    | 4,917,562                  |
| - Operating leases                                 |      | -                            | -                          |
|  |      | <u>3,817,227</u>             | <u>4,917,562</u>           |
| Administrative and operating expenses              | 27   | <u>(37,726,586)</u>          | <u>(39,721,534)</u>        |
|  |      | <u>(33,909,359)</u>          | <u>(34,803,972)</u>        |
| Reversal of provision for non-performing exposures | 28   | <u>29,276,106</u>            | <u>27,466,677</u>          |
| <b>Operating loss</b>                              |      | <u>(4,633,253)</u>           | <u>(7,337,295)</u>         |
| Other operating income                             | 29   | 38,981,490                   | 4,103,760                  |
| Finance costs                                      | 30   | <u>(38,532,820)</u>          | <u>(51,039,398)</u>        |
| <b>Loss before taxation for the year</b>           |      | <u>(4,184,583)</u>           | <u>(54,272,933)</u>        |
| Taxation   | 31   | <u>5,531,701</u>             | <u>842,811</u>             |
| <b>Profit / (loss) after taxation for the year</b> |      | <u><u>1,347,118</u></u>      | <u><u>(53,430,122)</u></u> |
| <b>Earnings / (loss) per share:</b>                | 32   |                              |                            |
| - Basic  |      | <u>0.03</u>                  | <u>(1.18)</u>              |
| - Diluted  |      | <u>0.01</u>                  | <u>(0.55)</u>              |

The annexed notes from 1 to 39 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, 2021

|  | Note | 2021                 | 2020                |
|--|------|----------------------|---------------------|
|  |      | ----- (Rupees) ----- |                     |
| Profit / (loss) after taxation for the year  |      | 1,347,118            | (53,430,122)        |
| <b>Other comprehensive income</b>  |      |                      |                     |
| <i>Items that will not be reclassified subsequently to profit or loss:</i>                                   |      |                      |                     |
| Surplus recognized on revaluation of office premises   |      | -                    | 3,120,899           |
| Unrealised gain on re-measurement of investment as at fair value through other comprehensive income          | 7    | 25,576,862           | -                   |
| Deferred tax on the above surplus  |      | (5,562,967)          | (905,061)           |
|  |      | 20,013,895           | 2,215,838           |
| Unrealised gain / (loss) on re-measurement of investment as at fair value through other comprehensive income |      | 5,711                | (6,128)             |
|  |      | 20,019,606           | 2,209,710           |
| <b>Total comprehensive income/ (loss) for the year</b>   |      | <b>21,366,724</b>    | <b>(51,220,412)</b> |

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Chief Executive Officer

  
Director

  
Chief Financial Officer



Saudi Pak Leasing Company Limited  
Statement of Changes in Equity  
For the year ended June 30, 2021

|  | Issued, subscribed and paid-up share capital |                                  | Capital reserves   |   |   |   | Revenue reserve    |               |
|--|--|----------------------------------|--------------------|---|---|---|--------------------|---------------|
|  | Ordinary shares                              | Non-redeemable preference shares | Statutory reserves | Surplus on revaluation of property, plant and equipment - net | Accumulated actuarial gain / loss on defined benefit plan- net of tax | Unrealised gain on re-measurement of investment | Accumulated losses | Total         |
|  | Rupees                                       |                                  |                    |   |   |   |                    |               |
| As at July 1, 2019 - Restated  | 451,605,000                                  | 528,208,500                      | 179,279,601        | 32,905,207  | (999,666)   | 417   | (1,707,535,579)    | (516,536,520) |
| Total comprehensive loss for the year ended June 30, 2020  |  |                                  |                    |   |   |   |                    |               |
| - Loss after taxation  | -  | -                                | -                  | -   | -   | -   | (53,430,122)       | (53,430,122)  |
| - Other comprehensive income   | -  | -                                | -                  | 2,215,838   | -   | (6,128)   | -                  | 2,209,710     |
|  | -  | -                                | -                  | 2,215,838   | -   | (6,128)   | (53,430,122)       | (51,220,412)  |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax | -  | -                                | -                  | (1,280,143)   | -   | -   | 1,280,143          | -             |
| Transfer to statutory reserves   |  |                                  | -                  |   |   |   | -                  | -             |
| Balance as at June 30, 2020  | 451,605,000                                  | 528,208,500                      | 179,279,601        | 33,840,902  | (999,666)   | (5,711)   | (1,759,685,558)    | (567,756,932) |
| Total comprehensive income for the year ended June 30, 2021  |  |                                  |                    |   |   |   |                    |               |
| - Profit after taxation  | -  | -                                | -                  | -   | -   | -   | 1,347,118          | 1,347,118     |
| - Other comprehensive income   | -  | -                                | -                  | -   | -   | 5,711   | -                  | 5,711         |
|  | -  | -                                | -                  | -   | -   | 5,711   | 1,347,118          | 1,352,829     |
| Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax | -  | -                                | -                  | (1,306,116)   | -   | -   | 1,306,116          | -             |
| Transfer from surplus on revaluation of Investment   | -  | -                                | -                  | -   | -   | 20,013,895                                      | -                  | 20,013,895    |
| Transfer to statutory reserves   | -  | -                                | 269,424            | -   | -   | -   | (269,424)          | -             |
| Balance as at June 30, 2021  | 451,605,000                                  | 528,208,500                      | 179,549,025        | 32,534,786  | (999,666)   | 20,013,895                                      | (1,757,301,748)    | (546,390,208) |

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

Chief Executive Officer

Director

Chief Financial Officer

**Saudi Pak Leasing Company Limited**

**Statement of Cash Flows**

*For the year ended June 30, 2021*

|  | Note | 2021                    | 2020                    |
|--|------|-------------------------|-------------------------|
|  |      | ----- (Rupees) -----    |                         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |      |                         |                         |
| Cash used in operations  | 33   | (32,457,883)            | (28,263,864)            |
| Finance costs paid   |      | (39,498)                | (23,852)                |
| Taxes paid   |      | (364,052)               | (350,493)               |
| Finance lease rentals received                                   |      | 29,890,201              | 24,773,721              |
|  |      | <u>29,486,651</u>       | <u>24,399,376</u>       |
| <b>Net cash used in operating activities</b>                     |      | <b>(2,971,232)</b>      | <b>(3,864,488)</b>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |      |                         |                         |
| Capital expenditure incurred                                     |      | (700,000)               | -                       |
| Short term investments - net (including interest)                |      | 1,555,553               | 2,060,684               |
| Proceeds from disposal of property, plant and equipment          |      | 805,500                 | 810,000                 |
| Long term loans - net  |      | (31,043)                | 404,411                 |
| Dividend received  |      | 9,033                   | 7,796                   |
| <b>Net cash generated from investing activities</b>              |      | <b>1,639,043</b>        | <b>3,282,891</b>        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                      |      |                         |                         |
| Repayment of long term finances                                  |      | -                       | -                       |
| Repayment of Term Finance Certificates                           |      | (2,075,000)             | -                       |
| Repayment of certificates of investment                          |      | -                       | (500,000)               |
| <b>Net cash used in financing activities</b>                     |      | <b>(2,075,000)</b>      | <b>(500,000)</b>        |
| <b>Net decrease in cash and cash equivalents during the year</b> |      | <b>(3,407,189)</b>      | <b>(1,081,597)</b>      |
| Cash and cash equivalents at beginning of the year               |      | 4,978,655               | 6,060,252               |
| <b>Cash and cash equivalents at end of the year</b>              | 5    | <u><b>1,571,466</b></u> | <u><b>4,978,655</b></u> |

The annexed notes from 1 to 39 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 June 30, 2021*

**1. LEGAL STATUS AND OPERATIONS**

**1.1** Saudi Pak Leasing Company Limited ('the Company') was incorporated in Pakistan on January 08, 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 May 18, 2010 and renewal is pending with the Securities and Exchange Commission of Pakistan (SECP).

M/s. Saudi Pak Industrial & Agricultural Investment Company Limited (SAPICO) is the major shareholder which, as of June 30, 2021, held 35.06% (2020: 35.06%) of issued ordinary share capital of the Company and 63% (2020: 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 exposed to the following material uncertainties which apparently 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:

- As at June 30, 2021, the accumulated loss of the company stood at Rs. 1.757 billion (2020: Rs. 1.759 billion), its equity is negative and its current liabilities exceeded current assets by Rs. 546.390 million (2020: Rs. 567.757 million). The loss is mainly attributable to, mark up recognized on liabilities due on balance due to lenders and certificate of investment holders.
- SECP has issued a review order dated January 29, 2020 in response to the show cause notice issued on May 18, 2020 and a final opportunity is provided to meet the minimum equity requirement (MER) by December 31, 2020. The Company's license to carry out the leasing business expired on May 18, 2010 and the Company has not been able to obtain renewal thereof from the SECP as the legal requirements laid down in this respect could not be met by the Company.
- The company has submitted a review application on October 27, 2020 to extend the original deadline from December 31, 2020 to June 30, 2021. The Company informed SECP that it is looking for fresh equity injection from potential investors in order to meet MER. Further, its major shareholder SAPICO has already engaged financial adviser for divestment of shares. SECP in response to review application of the company has extended the deadline from December 31, 2020 to June 30, 2021; SECP while granting extension has also advised Supervision department of Specialized Companies Division to monitor the progress by March 31, 2021, subject to following milestones:
- Actual measures taken with regard to reach for a prospective investor by SAPICO for divestment of its shareholdings and progress made thus far.
- Alternative plans for meeting the MER, in case SAPICO is unable to materialize the divestment efforts.
- Payments made to outstanding COI depositors and creditors after generating the expected liquidity from the sale of property, as stated by the Applicant in the hearing on November 11, 2020.

SECP has specifically mentioned in its order that in case SPLC fails to comply with this order, its license to undertake leasing business shall stand cancelled w.e.f June 30, 2021 under section 282(J)(2) of the Companies Ordinance 1984 and the relevant department shall initiate proceedings of its winding up under section 282(J)(3) of the Companies Act 2017.

SPLC has submitted its request to SECP to further extend the deadline from June 30, 2021 to June 30, 2022. In the case of SAPICO's divestment most of due diligence has been completed, sale purchase agreement (SPA), term & condition are in process.

*Signature*



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

- The credit rating of the Company has not been re-assessed since it was last downgraded as in June 2010 and, since then, the Company is not permitted to issue new certificates of investment.
- Previously, the Company had entered into various agreements with its lenders (including, financial institutions, TFC holders and holders of Certificates of Investment) for restructuring of its borrowing facilities with the objective of matching the expected recoveries from customers with its obligations to pay the lenders. However, the Company has defaulted in meeting its financial obligations. As of June 30, 2021, total outstanding principal and accrued markup on which defaults were made amounted to Rs. 612.845 million (2020: Rs. 634.883 million) and Rs. 471.173 million (2020: Rs. 449.025 million), respectively.
- Since 2010, the Company has not extended any lease facility to its customers owing to expiry of its leasing license. However, it continued its activities with a barely sufficient number of employees required for managing its recoveries from customers and for handing its financial obligations to lenders.

Despite the existence of the foregoing material uncertainties, these financial statements have been prepared using the going concern assumption primarily due to the reason that a number of recovery suits filed by the Company against its customers are expected to be disposed off in due course of time as the management is actively seeking 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.

The Company submitted its rehabilitation plan duly approved by its Board of Directors to the SECP. The plan envisages revival of operation upon renewal of its license by the SECP based on MER of Rs. 50 million upon meeting the condition of final negotiated settlement of certain liabilities out of recoveries expected to be materialized during 2020-2021 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 equity (in case of operations beyond the first two 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)(f) - 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 20% of the equity of the NBFC, provided that the maximum outstanding fund based exposure should not exceed 15% 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 25% of the equity of the NBFC, provided that the maximum outstanding fund based exposure should not exceed 20% 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 15% of the paid-up share capital of that company or 15% of its own equity.
- As per NBFC Regulation 28(a), a leasing company undertaking the business of lease only, shall invest at least 70% of its assets in the business of leasing. As at 30 June 2021, the Company's investment in lease assets was 59% (2020: 59%) of the total assets.

## **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 May 18, 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* relating to the assessment of impairment loss on non-performing assets 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**

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency and has been rounded-off to the nearest rupee.

### **2.4 Use of estimates and judgments**

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

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

Actual results may differ from these estimates.



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

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies are discussed 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;
- Valuation of defined benefit plan assets and liabilities;
- Measurement the present value of defined benefit obligation and the fair value of plan assets;
- Allowance for potential lease, loan losses and other receivables; and
- Classification of investment in leases

### **3. NEW ACCOUNTING PRONOUNCEMENTS**

#### **3.1 Change in accounting standards, interpretations and amendments to published approved accounting standards**

##### **a) Standards and amendments to approved accounting standards effective in current year**

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors is applicable on accounting periods beginning on or after January 1, 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 judgements when preparing their general purpose financial statements in accordance with IFRS Standards. Refined definition of materiality - Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.
- Amendments to IFRS 16 'Leases' is applicable on accounting periods beginning on or after June 1, 2020. Under IFRS 16, rent concessions often met the definition of a lease modification, unless they were envisaged in the original lease agreement. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before June 30, 2021. This optional exemption gives timely relief to lessees and enables them to continue providing information about their leases that is useful to investors. The amendment does not affect lessors.

The other new standards, amendments to published accounting and reporting standards and interpretations that are mandatory in Pakistan for the financial year beginning on July 1, 2020 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

##### **b) Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Company**

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 1, 2020 and have not been early adopted by the Company:

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- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' is applicable for accounting periods beginning on or after January 1, 2022. Under IAS 37, a contract is 'onerous' when the unavoidable costs of meeting the contractual obligations – i.e. the lower of the costs of fulfilling the contract and the costs of terminating it – outweigh the economic benefits. The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. The amendment is not expected to have material impact on the Company's financial statements.
- Amendment to IAS 16 'Property, plant and Equipment' is applicable on accounting periods beginning on or after January 1, 2022. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments apply retrospectively, but only to items of PPE made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments. The amendment not expected to have material impact on the Company's financial statements.
- Amendments to IAS 1 'Presentation of Financial Statements' is applicable on accounting periods beginning on or after January 1, 2023. Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of this amendments, the requirement for a right to be unconditional has been removed and instead, the amendments requires that a right to defer settlement must have substance and exist at the end of the reporting period.
- Amendments to IAS 1, 'Presentation of Financial Statements' is applicable on accounting periods beginning on or after January 1, 2023. The amendments includes requiring companies to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed and also clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.
- Amendments to IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' will be applicable on accounting periods beginning on or after January 1, 2023. The International Accounting Standards Board (the Board) has issued amendments to end diversity in treatment of accounting estimates and clarified how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. Developing an accounting estimate includes both selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and – choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining aprovision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

There are a number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and, therefore, have not been presented here.

#### 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.

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#### 4.1 Cash and cash equivalents

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

#### 4.2 Financial assets

##### 4.2.1 Initial recognition, classification and measurement

The Company recognizes a financial asset when and only when it becomes a party to the contractual provisions of the instrument evidencing investment. The Company classifies its financial assets into either of 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;
- (b) it is an investment in equity instrument which is designated as at fair value through OCI in accordance with the irrevocable election available to the Company at initial recognition.

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 fair value through profit or loss*

A debt instrument can be classified as a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

All equity instruments are to be classified as financial assets at fair value through profit or loss, except for those equity instruments for which the Company has elected to present value changes in other comprehensive income.

##### 4.2.2 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 profit or loss.

- (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 or loss.

#### **4.2.3 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.

The Company directly reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

#### **4.3 Leases**

*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.

*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 as rental income.

*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 the statement of profit or loss.

#### **4.4 Provision against non-performing exposures**

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 .

#### **4.5 Investment properties**

Investment properties are accounted for under cost model and stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to profit or loss by applying the straight line at the rate varying from 2.22% to 5% per annum after taking into account residual value, if any. Depreciation on additions is charged from the date of addition till the date of disposal. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.



Gain or loss on sale of investment properties are charged to profit or loss in the period in which they arise.

#### **4.6 Intangible assets**

These are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged to profit or loss using the straight line method in accordance with the rates specified in note 12 to the financial statements. Amortization is charged when an asset is made available for use until the date the asset is disposed off. The residual values, useful life and amortization methods are reviewed at each reporting date and adjusted, if deemed appropriate.

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

#### **4.7 Property, plant and equipment**

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 or loss applying the straight line method in accordance with the rates specified in note 14 to the financial statements whereby the cost / revalued amount of an asset is written-off over its estimated useful life. Depreciation on additions is charged from the date an asset is available for use till the date the asset is disposed off.

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 profits. The surplus realized on disposal of revalued fixed assets is credited directly to unappropriated profits.

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 profit or loss 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 profits.

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

#### **4.8 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 profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss.

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.



#### **4.9 Offsetting of financial assets and liabilities**

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

#### **4.10 Provisions and contingencies**

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations is small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognised provision is recognised in the statement of profit or loss unless the provision was originally recognised as part of cost of an asset.

##### *Contingent liabilities*

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

#### **4.11 Revenue recognition**

##### *Finance lease income*

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

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

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

##### *Operating lease income*

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

#### **4.12 Staff retirement benefits - Defined contribution plan**

The Company operates a provident fund scheme. Equal monthly contributions at a rate of 10 percent of basic salary for those contract employee who are eligible in terms of employment conditions approved by the Board.





#### *Defined benefit plan*

The Company operates a Defined benefit plan for those contract employees who are eligible in terms of their contract of employment duly approved by the Board. The eligibility is subject to the condition of completion of three consecutive years.

### **4.13 Other income**

#### *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, 2008.

#### *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.

### **4.14 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.

### **4.15 Dividend distribution**

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





|  |   | 2021               | 2020               |
|--|---|--------------------|--------------------|
|  | Note  | ----- Rupees ----- |                    |
| <b>5. CASH AND BANK BALANCES</b>   |   |                    |                    |
| Cash in hand   |   | 75,000             | 46,548             |
| Balance with State Bank of Pakistan in current account - local currency          |   | 32,859             | 39,366             |
| Balances with other banks:   |   |                    |                    |
| - in current account   |   | 5,500              | 5,500              |
| - in saving accounts   | 5.1   | 1,458,107          | 4,887,241          |
|  |   | 1,463,607          | 4,892,741          |
|  |   | <u>1,571,466</u>   | <u>4,978,655</u>   |
| <b>5.1</b>   | These represent saving deposit accounts maintained with MCB Bank Limited carrying mark-up at the rate of 5.5% (2020: 6%) per annum.   |                    |                    |
| <b>6. SHORT TERM LOANS - secured</b>   |   |                    |                    |
| Term loans to customers - Considered doubtful                                    | 6.1   | 165,231,135        | 165,231,135        |
| Provision for non-performing loans   | 6.2   | (36,950,000)       | (38,900,500)       |
|  |   | <u>128,281,135</u> | <u>126,330,635</u> |
| <b>6.1</b>   | These represent the balance receivable against short term loan facilities provided to customers. Since such loans are non-performing, markup accrual thereon has been suspended in accordance with the requirements of Regulation 25 and Schedule XI of the NBFC Regulations, 2008. |                    |                    |
| <b>6.2 Provision for non-performing loans</b>                                    |   |                    |                    |
| Balance at beginning of the year   |   | 38,900,500         | 46,100,460         |
| Charge for the year  |   | -                  | -                  |
| Reversal during the year   |   | (1,950,500)        | (7,199,960)        |
|  |   | (1,950,500)        | (7,199,960)        |
| Write-offs against provision   |   | -                  | -                  |
| <b>Balance at end of the year</b>  | 6.2.1   | <u>36,950,000</u>  | <u>38,900,500</u>  |
| <b>6.2.1</b>   | The above provision for non- performing loans is net of forced sales value (FSVs) of collaterals amounting to Rs. 128.281 million (2020: Rs. 126.331 million) considered by the Company for the purpose of determination of provisioning requirements.                              |                    |                    |
| <b>7. SHORT TERM INVESTMENTS</b>   |   |                    |                    |
| Investments in shares - Carried at fair value through other comprehensive income | 7.1   | 40,322,025         | 14,745,162         |
| Investments in shares - Carried at Amortised Cost                                | 7.2   | 13,943,841         | 14,491,626         |
|  |   | <u>54,265,866</u>  | <u>29,236,788</u>  |

| 7.1 | Investments carried at fair value through other comprehensive income | Note  | 2021               | 2020              |
|-----|--|-------|--------------------|-------------------|
|     |  |       | ----- Rupees ----- |                   |
|     | Ordinary shares of a listed company                                  | 7.1.1 | 79,116             | 80,225            |
|     | Ordinary shares of an unlisted public company                        | 7.1.2 | 40,242,909         | 14,664,938        |
|     | Membership cards of ACACIA Golf Club                                 | 7.1.3 | -                  | -                 |
|     |  |       | <u>40,322,025</u>  | <u>14,745,163</u> |

**7.1.1 Ordinary shares of a listed company**

| 2021<br>(Number of shares) | 2020<br>(Number of shares) | Name of investee company | 2021<br>Cost         | 2021<br>Market value | 2020<br>Cost | 2020<br>Market value |
|----------------------------|----------------------------|--------------------------|----------------------|----------------------|--------------|----------------------|
|                            |                            |                          | ----- (Rupees) ----- |                      |              |                      |
| 495                        | 495                        | MCB Bank Limited         | 85,935               | 79,116               | 85,935       | 80,225               |

**7.1.2 Ordinary shares of an unlisted public company**

| 2021<br>(Number of shares) | 2020<br>(Number of shares) | Name of investee company      | 2021<br>Cost         | 2021<br>Market value | 2020<br>Cost | 2020<br>Market value |
|----------------------------|----------------------------|-------------------------------|----------------------|----------------------|--------------|----------------------|
|                            |                            |                               | ----- (Rupees) ----- |                      |              |                      |
| 3,941,519                  | 3,941,519                  | SPI Insurance Company Limited | 40,242,909           | 40,242,909           | 14,664,938   | 14,664,938           |

The fair value of shares of SPI Insurance Company Limited is determined to be Rs. 10.21 per share by a professional valuer firm "Crowe Hussain Chaudhury & Co. Chartered Accountants".

**7.1.3 Membership cards of ACACIA Golf Club**

| 2021<br>(Number of cards) | 2020<br>(Number of cards) |   | 2021<br>Cost         | 2021<br>Market value | 2020<br>Cost | 2020<br>Market value |
|---------------------------|---------------------------|---|----------------------|----------------------|--------------|----------------------|
|                           |                           |   | ----- (Rupees) ----- |                      |              |                      |
| 57                        | 57                        | Gross carrying amount of the investment | 25,758,520           | 25,758,520           | 25,758,520   | 25,758,520           |
|                           |                           | Accumulated impairment                  | (25,758,520)         | (25,758,520)         | (25,758,520) | (25,758,520)         |
| 57                        | 57                        |   | -                    | -                    | -            | -                    |

**7.2 Investment in T-bills carried at amortized cost**

This represents investment in Government Market Treasury Bill having maturity on 26 August 2021 and carries effective mark-up at a rate of 7.342% (30 June 2020: 10.81%) per annum.

**8. OTHER RECEIVABLES**

|   | Note | 2021               | 2020           |
|---|------|--------------------|----------------|
|   |      | ----- Rupees ----- |                |
| Receivable on termination of finance leases |      | 65,913,380         | 65,913,468     |
| Staff gratuity - net defined benefit asset  |      | -                  | 84,108         |
| Receivable from the provident fund          |      | 2,880,000          | 2,880,000      |
| Others                                      | 8.1  | 3,101,369          | 3,101,421      |
| Provision against doubtful receivables      | 8.2  | (71,665,618)       | (71,665,618)   |
|   |      | <u>229,131</u>     | <u>313,379</u> |



- 8.1 The ex CEO of the Company completed his term of employment with the Company on June 02, 2017. He drew an amount from the Company towards full and final settlement which was later found to be in excess of his entitlement including accumulated provident fund balance amounting to Rs. 2.88 million. The Company filed a recovery suit against him for unlawful withdrawals which is currently proceeding in the District and Session Court.

|     | Note  | 2021<br>----- Rupees ----- | 2020              |
|-----|---|----------------------------|-------------------|
| 8.2 | <b>Provision against doubtful receivables</b> |                            |                   |
|     | Balance at beginning of the year              | 71,665,618                 | 83,725,003        |
|     | Charge for the year                           | -                          | -                 |
|     | Reversal for the year                         | -                          | -                 |
|     | Write-offs against provision                  | -                          | (12,059,385)      |
|     | <b>Balance at end of the year</b>             | <b>71,665,618</b>          | <b>71,665,618</b> |

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

Current maturity of:

|                                    |    |                    |                    |
|------------------------------------|----|--------------------|--------------------|
| - Long term loans                  | 10 | 47,433,850         | 47,216,607         |
| - Net investment in finance leases | 11 | 494,105,628        | 503,357,363        |
|                                    |    | <b>541,539,478</b> | <b>550,573,970</b> |

10. **LONG TERM LOANS - secured**

|   |      |                    |                    |
|---|------|--------------------|--------------------|
| Due from employees - considered good              |      | 222,546            | 191,503            |
| Term loan to customers - considered doubtful      | 10.1 | 100,164,030        | 100,164,030        |
|   |      | <b>100,386,576</b> | <b>100,355,533</b> |
| Provision for non-performing loans                | 10.2 | (52,952,726)       | (53,138,926)       |
|   |      | <b>47,433,850</b>  | <b>47,216,607</b>  |
| Less: current maturity shown under current assets | 9    | (47,433,850)       | (47,216,607)       |
|   |      | <b>-</b>           | <b>-</b>           |

- 10.1 These represent the balance receivable against long term loan facilities provided to customers. Since such loans are non-performing, markup accrual thereon has been suspended in accordance with the requirements of Regulation 25 and Schedule XI of the NBFC Regulations, 2008.

10.2 **Provision for non-performing loans**

|                                     |    |                   |                   |
|-------------------------------------|----|-------------------|-------------------|
| Balance at beginning of the year    |    | 53,138,926        | 53,138,926        |
| Reversal made during the year - net | 28 | (186,200)         | -                 |
| <b>Balance at end of the year</b>   |    | <b>52,952,726</b> | <b>53,138,926</b> |

- 10.2.1 Term loans due from customers are secured against property. The above provision for non-performing long term loans is net of forced sales value (FSVs) of collaterals of Rs. 47.434 million (2020: Rs. 47.217 million) considered by the Company for the purpose of determination of provision requirements.

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| 11.    | NET INVESTMENT IN FINANCE LEASES -   | Note | 2021               | 2020          |
|--------|--|------|--------------------|---------------|
|        |  |      | ----- Rupees ----- |               |
|        | <b>Non-performing exposure</b>   |      |                    |               |
|        | Minimum lease payment receivables  |      | 1,238,325,329      | 1,268,215,530 |
|        | Residual value of leased assets  |      | 305,225,654        | 314,952,834   |
|        | <b>Gross investment in leases</b>  |      | 1,543,550,983      | 1,583,168,364 |
|        | Mark-up held in suspense   | 11.2 | (221,269,477)      | (224,495,717) |
|        | <b>Net investment in leases (before provision)</b>   |      | 1,322,281,506      | 1,358,672,647 |
|        | Provision for non-performing leases  | 11.3 | (828,175,878)      | (855,315,284) |
|        | <b>Net investment in leases (after provision)</b>  |      | 494,105,628        | 503,357,363   |
|        | Less: current maturity shown under current assets  |      | (494,105,628)      | (503,357,363) |
|        |  |      | -                  | -             |
| 11.1   | Certain lease rentals have been hypothecated against long term finances obtained (refer note 21.1 and 21.3 to these financial statements).   |      |                    |               |
| 11.2   | <b>Mark-up held in suspense</b>  |      |                    |               |
|        | Balance at July 01, 2017 (As previously reported)  |      | -                  | 329,686,891   |
|        | Adjustment for reclassification of lease contract receivable   |      | -                  | (81,589,733)  |
|        | Balance as at beginning of the year  |      | 224,495,717        | 229,045,598   |
|        | Balance at beginning of the year (July 01, 2018)   |      | 224,495,717        | 232,791,861   |
|        | Income suspended during the year   |      | -                  | -             |
|        | Balance at beginning of the year (July 01, 2018)   |      |                    |               |
|        | Suspended income:  |      |                    |               |
|        | - reversal during the year   | 26   | (3,226,240)        | (4,039,237)   |
|        | - written-off during the year  |      | -                  | (510,644)     |
|        |  |      | (3,226,240)        | (4,549,881)   |
|        | Balance at end of the year   |      | 221,269,477        | 224,495,717   |
| 11.3   | <b>Provision for non-performing leases</b>   |      |                    |               |
|        | Balance as at beginning of the year  |      | 855,315,284        | 878,163,485   |
|        | Reversal for the year - net  | 28   | (27,139,406)       | (20,266,717)  |
|        | Write-offs against provision   |      | -                  | (2,581,484)   |
|        | <b>Balance at end of the year</b>  |      | 828,175,878        | 855,315,284   |
| 11.3.1 | The provision for non-performing lease losses is net of the forced sales value (FSVs) of leased assets / collaterals amounting to Rs. 494.106 million (2020: Rs. 503.357 million) considered by the Company for the purpose of determining the provisioning requirement. |      |                    |               |
| 11.4   | <b>Breakup of provision</b>  |      |                    |               |
|        | Provision against residual value   |      | 19,433,760         | 19,433,760    |
|        | Provision against minimum lease payment  |      | 808,742,118        | 835,881,524   |
|        |  |      | 828,175,878        | 855,315,284   |
| 11.5   | <b>Net residual value and security deposit</b>   |      |                    |               |
|        | Residual value   |      | 305,225,654        | 314,952,834   |
|        | Provision against residual value   |      | (19,433,760)       | (19,433,760)  |
|        | Net residual value   |      | 285,791,894        | 295,519,074   |
|        | Security deposit against net residual value  |      | (285,791,894)      | (295,519,074) |
|        |  |      | -                  | -             |



## 12. INVESTMENT PROPERTIES

|   | Bungalow at<br>DHA Phase VI<br>(note 12.2) | Shops in<br>Famous Mall<br>(note 12.3) | Total             |
|---|--|--|-------------------|
|   | ----- (Rupees) -----                       |  |                   |
| <b>At June 30, 2020</b>                                 |  |  |                   |
| Cost  | 51,737,840                                 | 14,422,252                             | 66,160,092        |
| Accumulated depreciation                                | (12,250,529)                               | (4,804,712)                            | (17,055,241)      |
| Accumulated impairment                                  | -  | (6,805,696)                            | (6,805,696)       |
|   | (12,250,529)                               | (11,610,408)                           | (23,860,937)      |
| <b>Net book value</b>                                   | <b>39,487,311</b>                          | <b>2,811,844</b>                       | <b>42,299,155</b> |
| <i>Movement during the year ended<br/>June 30, 2021</i> |  |  |                   |
| Opening net book value                                  | 39,487,311                                 | 2,811,844                              | 42,299,155        |
| Depreciation charge                                     | (1,148,580)                                | (270,036)                              | (1,418,616)       |
| <b>Closing net book value</b>                           | <b>38,338,731</b>                          | <b>2,541,808</b>                       | <b>40,880,539</b> |
| <b>At June 30, 2021</b>                                 |  |  |                   |
| Cost  | 51,737,840                                 | 14,422,252                             | 66,160,092        |
| Accumulated depreciation                                | (13,399,109)                               | (5,074,748)                            | (18,473,857)      |
| Accumulated impairment                                  | -  | (6,805,696)                            | (6,805,696)       |
|   | (13,399,109)                               | (11,880,444)                           | (25,279,553)      |
| <b>Net book value</b>                                   | <b>38,338,731</b>                          | <b>2,541,808</b>                       | <b>40,880,539</b> |
| <b>Rate of depreciation</b>                             | <b>2.22%</b>                               | <b>5%</b>                              |                   |

12.1 The above real estate properties have been acquired by the Company in settlement of non-performing loans and lease receivables (i.e. repossessed properties).

### 12.2 Bungalow at DHA Phase VI

12.2.1 The bungalow was last revalued by M/s. Fairwater Properties Valuers & Surveyors (Private) Limited in December 2019. According to such valuation, the fair value and forced sale value of the bungalow, as on December 16, 2019, were assessed to be Rs. 160 million and Rs. 128.055 million, respectively.

12.2.2 The bungalow is in occupancy of a tenant who defaulted in payment after having paid three monthly rentals in the year 2009. The Company filed a recovery suit before the Additional Rent Controller in jurisdiction of Clifton Cantonment Board who passed ejectment order in 2012 against successive default in rent payments. The Additional Controller Rent then, on the Company's application passed an execution order in July 2013 to vacate the premises. The Judgment Debtor objected to execution and was granted injunction against the Decree Holder by the High Court on March 28, 2013 that was vacated by the High Court on January 12, 2017. The Additional Rent Controller then allowed the Execution Application and passed order dated Feb 2017 for ejectment. The JD has neither handed over possession nor made payment of any rent since the last ten years.

The tenant subsequently filed a suit in the High Court for declaration on specific performance, permanent injunction and damage on 12 October, 2020. The rent income due till June 30, 2021 amounting to Rs. 20.900 million (2020: Rs. 17.842 million), has not been recognised awaiting the outcome of the suit filed by the judgment debtor in the High Court.

### 12.3 Shops in Famous Mall - Lahore

The shops 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, were assessed to be Rs. 4.163 million and Rs. 3.330 million, respectively.

|   | 2021                 | 2020     |
|---|----------------------|----------|
|   | ----- (Rupees) ----- |          |
| <b>13. INTANGIBLE ASSETS</b>              |                      |          |
| <b>As at the beginning of the year</b>    |                      |          |
| Cost                                      | 68,232               | 145,950  |
| Accumulated amortization                  | (68,232)             | (20,068) |
|   | -                    | 125,882  |
| <b>Movement during the year</b>           |                      |          |
| Additions                                 | -                    | -        |
| Write off:                                |                      |          |
| - Cost                                    | -                    | (77,718) |
| - Accumulated amortization                | -                    | -        |
|   | -                    | (77,718) |
| Amortization charge                       | -                    | (48,164) |
|   | -                    | -        |
| <b>As at the end of the year</b>          |                      |          |
| Cost                                      | 68,232               | 68,232   |
| Accumulated amortization                  | (68,232)             | (68,232) |
|   | -                    | -        |
| <b>Rate of amortization (% per annum)</b> | 33%                  | 33%      |

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#### 14. PROPERTY, PLANT AND EQUIPMENT

| 2021                                |                                      |           |                                     |             |                           |                                      |                                      |  |                         |                           |                           |                        |                           |                           |
|-------------------------------------|--------------------------------------|-----------|-------------------------------------|-------------|---------------------------|--------------------------------------|--------------------------------------|--|-------------------------|---------------------------|---------------------------|------------------------|---------------------------|---------------------------|
|                                     | Cost / Revaluation                   |           |                                     |             | Accumulated depreciation  |                                      |                                      |  | Accumulated impairment  |                           |                           |                        | Written down value        | Rate                      |
|                                     | As at<br>July 01,<br>2020            | Additions | Effect of<br>revaluation            | Disposals   | As at<br>June 30,<br>2021 | As at<br>July 01,<br>2020            | Charge for<br>the year               | Effect of<br>revaluation               | Reversal on<br>disposal | As at<br>June 30,<br>2021 | As at<br>July 01,<br>2020 | Charge for the<br>year | As at<br>June 30,<br>2021 | As at<br>June 30,<br>2021 |
| (Rupees)                            |                                      |           |                                     |             |                           |                                      |                                      |  |                         |                           |                           |                        |                           |                           |
| <b>Owned assets</b>                 |                                      |           |                                     |             |                           |                                      |                                      |  |                         |                           |                           |                        |                           |                           |
| Building improvements               | 3,526,371                            | 700,000   | -                                   | -           | 4,226,371                 | 3,526,371                            | 13,808                               | -                                      | -                       | 3,540,179                 | -                         | -                      | -                         | 686,192                   |
| Office premises (refer note 14.2.1) | 64,926,000                           | -         | -                                   | -           | 64,926,000                | 1,236,686                            | 2,473,368                            | -                                      | -                       | 3,710,054                 | -                         | -                      | -                         | 61,215,946                |
| Furniture, fixtures and fittings    | 5,983,992                            | -         | -                                   | -           | 5,983,992                 | 5,983,992                            | -                                    | -                                      | -                       | 5,983,992                 | -                         | -                      | -                         | -                         |
| Vehicles                            | 3,378,195                            | -         | -                                   | (964,000)   | 2,414,195                 | 1,286,792                            | 230,520                              | -                                      | (867,600)               | 649,712                   | -                         | -                      | -                         | 1,764,483                 |
| Office equipment                    | 26,533,253                           | -         | -                                   | -           | 26,533,253                | 26,017,213                           | 153,016                              | -                                      | -                       | 26,170,229                | -                         | -                      | -                         | 363,024                   |
|                                     | 104,347,811                          | 700,000   | -                                   | (964,000)   | 104,083,811               | 38,051,054                           | 2,870,712                            | -                                      | (867,600)               | 40,054,166                | -                         | -                      | -                         | 64,029,645                |
| <b>Operating lease assets</b>       |                                      |           |                                     |             |                           |                                      |                                      |  |                         |                           |                           |                        |                           |                           |
| Plant and machinery                 | 59,505,000                           | -         | -                                   | -           | 59,505,000                | 52,805,000                           | -                                    | -                                      | -                       | 52,805,000                | 6,700,000                 | -                      | 6,700,000                 | -                         |
| Generators                          | 5,448,012                            | -         | -                                   | -           | 5,448,012                 | 5,067,647                            | -                                    | -                                      | -                       | 5,067,647                 | -                         | -                      | -                         | 380,365                   |
|                                     | 64,953,012                           | -         | -                                   | -           | 64,953,012                | 57,872,647                           | -                                    | -                                      | -                       | 57,872,647                | 6,700,000                 | -                      | 6,700,000                 | 380,365                   |
|                                     | 169,300,823                          | 700,000   | -                                   | (964,000)   | 169,036,823               | 95,923,701                           | 2,870,712                            | -                                      | (867,600)               | 97,926,813                | 6,700,000                 | -                      | 6,700,000                 | 64,410,010                |
| 2020                                |                                      |           |                                     |             |                           |                                      |                                      |  |                         |                           |                           |                        |                           |                           |
|                                     | Cost / Revaluation                   |           |                                     |             | Accumulated depreciation  |                                      |                                      |  | Accumulated impairment  |                           |                           |                        | Written down value        | Rate                      |
|                                     | As at<br>July 01, 2019<br>(restated) | Additions | Effect of revaluation<br>(restated) | Disposals   | As at<br>June 30,<br>2020 | As at<br>July 01, 2019<br>(restated) | Charge for the<br>year<br>(restated) | Effect of<br>revaluation<br>(restated) | Reversal on<br>disposal | As at<br>June 30,<br>2020 | As at<br>July 01,<br>2019 | Charge for the year    | As at<br>June 30,<br>2020 | As at<br>June 30,<br>2020 |
| (Rupees)                            |                                      |           |                                     |             |                           |                                      |                                      |  |                         |                           |                           |                        |                           |                           |
| <b>Owned assets</b>                 |                                      |           |                                     |             |                           |                                      |                                      |  |                         |                           |                           |                        |                           |                           |
| Building improvements               | 3,526,371                            | -         | -                                   | -           | 3,526,371                 | 3,526,371                            | -                                    | -                                      | -                       | 3,526,371                 | -                         | -                      | -                         | -                         |
| Office premises (refer note 14.2.1) | 63,005,200                           | -         | 1,920,800                           | -           | 64,926,000                | -                                    | 2,436,785                            | (1,200,099)                            | -                       | 1,236,686                 | -                         | -                      | -                         | 63,689,314                |
| Furniture, fixtures and fittings    | 5,983,992                            | -         | -                                   | -           | 5,983,992                 | 5,983,992                            | -                                    | -                                      | -                       | 5,983,992                 | -                         | -                      | -                         | -                         |
| Vehicles                            | 4,054,435                            | -         | -                                   | (676,240)   | 3,378,195                 | 1,664,888                            | 230,520                              | -                                      | (608,616)               | 1,286,792                 | -                         | -                      | -                         | 2,091,403                 |
| Office equipment                    | 27,237,143                           | -         | -                                   | 703,890     | 26,533,253                | 26,508,192                           | 212,911                              | -                                      | 703,890                 | 26,017,213                | -                         | -                      | -                         | 516,040                   |
|                                     | 103,807,141                          | -         | 1,920,800                           | (1,380,130) | 104,347,811               | 37,683,443                           | 2,880,216                            | (1,200,099)                            | (1,312,506)             | 38,051,054                | -                         | -                      | -                         | 66,296,757                |
| <b>Operating lease assets</b>       |                                      |           |                                     |             |                           |                                      |                                      |  |                         |                           |                           |                        |                           |                           |
| Plant and machinery                 | 59,505,000                           | -         | -                                   | -           | 59,505,000                | 52,805,000                           | -                                    | -                                      | -                       | 52,805,000                | 6,700,000                 | -                      | 6,700,000                 | -                         |
| Generators                          | 5,448,012                            | -         | -                                   | -           | 5,448,012                 | 5,067,647                            | -                                    | -                                      | -                       | 5,067,647                 | -                         | -                      | -                         | 380,400                   |
|                                     | 64,953,012                           | -         | -                                   | -           | 64,953,012                | 57,872,647                           | -                                    | -                                      | -                       | 57,872,647                | 6,700,000                 | -                      | 6,700,000                 | 380,400                   |
|                                     | 168,760,153                          | -         | 1,920,800                           | (1,380,130) | 169,300,823               | 95,556,090                           | 2,880,216                            | (1,200,099)                            | (1,312,506)             | 95,923,701                | 6,700,000                 | -                      | 6,700,000                 | 66,677,157                |

#### 14.1 Particulars of the immovable property

Following are the details of the immovable property (i.e. office premises):

| Address of the property   | Use of the property | Total area<br>(in square feet) | Covered area<br>(in square feet) |
|---|---------------------|--------------------------------|----------------------------------|
| 6th Floor, Lakson Square Building No.1, Sarwar<br>Shaheed Road, Saddar, Karachi | As Head Office      | 9,604                          | 9,604                            |

#### 14.2 Valuation of the assets

##### 14.2.1 The latest valuation of the office premises has been carried out by M/s. Fairwater Property Valuer and Surveyor (Private) Limited in December 2019.

The effect of the fresh revaluation carried out during the year (and that carried out in the previous year), on the gross carrying amount of the office premises, is as follows:

|  | 2021<br>----- (Rupees) ----- | 2020<br>----- (Rupees) ----- |
|--|------------------------------|------------------------------|
| Reversal of the gross carrying amount to the extent of<br>accumulated depreciation charged up to the date of revaluation | -                            | (1,200,099)                  |
| Revaluation surplus recognized as on the date of revaluation   | -                            | 3,120,899                    |
|  | <u>-</u>                     | <u>1,920,800</u>             |

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

|                     | 2021<br>----- (Rupees) ----- |                             |                           |                       | 2020<br>----- (Rupees) ----- |                             |                           |                       |
|---------------------|------------------------------|-----------------------------|---------------------------|-----------------------|------------------------------|-----------------------------|---------------------------|-----------------------|
|                     | Cost                         | Accumulated<br>depreciation | Accumulated<br>impairment | Written<br>down value | Cost                         | Accumulated<br>depreciation | Accumulated<br>impairment | Written<br>down value |
| Office premises     | <u>28,548,042</u>            | <u>13,155,731</u>           | <u>-</u>                  | <u>15,392,311</u>     | <u>28,548,042</u>            | <u>12,205,530</u>           | <u>-</u>                  | <u>16,342,512</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>        |

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 | 25,301,588         | 25,301,588         |
|                                    |      | <u>162,801,588</u> | <u>162,801,588</u> |

##### 15.1 This represents finance of Rs. 77.50 million obtained from National Bank of Pakistan on April 01, 2010 through a letter of placement carrying mark-up at a rate of 11.20% per annum for a period of 14 days. Subsequently, the facility was rolled several times up to the total period of 140 days which expired on August 19, 2010. Till to-date, no repayments have made by the Company in respect of this finance. As of June 30, 2021, the Company has accrued a mark-up in this finance amounting to Rs. 95.715 million (2020: Rs. 88.896 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 made an aggregate principal repayment of Rs. 3 million. As of 30 June 2021, the Company has accrued a mark-up on this finance amounting to Rs. 54.448 million (2020: Rs. 49.578 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 was made by the Company on September 06, 2012. Meezan Bank was offered membership cards of M/s Acacia Golf Club but they didn't accept these membership cards against settlement due to non-functional status of the club. As per the revised restructuring terms, the finance carries no mark-up.

|   | 2021               | 2020               |
|---|--------------------|--------------------|
|   | ----- Rupees ----- |                    |
| <b>16. ACCRUED MARK-UP</b>                          |                    |                    |
| <i>Mark-up on:</i>                                  |                    |                    |
| - certificates of investment                        | 109,090,355        | 101,330,804        |
| - long term finances                                | 48,198,655         | 46,380,457         |
| - term finance certificates                         | 161,859,049        | 162,769,392        |
| - short term borrowings from financial institutions | 152,024,488        | 138,544,487        |
|   | <u>471,172,547</u> | <u>449,025,140</u> |

**17. ACCRUED EXPENSES AND OTHER PAYABLES**

|                        |                  |                  |
|------------------------|------------------|------------------|
| Accrued expenses       | 6,691,057        | 6,206,071        |
| Salaries payable       | 6                | 1,269,846        |
| Tax deducted at source | 1,036,431        | 903,337          |
| Others                 | 51,072           | 121,814          |
|                        | <u>7,778,566</u> | <u>8,501,068</u> |

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

Current maturity of:

|  |    |                    |                    |
|--|----|--------------------|--------------------|
| - Certificates of investment               | 19 | 50,549,000         | 50,549,000         |
| - Long term finances                       | 21 | 356,494,443        | 378,532,443        |
| - Security deposits against finance leases | 22 | 285,791,894        | 295,519,074        |
|  |    | <u>692,835,336</u> | <u>724,600,516</u> |

|  |      | 2021               | 2020         |
|--|------|--------------------|--------------|
|  | Note | ----- Rupees ----- |              |
| <b>19. CERTIFICATE OF INVESTMENT - unsecured</b> |      |                    |              |
| Long term certificates of investment             |      | 50,549,000         | 50,549,000   |
| Current maturity of certificates of investment   | 18   | (50,549,000)       | (50,549,000) |
|  |      | <u>-</u>           | <u>-</u>     |

19.1 These certificates of investment are for periods ranging from 1 year to 5 years and interest rates thereon range from 7% to 11.5% (2020: 7% to 11.5%) per annum.

19.2 One certificate holder filed a Miscellaneous Application 08/2017 for winding up of the Company owing to default in repayment of its deposit claiming Rs 52.8 million. The case was since adjourned till November 2018. Subsequently, the Company and the certificate holder agreed to settle the liability at an amount of Rs. 42 million and the Company then made repayments amounting in aggregate to Rs. 3.5 million and has submitted in Court that it shall to pay the balance amount of Rs. 49.3 million soon upon availability of funds. The proceeding in the matter are continuing.

## 20. DEFERRED TAXATION

|   | For the year ended June 30, 2021 |                              |  |
|---|----------------------------------|------------------------------|--|
|   | Balance at beginning of the year | Recognized in profit or loss | Recognized in other comprehensive income |
|   | ----- (Rupees) -----             |                              |  |
| <b>Deferred tax liability in respect of:</b>            |                                  |                              |  |
| Unrealized gain on valuation of short term investment   | -                                | -                            | 5,562,967                                |
| Surplus on revaluation of property, plant and equipment | 13,822,338                       | (533,484)                    | -  |
| Accelerated accounting depreciation / impairment        | 2,905,525                        | (40,821)                     | -  |
|   | 16,727,863                       | (574,305)                    | 5,562,967                                |
| <b>Deferred tax asset recognized</b>                    | (16,727,863)                     | 574,305                      | (5,562,967)                              |
| <b>Net deferred tax position</b>                        | <u>-</u>                         | <u>-</u>                     | <u>-</u>                                 |

### Details of deferred tax assets

|  |                    |
|--|--------------------|
| Provision for lease losses   | 240,171,005        |
| Provision for non-performing short term loans  | 10,715,500         |
| Provision for non-performing long term loans   | 15,356,291         |
| Provision for doubtful other receivables   | 20,783,029         |
| Unused tax losses  | 146,991,594        |
|  | 434,017,419        |
| Less: Deferred tax asset recognized to the extent of available taxable temporary differences | (21,716,525)       |
| <b>Unrecognized deferred tax asset</b>   | <u>412,300,894</u> |

|   | For the year ended June 30, 2020 |                              |  |
|---|----------------------------------|------------------------------|--|
|   | Balance at beginning of the year | Recognized in profit or loss | Recognized in other comprehensive income |
|   | ----- (Rupees) -----             |                              |  |
| <b>Deferred tax liability in respect of:</b>            |                                  |                              |  |
| Surplus on revaluation of property, plant and equipment | 13,440,152                       | (522,875)                    | 905,061                                  |
| Accelerated accounting depreciation / impairment        | 2,547,392                        | 358,133                      | -  |
|   | 15,987,544                       | (164,742)                    | 905,061                                  |
| <b>Deferred tax asset recognized</b>                    | (15,987,544)                     | (740,319)                    | -  |
| <b>Net deferred tax position</b>                        | <u>-</u>                         | <u>(905,061)</u>             | <u>905,061</u>                           |

### Details of deferred tax assets

|  |                    |
|--|--------------------|
| Provision for lease losses   | 248,041,432        |
| Provision for non-performing short term loans  | 11,281,145         |
| Provision for non-performing long term loans   | 15,410,289         |
| Provision for doubtful other receivables   | 20,783,029         |
| Unused tax losses  | 109,084,444        |
|  | 404,600,339        |
| Less: Deferred tax asset recognized to the extent of available taxable temporary differences | (16,727,863)       |
| <b>Unrecognized deferred tax asset</b>   | <u>387,872,476</u> |



| 21. | LONG TERM FINANCES                     | Note | 2021               | 2020          |
|-----|--|------|--------------------|---------------|
|     |  |      | ----- Rupees ----- |               |
|     | Long term finances - secured           | 21.1 | 149,561,501        | 149,561,501   |
|     | Long term finances - unsecured         |      | 5,703,696          | 5,703,696     |
|     |  | 21.2 | 155,265,197        | 155,265,197   |
|     | Term finance certificates - secured    | 21.3 | 201,229,246        | 223,267,246   |
|     |  |      | 356,494,443        | 378,532,443   |
|     | Current maturity of long term finances | 18   | (356,494,443)      | (378,532,443) |
|     |  |      | -                  | -             |

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, 2021         | Jun. 30, 2020 |
|      |                           |        |        |   |        | ----- (Rupees) -----  |               |
|      | <b>Secured</b>            |        |        |   |        |                       |               |
|      | National Bank of Pakistan | Mar-05 | Mar-10 | 6 month KIBOR + 1.5%<br>(payable semi annually) | 21.2.1 | 12,500,000            | 12,500,000    |
|      | First Women Bank Limited  | Dec-08 | Dec-12 | Fixed at 12%<br>(payable monthly)               | 21.2.2 | 75,061,505            | 75,061,505    |
|      | Soneri Bank Limited       | May-13 | Sep-14 | -   | 21.2.3 | 61,999,996            | 61,999,996    |
|      | <b>Un secured</b>         |        |        |   |        |                       |               |
|      | Silk Bank Limited         | Sep-12 | Mar-17 | 6 month KIBOR + 2%<br>(payable semi annually)   | 21.2.4 | 5,703,696             | 5,703,696     |
|      |                           |        |        |   |        | 155,265,197           | 155,265,197   |

21.2.1 This represents a finance of Rs. 100 million obtained from M/s. 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 loan 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, 2021, the Company had accrued mark amounting to Rs. 16.463 million (2020: Rs. 15.237 million).

21.2.2 This represents a finance of Rs. 150 million obtained from M/s. 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, 2021, the Company had accrued mark-up amounting to Rs. 24.054 million (2020: Rs. 24.054 million).

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**21.2.3** 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 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) situated at Thokar Niaz Baig, Lahore.
- Cash payment of Rs. 5 million in the twelve equal monthly payment of PKR 0.416 million each commencing from the date execution of settlement agreement;
- 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, as 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.

During the year, the bank filed a petition for recovery suit in Banking Court claiming Rs.79.999 million against default by the company in the implementation of settlement agreement dated May 2013 with the bank. The Company was required to make payment of Rs.39.5 million and waiver of Rs.27 million was to be availed upon full repayment. The company however on payment of agreed instalment up to Rs. 5 million till 2015 subsequently defaulted in repayment of balance amount of Rs 34.5 million. The suit filed is proceeding in the court. The company intends to settle this liability as per the agreement.

**21.2.4** This represents a finance of Rs. 15.7 million obtained from M/s. 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, 2021, the Company had accrued markup amounting to Rs. 7.681 million (2020: Rs. 7.089 million).

### **21.3 Term finance certificates - secured**

**21.3.1** This represents the 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 were secured by way of a first exclusive charge on specific leases including lease rentals 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 was passed by at least by 75% of the aggregate amount outstanding to TFC holders. The trustee obtained necessary approval of TFC holders. The revised terms and conditions of the issue after rescheduling are as follows:

*Principal redemption*

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

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

*Mark-up on payment*

- 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; and
- 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 TFCs).

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

- 21.3.2** During the period on September 29, 2020, the Company entered into an arrangement with M/s. HBL Asset Management Company Limited, being the management company of HBL Income Fund and HBL Multi Asset Fund, with a view to full and final settlement of the Company's outstanding financial liability in respect of Term Finance Certificates (TFCs) previously issued to them in March 2008.

Presented below is the quantitative analysis of the gain realized by the Company upon settlement of its aforementioned obligation.

|   | HBL Income Fund    | HBL Multi Asset Fund | Total       |
|---|--------------------|----------------------|-------------|
|   | ----- Rupees ----- |                      |             |
| Total outstanding principal prior to settlement | 5,509,500          | 16,528,500           | 22,038,000  |
| Total outstanding markup prior to settlement    | 4,016,612          | 12,049,837           | 16,066,449  |
|   | 9,526,112          | 28,578,337           | 38,104,449  |
| Less: Cash paid on settlement                   | (555,000)          | (1,520,000)          | (2,075,000) |
|   | 8,971,112          | 27,058,337           | 36,029,449  |

**22. LONG TERM SECURITY DEPOSITS AGAINST FINANCE LEASES**

|   | Note | 2021               | 2020          |
|---|------|--------------------|---------------|
|   |      | ----- Rupees ----- |               |
| Security deposits against finance leases            | 22.1 | 285,791,894        | 295,519,074   |
| Current maturity of deposits against finance leases |      | (285,791,894)      | (295,519,074) |
|   |      | -                  | -             |

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



## 23. SHARE CAPITAL

| 2021<br>----- (Number of shares) -----              | 2020               | Note  | 2021<br>----- (Rupees) ----- | 2020                 |
|---|--------------------|---|------------------------------|----------------------|
| <b>AUTHORISED SHARE CAPITAL</b>                     |                    |   |                              |                      |
| <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> |
| <b>ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL</b> |                    |   |                              |                      |
| <i>Ordinary shares - 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>   |
| <b>Non-cumulative preference shares</b>             |                    |   |                              |                      |
| <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 As of June 30, 2021, M/s. Saudi Pak Industrial & Agricultural Investment Company Limited (SAPICO) held 35.06% (2020: 35.06%) of the issued, subscribed and paid-up ordinary share capital of the Company and 63% (2020: 63%) of the issued preference share capital of the Company.

23.2 The shareholders of the Company, through a special resolution passed 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 M/s. Bank of Khyber into non-voting, non-cumulative, convertible unlisted preference shares at Rs. 10 each. The Securities and Exchange Commission of Pakistan (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 shareholders 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.

23.3 There are no agreements among shareholders 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 (I) / 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).



|  | 2021                | 2020                |
|--|---------------------|---------------------|
|  | -----Rupees-----    |                     |
| <b>24. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - net</b> |                     |                     |
| <b>On office premises, plant and machinery and generators</b>            |                     |                     |
| <i>Gross surplus</i>   |                     |                     |
| As at beginning of the year  | 47,663,240          | 46,345,359          |
| Effect of revaluation carried out during the year                        | -                   | 3,120,899           |
|  | <u>47,663,240</u>   | <u>49,466,258</u>   |
| Incremental depreciation transferred to unappropriated loss              | (1,839,600)         | (1,803,018)         |
|  | <u>45,823,640</u>   | <u>47,663,240</u>   |
| <i>Related deferred tax charge</i>                                       |                     |                     |
| As at beginning of the year  | (13,822,338)        | (13,440,152)        |
| Effect of revaluation carried out during the year                        | -                   | (905,061)           |
| Incremental depreciation transferred to unappropriated loss              | 533,484             | 522,875             |
|  | <u>(13,288,854)</u> | <u>(13,822,338)</u> |
|  | <u>32,534,786</u>   | <u>33,840,902</u>   |

## 25. CONTINGENCIES AND COMMITMENTS

### 25.1 Contingencies

**25.1.1** The Company is defending various counter suits filed against it by defaulting customers against whom recovery suits were filed by it between the year 2009 to 2018. The counter suits are mainly for rendition of accounts and damages and or injunction against the company. These suits are proceeding in the High Court or Banking Court and, in the opinion of the legal counsel, the Company is not likely to suffer any loss or liability on account of these counter suits. The amount claimed in these counter suits as of 30th June 2021 amounted to Rs.178.904 million (2020: 178.904 million).

**25.1.2** 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 period 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 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. Accordingly, the Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the above CIR(A) order which decided the case in favour of the Company.

In 2014, a reference application was filed by CIR Zone-I against the Company in High Court 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.

- 25.1.3** 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 (refer note 21.2.2), 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 financial commitments were known to exist (2020: None).

|  |             | 2021              | 2020              |
|--|-------------|-------------------|-------------------|
|  |             | -----Rupees-----  |                   |
| <b>26. REVENUE FROM FINANCE LEASES</b>             | <i>Note</i> |                   |                   |
| Recovery of suspended markup on finance leases     | 11.2        | 3,226,240         | 4,039,237         |
| Others   |             | 590,987           | 878,325           |
|  |             | <u>3,817,227</u>  | <u>4,917,562</u>  |
| <b>27. ADMINISTRATIVE AND OPERATING EXPENSES</b>   |             |                   |                   |
| Salaries, allowances and benefits                  |             | 17,688,740        | 18,887,635        |
| Meeting fee and other benefits paid to directors   |             | 4,350,000         | 3,400,000         |
| Rent   |             | 904,640           | 820,500           |
| Repairs and maintenance                            |             | 2,395,089         | 2,093,531         |
| Insurance  |             | 314,801           | 182,070           |
| Utilities  |             | 812,796           | 767,464           |
| Depreciation on investment properties              | 12          | 1,418,615         | 1,418,615         |
| Amortization of intangible asset                   | 13          | -                 | 48,164            |
| Depreciation on property, plant and equipment      | 14          | 2,870,712         | 2,880,216         |
| Vehicle running expenses                           |             | 444,597           | 89,730            |
| Printing and stationery                            |             | 165,237           | 570,355           |
| Telephone and postage                              |             | 518,726           | 578,022           |
| Travelling and conveyance                          |             | 426,312           | 184,053           |
| Travelling and conveyance - Directors              |             | 43,000            | -                 |
| Fee and subscriptions                              |             | 869,030           | 1,212,003         |
| Legal and professional charges                     |             | 2,424,040         | 4,695,448         |
| Advertising and entertainment                      |             | 77,746            | 164,206           |
| Auditors' remuneration                             | 27.1        | 725,500           | 705,000           |
| Miscellaneous                                      |             | 1,277,005         | 1,024,522         |
|  |             | <u>37,726,586</u> | <u>39,721,534</u> |
| <b>27.1 Auditors' remuneration</b>                 |             |                   |                   |
| Annual audit fee                                   |             | 405,457           | 394,000           |
| Fee for review of half yearly financial statements |             | 160,536           | 156,000           |
| Other certifications                               |             | 51,454            | 50,000            |
| Out of pocket expenses                             |             | 108,053           | 105,000           |
|  |             | <u>725,500</u>    | <u>705,000</u>    |



|   |   | 2021               | 2020              |
|---|---|--------------------|-------------------|
|   | Note  | -----Rupees-----   |                   |
| <b>28. REVERSAL OF PROVISION FOR NON-PERFORMING EXPOSURES</b> |   |                    |                   |
| Reversal of provision for potential losses on:                |   |                    |                   |
| - Short term loans  | 6.2   | 1,950,500          | 7,199,960         |
| - Long term loans   | 10.2  | 186,200            | -                 |
| - Finance leases  | 11.3  | 27,139,406         | 20,266,717        |
|   |   | <u>29,276,106</u>  | <u>27,466,677</u> |
| <b>29. OTHER INCOME</b>                                       |   |                    |                   |
| Dividend income   |   | 9,033              | 7,796             |
| Interest income from government securities                    |   | 1,002,022          | 1,788,084         |
| Interest income from savings accounts                         |   | 189,272            | 261,358           |
| Gain on sale of property, plant and equipment                 |   | 709,100            | 742,376           |
| Waiver on settlement of long term finances                    | 21.3.2  | 36,308,915         | -                 |
| Others  |   | 763,148            | 1,304,146         |
|   |   | <u>38,981,490</u>  | <u>4,103,760</u>  |
| <b>30. FINANCE COSTS</b>                                      |   |                    |                   |
| Mark-up on:   |   |                    |                   |
| - Long term finances  |   | 1,818,198          | 2,647,768         |
| - Term finance certificates                                   |   | 15,435,572         | 28,363,324        |
| - Short term borrowings                                       |   | 13,480,001         | 13,516,933        |
| - Certificates of investment                                  |   | 7,759,551          | 6,487,521         |
| Bank charges  |   | 39,498             | 23,852            |
|   |   | <u>38,532,820</u>  | <u>51,039,398</u> |
| <b>31. TAXATION</b>   |   |                    |                   |
| Current   |   | 31,266             | 62,250            |
| Deferred  |   | (5,562,967)        | (905,061)         |
|   |   | <u>(5,531,701)</u> | <u>(842,811)</u>  |
| <b>31.1</b>   | The numerical reconciliation between the tax expense and accounting loss / profit has not been presented for the current year and comparative year 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.  |                    |                   |
| <b>31.2</b>   | 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 2003-2019 have been filed which are deemed to be 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 and 2015, 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. The company has also received notices for monitoring of withholding taxes for the tax year 2018 and 2019 in respect of which proceedings are in process. |                    |                   |

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|  | 2021                | 2020                |
|--|---------------------|---------------------|
| <b>32. EARNINGS / (LOSS) PER SHARE:</b>  | ----- Rupees -----  |                     |
| <b>32.1 Basic earning/ (loss) per share</b>  |                     |                     |
| Profit/ (loss) after taxation attributable to ordinary shareholders  | <u>1,347,118</u>    | <u>(53,430,122)</u> |
|  | -----Number-----    |                     |
| Weighted average number of ordinary shares outstanding   | <u>45,160,500</u>   | <u>45,160,500</u>   |
|  | -----Rupees-----    |                     |
| <b>Earnings / (loss) per share - Basic</b>   | <u>0.03</u>         | <u>(1.18)</u>       |
| <b>32.2 Diluted earning/ (loss) per share</b>  |                     |                     |
| Profit / (Loss) after taxation attributable to ordinary shareholders   | <u>1,347,118</u>    | <u>(53,430,122)</u> |
|  | -----Number-----    |                     |
| Weighted average number of ordinary shares outstanding   | <u>97,981,350</u>   | <u>97,981,350</u>   |
|  | -----Rupees-----    |                     |
| <b>Earning/ (loss) per share - Diluted</b>   | <u>0.01</u>         | <u>(0.55)</u>       |
| <b>32.2.1</b> As at June 30, 2021, the Company had 52.82 million (2020: 52.82 million) convertible preference shares which have been considered for the calculation of diluted loss per share. |                     |                     |
| <b>33. CASH USED IN OPERATIONS</b>   |                     |                     |
| Loss before taxation   | (4,184,583)         | (54,272,933)        |
| <i>Adjustment for non-cash charges and other items :</i>   |                     |                     |
| - Recovery of suspended markup on finance leases   | (3,226,240)         | (4,039,237)         |
| - Depreciation - owned assets  | 2,870,712           | 2,880,216           |
| - Depreciation - investment properties   | 1,418,615           | 1,418,615           |
| - Amortization of intangible assets  | -                   | 48,164              |
| - Write off of intangible assets   | -                   | 77,718              |
| - Reversal of provision for non-performing exposures   | (29,276,106)        | (27,466,677)        |
| - Dividend income  | (9,033)             | (7,796)             |
| - Interest income from government securities   | (1,002,022)         | (1,788,084)         |
| - Gain on sale of property, plant and equipment  | (709,100)           | (742,376)           |
| - Gain on settlement of short term and long term finances  | (36,308,915)        | -                   |
| - Finance costs  | 38,532,820          | 51,039,398          |
|  | <u>(27,709,269)</u> | <u>21,419,941</u>   |
|  | <u>(31,893,852)</u> | <u>(32,852,992)</u> |
| <b>Movement in working capital</b>   |                     |                     |
| <i>(Increase) / decrease in operating assets</i>   |                     |                     |
| - Short term loans   | -                   | -                   |
| - Trade deposits and short term prepayments  | 74,220              | (41,529)            |
| - Other receivables  | 84,248              | 2,372,721           |
| <i>(Increase) / decrease in operating liabilities</i>  |                     |                     |
| - Accrued expenses and other payables  | (722,502)           | 2,257,936           |
|  | <u>(564,034)</u>    | <u>4,589,128</u>    |
| <b>Cash used in operations</b>   | <u>(32,457,886)</u> | <u>(28,263,864)</u> |



**34. STAFF RETIREMENT BENEFITS - Defined benefit plan**

**34.1 Net defined benefit (asset) / liability as of the reporting date**

|   |                  |                 |
|---|------------------|-----------------|
| Present value of defined benefit obligation | 425,000          | 425,000         |
| Fair value of plan assets                   | 1,797,612        | (509,108)       |
|   | <u>2,222,612</u> | <u>(84,108)</u> |

**34.2 Movement in defined benefit obligation**

|                                     |                |                |
|-------------------------------------|----------------|----------------|
| Opening balance                     | -              | -              |
| Current service cost                | 425,000        | 425,000        |
| Interest cost                       | -              | -              |
| Repayments made to retiring members | -              | -              |
| <b>Closing balance</b>              | <u>425,000</u> | <u>425,000</u> |

**34.3 Movement in fair value of plan assets**

|                                    |                    |                |
|------------------------------------|--------------------|----------------|
| Opening balance                    | 509,108            | 2,815,828      |
| Contributions made during the year | -                  | -              |
| Received during the year           | (2,306,720)        | (2,306,720)    |
| <b>Closing balance</b>             | <u>(1,797,612)</u> | <u>509,108</u> |

**35 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 plan. The transactions between the Company and the related parties are carried out as per agreed terms.

*Transactions during the year*

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

|                                     | 2021              |           |                          |                       |
|-------------------------------------|-------------------|-----------|--------------------------|-----------------------|
|                                     | Major Shareholder | Directors | Key management personnel | Other related parties |
|                                     | (Rupees)          |           |                          |                       |
| Rent paid                           | -                 | -         | -                        | -                     |
| Contributions to the provident fund | -                 | -         | -                        | 510,000               |
| Remuneration                        | -                 | 4,350,000 | 7,486,944                | -                     |
|                                     | 2020              |           |                          |                       |
|                                     | Major Shareholder | Directors | Key management personnel | Other related parties |
|                                     | (Rupees)          |           |                          |                       |
| Rent paid                           | -                 | -         | -                        | -                     |
| Contributions to provident fund     | -                 | -         | -                        | 510,000               |
| Remuneration                        | -                 | 3,400,000 | 8,732,010                | -                     |

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### 36. REMUNERATION OF THE CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged for remuneration including all benefits to the Chief Executive, Directors and

|                         | Chief Executive  |                  | Directors & Executives |                  | Total             |                   |
|-------------------------|------------------|------------------|------------------------|------------------|-------------------|-------------------|
|                         | 2021             | 2020             | 2021                   | 2020             | 2021              | 2020              |
|                         | (Rupees)         |                  |                        |                  |                   |                   |
| Managerial remuneration | 5,100,000        | 5,100,000        | 4,350,000              | 5,320,000        | 9,450,000         | 10,420,000        |
| Retirement benefits     | 510,000          | 510,000          | -                      | -                | 510,000           | 510,000           |
| Leave encashment        | 793,333          | 368,333          | -                      | -                | 793,333           | 368,333           |
| Other perquisites       | 1,083,611        | 833,677          | -                      | -                | 1,083,611         | 833,677           |
|                         | <u>7,486,944</u> | <u>6,812,010</u> | <u>4,350,000</u>       | <u>5,320,000</u> | <u>11,836,944</u> | <u>12,132,010</u> |
| Number of persons       | <u>1</u>         | <u>1</u>         | <u>7</u>               | <u>8</u>         |                   |                   |

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

36.2 Remuneration to directors represents fee pertaining to 10 meetings of directors and committees (2020: 15 meetings) in connection with the financial statements and other matters.

### 37. SEGMENT INFORMATION

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

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

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

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

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

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

|   | 2021             |                    |               |             |            |              |
|---|------------------|--------------------|---------------|-------------|------------|--------------|
|   | Finance<br>lease | Operating<br>lease | Term<br>loans | Investments | Others     | Total        |
|   | (Rupees)         |                    |               |             |            |              |
| Segment revenue   |                  |                    |               |             |            |              |
| Lease income  | 3,817,227        | -                  | -             | -           | -          | 3,817,227    |
| Interest income   | -                | -                  | -             | 1,002,022   | 189,272    | 1,191,294    |
| Other income  | -                | -                  | -             | 9,033       | 37,781,163 | 37,790,196   |
| Reversal of provision for<br>doubtful leases, loans and<br>other receivables- net | 27,139,406       | -                  | 2,136,700     | -           | -          | 29,276,106   |
| Segment results   | 30,956,633       | -                  | 2,136,700     | 1,011,055   | 37,970,435 | 72,074,823   |
| Unallocated cost  |                  |                    |               |             |            |              |
| Financial charges   |                  |                    |               |             |            | (38,532,820) |
| Administrative and operating expenses   |                  |                    |               |             |            | (37,726,586) |
|   |                  |                    |               |             |            | (76,259,406) |
| Profit before taxation  |                  |                    |               |             |            | (4,184,583)  |
| Taxation  |                  |                    |               |             |            | 5,531,701    |
| Profit after taxation   |                  |                    |               |             |            | 1,347,118    |



|                          |             |         |             |            |               |                      |
|--------------------------|-------------|---------|-------------|------------|---------------|----------------------|
| <b>Other information</b> |             |         |             |            |               |                      |
| Segment assets           | 494,105,628 | 380,365 | 265,617,711 | 54,265,866 | -             | 814,369,570          |
| Unallocated assets       | -           | -       | -           | -          | 18,489,554    | 18,489,554           |
| <b>Total assets</b>      |             |         |             |            |               | <b>832,859,124</b>   |
| Segment liabilities      | 285,791,894 | -       | -           | -          | -             | 285,791,895          |
| Unallocated liabilities  |             |         |             |            | 1,093,457,433 | 1,093,457,433        |
| <b>Total liabilities</b> |             |         |             |            |               | <b>1,379,249,328</b> |
| <b>Net Liability</b>     |             |         |             |            |               | <b>(546,390,205)</b> |

|   | 2020             |                    |               |             |               |                      |
|---|------------------|--------------------|---------------|-------------|---------------|----------------------|
|   | Finance<br>lease | Operating<br>lease | Term<br>loans | Investments | Others        | Total                |
|   | (Rupees)         |                    |               |             |               |                      |
| <b>Segment revenue</b>  |                  |                    |               |             |               |                      |
| Lease income  | 4,917,562        | -                  | -             | -           | -             | 4,917,562            |
| Interest income   | -                | -                  | -             | 1,788,084   | 261,358       | 2,049,442            |
| Other income  | -                | -                  | -             | 7,796       | 2,046,522     | 2,054,318            |
| Direct cost of<br>operating leases  | -                | -                  | -             | -           | -             | -                    |
| Reversal of provision<br>for potential lease<br>losses - net              | 20,266,717       | -                  | 7,199,960     | -           | -             | 27,466,677           |
| Reversal of provision<br>for potential losses on<br>short term loan - net | -                | -                  | -             | -           | -             | -                    |
| <b>Segment results</b>  | 25,184,279       | -                  | 7,199,960     | 1,795,880   | 2,307,880     | 36,487,999           |
| <b>Unallocated cost</b>   |                  |                    |               |             |               |                      |
| Financial charges   |                  |                    |               |             |               | (51,039,398)         |
| Administrative and operating<br>expenses                                  |                  |                    |               |             |               | (39,721,534)         |
|   |                  |                    |               |             |               | (90,760,932)         |
| Profit before taxation  |                  |                    |               |             |               | (54,272,933)         |
| Taxation  |                  |                    |               |             |               | 842,811              |
| <b>Profit after taxation</b>  |                  |                    |               |             |               | <b>(53,430,122)</b>  |
| <b>Other information;</b>   |                  |                    |               |             |               |                      |
| Segment assets  | 503,357,363      | 380,400            | 284,225,914   | 29,236,789  | -             | 817,200,466          |
| Unallocated assets  | -                | -                  | -             | -           | 4,632,205     | 4,632,205            |
| <b>Total assets</b>   |                  |                    |               |             |               | <b>821,832,671</b>   |
| Segment liabilities   | 295,519,074      | -                  | -             | -           | -             | 295,519,074          |
| Unallocated liabilities   | -                | -                  | -             | -           | 1,094,070,529 | 1,094,070,529        |
| <b>Total liabilities</b>  |                  |                    |               |             |               | <b>1,389,589,603</b> |
| <b>Net Liability</b>  |                  |                    |               |             |               | <b>(567,756,932)</b> |

### 38. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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.

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### 38.1 Credit risk

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

#### 38.1.1 Management of credit risk

The Company manages 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 its non-performing exposures.

#### 38.1.2 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 statement of financial position. 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:

|  | 2021               | 2020               |
|--|--------------------|--------------------|
|  | -----Rupees-----   |                    |
| Long term loans  | 47,433,850         | 47,216,607         |
| Net investment in finance leases - net of security deposits held | 208,313,734        | 207,838,289        |
| Bank balances  | 1,463,607          | 4,892,741          |
| Short term loans   | 128,281,135        | 126,330,635        |
| Trade deposits   | 1,033,767          | 1,033,767          |
| Other receivables  | 229,131            | 229,271            |
|  | <u>386,755,224</u> | <u>387,541,310</u> |

#### 38.1.3 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:

| June 30, 2021  |                      |                      |                    |                     |                     |
|--|----------------------|----------------------|--------------------|---------------------|---------------------|
| Net investment in finance leases<br>(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   | 1,036,489,612        | (828,175,878)        | 100,386,576        | (52,952,726)        | 165,231,135         |
| Total  | <u>1,036,489,612</u> | <u>(828,175,878)</u> | <u>100,386,576</u> | <u>(52,952,726)</u> | <u>165,231,135</u>  |
|  |                      |                      |                    |                     | <u>(36,950,000)</u> |
| June 30, 2020  |                      |                      |                    |                     |                     |
| Net investment in finance leases<br>(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   | 1,063,153,573        | (855,315,284)        | 100,355,533        | (53,138,926)        | 165,231,135         |
| Total  | <u>1,063,153,573</u> | <u>(855,315,284)</u> | <u>100,355,533</u> | <u>(53,138,926)</u> | <u>165,231,135</u>  |
|  |                      |                      |                    |                     | <u>(38,900,500)</u> |

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

#### 38.1.4 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, 2021 |           | Rating Agency | 2021             | 2020             |
|---------------------------|----------------------------|-----------|---------------|------------------|------------------|
|                           | Short term                 | Long term |               | --- (Rupees) --- | -----            |
| Faysal Bank Limited       | A-1+                       | AA        | JCR VIS       | 32,641           | 29,353           |
| Silk Bank Limited         | A-2                        | A-        | JCR VIS       | -                | -                |
| Samba Bank Limited        | A-1                        | AA        | JCR VIS       | 10,341           | 10,341           |
| MCB Bank Limited          | A1+                        | AAA       | PACRA         | 1,411,934        | 4,847,546        |
| National Bank of Pakistan | A-1+                       | AAA       | JCR VIS       | 5,500            | 5,500            |
|                           |                            |           |               | <u>1,460,416</u> | <u>4,892,740</u> |

### 38.1.5 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.

### 38.2 Liquidity risk

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

| June 30, 2021                          |                        |                      |                      |                   |             |                   |
|--|------------------------|----------------------|----------------------|-------------------|-------------|-------------------|
| Carrying amount                        | Contractual cash flows | Less than 1 month    | 1 - 3 months         | 3 months - 1 year | 1 - 5 years | More than 5 years |
| (Rupees)                               |                        |                      |                      |                   |             |                   |
| <b>Financial liabilities</b>           |                        |                      |                      |                   |             |                   |
| Borrowings from financial institutions | 162,801,588            | 162,801,588          | 162,801,588          | -                 | -           | -                 |
| Certificates of investment             | 93,549,000             | 93,549,000           | 93,549,000           | -                 | -           | -                 |
| Accrued mark-up                        | 471,172,547            | 471,172,547          | 471,172,547          | -                 | -           | -                 |
| Accrued expenses and other payables    | 7,778,566              | 7,778,566            | 7,778,566            | -                 | -           | -                 |
| Long term finances                     | 356,494,894            | 356,494,894          | 356,494,894          | -                 | -           | -                 |
|  | <u>1,091,796,595</u>   | <u>1,091,796,595</u> | <u>1,091,796,595</u> | <u>-</u>          | <u>-</u>    | <u>-</u>          |
| June 30, 2020                          |                        |                      |                      |                   |             |                   |
| Carrying amount                        | Contractual cash flows | Less than 1 month    | 1 - 3 months         | 3 months - 1 year | 1 - 5 years | More than 5 years |
| (Rupees)                               |                        |                      |                      |                   |             |                   |
| <b>Financial liabilities</b>           |                        |                      |                      |                   |             |                   |
| Borrowings from financial institutions | 162,801,588            | 162,801,588          | 162,801,588          | -                 | -           | -                 |
| Certificates of investment             | 93,549,000             | 93,549,000           | 93,549,000           | -                 | -           | -                 |
| Accrued mark-up                        | 449,025,140            | 449,025,140          | 449,025,140          | -                 | -           | -                 |
| Accrued expenses and other payables    | 8,501,068              | 8,501,068            | 8,501,068            | -                 | -           | -                 |
| Long term finances                     | 378,532,443            | 378,532,443          | 378,532,443          | -                 | -           | -                 |
|  | <u>1,092,409,239</u>   | <u>1,092,409,239</u> | <u>1,092,409,239</u> | <u>-</u>          | <u>-</u>    | <u>-</u>          |

#### 38.2.1 Breach of loan agreements

Due to liquidity crunch, as of June 30, 2021, 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. 612.845 million (2020: Rs. 634.883 million) and Rs. 471.125 million (2020: Rs. 449.025 million), respectively.

### 38.3 Market risk

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

#### *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      |                      |
|----------------------------------|----------------------|----------------------|
|                                  | 2021                 | 2020                 |
|                                  | ----- (Rupees) ----- |                      |
| <b>Fixed rate instruments</b>    |                      |                      |
| Financial assets                 | 13,943,841           | 14,491,626           |
| Financial liabilities            | (306,110,505)        | (306,110,505)        |
|                                  | <u>(292,166,664)</u> | <u>(291,618,879)</u> |
| <b>Variable rate instruments</b> |                      |                      |
| Financial assets                 | 1,303,342,884        | 1,333,435,979        |
| Financial liabilities            | (213,729,246)        | (235,767,246)        |
|                                  | <u>1,089,613,638</u> | <u>1,097,668,733</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).

A hypothetical change of 100 basis points in interest rates during the year would have increased / decreased loss before tax 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.

|   | June 30,<br>2021     | June 30,<br>2020    |
|---|----------------------|---------------------|
|   | ----- (Rupees) ----- |                     |
| <b><u>As at June 30, 2021</u></b>                 |                      |                     |
| Cash flow sensitivity - Variable rate instruments | <u>10,896,136</u>    | <u>(10,896,136)</u> |
| <b><u>As at June 30, 2020</u></b>                 |                      |                     |
| Cash flow sensitivity - Variable rate instruments | <u>10,976,687</u>    | <u>(10,976,687)</u> |

#### *Foreign exchange risk*

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. As of the reporting date, the Company was not exposed to any foreign exchange risk.

#### *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 other price risk.

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### 38.4 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at the measurement date. The management is of the view that the fair values of the financial assets and liabilities are not significantly different from their carrying values in the financial statements.

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;

|                                | 2021          |                   |                   |
|--------------------------------|---------------|-------------------|-------------------|
|                                | Level 1       | Level 2           | Level 3           |
|                                | (Rupees)      |                   |                   |
| Office premises and generators | -             | 61,596,311        | -                 |
| Investment in ordinary shares  | 85,935        | -                 | 40,242,909        |
|                                | <u>85,935</u> | <u>61,596,311</u> | <u>40,242,909</u> |
|                                | 2020          |                   |                   |
|                                | Level 1       | Level 2           | Level 3           |
|                                | (Rupees)      |                   |                   |
| Office premises and generators | -             | 64,069,714        | -                 |
| Investment in ordinary shares  | 74,514        | -                 | 14,664,938        |
|                                | <u>74,514</u> | <u>64,069,714</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.

### 38.5 Financial instrument by categories

|  | 2021        | 2020        |
|--|-------------|-------------|
|  | (Rupees)    |             |
| <b>Financial assets</b>                              |             |             |
| <i>Amortized cost</i>                                |             |             |
| Cash and bank balances                               | 1,571,466   | 4,978,655   |
| Short term loans                                     | 128,281,135 | 133,530,595 |
| Trade deposits                                       | 1,060,469   | 1,134,689   |
| Other receivables                                    | 229,131     | 229,271     |
| Long term loans                                      | 47,433,850  | 47,216,607  |
| Net investment in finance leases                     | 494,105,628 | 530,755,445 |
| <i>Fair value through Other Comprehensive Income</i> |             |             |
| Short term investments                               | 40,327,083  | 14,745,163  |
| <i>Fair value through profit or loss</i>             |             |             |
| Short term investments                               | 13,943,841  | 14,491,626  |
| <b>Financial liabilities</b>                         |             |             |
| <i>At amortised cost</i>                             |             |             |
| Long term finances                                   | 356,494,444 | 378,532,443 |
| Security deposits against finance leases             | 285,791,894 | 295,519,074 |
| Certificates of investment                           | 93,549,000  | 93,549,000  |
| Borrowings from financial institutions               | 162,801,588 | 162,801,588 |
| Accrued mark-up                                      | 428,268,005 | 449,025,140 |
| Accrued expenses and other payables                  | 9,325,042   | 7,597,731   |

|  | 2021                  | 2020 |
|--|-----------------------|------|
|  | ----- (Numbers) ----- |      |

39. GENERAL

39.1 Number of employees

As at end of the year

|    |    |
|----|----|
| 17 | 17 |
|----|----|

Average for the year

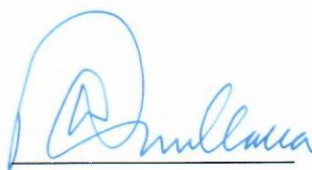
|    |    |
|----|----|
| 17 | 19 |
|----|----|

39.2 Date of authorization of the financial statements

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on \_\_\_\_\_.

39.3 Level of rounding

Figures in these financial statements have been rounded off to the nearest rupee.



Chief Executive Officer



Director



Chief Financial Officer