



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
SPECIALIZED COMPANIES DIVISION  
NBFC DEPARTMENT**

No. SC/NBFC (I)-JD/ 69 /2004  
Islamabad, February 10, 2004.

**CIRCULAR NO. 8 OF 2004**

Subject: **COMPLIANCE WITH IAS – 12 (REVISED).**

Attention is invited to the Commission's Circular No. 16 of 1999 dated September 09, 1999 regarding compliance with the IAS – 12 (Revised). Through the said circular, leasing companies, to fully provide for the un-recognized deferred tax liability as at the beginning of the financial year ending June 30, 1999 were granted a relaxation by way of transfer of an amount to a capital reserve over a period of five years ending June 30, 2003. The capital reserve so created was not to be utilized for any purpose other than to provide for deferred tax liability.

Different quarters including Non-Banking Finance Companies undertaking the business of leasing only (leasing companies) and their auditors have approached the Commission regarding classification/disclosure of the said capital reserve for accounts for the period ended December 31, 2003. It is hereby clarified that the above said capital reserve represents deferred tax liability, which has been recognized over a period of five years and such transfer was allowed to enable the company to have sufficient profits available when the requirements of IAS-12 (Revised) become applicable on expiry of the extended time period i.e. June 30, 2003. Accordingly, such amount cannot be treated as reserve any longer and should be classified/disclosed as liability. In order to comply with the requirements of IAS - 12 (Revised) with effect from 1 July 2003, the leasing companies should record the deferred tax liability in accordance with the requirements of IAS - 8 Net profit or loss for the period, Fundamental Errors and Changes in Accounting policies.

(Zulqarnain Hafeez Cheema)  
Joint Director

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1. Chief Executives of all NBFCs undertaking the business of leasing only.
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