

Regaining its Position

ANNUAL REPORT
TWO THOUSAND THIRTEEN

SAUDI PAK
LEASING

SAUDI PAK
L E A S I N G

Our Vision

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

Our Mission

For our customers

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

For our shareholders

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

For our employees

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

For our society

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

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OUR CORPORATE INFORMATION



Mr. Muhammad Iqbal Hussain
Chairman



Mr. Muhammad Farhan Malik
Vice Chairman / Director



Mr. Ahsanullah Khan
Chief Executive Officer



Mr. Muhammad Tariq Masud
Director



Ms. Parveen A. Malik
Director



Mr. Arsalan I. Khan
Director



Mr. Shoaib Ahmed Khan
Director

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Muhammad Iqbal Hussain	Chairman, Non-Executive Director
Mr. Muhammad Farhan Malik	Vice Chairman / Non-Executive Director
Mr. Arsalan Iftikhar Khan	Non-Executive Director
Ms. Parveen A. Malik	Non-Executive Director
Mr. Shoaib Ahmed Khan	Non-Executive Director
Mr. Muhammad Tariq Masud	Non-Executive Director

Mr. Ahsanullah Khan	Chief Executive Officer
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AUDIT COMMITTEE

Mr. Muhammad Tariq Masud	Chairman, Non-Executive Director
Mr. Arsalan Iftikhar Khan	Member, Non-Executive Director
Ms. Parveen A. Malik	Member, Non-Executive Director

ACTING CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Ms. Iqra Sajjad

HEAD OF INTERNAL AUDIT

Mr. Amir Imtiaz Khan

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

LEGAL ADVISOR

S&B Durrani Law Associates

TAX CONSULTANTS

Junaidy Shoaib Asad
Chartered Accountants

BANKS & LENDING INSTITUTIONS

Faysal Bank Limited
MCB 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) 35655181-85, 35655215-19
Fax: (021) 35210607-9

BRANCHES

Lahore

804-D, 8th Floor, City Tower,
6-K, Main Boulevard
Gulberg-III, Lahore
Tel: (042) 35788691-94, 35788696-67
Fax: (042) 35788695

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 Shakra-e-Faisal Karachi
Tel: (021) 111-111-500
Fax: (021) 34326031

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 23rd Annual General Meeting of Saudi Pak Leasing Company Limited will be held on Monday, October 28, 2013 at 11:00 a.m. at Saudi Pak Tower, 61-A, Jinnah Avenue, Blue Area, Islamabad to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the Annual General Meeting held on November 30, 2012 and the minutes of Extra-Ordinary General Meeting held on December 29, 2012.
2. To receive, consider and adopt the audited Financial Statements of the Company together with the Directors' and Auditors' Reports thereon for the year ended June 30, 2013.
3. To appoint auditors for the year ending June 30, 2014 and fix their remuneration.
4. To consider any other business with the permission of the Chair.

By Order of the Board

Karachi: October 7, 2013

Iqra Sajjad
Acting Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 21, 2013 to October 28, 2013 (both days inclusive).
2. A member entitled to attend and vote at the meeting is entitled to appoint another member as his/her proxy to attend and vote on his/her behalf. A Corporation being a member may appoint as its proxy any of its official or any other person whether a member of the company or otherwise.
3. An instrument of proxy or a Power of Attorney or other authority (if any) under which it is signed, or a notarially certified copy of such Power of Attorney, in order to be valid, must be deposited at the Registered Office of the Company not less than 48 hours before the time of the Meeting.
4. CDC account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:
 - i) In case of individuals, the account holder or sub-account holder, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting. The shareholders registered on CDS are also requested to bring their participants I.D. numbers and account numbers in CDS.
 - ii) In case of a Corporate Entity, the Board of Directors' Resolution/Power of Attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of Meeting.
5. Members are requested to promptly notify any change of address to the Company's Share Registrar, Central Depository Company of Pakistan Limited, CDC House, 99-B, Block B, S.M.C.H.S., Main Shakra-e-Faisal, Karachi - 74400.

CHAIRMAN'S REVIEW

I hereby present the 23rd Annual Report along with the audited Financial Statements of Saudi Pak Leasing Company Limited for the year ended June 30, 2013.

The continuous liquidity crunch, difficulty in getting relief through cumbersome and prolonged litigation process and negative mind set of defaulters remained serious challenges being faced by the Company. Due to liquidity crisis, the Company focused on recovery of lease/loan portfolio and liability management. I am pleased to confirm that the Company has successfully negotiated amicable settlement deals with some of its creditors and has restructured debt obligations with them comfortably. Further, negotiations with remaining creditors are also underway.

Due to suspended business situation, the gross finance lease revenue of the Company during the year decreased to PKR 29 million from PKR 58 million in FY 2012. Other operating income increased to PKR 240 million during the year as compared to PKR 81 million in the preceding year mainly due to waiver of mark-up and principal from creditors. During the year under review, the Company has settled an amount of PKR 845 million towards its liabilities by way of cash payments and non-cash settlements. COIs were reduced by PKR 38 million during the year 2013. The Company successfully decreased its financial charges by PKR 68 million and now the financial charges, stood at PKR 85 Million for the year as compared to PKR 153 million in FY 2012; mainly due to settlements through lease/loan swapping, waivers on accrued mark-up and also reduction in mark-up rates. The administrative and operating expenses were reduced to PKR 75 million in 2013 from PKR 77 million in 2012.

The encouraging news is that the management of the Company is successfully negotiating amicable settlements with the creditors to the tune of PKR 502.698 million, paying special attention to the settlements with individual COI holders, making all efforts for recovery and pursuing the defaulters vigorously. It is to be noted that the liquidity resources over last four years are dried up, yet the Company is making settlement payments from its limited available resources.

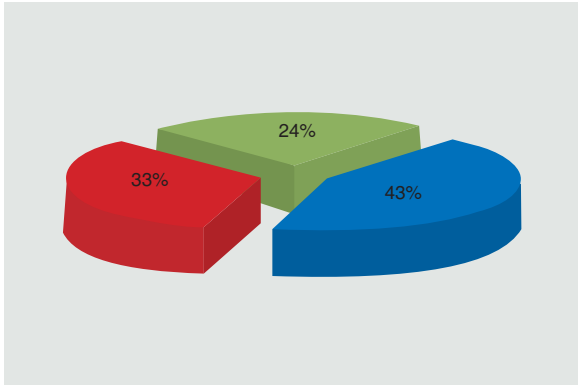
On behalf of the Board of Directors, I avail the opportunity to acknowledge with thanks the guidance of the regulatory authorities and the patronage of customers, COI and TFC holders, banks and lending institutions. I would also like to place on record the dedicated efforts and hard work of the management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



Muhammad Iqbal Hussain
Chairman

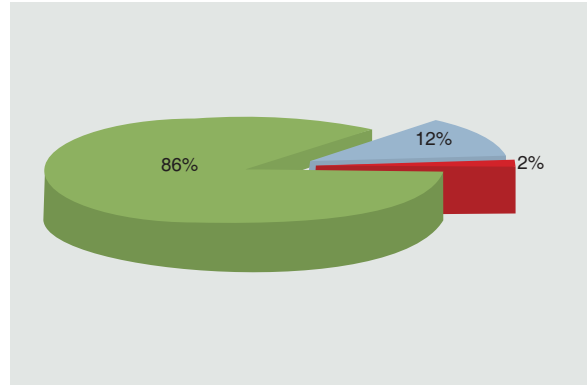
Karachi: September 30, 2013

FINANCIAL HIGHLIGHTS



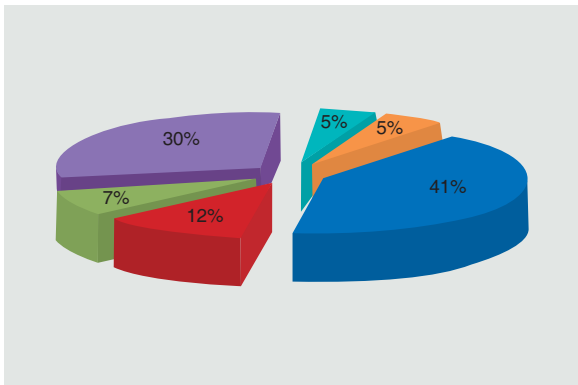
REVENUE ANALYSIS FOR 2012

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



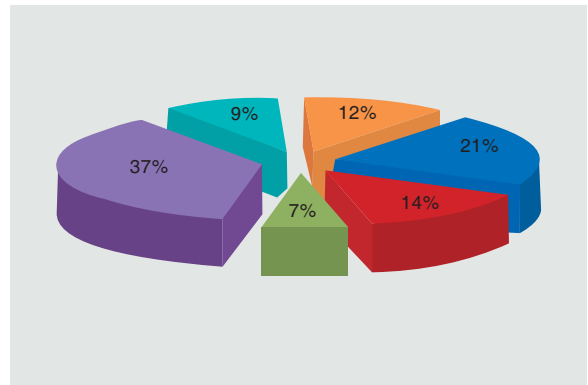
REVENUE ANALYSIS FOR 2013

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



EXPENSES ANALYSIS FOR 2012

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



EXPENSES ANALYSIS FOR 2013

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

FINANCIAL HIGHLIGHTS

(Rupees in millions)

	2013	2012	2011	2010	2009	2008
Operational results						
Total disbursement	-	-	-	-	851	3,249
Revenues	273	144	220	436	677	871
Profit / (Loss) before tax	137	(605)	(164)	(419)	(527)	84
Profit / (Loss) after tax	141	(822)	(118)	(342)	(458)	67
Financial charges	85	153	183	468	776	571
(Reversal) / Provision against non-performing portfolio	(66)	482	73	134	101	69
Impairment loss on equity investment	-	13	16	128	169	-
Cash dividend - ordinary shares	-	-	-	-	-	-
Cash dividend - preference shares	0.181	-	-	-	-	-
Balance sheet						
Gross lease receivables	1,858	1,901	2,777	3,751	4,868	5,937
Net investment in leases	1,048	1,332	1,876	2,838	3,801	4,873
Net worth	(342)	*(678)	*117	*234	*405	537
Fixed assets - owned & operating lease	36	133	101	119	261	256
Total assets	1,595	1,994	3,162	4,471	5,903	7,424
Long term liabilities	556	683	767	1,436	2,316	2,441
Long term investments	-	-	73	137	93	129

* 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	2013	2012	2011	2010	2009	2008
Break up Value (Rs.)	(7.89)	(22.39)	(4.78)	(2.18)	1.60	11.89
Current Ratio (X)	0.98	0.76	1.05	1.09	1.15	0.92
Debt Leverage	(1.96)	(2.64)	24.86	15.59	7.94	10.39
Dividend per Share (Rs.)	-	-	-	-	-	-
Dividend Yield (%)	-	-	-	-	-	-
Earnings / (Loss) per Share (Rs.)	3.13	(18.20)	(2.61)	(7.59)	(10.14)	1.49
Financial Charges / Total Expenses (%)	42.07	60.43	61.90	79.02	82.90	80.37
Financial Charges / Total Revenue (%)	-	-	-	107.37	114.55	65.59
Market Value per Share (Rs.)	0.65	0.80	0.65	0.72	1.99	6.90
Net Profit / (Loss) Margin (%)	51.70	(570.16)	(53.60)	(78.63)	(67.63)	7.74
Operating Profit / (Loss) Margin (%)	25.87	(76.23)	(34.38)	(35.88)	(38.19)	18.39
Price Earning Ratio (X)	0.21	(0.04)	(0.25)	(0.09)	(0.20)	4.62
Return on Assets (%)	8.85	(41.22)	(3.72)	(7.67)	(7.76)	0.91
Return on Equity (%)	-	-	-	348.06	(634.32)	12.56
Revenue per Share (Rs.)	6.05	3.19	4.86	9.65	15.00	19.29
Times Interest Earned (X)	1.83	0.28	0.59	0.67	0.67	1.28
Total Assets / Net Worth (X)	(2.35)	(2.94)	26.95	19.05	14.56	13.82
Total Financing / Net Worth (X)	(1.70)	(2.30)	17.33	12.78	10.00	7.14

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of Saudi Pak Leasing Company Limited are pleased to present on behalf of the Board of Directors, the 23rd Annual Report and audited financial statements of the Company for the year ended 30 June 2013.

Financial Results

	2013 Rupees	2012 Rupees
Income from operating and finance leases	33,151,393	62,773,684
Other operating income	239,845,605	81,353,455
Total income	272,996,998	144,127,139
Financial charges	85,137,458	153,482,081
Administrative and operating costs	98,608,930	89,543,347
Write-offs against loans and lease receivables	18,612,734	10,969,694
Operating profit / (loss) before provisions	70,637,876	(109,867,983)
Reversal / (Provisions) against leases, loans & receivables	65,915,994	(482,342,976)
Impairment on investments	-	(13,197,008)
Profit / (Loss) before taxation	133,114,061	(602,997,645)
Profit / (Loss) after taxation	141,136,333	(821,752,260)
Earnings / (Loss) per share - basic	3.13	(18.20)
Earnings / (Loss) per share - diluted	3.08	(18.20)
Appropriations - Transfer to capital reserves	28,227,267	-

General Overview

Pakistan's weak economic fundamentals have had a pessimistic impact on the local economy; the country is facing serious challenges for the last few years on account of numerous factors along with energy crisis and security risk. The overall economic instability in the country coupled with excessive government borrowing from the State Bank of Pakistan has pushed the inflation, mainly due to rise in worldwide commodity and fuel prices and a general sense of uncertainty around the globe. The deviation of banking liquidity towards government borrowing resulted in reduction of credit expansion to private sector, hence the entire leasing industry, barring a few players, also went through a difficult era. This has aggravated the recovery drive from lease / loan portfolio. These factors provided foundation for severe liquidity shortage in the country and in the leasing sector, due to which majority of the leasing companies have been liquidated and few are still facing problems. The Company was thus trapped in the mud of defaults wherein recovery from customers is proving to be an uphill task. The lengthy and complex litigation process is also one of the reasons which cause delays in the process of recovery. Nevertheless, the Company has so far managing its business dynamics through internal cash generation by way of extensive recovery drive.

The deteriorated financial position of the Company can be over come from the recovery on account of balance lease/loan portfolio, which is currently an available life line for the Company and the management is trying to recover as much as possible from the available means.

Company Overview

The continuous liquidity crunch, effect of socio-political environment, deteriorating business conditions owing to power shortage and turbulent law and order situation along with reduction in overall income are still the main contributing factors for accumulation of large amount of losses. However, the management of the Company has reduced accumulated loss to the line of Rs. 126.230 million during the year.

The management has aggressively exerted the pressure on the lease/loan customers and successfully managing the affairs without any external financial assistance to the Company. Thus the asset side of the balance sheet, which is highly infected, is still helping the Company in generating funds through restructuring/rescheduling and offering relaxation in repayment period and enforcing the recovery measures.

The management is also working on the liability side of the book and has successfully closed huge amount of liability in the shape of restructuring the payment schedule. So far, the settlements with the lending institutions have been effectively structured and commitments are being maintained.

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The Rehabilitation Plan approved by the Board in its meeting held in March 2012 is being successfully implemented by the Company and consequently have caused a substantial decrease in the quantum of liabilities of the Company. It is to be noted that the total liabilities of Banks/FIs/COIs/TFCs which was at Rs. 2,556 million as at December 2011, has come down to Rs. 1,369 million as of June 30, 2013 and the management is quite optimistic to arrive at amicable settlements with rest of the creditors in near future.

The settlements of assets and liabilities have so far played a vital role in the survival of the Company and will continue to ensure the successful revival of the Company in the years to come.

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

Future Outlook

The Company is facing severe liquidity crunch from last five years and is managing its affairs by internal cash generation through the recovery drive. The management of the Company is fully conscious of the observations of the Regulator and its external auditors on the ability of the Company to maintain its status of going concern. Also, all the directors of the Company are cognizant of their fiduciary responsibility for revival of the Company. The regulators are closely supervising the activities of the Company and keeping close watch on the efforts of the Company to materialize the measures mentioned in the Rehabilitation Plan submitted to the SECP in March 2012. The Company is also keeping the regulators fully apprised of the developments in the Rehabilitation Plan.

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

During the next fiscal year, the targeted inflow is maintained at Rs. 200 million realizing the low quality assets, as maximum portfolio is classified, against committed outflow of Rs. 192 million. The Company's objective is to improve recovery through dedicated efforts and making out of court settlements. Some of the defaulters are opting to reschedule / restructure the defaulted amount and negotiations are underway. The aim is to improve recoveries and save money for future secured investment / business and generate income to reduce accumulated losses. However, in view of the gradually shrinking opportunities, the pace of recovery has a downward trend. The present conditions of the Company desperately need further injection of equity by sponsors / new strategic investors to start fresh business to overcome the accumulated losses gradually.

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

Dividend

In view of the continued losses, the Board of Directors of your Company has not recommended any dividend for the year ended June 30, 2013 except for preference dividend of Rs. 180,893 which is duly committed.

Board of Directors

Fresh elections of Board were held during the year on 29 December 2012 and following were appointed as directors of the Company.

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

Corporate Governance

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

Statement of Corporate Governance

The Directors are pleased to state that:

- a) The financial statements, prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of account of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) Though an element of uncertainty exists, but there are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- h) The key information as to operating and financial data of the Company is available in the annual report. The categories and pattern of shareholding as required by the Companies Ordinance, 1984 are also included in the annual report.
- i) During the year six (6) board meetings were held. These meetings were attended by the directors as under:

Name of Directors	Designation	Number of Meetings	
		Held during the year	Attended
Mr. Muhammad Iqbal Hussain	Chairman	6	6
Mr. Muhammad Farhan Malik	Vice Chairman / Director	6	4
Mr. Ahsanullah Khan	Chief Executive Officer	6	6
Mr. Muhammad Tariq Masud	Director	6	4
Mr. Farrukh Shaukat Ansari*	Director	6	2
Mr. Arsalan I. Khan	Director	6	5
Ms. Parveen A. Malik	Director	6	6
Mr. Shoaib Ahmed Khan**	Director	6	2

* Term of directorship expired on December 15, 2012

** Appointed on December 15, 2012 on the Board

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- j) No executive owns or has acquired any shares in the Company during the year and no trading was carried out in the shares of the Company during the year by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, Chief Internal Auditor or their spouses and minor children.
- k) The value of investments in provident and gratuity funds is Rs. 6.0 million (2012: Rs. 4.0 million) and Rs. 11.0 million (2012: Rs.14.0 million) respectively as per the audited accounts for provident fund and gratuity fund for the year ended June 30, 2013.
- l) Due to present financial and liquidity position, the Company was unable in meeting some of its financial obligations. The details of amounts overdue / in default are appropriately disclosed in relevant notes to the financial statements.

Auditors' Report

The Auditors have given their opinion on the financial statements of the Company for the year ended June 30, 2013, wherein they have given emphasis on certain matters.

Our response to the above observations is as under:

- (a) With regard to emphasis paragraph on going concern, the Board of the Company is confident that given successful implementation of the Rehabilitation Plan and Financial Projections as approved by the Board, waivers of principal and mark-up on settlement of liabilities, reversal of provisions and suspended income on settlement with lessees / borrowers, significant reduction in finance cost and further issuance of preference shares will help the Company not only in reducing its accumulated losses but will also have a positive impact on the equity of the Company in the short term. These measures along with those mentioned in note 1.2 to the annexed financial statements, provide a reasonable assurance that the Company would continue to operate as a going concern and as such these financial statements has been prepared on a going concern basis.
- (b) With regard to emphasis paragraph on non-compliance of certain NBFC Regulations, it is to be submitted that these non-compliances are only because of negative equity of the Company and would be complied with as soon as the equity comes into positive zone.
- (c) With regard to emphasis paragraph on preference shares, the matter was referred to the Securities and Exchange Commission of Pakistan for their clarification and the clarification received from SECP allows the classification of the same as equity in light of the definition of equity given in NBFC Rules, 2003.

Audit Committee

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

Credit Rating

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

Auditors

The present auditors, KPMG Taseer Hadi & Co., Chartered Accountants have given their consent to be appointed as auditors for the year 2013-2014. 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, 2014.

Pattern of Shareholding

The pattern of shareholding as on June 30, 2013 is annexed with this report.

Financial Highlights

Key financial highlights are summarized and annexed to these financial statements.

Change in Management

Mr. Muhammad Ali Siddiqui resigned from his position as CFO and Company Secretary on 30 June 2013 and Ms. Iqra Sajjad has been appointed as acting CFO and Company Secretary.

Mr. Amir Imtiaz has been appointed as Head of Internal Audit.

For and on behalf of the Board



Ahsanullah Khan
Chief Executive Officer



Muhammad Iqbal Hussain
Chairman

Karachi: September 30, 2013

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For the year ended 30 June 2013

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

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

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

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

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed Companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year no casual vacancy during the year. Directors' elections were held in December 2012.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies & procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of the particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board / shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter, except for the first quarter in which no meeting of the Board was held. 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.
9. The Board has not arranged any training programs for its Directors during the year, however one of the non-executive directors has obtained certifications of being Certified Director from PICG, whereas the independent director and one of the non-executive director meets the criteria of exemption under clause (xi) of the Code and accordingly are exempt from the Directors' Training Program.
10. The Board has approved appointment of CFO and Company Secretary including his remuneration and terms and conditions of employment. However, the appointment of Head of Internal Audit has not been approved by the Board.

11. The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before the approval of the Board.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with most of the corporate and financial reporting requirements of the Code of Corporate Governance.
15. The Board has formed an Audit Committee. It comprises of three members; of whom all are non-executive directors and the chairman of the committee who is not an independent director.
16. The meetings of the Audit Committee were held at least once in every quarter prior to approval of interim and final results of the Company and as required by the Code, except for the first quarter in which no meeting was held. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three members, of whom one is executive director and two are non-executive directors and the chairman of the committee is a non-executive director.
18. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board



Ahsanullah Khan
Chief Executive Officer

Karachi: 30 September 2013



KPMG Taseer Hadi & Co.
Chartered Accountants
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Karachi, 75530 Pakistan

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Saudi Pak Leasing Company Limited** ("the Company") to comply with the listing regulations of the respective Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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'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.


Further, sub-regulation (x) of Listing Regulations No. 35 notified by Karachi Stock Exchange Limited vide circular KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

As more fully explained in paragraphs 8, 9, 10, 15 and 16 of the Statement of Compliance which describes certain non-compliances in respect of meeting of board of directors, training of directors, appointment of head of internal audit, chairman of audit committee and meetings of audit committee respectively.

Date: 30 September 2013

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



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Auditors' Report to the Members

We have audited the annexed balance sheet of **Saudi Pak Leasing Company Limited** ("the Company") as at **30 June 2013** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - 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;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2013 and of the profit, its cash flows and changes in equity for the year then ended; and

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- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

We draw attention to:

- note 1.2 to the accompanying financial statements which states that Company's current liabilities exceeded its current assets by Rs. 15.382 million and have a negative equity of Rs. 375.889 million as at 30 June 2013. Furthermore, due to the liquidity crisis, the Company was not able to meet its financial obligations of Rs. 380.757 million in principal and Rs. 121.941 million in accrued mark up. These conditions along with the fact that the Company's license to carry out leasing business has not renewed since 18 May 2010, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern;
- note 25.2 to the accompanying financial statements, whereby non-redeemable preference shares have been treated by the Company as part of equity, in view of the requirements of the Companies Ordinance, 1984, and
- note 1.3 to the financial statements which gives the details of certain requirements of NBFC Regulations, 2008 not met by the Company as its equity as at 30 June 2013 is negative.

Our opinion is not qualified in these respects.

Date: 30 September 2013

Karachi

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

BALANCE SHEET

As at 30 June 2013

	Note	2013	2012
----- (Rupees) -----			
ASSETS			
Current assets			
Cash and bank balances	4	40,054,055	27,279,060
Short term loans	5	205,863,867	220,222,545
Short term investments	6	73,821,031	122,568,873
Accrued mark-up	7	1,152,709	1,513,530
Trade deposits and short term prepayments		946,047	808,696
Other receivables	8	2,704,991	15,649,183
Current maturity of non-current assets	9	973,143,962	1,123,221,788
		1,297,686,662	1,511,263,675
Non-current assets classified as held for sale	10	67,936,844	-
Total current assets		1,365,623,506	1,511,263,675
Non-current assets			
Long term loans	11	2,804,494	-
Net investment in finance leases	12	135,786,944	282,415,625
Investment properties	13	55,027,314	66,983,055
Intangible assets	14	-	367,856
Property, plant and equipment	15	35,933,222	132,660,389
Total non-current assets		229,551,974	482,426,925
Total assets		1,595,175,480	1,993,690,600
LIABILITIES			
Current liabilities			
Borrowings from financial institutions	16	191,693,230	246,884,058
Certificates of investment	17	76,895,301	94,895,301
Accrued mark-up	18	214,381,639	320,736,579
Sub-ordinated debt	19	-	333,208,499
Provision for taxation - net		4,037,001	4,100,334
Accrued expenses and other payables	20	31,931,779	31,504,450
Current maturity of non-current liabilities	21	861,885,369	1,290,830,231
Preference dividend payable		180,893	-
Total current liabilities		1,381,005,212	2,322,159,452
Non-current liabilities			
Certificates of investment	17	-	11,300,000
Deferred tax liability - net	22	82,909,512	93,432,598
Long term finances	23	426,814,278	507,776,283
Security deposits against finance leases	24	46,200,811	70,039,373
Total non-current liabilities		555,924,601	682,548,254
Total liabilities		1,936,929,813	3,004,707,706
NET ASSETS		(341,754,333)	(1,011,017,106)
FINANCED BY			
Authorised share capital			
100,000,000 (2012: 100,000,000) ordinary shares of Rs. 10 each		1,000,000,000	1,000,000,000
100,000,000 (2012: Nil) preference shares of Rs. 10 each		1,000,000,000	-
		2,000,000,000	1,000,000,000
Issued, subscribed and paid-up share capital - ordinary shares	25	451,605,000	451,605,000
Issued, subscribed and paid-up share capital - preference shares	25	528,208,500	-
Capital reserves		176,484,656	148,257,389
Accumulated loss		(1,532,286,468)	(1,658,516,423)
Unrealised gain on re-measurement of available for sale investments	26	98,833	-
		(375,889,479)	(1,058,654,034)
Surplus on revaluation of property, plant and equipment - net of deferred tax	26	34,135,146	47,636,928
		(341,754,333)	(1,011,017,106)
CONTINGENCIES AND COMMITMENTS	27		

The annexed notes from 1 to 43 form an integral part of these financial statements.



Chief Executive Officer



Chairman

PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2013

	Note	2013	2012
		----- (Rupees) -----	
Revenue			
Income from:			
Finance leases	28	29,321,653	57,856,314
Operating leases		3,829,740	4,917,370
		33,151,393	62,773,684
Other operating income	29	239,845,605	81,353,455
		272,996,998	144,127,139
Expenses			
Finance cost	30	(85,137,458)	(153,482,081)
Administrative and operating expenses	31	(74,636,853)	(76,689,634)
Amount written-off directly against loans and lease receivables		(18,612,734)	(10,969,694)
Direct cost of operating leases	32	(23,972,077)	(12,853,713)
		(202,359,122)	(253,995,122)
Operating profit / (loss) before provisions		70,637,876	(109,867,983)
Reversal / (provision) for doubtful leases, loans and other receivables - net	33	65,915,994	(482,342,976)
Impairment on available for sale investments		-	(13,197,008)
Impairment on investment properties		(3,439,809)	-
		62,476,185	(495,539,984)
		133,114,061	(605,407,967)
Share of profit from associate - net of tax		-	2,410,322
Profit / (loss) before taxation		133,114,061	(602,997,645)
Taxation	34	8,022,272	(218,754,615)
Profit / (loss) after taxation		141,136,333	(821,752,260)
Earnings / (loss) per share - basic	35	3.13	(18.20)
Earnings / (loss) per share - diluted	35	3.08	(18.20)

The annexed notes from 1 to 43 form an integral part of these financial statements.



Chief Executive Officer



Chairman

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

	2013	2012
	----- (Rupees) -----	
Profit / (loss) after taxation	141,136,333	(821,752,260)
Other comprehensive income		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Unrealised gain on re-measurement of available for sale investments	98,833	-
Total comprehensive income / (loss) for the year	141,235,166	(821,752,260)

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 from 1 to 43 form an integral part of these financial statements.


Chief Executive Officer


Chairman

CASH FLOW STATEMENT

For the year ended 30 June 2013

	Note	2013	2012
		----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations after working capital changes	40	233,291,653	251,203,499
Financial charges paid		(191,492,398)	(84,492,783)
Taxes paid		(2,564,147)	(4,243,314)
Security deposits paid to lessees		(212,467,200)	(55,215,148)
Decrease in net investment in finance leases		326,692,835	204,518,968
		(79,830,910)	60,567,723
Net cash generated from operating activities		153,460,743	311,771,222
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	15	(2,791,862)	(1,755,850)
Investment in operating lease assets	15	(6,044,000)	(3,026,480)
Proceeds from sale of property, plant and equipment		7,835,597	10,268,132
Proceeds from sale of investment property		5,010,000	-
Proceeds from disposal of short term investments - net		56,585,321	42,263,020
Long term loans		9,422,267	107,441,905
Dividend received		65,986	1,461,026
Net cash generated from investing activities		70,083,309	156,651,753
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term finances		(117,878,229)	(220,879,237)
Repayment of borrowings from financial institutions		(55,190,828)	(184,237,531)
Redemption of certificates of investment		(37,700,000)	(67,727,699)
Net cash used in financing activities		(210,769,057)	(472,844,467)
Net increase / (decrease) in cash and cash equivalents		12,774,995	(4,421,492)
Cash and cash equivalents at beginning of the year		27,279,060	31,700,552
Cash and cash equivalents at end of the year	36	40,054,055	27,279,060

The annexed notes from 1 to 43 form an integral part of these financial statements.



Chief Executive Officer



Chairman

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

	Issued, subscribed and paid-up share capital		Capital reserves	Accumulated loss	Unrealised gain on re-measurement of available for sale investments	Total
	Ordinary shares	Non-redeemable preference shares				
----- (Rupees) -----						
Balance as at 30 June 2011	451,605,000	-	148,257,389	(839,410,437)	6,851,796	(232,696,252)
Changes in equity in 2012						
Loss for the year ended 30 June 2012	-	-	-	(821,752,260)	-	(821,752,260)
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation effect for the year - net of tax (note 26.1)	-	-	-	2,646,274	-	2,646,274
<i>Other comprehensive income for the year:</i>	-	-	-	-	-	-
Unrealised gain on re-measurement of available for sale investments realised on disposals	-	-	-	-	(6,851,796)	(6,851,796)
Balance as at 30 June 2012	451,605,000	-	148,257,389	(1,658,516,423)	-	(1,058,654,034)
Changes in equity in 2013						
Profit for the year ended 30 June 2013	-	-	-	141,136,333	-	141,136,333
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation effect for the year - net of tax (note 26.1)	-	-	-	13,501,782	-	13,501,782
<i>Other comprehensive income for the year:</i>	-	-	-	-	98,833	98,833
<i>Transactions with owners, recorded directly in equity</i>						
Issuance of non-voting, non-cumulative, non-redeemable, convertible unlisted preference shares	-	528,208,500	-	-	-	528,208,500
Preference dividend for the year ended 30 June 2013	-	-	-	(180,893)	-	(180,893)
Transferred to capital reserves	-	-	28,227,267	(28,227,267)	-	-
Balance as at 30 June 2013	451,605,000	528,208,500	176,484,656	(1,532,286,468)	98,833	(375,889,479)

The annexed notes from 1 to 43 form an integral part of these financial statements.


Chief Executive Officer


Chairman

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

1. LEGAL STATUS AND OPERATIONS

1.1 Saudi Pak Leasing Company Limited (the Company) was incorporated in Pakistan on 08 January 1991 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 2013 holds 35.06% (2012: 35.06%) of issued ordinary share capital of the Company and 63% (2012: Nil) 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 five 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 earned a net profit of Rs. 141.136 million and as of that date its accumulated losses amounted to Rs. 1,532.286 million and its equity was negative by Rs. 375.889 million, as against the minimum equity requirement of Rs. 700 million by 30 June 2013. Furthermore its current liabilities exceeded current assets by Rs. 15.382 million.
- Impairment loss of Rs. 844.609 million on lease and loans portfolios has been recognised till 30 June 2013 (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 2013, total outstanding principal on which defaults were made amounts to Rs. 380.757 million and defaulted mark-up repayments amounts to Rs. 121.941 million. The management of the Company is in the process of negotiating the restructuring terms of these borrowings.
- The Company's 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

- The Board of Directors support the Company in negotiating the terms of restructuring of various borrowings amounting to Rs. 502.698 million (including mark-up thereon) from the Company's lenders (including the financial institutions, term certificate holders, holders of certificates of investment, etc.) which will help the Company to continue as a going concern.
- The settlement agreements finalised as of 30 June 2013 will result in reduction of borrowings by Rs. 121.252 million through waiver of principal of Rs. 103.900 million and mark-up of Rs. 17.352 million. These are subject to performance of certain terms.
- The borrowings (including mark-up thereon) of the Company has been brought down to Rs. 1,369.203 million from Rs. 2,214.535 million in the current fiscal year through settlements effected by lease and term loans swapping or sale / swapping of collateral held against non-performing borrowers as well as cash settlements and timely repayments as per the revised and restructured terms negotiated with the lenders. This also includes conversion of sub-ordinated debt and debt of a major lender amounting to Rs. 528.209 million into preference shares. The management has finalised certain loans settlement agreements and is under negotiation with the remaining borrowers for the settlement of the Company's obligation through surrendering of its assets/collateral held by the Company against its non-performing exposure.
- Management is hopeful that the reduction in financing cost through restructuring / settlements with the lenders against settlement of loans will assist in reducing the losses and improving the equity. This will make the Company an attractive candidate for equity participation / merger along with an opportunity for the existing shareholders to inject additional equity. The Company intends to aggressively follow-up with its non-performing portfolio for the recovery of principal, mark-up and possession of collateral assets. In this respect the management has strengthened its recovery team and is expecting an approximate inflow of Rs. 16 million each month through such recoveries.
- Moreover, due to escalating provision, going forward , the management intends to initiate an exercise such that the maximum forced sale 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 for restructuring of term finance certificates and has successfully concluded the transaction by way of step up monthly payments from January 2012 and has also successfully negotiated to defer the mark-up payments. Also the Company has managed to repurchase some of the TFCs on discount from the respective TFC holders.
- Moreover, after the balance sheet date the management finalised and carried out the performance of terms and conditions of settlement agreements with some of the lenders. This has resulted in the reduction of liability by Rs. 187.172 million including waiver of principal and mark-up of Rs. 72.763 million and Rs. 12.409 million respectively.
- The Company has requested the Securities and Exchange Commission of Pakistan (SECP) for relaxation in the minimum capital requirement under NBFC Rules, 2008 and is hopeful that this request will be accepted based on the condition of the overall business environment and the Company's position in the overall leasing sector.

On achieving the Board's approved capital management plan and the financial projections, the Company's equity position is expected to reflect the following position:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

Equity position as of 30 June 2013:

	2013 (Rupees)
Issued, subscribed and paid up capital - ordinary shares	451,605,000
Issued, subscribed and paid up capital - preference shares	528,208,500
Capital reserves	176,484,656
Accumulated loss	(1,532,286,468)
Unrealised gain on re-measurement of available for sale investments	98,833
Equity	<u>(375,889,479)</u>

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

Equity as of 30 June 2013:	<u>(375,889,479)</u>
Conversion of liabilities into preference shares	140,000,000
Reversal / waivers of mark-up on settlement of liabilities	140,216,703
Reversal / waivers of principal on settlement of liabilities	208,900,000
Reversal of provisions by claiming forced sale value benefits	49,000,000
Reversal of provisions through recoveries	687,910,951
Effect of taxation and others - net	(260,611,216)
	<u>965,416,438</u>
Expected equity (by the end of three years)	<u>589,526,959</u>

1.3 Due to the fact that at 30 June 2013, the Company's equity is negative by Rs. 375.889 million, the Company could not meet certain regulatory requirements of NBFC Regulations, 2008 (apart from those mentioned in notes 1.2 above and 25.3), including the following:

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except for the following:

- Office premises, plant and machinery and generators are stated at revalued amounts;
- Obligation in respect of gratuity fund is measured at present value;
- Available for sale financial assets are stated at fair value.

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 except when otherwise indicated.

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 and 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.

The estimates and judgments that have a significant effect on the financial statements are in respect of the following:

- Future financial projections (note 1.2).
- Classification of investments and impairment thereon (notes 3.1 and 6);
- Residual values and useful lives of property, plant and equipment (notes 3.6 and 15);
- Revaluation of property, plant and equipment (notes 3.6, 15 and 26.1);
- Useful lives of intangible assets (notes 3.7 and 14);
- Recognition of taxation and deferred taxation (notes 3.11 and 22);
- Accounting for post employment benefits (note 3.12 and 37);
- Provisions (note 3.14);
- Allowance for potential lease, loan losses and other receivables (note 3.15);
- Classification of net investment in finance leases and loans (notes 3.4, 3.8, 5, 11 and 12); and
- Classification of investment properties (notes 3.9 and 13);

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

2.5 Standards, interpretations and amendments which became effective during the year

Following are the amendments of approved accounting standards which became effective for the current period:

- IAS 1 - Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)
- IAS 12 - Deferred tax on investment property (Amendment)

The adoption of the above amendments of the standards did not have any impact on the financial statements except for additional disclosures as required by IAS 1 amendment.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2013:

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The unrecognised gain as explained in note 37, at 30 June 2013 amounted to Rs. 4.237 million which would need to be recognised in other comprehensive and therefore the Company's negative equity would have been reduced by Rs. 4.237 million.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.
- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.
- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.
- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow- scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.
- Annual Improvements 2009-2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.
- IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period - which is the preceding period - is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.
- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories.
- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- Amendment to IAS 36 Impairment of Assets- Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The requirements would have no impact on financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 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:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

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, accumulated in equity is reclassified to profit or loss.

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

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

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

3.2 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 42.

3.3 Leased assets repossessed upon termination of leases

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

3.4 Net investment in finance leases

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

3.5 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.

3.6 Property, plant and equipment

Owned

Property, plant and equipment are stated at cost or relevant 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 unappropriated profit.

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 2013

3.7 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.

3.8 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.

3.9 Investment properties

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

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

3.10 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

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.

3.11 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 0.5 percent of turnover, whichever is higher. The charge for the current tax is calculated using tax rates enacted or substantively enacted at the reporting date. The charge for current tax also includes adjustments, where considered necessary relating to prior years.

Deferred

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is charged or credited to the profit and loss account except deferred tax, if any, on revaluation of property and equipment, which is recognised as an adjustment to surplus / deficit on revaluation.

3.12 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. The amount recognized in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses and as reduced by the fair value of plan assets.

Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceed ten percent of the higher of defined benefit obligation and fair value of the planned assets at that date. The excess amount of gains or losses are recognized over the expected remaining working lives of the employees participating in the plans.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

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. During the year, the Board of Directors has re-instated the provident fund scheme w.e.f 01 July 2012.

3.13 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.

3.14 Provisions

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

3.15 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.

3.16 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purposes of cash flow statement, cash and cash equivalents comprise of cash in hand, deposits held at call with banks, running finances under mark-up arrangements and term deposits with banks having original maturity of a period equal to or less than three months.

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 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.

3.19 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 2013

3.20 Financial liabilities

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

3.21 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.

3.22 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.

3.23 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.

3.24 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 41.

3.25 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

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 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.

	Note	2013	2012
----- (Rupees) -----			
4. CASH AND BANK BALANCES			
With State Bank of Pakistan in current account - local currency		22,240	27,285
With banks:			
- in current account - local currency		5,500	5,500
- in saving accounts	4.1	39,900,104	27,159,993
Cash in hand		126,211	86,282
		<u>40,054,055</u>	<u>27,279,060</u>
4.1 This represents saving deposit accounts maintained with various commercial banks at a mark-up rate ranging from 6% to 8% (2012: 6% to 8%) per annum.			
5. SHORT TERM LOANS - secured			
Considered good		-	-
Considered doubtful	5.1	300,310,039	329,496,472
		<u>300,310,039</u>	<u>329,496,472</u>
Provision for non-performing loans	5.2	(94,446,172)	(109,273,927)
		<u>205,863,867</u>	<u>220,222,545</u>
5.1 These represent short term loans facilities provided to customers and carries mark-up ranging from 16.13% to 25% (2012: 16.06% to 25%) per annum.			

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

	Note	2013	2012
		----- (Rupees) -----	
5.2 Provision for non-performing loans			
Balance at beginning of the year		109,273,927	46,871,981
Charge for the year	5.2.1	37,983,240	88,818,331
Reversal during the year		(52,810,995)	(26,416,385)
	33	(14,827,755)	62,401,946
Balance at end of the year		94,446,172	109,273,927

5.2.1 The above provision for non-performing loans is net of forced sales value (FSVs) of collaterals of Rs. 205.86 million (2012: Rs. 171.700 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. 205.86 million (2012: Rs. 171.700 million) and the Company's accumulated loss (before taxation, if any) would also have been higher by the same amount.

		2013	2012
		----- (Rupees) -----	
6. SHORT TERM INVESTMENTS			
Available for sale			
- ordinary shares of listed companies	6.1	342,650	33,654,260
- ordinary shares of unlisted companies	6.1	18,914,938	32,248,268
Investments at cost		19,257,588	65,902,528
Impairment loss recognised	6.4	-	(20,740,074)
		19,257,588	45,162,454
Unrealised gain on re-measurement to fair value	26	98,833	-
Investments at market value		19,356,421	45,162,454
Held to maturity			
- Government Market Treasury Bills	6.2	39,464,610	32,406,419
- Certificates of deposit	6.3	15,000,000	45,000,000
		73,821,031	122,568,873

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

6.1 Investment in available for sale securities

2013 (Number of shares)	2012	Name of companies	Note	2013		2012	
				Cost	Market value / break up value	Cost	Market value / break up value
				----- (Rupees) -----		----- (Rupees) -----	
Ordinary shares of listed companies							
These are fully paid ordinary shares of Rs. 10/- each							
-	117,000	Engro Corporation Limited		-	-	24,207,494	11,915,280
-	10,000	Pakistan State Oil Company Limited		-	-	5,160,358	2,328,400
-	14,850	Sitara Chemical Industries Limited		-	-	4,286,408	1,559,993
471	-	United Bank Limited		35,000	50,670	-	-
1,161	-	MCB Bank Limited		307,650	390,813	-	-
				342,650	441,483	33,654,260	15,803,673
Ordinary shares of unlisted companies							
-	1,333,333	Burj Bank Limited	6.1.2	-	-	13,333,330	10,443,843
425,000	425,000	Pace Barka Properties Limited	6.1.3	4,250,000	4,250,000	4,250,000	4,250,000
2,500,000	2,500,000	Saudi Pak Insurance Company Limited	6.1.3	14,664,938	14,664,938	14,664,938	14,664,938
				18,914,938	18,914,938	32,248,268	29,358,781
Impairment loss recognised				-	-	(20,740,074)	-
Unrealised gain on re-measurement to fair value				98,833	-	-	-
				19,356,421	19,356,421	45,162,454	45,162,454

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 During the year these shares were transferred to one of the lenders of the Company in settlement of liability at the face value of the shares of Rs. 10 each, amounting to Rs. 13.333 million.

6.1.3 As of 30 June 2013, the break-up value of shares of the Pace Barka Properties Limited and Saudi Pak Insurance Company Limited amounts to Rs. 15.809 per share (2012: 19.360 per share) and Rs. 8.300 per share (2012: Rs. 6.04 per share) respectively.

6.2 This represents investment in Government Market Treasury Bills having maturity on 22 August 2013 and carry effective mark-up at a rate of 9.37% (2012: 11.78%) per annum. As of 30 June 2013, the market value of the treasury bills amounts to Rs. 39.480 million (2012: Rs. 32.399 million).

6.3 This represents certificates of deposit of Orix Leasing Pakistan Limited for a period of one year and having maturity on 17 February 2014. These certificates carry interest rate of 8.75% to 9.69% per annum (2012: 12%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

	Note	2013	2012
----- (Rupees) -----			
6.4 Impairment loss recognised			
Balance at the beginning of the year		20,740,074	184,593,547
Charge for the year		-	13,197,008
Reversal during the year due to settlements		(2,889,487)	(28,469,751)
Reversal during the year on sale of investments		(17,850,587)	(148,580,730)
Balance at the end of the year		-	20,740,074
7. ACCRUED MARK-UP			
Return on investments		50,095	374,792
Mark-up on term loans		1,102,614	1,138,738
		1,152,709	1,513,530
8. OTHER RECEIVABLES			
Operating lease rentals receivables		11,545,095	11,545,095
Receivable on termination of finance leases		74,578,773	76,619,903
Others		2,874,486	4,039,964
		88,998,354	92,204,962
Provision against doubtful receivables	8.1	(86,293,363)	(76,555,779)
		2,704,991	15,649,183
8.1 Provision against doubtful receivables			
Balance at beginning of the year		76,555,779	35,501,823
Charge for the year		9,737,584	53,740,779
Reversal during the year	33	-	(12,686,823)
		9,737,584	41,053,956
Balance at end of the year		86,293,363	76,555,779
9. CURRENT MATURITY OF NON-CURRENT ASSETS			
Long term loans	11	60,972,283	73,142,480
Net investment in finance leases	12	912,171,679	1,050,079,308
		973,143,962	1,123,221,788
10. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE			
Office premises		67,936,844	-

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

	Note	2013	2012
----- (Rupees) -----			
11. LONG TERM LOANS			
Related party - secured			
Loans to employees	11.1	3,854,143	4,724,493
Other than related party - secured			
Term loans to customers			
- Considered good		7,116,262	1,182,846
- Considered doubtful		108,883,263	123,368,596
	11.2	115,999,525	124,551,442
		119,853,668	129,275,935
Provision for non-performing loans	11.3	(56,076,891)	(56,133,455)
		63,776,777	73,142,480
Current maturity of long term loans	9	(60,972,283)	(73,142,480)
		2,804,494	-
11.1 Loans to employees			
Executives		1,453,261	1,785,280
Other employees		2,400,882	2,939,213
	11.1.1	3,854,143	4,724,493

Reconciliation of outstanding amount of loans to Chief Executive and Executives:

	Chief Executive		Executives	
	2013	2012	2013	2012
----- (Rupees) -----				
Opening balance	-	1,627,934	1,785,280	3,940,901
Disbursements	-	-	-	-
Repayments	-	(1,627,934)	(332,019)	(2,155,621)
	-	-	1,453,261	1,785,280

11.1.1 Loans to employees represent house loans and are secured against the future salaries and retirement benefits of the employees. These loans are repayable within a period of 15 years from the date of disbursement or retirement date of the employee, whichever is earlier.

The rate of return on these loans is 4% (2012: 4%) per annum.

11.2 Term loans due from customers are secured against property. The rate of return on these loans ranges from 16% to 22.66% (2012: 16% to 22.66%) per annum and having maturity upto 16 September 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

	Note	2013	2012
		----- (Rupees) -----	
11.3 Provision for non-performing loans			
Balance at beginning of the year		56,133,455	16,429,384
Charge for the year	11.3.1	4,679,786	41,604,071
Reversal made during the year		(4,736,350)	(1,900,000)
	33	(56,564)	39,704,071
Balance at end of the year		56,076,891	56,133,455

11.3.1 The above provision for non-performing long term loans is net of forced sales value (FSVs) of collaterals of Rs. 52.828 million (2012: Rs. 53.120 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. 52.828 million (2012: Rs. 53.120 million) and the Company's accumulated loss (before taxation, if any) would also have been higher by the same amount.

12. NET INVESTMENT IN FINANCE LEASES

	2013			2012		
	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	1,434,666,560	239,724,475	1,674,391,035	1,291,530,145	548,244,700	1,839,774,845
Residual value of leased assets	423,049,938	46,582,426	469,632,364	609,397,327	73,467,439	682,864,766
Gross investment in lease	1,857,716,498	286,306,901	2,144,023,399	1,900,927,472	621,712,139	2,522,639,611
Unearned lease income	(3,647,850)	(10,350,293)	(13,998,143)	(7,105,863)	(42,060,824)	(49,166,687)
Mark-up held in suspense	(332,515,861)	(55,464,833)	(387,980,694)	(247,605,743)	(138,517,050)	(386,122,793)
	(336,163,711)	(65,815,126)	(401,978,837)	(254,711,606)	(180,577,874)	(435,289,480)
Provision for lease losses	(609,381,108)	(84,704,831)	(694,085,939)	(596,136,558)	(158,718,640)	(754,855,198)
Net investment in finance leases	912,171,679	135,786,944	1,047,958,623	1,050,079,308	282,415,625	1,332,494,933

12.1 The internal rate of return on leases disbursed by the Company ranges from 12.50% to 20.01% (2012 : 12.50% to 20.01%) per annum. Certain lease rentals have been hypothecated against long term finances obtained (refer note 23.1.1).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

	Note	2013	2012
----- (Rupees) -----			
12.2 Mark-up held in suspense			
Balance at beginning of the year		386,122,793	342,794,188
Income suspended during the year		21,000,765	60,003,247
		<u>407,123,558</u>	<u>402,797,435</u>
Suspended income:			
- realised during the year		(9,843,166)	(16,407,237)
- written-off during the year		(9,299,698)	(267,405)
		<u>(19,142,864)</u>	<u>(16,674,642)</u>
		<u>387,980,694</u>	<u>386,122,793</u>
12.3 Provision for lease losses			
Balance at beginning of the year		754,855,198	416,137,170
Charge for the year		120,575,407	367,456,634
Reversal during the year		(172,031,640)	(28,273,631)
	33	<u>(51,456,233)</u>	<u>339,183,003</u>
Write-offs against provision	33	(9,313,026)	(464,975)
Balance at end of the year		<u>694,085,939</u>	<u>754,855,198</u>

12.3.1 The above provision for non-performing lease losses is net of the forced sales values (FSVs) of leased assets / collaterals of Rs. 594.960 million (2012: Rs. 601.680 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. 583.342 million (2012: Rs. 583.229 million) and Company's accumulated loss (before taxation, if any) would also have been higher by the same amount.

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 2013, the Company's investment in lease assets was 70.57% (2012: 71.40%) of the total assets (less allowable deductions).

12.5 The Securities and Exchange Commission of Pakistan has amended the time based criteria for calculating the provision against non-performing leases via SRO (1)/2012, dated 26 April 2012. The new criteria became applicable from 01 July 2012. Under the revised criteria, classification and provisioning / suspension requirement would start from the 180th day of default and would need to be fully provided after 2 years of default (earlier starting from 365 days up to 3 years).

The management has applied the new criteria for calculating the provision against non-performing leases. Due to the change in time based criteria, the specific provision against non-performing lease portfolio has increased by Rs. 30.049 million.

	Note	2013	2012
----- (Rupees) -----			
13. INVESTMENT PROPERTIES			
Cost at the beginning of the year		76,169,772	-
Additions during the year		-	76,169,772
Disposals during the year	13.1	(5,010,000)	-
Cost at the end of the year		<u>71,159,772</u>	<u>76,169,772</u>
Accumulated depreciation at beginning of the year		(9,186,717)	-
Depreciation charged during the year	31	(3,505,932)	(9,186,717)
Accumulated depreciation at end of the year		<u>(12,692,649)</u>	<u>(9,186,717)</u>
Provision for diminution in the value of investment properties		(3,439,809)	-
Carrying value of investment properties		<u>55,027,314</u>	<u>66,983,055</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

These represent properties acquired by the Company in settlement of loan and lease rental amounts due to the Company (repossessed properties).

- 13.1 This includes properties (shops and offices) having a carrying value of Rs. 17.57 million which were jointly owned by the Company and SAPICO. During the year, the joint ownership of properties was segregated between the two entities in a manner such that the ownership of shops was transferred to the Company and the ownership of offices was transferred to the parent company. The above arrangement was carried out on mutually agreed basis. The bifurcation was carried out on forced sales value based on the valuation report of Harvester Services (Private) Limited and an amount of Rs. 5.010 million was received by the Company against the transferred portion of the property. Based on the valuations carried out by Tracom (Private) Limited and Maricon Consultants (Private) Limited, the market value of these properties as of 30 June 2013 amounts to Rs. 72.642 million.

14. INTANGIBLE ASSETS

	2013							
	Cost			Amortisation			Written down value as at 30 June 2013	Amortisation rate %
	As at 1 July 2012	Additions / (disposals)	As at 30 June 2013	As at 1 July 2012	For the year	As at 30 June 2013		
----- (Rupees) -----								
Computer software	1,655,408	-	1,655,408	(1,287,552)	(367,856)	(1,655,408)	-	33
----- (Rupees) -----								
	2012							
	Cost			Amortisation			Written down value as at 30 June 2012	Amortisation rate %
	As at 1 July 2011	Additions / (disposals)	As at 30 June 2012	As at 1 July 2011	For the year	As at 30 June 2012		
----- (Rupees) -----								
Computer software	1,655,408	-	1,655,408	(735,744)	(551,808)	(1,287,552)	367,856	33

15. PROPERTY, PLANT AND EQUIPMENT

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

	2012									
	Cost / Revaluation			Accumulated depreciation			Net book value		Rate (%)	
	As at 1 July 2011	Additions / (disposals) / (transfers)*	Revaluation surplus	As at 30 June 2012	As at 1 July 2011	For the year / (on disposals) / (transfers)*	Transferred to held for sale (note 10)	As at 30 June 2012		as at 30 June 2012
----- (Rupees) -----										
Owned assets										
Leasehold land	-	2,800,000	-	2,800,000	-	-	-	-	2,800,000	0%
Building improvements	3,526,371	-	-	3,526,371	3,526,371	-	-	3,526,371	-	20%
Office premises	62,317,487	-	41,486,216	103,803,703	21,098,112	5,498,592	-	26,596,704	77,206,999	5%
Furniture, fixtures & fittings	6,772,397	-	-	6,059,147	6,686,765	75,369	-	6,048,884	10,263	20%
Vehicles	21,873,605	(713,250)	-	13,322,736	17,242,467	(713,250)	-	11,586,634	1,736,102	20%
Office equipment	25,590,494	1,529,000	-	24,882,344	24,613,877	(6,843,295)	-	24,433,087	449,257	20%
		(935,000)*				(934,999)*				
	120,080,354	4,555,850	41,486,216	154,394,301	73,167,592	7,515,632	-	72,191,680	82,202,621	
		(10,793,119)				(7,556,545)				
		(935,000)*				(934,999)*				
Operating lease assets										
Plant and machinery	67,000,000	-	(7,495,000)	59,505,000	33,225,000	6,030,000	-	39,255,000	20,250,000	10%
Generators	44,262,135	3,026,480	17,501,600	55,457,080	25,190,549	6,617,724	-	25,249,312	30,207,768	20%
		(10,268,135)				(7,493,960)				
		935,000*				934,999*				
	111,262,135	3,026,480	10,006,600	114,962,080	58,415,549	12,647,724	-	64,504,312	50,457,768	
		(10,268,135)				(7,493,960)				
		935,000				934,999				
	231,342,489	7,582,330	51,492,816	269,356,381	131,583,141	20,163,356	-	136,695,992	132,660,389	
		(21,061,254)				(15,050,505)				
		-				-				

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

Owned Assets	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Gain / (loss) on sale	Mode of disposal	Particulars of buyer
----- (Rupees) -----							
Vehicles							
BMW: ANC-786	3,500,000	3,150,000	350,000	2,555,000	2,205,000	Negotiation	Mr. Akram Malik
Hyundai Santro: AFX-674	559,000	503,101	55,899	152,500	96,601	As per Company's policy	Mr. Hazrat Wali (Employee)
Daihatsu Cour: ALJ - 295	434,000	390,600	43,400	250,000	206,600	As per Company's policy	Ms. Farhana Naz (Ex-Employee)
	4,493,000	4,043,701	449,299	2,957,500	2,508,201		
Operating lease assets							
Generators							
Generator 500 kVA	6,390,500	5,324,625	1,065,875	1,496,660	430,785	Negotiation	Mr. Saleem Hussain
Generator 350 kVA	6,095,900	5,044,725	1,051,175	1,476,018	424,843	Negotiation	Mr. Saleem Hussain
Generator 39 kVA	1,233,250	889,228	344,022	483,062	139,040	Negotiation	Mr. Saleem Hussain
Generator 39 kVA	1,233,250	889,228	344,022	483,062	139,040	Negotiation	Mr. Saleem Hussain
Generator 150 kVA	1,999,750	1,422,040	577,710	811,198	233,488	Negotiation	Mr. Saleem Hussain
	16,952,650	13,569,846	3,382,804	4,750,000	1,367,196		
	21,445,650	17,613,547	3,832,103	7,707,500	3,875,397		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

15.2 The Company has revalued its certain properties, plant and machinery and generators in the 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)	17,501,600	51,492,816

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

	2013			2012		
	Cost	Accumulated depreciation	Written down value	Cost	Accumulated depreciation	Written down value
	----- (Rupees) -----					
Office premises *	<u>28,548,042</u>	<u>(17,236,646)</u>	<u>11,311,396</u>	<u>28,548,042</u>	<u>(15,809,243)</u>	<u>12,738,799</u>
Plant and machinery	<u>67,000,000</u>	<u>(45,285,000)</u>	<u>21,715,000</u>	<u>67,000,000</u>	<u>(39,255,000)</u>	<u>27,745,000</u>
Generators	<u>33,384,480</u>	<u>(21,389,897)</u>	<u>11,994,583</u>	<u>37,955,480</u>	<u>(25,249,312)</u>	<u>12,706,168</u>

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

16. BORROWINGS FROM FINANCIAL INSTITUTIONS

	Note	2013	2012
		----- (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	36,871,588
AKD Aggressive Income Fund	16.4	10,762,502	20,000,000
IGI Investment Bank Limited	16.5	-	13,750,000
KASB Income Opportunity Fund	16.6	13,429,140	17,929,137
KASB Asset Allocation Fund	16.6	3,000,000	20,833,333
		<u>191,693,230</u>	<u>246,884,058</u>

16.1 This represents finance of Rs. 77.50 million obtained from National Bank of Pakistan on 01 April 2010 through a letter of placement carrying mark-up at a rate of 11.2% per annum for a period of 140 days. The Company has not paid any amount in respect of this finance. As of 30 June 2013, the Company has accrued a mark-up of Rs. 28.228 million. The management is currently under negotiation to settle / restructure this borrowing.

16.2 This represents finance of Rs. 63 million obtained from Innovative Investment Bank Limited on 3 December 2010 through a letter of placement carrying mark-up at a rate of 8% per annum for a period of 90 days. The facility was rolled over for a further period of 184 days on 14 March 2011. Since the disbursement of facility, the Company has paid an amount of Rs. 3 million on account of principal repayment. As of 30 June 2013, the Company has accrued a mark-up of Rs. 16.022 million. The management is currently under negotiation to settle / restructure this borrowing.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

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. During the year on 16 September 2012, a revised settlement agreement was signed, as per the revised settlement agreement, loan is 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 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 the year, the Company has restructured the loan by way of the settlement agreement. As per the latest agreement dated 24 December 2012, the Company is required to settle the loan through following terms:

- Down payment of Rs. 1.237 million.
- 14 equal monthly cash payments of Rs. 1.33 million starting from January 2013.

The Company has made down payment of Rs. 1.237 million on 31 December 2012 and has paid the monthly instalments on the agreed dates as per the revised agreement. As of 30 June 2013, the Company has accrued a mark-up of Rs. 4 million.

- 16.5 This represents finance of Rs. 57.5 million obtained from IGI Investment Bank Limited on 23 August 2010 for a period of 31 days at a rate of 9% per annum.

The finance was restructured by way of settlement agreement on 24 November 2010. As per the restructuring agreement, loan is to be settled by way of transfer of lease receivables of the Company and further making a payment of Rs. 15.272 million. As per rescheduling agreement dated 24 November 2010, the revised facility carried mark-up at a rate of 10.03% per annum, payable monthly. During the year, the loan was again restructured by way of a settlement agreement dated 25 May 2013. By virtue of the said agreement, the Company settled the borrowing by way of transfer of a property held as a collateral against a non-performing borrower as full and final settlement.

- 16.6 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.

During the year, the Company has paid an amount of Rs. 9 million on account of principal repayment in respect of KASB Income Opportunity Fund and KASB Asset Allocation Fund. The Company has also transferred the shares of Burj Bank Limited at face value of Rs.13.333 million in respect of liability of KASB Asset Allocation Fund. As per restructuring terms, these finances carry no mark-up.

	Note	2013	2012
----- (Rupees) -----			
17. CERTIFICATES OF INVESTMENT - Unsecured			
Long term certificates of investment		72,769,000	92,469,000
Current maturity of certificates of investment	21	(72,769,000)	(81,169,000)
		-	11,300,000
Short term certificates of investment		76,895,301	94,895,301

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

17.1 These certificates of investment are for periods ranging from 1 months to 5 years and interest rates on these certificates range from 7% to 14% (2012 : 7% to 18.5%) per annum having maturity upto 18 March 2014.

	2013	2012
	----- (Rupees) -----	
18. ACCRUED MARK-UP		
Mark-up on:		
- certificates of investment	47,121,959	34,739,538
- long term financies	44,843,409	168,359,997
- term finance certificates	62,881,503	68,427,190
- short term borrowings from financial institutions	59,534,768	49,209,854
	<u>214,381,639</u>	<u>320,736,579</u>

19. SUB-ORDINATED DEBT

This represents long term financing previously obtained from the parent company. Through a resolution passed by the Board of Directors of the parent company and endorsed by the Board of Directors of the Company, this long term finance aggregating to Rs. 333.209 million was converted into an interest free, unsecured, sub-ordinated debt of the Company.

During the year, the Company has converted the subordinated debt of Rs. 333.209 million into 33.321 million, non-cumulative and non-voting, convertible unlisted fully paid preference shares of Rs. 10 each after obtaining approval from the SECP and carrying out necessary regulatory requirements in this respect.

	Note	2013	2012
		----- (Rupees) -----	
20. ACCRUED EXPENSES AND OTHER PAYABLE			
Operating lease rentals received in advance		-	777,574
Accrued expenses		3,090,819	1,455,701
Unclaimed dividend		1,668,945	1,670,183
Payable on termination / maturity of finance leases		11,119,078	2,673,760
Others		16,052,937	24,927,232
		<u>31,931,779</u>	<u>31,504,450</u>
21. CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Certificates of investment	17	72,769,000	81,169,000
Long term financies	23	386,649,543	618,565,767
Security deposits against finance leases	24	402,466,826	591,095,464
		<u>861,885,369</u>	<u>1,290,830,231</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

22. DEFERRED TAX ASSET / (LIABILITY)

	Opening balance	Recognised in profit and loss account	Recognised in equity	Closing balance
	----- (Rupees) -----			
30 June 2013				
Taxable temporary differences:				
Excess of net investment in leases over written down value of leases	(55,021,655)	-	-	(55,021,655)
Accelerated tax depreciation	(12,760,288)	3,252,895	-	(9,507,393)
Surplus on revaluation of property, plant and equipment	(25,650,655)	7,270,191	-	(18,380,464)
	<u>(93,432,598)</u>	<u>10,523,086</u>	<u>-</u>	<u>(82,909,512)</u>
30 June 2012				
Taxable temporary differences:				
Excess of net investment in leases over written down value of leases	(55,021,655)	-	-	(55,021,655)
Accelerated tax depreciation	(12,760,288)	-	-	(12,760,288)
Surplus on revaluation of property, plant and equipment	(9,053,086)	1,424,917	(18,022,486)	(25,650,655)
	<u>(76,835,029)</u>	<u>1,424,917</u>	<u>(18,022,486)</u>	<u>(93,432,598)</u>
Deductible temporary differences:				
Provision against term loans	22,155,478	(22,155,478)	-	-
Provision against other receivables	12,425,638	(12,425,638)	-	-
Investment in associate	4,460,884	(4,460,884)	-	-
	<u>39,042,000</u>	<u>(39,042,000)</u>	<u>-</u>	<u>-</u>
Unabsorbed depreciation and carry forward losses	175,566,949	(175,566,949)	-	-
	<u>137,773,920</u>	<u>(213,184,032)</u>	<u>(18,022,486)</u>	<u>(93,432,598)</u>

22.1 The deferred tax asset amounting to Rs. 407.637 million (2012: Rs. 345.740 million) is not recognised in these financial statements.

	Note	2013	2012
		----- (Rupees) -----	
23. LONG TERM FINANCES			
Long term finance - secured		292,651,248	517,806,216
Long term finance - unsecured		96,766,664	111,682,627
	23.1	<u>389,417,912</u>	<u>629,488,843</u>
Term finance certificates - secured	23.10	424,045,909	496,853,207
		<u>813,463,821</u>	<u>1,126,342,050</u>
Current maturity of long term finances	21	(386,649,543)	(618,565,767)
		<u>426,814,278</u>	<u>507,776,283</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

23.1 Long term finances

	Tenure		Price		Principal outstanding		
	from	to			2013	2012	
							----- (Rupees) -----
Secured							
National Bank of Pakistan	Mar-05	Mar-10	6 month KIBOR + 1.5% (payable semi annually)	23.2	12,500,000	12,500,000	
Pak Brunei Investment Company Limited	Feb-09	Jun-13	-		-	244,711	
First Women Bank Limited	Dec-09	Dec-12	Fixed at 12% (payable monthly)	23.3	75,061,505	75,061,505	
Askari Income Fund	Mar-10	Sep-12	-	23.4	15,000,000	15,000,000	
Soneri Bank Limited	May-13	May-14	-	23.5	109,166,666	110,000,000	
Bank of Khyber	Jun-12	Mar-16	-	23.6	33,000,000	240,000,000	
HSBC Bank Middle East Limited	Jun-12	Aug-14	-	23.7	47,923,077	65,000,000	
Un-secured							
CDC Trustee United Growth & Income Fund	Jul-12	Jan-13	-	23.8	87,600,000	100,000,000	
Silk Bank Limited	Sep-12	Mar-17	-	23.9	9,166,664	11,682,627	
					<u>389,417,912</u>	<u>629,488,843</u>	

23.1.1 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.

23.2 This represents finance of Rs. 100 million obtained from National Bank of Pakistan on 21 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 21 September 2005 to 21 March 2009. The agreement was further amended with the maturity date to March 2010. As of 30 June 2013, all instalments were paid except for the last instalment which was due on 21 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 2013, the Company has accrued mark up of Rs. 6.515 million. The management is currently under negotiation to settle / restructure this borrowing.

23.3 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 2013, the Company has accrued mark-up of Rs. 24.172 million. The management is currently under negotiation to settle / restructure this borrowing.

23.4 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 6 February 2011 and outstanding mark-up was waived. The Company paid the instalments upto 15 July 2011 and afterwards no amount has been paid.

23.5 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.

During the year, the Company has again restructured the loan 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:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

23.9 This represents finance of Rs. 15.7 million obtained from Silk Bank Limited on 27 April 2009 against issuance of irrevocable letter of comfort to Silk Bank on account of Uni-Link International for opening of letter of credit. The Company has paid Rs. 4.04 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 2013, the Company has accrued a mark up of Rs. 2.55 million and the monthly instalments of Rs. 0.204 million each are being paid regularly by the Company. As per the restructuring terms the finance carries no mark-up. - Rs. 43 million by way of transfer of a property (held as collateral of Rs. 43 million against the borrower) or a cash payment of Rs. 25 million as full and final settlement of Rs. 43 million.

- Rs. 34.5 million by way of transfer of a property (held as collateral of Rs. 34.5 million against the borrower).
- Cash payment of Rs. 5 million in 12 equal monthly instalments of Rs. 0.416 million each commencing from the date of execution of settlement agreement.

The Company has settled the loan amounting to Rs. 43 million by way of cash payment of Rs. 25 million on 28 August 2013. The Company has also paid the instalments as per the revised agreement. As per the revised restructuring terms, this finance carries no mark-up.

23.6 This represents finance of Rs. 468 million obtained from Bank of Khyber on 12 March 2009 mainly for lease financing activities. The finance was restructured by way of settlement agreements on 22 March 2009, 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, whereas the issuance of preference shares amounting to Rs. 195 million has been completed during the year. Further, monthly instalments of Rs. 1 million each are being paid regularly by the Company. As per latest restructuring terms this finance carries no mark-up.

23.7 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. As per rescheduling agreement the finance carries no mark-up. As of 30 June 2013, the Company is complying with revised terms of the restructuring agreement.

23.8 This represents finance of Rs. 117 million obtained from CDC Trustee United Growth & Income Fund on 14 January 2010 mainly for lease financing activities. The finance was restructured by way of settlement agreements dated 12 May 2010 and 12 July 2012. As per the revised restructuring agreement loan is to be settled by way of transfer of three properties of Company's debtors on 31 December 2012 and 30 June 2013. As per the revised restructuring agreement the finance carries no mark-up. Subsequent to the year end, the Company has changed the terms of the revised agreement by way of addendum dated 04 July 2013. As per the amendment, the Company is now required to settle the loan through the following revised terms:

- Rs. 65.2 million by way of transfer of a property (held as collateral of Rs. 65.2 million against a borrower) or a cash payment of Rs. 45 million payable in tranches on 12 July 2013, 30 July 2013 and 31 August 2013.
- Rs. 12 million by way of transfer of a property (held as a collateral of Rs. 12 million against a non-performing borrower).

During the year, the Company settled part of a loan by way of transfer of a property of Rs. 12.4 million as per the original terms of revised agreement. Subsequent to year end, the Company has also settled part of the loan amounting to Rs. 65.2 million by way of cash payments of Rs. 45 million on their respective dates as per the amendments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

23.9 This represents finance of Rs. 15.7 million obtained from Silk Bank Limited on 27 April 2009 against issuance of irrevocable letter of comfort to Silk Bank on account of Uni-Link International for opening of letter of credit. The Company has paid Rs. 4.04 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 2013, the Company has accrued a mark up of Rs. 2.55 million and the monthly instalments of Rs. 0.204 million each are being paid regularly by the Company. As per the restructuring terms the finance carries no mark-up.

23.10 This represents third issue of registered and listed term finance certificates (TFCs) issued by the Company to banking companies and financial institutions, trusts and general public. These are secured by way of a first exclusive charge on specific leases including lease rentals and receivables against lease with 25% margin available at all times to the TFCs holders on total outstanding amount of the issue. The total issue comprises of 150,000 number of 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. As of 30 June 2013, the trustee has obtained necessary approval of TFC holders. The management considers the restructuring terms of Second Supplemental Declaration of Trust as effective and is making necessary payments as per the revised terms.

The revised terms and conditions of the issue after rescheduling are as follows:

Principal redemption

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

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

Mark-up on TFCs

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

	Note	2013	2012
		----- (Rupees) -----	
24. SECURITY DEPOSITS AGAINST FINANCE LEASES			
Security deposits against finance leases	24.1	448,667,637	661,134,837
Less: Current maturity of deposits against finance leases	21	<u>(402,466,826)</u>	<u>(591,095,464)</u>
		<u>46,200,811</u>	<u>70,039,373</u>

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

25. SHARE CAPITAL

2013	2012	Note	2013	2012
(Number of shares)			----- (Rupees) -----	
100,000,000	100,000,000	AUTHORISED SHARE CAPITAL	1,000,000,000	1,000,000,000
		Ordinary shares of Rs. 10 each		
		Non-cumulative and non-voting, convertible unlisted preference shares of Rs. 10 each	<u>1,000,000,000</u>	-
<u>100,000,000</u>	-		<u>2,000,000,000</u>	<u>1,000,000,000</u>
<u>200,000,000</u>	<u>100,000,000</u>			
		ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL		
		ORDINARY SHARES		
		Issued for cash		
		Ordinary shares of Rs. 10 each fully paid in cash	25.1	251,800,000
25,180,000	25,180,000		251,800,000	251,800,000
		Issued for consideration other than cash		
		Ordinary shares of Rs. 10 each issued as fully paid bonus shares		199,805,000
19,980,500	19,980,500		199,805,000	199,805,000
		NON-CUMULATIVE PREFERENCE SHARES		
		Issued for consideration other than cash		
		Non-cumulative and non-voting, convertible unlisted fully paid preference shares of Rs. 10 each	25.1 & 25.2	-
52,820,850	-		528,208,500	-
<u>97,981,350</u>	<u>45,160,500</u>		<u>979,813,500</u>	<u>451,605,000</u>

25.1 Saudi Pak Industrial & Agricultural Investment Company Limited (SAPICO) holds 35.06% (2012: 35.06%) of the issued, subscribed and paid-up ordinary share capital of the Company and 63% (2012: Nil) of issued preference share capital of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

25.2 The Board of Directors in their meeting held on 11 June 2012 decided to increase the authorised share capital of the Company to Rs. 2,000 million. The shareholders of the Company through special resolution in Extra Ordinary General Meeting held on 11 July 2012 approved the decision of the Board of Directors to convert the sub-ordinated debt from SAPICO and loan from Bank of Khyber into non-voting, non-cumulative, convertible unlisted preference shares at Rs. 10 each. The SECP vide its letter number SC/NBFC/23/SPLCL/2013/58 dated 13 February 2013, also approved the conversion.

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

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

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

25.3 Capital management policies and procedures

Capital requirements applicable to the Company are set 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 2013 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. During the year, the Company has managed to issue preference share capital through conversion of sub-ordinated debt and a debt of a major lender amounting to Rs. 528.209 million.

	Note	2013	2012
----- (Rupees) -----			
26. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus on revaluation (net of tax) of:			
- property, plant and equipment	26.1	34,135,146	47,636,928
- unrealized gain on remeasurement of available for sale investments	6	98,833	-
		34,233,979	47,636,928

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

	Note	2013	2012
26.1 Surplus on revaluation of property, plant and equipment			
----- (Rupees) -----			
As at beginning of the year		73,287,584	25,865,959
Effect of revaluation carried out during the year		-	51,492,816
Transfer to retained earning / (accumulated losses) in respect of incremental depreciation - net of deferred tax		(13,501,782)	(2,646,274)
Related deferred tax liability		(7,270,189)	(1,424,917)
		(20,771,971)	(4,071,191)
As at June 30		52,515,613	73,287,584
Related deferred tax liability on:			
Revaluation as at the beginning of the year		(25,650,656)	(9,053,087)
Revaluation carried out during the year		-	(18,022,486)
Transfer to retained earning / (accumulated losses) in respect of incremental depreciation - net of deferred tax		7,270,189	1,424,917
		(18,380,467)	(25,650,656)
		34,135,146	47,636,928
27. CONTINGENCIES AND COMMITMENTS			
Claims against the Company not acknowledged as debt	27.1	168,034,208	100,822,578

27.1 The above includes contingencies of Rs. 107.341 million which represents cases which are filed against the Company as counter claims. It also includes contingencies of Rs. 60.693 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.

27.2 The Company has been issued with a notice under section 14 of the Federal Excise Act, 2005. In the notice it has been alleged that the Company has not paid Federal Excise Duty (FED) in terms of section 3 (read with Entry 8 of Table-II of the First Schedule) to the Federal Excise Act 2005 for the 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. Accordingly, the amount of liability comes out to Rs. 0.199 million. However, no provision has been made in these financial statements.

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 further decided to prefer appeal before the Appellate Tribunal Inland Revenue against the above CIR (A) order. Moreover, the Company's tax advisor is of the view that the Company has a strong arguable case that it is likely to succeed in getting the relief claimed against the said demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

	2013	2012
	----- (Rupees) -----	
28. INCOME FROM FINANCE LEASES		
Income on finance lease contracts	23,308,289	49,082,011
Document fee, front-end fee and other charges	6,013,364	8,738,716
Gain on termination of lease contracts	-	35,587
	<u>29,321,653</u>	<u>57,856,314</u>
29. OTHER OPERATING INCOME		
Income from financial assets		
- Available for sale		
Dividend income	65,986	1,461,026
Capital gain / (loss) on sale of investments	7,738,645	(2,493,718)
	<u>7,804,631</u>	<u>(1,032,692)</u>
- Held to maturity		
Income on amortisation of Government Market Treasury Bills	3,681,024	1,979,819
- Loans and receivables		
Interest income on term loans	5,408,363	47,028,693
Return on certificates of deposit	4,378,700	2,155,302
Interest income from saving accounts	1,245,019	1,728,851
	<u>11,032,082</u>	<u>50,912,846</u>
Income from non-financial assets		
Mark-up, commission and fee income	140,129	488,534
Gain on sale of property, plant and equipment	3,999,296	4,257,383
Gain on settlement of loans	210,597,635	19,728,796
Others	2,590,808	5,018,769
	<u>217,327,868</u>	<u>29,493,482</u>
	<u>239,845,605</u>	<u>81,353,455</u>
30. FINANCE COST		
Mark-up on:		
- Long term loans	26,412,004	82,453,966
- Term finance certificates	28,343,072	29,474,435
- Short term borrowings	16,457,172	22,402,401
Return on certificates of investment	13,688,273	18,697,599
Arrangement fee	-	233,181
Bank charges	236,937	220,499
	<u>85,137,458</u>	<u>153,482,081</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

	Note	2013	2012
----- (Rupees) -----			
31. ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries, allowances and benefits	31.1	29,675,693	33,147,596
Rent		1,714,746	1,389,735
Repairs and maintenance		1,797,954	1,567,555
Utilities		1,506,135	1,672,872
Depreciation on owned assets	15	10,270,668	7,515,632
Depreciation on investment properties	13	3,505,932	9,186,717
Amortisation	14	367,856	551,808
Insurance		1,085,161	2,350,897
Vehicle running expenses		4,269,365	5,967,931
Printing and stationery		699,052	693,605
Telephone and postage		1,083,099	1,539,483
Travelling and conveyance		1,649,303	1,578,159
Fee and subscriptions		6,275,590	1,385,007
Legal and professional charges		7,590,746	5,770,154
Advertising and entertainment		674,530	319,560
Auditors' remuneration	31.2	695,750	569,900
Miscellaneous		1,775,273	1,483,023
		74,636,853	76,689,634
31.1 Salaries, allowances and benefits include Rs. 1.449 million (2012: Rs. 2.024 million) in respect of staff retirement benefits.			
31.2 Auditors' remuneration			
Annual audit fee		350,000	350,000
Fee for review of half yearly financial statements		100,000	100,000
Other certifications		50,000	50,000
Out of pocket expenses		195,750	69,900
		695,750	569,900
32. DIRECT COST OF OPERATING LEASES			
Insurance and other expenses		452,861	205,989
Depreciation on operating lease assets	15	23,519,216	12,647,724
		23,972,077	12,853,713
33. PROVISION FOR DOUBTFUL LEASES, LOANS AND OTHER RECEIVABLES			
Reversals / (provision) / Write-offs for potential lease losses - net	12.3	(60,769,259)	339,183,003
Reversals / (provision) for potential losses on short term loans - net	5.2	(14,827,755)	62,401,946
Reversals / (provision) for potential losses on long term loans - net	11.3	(56,564)	39,704,071
Provision for other doubtful receivables - net	8.1	9,737,584	41,053,956
		(65,915,994)	482,342,976
34. TAXATION			
Taxation			
- Current	34.1	2,500,814	5,570,583
- Deferred	22	(10,523,086)	213,184,032
		(8,022,272)	218,754,615

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

34.1 Current tax liability

The current year tax charge represents the Minimum Turnover Tax i.e. 0.5% of gross turnover under section 113 of the Income Tax Ordinance, 2001 (the Ordinance).

34.2 Deferred taxation

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

34.3 Relationship between tax expense and accounting profit

	2013	2012
	----- (Rupees) -----	
Accounting profit / (loss) for the current year	133,114,061	(602,997,645)
Tax on income @ 35%	46,589,921	(211,049,176)
Effect of lower tax rate in future years	(1,951,158)	(365,256)
Tax losses utilised against current year taxable income	(77,055,022)	(48,440,413)
Deferred tax assets not recognised during the period	21,893,173	473,038,877
Minimum turnover tax charge	2,500,814	5,570,583
Tax expense	(8,022,272)	218,754,615

34.4 Current status of tax assessments

The tax assessments of the Company relating to assessment years before tax year 2003 have been completed and no appeal is being pending in appellate forums. The income tax return for tax years 2003-2012 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 of the Company. The requested information has been submitted with the tax authority under section 176 of the Ordinance and nothing adverse in this regard has been communicated by the tax authority.

35. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

	2013	2012
	----- (Rupees) -----	
Profit / (loss) after taxation attributable to ordinary shareholders	141,136,333	(821,752,260)
Weighted average number of ordinary shares	45,160,500	45,160,500
Earnings / (loss) per share - Basic	3.13	(18.20)
Profit / (loss) after taxation attributable to ordinary shareholders - net of dilution effect	141,136,333	(821,752,260)
Weighted average number of ordinary shares - net of dilution effect	45,884,073	45,160,500
Earnings / (loss) per share - Diluted	3.08	(18.20)

36. CASH AND CASH EQUIVALENTS

Cash and bank balances	40,054,055	27,279,060
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

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 2013 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:

	2013	2012
Discount rate	10%	13%
Expected long term rate of increase in salary level	9%	12%
Expected long term rate of interest on plan assets	10%	14%
Expected remaining working life time of employees	7 years	6 years
Number of employees	33	39

37.1.2 Asset / liability in balance sheet

	2013	2012
	----- (Rupees) -----	
Present value of defined benefit obligation	8,008,077	7,717,492
Fair value of plan assets	(12,245,049)	(12,345,041)
Surplus	(4,236,972)	(4,627,549)
Unrecognised net actuarial gain	4,236,972	4,627,549
	-	-

37.1.3 Movement in the balance sheet liability

Balance at the beginning of the year	-	-
Charge for the year	26,752	2,024,392
Payments made during the year	(26,752)	(2,024,392)
Balance at the end of the year	-	-

37.1.4 Changes in present value of defined benefit obligations

Present value of defined benefit obligation at the beginning of the year	7,717,492	14,610,477
Current service cost for the year	1,216,567	2,032,225
Interest cost for the year	1,003,274	2,045,467
Benefit paid during the year	(1,465,667)	(5,734,981)
Actuarial (gain) on present value of defined benefit obligation	(463,589)	(5,235,696)
Present value of defined benefit obligation at the end of the year	8,008,077	7,717,492

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

	2013	2012
	----- (Rupees) -----	
37.1.5 Changes in fair value of plan assets		
Fair value of plan assets at the beginning of the year	12,345,041	14,666,399
Expected return on plan assets	1,627,582	2,053,300
Contribution during the year	26,752	2,024,392
Benefit paid during the year	(1,465,667)	(5,734,981)
Actuarial loss on plan assets	(288,659)	(664,069)
Fair value of plan assets at the end of the year	<u>12,245,049</u>	<u>12,345,041</u>
37.1.6 Charge for defined benefit plan		
Current service cost	1,216,567	2,032,225
Interest cost	1,003,274	2,045,467
Expected return on plan assets	(1,627,582)	(2,053,300)
Actuarial (gain) / losses recognised	(565,507)	-
	<u>26,752</u>	<u>2,024,392</u>
37.1.7 Fair value of plan assets / liabilities at the end of the year		
Term Finance (SAPICO)	-	5,000,000
Orix - Quick gain scheme	2,000,000	6,000,000
Orix - Floater one year	1,500,000	-
Orix - Floater two years	2,500,000	-
Orix - Money Builder	5,000,000	-
Accrued profit receivable on investment	435,083	169,013
Cash at bank(s)	809,966	1,176,028
	<u>12,245,049</u>	<u>12,345,041</u>
37.1.8 Actuarial gain / losses		
Actuarial gains / (losses) as at beginning of the year	4,627,549	55,922
Actuarial (gains) / losses charged during the year	(565,507)	4,571,627
Gains / (losses) arising during the year	174,930	-
Actuarial gains as at the end of the year	<u>4,236,972</u>	<u>4,627,549</u>

37.1.9 Actual return on plan assets during the year was Rs. 1.339 million (2012: Rs. 1.389 million).

37.1.10 Estimated contribution for the next year is Rs. 0.854 million.

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

	2013	2012	2011	2010	2009
	----- (Rupees) -----				
Present value of defined benefit obligation	(8,008,077)	(7,717,492)	(14,610,477)	(15,892,229)	(14,145,554)
Fair value of plan assets	12,245,049	12,345,041	14,666,399	14,581,405	9,982,014
Surplus / (deficit)	<u>4,236,972</u>	<u>4,627,549</u>	<u>55,922</u>	<u>(1,310,824)</u>	<u>(4,163,540)</u>
Experience adjustments on plan liabilities (gains) / losses	(463,589)	(5,235,696)	(1,217,166)	(1,980,567)	682,377
Experience adjustments on plan assets gains / (losses)	(288,660)	(664,069)	130,028	289,933	(1,093,799)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

37.1.12 Number of employees

The total number of employees as at year end were 46 (2012: 45) and average number of employees during the year were also 46 (2012: 59).

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 Section 227 of the Companies Ordinance, 1984. The total charge against provident fund for the year ended 30 June 2013 was Rs.1.422 million (2012: Nil). The audit of the provident fund for the year ended 30 June 2013 is in progress. The net assets based on audited financial statements of provident fund as at 30 June 2012 were Rs. 6 million which were invested in different financial instruments categories as provided in Section 227 of the Companies Ordinance, 1984 and Rules formulated for the purpose. Currently all assets of the fund are valued at amortized cost. The cost and fair value of investments amounts to Rs. 6 million.

38. TRANSACTIONS WITH RELATED PARTIES

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

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

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

	2013					
	Parent Company	Associated Company	Other Group Companies	Directors Fee	Key management Personnel	Other related parties
	(Rupees)					
Fee	-	-	-	660,000	-	-
Rent paid	465,850	-	-	-	-	-
Payments to gratuity fund	-	-	-	-	-	26,753
Payments to provident fund	-	-	-	-	-	1,421,749
Remuneration to key management personnel	-	-	-	-	15,101,343	-
Premium paid to insurance company	-	1,035,995	-	-	-	-
Preference dividend payable	114,112	-	-	-	-	-
	2012					
	Parent Company	Associated Company	Other Group Companies	Directors Fee	Key management Personnel	Other related parties
	(Rupees)					
Fee	-	-	-	420,000	-	-
Rent paid	519,773	-	-	-	-	-
Share of profit from associate - net of tax	-	2,410,322	-	-	-	-
Rentals received	-	-	818,203	-	-	-
Payments to gratuity fund	-	-	-	-	-	2,024,400
Remuneration to key management personnel	-	-	-	-	15,922,439	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

39. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

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

	Chief Executive		Director		Executive		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	----- (Rupees) -----							
Fee	-	-	660,000	420,000	-	-	660,000	420,000
Managerial remuneration	2,799,997	3,684,652	-	-	6,621,321	6,009,966	9,421,318	9,694,618
House rent, utilities etc.	1,633,335	1,762,515	-	-	3,173,976	3,465,804	4,807,311	5,228,319
Retirement benefits	284,535	383,842	-	-	588,179	615,660	872,714	999,502
	4,717,867	5,831,009	660,000	420,000	10,383,476	10,091,430	15,761,343	16,342,439
Number of persons	1	1	6	7	7	9	14	17

Chief Executive and Executives are provided with free use of Company maintained cars.

40. CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES

	2013	2012
	----- (Rupees) -----	
Profit / (loss) for the year before taxation	133,114,061	(602,997,645)
Adjustment for non-cash charges and other items:		
Depreciation - owned assets	10,270,668	7,515,632
Depreciation - investment properties	3,505,932	9,186,717
Depreciation - assets under operating lease	23,519,216	12,647,724
Amortization	367,856	551,808
Financial charges	85,137,458	153,482,081
(Reversal) / provision for doubtful leases, loans and other receivables	(65,915,994)	482,342,976
Dividend income	(65,986)	(1,461,026)
Impairment on investment property	3,439,809	-
Impairment on available for sale investments	-	13,197,008
Amount written off directly against loans, lease receivables and investments	18,612,734	10,969,694
Share of (profit) / loss from associate	-	(2,410,322)
Capital (gain) / loss on sale on investments	(7,738,645)	2,493,718
Gain on sale of property, plant and equipment	(3,999,296)	(4,257,383)
	67,133,752	684,258,627
Operating profit before working capital changes	200,247,813	81,260,982
Working capital changes		
Short term loans	29,186,433	108,913,265
Advances	-	1,529,000
Accrued mark-up	360,821	39,624,180
Trade deposits and short term prepayments	(137,351)	342,011
Other receivables	3,206,608	28,724,370
	32,616,511	179,132,826
Accrued and other payables	427,329	(9,190,309)
	33,043,840	169,942,517
Cash generated from operations after working capital changes	233,291,653	251,203,499

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

- 40.1 The decrease in short term loans and accrued mark-up thereon includes an amount aggregating to Rs. 4.713 million represents non-cash adjustments against short term borrowings.
- 40.2 The decrease in short term investments includes an amount aggregating to Rs. 13.333 million represents non-cash adjustment against short term borrowings.
- 40.3 The decrease in security deposits against finance leases of Rs. 212.467 million represents non-cash adjustment against net investment in finance leases.
- 40.4 The decrease in sub-ordinated debt includes an amount aggregating to Rs. 333.209 million represents non-cash adjustment against preference shares.
- 40.5 The decrease in long term finances, short term borrowings and accrued mark-up thereon includes an amount aggregating to Rs. 405.597 represents non-cash adjustments against preference shares and waiver of mark-up and principal of long term finance.
- 40.6 The decrease in net investment in finance leases includes an amount aggregating to Rs. 0.343 million represents non-cash adjustments against short term investments.

41. SEGMENT INFORMATION

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

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

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

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

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

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

The Company's financial charges, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

42. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Company has exposure to the following risks from 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 has the overall responsibility for establishment and oversight of Company's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

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.

42.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail 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 2013

	2013	2012
	----- (Rupees) -----	
Financial assets		
Long term loans	119,853,668	129,275,935
Gross investment in finance leases net of security deposits held	1,293,376,926	1,426,215,294
Bank balances	39,905,604	27,165,493
Short term loans	300,310,039	329,496,472
Short term investments	54,464,610	77,406,419
Accrued mark-up	1,152,709	1,513,530
Trade deposits	888,385	808,696
Other receivables	88,998,354	92,204,962
	<u>1,898,950,295</u>	<u>2,084,086,801</u>
Financial assets		
Secured	1,754,157,952	1,918,907,650
Unsecured	144,792,343	165,179,151
	<u>1,898,950,295</u>	<u>2,084,086,801</u>

42.1.1 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:

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

* These have not been impaired as these were not meeting the criteria for provisioning requirements under the NBFC Regulations.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

	2012					
	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	10,239,232	-	-	-	-	-
- 30 to 89 days	16,389,083	-	-	-	-	-
Past due and impaired:						
- 90 to 179 days	8,638,623	-	13,965,106	-	17,751,185	-
- 180 to 364 days	5,254,396	-	-	-	13,781,789	5,000,000
- 365 to 729 days	7,334,277	1,184,426	2,166,883	2,166,883	10,859,798	10,859,798
- 730 to 1095 days	84,768,570	25,915,270	3,974,914	3,670,222	-	-
- more than 1095 days	1,293,591,113	727,755,502	109,169,032	50,296,350	287,103,700	93,414,129
Neither past due nor individually impaired	-	-	-	-	-	-
Total gross amount	<u>1,426,215,294</u>	<u>754,855,198</u>	<u>129,275,935</u>	<u>56,133,455</u>	<u>329,496,472</u>	<u>109,273,927</u>

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

	Rating		Rating Agency	2013	2012
	Short term	Long term		----- (Rupees) -----	
Faysal Bank Limited	A-1+	AA	JCR-VIS	39,217,736	10,400,374
Silk Bank Limited	A-3	A -	JCR-VIS	7,234	1,106,711
Samba Bank Limited	A-1	AA -	JCR-VIS	4,675	1,172,527
MCB Bank Limited	A1+	AA +	PACRA	670,459	14,480,381
National Bank of Pakistan	A-1+	AAA	JCR-VIS	5,500	5,500
				<u>39,905,604</u>	<u>27,165,493</u>

42.1.2 Restructured lease receivables

The carrying amount of restructured leases included in on balance sheet credit risk exposure as noted above aggregates to Rs. 509.227 million (2012: Rs. 581.771 million).

42.1.3 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's portfolio of financial instruments is diversified.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

Sector	Lease and loan receivables			
	Percentage		Gross amount in Rupees	
	2013	2012	2013	2012
Sugar and allied	0.54	0.58	9,248,623	10,992,409
Cement	1.12	1.74	19,190,990	32,786,957
Energy, oils and gas	6.34	3.90	108,605,791	73,443,475
Steel and engineering & auto mobiles	6.32	7.02	108,239,495	132,260,090
Electric and electric goods	0.02	0.52	400,000	9,728,146
Transport and communications	11.51	12.13	197,244,260	228,683,361
Chemicals / fertilizers / pharmaceuticals	1.62	1.79	27,791,846	33,769,206
Textile	22.97	21.70	393,594,820	409,092,017
Paper and boards	4.68	4.89	80,122,043	92,202,407
Construction	7.49	9.61	128,391,354	181,235,890
Food, tobacco and beverages	4.68	4.84	80,111,650	91,219,118
Glass and ceramics	1.68	2.44	28,853,545	45,981,723
Hotels	1.48	2.48	25,373,292	46,767,887
Health care	0.64	0.56	11,050,869	10,510,415
Dairy and poultry	1.90	1.41	32,581,937	26,506,637
Services	5.78	2.17	99,000,916	40,857,227
Miscellaneous	17.24	19.89	295,357,521	374,927,531
Consumer	3.99	2.34	68,381,681	44,023,205
	100.00	100.00	1,713,540,633	1,884,987,701

42.2 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. 113 million to meet its commitments and obligations. Further, through recovery measures, the Company is generating a liquidity of Rs. 15 million to Rs. 16 million per month to cover its commitments towards lenders and creditors which are to the tune of Rs. 13 million per month. Thus, the Company in addition to meeting its commitments is generating surplus cash to cater for any contingencies that may arise in the normal course of business. Moreover, since majority of the borrowings have been rescheduled / restructured, the pressure of payments to creditors is eased to a larger extent and the Company finds itself in a relatively better position.

	Weighted average effective rate of interest %	2013						
		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%	191,693,230	191,693,230	175,889,061	4,166,666	11,637,503	-	-
Certificates of investment	10.50%	149,664,301	180,247,445	173,403,626	147,403	6,696,416	-	-
Accrued mark-up		214,381,639	214,381,639	151,500,136	-	-	62,881,503	-
Accrued and other payables		31,931,779	31,931,779	31,931,779	-	-	-	-
Long term finances	3.247%	813,463,821	952,681,694	156,324,952	79,126,894	151,197,697	566,032,151	-
Deposits against finance leases		448,667,637	448,667,637	352,882,704	8,678,730	40,905,392	46,200,811	-
		1,849,802,407	2,019,603,424	1,041,932,258	92,119,693	210,437,008	675,114,465	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

	2012							
	Weighted average effective rate of interest %	Carrying amount	Contractual cash flows	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years
----- (Rupees) -----								
Financial liabilities								
Borrowings from financial institutions	9.07%	246,884,059	246,884,059	172,000,000	24,703,333	50,180,726	-	-
Certificates of investment	16.00%	187,364,301	190,560,764	172,664,301	1,000,000	2,574,534	14,321,929	-
Accrued mark-up		320,736,579	320,736,579	320,736,579	-	-	-	-
Accrued and other payables		31,504,451	31,504,451	29,659,841	1,016,112	-	-	828,498
Long term finances	13.71%	1,126,342,050	1,268,592,260	329,911,920	13,846,154	274,807,693	650,026,493	-
Sub-ordinated debt		333,208,499	333,208,499	-	333,208,499	-	-	-
Deposits against finance leases		661,134,837	661,134,837	491,747,137	25,050,301	74,298,026	70,039,373	-
		<u>2,907,174,776</u>	<u>3,052,621,449</u>	<u>1,516,719,778</u>	<u>398,824,399</u>	<u>401,860,979</u>	<u>734,387,795</u>	<u>828,498</u>

42.2.1 Breach of loan agreements

As of 30 June 2013, 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. 380.757 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. 121.941 million during the year. However, subsequent to year end, the Company has renegotiated / finalized certain agreements with some of the lenders the details of which are mentioned in note 1.2.

42.2.2 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.

42.2.3 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 2013	30 June 2012
----- (Rupees) -----		
Fixed rate instruments		
Financial assets	54,464,610	77,406,419
Financial liabilities	(372,988,308)	(433,675,806)
	<u>(318,523,698)</u>	<u>(356,269,387)</u>
Variable rate instruments		
Financial assets	1,753,440,748	1,912,147,694
Financial liabilities	(436,545,909)	(631,035,834)
	<u>1,316,894,839</u>	<u>1,281,111,860</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

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 2013		
Cash flow sensitivity - Variable rate instruments*	<u>13,168,948</u>	<u>(13,168,948)</u>
As at 30 June 2012		
Cash flow sensitivity - Variable rate instruments*	<u>12,811,119</u>	<u>(12,811,119)</u>
*net of financial liabilities		

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 2013	Effective rate of mark-up / return %	Exposed to interest rate risk					Not exposed to interest rate risk
		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%	40,054,055	39,900,104	-	-	-	153,951
Short term loans	16.13% - 25%	300,310,039	300,310,039	-	-	-	-
Short term investments	8.75% - 9.69%	73,821,031	39,464,610	15,000,000	-	-	19,356,421
Accrued mark-up		1,152,709	-	-	-	-	1,152,709
Trade deposits & short term prepayments		946,047	-	-	-	-	946,047
Other receivables		88,998,354	-	-	-	-	88,998,354
Long term loans	4% - 22.66%	119,853,668	119,853,668	-	-	-	-
Gross investment in finance leases	12.5% - 20.01%	1,293,376,926	1,012,759,144	113,073,930	167,543,852	-	-
		<u>1,918,512,829</u>	<u>1,512,287,565</u>	<u>128,073,930</u>	<u>167,543,852</u>	<u>-</u>	<u>110,607,482</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

As at 30 June 2012	Effective rate of mark-up / return %	Exposed to interest rate risk					Not exposed to interest rate risk
		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	5% - 8%	27,279,060	27,159,993	-	-	-	119,067
Short term loans	16% - 25%	329,496,472	329,496,472	-	-	-	-
Short term investments	11.78% - 12%	122,568,873	32,406,419	45,000,000	-	-	45,162,454
Accrued mark-up		1,513,530	-	-	-	-	1,513,530
Trade deposits & short term prepayments		808,696	-	-	-	-	808,696
Other receivables		92,204,962	-	-	-	-	92,204,962
Long term loans	4% - 22.66%	129,275,935	110,423,311	18,852,624	-	-	-
Gross investment in finance leases	12.5% - 20.01%	1,426,215,294	914,339,399	139,803,650	372,072,245	-	-
		<u>2,129,362,822</u>	<u>1,413,825,594</u>	<u>203,656,274</u>	<u>372,072,245</u>	<u>-</u>	<u>139,808,709</u>

42.2.4 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.

42.2.5 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) -----	
2013	441,483	10% increase	485,631	44,148
	441,483	10% decrease	397,335	(44,148)
2012	15,803,673	10% increase	17,384,040	1,580,367
	15,803,673	10% decrease	14,223,306	(1,580,367)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2013

42.2.6 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.

42.2.7 Fair value of financial instruments

Investments on the balance sheet are carried at fair value. The management is of the view that 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 3.1 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 2013

	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Available for sale				
Equity securities	441,483	-	18,914,938	19,356,421
Debt securities	-	39,464,610	-	39,464,610
	<u>441,483</u>	<u>39,464,610</u>	<u>18,914,938</u>	<u>58,821,031</u>

The reconciliation of items classified in level 3 is as follows:

	30 June 2013 (Rupees)
Opening balance as at 01 July	29,358,781
Impairment loss reversed in profit and loss account	2,889,487
Transferred during the year	-
Disposal during the year	<u>(13,333,330)</u>
Closing balance as at 30 June	<u>18,914,938</u>

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

43. DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors on 30 September 2013.


 Chief Executive Officer


 Chairman

PATTERN OF SHAREHOLDING

As on 30 June 2013

NO. OF SHAREHOLDERS	FROM	HAVING SHARES TO	SHARES HELD	PERCENTAGE
436	1	100	12,153	0.0269
329	101	500	88,957	0.1970
173	501	1000	135,161	0.2993
472	1001	5000	1,203,562	2.6651
112	5001	10000	869,148	1.9246
50	10001	15000	641,778	1.4211
25	15001	20000	454,895	1.0073
22	20001	25000	495,019	1.0961
11	25001	30000	305,637	0.6768
6	30001	35000	201,211	0.4455
8	35001	40000	301,985	0.6687
5	40001	45000	216,388	0.4792
6	45001	50000	291,869	0.6463
7	50001	55000	359,792	0.7967
5	55001	60000	288,212	0.6382
2	60001	65000	126,008	0.2790
3	65001	70000	206,500	0.4573
3	70001	75000	217,516	0.4817
3	75001	80000	238,695	0.5285
2	80001	85000	166,856	0.3695
1	90001	95000	94,500	0.2093
1	95001	100000	100,000	0.2214
3	100001	105000	314,500	0.6964
1	105001	110000	109,018	0.2414
1	110001	115000	112,500	0.2491
1	120001	125000	122,195	0.2706
1	130001	135000	135,000	0.2989
1	135001	140000	138,000	0.3056
1	150001	155000	150,500	0.3333
1	155001	160000	157,796	0.3494
1	160001	165000	163,000	0.3609
3	165001	170000	497,662	1.1020
1	175001	180000	176,500	0.3908
1	180001	185000	184,553	0.4087
1	195001	200000	197,885	0.4382
1	210001	215000	210,745	0.4667
1	215001	220000	215,261	0.4767
2	225001	230000	451,604	1.0000
2	245001	250000	496,764	1.1000
1	260001	265000	263,431	0.5833
1	280001	285000	283,940	0.6287
1	315001	320000	318,255	0.7047
1	450001	455000	451,080	0.9988
1	510001	515000	511,432	1.1325
1	590001	595000	593,500	1.3142
1	845001	850000	850,000	1.8822
1	1035001	1040000	1,038,211	2.2989
1	1215001	1220000	1,218,536	2.6982
1	1520001	1525000	1,522,920	3.3722
1	1805001	1810000	1,806,420	4.0000
1	1995001	2000000	1,997,822	4.4238
1	3105001	3110000	3,105,752	6.8771
1	4510001	4515000	4,514,473	9.9965
1	15835001	15840000	15,835,403	35.0647
1720			45,160,500	100.0000

CATEGORIES OF SHARE HOLDERS

As on 30 June 2013

SHAREHOLDERS SHAREHOLDING PERCENTAGE			
HAROON IHSAN PIRACHA	2	1,383,636	3.06
KHURSHID IHSAN PIRACHA	2	1,748,722	3.87
AAMIR IQBAL	1	50,804	0.11
ADEEL AZMAT	1	79,695	0.18
ADNAN KHAN	1	84,296	0.19
ARSALAN IFTIKHAR KHAN	1	500	0.00
ASMA NASIR	1	50,804	0.11
IRFAN CHOUDHRY	1	55,341	0.12
MAHIN KHAN	1	248,382	0.55
MEHREEN AZMAT	1	26,565	0.06
NAVEEN AZMAT	1	26,565	0.06
PARVEEN AKHTAR MALIK	1	567	0.00
RASHID KHAN	1	248,382	0.55
RUBINA SAEED	1	263,431	0.58
SAEED A.K. CHAUDHRY	1	184,553	0.41
SAIMA MUBBARIK	1	451,080	1.00
SAMEEH KHAN	1	210,745	0.47
SAMINA KHAN	1	215,261	0.48
SHAEEMA AZMAT	1	318,255	0.70
Associated Companies, undertakings and related parties			
MARINE SERVICES (PVT) LIMITED	2	914,352	2.02
PREMIER MERCANTILE SERVICES (PRIVATE) LIMITED	2	4,516,048	10.00
SAUDI PAK IND. & AGR. INV. CO.(PVT) LTD	1	15,835,403	35.06
SAUDI PAK INSURANCE COMPANY LIMITED	1	16,065	0.04
Executives	-	-	-
Public Sector Companies and Corporations	8	2,241,776	4.96
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	4	339,105	0.75
Mutual Funds			
SAFEWAY MUTUAL FUND LIMITED	1	1,328	0.00
NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T FUND	1	3,105,752	6.88
General Public			
a. Local	1649	11,355,717	25.15
b. Foreign	-	-	-
Others	30	1,187,370	2.63
Totals	1720	45,160,500	100.00
<hr style="border-top: 3px double #000;"/>			
SAUDI PAK IND. & AGR. INV. CO.(PVT) LTD		15,835,403	35.06
PREMIER MERCANTILE SERVICES (PRIVATE) LIMITED		4,516,048	10.00
NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT NI(U)T FUND		3,105,752	6.88

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
 23rd Annual General Meeting of the Company to be held on October 28, 2013 and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2013

Signed by _____

In presence of _____

Signature and address of witness

Signature of Members(s)

Please affix Rs. 5/- revenue stamp
--

Shareholder's Folio No. _____

Number of Shares held _____

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

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

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

AFFIX
CORRECT
POSTAGE

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

SAUDI PAK LEASING COMPANY LIMITED

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

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