

1. LEGAL STATUS AND OPERATIONS

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

Saudi Pak Industrial & Agricultural Investment Company Limited (SAPICO) is the major shareholder and as of 31 March 2016 holds 35.06% (30 June 2015: 35.06%) of issued ordinary share capital of the Company and 63% (30 June 2015: 63%) of issued preference share capital of the Company.

1.2 The country's weak economic fundamentals has had a pessimistic impact on the local economy. The country is facing serious challenges for the last several years on account of numerous factors along with energy crisis and law and order situation. Higher 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 only be overcome by way of fresh injection of funds from sponsors and partially from the recovery on account of balance lease / loan portfolio which is mainly stuck up under litigation. The management is trying its level best to recover as much as possible from the available means.

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

- 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.
- 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.

2. BASIS OF PREPERATION

2.1 Statement of Compliance

This condensed interim financial information of the Company for the three months ended 31 March 2016 has been prepared in accordance with the requirements of the International Accounting Standard 34 (IAS 34), "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008. In case requirements differ, the provisions or directives issued under the Companies Ordinance, 1984, NBFC Rules, 2003 and NBFC Regulations, 2008 shall prevail.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of the condensed Interim Financial statement require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management and the key sources of estimating uncertainty in preparation of these condensed interim financial statements were same as those applied to the annual financial statements for the period ended 31 March 2016.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND JUDGMENTS

The accounting policies and basis for accounting estimates adopted for the preparation of this condensed interim financial information (un-audited) are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2016.

4. FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements of the Company as at and for the year ended 30 June 2015.

5. CASH AND BANK BALANCES	Note	March 31, 2016 Rupees (Un-audited)	June 30, 2015 Rupees (Audited)
Cash in hand		67,545	67,545
Balance with State Bank of Pakistan in current account - local currency		16,470	20,305
Balances with other banks:			
- in current account		5,500	5,500
- in saving accounts		27,544,916	3,329,581
		27,634,431	3,422,931

6. SHORT TERM LOANS - Secured	Note	March 31, 2016 Rupees (Un-audited)	June 30, 2015 Rupees (Audited)
Term loan to customers			
- Considered doubtful	6.1	202,906,794	205,406,794
Provision for non-performing loans	6.2	(86,425,379)	(76,175,700)
		116,481,415	129,231,094

6.1 This represents term finance facilities provided to customers and carries mark-up ranging from 16.25% to 25% (30 June 2015: 16.25% to 25%) per annum.

6.2 Provision for non-performing loans	Note	March 31, 2016 Rupees (Un-audited)	June 30, 2015 Rupees (Audited)
Balance at beginning of the year		76,175,700	76,175,700
Charge for the period / year		10,249,679	-
Reversal during the period / year		-	-
		10,249,679	-
Write-offs against provision		-	-
Balance at end of the period / year		86,425,379	76,175,700

7. SHORT TERM INVESTMENTS	Note	March 31, 2016 Rupees (Un-audited)	June 30, 2015 Rupees (Audited)
Available-for-sale	7.1	19,016,922	19,038,252
Held to maturity	7.2	14,666,299	69,368,454
		33,683,221	88,406,706

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7.1 Available-for-sale

Ordinary shares of listed companies	7.1.1	85,935	85,935
Ordinary shares of unlisted companies	7.1.2	18,914,938	18,914,938
Available-for-sale at cost		19,000,873	19,000,873
Accumulated impairment		-	
		19,000,873	
Unrealised gain on re-measurement of available for sale securities		16,050	37,379
Available-for-sale at market value		19,016,923	19,038,252

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

7.1.2 Detail of investment in the ordinary shares of unlisted companies is as follows:

SPI Insurance Company Limited		14,664,938	14,664,938
Pace Barka Properties Limited		4,250,000	4,250,000
		18,914,938	18,914,938

7.2 Held to Maturity

Government Market Treasury Bills	7.2.1	14,666,299	19,368,454
Certificates of deposit		-	50,000,000
		14,666,299	69,368,454

7.2.1 This represents investment in Government Market Treasury Bill having maturity on 26 May 2016 and carries effective mark-up at a rate of 6.05% (30 June 2015: 6.70%) per annum.

8. OTHER RECEIVABLES

Operating lease rentals receivables		11,695,095	11,545,095
Receivable on termination of finance leases		67,893,777	67,859,467
Others		6,380,566	6,315,068
		85,969,438	85,719,630
Provision against doubtful receivables		(82,279,041)	(79,082,927)
		3,690,397	6,636,703

9. CURRENT MATURITY OF NON - CURRENT ASSETS

Current portion of:			
Long term loans	10	32,381,004	37,753,501
Net investment in finance leases	11	564,307,073	632,130,530
		596,688,077	669,884,031
		March 31, 2016	June 30, 2015
		Rupees (Un-audited)	Rupees (Audited)

10. LONG TERM LOANS - secured

Related party			
Due from employees - considered good		1,117,507	1,675,287
Other than related party			
Term loan to customers			
- Considered doubtful	10.1	105,553,927	105,553,927
		106,671,434	107,229,214
Provision for non-performing loans		(74,290,430)	(69,109,486)
		32,381,004	38,119,728
Current maturity of long term loans	9	(32,381,004)	(37,753,501)
		-	366,227

10.1 Term loans due from customers are secured against assets. The rate of return on these loans ranges from 16.00% to 22.66% (30 June 2015: 16.00% to 22.66%) per annum.

11. NET INVESTMENT IN FINANCE LEASES

		Rupees	
Minimum lease payments receivable		1,396,306,174	1,426,888,165
Add: Residual value of leased assets		371,057,828	437,085,650
Gross investment in finance leases		1,767,364,002	1,863,973,815
Less: Unearned lease income		156,937	918,956
Mark-up held in suspense	11.2	333,811,882	339,010,827
		333,968,819	339,929,783
		1,433,395,183	1,524,044,032

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Less: Provision for potential lease losses	11.3	869,088,111	883,161,218
Net investment in finance leases		564,307,073	640,882,814
Less: Current portion of net investment in finance leases	9	(564,307,073)	(632,130,530)
		<u>-</u>	<u>8,752,284</u>
11.1	The internal rate of return on leases disbursed by the Company ranges from 12.50% to 20.01% (June 30 2015: 12.50% to 20.01%) per annum. Certain lease rentals have been hypothecated against long term finances obtained (refer note No 20.1).		
12. INVESTMENT PROPERTIES	Note	March 31, 2016 Rupees (Un-audited)	June 30, 2015 Rupees (Audited)
Cost at beginning of the year		66,160,092	66,160,092
Additions during the year		-	-
Disposals during the year		-	-
Cost at end of the year		<u>66,160,092</u>	<u>66,160,092</u>
Accumulated depreciation at beginning of the year		(18,112,619)	(14,804,614)
Depreciation charged during the year	28	(2,481,003)	(3,308,005)
Accumulated depreciation at end of the year		<u>(20,593,622)</u>	<u>(18,112,619)</u>
Impairment loss on investment properties		(6,805,696)	(6,805,696)
Carrying value of investment properties		<u>38,760,774</u>	<u>41,241,777</u>
13. PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment - own use		44,366,325	51,820,645
Property, plant and equipment - operating lease		10,523,575	12,852,524
		<u>54,889,900</u>	<u>64,673,169</u>
Additions - Cost			
<i>Owned assets</i>			
Office Premises		-	103,803,703
Office equipment		64,500	574,002
Total additions		<u>64,500</u>	<u>104,377,705</u>
Disposals - Cost			
<i>Owned assets</i>			
Vehicles		-	2,841,000
<i>Operating Lease Assets</i>			
Generators		-	8,910,868
Total disposals		<u>-</u>	<u>11,751,868</u>
14. BORROWINGS FROM FINANCIAL INSTITUTIONS			
Letter of placements - Unsecured			
National Bank of Pakistan	14.1	77,500,000	77,500,000
Innovative Investment Bank Limited	14.2	60,000,000	60,000,000
Meezan Bank Limited	14.3	27,001,588	27,001,588
AKD Aggressive Income Fund	14.4	2,762,504	2,762,504
KASB Income Opportunity Fund	14.5	10,429,140	10,429,140
		<u>177,693,232</u>	<u>177,693,232</u>
14.1	This represents finance of Rs. 77.50 million obtained from National Bank of Pakistan on 01 April 2010 through a letter of placement carrying mark-up at a rate of 11.20% per annum for a period of 40 days. The Company has not paid any amount in respect of this finance. As of 31 March 2016, the Company has accrued a mark-up of Rs. 52.12 million.		

14.2 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 31 March 2016, the Company has accrued a mark-up of Rs. 29.23 million.

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

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

14.4 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. In 2013, the Company has restructured the loan by way of the settlement agreement. As per the latest agreement dated 14 January 2013, the Company is required to settle the loan through following terms:

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

The Company made down payment of Rs. 1.24 million on 31 December 2012 and has paid the monthly instalments on the agreed dates as per the revised agreement. The transfer of shares is yet to be executed. As of 31 March 2016, the Company has accrued a mark-up of Rs. 4.8 million on this borrowing.

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

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

	Note	March 31, 2016 Rupees (Un-audited)	June 30, 2015 Rupees (Audited)
15. CERTIFICATE OF INVESTMENT	15.1	43,000,000	122,744,301
15.1 The Company has paid the principal payment of Rs. 24.395 Million to M/s Evacue Trust who has agreed to waive the entire mark of 16.5 Million. The Company has also fully settled Rs. 1.100 Million to M/s St. Peter High School and Rs. 0.200 Million to M/s Asian Zarathushtrian Youth Conference.			
16. ACCRUED MARK-UP			
Mark-up on:			
- certificates of investment		73,088,466	66,936,876
- long term finances		63,565,525	62,159,322
- term finance certificates		81,218,299	77,804,652
- short term borrowings from financial institutions		97,499,522	87,135,224
		<u>315,371,812</u>	<u>294,036,074</u>
17. ACCRUED EXPENSES AND OTHER PAYABLES			
Accrued expenses		1,853,914	1,818,942
Unclaimed dividend		1,668,945	1,668,945
Others		22,214,965	7,692,400
		<u>25,737,823</u>	<u>11,180,287</u>
18. CURRENT MATURITY OF NON- CURRENT LIABILITIES			

Current portion of:			
	Certificates of investment		54,049,000
	Long term finances	19	392,032,444
	Security deposits against finance leases	20	350,203,497
			796,284,941
			900,828,232
			March 31, 2016
			June 30, 2015
			Rupees (Un-audited)
			Rupees (Audited)
19.	LONG TERM FINANCES	Note	
	Long term finances - secured	19.1	163,061,501
	Long term finances - unsecured		5,703,696
			168,765,197
	Term finance certificates - secured	19.2 19.3	223,267,246
			392,032,443
	Current maturity of long term finances	18	(392,032,443)
			-
			-
19.2	Long term finances		Principal Outstanding
			March 31, 2016 March 31, 2015
			----- (Rupees) -----
	Secured		
	National Bank of Pakistan - II	19.2.1	12,500,000
	First Women Bank Limited	19.2.2	75,061,505
	Askari Income Fund	19.2.3	13,500,000
	Soneri Bank Limited	19.2.4	61,999,996
	Bank Of Khyber	19.2.5	-
	Un-secured		
	Silk Bank Limited	19.2.6	5,703,696
			168,765,197
			184,665,197
19.1	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.		
19.2.1	This represents finance of Rs. 100 million obtained from National Bank of Pakistan on 17 March 2005 mainly for lease financing activities. As per the agreement, loan was payable in semi-annual instalments of Rs. 12.5 million each from 17 September 2005 to 17 March 2009. The agreement was amended with the maturity date to March 2010. As of 31 December 2015, all instalments were paid except for the last instalment which was due on 17 March 2009 and is still outstanding. As per agreement the finance carries mark-up at 6 month KIBOR + 1.5%, payable semi-annually. As of 31 March 2016, the Company has accrued mark up of Rs. 10.32 million.		
19.2.2	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 31 March 2016, the Company has accrued mark-up of Rs. 48.19 million. As per the latest restructuring terms, the company is liable to pay liquidated damages/penalty of Rs 7.133 million. The company has not recognized the charges in this respect. However the management has disclosed the same as contingent liability.		
19.2.3	This represents finance of Rs. 50 million obtained from Askari Income Fund mainly for lease financing activities. The finance was restructured by way of settlement agreement on 01 March 2010 and 31 January 2011. As per the rescheduling terms, the entire principal was payable in monthly instalments of Rs. 1 million starting from 16 February 2011 and outstanding mark-up was waived. The Company paid instalments upto June 2011 and has not paid any amount till date. As per the latest restructuring terms, the company is liable to pay liquidated damages/penalty of Rs 10.8 million. The company has not recognized the charges in this respect. However the management has disclosed the same as contingent liability.		
19.2.4	This represents finance of Rs. 115 million obtained from Soneri Bank Limited on 22 March 2010 mainly for lease financing activities. The finance was restructured by way of settlement agreement on 22 December 2010. As per the rescheduling terms the entire principal was payable in monthly instalments of Rs. 1 million starting from November 2010. The Company paid the instalments upto 16 March 2011. The Company restructured the loan by way of settlement agreement on 7 May 2013 to settle the loan through following terms:		

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

The Company has settled the loan amounting to Rs. 43 million by way of cash payment of Rs. 25 million on 28 August 2013 (and has recognised a waiver of Rs 18 million against the said payment). The Company has also paid the instalments on due dates. Transfer of property is yet to be executed . As per the revised restructuring terms, this finance carries no mark-up.

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

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

The transfer of property amounting to Rs. 150 million was completed on 19 July 2012. The issuance of preference shares amounting to Rs. 195 million was completed in 2013. The Company paid seven monthly instalments of Rs. 1 million. As per latest restructuring terms this finance was carrying no mark-up. The Company has fully paid the liability of Rs. 15.9 million in November 2015 as per the settlement arrangement agreed with the bank and accordingly an amount of Rs. 6.941 million being balance of accrued markup has been waived by Bank of Khyber

19.2.6 This represents finance of Rs. 15.7 million obtained from Silk Bank Limited on 27 April 2009 against issuance of irrevocable letter of comfort to Silk Bank on account of Uni-Link International for opening of letter of credit. The Company has paid Rs. 4 million upto 31 March 2011. The finance has been restructured by way of a settlement agreement dated 12 September 2012. As per the agreement loan is to be settled by making down payment of Rs. 0.707 million and balance of Rs. 11 million is to be paid in 54 equal monthly instalments of Rs. 0.204 million per month. As of 31 March 2016, the Company has accrued a mark up of Rs. 5.02 million and five monthly instalments of Rs. 0.204 million each were paid by the Company upto November 2014 and since then the Company has not paid any amount. As per latest restructuring terms this finance carries no mark-up.

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

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

Principal redemption

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

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

Mark-up on TFCs

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

Trustee

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

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

		March 31, 2016 Rupees (Un-audited)	June 30, 2015 Rupees (Audited)
20. LONG TERM SECURITY DEPOSITS AGAINST FINANCE LEASES	Note		
Security deposits against finance leases	20.1	350,203,497	416,231,319
Current maturity of deposits against finance leases	18	<u>(350,203,497)</u>	<u>(412,481,319)</u>
		<u>-</u>	<u>3,750,000</u>
20.1	This represents security deposits received from lessees under lease contracts and are adjustable on expiry of the respective lease periods.		
21. SURPLUS ON REVALUATION OF ASSETS			
Surplus on revaluation of property, plant and equipment	21.1	<u>22,341,758</u>	<u>25,763,909</u>
		<u>22,341,758</u>	<u>25,763,909</u>
21.1	The property, plant and equipment of the Company were revalued as at September 28, 2008, June 27, 2012, June 30, 2012 & June 30, 2015. The revaluation was carried out by independent valuers, on the basis of professional assessment of present market values and resulted in surplus of Rs.33,769,445 and Rs.41,486,216 respectively over the written down values.		
22. CONTINGENCIES AND COMMITMENTS			
Claims against the Company not acknowledged as debts		<u>193,558,675</u>	<u>193,558,675</u>
22.1	The above includes contingencies of Rs. 127.341 million which represents cases which are filed against the Company as counter claims. It also includes contingencies of Rs. 66.218 million filed against the Company in lieu of rendition of accounts. In view of the legal advisor, the Company is not likely to suffer any loss on account of the aforementioned cases.		
22.2	The ex-employees of the Company have filed two cases against the company before High Court of Sindh claiming an amount of Rs. 65.935 million in lieu of gratuity and other retirement benefits. In view of the legal advisor, the Company is not likely to suffer any loss on account of the aforementioned cases.		
22.3	The above include contingencies which represent a case which is filed by the Company in the civil court against a tenant as disclosed in note 13, in which a decree had been given in favour of the Company for the payment of rent amounting to Rs. 30.2 million. The tenant in response to such decree has filed an appeal before higher courts and as at 31 March 2016 the decision of such case is still pending. The Company's legal counsel is of the view that a favourable outcome will be given in favour of the Company.		
22.4	The Company has been issued with a notice under section 14 of the Federal Excise Act, 2005. In the notice it has been alleged that the Company has not paid Federal Excise Duty (FFD) in terms of section 3 (read with Entry 8 of Table-II of the First Schedule) to the Federal		

Excise Act 2005 for the periods 2007-08, 2008-09 and 2009-10 on services provided including both funded and non-funded services. Accordingly, Rs. 126.205 million has been alleged to be recoverable. The above amount of FED has been imposed on all the incomes of the Company for the said three years including mark-up income earned on finance lease contracts.

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

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

- 22.5 As disclosed in note 20.2.2 and 20.2.3 the Company has not recorded the liquidated damages / penalty in respect as the management believes the likelihood of occurrence of outflow of economic resources is remote against these damages / penalties.

	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
23. INCOME FROM FINANCE LEASES	-----Rupees-----	
Income from finance lease contracts	5,322,349	7,854,737
Gain on termination of finance lease contracts	3,443,530	236,801
	<u>8,765,879</u>	<u>8,091,538</u>

24. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

Capital requirements applicable to the Company are set out and regulated by the Securities and Exchange Commission of Pakistan (SECP). These requirements are put in place to ensure sufficient solvency margins. SECP extended the minimum equity requirement as per NBFC Regulations, 2008 vide SRO 764(I) / 2009 dated 2 September 2009 wherein the Company is required to meet the minimum equity requirements of Rs. 350 million, Rs. 500 million and Rs. 700 million by 30 June 2011, 30 June 2012 30 June 2014 and 30 June 2015 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.

	March 31, 2016 (Unaudited) Rupees	March 31, 2015 (Unaudited)
25. OTHER OPERATING INCOME		
Income from financial assets:		
- Dividend income	5,494	3,120
- Interest income from government securities	854,189	1,327,323
- Interest income on term loans	-	26,971
- Return on certificates of deposit	1,213,697	319,541
- Interest income from savings accounts	248,615	1,597,986
	<u>2,321,995</u>	<u>3,274,941</u>
Income from non-financial assets:		
- Gain on sale of property, plant and equipment	-	1,701,900
- Waiver on settlement of long term finances	35,439,989	31,875,934
- Others	154,728	227,054
	<u>35,594,717</u>	<u>33,804,888</u>
	<u>37,916,712</u>	<u>37,079,829</u>

25.1 It includes principal and markup waiver of Rs. 28.4 million for M/s Pak Brunei and Rs. 6.9 million for Bank of Khyber.

	March 31, 2016 (Unaudited)	March 31, 2015 (Unaudited)
	-----Rupees-----	
26. FINANCE COST		
Mark-up on:		
- Long term finances	8,347,437	7,965,743
- Term finance certificates	11,846,932	11,144,356
- Short term borrowings	10,364,298	10,187,350
Return on certificates of investment	6,151,590	7,227,946
Bank charges	46,380	46,003
	<u>36,756,637</u>	<u>36,571,398</u>
27. ADMINISTRATIVE AND OPERATING EXPENSES		
Salaries, Allowances and Benefits	16,723,148	14,469,546
Ex-Gratia	1,151,397	270,198
Directors' Fee	360,000	375,000
Rent	641,115	890,200
Repairs and maintenance	993,920	1,030,741
Insurance	103,320	2,518
Utilities	628,262	865,660
Vehicle running expenses	2,268,365	1,813,490
Printing and stationery	672,234	482,089
Telephone and postage	525,502	441,306
Travelling and conveyance	608,477	650,504
Fee and subscriptions	900,572	1,699,887
Legal and professional charges	1,568,027	3,278,614
Advertising and entertainment	325,243	218,593
Auditors' remuneration	156,500	89,035
Miscellaneous	905,471	1,311,827
	<u>28,531,553</u>	<u>27,889,208</u>
28. DEPRECIATION		
Depreciation on owned assets	7,518,823	16,900,638
Depreciation on investment properties	2,481,003	2,160,328
	<u>9,999,826</u>	<u>19,060,966</u>
29. CASH GENERATED FROM OPERATIONS		
(Loss) / profit for the period before taxation	(42,988,555)	(107,152,166)
Adjustment for non cash charges and other items :		
Depreciation - owned assets	7,518,823	16,900,638
Depreciation - investment properties	2,481,003	2,160,328
Depreciation - assets under operating lease	2,328,949	3,899,682
Financial charges and other charges	36,756,637	36,571,398
Provision / (reversals) for doubtful leases, loans and other receivables	13,796,681	62,270,457
Dividend income	(5,494)	(3,120)
Interest income from government securities	(854,189)	(1,327,323)
Gain on sale of property, plant & equipment	-	-
Amount written off directly against loans, lease receivables and investments	(9,881,666)	4,451,072
Impairment on available for sale investments	-	(1,701,900)
Gain on settlement of loans	(35,439,989)	(31,875,934)
	<u>16,700,755</u>	<u>91,345,298</u>
(Loss)/profit before working capital changes	(26,287,800)	(15,806,868)
Working capital changes		
Short term loans	2,500,000	1,590,000
Short Term Investments	(14,666,299)	-
Accrued mark-up	166,858	(165,212)
Trade deposits and short term prepayments / other receivables	2,726,640	35,745
Accrued and other payables	14,557,536	(7,734,039)
	<u>5,284,735</u>	<u>(6,273,506)</u>
Cash (used in) / generated from operations after working capital changes	<u>(21,003,065)</u>	<u>(22,080,374)</u>