

The cover features a blue grid background with a large, stylized graphic of a curved surface composed of white and light blue oval shapes, resembling a ripple or a lens flare, extending from the left side towards the center. The text is positioned in the upper right quadrant.

**SAUDI PAK**

**L E A S I N G**

**2014**  
**ANNUAL REPORT**

**SAUDI PAK**  
**L E A S I N G**

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# Our Vision

To remain trust worthy industry player by offering business solutions to the customers, driven by a cohesive team of professionals.

# Our Mission

## **For our customers**

We will strive to add value for our customers through high quality business solutions and superior services.

## **For our shareholders**

We will maximize our shareholders' value by optimum utilization of resources.

## **For our employees**

We will provide our employees opportunities for self development in a highly challenging performance-oriented work environment.

## **For our society**

We will maintain high ethical standards and act as responsible corporate citizen.

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# OUR CORPORATE INFORMATION



**Mr. Ahsanullah Khan**  
Chairman



**Mr. Muhammad Farhan Malik**  
Vice Chairman / Director



**Mr. Muhammad Tariq Masud**  
Chief Executive Officer



**Ms. Parveen A. Malik**  
Director



**Mr. Arsalan I. Khan**  
Director

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Mr. Ahsanullah Khan	Chairman, Non-Executive Director
Mr. Muhammad Farhan Malik	Vice Chairman / Non-Executive Director
Mr. Arsalan Iftikhar Khan	Non-Executive Director
Ms. Parveen A. Malik	Non-Executive Director
Mr. Muhammad Tariq Masud	Chief Executive Officer

## AUDIT COMMITTEE

Ms. Parveen A. Malik	Chairperson, Non-Executive Director
Mr. Muhammad Farhan Malik	Member, Non-Executive Director
Mr. Arsalan Iftikhar Khan	Member, Non-Executive Director

## CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. Waris Jamil

## HEAD OF INTERNAL AUDIT

Mr. Raheel Ramzan Ali

## AUDITORS

KPMG Taseer Hadi & Co.  
Chartered Accountants

## LEGAL ADVISOR

Zaffar & Zaffar Law Associates

## TAX CONSULTANTS

Junaidy Shoaib Asad  
Chartered Accountants

## BANKS & LENDING INSTITUTIONS

Faysal Bank Limited  
MCB Bank Limited  
SILK Bank Limited

## REGISTERED OFFICE

6th Floor, Lakson Square, Building #1,  
Sarwar Shaheed Road, Saddar, Karachi - 74200  
Tel: (021) 35655181-85, 35655215-19  
Fax: (021) 35210607-9

## BRANCHES

### Lahore

Flat No. 4, First Floor, Commercial Area,  
Alpha Co-operative Housing Society,  
Canal Bank, Lahore.  
Tel: (042) 35788691-94  
Fax: (042) 35964965

### Islamabad

Room No. 5, Business Centre, Low Rise Area,  
Saudi Pak Tower, 61-A, Jinnah Avenue,  
Blue Area, Islamabad  
Tel: (051) 2800207, 2800206  
Fax: (051) 2800205

## CONTACT DETAILS

Universal Access Number: 111-888-999  
Website: [www.saudipakleasing.com](http://www.saudipakleasing.com)  
Email: [info@saudipakleasing.com](mailto:info@saudipakleasing.com)

## REGISTRAR AND SHARE TRANSFER OFFICE

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

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 24th Annual General Meeting of Saudi Pak Leasing Company Limited will be held on Friday, December 26, 2014 at 11:30 a.m. at Saudi Pak Tower, 61-A, Jinnah Avenue, Blue Area, Islamabad to transact the following business:

### ORDINARY BUSINESS:

1. To confirm the minutes of the Annual General Meeting held on October 28, 2013.
2. To receive, consider and adopt the audited Financial Statements of the Company together with the Directors' and Auditors' Reports thereon for the year ended June 30, 2014.
3. To appoint auditors for the year ending June 30, 2015 and fix their remuneration.
4. To consider any other business with the permission of the Chair.

By Order of the Board

Karachi: December 5, 2014

**Waris Jamil**  
Company Secretary

### NOTES:

1. The Share Transfer Books of the Company will remain closed from December 19, 2014 to December 26, 2014 (both days inclusive).
2. A member entitled to attend and vote at the meeting is entitled to appoint another member as his/her proxy to attend and vote on his/her behalf. A Corporation being a member may appoint as its proxy any of its official or any other person whether a member of the company or otherwise.
3. An instrument of proxy or a Power of Attorney or other authority (if any) under which it is signed, or a notarially certified copy of such Power of Attorney, in order to be valid, must be deposited at the Registered Office of the Company not less than 48 hours before the time of the Meeting.
4. CDC account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:
  - i) In case of individuals, the account holder or sub-account holder, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting. The shareholders registered on CDS are also requested to bring their participants I.D. numbers and account numbers in CDS.
  - ii) In case of a Corporate Entity, the Board of Directors' Resolution/Power of Attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of Meeting.
5. Members are requested to promptly notify any change of address to the Company's Share Registrar, Central Depository Company of Pakistan Limited, CDC House, 99-B, Block B, S.M.C.H.S., Main Shakra-e-Faisal, Karachi - 74400.

## CHAIRMAN'S REVIEW

I hereby present the 24th Annual Report along with the audited Financial Statements of Saudi Pak Leasing Company Limited for the year ended June 30, 2014.

As you are aware, the Company is facing severe operational and financial problems in its business operations for the last several years carrying liquidity crunch, difficulty in recoveries through cumbersome and prolonged litigation process and badly stuck up portfolio. Running through liquidity crises, the Company in order to continue its survival has therefore focused mainly on recovery of lease/loan portfolio and side by side on liability management. I am pleased to inform that the Company has negotiated some settlement deals including restructuring of debt obligations with some of the creditors. Further, negotiations with other creditors are underway with the hope that Company will be able to manage its required liquidity through settlement process.

The Company has not been doing its core business of leasing for the last several years and is therefore unable to generate revenue from the business operations. Almost all the leases written in the past have matured and became overdue for payment. The gross finance lease revenue of the Company during the year registered at Rs 47 million as compared to Rs 29 million in FY 2013 mainly because of boosting the recovery efforts. Other operating income decreased to Rs 158 million during the year as compared to Rs 240 million in the preceding year mainly due to lesser volume of waiver of mark-up and principal allowed by the creditors. During the year under review, the Company settled an amount of Rs 380 million towards its liabilities by way of cash payments and non-cash settlements. COIs were reduced by Rs 25 million during the year 2014. The Company successfully decreased its financial charges by Rs 29 million and now financial charges stood at Rs 56 Million for the year as compared to Rs 85 million in FY 2013; mainly due to settlements through lease/loan swapping, waivers on accrued mark-up and also reduction in mark-up rates. The administrative and operating expenses were reduced to Rs 59 million in 2014 from Rs 75 million in 2013. The outcome of overall recovery efforts resulted in net profit of Rs 7.217 million for the current year.

The encouraging aspect is that the Management of the Company is in the process of negotiating settlements with the creditors to the tune of Rs 1,021 million, paying special attention to the settlements with individual COI holders, making all efforts for recovery and pursuing the defaulters vigorously. Although the liquidity resources almost dried up, yet the Company is making hard efforts to settle payments from its limited available liquidity resources.

On behalf of the Board of Directors, I avail the opportunity to acknowledge with thanks the guidance of the Regulatory Authorities and the patronage of customers, COI and TFC holders, Banks and lending institutions. I would also like to place on record the dedicated efforts and hard work of the management and the employees.



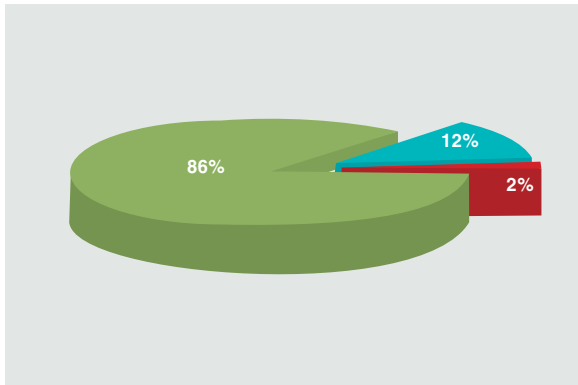
**Ahsanullah Khan**

Chairman

Karachi: November 25, 2014

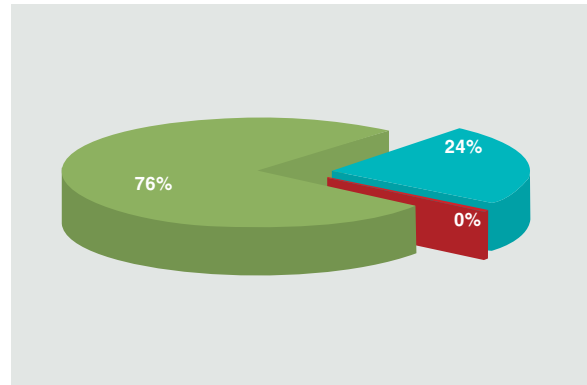


# FINANCIAL HIGHLIGHTS



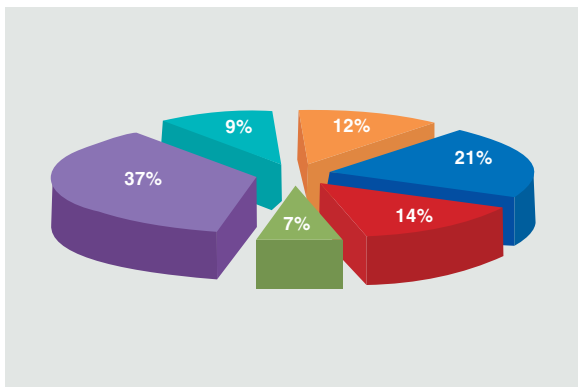
**REVENUE ANALYSIS FOR 2013**

- Income from leasing operations
- Income from term loans
- Other income



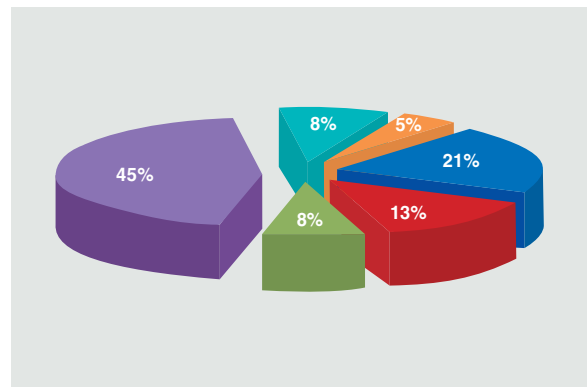
**REVENUE ANALYSIS FOR 2014**

- Income from leasing operations
- Income from term loans
- Other income



**EXPENSES ANALYSIS FOR 2013**

- Mark-up on borrowings from financial institutions
- Mark-up on term finance certificates
- Mark-up on certificates of investments
- Administrative & operating expenses
- Other charges
- Direct cost of operating leases



**EXPENSES ANALYSIS FOR 2014**

- Mark-up on borrowings from financial institutions
- Mark-up on term finance certificates
- Mark-up on certificates of investments
- Administrative & operating expenses
- Other charges
- Direct cost of operating leases

## FINANCIAL HIGHLIGHTS

(Rupees in millions)

	2014	2013	2012	2011	2010	2009
<b>Operational results</b>						
Total disbursement	-	-	-	-	-	851
Revenues	208	273	144	220	436	677
Profit / (Loss) before tax	5	133	(605)	(164)	(420)	(527)
Profit / (Loss) after tax	7	141	(822)	(118)	(343)	(458)
Financial charges	56	85	153	183	468	776
(Reversal) / Provision against non-performing portfolio	66	(66)	482	73	134	101
Impairment loss on equity investment	-	-	13	16	128	169
Cash dividend - ordinary shares	-	-	-	-	-	-
Cash dividend - preference shares	-	0.181	-	-	-	-
<b>Balance sheet</b>						
Gross lease receivables	1,953	2,144	2,522	2,777	3,751	4,868
Net investment in leases	837	1,048	1,332	1,876	2,838	3,801
Net worth	(338)	(339)	*(675)	*117	*234	*405
Fixed assets - owned & operating lease	22	36	133	101	119	261
Total assets	1,223	1,599	1,998	3,162	4,472	5,903
Long term liabilities	104	558	684	767	1,436	2,316
Long term investments	-	-	-	73	137	93

\* Net worth included a sub-ordinated loan of Rs. 333 million which has been converted into preference shares.

## KEY PERFORMANCE INDICATORS

(Rupees in millions)

Ratio	2014	2013	2012	2011	2010	2009
Break up Value (Rs.)	<b>(7.48)</b>	(7.51)	(22.39)	(4.78)	(2.18)	1.60
Current Ratio (X)	<b>0.78</b>	0.99	0.76	1.05	1.09	1.15
Debt Leverage	<b>(3.12)</b>	(4.14)	(2.64)	24.86	15.59	7.94
Dividend per Share (Rs.)	-	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-	-
Earnings / (Loss) per Share (Rs.)	<b>0.03</b>	3.11	(18.20)	(2.61)	(7.59)	(10.14)
Financial Charges / Total Expenses (%)	<b>42.51</b>	41.95	60.43	61.90	79.02	82.90
Financial Charges / Total Revenue (%)	<b>27.08</b>	31.19	106.49	83.19	107.37	114.55
Market Value per Share (Rs.)	<b>2.91</b>	0.65	0.80	0.65	0.72	1.99
Net Profit / (Loss) Margin (%)	<b>3.47</b>	51.48	(570.16)	(53.60)	(78.63)	(67.63)
Operating Profit / (Loss) Margin (%)	<b>36.30</b>	25.66	(76.23)	(34.38)	(35.88)	(38.19)
Price Earning Ratio (X)	<b>97.00</b>	0.21	(0.04)	(0.25)	(0.09)	(0.20)
Return on Assets (%)	<b>0.59</b>	8.79	(41.22)	(3.72)	(7.67)	(7.76)
Return on Equity (%)	<b>(2.14)</b>	(41.44)	81.28	54.51	348.06	(634.32)
Revenue per Share (Rs.)	<b>4.60</b>	6.05	3.19	4.86	9.65	15.00
Times Interest Earned (X)	<b>2.34</b>	1.82	0.28	0.59	0.67	0.67
Total Assets / Net Worth (X)	<b>(3.62)</b>	(4.72)	(2.94)	26.95	19.05	14.56
Total Financing / Net Worth (X)	<b>(2.29)</b>	(3.40)	(2.30)	17.33	12.78	10.00

## DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Saudi Pak Leasing Company Limited are pleased to present on behalf of the Board of Directors, the 24th Annual Report and Audited Financial Statements of the Company for the year ended June 30, 2014.

### Financial Results

	2014 Rupees	2013 Rupees
Income from operating and finance leases	49.806	33.151
Other operating income	158.009	239.845
Total income	207.816	272.996
Financial charges	56.275	85.137
Administrative and operating costs	65.032	99.195
Write-offs against loans and lease receivables	11.082	18.612
Operating profit / (loss) before provisions	75.427	70.051
Reversal / (Provisions) against leases, loans & receivables	(66.480)	65.916
Impairment on investments properties	(4.087)	(3.439)
Profit before taxation	4.859	132.527
Profit after taxation	7.217	140.550
Earnings / (Loss) per share - basic	0.03	3.11
Earnings / (Loss) per share - diluted	0.07	3.06
<b>Appropriations - Transfer to capital reserves</b>	<b>1.443</b>	<b>28.227</b>

### General Overview

On account of sluggish economic situation, coupled with law and order situation, energy shortfalls resulted into overall economic and financial instability in the country. This in turn has affected the overall business conditions and particularly has affected the financial sector including leasing industry. The diversion of liquidity mainly towards government borrowings resulted in contraction in credit support to private sector. The leasing industry has to bear the adverse effects of all this situation prevailed during the period. Due to the continuing situation for the last several years, many of the leasing companies have been liquidated while others are struggling hard for their survival. Major portion of lease portfolios of leasing companies is stuck up and under litigation and due to lengthy and complex legal processes, the pace of recoveries is very slow. The Company is struggling hard for its recoveries through strengthening the recovery process.

### Company Overview

The Company is passing through the phase of liquidity crunch due to lack of internal generation of revenue through its main operating business. This situation continuing for last several years has led the Company to accumulate the losses to the extent of Rs 1,528 million as of 30 June 2014.

The management is trying to use all possible measures for recoveries and was able to manage the moderate level of liquidity to run the affairs of the Company without having any support of external financial resources. The residual value of assets along with concerted recovery efforts is helping the Company in generating funds through restructuring/rescheduling and offering relaxation in repayment period and enforcing other recovery measures.

Side by side liability management is also focused and a good amount of liability has been reduced by way of settlement, restructuring the payment schedule. So far, the settlements with the lending institutions have been effectively structured.

The Rehabilitation Plan approved by the Board in March 2012 is being implemented by the Company and consequently have caused a decrease in the quantum of liabilities of the Company. Although the Company was unable to make payment in respect of Banks/FIs/COIs/TFCs on timely basis still total liabilities of Banks/FIs/COIs/TFCs which were at Rs. 2,556 million as at December 2011 have come down to Rs. 1,021 million as of June 30, 2014. The management is hopeful to arrive at amicable settlements with rest of the creditors in the future which will further reduce the liabilities.

## Annual Report 2014

The settlements both of assets and liabilities have significantly contributed towards the survival of the Company. The management and the board will continue its best effort for revival of the Company in the years to come.

The management has also worked out future projections, duly approved by the Board, which projects smooth running of the Company and are mainly based on the settlements executed so far and anticipated settlements to be executed in the year 2014 and onwards.

### Future Outlook

The Company is facing severe liquidity crunch for the last several years and is managing its affairs by internal cash generation through the recovery drive which is an uphill task. The board is conscious for the compliance of regulatory requirements. The board of directors of the Company is cognizant of their fiduciary responsibility for revival of the Company. The Regulators have been very supportive for the revival of the Company on the basis of rehabilitation plan submitted to SECP in 2012. The Company is also keeping the regulators fully apprised of the developments in the Rehabilitation Plan.

The Rehabilitation Plan along with the Projected Financial Statements prepared by the management are based on restructuring / settlements, expected reversals of provisions resulting from settlement with the defaulted customers and simultaneously reducing the liability by way of stretching the payments in longer period and offering non-cash settlements to the creditors. The liability swap with issuance of convertible preference shares will also assist the Company in reducing the losses and improving the equity position.

During the next fiscal year, the inflow of liquidity is projected at Rs. 200 million by realizing the low quality assets as revealed by its classification against committed outflow of Rs. 192 million. The Company's aim is to improve recovery through concerted efforts and making out of court settlements to the possible extent. Some of the defaulters are requiring rescheduling/restructuring for which negotiations are underway. The aim is to improve recoveries and save money for future secured investment/business in order to restore the operations and to internally generate the income to off-set accumulated losses as much as possible. It may not be out of place to mention that the present condition of the Company desperately need fresh injection of equity by sponsors / strategic investors in order to start fresh business so as to generate income and to overcome the accumulated losses gradually to comply the minimum capital requirement (MCR).

Last but not the least, NBFIs and Modarabas Association have approached the State Bank of Pakistan for its patronage in extending support funds to the leasing industry engaged in SME business and are hopeful to get favorable consideration.

### Dividend

In view of the severe liquidity crunch and accumulated losses, the Board of Directors of your Company is unable to recommended dividend for the year ended June 30, 2014

### Board of Directors

Elections of Board were held on 29 December 2012 and following were appointed as directors of the Company.

Mr. Muhammad Iqbal Hussain \*  
Mr. Muhammad Farhan Malik  
Mr. Muhammad Tariq Masud  
Mr. Arsalan Iftikhar Khan  
Ms. Parveen A. Malik  
Mr. Ahsanullah Khan  
Mr. Shoaib Ahmed Khan \*

Subsequent to year end June 30, 2014 Mr. Muhammad Iqbal Hussain and Mr. Shoaib Ahmed Khan resigned from the Board of Director of Company.

The Board places on record its appreciation for the services rendered by outgoing directors

## Corporate Governance

The Board of Directors of the Company is responsible to the shareholders for the management of the Company. The Board acknowledges the responsibility for the system of sound internal controls and is committed to uphold the standards of Corporate Governance. Your Company has also implemented provisions of the Code of Corporate Governance; review report on statement of compliance with best practices of the Code of Corporate Governance by statutory auditors is annexed with the annual report.

### Statement of Corporate Governance

The Directors are pleased to state that:

- a) The financial statements, prepared by the management present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of account of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) The Company has the ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) The key information as to operating and financial data of the Company is available in the annual report. The categories and pattern of shareholding as required by the Companies Ordinance, 1984 are also included in the annual report.
- i) During the year eight (8) Board meetings were held. These meetings were attended by the directors as under:

Name of Directors	Designation	Number of Meetings	
		Held during the year	Attended
Mr. Muhammad Iqbal Hussain*	Director	8	8
Mr. Muhammad Farhan Malik	Vice chairman / Director	8	8
Mr. Muhammad Tariq Masud	Chief Executive Officer	8	8
Mr. Arsalan I. Khan	Director	8	7
Ms. Parveen A. Malik	Director	8	7
Mr. Ahsanullah Khan	Director	8	8
Mr. Shoaib Ahmed Khan*	Director	8	7

\* Resigned from directorship on August 6 and 7, 2014 respectively

\*\* Leave of absence was granted to directors who could not attend some of the board meetings.

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- j) No Executive owns or has acquired any shares in the Company during the year and no trading was carried out in the shares of the Company during the year by any of the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Chief Internal Auditor or their spouses and minor children except that during the year Ms. Parveen A. Malik (director) has disposed off her entire share holding in the Company.
- k) The value of investments in provident and gratuity funds is Rs. 6 million (2013: Rs. 11.0 million) and Rs. 7.8 million (2013: Rs.12.245 million) respectively as per the un-audited accounts for provident fund and gratuity fund for the year ended June 30, 2014.
- l) Due to present financial and liquidity position, the Company has been facing some difficulty in fulfilling its financial obligations. The details of amounts overdue if any are disclosed in relevant notes to the financial statements.

### Auditors' Report

The Auditors have given their opinion on the Financial Statements of the Company for the year ended June 30, 2014, wherein they have highlighted certain matters.

Our response to the above observations is as under:

- (a) With regard to matter highlighted regarding valuations of certain movable assets, the management has engaged an independent firm of valuers listed on the panel of valuers maintained by Leasing Association of Pakistan. The management intends to carry out fresh valuation for determination of existence of remaining movable assets against which FSV benefit has been recognised previously and carrying the effect in current year financial statements.
- (b) With regard to emphasis paragraph on going concern, the Board of the Company is confident that given successful implementation of the Rehabilitation Plan and Financial Projections as approved by the Board, waivers of principal and mark-up on settlement of liabilities, reversal of provisions and suspended income on settlement with lessees/borrowers, significant reduction in finance cost will help the Company not only in reducing its accumulated losses but will also have a positive impact on the equity of the Company during forthcoming years. These measures along with those mentioned in note 1.2 to the annexed financial statements, provide a reasonable assurance that the Company would continue to operate as a going concern and as such these financial statements has been prepared on a going concern basis.
- (c) With regard to emphasis paragraph on preference shares, the matter was referred to the Securities and Exchange Commission of Pakistan for their clarification and the clarification received from SECP allows the classification of the same as equity in light of the definition of equity given in NBFC Rules, 2003.
- (d) With regard to emphasis on non-compliance of certain NBFC Regulations, these non-compliances are only because of negative equity of the Company and would be complied as soon as the equity comes into positive zone.
- (e) With regard to emphasis on contribution to provident fund, the management has recorded interest cost for delay in transfer of funds and would be complied with in future.

### Audit Committee

The Audit Committee comprises of three non-executive directors namely Mr. Muhammad Farhan Malik (appointed in place of Mr. Muhammad Tariq Masud), Mr. Arsalan I. Khan and Ms. Praveen A. Malik. During the year four (4) meetings of the Audit Committee were held which were attended by all the committee members.

### Credit Rating

The credit rating of the Company was reviewed by JCR-VIS, a credit rating company on August 23, 2010 and assigned entity rating of C (Single 'C') from B (Single 'B') for medium to long term and C (Single 'C') from B (Single 'B') for short term with 'Negative' outlook.

**Auditors**

The present auditors, KPMG Taseer Hadi & Co., Chartered Accountants have given their consent to be appointed as auditors for the year 2014-2015. On the suggestion of the Audit Committee, the Board recommends the appointment of KPMG Taseer Hadi & Co., Chartered Accountants as statutory auditors for the year ending June 30, 2015.

**Pattern of Shareholding**

The pattern of shareholding as required under section 236(2)(d) of the Companies Ordinance, 1984 and Clause (xvi) of the Code of Corporate Governance form part of this Annual Report.

**Six Years' Operating and Financial Data**

Six year financial performance of the Company are summarized and annexed to these financial statements.

**Change in Management**

Ms. Iqra Sajjad resigned as CFO and Company Secretary on May, 8 2014 and Mr. Waris Jamil has been appointed as CFO and Company Secretary.

Mr. Amir Imtiaz resigned from his position as Internal Auditor and Mr. Raheel Ramzan has been appointed as Head of Internal Audit.

**Acknowledgement**

On behalf of the Board, we would like to express our sincere appreciation to the shareholders for their continued trust and patronage, the Securities and Exchange Commission of Pakistan and other Regulatory bodies for their continued guidance and support. We would also like to record appreciation for all employees for their dedication, devotion and hard work throughout the year 2014.

On behalf of the Board of Directors



**Muhammad Tariq Masoud**  
Chief Executive Officer

Karachi: November 25, 2014



**Ahsanullah Khan**  
Chairman



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended 30 June 2014

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the entire Board includes:

Category	Names
Independent Director	Mr. Muhammad Iqbal Hussain
Executive Director	Mr. Muhammad Tariq Masoud
Non-Executive Directors	Mr. Muhammad Farhan Malik
	Mr. Arsalan. I. Khan
	Ms. Parveen Malik
	Mr. Ahsanullah Khan
	Mr. Shoaib Ahmed Khan

The independent director meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed Companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year no casual vacancy occurred on the board.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies & procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of the particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the Board met at least once in every quarter. Written notices of the Board Meetings, along with the agenda and working papers, were circulated at least seven days before the meetings except for the meeting held on 9 May 2014 for which only agenda was circulated. The minutes of the meetings were appropriately recorded and circulated.
9. Two of the directors of the Company have obtained 'Directors Training Certification' during the year.
10. The Board has not approved the appointment of Ex - Acting Chief Financial Officer (CFO) and Ex- Company secretary including its remuneration and terms and conditions of employment. Further, the acting CFO did not meet the qualification criteria as mentioned in the code of corporate governance. Further, the position for Head of Internal Audit was vacant for a period from 29 May 2014 to 30 June 2014.

11. The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before the approval of the Board.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with most of the corporate and financial reporting requirements of the Code of Corporate Governance.
15. The board has formed an Audit Committee. It comprises of three members; of whom all are non-executive directors and the chairman of the committee who is not an independent director.
16. The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of three members, of whom one is executive director and two are non-executive directors and the chairman of the committee is a non executive director.
18. As mentioned in paragraph 10 above, the internal audit function was vacant for a period from 29 May 2014 to 30 June 2014. However, the Board is of the view that an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to directors, employees and stock exchanges, except for the closed period of 116th meeting which was started one day after the dispatch of notice to the Board and the closed period for 115th meeting was intimated only to stock exchanges and not to the Board.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other applicable material principles enshrined in the Code have been complied with except those that are not yet applicable. Further, in respect of annual evaluation of the Board's own performance, the Company is in process of formulating a mechanism for evaluation process.

On behalf of the Board



**Muhammad Tariq Masood**  
Chief Executive Officer

Karachi: November 25, 2014



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**Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors (“the Board”) of **Saudi Pak Leasing Limited** (“the Company”) for the year ended 30 June 2014 to comply with the requirements of Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company’s compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company’s personnel and review of various documents prepared by the Company to comply with the Code.

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm’s length transactions and transactions which are not executed at arm’s length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm’s length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2014.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph references where these are stated in the Statement of Compliance:

Paragraph reference	Description
8	The notice of 120 <sup>th</sup> Board of directors’ meeting was not circulated.

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Paragraph reference	Description
10	The appointment, remuneration and terms and conditions of employment of the Chief Financial Officer (CFO) and Company Secretary has not been approved by the Board of Directors and the CFO did not meet the qualification criteria. Further, the position of Head of Internal Audit was vacant for a period from 29 May 2014 to 30 June 2014.
18	The position of Head of Internal Audit was vacant for a period from 29 May 2014 to 30 June 2014.
21	The 'closed period' of 116 <sup>th</sup> Board of Directors' meeting started one day after the dispatch of notice to Board and the closed period for 115 <sup>th</sup> Board of Directors' meeting was not intimated to the Board.

Date: 25 November 2014

Karachi

*KPMG Taseer Hadi & Co.*  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
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### Auditors' Report to the Members

We have audited the annexed balance sheet of **Saudi Pak Leasing Company Limited** ("the Company") as at 30 June 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that, except for the matter discussed in paragraph (a) below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these financial statements based on our audit.

Except for the matter discussed in paragraph (a) below, we conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) as more fully explained in note 12.3.1 to the financial statements, for the purposes of determination of provisioning requirement against non-performing portfolio, in June 2014, the management has carried out fresh valuations of certain movable leased assets and has recognised a charge of Rs. 62.266 million in the financial statement on the basis that the valuator could not locate such assets. Furthermore, management intends to carry out fresh valuations for determination of existence of all movable leased assets against which FSV benefit of Rs. 212.457 million has been recognised in the financial statements. We consider that since existence of certain of these movable assets have not been ensured, accordingly, we were unable to satisfy ourselves regarding appropriateness of the charge that should have been recognised in the financial statements for non performing portfolio.
- b) in our opinion, except for the matter discussed in paragraph (a) above, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- c) in our opinion, except for the matter discussed in paragraph (a) above,:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes referred in the note 2.5.1 to these financial statements with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and

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- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- d) except for the financial effect of the matter referred to in paragraph (a) above, in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2014 and of the profit, its cash flows and changes in equity for the year then ended; and
- e) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We draw attention to:

- note 1.2 to the financial statements which states that Company's current liabilities exceeded its current assets by Rs. 318.359 million and the Company has a negative equity of Rs. 371.059 million as at 30 June 2014. Further, due to the liquidity crisis, the Company was not able to meet its financial obligations of Rs. 619.520 million in principal and Rs. 226.910 million in accrued mark up. These conditions along with the fact that the Company's license to carry out leasing business has not renewed since 18 May 2010, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern;
- note 24.2 to the financial statements, which describes that the non-redeemable preference shares have been treated by the Company as part of equity, in view of the requirements of the Companies Ordinance, 1984,
- note 1.3 to the financial statements, which gives the details of certain requirements of NBFC Regulations, 2008 has not been complied by the Company as its equity as at 30 June 2014 is negative.
- note 37.2 to the financial statements, which states that the Company has not been able to make timely contributions to provident fund in accordance with the requirements of section 227 (3) of the Companies Ordinance, 1984.

Our opinion is not further qualified in respect of these matters.

Date: 25 November 2014

Karachi

*KPMG Taseer Hadi*  
 KPMG Taseer Hadi & Co.  
 Chartered Accountants  
 Muhammad Taufiq

**BALANCE SHEET**


As at 30 June 2014

	Note	2014	2013 (Restated)	2012 (Restated)
----- (Rupees) -----				
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank balances	4	23,552,393	40,054,055	27,279,060
Short term loans	5	131,371,094	205,863,867	220,222,545
Short term investments	6	38,722,092	73,821,031	122,568,873
Accrued mark-up	7	-	1,152,709	1,513,530
Trade deposits and short term prepayments		888,386	946,047	808,696
Other receivables	8	7,075,225	6,941,963	20,276,732
Current maturity of non-current assets	9	868,446,391	973,143,962	1,123,221,788
Non-current assets classified as held for sale	10	67,936,844	67,936,844	-
<b>Total current assets</b>		<b>1,137,992,425</b>	<b>1,369,860,478</b>	<b>1,515,891,224</b>
<b>Non-current assets</b>				
Long term loans	11	1,308,123	2,804,494	-
Net investment in finance leases	12	17,736,695	135,786,944	282,415,625
Investment properties	13	43,828,669	55,027,314	66,983,055
Intangible assets	14	-	-	367,856
Property, plant and equipment	15	21,636,654	35,933,222	132,660,389
<b>Total non-current assets</b>		<b>84,510,141</b>	<b>229,551,974</b>	<b>482,426,925</b>
<b>Total Assets</b>		<b>1,222,502,566</b>	<b>1,599,412,452</b>	<b>1,998,318,149</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowings from financial institutions	16	177,693,232	191,693,230	246,884,058
Certificates of investment		67,395,301	76,895,301	94,895,301
Accrued mark-up	17	246,836,646	214,381,639	320,736,579
Sub-ordinated debt		-	-	333,208,499
Provision for taxation - net		2,180,760	4,037,001	4,100,334
Accrued expenses and other payables	18	25,722,269	31,931,779	31,504,450
Current maturity of non-current liabilities	19	930,749,137	861,885,369	1,290,830,231
Preference dividend payable		5,774,153	180,893	-
<b>Total current liabilities</b>		<b>1,456,351,498</b>	<b>1,381,005,212</b>	<b>2,322,159,452</b>
<b>Non-current liabilities</b>				
Certificates of investment	20	-	-	11,300,000
Deferred tax liability - net	21	81,246,244	84,597,725	95,052,240
Long term finances	22	15,277,768	426,814,278	507,776,283
Security deposits against finance leases	23	7,330,000	46,200,811	70,039,373
<b>Total non-current liabilities</b>		<b>103,854,012</b>	<b>557,612,814</b>	<b>684,167,896</b>
<b>Total Liabilities</b>		<b>1,560,205,510</b>	<b>1,938,618,026</b>	<b>3,006,327,348</b>
<b>NET ASSETS</b>		<b>(337,702,944)</b>	<b>(339,205,574)</b>	<b>(1,008,009,199)</b>
<b>FINANCED BY</b>				
Authorised share capital				
100,000,000 (2013: 100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000	1,000,000,000
100,000,000 (2013: 100,000,000) preference shares of Rs. 10 each		1,000,000,000	1,000,000,000	-
		<b>2,000,000,000</b>	<b>2,000,000,000</b>	<b>1,000,000,000</b>
Issued, subscribed and paid-up share capital - ordinary shares				
Issued, subscribed and paid-up share capital - preference shares	24	451,605,000	451,605,000	451,605,000
Capital reserves	24	528,208,500	528,208,500	-
Accumulated loss		177,928,194	176,484,656	148,257,389
Unrealised gain on re-measurement of available for sale investments	25	(1,528,863,428)	(1,529,737,709)	(1,655,508,516)
		63,232	98,833	-
		<b>(371,058,502)</b>	<b>(373,340,720)</b>	<b>(1,055,646,127)</b>
Surplus on revaluation of property, plant and equipment - net of tax	25	33,355,558	34,135,146	47,636,928
		<b>(337,702,944)</b>	<b>(339,205,574)</b>	<b>(1,008,009,199)</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	26			

The annexed notes 1 to 44 form an integral part of these financial statements.



Chief Executive Officer



Chairman

**PROFIT AND LOSS ACCOUNT**

For the year ended 30 June 2014

	Note	2014	2013 (Restated)
		----- (Rupees) -----	
<b>Revenue</b>			
Income from:			
Finance leases	27	47,128,147	29,321,653
Operating leases		2,678,255	3,829,740
		<b>49,806,402</b>	33,151,393
Other operating income	28	158,009,273	239,845,605
		<b>207,815,675</b>	272,996,998
<b>Expenses</b>			
Finance cost	29	(56,274,636)	(85,137,458)
Administrative and operating expenses	30	(58,626,578)	(75,223,348)
Amount written-off directly against loans and lease receivables	31	(11,082,282)	(18,612,734)
Direct cost of operating leases	32	(6,405,266)	(23,972,077)
		<b>(132,388,762)</b>	(202,945,617)
<b>Operating profit before provisions</b>		<b>75,426,913</b>	70,051,381
(Provision) / reversal for doubtful leases, loans and other receivables - net	33	(66,480,418)	65,915,994
Impairment on investment properties	13.3	(4,087,000)	(3,439,809)
		<b>(70,567,418)</b>	62,476,185
<b>Profit before taxation</b>		<b>4,859,495</b>	132,527,566
Taxation	34	2,358,196	8,022,272
<b>Profit after taxation</b>		<b>7,217,691</b>	140,549,838
<b>Earnings per share - basic</b>	35	<b>0.03</b>	3.11
<b>Earnings per share - diluted</b>	35	<b>0.07</b>	3.06

The annexed notes 1 to 44 form an integral part of these financial statements.



Chief Executive Officer



Chairman



## STATEMENT OF COMPREHENSIVE INCOME

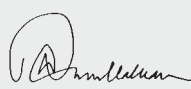
For the year ended 30 June 2014

	2014	2013 (Restated)
	----- (Rupees) -----	
Profit after taxation	7,217,691	140,549,838
<b>Other comprehensive income</b>		
<i>Items that are or may be reclassified subsequently to profit and loss account:</i>		
Unrealised (loss) / gain on re-measurement of available for sale investments	(35,601)	98,833
<i>Items that will not be reclassified subsequently to profit and loss account:</i>		
Remeasurement of defined benefit plan	145,681	195,918
Deferred tax on remeasurement of defined benefit plan	(50,988)	(68,571)
	94,693	127,347
Total comprehensive income for the year	<b>7,276,783</b>	<b>140,776,018</b>

Surplus / (deficit) arising on revaluation of certain classes of property, plant and equipment has been reported in accordance with the requirements of the Companies Ordinance, 1984, as a separate line item below equity.

The annexed notes 1 to 44 form an integral part of these financial statements.

  
 Chief Executive Officer

  
 Chairman

**CASH FLOW STATEMENT**


For the year ended 30 June 2014

	Note	2014	2013 (Restated)
		----- (Rupees) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	41	81,933,831	22,694,018
Financial charges paid		(3,977,623)	(1,542,789)
Taxes paid		(2,900,514)	(2,564,147)
Decrease in net investment in finance leases - net of security deposits		88,269,826	101,580,924
		81,391,689	97,473,988
<b>Net cash generated from operating activities</b>		<b>163,325,520</b>	<b>120,168,006</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipments	15	(400,000)	(2,791,862)
Acquisition of investment properties	13	(71,000,000)	-
Investment in operating lease assets	15	-	(6,044,000)
Proceeds from sale of property, plant and equipment		12,855,923	7,835,597
Proceeds from sale of investment properties		81,900,000	5,010,000
Proceeds from sale of short term investments		35,204,178	56,585,321
Recovery of long term loans		11,166,428	9,422,267
Dividend received		16,072	65,986
<b>Net cash from investing activities</b>		<b>69,742,601</b>	<b>70,083,309</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term finances		(210,468,892)	(84,585,492)
Repayment of borrowings from financial institutions		(13,999,998)	(55,190,828)
Encashment of certificates of investment		(24,920,000)	(37,700,000)
Preference dividend paid		(180,893)	-
<b>Net cash used in financing activities</b>		<b>(249,569,783)</b>	<b>(177,476,320)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(16,501,662)</b>	<b>12,774,995</b>
Cash and cash equivalents at beginning of the year		40,054,055	27,279,060
<b>Cash and cash equivalents at end of the year</b>	36	<b>23,552,393</b>	<b>40,054,055</b>

The annexed notes 1 to 44 form an integral part of these financial statements.



Chief Executive Officer



Chairman

## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Issued, subscribed and paid-up share capital		Reserves		Accumulated loss	Total
	Ordinary shares	Non-redeemable preference shares	Statutory reserves	Unrealised gain on re-measurement of available for sale investments		
	----- (Rupees) -----					
Balance as at 01 July 2012 as previously reported	451,605,000	-	148,257,389	-	(1,658,516,423)	(1,058,654,034)
Effect of change in accounting policy with respect to actuarial gains and losses (note 2.5.1)	-	-	-	-	3,007,907	3,007,907
Balance as at 01 July 2012 (restated)	451,605,000	-	148,257,389	-	(1,655,508,516)	(1,055,646,127)
<b>Changes in equity in 2013</b>						
<i>Total comprehensive income for the year</i>						
Profit for the year ended 30 June 2013	-	-	-	-	140,549,838	140,549,838
Transfer from surplus on revaluation of property, plant and equipment, incremental depreciation effect for the year - net of tax (note 25.1)	-	-	-	-	13,501,782	13,501,782
Other comprehensive income for the year						
Unrealised gain on re-measurement of available for sale investments	-	-	-	98,833	-	98,833
Remeasurement of defined benefit plan	-	-	-	-	127,347	127,347
Transactions with owners, recorded directly in equity						
Issuance of non-voting, non-cumulative, non-redeemable, convertible unlisted preference shares	-	528,208,500	-	-	-	528,208,500
Preference dividend for the year ended 30 June 2013	-	-	-	-	(180,893)	(180,893)
Transferred to statutory reserves	-	-	28,227,267	-	(28,227,267)	-
Balance as at 30 June 2013 (restated)	451,605,000	528,208,500	176,484,656	98,833	(1,529,737,709)	(373,340,720)
<b>Changes in equity in 2014</b>						
<i>Total comprehensive income for the year</i>						
Profit for the year ended 30 June 2014	-	-	-	-	7,217,691	7,217,691
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation effect for the year - net of tax (note 25.1)	-	-	-	-	779,588	779,588
Other comprehensive income for the year						
Unrealised loss on re-measurement of available for sale investments	-	-	-	(35,601)	-	(35,601)
Remeasurement of defined benefit plan	-	-	-	-	94,693	94,693
Transactions with owners, recorded directly in equity						
Preference dividend for the year ended 30 June 2014	-	-	-	-	(5,774,153)	(5,774,153)
Transferred to statutory reserves	-	-	1,443,538	-	(1,443,538)	-
<b>Balance as at 30 June 2014</b>	<b>451,605,000</b>	<b>528,208,500</b>	<b>177,928,194</b>	<b>63,232</b>	<b>(1,528,863,428)</b>	<b>(371,058,502)</b>

The annexed notes 1 to 44 form an integral part of these financial statements.



Chief Executive Officer



Chairman

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 1. LEGAL STATUS AND OPERATIONS

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

Saudi Pak Industrial & Agricultural Investment Company Limited (SAPICO) is the parent company (by virtue of management rights) and as of 30 June 2014 holds 35.06% (2013: 35.06%) of issued ordinary share capital of the Company and 63% (2013: 63%) of issued preference share capital of the Company.

**1.2** The country's weak economic fundamentals has had a pessimistic impact on the local economy. The country is facing serious challenges for the last six years on account of numerous factors along with energy crisis and security risk. High inflation, political instability, disturbed security environment and lack of trust of foreign investors are the other main reasons and have caused a serious dent in the country's economy.

These factors provide foundation for severe liquidity crunch in the leasing sector nationwide and consequently affected the Company as well. The Company was thus trapped in the mud of defaults wherein recovery from customers has become an uphill task. The deteriorated financial position of the Company can be overcome from the recovery on account of balance lease / loan portfolio, which is currently an available lifeline for the Company, and the management is trying to recover as much as possible from the available means. The above factors affected the Company in the following manner:

- During the year, the Company incurred a net profit of Rs. 7.218 million and as of that date its accumulated losses amounted to Rs. 1,528.863 million and its equity was negative by Rs. 371.059 million, as against the minimum equity requirement of Rs. 700 million by 30 June 2014. Furthermore its current liabilities exceeded current assets by Rs. 318.359 million.
- Impairment loss of Rs. 895.699 million on lease and loans portfolios has been recognised till 30 June 2014 (this is included in the above accumulated loss figure).
- The Company's license to carry out the leasing business had expired on 18 May 2010 and its renewal is pending with the SECP. However, the Company continues to carry out operating leases.
- During the year, the Company defaulted in making payments of certain financial obligations due to liquidity problems. As of 30 June 2014, total outstanding principal on which defaults were made amounts to Rs. 619.520 million and defaulted mark-up repayments amounts to Rs. 226.910 million. The management of the Company is in the process of negotiating the restructuring terms of these borrowings.
- The Company's credit rating was downgraded as at 30 June 2010, not permitting the Company to issue new certificates of investment. Subsequently, the management of the Company has not renewed the rating agreement with the credit rating company.

Although uncertainty still exists due to the above factors which may cast doubt on the Company's ability to continue as a going concern. However, the management of the Company is confident that due to steps / measures as explained in the next paragraphs which are in line with the Board's approved rehabilitation plan for capital management and the approved financial projections, the going concern assumption is appropriate and has as such prepared these financial statements on a going concern basis. Furthermore, in order to improve the financial health including equity position of the Company, the management is in the process of identifying strategic investors to inject funds into the Company. This will generally help to revive the liquidity position of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

- The Board of Directors support the Company in negotiating the terms of restructuring of various borrowings amounting to Rs. 492.920 million (including mark-up thereon) from the Company's lenders (including the financial institutions, term certificate holders and holders of certificates of investment) which will help the Company to continue as a going concern.
- The settlement agreements finalised as of 30 June 2014 will result in reduction of borrowings by Rs. 132.997 million through waiver of principal of Rs. 55.500 million and mark-up of Rs. 25.965 million. These are subject to performance of certain terms.
- The borrowings (including mark-up thereon) of the Company has been brought down to Rs. 1,021.237 million from Rs. 1,369.203 million in the current fiscal year through settlements effected by lease and term loans swapping or sale / swapping of collateral held against non-performing borrowers as well as cash settlements and timely repayments as per the revised and restructured terms negotiated with the lenders. The management has finalised certain loans settlement agreements and is under negotiation with the remaining borrowers for the settlement of the Company's obligation through surrendering of its assets / collateral held by the Company against its non-performing exposure.
- Management is hopeful that the reduction in financing cost through restructuring / settlements with the lenders against settlement of loans will assist in reducing the losses and improving the equity. This will make the Company an attractive candidate for equity participation / merger along with an opportunity for the existing shareholders to inject additional equity. The Company intends to aggressively follow-up with its non-performing portfolio for the recovery of principal, mark-up and possession of collateral assets. In this respect the management has strengthened its recovery team and is expecting an approximate inflow of Rs. 16 million each month through such recoveries.
- Moreover, due to escalating provision, going forward, the management intends to initiate an exercise such that the maximum forced sales value (FSV) benefit from assets / collateral held by the Company against its non-performing exposure can be claimed under the NBFC Regulations, 2008, hence, having a positive impact on the equity.
- Since October 2008, the Company has managed to generate liquidity from the existing business and has not opted for any further borrowing from the market. Furthermore, the management has also prepared a contingent plan and identified certain assets which might be considered for sale if the Company needs to generate additional liquidity to finance its business.
- The management has negotiated with TFC holders, in previous years, for restructuring of term finance certificates and has successfully concluded the transaction by way of step up monthly payments from January 2012 and has also successfully negotiated to defer the mark-up payments. Also the Company has managed to repurchase some of the TFCs on discount from the respective TFC holders.
- Moreover, after the balance sheet date the management finalised and carried out the performance of terms and conditions of settlement agreements with some of the lenders. This has resulted in the reduction of liability by Rs. 34.722 million including waiver of principal and mark-up of Rs.30.846 million and Rs. 3.800 million respectively.
- The Company has requested the Securities and Exchange Commission of Pakistan (SECP) for relaxation in the minimum capital requirement under NBFC Rules, 2008 and is hopeful that this request will be accepted based on the condition of the overall business environment and the Company's position in the overall leasing sector.
- On achieving the Board's approved capital management plan and the financial projections, the Company's equity position is expected to reflect the following position:

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### Equity position as of 30 June 2014:

	2014 (Rupees)
Issued, subscribed and paid up capital - ordinary shares	451,605,000
Issued, subscribed and paid up capital - preference shares	528,208,500
Capital reserves	177,928,194
Accumulated loss	(1,528,863,428)
Unrealised gain on re-measurement of available for sale investments	63,232
Equity	<u>(371,058,502)</u>

### Expected impact under the equity / financial projections (over the next three years):

Equity as of 30 June 2014:	<u>(371,058,502)</u>
Conversion of liabilities into preference shares	-
Reversal / waivers of mark-up on settlement of liabilities	51,651,878
Reversal / waivers of principal on settlement of liabilities	89,822,446
Reversal of provisions through recoveries	619,310,367
Effect of taxation and others - net	(210,916,746)
<b>Expected equity (by the end of three years)</b>	<u>178,809,443</u>

**1.3** Due to the fact that at 30 June 2014, the Company's equity is negative by Rs. 371.059 million, the Company could not meet certain regulatory requirements of NBFC Regulations, 2008 (apart from those mentioned in notes 1.2 above and 24.3), including the following:

- Regulation 5 (1) - aggregate liabilities, excluding contingent liabilities and security deposits, of an NBFC, shall not exceed ten times of the company's equity (in case of operations beyond the first 2 years).
- Regulation 5 (2) - contingent liabilities of an NBFC shall not exceed seven times of its equity for the first two years of its operations and ten times of its equity in the subsequent years.
- Regulation 14 (4) (h) - the deposits raised by the NBFC, from individual depositors including sole proprietorships shall not exceed three times of the equity of the NBFC.
- Regulation 17 (1) - total outstanding exposure (fund and non-fund based) of an NBFC to a person shall not at any time exceed 30% of the equity of the NBFC, provided that the maximum outstanding fund based exposure should not exceed 20% of the NBFC's equity.
- Regulation 17 (2) - total outstanding exposure (fund based and non-fund based) of an NBFC to any group shall not exceed 50% of the equity of the NBFC, provided that the maximum outstanding fund based exposure should not exceed 35% of the equity.
- Regulation 19 (g) - an NBFC shall not hold shares on aggregate basis, whether as pledge, mortgagee or absolute owner, of an amount exceeding 20% of the paid-up share capital of that company or 20% of its own equity.
- Regulation 28 (d) - total investments of the leasing company in shares, equities or scrips shall not exceed 50% of the equity of the leasing company.
- Regulation 28 (e) - a leasing company shall not own shares, equities or scrips of any one company in excess of 10% of its own equity or the issued capital of that company, whichever is lower.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). In case requirements differ, provision or directives of the Companies Ordinance, 1984, and Non Banking Finance Companies and Notified Entities Regulations, 2008 shall prevail.

As mentioned in note 1.2 above, although the Company's license to carry out the business of leasing had expired on 18 May 2010, these financial statements have been prepared in accordance with the format generally followed for financial institutions and the provision requirements have been determined in accordance with the requirements of NBFC Regulations, 2008.

#### 2.2 Basis of measurement

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

#### 2.3 Functional and presentation currency

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

#### 2.4 Use of estimates and judgments

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

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

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

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

- Future financial projections (note 1.2);
- Classification of investments and impairment thereon (notes 3.2, 3.22 and 6);
- Residual values and useful lives of property, plant, equipment and intangible assets (notes 3.3, 3.4, 14 and 15);
- Revaluation of property, plant and equipment (notes 15 and 25.1);
- Recognition of taxation and deferred taxation (notes 21 and 34);
- Accounting for post employment benefits (note 37);
- Provisions (notes 3.15);
- Allowance for potential lease, loan losses and other receivables (notes 3.16); and
- Classification of net investment in finance leases and loans (notes 5, 11 and 12);
- Classification of investment properties (notes 3.10 and 13).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 2.5 Standards, amendments or interpretations which became effective during the year

During the year, certain amendments to standards became effective. However, they did not have material effect on these financial statements except for the revised IAS 19 'Employees Benefits' detail of which are stated in note 2.5.1 of these financial statements.

#### 2.5.1 Employee Benefits - change in accounting policy

With effect from 1 January 2013, IAS 19 revised is applicable. As per the revision, all the actuarial gains / losses that arise during the year will be recognized immediately in the other comprehensive income (OCI) and all the past service cost (vested or non vested) will be recognised in the current year profit and loss account. Therefore, the change of deferring past service cost / gain and losses to recognising these immediately need to be made retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and accordingly the opening equity need to be adjusted, while the corresponding period adjustment through profit and loss account and OCI is restated and disclosed as part of the Statement of Comprehensive Income. The statement of financial position also presents prior year numbers as restated.

Effect of retrospective application of change in accounting policy are as follows:

	30 June 2013			30 June 2012		
	As previously reported	Effect of change in accounting policy	As restated	As previously reported	Effect of change in accounting policy	As restated
Impact on balance sheet	----- (Rupees) -----					
Increase in other receivables	2,704,991	4,236,972	6,941,963	15,649,183	4,627,549	20,276,732
Decrease in accumulated loss - net of tax	(1,532,286,468)	2,548,759	(1,529,737,709)	(1,658,516,423)	3,007,907	(1,655,508,516)
Effect on deferred tax liabilities	82,909,512	1,688,213	84,597,725	93,432,598	1,619,642	95,052,240

#### Impact on Profit and loss account

Decrease in profit after tax due to reclassification of actuarial gains and losses

(586,495)

#### Impact on other comprehensive income

Recognition of actuarial gains

195,918

Recognition of deferred tax

(68,571)

127,347

Impact on total comprehensive Income

(459,148)

The comprehensive disclosure to this effect is set out in note 37 to these financial statements. The revised policy is stated in note 3.13 to these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 2.6 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation is not likely to have an impact on Company's financial statements.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. The amendments are not likely to have an impact on Company's financial statements.
- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation (effective for annual periods beginning on or after 1 January 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 19 "Employee Benefits" Employee contributions – a practical approach (effective for annual periods beginning on or after 1 July 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. These are not likely to have an impact on Company's financial statements.
- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. The amendments are not likely to have an impact on Company's financial statements.
- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The amendments are not likely to have an impact on Company's financial statements.

- IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The amendments are not likely to have an impact on Company's financial statements.
- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The amendments are not likely to have an impact on Company's financial statements.
- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are not likely to have an impact on Company's financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. These are not likely to have an impact on Company's financial statements.
- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after 1 July 2014). These improvements are not likely have impact on the Company's financial statements. The new cycle of improvements contain amendments to the following standards:
- IFRS 2 'Share-based Payment'. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.
- IFRS 3 'Business Combinations'. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.
- IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.
- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the Asset.

- IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.
- IAS 40 'Investment Property'. IAS 40 has been amended to clarify that an entity should: assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

The amendments are not likely to have significant impact on the Company's financial statements.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been applied consistently to all years presented except as disclosed in note 2.5.1 and 3.13.

#### 3.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and bank deposits. For the purpose of cash flow, cash and cash equivalents carried in the balance sheet comprise of cash in hand and balances with banks in current and saving accounts and short term fund placements having maturity of three months or less from the date of acquisition.

#### 3.2 Investments

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

##### ***Investments at fair value through profit or loss***

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

##### ***Held to maturity***

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

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

##### ***Available for sale***

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the preceding categories. Available for sale financial assets are recognised initially at

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

fair value plus any directly attributable transaction cost. Subsequent to initial recognition they are measured at fair value and changes therein other than impairment losses are recognised in other comprehensive income and presented in separate component in equity. When an investment is derecognised, the gain or loss is accumulated in equity is reclassified to profit or loss.

Available for sale financial assets comprises equity securities and debt securities.

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

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

### **Loans and receivables**

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

### **3.3 Property, plant and equipment**

#### **Owned**

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

Depreciation is charged to profit and loss account applying the straight line method in accordance with the rates specified in note 15 whereby the cost / revalued amount of an asset is written-off over its estimated useful life. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the preceding month of disposal.

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

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

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

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

#### **Capital work-in-progress**

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

#### **Leased**

Assets subject to finance lease are accounted for by recording the asset at the lower of present value of minimum lease payments under the lease agreements and the fair value of assets acquired. The related obligations under the lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged in a manner similar to owned assets.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 3.4 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. These are amortized using the straight line method in accordance with the rates specified in note 14, reflecting the pattern in which the economic benefits of the asset are consumed by the Company.

### 3.5 Net investment in finance leases

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

### 3.6 Non-current assets classified as held for sale

Non-current assets classified as held for sale comprised of assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use. Thereafter the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss, except assets which are stated at revalued amounts.

### 3.7 Financial instruments

All financial assets and liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Company loses its control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account directly. The financial assets and liabilities carried on the balance sheet date have been disclosed in note 43.

### 3.8 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 and net realizable value of the asset repossessed. Gains or losses on disposal of such assets are taken to profit and loss account.

### 3.9 Operating leases

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

### 3.10 Investment properties

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

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

### 3.11 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 Non-Banking Finance Companies and Notified Entities Regulations, 2008.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

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

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

### ***Operating lease income***

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

### ***Income on term loans***

Income on term loans is recognized using effective yield on a time proportionate basis.

### ***Income on non-performing loan receivables***

Income on non-performing loan receivables is recognized on receipt basis in accordance with the requirements of the relevant Regulations.

### ***Mark-up / return on investments***

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

### ***Dividend income***

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

### ***Gain on sale of investments***

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

### ***Interest income***

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

## **3.12 Taxation**

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

### ***Current***

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

### ***Deferred***

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. 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. Deferred tax is charged or credited to the profit and loss account except deferred tax, if any, on revaluation of property and equipment, which is recognised as an adjustment to surplus / deficit on revaluation.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 3.13 Staff retirement benefits

#### *Defined benefit scheme*

The Company operates an approved gratuity fund for its permanent employees who complete the eligible period of service. Provision has been made in accordance with actuarial recommendations using the "Projected Unit Credit Method". The results of current valuation are summarized in note 37. Remeasurements of the net defined benefit liability / assets which comprise actuarial gains and losses, return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest) are recognized immediately in other comprehensive income. Past-service costs are recognized immediately in profit and loss account when the plan amendment occurs.

#### *Defined contribution scheme*

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

### 3.14 Off-setting of financial assets and financial liabilities

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

Income and expenses are presented on a net basis only when permitted by the approved accounting standards, or for gains and losses arising from a group of similar transactions.

### 3.15 Provisions

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

### 3.16 Allowance for potential lease, loan losses and other receivables

The allowance for potential lease, loan losses and other receivables is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on lease and loan portfolio which can be reasonably anticipated. The adequacy of allowance is evaluated on the basis as set out in the Regulations. The allowance is increased by provisions charged to income and is decreased by charge-offs, net of recoveries.

### 3.17 Borrowings

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

### 3.18 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as assets when fair value is positive, and liabilities when fair value is negative. Any change in the fair value of derivative financial instrument is taken to profit and loss account.

### 3.19 Financial liabilities

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 3.20 Foreign currency translation

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

### 3.21 Operating segments

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

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

The detail of segment information has been given in note 42.

### 3.22 Impairment

#### *Non derivative financial assets*

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and the loss event(s) had an impact on the estimated future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

#### *Financial assets measured at amortised cost*

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held to maturity investment securities) at both a specific asset and collective level. All individually significant assets are assessed for any impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### *Available for sale financial assets*

Impairment losses on available for sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit and loss account. The cumulative loss that is reclassified from equity to profit and loss account is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit and loss account. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

as a component of interest income. If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit and loss account. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

### Non-financial assets

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

### 3.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognized in the financial statements in the period in which the dividend is approved by the appropriate authority except for non-cumulative preference dividend which is accrued in the respective year as per the term sheet.

### 3.24 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic EPS by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares and post-tax effect of changes in profit or loss attributable to ordinary shareholders of the Company that would result from conversion of all dilutive potential ordinary shares into ordinary shares.

	Note	2014	2013
----- (Rupees) -----			
<b>4. CASH AND BANK BALANCES</b>			
Cash in hand		81,211	126,211
Balance with State Bank of Pakistan in current account - local currency		21,041	22,240
Balances with other banks:			
- in current account		5,500	5,500
- in saving accounts	4.1	23,444,641	39,900,104
		<u>23,552,393</u>	<u>40,054,055</u>
<b>4.1</b>	This represents saving deposit accounts maintained with various commercial banks at mark-up rate ranging from 6% to 7% (2013: 6% to 8%) per annum.		
<b>5. SHORT TERM LOANS - secured</b>			
Considered good		-	-
Considered doubtful	5.1	207,546,794	300,310,039
		<u>207,546,794</u>	<u>300,310,039</u>
Provision for non-performing loans	5.2	(76,175,700)	(94,446,172)
		<u>131,371,094</u>	<u>205,863,867</u>
<b>5.1</b>	This represents short term loans facilities provided to customers and carries mark-up ranging from 16.06% to 25% (2013: 16.13% to 25%) per annum.		

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

	Note	2014	2013
		----- (Rupees) -----	
<b>5.2 Provision for non-performing loans</b>			
Balance at beginning of the year		94,446,172	109,273,927
<b>Charge for the year</b>		-	37,983,240
Reversal during the year		(9,064,579)	(52,810,995)
	33	(9,064,579)	(14,827,755)
<b>Write-offs against provision</b>		(9,205,893)	-
Balance at end of the year	5.2.1	76,175,700	94,446,172

**5.2.1** The above provision for non-performing loans is net of forced sales value (FSVs) of collaterals of Rs. 131.371 million (2013: Rs. 205.864 million) considered by the Company for the purpose of determination of provision requirements. Had this benefit of FSVs not been taken by the Company, the specific provision against non-performing loans would have been higher by Rs. 131.371 million (2013: Rs. 205.864 million) and the Company's profit before taxation would also have been lower by the same amount.

		2014	2013
		----- (Rupees) -----	
<b>6. SHORT TERM INVESTMENTS</b>			
<b>Available for sale</b>			
- Ordinary shares of listed companies	6.1	85,935	342,650
- Ordinary shares of unlisted companies	6.1	18,914,938	18,914,938
<b>Investments at cost</b>		19,000,873	19,257,588
Unrealised gain on re-measurement of available for sale securities	25	63,232	98,833
		19,064,105	19,356,421
<b>Held to maturity</b>			
- Government Market Treasury Bills	6.2	19,657,987	39,464,610
- Certificates of deposit		-	15,000,000
		38,722,092	73,821,031

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## 6.1 Investment in available for sale securities

2014 (Number of shares)	2013	Name of companies	Note	2014		2013	
				Cost	Market value / break up value	Cost	Market value / break up value
				----- (Rupees) -----		----- (Rupees) -----	
<b>Ordinary shares of listed companies</b>							
These are fully paid ordinary shares of Rs. 10/- each							
-	471	United Bank Limited		-	-	35,000	50,670
495	1,161	MCB Bank Limited	6.1.1	85,935	149,167	307,650	390,813
				<u>85,935</u>	<u>149,167</u>	<u>342,650</u>	<u>441,483</u>
<b>Ordinary shares of unlisted companies</b>							
425,000	425,000	Pace Barka Properties Limited	6.1.2	4,250,000	4,250,000	4,250,000	4,250,000
2,500,000	2,500,000	Saudi Pak Insurance Company Limited	6.1.2	14,664,938	14,664,938	14,664,938	14,664,938
				<u>18,914,938</u>	<u>18,914,938</u>	<u>18,914,938</u>	<u>18,914,938</u>
		Unrealised gain on re-measurement of available for sale securities		63,232	-	98,833	-
				<u>19,064,105</u>	<u>19,064,105</u>	<u>19,356,421</u>	<u>19,356,421</u>

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

6.1.2 As of 30 June 2014, the break-up value of shares of the Pace Barka Properties Limited and Saudi Pak Insurance Company Limited amounts to Rs. 15.83 per share (2013: 15.81 per share) and Rs. 9.41 per share (2013: Rs. 8.30 per share) respectively.

6.2 This represents investment in Government Market Treasury Bills having maturity on 10 July 2014 and carry effective mark-up at a rate ranging between 9.75% to 10.21% (2013: 9.37%) per annum. As of 30 June 2014, the market value of the treasury bills amounts to Rs. 19.663 million (2013: Rs. 39.480 million).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

	2014	2013
	----- (Rupees) -----	
<b>7. ACCRUED MARK-UP</b>		
Return on investments	-	50,095
Mark-up on term loans	-	1,102,614
	<u>-</u>	<u>1,152,709</u>

	2014	2013 (Restated)	2012 (Restated)
	----- (Rupees) -----		
<b>8. OTHER RECEIVABLES</b>			
Operating lease rentals receivables	11,545,095	11,545,095	11,545,095
Receivable on termination of finance leases	68,416,547	74,578,773	76,619,903
Others	6,846,590	7,111,458	8,667,513
	<u>86,808,232</u>	<u>93,235,326</u>	<u>96,832,511</u>
Provision against doubtful receivables	8.1 (79,733,007)	(86,293,363)	(76,555,779)
	<u>7,075,225</u>	<u>6,941,963</u>	<u>20,276,732</u>

	2014	2013
	----- (Rupees) -----	
<b>8.1 Provision against doubtful receivables</b>		
Balance at beginning of the year	86,293,363	76,555,779
Charge for the year	-	9,737,584
Reversal for the year	33 (1,558,125)	9,737,584
Write offs against provision	(5,002,231)	-
Balance at end of the year	<u>79,733,007</u>	<u>86,293,363</u>
<b>9. CURRENT MATURITY OF NON- CURRENT ASSETS</b>		
Long term loans	11 49,642,726	60,972,283
Net investment in finance leases	12 818,803,665	912,171,679
	<u>868,446,391</u>	<u>973,143,962</u>
<b>10. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE</b>		
Office premises	10.1 67,936,844	67,936,844

**10.1** As discussed fully in note 1.2 to these financial statements, the management of the Company has prepared a contingent plan for generating liquidity in case need arises. Keeping in view this requirement, the Board of Directors of the Company, as part of aforementioned contingency plan, approved the decision to dispose Company's office premises. Further, the Chief Executive Officer of the Company was authorised to sell the said premises. The management considers that the Company has active plan to dispose off the office premises, therefore office premises has been classified as held for sale.

Based on the valuation, the market value of the office premises net of cost to sell as of 30 June 2014 amounts to Rs. 68.728 million (2013: Rs. 71.310 million).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

	Note	2014	2013
----- (Rupees) -----			
<b>11. LONG TERM LOANS - secured</b>			
<b>Related party</b>			
Loans to employees	11.1	2,151,506	3,854,143
<b>Other than related party</b>			
Term loans to customers			
- Considered good		-	7,116,262
- Considered doubtful	11.2	106,535,734	108,883,263
		<b>106,535,734</b>	115,999,525
		<b>108,687,240</b>	119,853,668
Provision for non-performing loans	11.3	(57,736,391)	(56,076,891)
		<b>50,950,849</b>	63,776,777
Current maturity of long term loans	9	(49,642,726)	(60,972,283)
		<b>1,308,123</b>	2,804,494
<b>11.1 Loans to employees</b>			
Executives	11.1.1	-	1,453,261
Other employees	11.1.2	2,151,506	2,400,882
		<b>2,151,506</b>	3,854,143

**11.1.1 Reconciliation of outstanding amount of loans to Executives**

	Executives	
	2014	2013
----- (Rupees) -----		
Balance at the beginning of the year	1,453,261	1,785,280
Repayments received during the year	(1,453,261)	(332,019)
Balance at end of the year	-	1,453,261

11.1.2 Loans to employees represent house loans and are secured against the future salaries and retirement benefits of the employees. These loans are repayable within a period of 15 years from the date of disbursement or retirement date of the employee, whichever is earlier. The rate of return on these loans is 4% (2013: 4%) per annum. The maximum amount of loans to employees outstanding during the year amounts to Rs.3.854 million.

11.2 Term loans due from customers are secured against property. The rate of return on these loans ranges from 16% to 22.66% (2013: 16% to 22.66%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

	Note	2014	2013
----- (Rupees) -----			
<b>11.3 Provision for non-performing loans</b>			
Balance at beginning of the year		56,076,891	56,133,455
Charge for the year		1,659,500	4,679,786
Reversal made during the year		-	(4,736,350)
	33	1,659,500	(56,564)
Balance at end of the year	11.3.1	57,736,391	56,076,891

11.3.1 The above provision for non-performing long term loans is net of forced sales value (FSVs) of collaterals of Rs. 48.799 million (2013: Rs. 52.828 million) considered by the Company for the purpose of determination of provision requirements. Had this benefit of FSVs not been taken by the Company, the specific provision against non-performing loans would have been higher by Rs. 48.799 million (2013: Rs.52.828 million) and the Company's profit before taxation would also have been lower by the same amount.

## 12. NET INVESTMENT IN FINANCE LEASES

	2014			2013		
	Not later than one year	Later than one year and less than five years	Total	Not later than one year	Later than one year and less than five years	Total
----- (Rupees) -----						
Minimum lease payment receivables	1,449,587,812	59,012,418	1,508,600,230	1,434,666,560	239,724,475	1,674,391,035
Residual value of leased assets	437,569,645	7,330,005	444,899,650	423,049,938	46,582,426	469,632,364
Gross investment in leases	1,887,157,457	66,342,423	1,953,499,880	1,857,716,498	286,306,901	2,144,023,399
Unearned lease income	(848,001)	(1,304,883)	(2,152,884)	(3,647,850)	(10,350,293)	(13,998,143)
Mark-up held in suspense	(337,999,267)	(15,019,974)	(353,019,241)	(332,515,861)	(55,464,833)	(387,980,694)
	(338,847,268)	(16,324,857)	(355,172,125)	(336,163,711)	(65,815,126)	(401,978,837)
Provision for lease losses	(729,506,524)	(32,280,871)	(761,787,395)	(609,381,108)	(84,704,831)	(694,085,939)
Net investment in finance leases	818,803,665	17,736,695	836,540,360	912,171,679	135,786,944	1,047,958,623

12.1 The internal rate of return on leases disbursed by the Company ranges from 12.50% to 20.01% (2013 : 12.50% to 20.01%) per annum. Certain lease rentals have been hypothecated against long term finances obtained (refer note 22.1.1).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

	Note	2014	2013
----- (Rupees) -----			
<b>12.2 Mark-up held in suspense</b>			
Balance at beginning of the year		387,980,694	386,122,793
Income suspended during the year		8,314,398	21,000,765
		<u>396,295,092</u>	<u>407,123,558</u>
Suspended Income:			
- realised during the year		(42,253,779)	(9,843,166)
- written-off during the year		(1,022,072)	(9,299,698)
		<u>(43,275,851)</u>	<u>(19,142,864)</u>
Balance at end of the year		<u>353,019,241</u>	<u>387,980,694</u>
<b>12.3 Provision for lease losses</b>			
Balance at beginning of the year		694,085,939	754,855,198
Charge for the year		153,377,828	120,575,407
Reversal for the year		(77,934,206)	(181,344,666)
	33	<u>75,443,622</u>	<u>(60,769,259)</u>
Write-offs against provision		(7,742,166)	-
Balance at end of the year	12.3.1	<u>761,787,395</u>	<u>694,085,939</u>

**12.3.1** The provision for non-performing lease losses is net of the forced sales value (FSVs) of leased assets / collaterals of Rs. 408.877 million (2013: Rs. 583.34 million) considered by the Company for the purpose of determination of provision requirements. Had this benefit of FSVs not been taken by the Company, specific provision against non-performing lease portfolio would have been higher by Rs. 408.877 million (2013: Rs. 583.34 million) and Company's profit before taxation would also have been lower by the same amount.

In June 2014, the management carried out an exercise to verify the existence of all movable leased assets held against the finance lease facilities on periodic basis, which is currently under the process of completion. Due to lack of in house facilities for monitoring and supervision of collaterals, management decided to engage independent experts. The management intends to carry out inspection for all movable assets against which FSV benefit has been recognised in these financial statements as an ongoing exercise.

**12.4** As per NBFC Regulation 28(a), a leasing company undertaking the business of lease only, shall invest at least 70% of its assets in the business of leasing. As at 30 June 2014, the Company's investment in lease assets was 73.71% (2013: 70.57%) of the total assets (less allowable deductions).

	Note	2014	2013
----- (Rupees) -----			
<b>13. INVESTMENT PROPERTIES</b>			
Cost at beginning of the year		71,159,772	76,169,772
Additions during the year		71,000,000	-
Disposals during the year	13.2	(75,999,680)	(5,010,000)
Cost at end of the year		<u>66,160,092</u>	<u>71,159,772</u>
Accumulated depreciation at beginning of the year		(12,692,649)	(9,186,717)
Depreciation charged during the year	30	(3,236,885)	(3,505,932)
Depreciation reversed during the year due to disposals		1,124,920	-
Accumulated depreciation at end of the year		<u>(14,804,614)</u>	<u>(12,692,649)</u>
Impairment loss on investment properties	13.3	(7,526,809)	(3,439,809)
Carrying value of investment properties	13.1	<u>43,828,669</u>	<u>55,027,314</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

**13.1** This represents properties acquired by the Company in settlement of loan and lease rental amounts due to the Company (repossessed properties) including a bungalow and offices having a carrying value of Rs. 39.666 million (2013: Rs. 42.253 million) and Rs. 4.163 million (2013: Rs. 8.775 million) respectively. Based on the valuations carried out by Fairwater Property Valuers and Surveyors (Private) Limited and Hamid Mukhtar & Co. (Private) Limited, the market value of these properties as of 30 June 2014 amounts to Rs. 71 million (2013: Rs. 53.642 million) and Rs. 4.163 million (2013: Rs. 9 million) respectively.

**13.2** This includes sale of three investment properties having carrying value of Rs. 45 million, Rs. 26 million and Rs. 4.9 million respectively.

### 13.3 Impairment loss on investment properties

	2014	2013
	----- (Rupees) -----	
Balance at beginning of the year	3,439,809	-
Charge for the year	4,087,000	3,439,809
Balance at end of the year	<u>7,526,809</u>	<u>3,439,809</u>

### 14. INTANGIBLE ASSETS

	2014							
	Cost			Amortisation			Written down	Amortisation
	As at 01 July 2013	Additions / (disposals)	As at 30 June 2014	As at 01 July 2013	For the year	As at 30 June 2014	value as at 30 June 2014	rate %
	----- (Rupees) -----							
Computer software	1,655,408	-	1,655,408	(1,655,408)	-	(1,655,408)	-	33
	2013							
	As at 01 July 2012	Additions / (disposals)	As at 30 June 2013	As at 01 July 2012	For the year	As at 30 June 2013	value as at 30 June 2013	rate %
	----- (Rupees) -----							
Computer software	1,655,408	-	1,655,408	(1,287,552)	(367,856)	(1,655,408)	-	33

### 15. PROPERTY, PLANT AND EQUIPMENT

	2014									
	Cost / Revaluation				Accumulated depreciation			Written down value		Rate
	As at 01 July 2013	Additions / (disposals) / (transfers)*	Transferred to held for sale (note 10)	As at 30 June 2014	As at 01 July 2013	Charge For the year / (on disposals) / (transfers)*	Transferred to held for sale (note 10)	As at 30 June 2014	as at 30 June 2014	(%)
	----- (Rupees) -----									
<b>Owned assets</b>										
Leasehold land	2,800,000	-	-	-	-	-	-	-	-	0%
Building improvements	3,526,371	(2,800,000)	-	3,526,371	3,526,371	-	-	3,526,371	-	20%
Office premises	-	-	-	-	-	-	-	-	-	5%
Furniture, fixtures and fittings	5,983,992	-	-	5,983,992	5,982,865	-	-	5,982,865	1,127	20%
Vehicles	10,963,736	-	-	7,408,630	8,253,075	439,272	-	5,492,742	1,915,888	20%
Office equipment	25,418,406	(3,555,106)	400,000	25,818,406	24,596,720	(3,199,605)	240,047	24,836,767	981,639	20%
	48,692,505	400,000	(6,355,106)	42,737,399	42,359,031	679,319	-	39,838,745	2,898,654	
<b>Operating lease assets</b>										
Plant and machinery	59,505,000	-	-	59,505,000	43,076,097	3,821,097	-	46,897,194	12,607,806	10%
Generators	44,548,430	-	-	20,402,880	31,377,585	2,507,826	-	14,272,686	6,130,194	20%
	104,053,430	-	-	79,907,880	74,453,682	6,328,923	-	61,169,880	18,738,000	
	152,745,935	400,000	(30,500,656)	122,645,279	116,812,713	7,008,242	-	101,008,625	21,636,654	



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

	2013									
	Cost / Revaluation			Accumulated depreciation			Net book value		Rate (%)	
	As at 01 July 2012	Additions / (disposals) / (transfers)*	Revaluation surplus	As at 30 June 2013	As at 01 July 2012	For the year / (on disposals) / (transfers)*	Transferred to held for sale (note 10)	As at 30 June 2013		as at 30 June 2013
----- (Rupees) -----										
<b>Owned assets</b>										
Leasehold land	2,800,000	-	-	2,800,000	-	-	-	2,800,000	0%	
Building improvements	3,526,371	-	-	3,526,371	3,526,371	-	-	3,526,371	20%	
Office premises	103,803,703	-	(103,803,703)	-	26,596,704	9,270,155	(35,866,859)	-	5%	
Furniture, fixtures & fittings	6,059,147	(75,155)	-	5,983,992	6,048,884	9,136 (75,155)	-	5,982,865	1,127	20%
Vehicles	13,322,736	2,176,000 (4,535,000)	-	10,963,736	11,586,634	747,944 (4,081,503)	-	8,253,075	2,710,661	20%
Office equipment	24,882,344	615,862 (79,800)	-	25,418,406	24,433,087	243,433 (79,800)	-	24,596,720	821,686	20%
	154,394,301	2,791,862 (4,689,955)	(103,803,703)	48,692,505	72,191,680	10,270,668 (4,236,458)	(35,866,859)	42,359,031	6,333,474	
<b>Operating lease assets</b>										
Plant and machinery	59,505,000	-	-	59,505,000	39,255,000	3,821,097	-	43,076,097	16,428,903	10%
Generators	55,457,080	6,044,000 (16,952,650)	-	44,548,430	25,249,312	19,698,119 (13,569,846)	-	31,377,585	13,170,845	20%
	114,962,080	6,044,000 (16,952,650)	-	104,053,430	64,504,312	23,519,216 (13,569,846)	-	74,453,682	29,599,748	
	269,356,381	8,835,862 (21,642,605)	(103,803,703)	152,745,935	136,695,992	33,789,884 (17,806,304)	(35,866,859)	116,812,713	35,933,222	

15.1 The following assets having book value of more than Rs. 50,000 were disposed off during the year:

Owned Assets	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (loss) on deletion	Mode of disposal	Particulars of buyer
	----- (Rupees) -----						
Land and Building	2,800,000	-	2,800,000	3,400,000	600,000	Negotiation	Ahmed Ali
	2,800,000	-	2,800,000	3,400,000	600,000		
<b>Vehicles</b>							
Honda City: ARJ-243	1,080,000	972,000	108,000	470,000	362,000	As per Company's policy	Mr. Manzar Masud (Employee)
	1,080,000	972,000	108,000	470,000	362,000		
<b>Operating lease assets</b>							
<b>Generators</b>							
Cummins 250 KVA	3,892,400	3,640,400	252,000	450,000	198,000	Quotations	Mr. M. Imran
Cummins 500 KVA	6,260,750	5,875,750	385,000	675,000	290,000	Quotations	Mr. M. Imran
Cummins 350 KVA	6,095,900	5,701,900	394,000	750,000	356,000	Quotations	Mr. M. Imran
Load Bank 1250 KVA	3,204,000	2,366,500	837,500	900,000	62,500	Quotations	Mr. M. Imran
Perkins 80 KVA	1,029,500	477,174	552,326	975,000	422,674	Quotations	Mr. M. Imran
Cummins 350 KVA	2,728,000	1,203,000	1,525,000	2,700,000	1,175,000	Quotations	Mr. M. Imran
Siemens 100 KVA	935,000	348,000	587,000	1,050,000	463,000	Quotations	Mr. M. Imran
	24,145,550	19,612,724	4,532,826	7,500,000	2,967,174		
	28,025,550	20,584,724	7,440,826	11,370,000	3,929,174		

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

- 15.2** The Company has revalued its certain properties, plant and machinery and generators in prior periods. The dates and amounts of revaluations are given below:

	Date	Office premises *	Plant and machinery	Generators	Total
		----- (Rupees) -----			
Revaluation surplus	30 June 2008	33,769,445	-	-	33,769,445
Revaluation surplus / (deficit)	30 June 2012	41,486,216	(7,495,000)	4,442,013	38,433,229

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

	2014			2013		
	Cost	Accumulated depreciation	Written down value	Cost	Accumulated depreciation	Written down value
	----- (Rupees) -----					
Office premises *	<u>28,548,042</u>	<u>(17,236,646)</u>	<u>11,311,396</u>	<u>28,548,042</u>	<u>(17,236,646)</u>	<u>11,311,396</u>
Plant and machinery	<u>67,000,000</u>	<u>(51,315,000)</u>	<u>15,685,000</u>	<u>67,000,000</u>	<u>(45,285,000)</u>	<u>21,715,000</u>
Generators	<u>16,474,480</u>	<u>(8,112,279)</u>	<u>8,362,201</u>	<u>33,384,480</u>	<u>(21,389,897)</u>	<u>11,994,583</u>

\* These assets are transferred to held for sale under International Financial Reporting Standard - 5 - Non - Current Assets Held For Sale and Discontinued Operations (note 10).

### 16. BORROWINGS FROM FINANCIAL INSTITUTIONS

	Note	2014	2013
		----- (Rupees) -----	
<b>Letter of Placements - Unsecured</b>			
National Bank of Pakistan	16.1	<b>77,500,000</b>	77,500,000
Innovative Investment Bank Limited	16.2	<b>60,000,000</b>	60,000,000
Meezan Bank Limited	16.3	<b>27,001,588</b>	27,001,588
AKD Aggressive Income Fund	16.4	<b>2,762,504</b>	10,762,502
KASB Income Opportunity Fund	16.5	<b>10,429,140</b>	13,429,140
KASB Asset Allocation Fund	16.5	-	3,000,000
		<u><b>177,693,232</b></u>	<u>191,693,230</u>

- 16.1** This represents finance of Rs. 77.50 million obtained from National Bank of Pakistan on 01 April 2010 through a letter of placement carrying mark-up at a rate of 11.20% per annum for a period of 40 days. The Company has not paid any amount in respect of this finance. As of 30 June 2014, the Company has accrued a mark-up of Rs. 37 million. The management is currently under negotiation to settle / restructure this borrowing.

- 16.2** This represents finance of Rs. 63 million obtained from Innovative Investment Bank Limited on 3 December 2010 through a letter of placement carrying mark-up at a rate of 8% per annum for a period of 90 days. The facility was rolled over for a further period of 184 days on 14 March 2011. Since the disbursement of facility, the Company has paid an amount of Rs. 3 million on account of principal repayment. As of 30 June 2014, the Company has accrued a mark-up of Rs. 21 million. The management is currently under negotiation to settle / restructure this borrowing.

- 16.3** This represents finance of Rs. 150 million obtained from Meezan Bank Limited (MEBL) on 20 September 2008, under Murabaha arrangement at a rate of 12% per annum. The Company paid Rs. 81 million on various dates from September 2008 to June 2011.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

The remaining amount of Rs. 69 million was restructured by way of settlement agreement on 22 April 2011 whereby the Company transferred a lease portfolio of Rs. 32 million. On 03 September 2012, a revised settlement agreement was signed, as per the revised settlement agreement, loan to be settled by way of transferring of Company's assets / collateral held by the Company against one of its non-performing borrowers and cash payment of Rs. 9.870 million as down payment. The Company made the down payment on 06 September 2012 and the collateral held by the Company against the non-performing borrower is to be transferred after the execution of a tripartite agreement between the Company, MEBL and the said borrower. The management is currently under a negotiation for an early execution of the said agreement. As per the restructuring terms, the finance carries no mark-up.

**16.4** This represents finance of Rs. 26 million obtained from AKD Aggressive Income Fund on 23 June 2011 through a letter of placement for a period of 30 days at a rate of 10% per annum. During last year, the Company has restructured the loan by way of the settlement agreement. As per the latest agreement dated 14 January 2013, the Company is required to settle the loan through following terms:

- Down payment of Rs. 1.24 million;
- 14 equal monthly cash payments of Rs. 1.33 million starting from January 2013; and
- Transfer of shares of an unlisted company against liability of Rs. 2.76 million.

The Company made down payment of Rs. 1.24 million on 31 December 2012 and has paid the monthly installments on the agreed dates as per the revised agreement. As of 30 June 2014, the Company has accrued a mark-up of Rs. 4.5 million. The Company has complied with terms of restructured agreement except for transfer of shares.

**16.5** This represents finance of Rs. 117 million obtained from KASB Funds (KASB Income Opportunity Fund and KASB Asset Allocation Fund) on 13 July 2009. The finance was restructured by way of settlement agreement dated 28 December 2011. As per the agreement, loan is to be settled by way of transferring of assets / collateral held by the Company against one of its non-performing borrowers, lease receivables of the Company and cash payment of Rs. 23.085 million in twenty four equal monthly installments.

The Company has paid all the installments as per restructured agreement on account of principal repayment in respect of KASB Income Opportunity Fund and KASB Asset Allocation Fund. As a result, KASB Asset Allocation Fund has been settled in full during the period. The Company is pursuing the transfer of collateral held of one of its non-performing borrower to settle its liability in respect of KASB Income Opportunity Fund. As per restructuring terms, these finances carry no mark-up.

### 17. ACCRUED MARK-UP

Mark-up on:

- certificates of investment
- long term finances
- term finance certificates
- short term borrowings from financial institutions

	2014	2013
	----- (Rupees) -----	
	<b>57,354,840</b>	47,121,959
	<b>55,722,917</b>	44,843,409
	<b>60,240,656</b>	62,881,503
	<b>73,518,233</b>	59,534,768
	<b>246,836,646</b>	214,381,639

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

	Note	2014	2013
----- (Rupees) -----			
<b>18. ACCRUED EXPENSES AND OTHER PAYABLES</b>			
Accrued expenses		3,152,277	3,090,819
Unclaimed dividend		1,668,945	1,668,945
Payable on termination / maturity of finance leases		2,912,321	11,119,078
Others		17,988,726	16,052,937
		<u>25,722,269</u>	<u>31,931,779</u>
<b>19. CURRENT MATURITY OF NON-CURRENT LIABILITIES</b>			
Certificates of investment	20	57,349,000	72,769,000
Long term finances	22	456,684,818	386,649,543
Long term security deposits against finance leases	23	416,715,319	402,466,826
		<u>930,749,137</u>	<u>861,885,369</u>
<b>20. CERTIFICATES OF INVESTMENT - Unsecured</b>			
Long term certificates of investment	20.1	57,349,000	72,769,000
Current maturity of certificates of investment	19	(57,349,000)	(72,769,000)
		<u>-</u>	<u>-</u>

**20.1** These certificates of investment, are for periods ranging from 1 year to 5 years and interest rates on these certificates range from 7% to 14% (2013 : 7% to 18.50%) per annum.

## 21. DEFERRED TAX LIABILITY

	Balance at beginning of the year	Recognised in profit and loss account	In equity	Balance at end of the year
----- (Rupees) -----				
<b>30 June 2014</b>				
<b>Taxable temporary differences:</b>				
Excess of net investment in leases over written down value of leases	(55,021,655)	-	-	(55,021,655)
Accelerated tax depreciation	(9,507,393)	2,982,691	-	(6,524,702)
Surplus on revaluation of property, plant and equipment	(18,380,464)	419,778	-	(17,960,686)
Actuarial gain on defined benefit plans	(1,688,213)	-	(50,988)	(1,739,201)
	<u>(84,597,725)</u>	<u>3,402,469</u>	<u>(50,988)</u>	<u>(81,246,244)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

	Balance at beginning of the year	Recognised in profit and loss account	In equity	Balance at end of the year
----- (Rupees) -----				
<b>30 June 2013</b>				
<b>Taxable temporary differences:</b>				
Excess of net investment in leases over written down value of leases	(55,021,655)	-	-	(55,021,655)
Accelerated tax depreciation	(12,760,288)	3,252,895	-	(9,507,393)
Surplus on revaluation of property, plant and equipment	(25,650,655)	7,270,191	-	(18,380,464)
Actuarial gain on defined benefit plans	(1,619,642)	-	(68,571)	(1,688,213)
	<u>(95,052,240)</u>	<u>10,523,086</u>	<u>(68,571)</u>	<u>(84,597,725)</u>

21.1 The deferred tax asset amounting to Rs. 359.454 million (2013: Rs. 321.466 million) is not recognised in these financial statements.

	Note	2014	2013
----- (Rupees) -----			
<b>22. LONG TERM FINANCES</b>			
Long term finance - secured	22.1.1	<b>216,907,654</b>	292,651,248
Long term finance - unsecured	22.1	<b>6,722,216</b>	96,766,664
		<b>223,629,870</b>	389,417,912
Term finance certificates - secured	22.10	<b>248,332,716</b>	424,045,909
		<b>471,962,586</b>	813,463,821
Current maturity of long term finances	19	<b>(456,684,818)</b>	(386,649,543)
		<b>15,277,768</b>	426,814,278

## 22.1 Long term finances

	Tenure		Price		Principal outstanding	
	From	To			2014	2013
----- (Rupees) -----						
<b>Secured</b>						
National Bank of Pakistan	Mar-05	Mar-10	6 month KIBOR + 1.5% (payable semi annually)	22.2	12,500,000	12,500,000
First Women Bank Limited	Dec-09	Dec-12	Fixed at 12% (payable monthly)	22.3	75,061,505	75,061,505
Askari Income Fund	Mar-10	Sep-12	-	22.4	13,500,000	15,000,000
Soneri Bank Limited	May-13	Sep-14	-	22.5	61,999,996	109,166,666
Bank of Khyber	Jun-12	Mar-16	-	22.6	23,000,000	33,000,000
HSBC Bank Middle East Limited	Jun-12	Aug-14	-	22.7	30,846,153	47,923,077
<b>Un secured</b>						
CDC Trustee United Growth & Income Fund	Jul-12	Jan-13	-	22.8	-	87,600,000
Silk Bank Limited	Sep-12	Mar-17	-	22.9	6,722,216	9,166,664
					<u>223,629,870</u>	<u>389,417,912</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

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

**22.2** This represents finance of Rs. 100 million obtained from National Bank of Pakistan on 17 March 2005 mainly for lease financing activities. As per the agreement, loan was payable in semi-annual installments of Rs. 12.5 million each from 17 September 2005 to 17 March 2009. The agreement was amended with the maturity date to March 2010. As of 30 June 2014, all installments were paid except for the last installment which was due on 17 March 2009 and is still outstanding. As per agreement the finance carries mark-up at 6 month KIBOR + 1.5%, payable semi-annually. As of 30 June 2014, the Company has accrued mark up of Rs. 8 million. The management is currently under negotiation to settle / restructure this borrowing.

**22.3** This represents finance of Rs. 127 million obtained from First Women Bank Limited on 31 December 2008 mainly for lease financing activities. The finance was restructured by way of settlement agreement dated 01 March 2010. As per the rescheduling terms, the entire principal was payable in unequal monthly installments upto 31 December 2012. The Company paid the installments up to 31 December 2010 and afterwards no amount has been paid. As per rescheduling agreement the finance carries mark-up at 12% per annum, payable monthly. As of 30 June 2014, the Company has accrued mark-up of Rs. 33 million. The management is currently under negotiation to settle / restructure this borrowing.

**22.4** This represents finance of Rs. 50 million obtained from Askari Income Fund mainly for lease financing activities. The finance was restructured by way of settlement agreement on 01 March 2010 and 31 January 2011. As per the rescheduling terms, the entire principal was payable in monthly installments of Rs. 1 million starting from 16 February 2011 and outstanding mark-up was waived. The Company paid installments upto June 2011. The management is currently under negotiation to settle / restructure the liability and has also paid Rs. 1.5 million under proposed restructuring agreement.

**22.5** This represents finance of Rs. 115 million obtained from Soneri Bank Limited on 22 March 2010 mainly for lease financing activities. The finance was restructured by way of settlement agreement on 22 December 2010. As per the rescheduling terms the entire principal was payable in monthly installments of Rs. 1 million starting from November 2010. The Company paid the installments upto 16 March 2011.

The Company restructured the loan in prior year by way of settlement agreement on 7 May 2013. As per the latest agreement, the Company is required to settle the loan through following terms:

- Rs. 43 million by way of transfer of a property (held as collateral of Rs. 43 million against the borrower) or a cash payment of Rs. 25 million as full and final settlement of Rs. 43 million.
- Rs. 34.5 million by way of transfer of a property (held as collateral of Rs. 34.5 million against the borrower).
- Cash payment of Rs. 5 million in 12 equal monthly installments of Rs. 0.416 million each commencing from the date of execution of settlement agreement.

The Company has settled the loan amounting to Rs. 43 million by way of cash payment of Rs. 25 million on 28 August 2013. The Company has also paid all the installments as per the revised agreement. The transfer of property (held as collateral of Rs. 34.5 million against the borrower) has been extended upto 30 September 2014. As per the revised restructuring terms, this finance carries no mark-up.

**22.6** This represents finance of Rs. 468 million obtained from Bank of Khyber on 12 March 2009 mainly for lease financing activities. The finance was restructured by way of settlement agreements on 26 April 2010, 24 August 2011 and 21 June 2012. As per the latest agreement dated 21 June 2012, the Company was required to settle the loan through following terms:

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

- Transfer of a property (held as collateral of Rs. 150 million against the borrower).
- Issue of preference shares of Rs. 195 million (for conversion of liability of Rs. 195 million).
- Cash payment of Rs. 55 million including down payment of Rs. 10 million and Rs. 45 million in monthly installments of Rs. 1 million each.

The transfer of property amounting to Rs. 150 million was completed on 19 July 2012. The issuance of preference shares amounting to Rs. 195 million was completed in 2013. Further, monthly installments of Rs. 1 million each are being paid by the Company. As per latest restructuring terms this finance carries no mark-up.

**22.7** This represents finance of Rs. 100 million obtained from HSBC Bank Middle East Limited on 16 March 2010 mainly for lease financing activities. The finance was restructured by way of settlement agreements dated 12 September 2011 and 21 June 2012. As per the latest restructuring agreement dated 21 June 2012, loan is payable as Rs. 1.8 million down payment and Rs. 37 million in monthly installments of Rs. 1.4 million each. On fully complying with the terms of the settlement agreement, the Company shall be entitled with a waiver of Rs. 28 million in principal and Rs. 3.8 million in mark-up. As per rescheduling agreement the finance carries no mark-up. As of 30 June 2014, the Company is complying with revised terms of the restructuring agreement.

**22.8** This represents finance of Rs. 117 million obtained from CDC Trustee United Growth & Income Fund on 14 January 2010 mainly for lease financing activities. The finance was restructured by way of settlement agreements dated 12 May 2010 and 12 July 2012. As per the revised restructuring agreement, loan was to be settled by way of transfer of three properties of Company's debtors on 31 December 2012 and 30 June 2013. As per the revised restructuring agreement, the finance carried no mark-up.

On 08 July 2013, the Company revised the terms of the revised agreement by way of an addendum. As per the amendment, the Company was required to settle the loan through the following revised terms:

- Rs. 65.200 million by way of transfer of a property (held as collateral of Rs. 65.200 million against a non-performing borrower) or a cash payment of Rs. 45 million payable in tranches on 12 July 2013, 30 July 2013 and 31 August 2013.
- Rs. 12 million by way of transfer of a property (held as a collateral of Rs. 12 million against a non-performing borrower).

During the period, the Company has settled its entire borrowing of Rs. 87.6 million by making cash payment of Rs. 45 million on respective dates as per the revised agreement against its liability of Rs. 65.2 million. Further, the Company transferred the property of Rs. 12 million on 9 December 2013 and has recognised a waiver of Rs. 30.6 million against the said borrowing.

**22.9** This represents finance of Rs. 15.7 million obtained from Silk Bank Limited on 27 April 2009 against issuance of irrevocable letter of comfort to Silk Bank on account of Uni-Link International for opening of letter of credit. The Company has paid Rs. 4 million upto 31 March 2011. The finance has been restructured by way of a settlement agreement dated 12 September 2012. As per the agreement loan is to be settled by making down payment of Rs. 0.707 million and balance of Rs. 11 million is to be paid in 54 equal monthly installments of Rs. 0.204 million per month. As of 30 June 2014, the Company has accrued a mark up of Rs. 4 million and the monthly installments of Rs. 0.204 million each are being paid regularly by the Company. As per latest restructuring terms this finance carries no mark-up.

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

The issue was first restructured by way of "Supplemental Declaration of Trust" dated 13 September 2010 and was further restructured by way of "Second Supplemental Declaration of Trust" dated 13 January 2012. To make the second proposed restructuring terms of Supplemental Declaration of Trust effective, an extra ordinary resolution has been passed by at least by 75% of the aggregate amount outstanding to TFC holders. The trustee obtained necessary approval of TFC holders. The revised terms and conditions of the issue after rescheduling are as follows:

### Principal redemption

The principal redemption of TFCs is structured to be in 63 un-equal monthly installments starting from 13 January 2012 as follows:

- Rs. 3 million per month starting from January 2012 to December 2012
- Rs. 4 million per month starting from January 2013 to December 2013
- Rs. 6 million per month starting from January 2014 to December 2014
- Rs. 13 million per month starting from January 2015 to February 2017
- Rs. 20.854 million in March 2017

### Mark-up on TFCs

- The issue carries return at 6% per annum for first 36 months (from 13 January 2012 to 13 December 2014) and;
- One month's KIBOR per annum for remaining 27 months (from 13 January 2015 to 13 March 2017).
- Mark-up shall be paid on monthly basis starting from 25th month till the maturity of the TFC.
- Mark-up payments on TFCs for first 24 months is deferred till 13 December 2013. Deferred mark-up is the sum of deferred mark-up payments for the first 24 months and the outstanding deferred mark-up (relating to first restructuring as of 13 December 2013) and amounts to Rs. 25.368 million.
- Mark-up on TFCs is deferred till 13 December 2013 and is payable in 3 equal installments in December 2014, 2015 and 2016.

### Trustee

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

During the year, the Company made full and final settlement with both TFC holders, Pak Oman Investment Company and KASB Funds, at an amount of Rs. 45 million and Rs. 26 million which resulted total waiver of Rs. 54.57 million and Rs. 36.56 million respectively.

During the year, the Company defaulted in making payments to TFC holders due to liquidity issues faced by the Company as referred in note 1.2. The Company is now seeking to restructure the outstanding liability.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

	Note	2014	2013
<b>23. LONG TERM SECURITY DEPOSITS AGAINST FINANCE LEASES</b>		----- (Rupees) -----	
Security deposits against finance leases	23.1	<b>424,045,319</b>	448,667,637
Current maturity of deposits against finance leases	19	<b>(416,715,319)</b>	(402,466,826)
		<b><u>7,330,000</u></b>	<u>46,200,811</u>

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

**24 SHARE CAPITAL**

2014	2013	Note	2014	2013
<b>(Number of shares)</b>			----- (Rupees) -----	
<b>100,000,000</b>	100,000,000		<b>AUTHORISED SHARE CAPITAL</b>	
			<b>1,000,000,000</b>	1,000,000,000
			Ordinary shares of Rs. 10 each	
			Non-cumulative and non-voting, convertible unlisted preference shares of Rs. 10 each	
<b>100,000,000</b>	100,000,000		<b>1,000,000,000</b>	1,000,000,000
<b><u>200,000,000</u></b>	<u>200,000,000</u>		<b><u>2,000,000,000</u></b>	<u>2,000,000,000</u>
<b>ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL</b>				
<b>ORDINARY SHARES</b>				
<b>Issued for cash</b>				
			Ordinary shares of Rs. 10 each fully paid in cash	
<b>25,180,000</b>	25,180,000	24.1	<b>251,800,000</b>	251,800,000
<b>Issued for consideration other than cash</b>				
			Ordinary shares of Rs. 10 each issued as fully paid bonus shares	
<b>19,980,500</b>	19,980,500		<b>199,805,000</b>	199,805,000
<b>NON-CUMULATIVE PREFERENCE SHARES</b>				
<b>Issued for consideration other than cash</b>				
			Non-cumulative and non-voting, 24.1 & 24.2 convertible unlisted fully paid preference shares of Rs. 10 each	
<b>52,820,850</b>	52,820,850		<b>528,208,500</b>	528,208,500
<b><u>97,981,350</u></b>	<u>97,981,350</u>		<b><u>979,813,500</u></b>	<u>979,813,500</u>

**24.1** Saudi Pak Industrial & Agricultural Investment Company Limited (SAPICO) holds 35.06% (2013: 35.06%) of the issued, subscribed and paid-up ordinary share capital of the Company and 63% (2013: 63%) of issued preference share capital of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

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

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

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

- the preference shares were issued under the provisions of section 86 of the Companies Ordinance, 1984 (the Ordinance) read with section 90 of the Ordinance and Companies Share Capital (Variation in Rights and Privileges) Rules, 2000.
- the authorized capital of the Company and the issue of the preference shares were duly approved by the shareholders of the Company in the Extra Ordinary General Meeting held on 11 July 2012.
- return of allotment in respect of these preference shares was filed under section 73(1) of the Ordinance.
- the preference share holders have the right to convert these shares into ordinary shares at Rs. 10 each.
- dividend on the shares is appropriation of profit both under the Ordinance and the tax laws.
- the requirements of the Ordinance take precedence over the requirements of International Accounting Standards.

**24.2.1** During the year, the preference dividend has been accrued to the extent of profits available for the year after transfer of statutory reserve (20% for the after tax profits) in accordance with the requirements of NBFC Regulations, 2008.

### 24.3 Capital management policies and procedures

Capital requirements applicable to the Company are set out and regulated by the Securities and Exchange Commission of Pakistan (SECP). These requirements are put in place to ensure sufficient solvency margins. SECP extended the minimum equity requirement as per NBFC Regulations, 2008 vide SRO 764(I) / 2009 dated 2 September 2009 wherein the Company is required to meet the minimum equity requirements of Rs. 350 million, Rs. 500 million and Rs. 700 million by 30 June 2011, 30 June 2012 and 30 June 2014 respectively.

The Company has requested the SECP for relaxation in the above requirements and is hopeful that this request will be accepted based on the conditions of the business environment and the Company's position in the overall leasing sector, as well as its past performance and the reason given in note 1.2.

	Note	2014	2013
----- (Rupees) -----			
<b>25. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
Surplus on revaluation (net of tax) of:			
- property, plant and equipment	25.1	33,355,558	34,135,146
- unrealized gain on remeasurement of available for sale investments	6	63,232	98,833
		<u>33,418,790</u>	<u>34,233,979</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

	Note	2014	2013
<b>25.1 Surplus on revaluation of property, plant and equipment - net</b>			
----- (Rupees) -----			
As at beginning of the year		52,515,613	73,287,584
Transfer to accumulated losses in respect of incremental depreciation - net of deferred tax		(779,588)	(13,501,782)
Related deferred tax liability		(419,778)	(7,270,189)
		(1,199,366)	(20,771,971)
As at end of the year		51,316,247	52,515,613
Related deferred tax liability on:			
Revaluation as at the beginning of the year		(18,380,467)	(25,650,656)
Revaluation carried out during the year		-	-
Transfer to accumulated losses in respect of incremental depreciation - net of deferred tax		419,778	7,270,189
		(17,960,689)	(18,380,467)
		33,355,558	34,135,146
<b>26. CONTINGENCIES AND COMMITMENTS</b>			
Claims against the Company not acknowledged as debt	26.1	193,558,675	168,034,208

**26.1** The above includes contingencies of Rs. 127.341 million which represents cases which are filed against the Company as counter claims. It also includes contingencies of Rs. 66.218 million filed against the Company in lieu of rendition of accounts. In view of the legal advisor, the Company is not likely to suffer any loss on account of the aforementioned cases.

**26.2** The ex-employees of the company have filed two cases against the company before High Court of Sindh claiming an amount of Rs. 65.935 million in lieu of gratuity and other retirement benefits. In view of the legal advisor, the Company is not likely to suffer any loss on account of the aforementioned cases.

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

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

The Company has filed an appeal before the Commissioner Inland Revenue (Appeals) CIR (A) against the said order. The CIR (A) vide through appellate order number 97 of 2012 dated 30 April 2012 constituted that the duty so charged is legally and constitutionally valid under the FED Act 2005. However, it also mentioned that the notice issued is barred by time for the period from July 2007 to September 2008 and accordingly deleted the levy of FED for the said tax period. The Company has filed appeal before the Appellate Tribunal Inland Revenue (ATIR) against the above CIR (A) order who has decided the case is in favour of the company during the year.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

	2014	2013
	----- (Rupees) -----	
<b>27. INCOME FROM FINANCE LEASES</b>		
Income on finance lease contracts	42,228,045	23,308,289
Document fee, front-end fee and other charges	4,900,102	6,013,364
	<u>47,128,147</u>	<u>29,321,653</u>
<b>28. OTHER OPERATING INCOME</b>		
<b>Income from financial assets</b>		
<b>- Available for sale</b>		
Dividend income	16,072	65,986
Capital gain on sale of investments	140,798	7,738,645
	<u>156,870</u>	<u>7,804,631</u>
<b>- Held to maturity</b>		
Income on amortisation of Government Market Treasury Bills	2,071,577	3,681,024
<b>- Loans and receivables</b>		
Interest income on term loans	1,066,327	5,408,363
Return on certificates of deposit	135,260	4,378,700
Interest income from saving accounts	1,367,791	1,245,019
	<u>2,569,378</u>	<u>11,032,082</u>
<b>Income from non-financial assets</b>		
Mark-up, commission and fee income	-	140,129
Gain on sale of property, plant and equipment	5,167,597	3,999,296
Gain on sale of investment properties	7,025,240	-
Gain on settlement of loans	138,728,495	210,597,635
Others	2,290,116	2,590,808
	<u>153,211,448</u>	<u>217,327,868</u>
	<u>158,009,273</u>	<u>239,845,605</u>

**28.1** This includes gain on settlement of liability of Soneri Bank Limited, Bank of Khyber, United Growth and Income Fund, Pak Oman Investment Company and KASB Funds amounting to Rs. 18 million, 2.659 million, 27.08 million, 54.435 and 36.555 million respectively on account of waivers of accrued markup and discount on settlement of principal.

	2014	2013
	----- (Rupees) -----	
<b>29. FINANCE COST</b>		
Mark-up on:		
- Long term finances	13,538,884	26,412,004
- Term finance certificates	17,644,881	28,343,072
- Short term borrowings	13,983,465	16,457,172
Return on certificates of investment	10,894,050	13,688,273
Bank charges	213,356	236,937
	<u>56,274,636</u>	<u>85,137,458</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

	Note	2014	2013
----- (Rupees) -----			
<b>30. ADMINISTRATIVE AND OPERATING EXPENSES</b>			
Salaries, allowances and benefits	30.1	26,982,011	30,043,549
Charge for defined plan		437,882	586,495
Rent		1,597,555	1,714,746
Repairs and maintenance		1,387,520	1,797,954
Utilities		1,790,346	1,506,135
Depreciation on owned assets	15	679,319	10,270,668
Depreciation on investment properties	13	3,236,885	3,505,932
Insurance		918,743	1,085,161
Vehicle running expenses		3,581,502	4,269,365
Printing and stationery		662,883	699,052
Telephone and postage		851,078	1,083,099
Travelling and conveyance		1,281,516	1,649,303
Fee and subscriptions		1,165,768	6,275,590
Legal and professional charges		7,393,905	7,590,746
Advertising and entertainment		456,804	674,530
Auditors' remuneration	30.2	695,750	695,750
Miscellaneous		5,507,111	1,775,273
		<b>58,626,578</b>	<b>75,223,348</b>
<b>30.1 Salaries, allowances and benefits</b> include Rs. 1.22 million (2013: Rs. 1.45 million) in respect of staff retirement benefits.			
<b>30.2 Auditors' remuneration</b>			
Annual audit fee		350,000	350,000
Fee for review of half yearly financial statements		100,000	100,000
Other certifications		50,000	50,000
Out of pocket expenses		195,750	195,750
		<b>695,750</b>	<b>695,750</b>
<b>31. AMOUNT WRITTEN OFF DIRECTLY AGAINST LOANS AND LEASE RECEIVABLES</b>			
During the year, the Board of Directors of the Company have approved the principal write-offs against the lease facilities granted to Al Amin Enterprises and Mughal Transport Services amounting to Rs. 8.985 million and 2.098 million respectively.			
<b>32. DIRECT COST OF OPERATING LEASES</b>			
Insurance and other expenses		76,343	452,861
Depreciation on operating lease assets	15	6,328,923	23,519,216
		<b>6,405,266</b>	<b>23,972,077</b>
<b>33. PROVISION FOR DOUBTFUL LEASES, LOANS AND OTHER RECEIVABLES</b>			
Provision / (reversals) / write-offs for potential lease losses - net	12.3	75,443,622	(60,769,259)
(Reversals) for potential losses on short term loans - net	5.2	(9,064,579)	(14,827,755)
Provision / (reversals) for potential losses on long term loans - net	11.3	1,659,500	(56,564)
(Reversal) / provision for other doubtful receivables - net	8.1	(1,558,125)	9,737,584
		<b>66,480,418</b>	<b>(65,915,994)</b>
<b>34. TAXATION</b>			
Current	34.1	1,044,273	2,500,814
Deferred	21	(3,402,469)	(10,523,086)
		<b>(2,358,196)</b>	<b>(8,022,272)</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 34.1 Current tax liability

The current year tax charge represents minimum turnover tax i.e. 1% of gross turnover under section 113 of the Income Tax Ordinance, 2001 (the Ordinance).

### 34.2 Deferred taxation

The deferred tax asset arising on unused taxable losses and other deductible temporary differences has not been recognised in these financial statements. A deferred tax asset is recognised only to the extent that it is probable that sufficient future taxable profits will be available in the short term against which the asset can be utilised.

### 34.3 Relationship between tax expense and accounting profit

	2014	2013
	----- (Rupees) -----	
Accounting profit for the year	4,859,495	132,527,566
Tax on income @ 34% (2013: 35%)	1,652,228	46,384,648
Effect of lower tax rate in future years	(51,728)	(1,951,158)
Tax losses utilised against current year taxable income	(43,086,348)	(77,055,022)
Deferred tax assets not recognised during the year	37,987,623	22,098,446
Deferred tax liability recorded at higher rate	95,756	-
Minimum turnover tax charge	1,044,273	2,500,814
Tax expense	(2,358,196)	(8,022,272)

### 34.4 Current status of tax assessments

The tax assessments of the Company relating to assessment years before tax year 2003 have been completed and no appeal is being pending in appellate forums. The income tax return for tax years 2003-2013 have been filed which are deemed assessed under section 120 of the Ordinance except for the tax year 2007, which has been selected for audit under the provision of section 177 of the Ordinance. The Company has submitted in this respect all the requisite documents / information with the tax authority. However, audit proceedings are under process and no further notice has yet been issued by the tax authority intending to amend tax return for the tax year filed by the Company with the tax authority.

The tax authority has also initiated monitoring of withholding taxes for the tax year 2010, 2011 and 2013 of the Company. The requested information has been submitted with the tax authority under section 176 of the Ordinance and nothing adverse in this regard has been communicated by the tax authority.

### 35. EARNINGS PER SHARE - BASIC AND DILUTED

	2014	2013
	----- (Rupees) -----	
Profit after taxation attributable to ordinary shareholders	1,443,538	140,368,945
Weighted average number of ordinary shares - Basic	45,160,500	45,160,500
Earnings per share - Basic	0.03	3.11
Profit after taxation attributable to ordinary shareholders - Diluted	7,217,691	140,549,838
Weighted average number of ordinary shares - Diluted	97,981,350	45,884,073
Earnings per share - Diluted	0.07	3.06

### 36. CASH AND CASH EQUIVALENTS

Cash and bank balances	23,552,393	40,054,055
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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 37. STAFF RETIREMENT BENEFIT SCHEMES

#### 37.1 Defined benefit scheme

The latest actuarial valuation of the gratuity fund was carried out by TRT Associates as at 30 June 2014 on the basis of the 'Projected Unit Credit Method'. The estimation is based on the following significant assumptions:

##### 37.1.1 Principal actuarial assumptions

Following principal actuarial assumptions were used for the valuation:

	2014	2013
Discount rate	12%	10%
Expected rate of increase in salary level	11%	9%
Expected rate of return on plan assets	12%	10%
Withdrawal rate before normal retirement age	moderate	moderate
Expected remaining working life time of employees	9 years	7 years
Number of employees	14	33

##### 37.1.2 Net defined benefit (asset) / liability:

	2014	2013
Present value of defined benefit obligation	3,858,103	8,008,077
Fair value of plan assets	(7,802,874)	(12,245,049)
	<b>(3,944,771)</b>	<b>(4,236,972)</b>

##### 37.1.3 Movement in the net defined benefit (asset) / liability:

	2014	2013
Balance at beginning of the year	(4,236,972)	(4,627,549)
Amount chargeable to profit and loss account	437,882	613,247
Amount chargeable to OCI	(145,681)	(195,918)
Contribution paid during the year	-	(26,752)
Balance at end of the year	<b>(3,944,771)</b>	<b>(4,236,972)</b>

##### 37.1.4 Changes in present value of defined benefit obligation

	2014	2013
Present value of defined benefit obligation at beginning of the year	8,008,077	7,717,492
Current service cost for the year	861,579	1,216,567
Interest cost for the year	551,872	908,006
Benefits paid during the year	(4,978,711)	(1,465,667)
Actuarial (gain) on present value of defined benefit obligation	(584,714)	(368,321)
Present value of defined benefit obligation at end of the year	<b>3,858,103</b>	<b>8,008,077</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

	2014	2013
	----- (Rupees) -----	
<b>37.1.5 Changes in fair value of plan assets</b>		
Fair value of plan assets at beginning of the year	12,245,049	12,345,041
Expected return on plan assets	975,569	1,511,326
Contribution during the year	-	26,752
Benefit paid during the year	(4,978,711)	(1,465,667)
Return on plan assets excluding interest income	(439,033)	(172,403)
Fair value of plan assets at end of the year	<u>7,802,874</u>	<u>12,245,049</u>
<b>37.1.6 Charge for defined benefit plan</b>		
Current service cost	861,579	1,216,567
Interest cost	551,872	908,006
Expected return on plan assets	(975,569)	(1,511,326)
	<u>437,882</u>	<u>613,247</u>
<b>37.1.7 Fair value of plan assets at end of the year</b>		
Orix - Quick gain scheme	-	2,000,000
Orix - Floater one year	-	1,500,000
Orix - Floater two years	1,000,000	2,500,000
Orix - Money Builder	5,000,000	5,000,000
Accrued profit receivable on investment	585,709	435,083
Cash at bank(s)	1,217,165	809,966
	<u>7,802,874</u>	<u>12,245,049</u>
<b>37.1.8 Actuarial gains / losses</b>		
Actuarial gains at beginning of the year	-	-
Gains / (losses) arising during the year	(584,714)	174,930
	<u>(584,714)</u>	<u>174,930</u>
Actuarial (gains) / losses recognised during the year	584,714	(174,930)
Actuarial gains at end of the year	-	-

37.1.9 Actual return on plan assets during the year was Rs. 1.40 million (2013: Rs. 1.339 million).

37.1.10 The expected gratuity income for the next year works out to Rs. 58,643.

37.1.11 Historical data on surplus / (deficit) of the plans and experience adjustments

	2014	2013	2012	2011	2010
	----- (Rupees) -----				
Present value of defined benefit obligation	(3,858,103)	(8,008,077)	(7,717,492)	(14,610,477)	(15,892,229)
Fair value of plan assets	7,802,874	12,245,049	12,345,041	14,666,399	14,581,405
Surplus / (deficit)	<u>3,944,771</u>	<u>4,236,972</u>	<u>4,627,549</u>	<u>55,922</u>	<u>(1,310,824)</u>
Experience adjustments on plan liabilities (gains) / losses	<u>(584,714)</u>	<u>(368,321)</u>	<u>(5,235,696)</u>	<u>(1,217,166)</u>	<u>(1,980,567)</u>
Experience adjustments on plan assets gains / (losses)	<u>-</u>	<u>(288,660)</u>	<u>(664,069)</u>	<u>130,028</u>	<u>289,933</u>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 37.1.12 Sensitivity Analysis

If discount rate had been 1% higher/ lower with all other variables held constant, the impact on net benefit obligation would have been Rs. 0.348 million

### 37.2 Defined contribution scheme

The Company has set up a provident fund for its permanent employees and the contributions were made by the Company to the trust in accordance with the requirements of the Companies Ordinance, 1984. During the year, the Company has not deposited the contribution collected from employees as well as its own contribution within 15 days as required under Section 227 of the Companies Ordinance, 1984. However, the unpaid contribution was deposited after the stipulated time and markup on the delayed payments have been accrued at KIBOR.

Further, the Company had suspended the contributions to provident fund as per the decision of Trustees of the fund and Board of Directors for a period from October 2009 to June 2012. However, the Company has reinstated the provident fund from 01 July 2012 and is contributing the amounts to fund on monthly basis.

Details of the size of the fund and the investments made are as follows:

	30 June 2014	30 June 2013
	----- (Rupees) -----	
Size of the fund (net assets)	7,802,874	12,396,452
Cost of investment	6,000,000	11,000,000
Percentage of investments made (cost of investment / size of the Fund)	77%	89%
Fair value of investments made	6,000,000	11,000,000

### Break up of investments of provident fund

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

	Investments		% of investment as size of the fund	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Certificate of Deposits	6,000,000	11,000,000	77%	89%
	6,000,000	11,000,000	77%	89%

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

	2014	2013
	----- Number -----	
<b>38. NUMBER OF EMPLOYEES</b>		
As at end of the year	28	49
Average employees	37	59

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 39. TRANSACTIONS WITH RELATED PARTIES

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

There is no balance outstanding with or from parent, associated company and other related parties except long term loans in respect of amount due from employees as disclosed in note 11, amount due in respect of staff retirement benefits as disclosed in note 37 and preference dividend payable.

Details of transactions with related parties which are not disclosed in other notes are as follows:

	2014					
	Parent Company	Associated Company	Other Group Companies	Directors Fee	Key management Personnel	Other related parties
	(Rupees)					
Fee	-	-	-	930,000	-	-
Rent paid	516,670	-	-	-	-	-
Payments to gratuity fund	-	-	-	-	-	-
Payments to provident fund	-	-	-	-	-	1,111,023
Markup accrued on provident fund contribution	-	-	-	-	-	110,000
Remuneration to key management personnel	-	-	-	-	12,754,936	-
Premium paid to insurance company	-	-	-	-	-	-
Preference dividend payable	3,642,485	-	-	-	-	-
Payments made to Saudi Pak Real Estate	-	-	45,000,000	-	-	-
	2013					
	Parent Company	Associated Company	Other Group Companies	Directors Fee	Key management Personnel	Other related parties
	(Rupees)					
Fee	-	-	-	660,000	-	-
Rent paid	465,850	-	-	-	-	-
Payments to gratuity fund	-	-	-	-	-	26,753
Payments to provident fund	-	-	-	-	-	1,421,749
Remuneration to key management personnel	-	-	-	-	15,101,343	-
Premium paid to insurance company	-	1,035,995	-	-	-	-
Preference dividend payable	114,112	-	-	-	-	-
Payment made to Saudi Pak Real Estate (Note 13)	-	-	-	-	-	-

### 40. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

	Chief Executive		Director		Executive		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees)							
Fee	-	-	930,000	660,000	-	-	930,000	660,000
Managerial remuneration	3,477,140	2,799,997	-	-	4,310,361	6,621,321	7,787,501	9,421,318
Housing, utilities etc.	1,259,525	1,633,335	-	-	1,729,158	3,173,976	2,988,683	4,807,311
Retirement benefits	347,714	280,000	-	-	431,036	662,132	778,750	942,132
Club Membership	1,200,000	-	-	-	-	-	1,200,000	-
	6,284,379	4,713,332	930,000	660,000	6,470,555	10,457,429	13,684,934	15,830,761
Number of persons	1	1	6	6	11	7	18	14

40.1 Chief Executive is provided with free use of Company maintained car.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

	2014	2013 (Restated)
	----- (Rupees) -----	
<b>41. CASH GENERATED FROM OPERATING ACTIVITIES</b>		
Profit before taxation	4,859,495	132,527,566
Adjustment for:		
Depreciation - owned assets	679,319	10,270,668
Depreciation - investment properties	3,236,885	3,505,932
Depreciation - assets under operating lease	6,328,923	23,519,216
Amortisation	-	367,856
Finance cost	56,274,636	85,137,458
Provision / (reversal) for doubtful leases, loans and other receivables	66,480,418	(65,915,994)
Dividend income	(16,072)	(65,986)
Impairment on investment properties	4,087,000	3,439,809
Amount written off directly against loans, lease receivables and investments	11,082,282	18,612,734
Gain on settlement of loans	(138,728,495)	(210,597,635)
Capital gain on sale on investments	(140,798)	(7,738,645)
Gain on sale of investment properties	(7,025,240)	-
Gain on sale of property, plant and equipment	(5,167,597)	(3,999,296)
	(2,908,739)	(143,463,883)
Operating profit / (loss) before working capital changes	1,950,756	(10,936,317)
Movement in working capital		
Decrease / (increase) in operating assets		
Short term loans	83,557,352	29,186,433
Accrued mark-up	1,152,709	360,821
Trade deposits and short term prepayments	57,661	(137,351)
Other receivables	1,424,863	3,793,103
	86,192,585	33,203,006
(Decrease) / increase in operating liabilities		
Accrued and other payables	(6,209,510)	427,329
	79,983,075	33,630,335
Cash generated from operating activities	81,933,831	22,694,018

41.1 For the purpose of better presentation, the changes in the cash flows have been reported net of non - cash adjustments.

#### 42. 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'.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

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

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

	2014					Total
	Finance lease	Operating lease	Term loans	Investment	Others	
	----- (Rupees) -----					
<b>Segment revenue</b>						
Lease income	47,128,147	2,678,255	-	-	-	49,806,402
Interest income	-	-	1,066,327	135,260	1,367,791	2,569,378
Other income	-	-	-	2,228,447	153,211,448	155,439,895
Direct cost of operating leases	-	(6,405,266)	-	-	-	(6,405,266)
(Provisions) / reversals against assets	(75,443,622)	-	7,405,079	-	1,558,125	(66,480,418)
<b>Segment results</b>	<u>(28,315,475)</u>	<u>(3,727,011)</u>	<u>8,471,406</u>	<u>2,363,707</u>	<u>156,137,364</u>	<u>134,929,991</u>
<b>Unallocated cost</b>						
Financial charges						(56,274,636)
Impairment on investment properties						(4,087,000)
Administrative / operating expenses						(58,626,578)
Write-offs						(11,082,282)
						<u>(130,070,496)</u>
<b>Profit before taxation</b>						<u>4,859,495</u>
<b>Taxation</b>						<u>2,358,196</u>
Profit after taxation						<u>7,217,691</u>
<b>Other information</b>						
Segment assets	836,540,360	18,738,000	182,321,943	38,722,092	-	1,076,322,395
Unallocated assets	-	-	-	-	146,180,171	146,180,171
Total assets						<u>1,222,502,566</u>
Segment liabilities	1,217,771,971	1,7778,998	172,990,799	36,740,315	-	1,445,282,083
Unallocated liabilities	-	-	-	-	114,923,427	114,923,427
<b>Total liabilities</b>						<u>1,560,205,510</u>
<b>Net assets</b>						<u>(337,702,944)</u>
	-----					
	2013					Total
	Finance lease	Operating lease	Term loans	Investment	Others	Total
	----- (Rupees) -----					
<b>Segment revenue</b>						
Lease income	29,321,653	3,829,740	-	-	-	33,151,393
Interest income	-	-	5,408,363	4,378,700	-	9,787,063
Other income	-	-	-	11,485,655	218,572,887	230,058,542
Direct cost of operating leases	-	(23,972,077)	-	-	-	(23,972,077)
(Provisions) / reversals against assets	60,769,259	-	14,884,319	-	(13,177,393)	62,476,185
<b>Segment results</b>	<u>90,090,912</u>	<u>(20,142,337)</u>	<u>20,292,682</u>	<u>15,864,355</u>	<u>205,395,494</u>	<u>311,501,106</u>
<b>Unallocated cost</b>						
Financial charges	-	-	-	-	-	(85,137,458)
Administrative / operating expenses	-	-	-	-	-	(75,223,348)
Write-offs	-	-	-	-	-	(18,612,734)
						<u>(178,973,540)</u>
<b>Profit before taxation</b>						<u>132,527,566</u>
<b>Taxation</b>						<u>8,022,272</u>
Profit after taxation						<u>140,549,838</u>
<b>Other information</b>						
Segment assets	1,047,958,623	29,599,748	269,640,644	73,821,031	-	1,421,020,046
Unallocated assets	-	-	-	-	178,392,406	178,392,406
Total assets						<u>1,599,412,452</u>
Segment liabilities	1,458,412,774	28,520,402	259,808,282	71,129,170	-	1,817,870,628
Unallocated liabilities	-	-	-	-	120,747,398	120,747,398
<b>Total liabilities</b>						<u>1,938,618,026</u>
<b>Net assets</b>						<u>(339,205,574)</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 43. FINANCIAL RISK MANAGEMENT

#### Introduction and overview

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

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

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

#### Risk management framework

The Board of Directors have the overall responsibility for establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed from time to time to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### 43.1 Credit risk

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

#### Management of credit risk

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

#### Exposure to credit risk

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

	2014	2013
	----- (Rupees) -----	
<b>Financial assets</b>		
Long term loans	<b>108,687,240</b>	119,853,668
Gross investment in finance leases - net of security deposits held	<b>1,174,282,436</b>	1,293,376,926
Bank balances	<b>23,471,182</b>	39,927,844
Short term loans	<b>207,546,794</b>	300,310,039
Short term investments	<b>19,657,987</b>	54,464,610
Accrued mark-up	-	1,152,709
Trade deposits	<b>830,724</b>	888,385
Other receivables	<b>86,808,232</b>	88,998,354
	<b>1,621,284,595</b>	1,898,972,535
<b>Financial assets</b>		
Secured	<b>1,510,174,457</b>	1,754,157,952
Unsecured	<b>111,110,138</b>	144,792,343
	<b>1,621,284,595</b>	1,898,950,295

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

	2014					
	Net investment in finance leases (Net of security deposits)		Long Term Loan		Short Term Loan	
	Principal	Provision	Gross	Provision	Gross	Provision
	----- (Rupees) -----					
Past due but not impaired:						
- up to 29 days *	-	-	-	-	-	-
- 30 to 89 days *	-	-	-	-	-	-
- 90 to 179 days	-	-	-	-	-	-
Past due and impaired:						
- 180 to 365 days	1,715,621	428,906	-	-	-	-
- 366 to 730 days	25,459	12,729	-	-	-	-
- more than 731 days	1,172,541,356	761,345,760	108,687,240	57,736,391	207,546,794	76,175,700
Neither past due nor individually impaired	-	-	-	-	-	-
Total gross amount	<u>1,174,282,436</u>	<u>761,787,395</u>	<u>108,687,240</u>	<u>57,736,391</u>	<u>207,546,794</u>	<u>76,175,700</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

	2013					
	Net investment in finance leases (Net of security deposits)		Long Term Loan		Short Term Loan	
	Principal	Provision	Gross	Provision	Gross	Provision
	----- (Rupees) -----					
Past due but not impaired:						
- up to 29 days *	3,154,223	-	10,948,406	-	-	-
- 30 to 89 days *	546,678	-	-	-	-	-
- 90 to 179 days	2,004,497	-	-	-	-	-
Past due and impaired:						
- 180 to 365 days	137,439,617	65,771,280	-	-	-	-
- 366 to 730 days	98,099,953	48,125,794	482,231	300,000	-	-
- more than 731 days	1,052,131,958	580,188,865	108,423,031	55,776,891	300,310,039	94,446,172
Neither past due nor individually impaired	-	-	-	-	-	-
Total gross amount	<u>1,293,376,926</u>	<u>694,085,939</u>	<u>119,853,668</u>	<u>56,076,891</u>	<u>300,310,039</u>	<u>94,446,172</u>

\* These have not been impaired due to not meeting the criteria for provisioning requirements under the NBFC Regulations.

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

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

	Rating		Rating Agency	2014	2013
	Short term	Long term		----- (Rupees) -----	
Faysal Bank Limited	A-1+	AA	JCR-VIS	<b>355,314</b>	39,217,736
Silk Bank Limited	A-2	A -	JCR-VIS	<b>7,371</b>	7,234
Samba Bank Limited	A-1	AA -	JCR-VIS	<b>4,808</b>	4,675
MCB Bank Limited	A-1+	AAA	PACRA	<b>23,077,148</b>	670,459
National Bank of Pakistan	A-1+	AAA	JCR-VIS	<b>5,500</b>	5,500
				<u><b>23,450,141</b></u>	<u>39,905,604</u>

#### 43.1.2 Restructured lease receivables

The carrying amount of restructured leases included in on balance sheet credit risk exposure as noted above aggregates to Rs. 451.460 million (2013: Rs. 509.227 million).

#### 43.1.3 Concentration of credit risk

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

Sector	Lease and loan receivables			
	Percentage		Gross amount in Rupees	
	2014	2013	2014	2013
Sugar and allied	0.58	0.54	8,686,807	9,248,623
Cement	1.25	1.12	18,579,177	19,190,990
Energy, oils and gas	5.46	6.34	81,408,381	108,605,791
Steel and engineering & auto mobiles	6.41	6.32	95,551,555	108,239,495
Electric and electric goods	-	0.02	-	400,000
Transport and communications	11.11	11.51	165,564,268	197,244,260
Chemicals / fertilizers / pharmaceuticals	0.88	1.62	13,103,910	27,791,846
Textile	21.94	22.97	327,052,390	393,594,820
Paper and boards	3.53	4.68	52,584,137	80,122,043
Construction	8.18	7.49	121,928,408	128,391,354
Food, tobacco and beverages	5.37	4.68	80,111,650	80,111,650
Glass and ceramics	1.71	1.68	25,547,544	28,853,545
Hotels	1.81	1.48	26,990,732	25,373,292
Health care	1.07	0.64	16,005,869	11,050,869
Dairy and poultry	2.19	1.90	32,581,937	32,581,937
Services	6.16	5.78	91,857,848	99,000,916
Miscellaneous	17.83	17.24	265,762,054	295,357,521
Consumer	4.51	3.99	67,199,803	68,381,681
	<b>100.00</b>	<b>100.00</b>	<b>1,490,516,470</b>	<b>1,713,540,633</b>

## 43.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Company.

### Management of liquidity risk

As of the balance sheet date, the Company is having liquid assets to the tune of Rs. 62 million to meet its commitments and obligations. Further, through recovery measures, the Company is generating a liquidity of Rs. 15 million to Rs. 16 million per month to cover its commitments towards lenders and creditors which are to the tune of Rs. 13 million per month. Thus, the Company in addition to meeting its commitments is generating surplus cash to cater for any contingencies that may arise in the normal course of business. Moreover, since majority of the borrowings have been rescheduled / restructured, the pressure of payments to creditors is eased to a larger extent and the Company finds itself in a relatively better position.

	Weighted average effective rate of interest %	2014					
		Carrying amount	Contractual cash flows	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years
----- (Rupees) -----							
Financial liabilities							
Borrowings from financial institutions	8.67%	177,693,232	177,693,232	177,693,232	-	-	-
Certificates of investment	7% - 14%	124,744,301	124,744,301	124,744,301	-	-	-
Accrued mark-up		246,836,646	246,836,646	246,836,646	-	-	-
Accrued and other payables		25,722,269	25,722,269	25,722,269	-	-	-
Long term finances	6.05%	471,962,586	471,962,586	442,240,354	2,407,408	12,037,040	15,277,784
Deposits against finance leases		424,045,319	424,045,319	382,308,908	22,639,436	11,766,975	7,330,000
		<b>1,471,004,353</b>	<b>1,471,004,353</b>	<b>1,399,545,710</b>	<b>25,046,844</b>	<b>23,804,015</b>	<b>22,607,784</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

	2013							
	Weighted average effective rate of interest %	Carrying amount	Contractual cash flows	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years
----- (Rupees) -----								
<b>Financial liabilities</b>								
Borrowings from financial institutions	8.67%	191,693,230	191,693,230	175,889,061	4,166,666	11,637,503	-	-
Certificates of investment	7% to 18.5%	149,664,301	180,247,445	173,403,626	147,403	6,696,416	-	-
Accrued mark-up		214,381,639	214,381,639	151,500,136	-	-	62,881,503	-
Accrued and other payables		31,931,779	31,931,779	31,931,779	-	-	-	-
Long term finances	3.25%	813,463,821	952,681,694	156,324,952	79,126,894	151,197,697	566,032,151	-
Deposits against finance leases		448,667,637	448,667,637	352,882,704	8,678,730	40,905,392	46,200,811	-
		<u>1,849,802,407</u>	<u>2,019,603,424</u>	<u>1,041,932,258</u>	<u>92,119,693</u>	<u>210,437,008</u>	<u>675,114,465</u>	<u>-</u>

### 43.2.1 Breach of loan agreements

As of 30 June 2014, the Company defaulted in making payments of some loan arrangements due to liquidity crunch. The total outstanding principal on which defaults were made amounts to Rs. 619.520 million as at balance sheet date which the Company was required to repay during the year. Similarly, the Company also defaulted on mark-up repayments of Rs. 226.910 million during the year.

### 43.2.2 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.

### 43.2.3 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	
	30 June 2014	30 June 2013
----- (Rupees) -----		
<b>Fixed rate instruments</b>		
Financial assets	19,657,987	54,464,610
Financial liabilities	(340,068,310)	(372,988,308)
	<u>(320,410,323)</u>	<u>(318,523,698)</u>
<b>Variable rate instruments</b>		
Financial assets	1,513,959,026	1,753,440,748
Financial liabilities	(260,832,716)	(436,545,909)
	<u>1,253,126,310</u>	<u>1,316,894,839</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

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

As at 30 June 2014	Effective rate of mark-up / return %	Exposed to interest rate risk					Not exposed to interest rate risk
		Carrying Amount	Upto 6 months	Over 6 months to 1 year	1 year to 5 years	over 5 years	
----- (Rupees) -----							
<b>Financial assets</b>							
Cash and bank balances	6% - 8%	23,552,393	23,444,641	-	-	-	107,752
Short term loans	16.13% - 25%	207,546,794	207,546,794	-	-	-	-
Short term investments	9.75%	38,722,092	19,657,987	-	-	-	19,064,105
Accrued mark-up		-	-	-	-	-	-
Trade deposits		888,386	-	-	-	-	888,386
Other receivables		86,808,232	-	-	-	-	86,808,232
Long term loans	16% - 22.66%	108,687,240	108,687,240	-	-	-	-
Gross investment in finance leases	12.50% - 20.01%	1,174,282,436	1,097,923,948	33,670,922	42,687,566	-	-
		<u>1,640,487,573</u>	<u>1,457,260,610</u>	<u>33,670,922</u>	<u>42,687,566</u>	<u>-</u>	<u>106,868,475</u>

As at 30 June 2013	Effective rate of mark-up / return %	Exposed to interest rate risk					Not exposed to interest rate risk
		Carrying Amount	Upto 6 months	Over 6 months to 1 year	1 year to 5 years	over 5 years	
----- (Rupees) -----							
<b>Financial assets</b>							
Cash and bank balances	6% - 8%	40,054,055	39,900,104	-	-	-	153,951
Short term loans	16.13% - 25%	300,310,039	300,310,039	-	-	-	-
Short term investments	8.75% - 9.69%	73,821,031	39,464,610	15,000,000	-	-	19,356,421
Accrued mark-up		1,152,709	-	-	-	-	1,152,709
Trade deposits		946,047	-	-	-	-	946,047
Other receivables		88,998,354	-	-	-	-	88,998,354
Long term loans	16% - 22.66%	119,853,668	119,853,668	-	-	-	-
Gross investment in finance leases	12.50% - 20.01%	1,293,376,926	1,012,759,144	113,073,930	167,543,852	-	-
		<u>1,918,512,829</u>	<u>1,512,287,565</u>	<u>128,073,930</u>	<u>167,543,852</u>	<u>-</u>	<u>110,607,482</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 and loss account.

## Cash flow sensitivity analysis for variable rate instruments

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

	Profit or loss before tax 100 bp	
	Increase	(Decrease)
	----- (Rupees) -----	
<b>As at 30 June 2014</b>		
Cash flow sensitivity - Variable rate instruments*	12,531,263	(12,531,263)
<b>As at 30 June 2013</b>		
Cash flow sensitivity - Variable rate instruments*	13,168,948	(13,168,948)
* net of financial liabilities		

### 43.2.4 Foreign exchange risk

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

### 43.2.5 Other price risk

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

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

#### Price sensitivity analysis

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

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in equity
	(Rupees)		----- (Rupees) -----	
2014	149,167	10% increase	164,084	14,917
	149,167	10% decrease	134,250	(14,917)
2013	441,483	10% increase	485,631	44,148
	441,483	10% decrease	397,335	(44,148)

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

### 43.2.6 Operational risk

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

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

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- contingency plan;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

### 43.2.7 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or settle a liability in an orderly transaction between market participants at the measurement date. The management is of the fair values of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short term in nature.

The Company's accounting policy on fair value measurements is discussed in note 3.2 of these 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).

Fair value of the financial assets that are traded in active markets are based on quoted market prices or dealer price quotations.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
<b>Available for sale</b>				
Equity securities	149,167	-	18,914,938	19,064,105
Debt securities	-	19,657,987	-	19,657,987
	<u>149,167</u>	<u>19,657,987</u>	<u>18,914,938</u>	<u>38,722,092</u>

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

#### 44. GENERAL

44.1 Comparative figures have been re-arranged and re-classified, wherever necessary, for comparison purposes.

#### 44.2 Date of Authorisation

These financial statements were authorised for issue by the Board of Directors on November 25, 2014.

  
Chief Executive Officer

  
Chairman

## PATTERN OF SHAREHOLDING

As on 30 June 2014

NO. OF SHAREHOLDERS	FROM	HAVING SHARES TO	SHARES HELD	PERCENTAGE
456	1	100	12,038	0.0267
330	101	500	91,507	0.2026
176	501	1000	142,419	0.3154
515	1001	5000	1,385,546	3.0680
147	5001	10000	1,174,267	2.6002
55	10001	15000	720,630	1.5957
29	15001	20000	530,077	1.1738
19	20001	25000	436,352	0.9662
15	25001	30000	413,077	0.9147
12	30001	35000	404,068	0.8947
12	35001	40000	462,669	1.0245
5	40001	45000	215,022	0.4761
11	45001	50000	537,160	1.1894
10	50001	55000	521,108	1.1539
3	55001	60000	168,712	0.3736
6	60001	65000	380,508	0.8426
1	65001	70000	70,000	0.1550
5	70001	75000	368,516	0.8160
3	75001	80000	239,695	0.5308
2	80001	85000	166,856	0.3695
2	90001	95000	189,000	0.4185
8	95001	100000	800,000	1.7715
2	100001	105000	210,000	0.4650
2	105001	110000	219,018	0.4850
1	115001	120000	116,500	0.2580
1	120001	125000	122,195	0.2706
2	155001	160000	317,796	0.7037
2	160001	165000	330,000	0.7307
2	165001	170000	331,662	0.7344
1	180001	185000	184,553	0.4087
1	210001	215000	210,745	0.4667
1	215001	220000	215,261	0.4767
2	225001	230000	451,604	1.0000
2	245001	250000	496,764	1.1000
1	250001	255000	251,500	0.5569
1	255001	260000	256,500	0.5680
1	260001	265000	263,431	0.5833
1	280001	285000	283,940	0.6287
1	315001	320000	318,255	0.7047
1	450001	455000	451,080	0.9988
1	510001	515000	511,432	1.1325
1	590001	595000	593,500	1.3142
1	825001	830000	826,752	1.8307
1	845001	850000	850,000	1.8822
1	1020001	1025000	1,023,211	2.2657
1	1215001	1220000	1,218,536	2.6982
1	1520001	1525000	1,522,920	3.3722
1	1805001	1810000	1,806,420	4.0000
1	1995001	2000000	1,997,822	4.4238
1	4510001	4515000	4,514,473	9.9965
1	15835001	15840000	15,835,403	35.0647
<b>1858</b>			<b>45,160,500</b>	<b>100.0000</b>

## CATEGORIES OF SHARE HOLDERS

As on 30 June 2014

CATEGORIES OF SHAREHOLDERS	SHAREHOLDERS	SHAREHOLDING	PERCENTAGE
<b>Directors and their spouse(s) and minor children</b>			
HAROON IHSAN PIRACHA	3	2,406,847	5.33
KHURSHID IHSAN PIRACHA	2	1,748,722	3.87
AAMIR IQBAL	1	50,804	0.11
ADEEL AZMAT	1	79,695	0.18
ADNAN KHAN	1	84,296	0.19
ARSALAN IFTIKHAR KHAN	1	500	0.00
ASMA NASIR	1	50,804	0.11
IRFAN CHOUDHRY	1	55,341	0.12
MAHIN KHAN	1	248,382	0.55
MEHREEN AZMAT	1	26,565	0.06
NAVEEN AZMAT	1	26,565	0.06
RASHID KHAN	1	248,382	0.55
RUBINA SAEED	1	263,431	0.58
SAEED A.K. CHAUDHRY	1	184,553	0.41
SAIMA MUBBARIK	1	451,080	1.00
SAMEEH KHAN	1	210,745	0.47
SAMINA KHAN	1	215,261	0.48
SHAEEMA AZMAT	1	318,255	0.70
<b>Associated Companies, undertakings and related parties</b>			
PREMIER MERCANTILE SERVICES (PRIVATE) LIMITED	2	4,516,048	10.00
MARINE SERVICES (PVT) LIMITED	2	914,352	2.02
SAUDI PAK INSURANCE COMPANY LIMITED	1	16,065	0.04
SAUDI PAK IND. & AGR. INV. CO.(PVT) LTD	1	15,835,403	35.06
<b>Executives</b>			
	1	34	0.00
<b>Public Sector Companies and Corporations</b>			
	7	2,002,103	4.43
Banks, development finance institutions, non-banking finance companies,			
<b>insurance companies, takaful, modarabas and pension funds</b>			
	4	339,105	0.75
<b>Mutual Funds</b>			
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	828,080	1.83
SAFEWAY MUTUAL FUND LIMITED	1	1,328	0.00
<b>General Public</b>			
a. Local	1790	12,902,708	28.57
b. Foreign	-	-	-
<b>OTHERS</b>	27	1,135,046	2.51
<b>Totals</b>	<b>1858</b>	<b>45,160,500</b>	<b>100.00</b>

Share holders holding 5% or more	Shares Held	Percentage
SAUDI PAK IND. & AGR. INV. CO.(PVT) LTD	15,835,403	35.06
PREMIER MERCANTILE SERVICES (PRIVATE) LIMITED	4,516,048	10.00
HAROON IHSAN PIRACHA	2,406,847	5.33

# PROXY FORM

I/We \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ (full address)

being member(s) of Saudi Pak Leasing Company Limited hereby appoint Mr. / Ms. \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ (full address)

or failing him/her Mr./Ms. \_\_\_\_\_  
of \_\_\_\_\_ (full address)

(being member of the Company) as my / our Proxy to attend, act and vote for me/us and on my /our behalf at the  
24th Annual General Meeting of the Company to be held on December 26, 2014 and at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2014

Signed by \_\_\_\_\_

In presence of \_\_\_\_\_

Signature and address of witness

Signature of Members(s)

Please affix  
Rs. 5/- revenue  
stamp

Shareholder's Folio No. \_\_\_\_\_

Number of Shares held \_\_\_\_\_

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

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

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



AFFIX  
CORRECT  
POSTAGE

The Company Secretary  
**SAUDI PAK LEASING COMPANY LIMITED**  
6th Floor Lakson Square, Building # 1,  
Sarwar Shaheed Road, Saddar,  
Karachi-74200, Pakistan.

SAUDI PAK LEASING COMPANY LIMITED

6th Floor, Lakson Square Building # 1, Sarwar Shaheed Road, Saddar, Karachi.

[www.saudipakleasing.com](http://www.saudipakleasing.com)