

No: PSX/splc/1031 / 2019

Mr. Hafiz Maqsood Munshi
Manager,
Companies and Securities Compliance- RAD
Stock Exchange of Pakistan,
Karachi,

December 23, 2019

SUBJECT: NON-COMPLIANCES OF PSX REGULATIONS NO.5.11.1.(b)&(i)

Dear Sir,

We offer our thanks to you for considering our current hurdles and struggles for revival of the Company and consequently allowing trading of our shares in Pakistan Stock Exchange. The results of trading on stock exchange are not only a blessing on the shareholders who would otherwise have suffered, but has also been indicative of good expectations of investors. Despite the fact, that the breakup value of our shares is **negative 13.44**, market investors are buying at prices even up to above **PKR 1.60**. This means the buyer has evaluated and realized a fact that the current management has been taking right steps for the revival of the Company and are expecting (rightly) that the Company will resume its operation and ultimately the share values will go up.

COMPLIANCE OF PSX REGULATION NO. 5.1.1.1(b)

In order to comply with the requirements of 5.1.1.1(b) of PSX regulation and to start the full-fledged operation in its principal line of business, the current management has made and implementing the following strategy which has also been communicated to SECP and the fact has been mention in our note no. 1.2 of our Financial Statements of 2019. The very practicable rehabilitation plan communicated to SECP clearly highlights our following plans.

1. Since the renewal of our license by SECP is subject to fulfillment of Minimum Equity Requirement we have made candid plans to dispose of our properties and settle the liabilities of COI holders on priority basis. The settlement of liabilities against obligation to COI holder will bring down the MER requirement to **PKR 50 million** only, which is currently **PKR 750 million**. Once the MER requirement comes down to **PKR 50 million** it will be possible for the Company to get the license renewed and start operation by inviting investors as well.
2. We have communicated to SECP the practically recoverable amounts and settlements of liabilities which will drastically bring down the losses. A small example can be viewed at our note no. 27.1 of Financial Statements of 2019 which clearly shows that in one case we paid only **PKR 2 million** and settled the liability of **PKR 13.5 million** resulting in a very high **gain of PKR 11.5 million**, in the other case we got gain of **PKR 13.8 million**. These disclosed and audited facts

support our expectations that we will be able to settle almost all the liabilities and recover all the losses and start principal operation.

3. We expect settlements with our customers in reasonable time in positive note and expect favorable cash flows.

COMPLIANCES OF PSX REGULATION NO.5.11.1. (i)

We draw your attention towards the facts (which you may discuss with qualified chartered accountants both practicing and non-practicing) that the auditors have expressed disclaimer of opinion on nil balances which has been clearly disclosed in note no. 11.6 and 11.7 of the Financial Statements of 2019. This is important that the receivables, we have shown in the Financial Statements of 2019, comprises PKR 298,913,674 (which is secured against security deposit already received and is being shown as liability as disclosed in note no. 18) and PKR 185,583,337 against FSV benefits we have obtained in line with prudential regulations. The rest of the receivables have contra assets either in form of provision or in form of suspended markup. Therefore, even if we presume that there were mistakes in the allocation of markup, it does not cast any impact on the user of the financial statements. Hence the disclaimer of opinion on the amount which has NIL value under prudential regulations cannot have any significance for the user of the financial statements.

We expect that our explanations will be acceptable to PSX and the authority will appreciate our efforts for rehabilitation of the Company start of principal line of business. The authority will also realize that the disclaimer of opinion by auditor on nil balances is out of question and such disclaimer cannot cast any impact on the decision of the user of Financial Statements. We also expect that the trading of our shares will continue to support rehabilitation of Company and to protect the interest of public at large having stake in the Company.

Best regards,



M. Siddique Ahmed
(CHIEF FINANCIAL OFFICER)