SAUDI PAK
LEASING

2015 Annual Report

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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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Niaz Ahmed Khan	Chairman, Non-Executive Director
Mr. Muhammad Tariq Masud	Managing Director/ Executive Director
Mr. Arsalan Iftikhar Khan	Director
Ms. Parveen A. Malik	Director
Mr. Hazrat Wali	Director
Mr. Ahsanullah Khan	Director

AUDIT COMMITTEE

Ms. Parveen A. Malik	Chairperson
Mr. Arsalan Iftikhar Khan	Member
Mr. Ahsanullah Khan	Member

HR & REMUNERATION COMMITTEE

Mr. Niaz Ahmed Khan	Chairman
Ms.Parveen A. Malik	Member
Mr. Hazrat Wali	Member

COMPANY SECRETARY
Mr. Zaheeruddin Kazi (Acting)

HEAD OF INTERNAL AUDIT

Mr. Zain Makhdum (Acting)

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

LEGAL ADVISOR

S & B Durrani Law Associates
House No. 5-A/11/11
Sunset Lane,
DHA Phase II (Ext)
Karachi.

TAX CONSULTANTS

Junaidy Shoaib Asad
Chartered Accountants

BANKS

MCB Bank Limited
Faysal Bank Limited
National Bank of Pakistan
SILK Bank Limited

REGISTERED OFFICE

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

BRANCHES

Lahore
Flat # CA-4, Alpha Cooperative Housing Society
Canal Road, Punjab University, New Campus
Lahore.
Tel: (042) 35964964
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
Email: info@saudipakleasing.com

REGISTRAR AND SHARE TRANSFER OFFICE

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Fifth Annual General Meeting of Saudi Pak Leasing Co. Limited will be held on Tuesday, March 22, 2016 at 11:00 am at Arabian Sea Country Club, Down Stream Industries, Bin Qasim, Karachi to transact the following business:

Ordinary Business

1. To confirm the minutes of the 24th Annual General Meeting held on December 26, 2014.

2. To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' Reports for the year ended June 30, 2015.

3. To appoint auditors for the year ending June 30, 2016 and fix their remuneration. The present Auditors, M/s. KPMG Taseer Hadi & Co. Chartered Accountants, have retired and being eligible, offer themselves for reappointment.

4. To elect seven (7) Directors as fixed by the Board of Directors under Section 178 of the Companies Ordinance, 1984 for a term of three (3) years commencing from March 22, 2016.

   The names of retiring Directors are:
   i) Mr. Niaz Ahmad Khan
   ii) Mr. Muhammad Tariq Masud
   iii) Mr. Arsalan Iftikhar Khan
   iv) Mr. Hazrat Wali
   v) Ms. Parveen A. Malik

5. To transact any other business with the permission of the Chair.

By Order of the Board

Zahiruddin Kazi
Acting Company Secretary

Karachi: January 06, 2016

Notes:

1. The Share Transfer Books of the Company will remain closed from March 15, 2016 to March 22, 2016 (both days inclusive). Transfers received in order at the Company's Share Registrar, viz: Central Depository Company of Pakistan Limited, CDC House, 99-B, Block B, SMCHS Main Sharah-e-Faisal, Karachi-74400, at the close of business on March 14, 2016 will be treated in time.

2. A member entitled to attend and vote at the General Meeting is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy must be a member of the Company.

3. Form of proxy is attached to the notice of meeting being sent to the members.

4. Proxy in order to be effective must be duly signed, witnessed and deposited at the office of the Share Registrar not less than 48 hours before the meeting.

5. The shareholder/proxy shall produce his/her original CNIC or original passport at the time of meeting.

6. CDC account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:

NOTICE OF ANNUAL GENERAL MEETING

A) For attending the meeting:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his /her identity by showing his/her original CNIC or original passport at the time of attending the meeting.

ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominees shall be produced (unless it has been provided earlier) at the time of meeting.

B) For appointing proxies:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall submit the proxy form accordingly.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.

v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

7. Election of Directors

Any person who seeks to contest an election for the office of Director, shall whether he/she is a retiring Director or otherwise, file with the company at its registered office not later than fourteen days before the date of the meeting (i) a notice of his/her intention to offer himself/herself for election as a Director, (ii) a declaration on the matters required by the Code of Corporate Governance, (iii) a consent on Form 28 and (iv) a detailed profile along with his/her office address as required under SECP's SRO 634(1)/2014, and copy of computerized CNIC or passport copy in case of nonresident.

8. Shareholders are requested to promptly notify the office of the Share Registrar of any change in their addresses.

CHAIRMAN'S REVIEW

I hereby present the 25th Annual Report along with the audited Financial Statements of Saudi Pak Leasing Company Limited for the year ended June 30, 2015.

The year under review may very well be characterized as an extension of last year. As in FY 2014, this year also saw severe operational and financial problems. Due to extreme resource constraints, the core business activities like previous years remained suspended during the current year as well the Company has simply lost its ability to generate revenue from the business operations. On the other hand, substantial portion of leases written in the past have been long overdue for payments, stuck up and continued to be classified in loss category. Your Company is using all possible measures for recovery through negotiated settlements but is only able to manage moderate level of recovery. The recoveries have become increasingly difficult through cumbersome and prolonged litigation process. The badly stuck up cases are now being referred to NAB from where your Company is expected to get facilitation of early recovery on faster track. The gross lease revenue of your Company during the year registered at Rs 18.751 million as compared to Rs. 49.806 million in FY 2014 due to very poor response from the lessees and loanees despite aggressive recovery drive. Other operating income decreased to Rs.42.134 million during the year under review as compared to Rs. 158 million in the preceding year. During FY 2015, your Company settled an amount of Rs.13.024 million and Rs.31.876 million towards its liabilities by way of cash payments and non - cash settlements respectively. The administrative and operating expenses, net of depreciation were reduced to Rs.37.253 million in 2015 from Rs. 54.710 million in 2014 with the help of better management and cost control measures adopted by the new management.

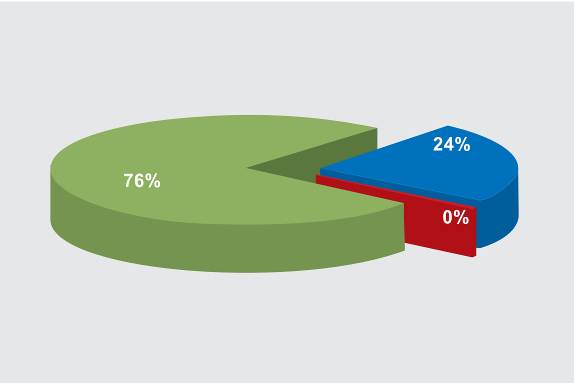
The worrisome aspect which warrants attention of all stakeholders is the fact that your Company is on the verge of being declared as 'non- going concern' and therefore liable to be pulled down under liquidation at the behest of the Regulators. Despite present management's relentless efforts to bring your Company out of wood, it has not been able to muster any meaningful support from any quarter be that is the sponsors or the creditors. It would not be out of place to mention that the survival of the Company is dependent upon fresh injection of funds so that core business activities stopped by the Company for the last six years can once again be revived and the life line of the Company restored. In this regard, considerable efforts have been made to overcome this problem. I am pleased to inform you that the required infrastructure and human resources are available to bring back the Company into operational mode provided the stakeholders come forward to inject fresh liquidity in the Company.

On behalf of the Board of Directors, I avail the opportunity to acknowledge with thanks the guidance of the Regulatory Authorities particularly the SECP which is genuinely assisting for the revival of the Company and the patronage of CoIs/ TFC holders and financial institutions. I would also like to place on record the dedicated efforts and hard work of the management and the staff of the Company.

Niaz Ahmed Khan
Chairman

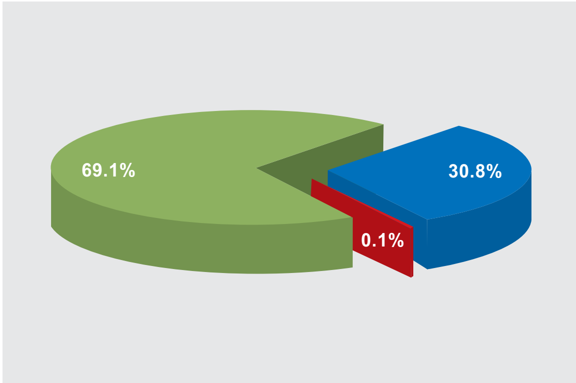
Karachi: January 06, 2016

FINANCIAL HIGHLIGHTS



REVENUE ANALYSIS FOR 2014

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



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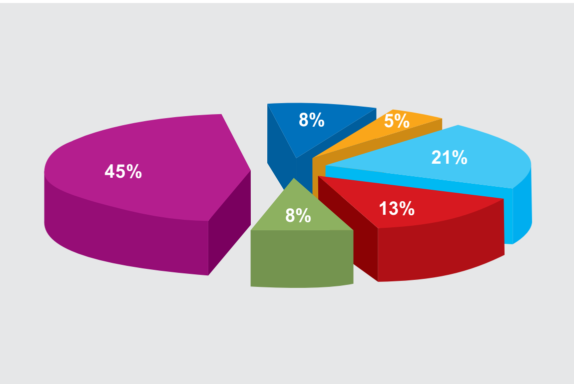
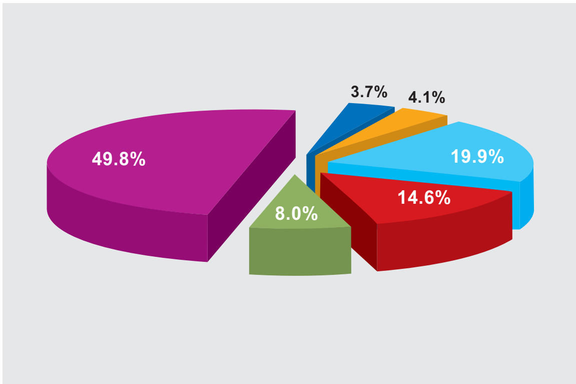


EXPENSES ANALYSIS FOR 2014

- 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



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FINANCIAL HIGHLIGHTS

(Rupees in millions)

	2015	2014	2013	2012	2011	2010
Operational results						
Total disbursement	**-**	-	-	-	-	-
Revenues	**61**	208	273	144	220	436
Profit / (Loss) before tax	**(191)**	5	133	(605)	(164)	(420)
Profit / (Loss) after tax	**(193)**	7	141	(822)	(118)	(343)
Financial charges	**51**	56	85	153	183	468
(Reversal) / Provision against						
non-performing portfolio	**132**	66	(66)	482	73	134
Impairment loss on equity investment	**1**	-	-	13	16	128
Cash dividend - ordinary shares	**-**	-	-	-	-	-
Cash dividend - preference shares	**-**	-	0.181	-	-	-
Balance sheet						
Gross lease receivables	**1,864**	1,953	2,144	2,522	2,777	3,751
Net investment in leases	**641**	837	1,048	1,332	1,876	2,838
Net worth	**(531)**	(338)	(339)	*(675)	*117	*234
Fixed assets - owned & operating lease	**65**	22	36	133	101	119
Total assets	**1,014**	1,223	1,599	1,998	3,162	4,472
Long term liabilities	**74**	104	558	684	767	1,436
Long term investments	**-**	-	-	-	73	137

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

KEY PERFORMANCE INDICATORS

(Rupees in millions)

Ratio	2015	2014	2013	2012	2011	2010
Break up Value (Rs.)	**(23.45)**	(7.48)	(7.51)	(22.39)	(4.78)	(2.18)
Current Ratio (X)	**0.61**	0.78	0.99	0.76	1.05	1.09
Debt Leverage	**(2.25)**	(3.12)	(4.14)	(2.64)	24.86	15.59
Dividend per Share (Rs.)	**-**	-	-	-	-	-
Dividend Yield (%)	**-**	-	-	-	-	-
Earnings / (Loss) per Share (Rs.)	**(4.27)**	0.03	3.11	(18.20)	(2.61)	(7.59)
Financial Charges / Total Expenses (%)	**20.26**	42.51	41.95	60.43	61.90	79.02
Financial Charges / Total Revenue (%)	**2.73**	27.08	31.19	106.49	83.19	107.37
Market Value per Share (Rs.)	**1.90**	2.91	0.65	0.80	0.65	0.72
Net Profit / (Loss) Margin (%)	**(10.29)**	3.47	51.48	(570.16)	(53.60)	(78.63)
Operating Profit / (Loss) Margin (%)	**(3.17)**	36.30	25.66	(76.23)	(34.38)	(35.88)
Price Earning Ratio (X)	**(0.44)**	97.00	0.21	(0.04)	(0.25)	(0.09)
Return on Assets (%)	**(0.19)**	0.59	8.79	(41.22)	(3.72)	(7.67)
Return on Equity (%)	**(18.21)**	(2.14)	(41.44)	81.28	54.51	348.06
Revenue per Share (Rs.)	**0.42**	4.60	6.05	3.19	4.86	9.65
Times Interest Earned (X)	**4.81**	2.34	1.82	0.28	0.59	0.67
Total Assets / Net Worth (X)	**(1.91)**	(3.62)	(4.72)	(2.94)	26.95	19.05
Total financing / Net Worth (X)	**(4.00)**	(2.29)	(3.40)	(2.30)	17.33	12.78

DIRECTORS' REPORT TO THE SHAREHOLDERS

Report of the Directors

The Directors of Saudi Pak Leasing Company Limited (SPLC) are pleased to present the 25th Annual Report together with audited financial statements of the Company for the year ended June 30, 2015.

FINANCIAL INFORMATION

The financial results of the Company are summarized below:

	2015 (Rs.in million)	2014 (Rs.in million)
Income from operating and financial leases	18.751	49.806
Other operating income	42.134	158.009
Total income	60.885	207.816
Financial Charges	(51.135)	(56.275)
Depreciation	(22.615)	(3.916)
Administrative and operating costs	(37.253)	(54.711)
Operating profit/ (loss) before provisioning	(59.451)	75.427
Provisions for write-offs, reversals, etc.	(131.375)	(70.568)
Profit /(loss) before taxation	(190.826)	4.859
Profit/(loss) after taxation	**(192.928)**	**7.217**

General Overview of the Economy

The economy has shown signs of improvements as a result of various measures initiated by the Government. Its policies have successfully narrowed the budget deficit, rebuilt depleted exchange reserves and raised the GDP growth modestly despite large energy deficits. The trade deficit though widened moderately, but is expected to narrow down on account of falling oil prices and continued strong remittances from overseas workers.

Overview of the leasing industry

In Pakistan, the financial sector in general and the leasing sector in particular are currently beset with a number of issues adversely affecting their performance. Major problems being currently faced by the Non Bank Financial Institutions and Leasing Companies include fund mobilization constraints, squeezing of margins, non availability of subsidized long-term funds and multi lateral credit lines, etc. Further, the leasing companies have also been experiencing adverse competition from banks, both investment and commercial, due mainly to non availability of level playing field as a number of these institutions have allowed to pursue leasing business. The competition is particularly severe in respect of mark-up rates vis-à-vis their cost of funds, which are much lower than rates offered by leasing companies because of their in-built margins. In addition, leasing sector lacks innovative products and confines mostly to small and medium ticket leasing particularly involving vehicles and machinery. Leasing of machinery and other industrial equipment has, however, slowed down due to recession. Some of the smaller leasing companies are also involved in micro leasing but are facing difficulties in recoveries. Presently, most of the larger and medium sized leasing companies are involved in leasing of vehicles, which has led to increased competition among them.

During the past couple of years, barring a few leasing companies, the leasing sector, by and large, has remained either dormant or operating with extremely low business volumes and shrinking income levels. In such a scenario, the leasing sector could not last long and had to concede the ground to the banks. In just a short span of one and a half decade the substantive portion of leasing sector has either closed down their shops or stopped core business of leasing for one reason or the other and heading for liquidation. Your company is no exception to this downward trend.

The prospects of leasing sector do not seem to be too bright unless its various areas of concern including the prevailing economic scenario, dried-up funding lines, lack of resource mobilization, non availability of level playing field, tax and other issues, etc. are seriously investigated and mitigated. In case of an expected economic revival, the overall leasing sector is likely to regain its initial momentum particularly in the backdrop of Islamization of the economy. However, in order to improve the near future demand prospects of leasing sector in particular; the single most important issue which the Government has to address is its willingness to make available to the leasing sector financial sources at cheap rates.

Company Overview

The company has been out of leasing business for the last several years due mainly to severe liquidity crunch. This has led to a situation where the Company has been managing its affairs not through revenue generated through its core leasing business but out of funds generated through settlement and recovery of badly stuck up portfolio. The Company is using all possible measures for recovery but is only able to manage moderate level of recovery instead of timely and regular payments from the lessees. The Company is trying its level best to recover as much as possible from the non performing portfolio and therefore has to offer concessions to the customers for encouraging them to pay early. This policy helped in arriving at settlements with customers who have agreed in repayments of amounts in installments. However, despite this policy, major portion of lease portfolio of the Company is stuck up and under litigation. Due to lengthy and complex legal process, the pace of recoveries is very slow.

Lack of fresh leasing business together with extremely slow recovery has landed the company in a very precarious liquidity crisis where the Company has found itself unable to meet its liabilities. As of June 30, 2015, the Company has owed an exorbitant amount of Rs. 1,027.471 million (inclusive of accrued mark up amounting to Rs. 294.036 million) to various banks/FIs and CoIs/TFCs holders. Taking cognizance of the Company's inability and to avoid defaulting in repayments, the management has approached the creditors for the re-profiling of its financial liabilities and to arrive at amicable settlement. Nevertheless, their response is still awaited despite lapse of considerable time.

Dividend

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

Corporate Governance

To develop highest standards of corporate governance that meet the requirements of the Code of Corporate Governance, the Company has established sound and transparent corporate governance system. There is an independent Internal Audit and Control Department that operationally reports directly to the Audit Committee which in turn is headed by a non - executive Director.

Directors' Declaration

1. The financial statements prepared by the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

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

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

4. International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departures there from have been adequately disclosed and explained.

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

6. There are no significant doubts upon the Company's ability to continue as a going concern.

7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

8. The key information as to operating and financial data of the company is available in the annual report. The categories and pattern of shareholding as required by the Companies Ordinance, 1984 are also included in the annual report.

9. No trading in shares of the Company was carried out by the Directors, Executives and their spouses and minor children during the year.

10. The value of investments in provident and gratuity funds are Rs. 1.50 million (2014: Rs. 3.50 million) and Rs 1.00 million (2014: Rs. 6.00 million) respectively as per the un-audited accounts for provident fund and gratuity fund for the year ended June 30, 2015.

11. Due to present financial and liquidity position, your Company has been facing difficulties in fulfilling its financial obligations. The details of amounts overdue if any are disclosed in relevant notes to the financial statements.

12. The management has introduced structural changes in the organization structure of your Company with a view to consolidate and streamline overall functions into five departments to ensure efficient working environment with better MIS and management & cost controls.

13. During the year, six meetings of the Board of Directors and four meetings of the Audit Committee were held. Leave of absence was granted to those directors who could not attend some of the Board meetings.

BOARD OF DIRECTORS MEETING

Name of Directors	Designation	Number of Meetings	
		Held during the year	Attended
Mr. Niaz Ahmed Khan*	Chairman	6	4**
Mr. Muhammad Tariq Masud	Managing Director/CEO	6	6
Mr. Muhammad Farhan Malik	Director	6	1
Ms. Parveen A. Malik	Director	6	5
Mr. Arsalan Iftikhar Khan	Director	6	5
Mr. Hazrat Wali	Director	6	3
Mr. Ahsanullah Khan	Director	6	6

During the year, Mr. Muhammad Iqbal Hussain; Mr. Shoaib Ahmed Khan and Mr. Muhammad Farhan Malik resigned from the directorship of the Company on August 06, 2014; August 07, 2014 and December 03, 2014 respectively.
(*Opted on the Board in February, 2015 but approval was granted by SECP in August, 2015.)
**Attended Meetings held after June 30, 2015 to date.

Audit Committee

The Audit Committee comprises of three non - executive directors, viz. Ms. Parveen A. Malik, Mr. Arsalan Iftikhar Khan and Mr. Ahsanullah Khan. During the year, four (4) meetings of the Audit Committee were held.

HR & Remuneration Committee

The Board has formed an HR & Remuneration Committee. It comprises of three members, Viz: Mr. Niaz Ahmed Khan (Chairman/Non-Executive Director), Ms. Parveen A. Malik (Non - Executive Director), and Mr. Hazrat Wali (Non - Executive Director).

Auditors

The present auditors, KPMG Taseer Hadi & Company, Chartered Accountants have given their consent to be appointed as auditors for the year 2015-2016. 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, 2016.

Pattern of Shareholding

The patter 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 Year s' Operating and Financial Data

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

Acknowledgement

On behalf of the Board, we would like to express our sincere appreciation to the shareholders for their continued trust and patronage, the Securities and Exchange Commission of Pakistan and other Regulatory bodies for their guidance and support. We would also like to record appreciation for all employees for their dedication, devotion and hard work throughout the year 2015.

On behalf of the Board of Director

Niaz Ahmed Khan
Chairman

Karachi: January 06, 2016

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended 30 June 2015

This statement is being presented by the Board of Directors of the Company to comply with the CCG contained in Regulation No. 35 of Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a frame work 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. The present Board includes one Independent Director in terms of definition as contained in the Code of Corporate Governance. At present the Board includes:

Category	Names
Independent Director	Mr.Niaz Ahmed Khan*
Executive Director	Mr. Muhammad Tariq Masud
Non-Executive Directors	Mr. Arsalan. I. Khan
	Ms. Parveen A.Malik
	Mr. Hazrat Wali
	Mr. Ahsanullah Khan

As per CCG, minimum No. of directors on the Board of a listed company is seven (7) whereas in SPLC, presently there are six (6) directors that has made up its Board. The remaining casual vacancy is being filled.

(*Opted on the Board in February, 2015 with approval granted by SECP in August, 2015.)

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, DFI or NBFI or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4. During the year, three casual vacancies occurred on the Board, of which two were duly filled while the remaining casual vacancy is being filled.

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 of the CEO, other executive/ 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. The minutes of the meetings were appropriately recorded and circulated amongst the Board members within 14 days of holding of the Board meeting. The proper and fair minutes book duly signed by the Secretary and the Chairman is maintained by the Company Secretary.

9. One Director of the Company has obtained 'Director's Training Certification' during the year.

10. The Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. During the year, the CFO resigned and the said post is being filled.

11. The Directors' Report for the year has been prepared in compliance with the requirements of the CCG and fully described the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by Chief Executive Officer on recommendation of the Chairperson Audit Committee and are approved by 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 the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee comprising of three members, all non-executive directors. However, after failing to fill the casual vacancies of Directors, the strength of Audit Committee reduced to two members, both are non-executive Directors. The position of third member of the Audit Committee has subsequently been filled by a non-executive director.

16. As per the requirements of CCG, the Board is considering to set up level of materiality keeping in view the circumstances of the Company.

17. 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 CCG. The terms of reference of the Committee have been formed for compliance of the Committee.

18. The Board has formed an HR and Remuneration Committee as per requirement of CCG. It comprises of three members, all are non-executive directors.

19. The Board has set up an effective internal audit function. The Head of Internal Audit & Control reports directly to the Audit Committee.

20. 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.

21. 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.

22. 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.

23. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

24. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board

Niaz Ahmed Khan
Chairman

Karachi: January 06, 2016

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

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 2015 to comply with the requirements of Listing Regulation 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 of 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.

Following instances of non-compliances with the requirements of the Code were observed which are not stated in the statement of compliance:

I. The statement of compliance mentions a director as an independent director however in a statement submitted by the Company, the person has been mentioned as a nominee director.

II. The Code requires a mechanism to be put in place for an annual evaluation of the Board's own performance. However during the year, four out of six directors have not submitted their report on the annual performance evaluation of the Board.

III. The Code prescribes certain qualifications for eligibility to act as the Chief Financial Officer (CFO) of a listed company, however as per the understanding given to us, the CFO does not meet the qualification criteria.

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Based on our review, except for the above instances of non-compliance, 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 aspects, with the best practices contained in the Code as applicable to the Company for the year ended 30 June 2015.

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
4	The casual vacancy on the Board of the Company was not filled within the timeframe allowed in the Code.
15	As of the year end the Audit Committee had two members against the minimum requirement of three members.
16	The Board is yet to set up the materiality level as required by the Code.

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

Date:

Karachi

SPLC	
Dairy No.	452
Time:	10:30
Date:	08/Feb/16

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Auditors' Report to the Members

We have audited the annexed balance sheet of **Saudi Pak Leasing Company Limited** ("the Company") as at 30 June 2015 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, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of 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 above said 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 statements based on our audit.

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 above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our adverse audit opinion and, after due verification, we report that:

a) as stated in note 1.2, the Company incurred a net loss of Rs. 192.928 million during the year ended 30 June 2015 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 571.878 million and had a negative equity of Rs. 556.763 million. This resulted in severe liquidity and other problems which are as follows:

- the Company was not able to meet its plan as the targeted recoveries set by the management for the current year were short by Rs. 156 million. Further, targeted repayments to the lenders were also short by Rs. 260 million;

- as more fully explained in note 1.2, the Company has revised its projections during the year to incorporate the effect of the proposed cash injection of Rs. 1.5 billion by the strategic investor. This cannot be corroborated with the evidences available with the Company;

- as more fully explained in note 1.2, the Company defaulted in making payments of its borrowings, term finance certificates and certificates of investment for which restructuring agreements were entered in prior years. As of 30 June 2015, outstanding liability on which defaults were made amounted to Rs. 1,001.969 million including defaulted mark-up of Rs. 286.983 million;

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- as the Company does not meet the minimum equity requirements as per the Non-Banking Finance Companies Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulation), the Company's license to carry out the leasing business which expired on 18 May 2010 has not been renewed by the Securities and Exchange Commission of Pakistan till date;

- as more fully explained in note 22.3 and 22.4, the Company has not accrued the liquidated damages of Rs. 17.933 million due to defaults against the amount due to certain financial institutions. Had the charge been recognised by the Company, loss before taxation and negative equity would have been higher by Rs. 17.933 million;

- as more fully explained in note 12.3.1 to the financial statements, during the year, management has recognised a charge of Rs. 69.370 million on the basis that movable leased assets could not be located / identified. We however noted that existence of certain movable leased assets against which FSV benefit of Rs. 77.813 million has been recognised in the financial statements has not been ensured by the Company. Since the existence of these 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;

- as more fully explained in note 1.3 to the financial statements, certain requirements of NBFC Regulations have not been complied by the Company as its equity as at 30 June 2015 is negative;

- as more fully explained in note 37.2 to the financial statements, the Company has not been able to make timely contributions to the provident fund in accordance with the requirements of section 227 (3) of the Companies Ordinance, 1984; and

- as more fully explained in note 15.2 to the financial statements, the management has not carried out fresh valuation of plant and machinery classified under operating lease assets amounting to Rs. 9.147 million. Accordingly, we were unable to satisfy ourselves regarding the valuation of these assets appearing in the financial statements;

These events indicate the material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements and notes thereto do not disclose this fact;

b) in our opinion, except for the matters described in paragraph (a) above, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

KPMG

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c) in our opinion, except for the matters described 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;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

d) in our opinion, because of the significance of the matters discussed in paragraph (a) above 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 do not conform with approved accounting standards as applicable in Pakistan and do not give the information required by the Companies Ordinance, 1984, in the manner so required and respectively do not give a true and fair view of the state of the Company's affairs as at 30 June 2015 and of the loss, its cash flows and changes in equity for the year then ended; and

e) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

KPMG Taseer Hadi & Co.

Date: 06 JAN 2016

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

SPLC	
Dairy No.	440
Time:	6:00pm.
Date:	03/02/16.

BALANCE SHEET

For the year ended 30 June 2015

	Note	2015	2014
		---------- (Rupees) ----------	
ASSETS			
Current assets			
Cash and bank balances	4	**3,422,931**	23,552,393
Short term loans	5	**129,231,094**	131,371,094
Short term investments	6	**88,406,706**	38,722,092
Accrued mark-up	7	**166,858**	-
Trade deposits and short term prepayments		**886,886**	888,386
Other receivables	8	**6,636,703**	7,075,225
Current maturity of non-current assets	9	**669,884,031**	868,446,391
Non-current assets classified as held for sale	10	**-**	67,936,844
Total current assets		**898,635,209**	1,137,992,425
Non-current assets			
Long term loans	11	**366,227**	1,308,123
Net investment in finance leases	12	**8,752,284**	17,736,695
Investment properties	13	**41,241,777**	43,828,669
Intangible assets	14	**-**	-
Property, plant and equipment	15	**64,673,169**	21,636,654
Total non-current assets		**115,033,457**	84,510,141
Total Assets		**1,013,668,666**	1,222,502,566
LIABILITIES			
Current liabilities			
Borrowings from financial institutions	16	**177,693,232**	177,693,232
Certificates of investment		**67,395,301**	67,395,301
Accrued mark-up	17	**294,036,074**	246,836,646
Provision for taxation - net		**13,606,065**	2,180,760
Accrued expenses and other payables	18	**11,180,287**	25,722,269
Current maturity of non-current liabilities	19	**900,828,232**	930,749,137
Preference dividend payable		**5,774,153**	5,774,153
Total current liabilities		**1,470,513,344**	1,456,351,498
Non-current liabilities			
Certificates of investment	20	**-**	-
Deferred tax liability	21	**70,404,851**	81,246,244
Long term finances	22	**-**	15,277,768
Security deposits against finance leases	23	**3,750,000**	7,330,000
Total non-current liabilities		**74,154,851**	103,854,012
Total Liabilities		**1,544,668,195**	1,560,205,510
NET ASSETS		**(530,999,529)**	(337,702,944)
FINANCED BY			
Authorised share capital			
100,000,000 (2014: 100,000,000) ordinary shares of Rs. 10 each		**1,000,000,000**	1,000,000,000
100,000,000 (2014: 100,000,000) preference shares of Rs. 10 each		**1,000,000,000**	1,000,000,000
		2,000,000,000	2,000,000,000
Issued, subscribed and paid-up share capital - ordinary shares	24	**451,605,000**	451,605,000
Issued, subscribed and paid-up share capital - preference shares	24	**528,208,500**	528,208,500
Capital reserves		**177,928,194**	177,928,194
Accumulated loss		**(1,714,542,511)**	(1,528,863,428)
Unrealised gain on re-measurement of available for sale investments		**37,379**	63,232
		(556,763,438)	(371,058,502)
Surplus on revaluation of property, plant and equipment - net of tax	25	**25,763,909**	33,355,558
		(530,999,529)	(337,702,944)
CONTINGENCIES AND COMMITMENTS	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 2015

	Note	2015	2014
		---------- (Rupees) ----------	
Revenue			
Income from:			
Finance leases	27	**16,195,066**	47,128,147
Operating leases		**2,556,000**	2,678,255
		18,751,066	49,806,402
Other income	28	**42,133,770**	158,009,273
		60,884,836	207,815,675
Expenses			
Finance cost	29	**(51,135,065)**	(56,274,636)
Administrative and operating expenses	30	**(59,867,559)**	(58,626,578)
Amount written-off directly against loans and lease receivables	31	**(4,451,072)**	(11,082,282)
Direct cost of operating leases	32	**(4,881,657)**	(6,405,266)
		(120,335,353)	(132,388,762)
Operating (loss) / profit before provisions		**(59,450,517)**	75,426,913
Provision for doubtful leases, loans and other receivables - net	33	**(132,096,838)**	(66,480,418)
Reversal / (impairment) on investment properties	13.2	**721,113**	(4,087,000)
		(131,375,725)	(70,567,418)
(Loss) / profit before taxation		**(190,826,242)**	4,859,495
Taxation	34	**(2,101,460)**	2,358,196
(Loss) / profit after taxation		**(192,927,702)**	7,217,691
(Loss) / earnings per share - basic and diluted	35	**(4.27)**	0.03

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 2015

	2015	2014 *(Restated)*
	---------- (Rupees) ----------	
(Loss) / profit after taxation	**(192,927,702)**	7,217,691
Other comprehensive income		
Items that are or may be reclassified subsequently to profit and loss account:		
Unrealised loss on re-measurement of available for sale investments	**(25,853)**	(35,601)
Items that will not be reclassified subsequently to profit and loss account:		
Remeasurement of defined benefit plan	**(723,681)**	145,681
Deferred tax on remeasurement of defined benefit plan	**380,651**	(50,988)
	(343,030)	94,693
Total comprehensive income / (loss) for the year	**(193,296,585)**	7,276,783

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 2015

	Note	2015	2014
		---------- (Rupees) ----------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	41	**(25,917,240)**	81,933,831
Financial charges paid		**-**	(3,977,623)
Taxes paid		**(1,137,061)**	(2,900,514)
Decrease in net investment in finance leases - net of security deposits		**62,018,821**	88,269,826
		60,881,760	81,391,689
Net cash generated from operating activities		**34,964,520**	163,325,520
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipments	15	**(574,002)**	(400,000)
Acquisition of investment properties	13	**-**	(71,000,000)
Proceeds from sale of property, plant and equipment		**5,086,021**	12,855,923
Proceeds from sale of investment properties		**-**	81,900,000
Short term investments - net		**(48,044,553)**	35,204,178
Recovery of long term loans		**1,458,026**	11,166,428
Dividend received		**4,902**	16,072
Net cash (used in) / generated from investing activities		**(42,069,606)**	69,742,601
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term finances		**(11,024,376)**	(210,468,892)
Repayment of borrowings from financial institutions		**-**	(13,999,998)
Encashment of certificates of investment		**(2,000,000)**	(24,920,000)
Preference dividend paid		**-**	(180,893)
Net cash used in financing activities		**(13,024,376)**	(249,569,783)
Net decrease in cash and cash equivalents during the year		**(20,129,462)**	(16,501,662)
Cash and cash equivalents at beginning of the year		**23,552,393**	40,054,055
Cash and cash equivalents at end of the year	36	**3,422,931**	23,552,393

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 2015

	Issued, subscribed and paid-up share capital		Reserves			
	Ordinary shares	Non-redeemable preference shares	Statutory reserves	Unrealised gain on re-measurement of available for sale investments	Accumulated loss	Total
	(Rupees)					
Balance as at 01 July 2013	451,605,000	528,208,500	176,484,656	98,833	(1,529,737,709)	(373,340,720)
Total comprehensive income for the year						
Profit for the year ended 30 June 2014	-	-	-	-	7,217,691	7,217,691
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 - net of tax	-	-	-	-	94,693	94,693
Transfer from surplus on revaluation of property, plant and equipment, incremental depreciation effect for the year - net of tax (note 25)	-	-	-	-	779,588	779,588
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)	-
Balance as at 30 June 2014	**451,605,000**	**528,208,500**	**177,928,194**	**63,232**	**(1,528,863,428)**	**(371,058,502)**
Changes in equity in 2015						
Loss for the year ended 30 June 2015	-	-	-	-	**(192,927,702)**	**(192,927,702)**
Other comprehensive income for the year						
- Unrealised loss on re-measurement of available for sale investments	-	-	-	(25,853)	-	(25,853)
- Remeasurement of defined benefit plan - net of tax	-	-	-	-	(343,030)	(343,030)
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation effect for the year - net of tax (note 25)	-	-	-	-	7,591,649	7,591,649
Transactions with owners, recorded directly in equity						
Preference dividend for the year ended 30 June 2015	-	-	-	-	-	-
Transferred to statutory reserves	-	-	-	-	-	-
Balance as at 30 June 2015	**451,605,000**	**528,208,500**	**177,928,194**	**37,379**	**(1,714,542,511)**	**(556,763,438)**

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 2015

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 2015 holds 35.06% (2014: 35.06%) of issued ordinary share capital of the Company and 63% (2014: 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 seven 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 loss of Rs. 192.928 million and as of that date its accumulated losses amounted to Rs. 1,714.543 million and its equity was negative by Rs. 556.763 million, as against the minimum equity requirement of Rs. 700 million by 30 June 2015. Furthermore its current liabilities exceeded current assets by Rs. 571.878 million.

- Impairment loss of Rs. 1,107.529 million on lease and loans portfolios has been recognised till 30 June 2015 (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 2015, total outstanding principal on which defaults were made amounts to Rs. 714.986 million and defaulted mark-up repayments amounts to Rs. 286.983 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. Further, 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 2015

- The Board of Directors support the Company in negotiating the terms of restructuring of various borrowings amounting to Rs. 1,001.969 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 2015 will result in reduction of borrowings by Rs. 31.876 million through waiver of principal of Rs. 27.999 million and mark-up of Rs. 3.877 million. These are subject to performance of certain terms.

- The borrowings (including mark-up thereon) of the Company have been increased to Rs. 1,027.471 million from Rs. 1,021.237 million in the current fiscal year although there were 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. 0.254 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.

- 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.

- The Audit committee of the company informed that one of the existing strategic shareholder is in the process of disposing off its shareholding and in this regard has identified the new incoming shareholder for the revival of company. The approval process at SECP is reported at an advanced stage.

- 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 2015

	2015 (Rupees)
Equity position as of 30 June 2015:	
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	(1,714,542,511)
Unrealised gain on re-measurement of available for sale investments	37,379
Equity	(556,763,438)
Expected equity position as of 30 June 2018:	
Issued, subscribed and paid up capital - ordinary shares	451,605,000
Issued, subscribed and paid up capital - preference shares	528,208,500
Strategic Investor's fresh contribution	1,500,000,000
Capital reserves	177,928,194
Accumulated loss	(1,094,220,378)
Unrealised gain on re-measurement of available for sale investments	37,379
Equity	1,563,558,695

1.3 Due to the fact that at 30 June 2015, the Company's equity is negative by Rs. 556.763 million, the Company could not meet certain regulatory requirements of NBFC Regulations, 2008 apart from those mentioned in notes 1.2 above, 12.4 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.

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 Standards 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, provisions or directives of the Companies Ordinance, 1984, and Non Banking Finance Companies and Notified Entities Regulations, 2008 shall prevail.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

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 and going concern assumptions (note 1.2);
- Classification of investments and impairment thereon (notes 3.2 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);
- Recognition of taxation and deferred taxation (notes 21 and 34);
- Accounting for post employment benefits (note 37);
- Provisions (note 3.15);
- Allowance for potential lease, loan losses and other receivables (note 3.16);
- Classification of net investment in finance leases and loans (notes 5, 11 and 12); and
- Classification of investment properties (notes 3.10 and 13).

2.5 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 2015:

- 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 amortisation 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 the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 01 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. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 01 January 2016. The amendments are not likely to have an impact on the Company's financial statements.

- IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 01 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. 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 01 January 2016. The adoption of this standard is not likely to have an impact on the Company's financial statements.

- IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 01 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 adoption of this standard is not likely to have an impact on the Company's financial statements.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 01 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.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 01 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.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 01 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 01 January 2016). The new cycle of improvements contain amendments to the following standards. These are not likely to have an impact on Company's financial statements:

  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

Available for sale financial assets comprise of equity 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.

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 2015

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 or 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

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.

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, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

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.

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 as a component of interest income. If, in a subsequent period, the fair value of an impaired available for sale debt security increases

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

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	2015	2014
4. CASH AND BANK BALANCES		---------- (Rupees) ----------	
Cash in hand		**67,545**	81,211
Balance with State Bank of Pakistan in current account - local currency		**20,305**	21,041
Balances with other banks:			
- in current account		**5,500**	5,500
- in saving accounts	4.1	**3,329,581**	23,444,641
		3,422,931	23,552,393

4.1 This represents saving deposit accounts maintained with various commercial banks at mark-up rate ranging from 5% to 7% (2014: 6% to 7%) per annum.

	Note	2015	2014
5. SHORT TERM LOANS - secured			
Considered doubtful	5.1	**205,406,794**	207,546,794
Provision for non-performing loans	5.2	**(76,175,700)**	(76,175,700)
		129,231,094	131,371,094

5.1 This represents short term loans facilities provided to customers and carries mark-up ranging from 16.25% to 25.00% (2014: 16.06% to 25.00%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

	Note	2015	2014
5.2 Provision for non-performing loans		---------- (Rupees) ----------	
Balance at beginning of the year		**76,175,700**	94,446,172
Charge for the year		**-**	-
Reversal during the year		**-**	(9,064,579)
		-	(9,064,579)
Write-offs against provision		**-**	(9,205,893)
Balance at end of the year	5.2.1	**76,175,700**	76,175,700

5.2.1 The above provision for non-performing loans is net of forced sales value (FSVs) of collaterals of Rs. 129.231 million (2014: Rs. 131.371 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. 129.231 million (2014: Rs. 131.371 million) and the Company's profit before taxation would also have been lower by the same amount.

6. SHORT TERM INVESTMENTS

	Note	2015	2014
Available for sale			
- Ordinary shares of listed companies	6.1	**85,935**	85,935
- Ordinary shares of unlisted companies	6.1	**18,914,938**	18,914,938
Investments - at cost		**19,000,873**	19,000,873
Unrealised gain on re-measurement of available for sale securities		**37,379**	63,232
		19,038,252	19,064,105
Held to maturity			
- Government Market Treasury Bills	6.2	**19,368,454**	19,657,987
- Certificates of deposit	6.3	**50,000,000**	-
		88,406,706	38,722,092

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

6.1 Investment in available for sale securities

2015 (Number of shares)	2014 (Number of shares)	Name of companies	Note	2015 Cost	2015 Market value / break up value	2014 Cost	2014 Market value / break up value
				--------- (Rupees) ---------		--------- (Rupees) ---------	
		Ordinary shares of listed companies					
495	495	MCB Bank Limited	6.1.1	**85,935**	**123,314**	85,935	149,167
				85,935	**123,314**	85,935	149,167
		Ordinary shares of unlisted companies					
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	SPI Insurance Company Limited	6.1.2	**14,664,938**	**14,664,938**	14,664,938	14,664,938
				18,914,938	**18,914,938**	18,914,938	18,914,938
Unrealised gain on re-measurement of available for sale securities				**37,379**	**-**	63,232	-
				19,038,252	**19,038,252**	19,064,105	19,064,105

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 The break-up value of shares of the Pace Barka Properties Limited and Saudi Pak Insurance Company Limited as per the latest financial statements available dated 30 June 2014 and 30 June 2015 amounts to Rs. 14.13 per share (2014: Rs. 15.81 per share) and Rs. 11.15 per share (2014: Rs. 8.30 per share) respectively.

6.2 This represents investment in Government Market Treasury Bills having maturity on 06 August 2015 and carry effective mark-up at a rate 6.70% (2014: 9.75% to 10.21%) per annum. As of 30 June 2015, the market value of the treasury bills amounts to Rs. 19.363 million (2014: Rs. 19.663 million).

6.3 This represents certificate of deposits placed with the Holding Company having maturity in July 2015 and carries a mark-up at the rate of 7% per annum.

	Note	2015	2014
		---------- (Rupees) ----------	
7. ACCRUED MARK-UP			
Return on investments	7.1	**166,858**	-

7.1 This represents mark-up accrued from 3 June 2015 to 30 June 2015 on certificate of deposits placed with the Holding Company. The mark-up is charged at the rate of 7%.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

		Note	2015	2014
8.	**OTHER RECEIVABLES**		---------- (Rupees) ----------	
	Operating lease rentals receivables		**11,545,095**	11,545,095
	Receivable on termination of finance leases		**67,859,467**	68,416,547
	Others		**6,315,068**	6,846,590
			85,719,630	86,808,232
	Provision against doubtful receivables	8.1	**(79,082,927)**	(79,733,007)
			6,636,703	7,075,225
8.1	**Provision against doubtful receivables**			
	Balance at beginning of the year		**79,733,007**	86,293,363
	Charge for the year		**-**	-
	Reversal for the year		**(650,080)**	(1,558,125)
		33	**(650,080)**	(1,558,125)
	Write offs against provision		**-**	(5,002,231)
	Balance at end of the year		**79,082,927**	79,733,007
9.	**CURRENT MATURITY OF NON - CURRENT ASSETS**			
	Long term loans	11	**37,753,501**	49,642,726
	Net investment in finance leases	12	**632,130,530**	818,803,665
			669,884,031	868,446,391
10.	**NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE**			
	Office premises	10.1	**-**	67,936,844

10.1 The Board of Directors of the Company, as part of contingency plan, previously approved to dispose the Company's office premises and for which Chief Executive Officer of the Company was authorised to sell the said premises. However, the Company could not find a suitable buyer for the office premises located at 6th Floor, Lakson Square Building No.1, Sarwar Shaheed Road, Saddar, accordingly, the Board of Directors in their meeting held on 27 February 2015, approved to change the classification of this office premised from non-current assets classified as held for sale to property, plant and equipment in accordance with IFRS - 5 (refer note 15.1).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

	Note	2015	2014
		---------- (Rupees) ----------	
11. LONG TERM LOANS - secured			
Loan to employees	11.1	**1,675,287**	2,151,506
Term loans to customers			
- Considered doubtful	11.2	**105,553,927**	106,535,734
		107,229,214	108,687,240
Provision for non-performing loans	11.3	**(69,109,486)**	(57,736,391)
		38,119,728	50,950,849
Current maturity of long term loans	9	**(37,753,501)**	(49,642,726)
		366,227	1,308,123

11.1 Loans to employees

	Note	2015	2014
Executives	11.1.1	**-**	-
Other employees	11.1.2	**1,675,287**	2,151,506
		1,675,287	2,151,506

11.1.1 Reconciliation of outstanding amount of loans to Executives

	Executives	
	2015	2014
	---------- (Rupees) ----------	
Balance at the beginning of the year	-	1,453,261
Repayments received during the year	-	(1,453,261)
Balance at end of the year	-	-

11.1.2 Loan to employees represent house loans and are secured against the future salaries and retirement benefits of the employees. These loans are repayable within a period of 15 years from the date of disbursement or retirement date of the employee, whichever is earlier. The rate of return on these loans is 4% (2014: 4%) per annum. The maximum amount of loans to employees outstanding during the year amounts to Rs. 1.675 million.

11.2 Term loans due from customers are secured against property. The rate of return on these loans ranges from 16.00% to 22.66% (2014: 16.00% to 22.66%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

	Note	2015	2014
		---------- (Rupees) ----------	
11.3 Provision for non-performing loans			
Balance at beginning of the year		**57,736,391**	56,076,891
Charge for the year		**11,472,830**	1,659,500
Reversal made during the year		**(99,735)**	-
	33	**11,373,095**	1,659,500
Balance at end of the year	11.3.1	**69,109,486**	57,736,391

11.3.1 The above provision for non-performing long term loans is net of forced sales value (FSVs) of collaterals of Rs. 36.444 million (2014: Rs. 48.799 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. 36.444 million (2014: Rs. 48.799 million) and the Company's profit before taxation would also have been lower by the same amount.

12. NET INVESTMENT IN FINANCE LEASES

	2015			2014		
	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	**1,392,036,224**	**34,851,941**	**1,426,888,165**	1,449,587,812	59,012,418	1,508,600,230
Residual value of leased assets	**433,335,645**	**3,750,005**	**437,085,650**	437,569,645	7,330,005	444,899,650
Gross investment in leases	**1,825,371,869**	**38,601,946**	**1,863,973,815**	1,887,157,457	66,342,423	1,953,499,880
Unearned lease income	**(193,821)**	**(725,135)**	**(918,956)**	(848,001)	(1,304,883)	(2,152,884)
Mark-up held in suspense	**(329,606,795)**	**(9,404,032)**	**(339,010,827)**	(337,999,267)	(15,019,974)	(353,019,241)
	(329,800,616)	**(10,129,167)**	**(339,929,783)**	(338,847,268)	(16,324,857)	(355,172,125)
Provision for lease losses	**(863,440,723)**	**(19,720,495)**	**(883,161,218)**	(729,506,524)	(32,280,871)	(761,787,395)
Net investment in finance leases	**632,130,530**	**8,752,284**	**640,882,814**	818,803,665	17,736,695	836,540,360

12.1 The internal rate of return on leases disbursed by the Company ranges from 12.50% to 20.01% (2014: 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 2015

	Note	2015	2014
		---------- (Rupees) ----------	
12.2 Mark-up held in suspense			
Balance at beginning of the year		**353,019,241**	387,980,694
Income suspended during the year		**1,233,928**	8,314,398
		354,253,169	396,295,092
Suspended Income:			
- realised during the year		**(15,125,989)**	(42,253,779)
- written-off during the year		**(116,353)**	(1,022,072)
		(15,242,342)	(43,275,851)
Balance at end of the year		**339,010,827**	353,019,241
12.3 Provision for lease losses			
Balance at beginning of the year		**761,787,395**	694,085,939
Charge for the year		**163,894,321**	153,377,828
Reversal for the year		**(38,185,779)**	(77,934,206)
	33	**125,708,542**	75,443,622
Write-offs against provision		**(4,334,719)**	(7,742,166)
Balance at end of the year	12.3.1	**883,161,218**	761,787,395

12.3.1 The provision for non-performing lease losses is net of the forced sales value (FSVs) of leased assets / collaterals of Rs. 225.363 million (2014: Rs. 408.877 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. 225.363 million (2014: Rs. 408.877 million) and Company's profit before taxation would also have been lower by the same amount.

Further, certain FSVs benefits amounting to Rs. 69.370 million are removed by management on subjective basis. Furthermore, the management is considering to hire a consultant / independent inspector and legal advisor to assess the existence and legal right for the FSVs against which the FSV benefit is taken by the Company.

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 2015, the Company's investment in lease assets was 65.66% (2014: 73.71%) of the total assets (less allowable deductions).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

	Note	2015	2014
		---------- (Rupees) ----------	
13. INVESTMENT PROPERTIES			
Cost at beginning of the year		**66,160,092**	71,159,772
Additions during the year		**-**	71,000,000
Disposals during the year		**-**	(75,999,680)
Cost at end of the year		**66,160,092**	66,160,092
Accumulated depreciation at beginning of the year		**(14,804,614)**	(12,692,649)
Depreciation charged during the year	30	**(3,308,005)**	(3,236,885)
Depreciation reversed during the year due to disposals		**-**	1,124,920
Accumulated depreciation at end of the year		**(18,112,619)**	(14,804,614)
Impairment loss on investment properties	13.2	**(6,805,696)**	(7,526,809)
Carrying value of investment properties	13.1	**41,241,777**	43,828,669

13.1 This represent properties acquired by the Company in settlement of loan and lease rental amount due to the Company (repossessed properties) including a bungalow and offices having a carrying value of Rs. 37.079 million (2014: Rs. 39.666 million) and Rs. 4.163 million (2014: Rs. 4.163 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 2015 amounts to Rs. 90.680 million (2014: Rs. 71.000 million) and Rs. 4.163 million (2014: Rs. 4.163 million) respectively.

13.2 Impairment loss on investment properties

	Note	2015	2014
Balance at beginning of the year		**7,526,809**	3,439,809
Charge for the year		**-**	4,087,000
Reversal for the year	13.2.1	**(721,113)**	-
Balance at end of the year		**6,805,696**	7,526,809

13.2.1 This represents impairment reversal on account of increase in the market value of shops located in Irfan textiles office Lahore, classified under investment property. The said property was impaired by Rs. 7.527 million in the prior years. The market value of the said investment property as at 30 June 2015 was Rs. 4.163 million as against its written down value of Rs. 3.442 million leading to an impairment reversal of Rs. 0.721 million.

14. INTANGIBLE ASSETS

2015

	Cost			Amortisation			Written down	Amortisation
	As at 01 July 2014	Additions / (disposals)	As at 30 June 2015	As at 01 July 2014	For the year	As at 30 June 2015	value as at 30 June 2015	rate %
	(Rupees)							
Computer software	**1,655,408**	**-**	**1,655,408**	**(1,655,408)**	**-**	**(1,655,408)**	**-**	**33**

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	(1,287,552)	(367,856)	(1,655,408)	-	33

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

15. PROPERTY, PLANT AND EQUIPMENT

2015

		Cost / Revaluation			Accumulated depreciation			Written down value	Rate
		As at 01 July 2014	Additions / (disposals) / (transfers)*	As at 30 June 2015	As at 01 July 2014	Charge For the year / (on disposals) / (transfers)*	As at 30 June 2015	As at 30 June 2015	(%)
Owned assets		(Rupees)							
Leasehold land		-	-	-	-	-	-	-	-
Building improvements		3,526,371	-	3,526,371	3,526,371	-	3,526,371	-	20%
Office premises	15.1	-	103,803,703	103,803,703	35,866,864	18,540,310	54,407,174	49,396,529	5%
Furniture, fixtures and fittings		5,983,992	-	5,983,992	5,982,865	1,127	5,983,992	-	20%
Vehicles		7,408,630	-	4,567,630	5,492,742	391,680	3,327,522	1,240,108	20%
			(2,841,000)			(2,556,900)			
Office equipment		25,818,406	574,002	26,392,408	24,836,767	371,633	25,208,400	1,184,008	20%
		42,737,399	104,377,705	144,274,104	75,705,609	19,304,750	92,453,459	51,820,645	
			(2,841,000)			(2,556,900)			
Operating lease assets									
Plant and machinery	15.2	59,505,000	-	59,505,000	46,897,194	3,459,847	50,357,041	9,147,959	10%
Generators		20,402,880	-	11,492,012	14,272,686	1,350,047	7,787,447	3,704,565	20%
			(8,910,868)			(7,835,286)			
		79,907,880	-	70,997,012	61,169,880	4,809,894	58,144,488	12,852,524	
			(8,910,868)			(7,835,286)			
		122,645,279	104,377,705	215,271,116	136,875,489	24,114,644	150,597,947	64,673,169	
			(11,751,868)			(10,392,186)			

2014

		Cost / Revaluation			Accumulated depreciation			Written down value	Rate
		As at 01 July 2013	Additions / (disposals) / (transfers)*	As at 30 June 2014	As at 01 July 2013	Charge For the year / (on disposals) / (transfers)*	As at 30 June 2014	As at 30 June 2014	(%)
Owned assets		(Rupees)							
Leasehold land		2,800,000	-	-	-	-	-	-	-
			(2,800,000)						
Building improvements		3,526,371	-	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%
			(3,555,106)			(3,199,605)			
Office equipment		25,418,406	400,000	25,818,406	24,596,720	240,047	24,836,767	981,639	20%
		48,692,505	400,000	42,737,399	42,359,031	679,319	39,838,745	2,898,654	
			(6,355,106)			(3,199,605)			
Operating lease assets									
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%
			(24,145,550)			(19,612,725)			
		104,053,430	-	79,907,880	74,453,682	6,328,923	61,169,880	18,738,000	
			(24,145,550)			(19,612,725)			
		152,745,935	400,000	122,645,279	116,812,713	7,008,242	101,008,625	21,636,654	
			(30,500,656)			(22,812,330)			

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

15.1 The Board of Directors of the Company in their meeting held on 27 February 2015, have decided not to sell the office premises located at 6th Floor, Lakson Square Building No.1, Sarwar Shaheed Road, Saddar due to the fact that they could not find a suitable buyer. Accordingly, this office premises have been re-classified as property, plant and equipment. Depreciation on this office premises has been charged with effect from 01 July 2013.

15.2 In July 2013, the operating lease assets amounting to Rs. 59.5 million were recovered after the expiration of lease. The Company kept the said asset at its godown located in Landhi, Karachi. During the year, the Company has not carried out any exercise to check the physical working condition of the asset and has not recognised an impairment loss on such assets.

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

Owned Assets	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Gain / (loss) on sale	Mode of disposal	Particulars of buyer
	---- (Rupees) ----						
Vehicles							
Mitsubishi Lancer AJH-314	999,000	899,100	99,900	635,000	535,100	Negotiation	Mr. Jawad Ahmed
Corolla AFJ-261	849,000	764,100	84,900	635,000	550,100	Negotiation	Mr. Ahsan Ali
Coure ALJ-296	434,000	390,600	43,400	416,000	372,600	Negotiation	Mr. Rasheed
Santro AFX-609	559,000	503,100	55,900	300,000	244,100	As per Company's policy	Mr.Omer Ikram (Employee)
	2,841,000	**2,556,900**	**284,100**	**1,986,000**	**1,701,900**		
Operating lease assets							
Generators							
Cummins 200 KVA	2,750,250	2,555,250	195,000	1,000,000	805,000	Quotations	M/s Rajab & Co.
Cummins 39 KVA	1,233,250	1,154,250	79,000	300,000	221,000	Quotations	M/s Rajab & Co.
Cummins 39 KVA	1,233,250	1,154,250	79,000	300,000	221,000	Quotations	M/s Rajab & Co.
Perkins 60 KVA	998,125	877,848	120,277	250,000	129,723	Quotations	M/s Rajab & Co.
Perkins 60 KVA	1,040,994	442,900	598,094	750,000	241,218	Quotations	M/s Rajab & Co.
Siemens 75 KVA	1,654,999	1,561,499	93,500	500,000	406,500	Quotations	M/s Rajab & Co.
	8,910,868	**7,745,997**	**1,164,871**	**3,100,000**	**2,024,441**		
	11,751,868	**10,302,897**	**1,448,971**	**5,086,000**	**3,726,341**		

15.4 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:

	2015			2014		
	Cost	**Accumulated depreciation**	**Written down value**	Cost	Accumulated depreciation	Written down value
	---- (Rupees) ----					
Office premises	**28,548,042**	**20,091,450**	**8,456,592**	28,548,042	(17,236,646)	11,311,396
Plant and machinery	**67,000,000**	**56,865,000**	**10,135,000**	67,000,000	(45,285,000)	21,715,000
Generators	**9,848,000**	**4,078,833**	**5,769,167**	33,384,480	(21,389,897)	11,994,583

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

16. BORROWINGS FROM FINANCIAL INSTITUTIONS

	Note	2015	2014
		---------- (Rupees) ----------	
Letter of Placements - Unsecured			
National Bank of Pakistan	16.1	**77,500,000**	77,500,000
Innovative Investment Bank Limited	16.2	**60,000,000**	60,000,000
Meezan Bank Limited	16.3	**27,001,588**	27,001,588
AKD Aggressive Income Fund	16.4	**2,762,504**	2,762,504
KASB Income Opportunity Fund	16.5	**10,429,140**	10,429,140
		177,693,232	177,693,232

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 2015, the Company has accrued a mark-up of Rs. 45.5 million.

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 2015, the Company has accrued a mark-up of Rs. 25.6 million.

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.

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 instalments on the agreed dates as per the revised agreement. The transfer of share is yet to be executed. As of 30 June 2015, the Company has accrued a mark-up of Rs. 4.6 million on this borrowing.

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 instalments.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

The Company has paid all the instalments 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.

		Note	2015	2014
			---------- (Rupees) ----------	
17.	**ACCRUED MARK-UP**			
	Mark-up on:			
	- certificates of investment		**66,936,876**	57,354,840
	- long term finances		**62,159,322**	55,722,917
	- term finance certificates		**77,804,652**	60,240,656
	- short term borrowings from financial institutions		**87,135,224**	73,518,233
			294,036,074	246,836,646
18.	**ACCRUED EXPENSES AND OTHER PAYABLES**			
	Accrued expenses		**1,818,942**	3,152,277
	Unclaimed dividend		**1,668,945**	1,668,945
	Payable on termination / maturity of finance leases		**-**	2,912,321
	Others		**7,692,400**	17,988,726
			11,180,287	25,722,269
19.	**CURRENT MATURITY OF NON-CURRENT LIABILITIES**			
	Certificates of investment	20	**55,349,000**	57,349,000
	Long term finances	22	**432,997,913**	456,684,818
	Long term security deposits against finance leases	23	**412,481,319**	416,715,319
			900,828,232	930,749,137
20.	**CERTIFICATES OF INVESTMENT - unsecured**			
	Long term certificates of investment		**55,349,000**	57,349,000
	Current maturity of certificates of investment	19	**(55,349,000)**	(57,349,000)
			-	-

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% (2014: 7% to 14%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

21. DEFERRED TAX LIABILITY

	Balance at beginning of the year	Recognised in profit and loss account	Recognised in other comprehensive income	Balance at end of the year
	(Rupees)			
30 June 2015				
Taxable temporary differences:				
Excess of net investment in leases over written down value of leases	**55,021,655**	**-**	**-**	**55,021,655**
Accelerated tax depreciation	**6,524,702**	**(4,619,732)**	**-**	**1,904,970**
Surplus on revaluation of property, plant and equipment	**17,960,686**	**(5,841,010)**	**-**	**12,119,676**
Actuarial gain on defined benefit plans	**1,739,201**	**-**	**(380,651)**	**1,358,550**
	81,246,244	**(10,460,742)**	**(380,651)**	**70,404,851**
30 June 2014				
Taxable temporary differences:				
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
	84,597,725	(3,402,469)	50,988	81,246,244

21.1 The deferred tax asset amounting to Rs. 418.388 million (2014: Rs. 359.454 million) is not recognised in these financial statements. The Company has not recognised the said deferred tax asset as the realization of such asset cannot be estimated with sufficient reliability.

22. LONG TERM FINANCES

	Note	2015	2014
		(Rupees)	
Long term finance - secured	22.1.1	**178,961,501**	216,907,654
Long term finance - unsecured		**5,703,696**	6,722,216
	22.1	**184,665,197**	223,629,870
Term finance certificates - secured	22.9	**248,332,716**	248,332,716
		432,997,913	471,962,586
Current maturity of long term finances	19	**(432,997,913)**	(456,684,818)
		-	15,277,768

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

22.1 Long term finances

	Tenure				Principal outstanding	
	From	To	Price		2015	2014
					---------- (Rupees) ----------	
Secured						
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-08	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**	13,500,000
Soneri Bank Limited	May-13	Sep-14	-	22.5	**61,999,996**	61,999,996
Bank of Khyber	Jun-12	Mar-16	-	22.6	**15,900,000**	23,000,000
HSBC Bank Middle East Limited	Jun-12	Aug-14	-	22.7	**-**	30,846,153
Un secured						
Silk Bank Limited	Sep-12	Mar-17	-	22.8	**5,703,696**	6,722,216
					184,665,197	223,629,870

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 instalments 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 2015, all instalments were paid except for the last instalment 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 2015, the Company has accrued mark up of Rs. 9.2 million.

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 instalments upto 31 December 2012. The Company paid the instalments 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 2015, the Company has accrued mark-up of Rs. 42.1 million. As per the latest restructuring terms, the company is liable to pay liquidated damages/penalty of Rs 7.133 million. The company has not recognized the charges in this respect. However the management has disclosed the same as contingent liability.

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 instalments of Rs. 1 million starting from 16 February 2011 and outstanding mark-up was waived. The Company paid instalments upto June 2011 and has not paid any amount till date. As per the latest restructuring terms, the company is liable to pay liquidated damages/penalty of Rs 10.800 million. The company has not recognized the charges in this respect. However the management has disclosed the same as contingent liability.

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 instalments of Rs. 1 million starting from November 2010. The Company paid the instalments 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).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

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

The Company has settled the loan amounting to Rs. 43 million by way of cash payment of Rs. 25 million on 28 August 2013 (and has recognised a waiver of Rs 18 million against the said payment). The Company has also paid the instalments on due dates. Transfer of property is yet to be executed . 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 (BOK) 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:

- 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 instalments 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. The Company paid seven monthly instalments of Rs. 1 million. As per latest restructuring terms this finance was carrying no mark-up. The Company paid instalments upto November 2014 and defaulted thereafter.

On 22 September 2015, the BOK approved the Company's request to further restructure its remaining outstanding liability of Rs. 15.9 million. The Company is now required to pay the entire amount of Rs. 15.9 million in the form 3 equal instalments. As per the said letter all the terms and conditions of original agreement dated 21 June 2012 shall remain unchanged. The Company has complied with the revised restructuring terms till date. As per the said agreement 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 instalments 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. During the year, the Company has settled its entire borrowing of Rs. 30.8 million by making cash payments of Rs 2.8 million on respective dates as per the revised agreement and has recognised a waiver of Rs. 28 million in principal and Rs 3.8 million in mark-up against the said borrowing.

22.8 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 instalments of Rs. 0.204 per month. As of 30 June 2015, the Company has accrued a mark up of Rs. 4 million and five monthly instalments of Rs. 0.204 million each were paid by the Company in the current year upto the month of November 2014 since the Company has not paid any amount. As per latest restructuring terms this finance carries no mark-up.

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

The issue was first restructured by way of "Supplemental Declaration of Trust" dated 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:

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Principal redemption

The principal redemption of TFCs is structured to be in 63 un-equal monthly instalments 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).
- 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 instalments 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.

The Company defaulted in making payments to TFC holders in 2014 due to liquidity issues faced by the Company as referred in note 1.2.

23. LONG TERM SECURITY DEPOSITS AGAINST FINANCE LEASES

	Note	2015	2014
		(Rupees)	
Security deposits against finance leases	23.1	**416,231,319**	424,045,319
Current maturity of deposits against finance leases	19	**(412,481,319)**	(416,715,319)
		3,750,000	7,330,000

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

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For the year ended 30 June 2015

24. SHARE CAPITAL

2015	2014	AUTHORISED SHARE CAPITAL	Note	2015	2014
(Number of shares)				---------- (Rupees) ----------	
100,000,000	100,000,000	Ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000
100,000,000	100,000,000	Non-cumulative and non-voting, convertible unlisted preference shares of Rs. 10 each		1,000,000,000	1,000,000,000
200,000,000	200,000,000			2,000,000,000	2,000,000,000
		ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL			
		ORDINARY SHARES			
		Issued for cash			
25,180,000	25,180,000	Ordinary shares of Rs. 10 each fully paid in cash	24.1	251,800,000	251,800,000
		Issued for consideration other than cash			
19,980,500	19,980,500	Ordinary shares of Rs. 10 each issued as fully paid bonus shares		199,805,000	199,805,000
		NON-CUMULATIVE PREFERENCE SHARES			
		Issued for consideration other than cash			
52,820,850	52,820,850	Non-cumulative and non-voting, convertible unlisted fully paid preference shares of Rs. 10 each	24.1 & 24.2	528,208,500	528,208,500
97,981,350	97,981,350			979,813,500	979,813,500

24.1 Saudi Pak Industrial & Agricultural Investment Company Limited (SAPICO) holds 35.06% (2014: 35.06%) of the issued, subscribed and paid-up ordinary share capital of the Company and 63% (2014: 63%) of issued preference share capital of the Company.

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.

In 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:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

- 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.

24.3 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.

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

	Note	2015	2014
		---------- (Rupees) ----------	
As at beginning of the year		**51,316,247**	52,515,613
Transfer to accumulated loss in respect of incremental depreciation - net of deferred tax		**(9,131,136)**	(779,588)
Related deferred tax liability		**(4,301,523)**	(419,778)
		(13,432,659)	(1,199,366)
As at end of the year		**37,883,588**	51,316,247
Related deferred tax liability on:			
Revaluation as at the beginning of the year		**(17,960,689)**	(18,380,467)
Tax effect due to change in tax rate		**1,539,488**	-
Revaluation carried out during the year		**-**	-
Transfer to accumulated loss in respect of incremental depreciation - net of deferred tax		**4,301,523**	419,778
		(12,119,679)	(17,960,689)
		25,763,909	33,355,558

26. CONTINGENCIES AND COMMITMENTS

	Note	2015	2014
Claims against the Company not acknowledged as debt	26.1	**193,558,675**	193,558,675

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

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 above include contingencies which represent a case which is filed by the Company in the civil court against a tenant as disclosed in note 13, in which a decree had been given in favour of the Company for the payment of rent amounting to Rs. 30.2 million. The tenant in response to such decree has filed an appeal before higher courts and as at 30 June 2015 the decision of such case is still pending. The Company's legal counsel is of the view that a favourable outcome will be given in favour of the Company.

26.4 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 in favour of the company during the year.

26.5 As disclosed in note 22.3 and 22.4 the Company has not recorded the liquidated damages / penalty in respect as the management believes the likelihood of occurrence of outflow of economic resources is remote against these damages / penalties.

	2015	2014
	---------- (Rupees) ----------	
27. INCOME FROM FINANCE LEASES		
Income on finance lease contracts	**15,242,342**	42,228,045
Document fee, front-end fee and other charges	**952,724**	4,900,102
	16,195,066	47,128,147

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

	Note	2015	2014
		---------- (Rupees) ----------	
28. OTHER OPERATING INCOME			
Income from financial assets			
- Available for sale			
Dividend income		**4,902**	16,072
Capital gain on sale of investments		**-**	140,798
		4,902	156,870
- Held to maturity			
Income on amortisation of Government Market Treasury Bills		**1,665,914**	2,071,577
- Loans and receivables			
Interest income on term loans		**33,994**	1,066,327
Return on certificates of deposit		**1,736,225**	135,260
Interest income from saving accounts		**1,058,267**	1,367,791
		2,828,486	2,569,378
Income from non-financial assets			
Gain on sale of property, plant and equipment		**3,726,340**	5,167,597
Gain on sale of investment properties		**-**	7,025,240
Gain on settlement of loan	28.1	**31,875,934**	138,728,495
Others		**2,032,194**	2,290,116
		37,634,468	153,211,448
		42,133,770	158,009,273

28.1 This represents gain on settlement of liability of HSBC amounting to Rs. 31.876 million, respectively on account of waivers of accrued mark-up and discount on settlement of principal.

29. FINANCE COST

	2015	2014
Mark-up on:		
- Long term finances	**10,312,340**	13,538,884
- Term finance certificates	**17,563,996**	17,644,881
- Short term borrowings	**13,616,991**	13,983,465
Return on certificates of investment	**9,582,036**	10,894,050
Bank charges	**59,702**	213,356
	51,135,065	56,274,636

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

	Note	2015	2014
		---------- (Rupees) ----------	
30. ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries, allowances and benefits	30.1	**21,079,177**	26,982,011
Charge for defined benefit plan		**(58,642)**	437,882
Rent		**1,131,955**	1,597,555
Repairs and maintenance		**1,464,307**	1,387,520
Utilities		**1,135,015**	1,790,346
Depreciation on owned assets	15	**19,304,750**	679,319
Depreciation on investment properties	13	**3,308,005**	3,236,885
Insurance		**154,618**	918,743
Vehicle running expenses		**2,297,980**	3,581,502
Printing and stationery		**548,758**	662,883
Telephone and postage		**629,777**	851,078
Travelling and conveyance		**896,574**	1,281,516
Fee and subscriptions		**1,566,705**	1,165,768
Legal and professional charges		**3,508,564**	7,393,905
Advertising and entertainment		**240,775**	456,804
Auditors' remuneration	30.2	**605,000**	695,750
Brokerage and commission		**677,104**	-
Miscellaneous		**1,377,137**	5,507,111
		59,867,559	58,626,578

30.1 Salaries, allowances and benefits include Rs. 1.430 million (2014: Rs. 1.220 million) in respect of staff retirement benefits.

30.2 Auditors' remuneration

	2015	2014
Annual audit fee	**350,000**	350,000
Fee for review of half yearly financial statements	**100,000**	100,000
Other certifications	**50,000**	50,000
Out of pocket expenses	**105,000**	195,750
	605,000	695,750

31. AMOUNT WRITTEN OFF DIRECTLY AGAINST LOANS AND LEASE RECEIVABLES

During the year, the Board of Directors of the Company have approved the principal write-offs against the lease facilities granted to Khawaja Marble Works, Vohra Corporation, Muslim Knitting and KKP (Pvt) Ltd. Amounting to Rs. 0.298 million, Rs. 0.036 million, Rs. 0.592 million and Rs. 3.525 million respectively.

	Note	2015	2014
32. DIRECT COST OF OPERATING LEASES			
Insurance and other expenses		**71,763**	76,343
Depreciation on operating lease assets	15	**4,809,894**	6,328,923
		4,881,657	6,405,266
33. PROVISION FOR DOUBTFUL LEASES, LOANS AND OTHER RECEIVABLES			
Provision / (reversals) / write-offs for potential lease losses - net	12.3	**121,373,823**	75,443,622
Reversals for potential losses on short term loans - net	5.2	**-**	(9,064,579)
Provision for potential losses on long term loans - net	11.3	**11,373,095**	1,659,500
Reversal for doubtful receivables - net	8.1	**(650,080)**	(1,558,125)
		132,096,838	66,480,418
34. TAXATION			
Current		**12,562,202**	1,044,273
Deferred	21	**(10,460,742)**	(3,402,469)
		2,101,460	(2,358,196)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

34.1 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.

34.2 Relationship between tax expense and accounting profit

	2015	2014
	---------- (Rupees) ----------	
Accounting (loss) / profit for the year	**(190,826,242)**	4,859,495
Tax on income @ 33% (2014: 34%)	**(62,972,660)**	1,652,228
Effect of lower tax rate in future years	**(1,127)**	(51,728)
Effect of rate change	**2,247,822**	-
Tax losses utilised against current year taxable income	**(1,707,444)**	(43,086,348)
Deferred tax assets not recognised during the year	**71,740,769**	36,919,451
Deferred tax liability recorded at different rate	**(316,992)**	95,756
Tax effect of permanent differences	**1,058,562**	1,068,172
Minimum turnover tax charge	**-**	1,044,273
Others	**(7,947,469)**	-
Tax expense	**2,101,461**	(2,358,196)

34.3 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 2003-2014 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. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

	2015	2014
	---------- (Rupees) ----------	
Loss / profit after taxation attributable to ordinary shareholders	**(192,927,702)**	1,443,538
Weighted average number of ordinary shares - Basic	**45,160,500**	45,160,500
(Loss) / earnings per share - Basic	**(4.27)**	0.03

35.1 At 30 June 2015, the Company has 52.82 million (2014: 52.82 million) convertible preference shares which are not considered for the calculation of diluted earning per share as the effect would have been anti dilutive.

36. CASH AND CASH EQUIVALENTS

	2015	2014
Cash and bank balances	**3,422,931**	23,552,393

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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 2015 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:

	2015	2014
Discount rate	9%	12%
Expected rate of increase in salary level	8%	11%
Expected rate of return on plan assets	12%	12%
Mortality rate	SLIC (2001-05)	SLIC (2001-05)
Withdrawal rate before normal retirement age	moderate	moderate
Expected remaining working life time of employees	8 years	7 years
Number of employees	11	14
Normal retirement age	55 years	55 years

	2015	2014
	---------- (Rupees) ----------	
37.1.2 Net defined benefit (asset) / liability		
Present value of defined benefit obligation	**3,140,996**	3,858,103
Fair value of plan assets	**(6,420,728)**	(7,802,874)
	(3,279,732)	(3,944,771)
37.1.3 Movement in the net defined benefit (asset) / liability:		
Balance at beginning of the year	**(3,944,771)**	(4,236,972)
Amount chargeable to profit and loss account	**(58,642)**	437,882
Amount chargeable to OCI	**723,681**	(145,681)
Contribution paid during the year	**-**	-
Balance at end of the year	**(3,279,732)**	(3,944,771)
37.1.4 Changes in present value of defined benefit obligation		
Present value of defined benefit obligation at beginning of the year	**3,858,103**	8,008,077
Current service cost for the year	**414,730**	861,579
Interest cost for the year	**351,263**	551,872
Benefit paid during the year	**(1,204,371)**	(4,978,711)
Benefit payable	**(657,453)**	-
Actuarial gain on present value of defined benefit obligation	**378,724**	(584,714)
Present value of defined benefit obligation at end of the year	**3,140,996**	3,858,103

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

	2015	2014
	---------- (Rupees) ----------	
37.1.5 Changes in fair value of plan assets		
Fair value of plan assets at beginning of the year	**7,802,874**	12,245,049
Expected return on plan assets	**824,635**	975,569
Contribution during the year	**-**	-
Benefit paid during the year	**(1,204,371)**	(4,978,711)
Benefit payable	**(657,453)**	-
Return on plan assets excluding interest income	**(344,957)**	(439,033)
Fair value of plan assets at end of the year	**6,420,728**	7,802,874
37.1.6 Charge for defined benefit plan		
Current service cost	**414,730**	861,579
Interest cost	**351,263**	551,872
Expected return on plan assets	**(824,635)**	(975,569)
	(58,642)	437,882
37.1.7 Fair value of plan assets at end of the year		
Orix - Floater two years	**1,000,000**	1,000,000
Orix - Money Builder	**-**	5,000,000
Benefit payable	**(657,453)**	-
Accrued profit receivable on investment	**-**	585,709
Cash at bank(s)	**6,078,181**	1,217,165
	6,420,728	7,802,874
37.1.8 Component of defined benefit costs (re-measurement) recognized in other comprehensive income		
Remeaurement due to changes in:		
- Demographic assumptions	**-**	(14,523)
- Experience adjustments	**378,724**	(570,191)
- Return on plan assets	**344,957**	439,033
Actuarial gains / (loss) at end of the year	**723,681**	(145,681)

37.1.9 Actual return on plan assets during the year was Rs. 0.480 million (2014: Rs. 0.536 million).

37.1.10 The expected gratuity income for the next year works out to Rs. 29,127.

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

	2015	2014	2013	2012	2011
	(Rupees)				
Present value of defined benefit obligation	**(3,140,996)**	(3,858,103)	(8,008,077)	(7,717,492)	(14,610,477)
Fair value of plan assets	**6,420,728**	7,802,874	12,245,049	12,345,041	14,666,399
Surplus / (deficit)	**3,279,732**	3,944,771	4,236,972	4,627,549	55,922
Experience adjustments on plan liabilities (gains) / losses	**378,724**	(584,714)	(368,321)	(5,235,696)	(1,217,166)
Experience adjustments on plan assets gains / (losses)	**-**	(288,660)	(664,069)	130,028	289,933

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

37.1.12 Sensitivity Analysis

	2015 (Rupees)
Discount rate +1%	**2,864,253**
Discount Rate -1%	**3,452,380**
Salary increase +1%	**3,452,380**
Salary increase -1%	**2,859,377**

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 mark-up 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 un-audited fund and the investments made are as follows:

	30 June 2015	30 June 2014
	---------- (Rupees) ----------	
Size of the fund (net assets)	**2,427,401**	6,368,855
Cost of investment	**1,500,000**	3,500,000
Percentage of investments made (cost of investment / size of the Fund)	**62%**	55%
Fair value of investments made	**1,500,000**	3,500,000

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:

Fair value of investments	Investments		% of investment as size of the fund	
	30 June 2015	30 June 2014	**30 June 2015**	30 June 2014
	---------- (Rupees) ----------			
Certificate of deposits	**1,500,000**	3,500,000	**62%**	55%
	1,500,000	3,500,000	**62%**	55%

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.

	2015	2014
	---------- Number ----------	
38. NUMBER OF EMPLOYEES		
As at end of the year	**11**	28
Average employees	**20**	37

NOTES TO THE FINANCIAL STATEMENTS

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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.

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

	2015					
	Parent Company	**Associated Company**	**Other Group Companies**	**Directors Fee**	**Key management Personnel**	**Other related parties**
	(Rupees)					
Fee	-	-	-	**435,000**	-	-
Rent paid	**559,020**	-	-	-	-	-
Payments to gratuity fund	-	-	-	-	-	-
Payments to provident fund	-	-	-	-	-	**825,098**
Mark-up accrued on Provident fund contribution	-	-	-	-	-	**412,549**
Remuneration to key management personnel	-	-	-	-	**7,915,000**	-
Certificate of deposit (COD)	**50,000,000**	-	-	-	-	-
Payment received on COD	**1,569,376**	-	-	-	-	-
Mark-up accrued on COD	**166,858**	-	-	-	-	-
Preference dividend payable	**3,642,485**	-	-	-	-	-

	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 (note 13)	-	-	45,000,000	-	-	-

40. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES, DIRECTORS

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	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	(Rupees)							
Fee	**-**	-	**435,000**	930,000	**-**	-	**435,000**	930,000
Managerial remuneration	**4,800,000**	3,477,140	**-**	-	**1,861,000**	4,310,361	**6,661,000**	7,787,501
Housing, utilities etc.	**-**	1,259,525	**-**	-	**374,000**	1,729,158	**374,000**	2,988,683
Retirement benefits	**480,000**	347,714	**-**	-	**-**	431,036	**480,000**	778,750
Club membership	**-**	1,200,000	**-**	-	**-**	-	**-**	1,200,000
Leave encashment	**400,000**	-	**-**	-	**-**	-	**400,000**	-
Ex- CEO settlement	**-**	733,333	**-**	-	**-**	-	**-**	733,333
	5,680,000	7,017,712	**435,000**	930,000	**2,235,000**	6,470,555	**8,350,000**	14,418,267
Number of persons	**1**	1	**5**	6	**2**	11	**8**	18

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

	2015	2014
	---------- (Rupees) ----------	
41. CASH GENERATED FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	**(190,826,242)**	4,859,495
Adjustment for:		
Depreciation - owned assets	**19,304,750**	679,319
Depreciation - investment properties	**3,308,005**	3,236,885
Depreciation - assets under operating lease	**4,809,894**	6,328,923
Amortisation	**(723,681)**	-
Finance cost	**51,135,065**	56,274,636
Provision for doubtful leases, loans and other receivables	**132,096,838**	66,480,418
Dividend income	**(4,902)**	(16,072)
Interest income on treasury bills	**(1,665,914)**	-
Impairment on investment properties	**(721,113)**	4,087,000
Amount written off directly against loans, lease receivables and investments	**4,451,072**	11,082,282
Gain on settlement of loans	**(31,875,934)**	(138,728,495)
Capital gain on sale on investments	**-**	(140,798)
Gain on sale of investment properties	**-**	(7,025,240)
Gain on sale of property, plant and equipment	**(3,726,340)**	(5,167,597)
	176,387,740	(2,908,739)
Operating (loss) / profit before working capital changes	**(14,438,502)**	1,950,756
Movement in working capital		
Decrease in operating assets		
Short term loans	**2,140,000**	83,557,352
Accrued mark-up	**(166,858)**	1,152,709
Trade deposits and short term prepayments	**1,500**	57,661
Other receivables	**1,088,602**	1,424,863
	3,063,244	86,192,585
(Decrease) in operating liabilities		
Accrued and other payables	**(14,541,982)**	(6,209,510)
	(11,478,738)	79,983,075
Cash (used in) / generated from operating activities	**(25,917,240)**	81,933,831

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 2015

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.

	2015					
	Finance lease	Operating lease	Term loans	Investment	Others	Total
	(Rupees)					
Segment revenue						
Lease income	16,195,066	2,556,000	-	-	-	18,751,066
Interest income	-	-	33,994	1,736,225	1,058,267	2,828,486
Other income	-	-	-	1,670,816	37,634,468	39,305,284
Direct cost of operating leases	-	(4,881,657)	-	-	-	(4,881,657)
(Provisions) / reversals against assets	(121,373,823)	-	(11,373,095)	-	650,080	(132,096,838)
Segment results	(105,178,757)	(2,325,657)	(11,339,101)	3,407,041	39,342,815	(76,093,659)
Unallocated cost						
Financial charges						(51,135,065)
Impairment on investment properties						721,113
Administrative / operating expenses						(59,867,559)
Write-offs						(4,451,072)
						(114,732,583)
Loss before taxation						(190,826,242)
Taxation						(2,101,460)
Loss after taxation						(192,927,702)
Other information						
Segment assets	640,882,814	12,852,524	167,350,822	88,406,706	-	909,492,866
Unallocated assets	-	-	-	-	104,175,800	104,175,800
Total assets						1,013,668,666
Segment liabilities	1,017,318,961	20,401,727	265,647,885	140,334,264	-	1,443,702,837
Unallocated liabilities	-	-	-	-	100,965,358	100,965,358
Total liabilities						1,544,668,195
Net assets						(530,999,529)

	2014					
	Finance lease	Operating lease	Term loans	Investment	Others	Total
	(Rupees)					
Segment revenue						
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)
Segment results	(28,315,475)	(3,727,011)	8,471,406	2,363,707	156,137,364	134,929,991
Unallocated cost						
Financial charges						(56,274,636)
Impairment on investment properties						(4,087,000)
Administrative / operating expenses						(58,626,578)
Write-offs						(11,082,282)
						(130,070,496)
Profit before taxation						4,859,495
Taxation						2,358,196
Profit after taxation						7,217,691
Other information						
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						1,222,502,566
Segment liabilities	1,217,771,971	17,778,998	172,990,799	36,740,315	-	1,445,282,083
Unallocated liabilities	-	-	-	-	114,923,427	114,923,427
Total liabilities						1,560,205,510
Net assets						(337,702,944)

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 2015

	2015	2014
	---------- (Rupees) ----------	
Financial assets		
Long term loans	**107,229,214**	108,687,240
Gross investment in finance leases - net of security deposits held	**1,107,812,713**	1,174,282,436
Bank balances	**3,355,386**	23,471,182
Short term loans	**205,406,794**	207,546,794
Short term investments	**50,000,000**	-
Accrued mark-up	**166,858**	-
Trade deposits	**886,886**	830,724
Other receivables	**85,719,630**	86,808,232
	1,560,577,481	1,601,626,608
Financial assets		
Secured	**1,420,448,721**	1,490,516,470
Unsecured	**140,128,760**	111,110,138
	1,560,577,481	1,601,626,608

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:

	2015					
	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	817,336	204,334	-	-	-	-
- 366 to 730 days	-	-	-	-	-	-
- more than 731 days	1,108,291,446	839,222,513	107,229,214	69,109,486	205,406,794	76,175,700
Neither past due nor individually impaired	-	-	-	-	-	-
Total gross amount	1,109,108,782	839,426,847	107,229,214	69,109,486	205,406,794	76,175,700

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

	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	1,174,282,436	761,787,395	108,687,240	57,736,391	207,546,794	76,175,700

* 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.

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

	Rating		Rating	2015	2014
	Short term	Long term	Agency	---------- (Rupees) ----------	
Faysal Bank Limited	A-1+	AA	PACRA	**2,248,604**	355,314
Silk Bank Limited	A-2	A -	JCR-VIS	**9,144**	7,371
Samba Bank Limited	A-1	AA -	JCR-VIS	**5,124**	4,808
MCB Bank Limited	A-1+	AAA	PACRA	**1,066,709**	23,077,148
National Bank of Pakistan	A-1+	AAA	JCR-VIS	**5,500**	5,500
				3,335,081	23,450,141

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. 422.527 million (2014: Rs. 451.460 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.

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For the year ended 30 June 2015

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

Sector	Lease and loan receivables			
	Percentage		Gross amount in Rupees	
	2015	2014	**2015**	2014
Sugar and allied	**0.88**	0.58	**12,520,098**	8,686,807
Cement	**0.65**	1.25	**9,243,051**	18,579,177
Energy, oils and gas	**5.21**	5.46	**74,137,062**	81,408,381
Steel and engineering & auto mobiles	**6.23**	6.41	**88,577,860**	95,551,555
Electric and electric goods	**0.46**	-	**6,530,859**	-
Transport and communications	**10.73**	11.11	**152,555,370**	165,564,268
Chemicals / fertilizers / pharmaceuticals	**1.23**	0.88	**17,494,480**	13,103,910
Textile	**21.71**	21.94	**308,646,419**	327,052,390
Paper and boards	**3.68**	3.53	**52,327,172**	52,584,137
Construction	**7.43**	8.18	**105,677,968**	121,928,408
Food, tobacco and beverages	**5.63**	5.37	**80,111,650**	80,111,650
Glass and ceramics	**1.72**	1.71	**24,409,993**	25,547,544
Hotels	**1.35**	1.81	**19,237,003**	26,990,732
Health care	**0.77**	1.07	**10,985,869**	16,005,869
Dairy and poultry	**2.29**	2.19	**32,581,937**	32,581,937
Services	**8.36**	6.16	**118,909,240**	91,857,848
Miscellaneous	**16.92**	17.83	**240,594,850**	265,762,054
Consumer	**4.74**	4.52	**67,203,909**	67,199,803
	100.00	100.00	**1,421,744,790**	1,490,516,470

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. 91.8 million to meet its commitments and obligations. Further, through recovery measures, the Company is generating a liquidity of Rs. 5 million to Rs. 6 million per month to cover its commitments towards lenders and creditors which are to the tune of Rs. 1.08 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.

	2015							
	Weighted average effective rate of interest %	Carrying amount	Contractual cash flows	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years
		(Rupees)						
Financial liabilities								
Borrowings from financial institutions	8.67%	177,693,232	177,693,232	177,693,232	-	-	-	-
Certificates of investment	7% - 14%	122,744,301	122,744,301	122,744,301	-	-	-	-
Accrued mark-up		294,036,074	294,036,074	294,036,074	-	-	-	-
Accrued and other payables		11,180,287	11,180,287	11,180,287	-	-	-	-
Long term finances	8.01%-12%	432,997,913	432,997,913	432,997,913	-			
Deposits against finance leases		416,231,319	416,231,319	402,401,319	-	10,080,000	3,750,000	-
		1,454,883,126	1,454,883,126	1,441,053,126	-	10,080,000	3,750,000	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

	2014							
	Weighted average effective rate of interest %	Carrying amount	Contractual cash flows	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years
		(Rupees)						
Financial liabilities								
Borrowings from financial institutions	8.67%	177,693,232	177,693,232	177,693,232	-	-	-	-
Certificates of investment	7% - 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	-
		1,471,004,353	1,471,004,353	1,399,545,710	25,046,844	23,804,015	22,607,784	-

43.2.1 Breach of loan agreements

As of 30 June 2015, 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. 730.886 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. 293.924 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 2015	30 June 2014
	(Rupees)	
Fixed rate instruments		
Financial assets	**69,368,454**	19,657,987
Financial liabilities	**338,068,310**	(340,068,310)
	407,436,764	(320,410,323)
Variable rate instruments		
Financial assets	**1,513,959,026**	1,513,959,026
Financial liabilities	**(260,832,716)**	(260,832,716)
	1,253,126,310	1,253,126,310

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

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 2015	Effective rate of mark-up / return %	Exposed to interest rate risk					Not exposed to interest rate risk
		Carrying Amount	Upto 6 months	Over 6 months to 1 year	1 year to 5 years	over 5 years	
		(Rupees)					
Financial assets							
Cash and bank balances	6% - 8%	3,422,931	3,329,581	-	-	-	93,350
Short term loans	16.13% - 25%	205,406,794	205,406,794	-	-	-	-
Short term investments	6.70 % - 7%	88,406,706	69,368,454	-	-	-	19,038,252
Accrued mark-up		166,858	-	-	-	-	166,858
Trade deposits		886,886	-	-	-	-	886,886
Other receivables		85,719,630	-	-	-	-	85,719,630
Long term loans	16% - 22.66%	107,229,214	107,229,214	-	-	-	-
Gross investment in finance leases	12.50% - 20.01%	1,109,108,782	1,032,750,294	33,670,922	42,687,566	-	-
		1,600,347,801	1,418,084,337	33,670,922	42,687,566	-	105,904,976

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)					
Financial assets							
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	-	-
		1,640,487,573	1,457,260,610	33,670,922	42,687,566	-	106,868,475

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.

	Profit or loss before tax 100 bp	
	Increase	(Decrease)
	---------- (Rupees) ----------	
As at 30 June 2015		
Cash flow sensitivity - Variable rate instruments*	**12,531,263**	**(12,531,263)**
As at 30 June 2014		
Cash flow sensitivity - Variable rate instruments*	12,531,263	(12,531,263)

* 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) --------	
2015	**123,314**	**10% increase**	**135,645**	**12,331**
	123,314	**10% decrease**	**110,983**	**(12,331)**
2014	149,167	10% increase	164,084	14,917
	149,167	10% decrease	134,250	(14,917)

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

The Company'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 2015

	Level 1	Level 2	Level 3	Total
	(Rupees)			
Available for sale				
Equity securities	**123,314**	**-**	18,914,938	19,038,252
Debt securities	**-**	**19,368,454**	-	19,368,454
	123,314	**19,368,454**	18,914,938	38,406,706

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 January 06, 2016.

Chief Executive Officer

Chairman

PATTERN OF SHAREHOLDING

As on 30 June 2015

NO. OF SHAREHOLDERS	Shareholdings'Slab			Total Shares Held	PERCENTAGE
447	1	to	100	11,637	0.0258
316	101	to	500	86,427	0.1914
164	501	to	1000	132,373	0.2931
498	1001	to	5000	1,336,877	2.9603
144	5001	to	10000	1,145,088	2.5356
62	10001	to	15000	798,948	1.7691
33	15001	to	20000	587,774	1.3015
20	20001	to	25000	464,931	1.0295
13	25001	to	30000	363,112	0.8040
9	30001	to	35000	294,895	0.6530
15	35001	to	40000	567,325	1.2562
7	40001	to	45000	299,522	0.6632
7	45001	to	50000	340,660	0.7543
4	50001	to	55000	203,608	0.4509
7	55001	to	60000	399,727	0.8851
4	60001	to	65000	254,008	0.5625
5	65001	to	70000	340,500	0.7540
3	70001	to	75000	218,764	0.4844
2	75001	to	80000	159,695	0.3536
2	80001	to	85000	166,856	0.3695
1	90001	to	95000	95,000	0.2104
4	95001	to	100000	400,000	0.8857
5	100001	to	105000	516,000	1.1426
2	105001	to	110000	219,018	0.4850
1	110001	to	115000	111,500	0.2469
1	120001	to	125000	122,195	0.2706
1	125001	to	130000	130,000	0.2879
1	130001	to	135000	132,000	0.2923
1	145001	to	150000	150,000	0.3321
1	155001	to	160000	157,796	0.3494
1	160001	to	165000	165,000	0.3654
2	165001	to	170000	331,662	0.7344
1	180001	to	185000	184,553	0.4087
1	185001	to	190000	189,500	0.4196
1	190001	to	195000	190,500	0.4218
1	210001	to	215000	210,745	0.4667
1	215001	to	220000	215,261	0.4767
3	225001	to	230000	679,104	1.5038
1	230001	to	235000	232,000	0.5137
2	245001	to	250000	496,764	1.1000
1	260001	to	265000	263,431	0.5833
1	280001	to	285000	283,940	0.6287
2	315001	to	320000	633,755	1.4033
1	450001	to	455000	451,080	0.9988
1	510001	to	515000	511,432	1.1325
1	555001	to	560000	556,752	1.2328
1	585001	to	590000	590,000	1.3065
1	845001	to	850000	850,000	1.8822
1	1020001	to	1025000	1,023,211	2.2657
1	1215001	to	1220000	1,218,536	2.6982
1	1520001	to	1525000	1,522,920	3.3722
1	1805001	to	1810000	1,806,420	4.0000
1	1995001	to	2000000	1,997,822	4.4238
1	4510001	to	4515000	4,514,473	9.9965
1	15835001	to	15840000	15,835,403	35.0647
1810				**45,160,500**	**100**

CATEGORIES OF SHARE HOLDERS

As on 30 June 2015

CATEGORIES OF SHAREHOLDERS	SHAREHOLDERS	SHAREHOLDING	PERCENTAGE
Directors and their spouse(s) and minor children			
HAROON IHSAN PIRACHA	3	2,406,847	5.33
MRS. KHURSHID IHSAN PIRACHA	2	1,748,722	3.87
AHSANULLAH KHAN	1	500	0.00
ARSALAN IFTIKHAR KHAN	1	500	0.00
MRS. SAMINA KHAN	1	215,261	0.48
MRS. SHAEEMA AZMAT	1	318,255	0.70
MRS. SAIMA MUBBARIK	1	451,080	1.00
MRS. RUBINA SAEED	1	263,431	0.58
MR. IRFAN CHOUDHRY	1	55,341	0.12
MR. SAMEEH KHAN	1	210,745	0.47
MR. RASHID KHAN	1	248,382	0.55
MR. MAHIN KHAN	1	248,382	0.55
MR. ADNAN KHAN	1	84,296	0.19
MR. SAEED A.K. CHAUDHRY	1	184,553	0.41
MR. AAMIR IQBAL	1	50,804	0.11
MRS. ASMA NASIR	1	50,804	0.11
MS. NAVEEN AZMAT	1	26,565	0.06
MS. MEHREEN AZMAT	1	26,565	0.06
MR. ADEEL AZMAT	1	79,695	0.18
Associated Companies, undertakings and related parties			
PREMIER MERCANTILE SERVICES (PVT) LTD.	2	4,516,048	10.00
MARINE SERVICES (PVT) LIMITED	2	914,352	2.02
SAUDI PAK IND. & AGR. INV. CO.(PVT) LTD	1	15,835,403	35.06
Executives	0	-	-
Public Sector Companies and Corporations	7	2,002,103	4.43
Banks, development finance institutions, non-banking finance companies,			
insurance companies, takaful, modarabas and pension funds	5	355,170	0.79
Mutual Funds			
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	556,752.00	1.23
General Public			
a. Local	1743	13,236,411	29.31
b. Foreign	1	2,500	0.01
OTHERS	26	1,071,033	2.37
Totals	**1810**	**45,160,500**	**100.00**

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 (PVT) LTD.	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 25th Annual General Meeting of the Company to be held on March 22, 2016 and at any adjournment thereof.

As witness my/our hand this ____________________ day of ____________________ 2016

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.


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