SAUDI PAK LEASING

SAUDI PAK LEASING COMPANY LIMITED

PRESENTATIONS ON REQUIREMENT ON PAKISTAN STOCK EXCHANGE REQUIRED IN THEIR LETTER NO.PSX/Gen-2400 DATED MAY 30, 2019

1. REASONS FOR NON COMPLIANCE

The elections of board of directors held on 22 March 2016 was withheld by the learned Honorable High Court. Therefore, there was no functional Board of Directors from March 2016 to 4th of January 2019 when we received the documents of "fit and proper" in respect of directors elected in the election held on 26 November 2018. The major decision of the company became pending and unorganized. The situation lead to the following.

1. The Annual Accounts, Half Yearly Accounts and Quarterly Accounts for the years 2016, 2017 and 2018 could not be approved and got delayed as the Board of Director was nonfunctional.
2. Proper CFO qualifying the conditions of a listed company could not be hired as there was no Board of Directors.
3. Proper Company Secretary having required qualifications could not be hired therefore compliance with various requirements could not be made.

Further to the above, our auditors M/S KPMG also resigned.

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2. STEPS TAKEN BY THE COMPANY FOR THE RECTIFICATION OF NONCOMPLIANCES AND TO ASSURE FUTURE COMPLIANCES

When the legal and consequential constraints were removed in late 2018, the election of Board of Directors was held and proper Board of Directors was formed in January 2019 and the management was changed.

The new management under the new Board of Directors took the following steps to remove noncompliance;

a. It immediately hired M/S Rehman Surfraz Rafiq Iqbal to fill the vacancy of auditors. It ensured the availability of all the data and information to auditors and the accounts for the three years relating to 2016, 2017 and 2018 and got them audited and reviewed in accordance with the requirement of repealed Company's Ordinance 1984 and The Company's Act 2017. Necessary permissions were taken from SECP to fulfil that tasks.
b. The management, considering the gravity of matter got the pending three AGMs held on most urgent basis in the mid of May 2019.
c. The management got streamlined the communication of required information to Stock Exchange officials and on PUKAR on timely basis.
d. Company secretary and qualified CFO have been hired and different responsibilities have been given to the staff to ensure proper and complete compliance in future.

3. REASONS FOR NON-OPERATION OF COMPANY AND STEPS TAKEN BY THE COMPANY FOR ITS REVIVAL

Followings are the main reasons which made the company inoperative regarding the main business:

A. GROWING CASHFLOW AND PROFITIBILITY PROBLEMS

The economic condition of Pakistan which was bearing aftershocks of sanctions due to atomic blast was getting regular jolts from 2003 to onwards. The continuously deteriorating economic conditions negatively affected the business of our customers and they started defaulting. This situation gave rise to the following adverse situations:

1. CASH FLOW CRUNCHES

Due to the inadequate cash inflows the company could not sign for additional business from the market. Heavy dependence on borrowings with inadequate cash inflows ultimately made us defaulters to our creditors and hopes for future borrowing and debt capital vanished.

2. CONTINIOUS PROVISIONING AND ACCUMULATION OF LOSSES

In compliance with the NBFI regulations we were bound to create provisions against receivables where parties defaulted for continuous three installments and hence the graph of losses showed steep up. The situation resulted in increasing negative equity.

B. NON-RENEWAL OF LICENCE

Our license expired on 18 May 2010 to which SECP refused to renew as we were not meeting the minimum capital requirement which was Rs.500 million at that time. This was an ultimate, which stopped us from generating the new revenues. Our profitability came steep down and ultimately company could not be run except losses. The company became sole dependent upon the recoveries from stuck up portfolio for its survival.

4. TIMELINE AND MEASURES TAKEN/ OR TO BE TAKEN FOR RECTIFICATION OF CLAUSE(S) 5.11.1.(b) & (i) OF PXS REGULATIONS

5.11.1.(b)

The current management has taken strategic decisions to expedite the recoveries. Since the prolonged legal cases are at various stages and in some cases we have been granted decrees in our favour by the learned courts, we expect recovery of good amount that will enable us to start the business. We are planning to repay the COI holders as soon as possible to reduce the minimum capital requirements (MCR) to 50 million, required for non-Deposit Taking Institutions, to enable us to get the license renewed by SECP.

5.11.1. (i)

On the Financials of 2015, the auditors expressed adverse opinion due to going concern problem, according to their understanding. The time, later, proved that their understanding regarding our going concern was not right. Despite, nonfunctioning of Board of Directors, the Company continued its operation and in the recent past has been able to recover good amount from customers and settle its liabilities as well. This is the reason why the current auditors have not expressed qualified/adverse opinion in the Financial Statements from 2016 to 2018. They have expressed disclaimer of opinion, but, that opinion is on the account balances, the carrying value of which is NIL. We expect to obtain clean report from the auditor on the Financial Statements of June 30, 2019.

5. REASONS FOR NON DECLARATION OF ANY CORPORATE ENTITLEMENT TO ITS SHAREHOLDERS SINCE PAST MANY YEARS

Section 249 of the repealed Company's Ordinance 1984 and section 241 of The Company's Act 2017 restrict the declaration of dividend and require that dividend can be paid out of profits only. Since the company incurred losses continuously since many years in past it could not declare any kind of dividend. The current accumulated losses are above 1.8 billion.

6. STRATEGY/FINANCIAL PLAN AND/OR ANY PLAN FOR THE RESTORATION OF OPERATION OF ANY COMPANY AND TO SAFEGUARD THE INTEREST OF THE MINORITY SHAREHOLDERS

The management is actively pursuing recoveries through court reminders/out of court settlements and liquidation of Investment Properties and nonproductive Fixed Assets to settle claims of the creditors after ensuring haircuts and improve the profitability of the Company. It is quite evident from the fact that loss have been brought down to Rs. 0.159 million only, as disclosed in the financial statements of December 31, 2018 from loss of Rs. 192.9 million, reported for the year 2015. Management is optimistic to get relief from the honorable courts to receive its debts and improve profitability.

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