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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Muhammad Iqbal Hussain	Chairman
Mr. Muhammad Farhan Malik	Vice Chairman
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

AUDIT COMMITTEE

Mr. Muhammad Farhan Malik	Chairman
Mr. Muhammad Tariq Masud	Director
Mr. Arsalan Iftikhar Khan	Director

HUMAN RESOURCE COMMITTEE

Mr. Muhammad Iqbal Hussain	Chairman
Mr. Ahsanullah Khan	Member
Mr. Muhammad Farhan Malik	Member

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Mr. Muhammad Ali Siddiqui

AUDITORS

M/s. KPMG Taseer Hadi & Co.
Chartered Accountants

LEGAL ADVISOR

M/s. S & B Durrani Law Associates

TAX CONSULTANTS

M/s. Junaidy Shoaib Asad
Chartered Accountants

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BANKS & LENDING INSTITUTIONS

National Bank of Pakistan
MCB Bank Limited
SILK Bank Limited
Faysal Bank Limited

REGISTERED OFFICE

6th Floor, Lakson Square, Building #1,
Sarwar Shaheed Road, Saddar, Karachi.
Tel: 35655181-85, 35655215-19
Fax: 35210607-9

BRANCHES

Lahore

804-D, 8th Floor, City Tower,
6-K, Main Boulevard,
Gulberg-III, Lahore.
Tel: (042) 35788691-94, 35788696-97
Fax: (042) 35788695

Islamabad

Room No. 5, Business Centre, Low Rise Area,
Saudi Pak Tower, 61-A, Jinnah Avenue,
Blue Area, Islamabad.
Tel: (051) 2800236, 2800206
Fax: (051) 2800205

Sialkot

2nd, Floor, Sanori Building
27, Paris Road, Sialkot
Tel: (052)-4296364, 3005335
Fax: (052)-4296365

Universal Access Number: 111-888-999
Website : www.saudipakleasing.com

REGISTRAR AND SHARE TRANSFER OFFICE

THK Associates (Pvt.) Ltd.
Ground Floor, State Life Building No.3
Dr. Ziauddin Ahmed Road, Karachi 75530.
Tel: (021) 111-000-322
Fax: (021) 35655595

DIRECTORS' REVIEW

The Directors of Saudi Pak Leasing Company Limited are pleased to present the Un-audited Condensed Interim Financial Information of the Company for the six months period ended December 31, 2012.

Operating and Financial Results

	December 31, 2012 Rupees	December 31, 2011 Rupees
Income from operating and finance leases	22,302,582	21,585,333
Other operating income	87,012,379	(15,748,761)
Total Income	109,314,961	5,836,572
Financial Charges	43,753,282	86,546,170
Administrative and operating costs	40,990,972	42,648,670
Write Offs against loans and leases	-	(10,556,253)
Operating profit / (loss) before provisions	11,829,562	(140,446,752)
Reversal / (provision) / against leases, loans, receivables, investments and investment properties	21,170,238	(299,753,836)
Profit / (loss) before taxation	32,999,800	(440,200,588)
Profit / (loss) after taxation	35,022,564	(657,231,244)
Profit / (Loss) per share - basic and diluted	0.78	(14.55)

After incurring losses for last several years, the Company has been able to show profit in the first half of the current financial year. Though the quantum of profit is small, but if compared with the loss of previous corresponding period it translates into a significant recovery.

Though the leasing sector is facing serious challenges for the last five years on account of numerous factors along with energy crisis and deteriorating law and order situation leading to slow pace of recovery from defaulting customers, yet we are hopeful that given successful implementation of the rehabilitation plan and the financial projections, as approved by the Board, the company would be able to make a come-back situation and would produce more positive results by the end of the financial year 2013.

Moreover, as the liquidity resources of the company have been completely dried up for the last five years, yet the company has been able to substantially reduce its book size and maintain its operations only with the help of internal resources. The liquidity resources mainly concentrated on Bank borrowings is completely at halt, however, the company is making all out efforts for recovery and servicing its debt towards creditors as per settlement agreements. The Management is constantly pursuing its recovery drive and continues to negotiate with the lenders with amicable settlements through win-win situations. The lengthy and complex litigation process is also one of the reasons which delayed the process of recovery. Nevertheless, the company is managing its business dynamics through internal cash generation by way of extensive recovery drive.

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 of defaulted leases / loans portfolio.

The management continues to work on the liability side of the book and has successfully negotiated and closed a substantial amount of liabilities in the shape of restructuring the facilities by way of taking advantage of waiver in mark-up and discount towards the principal liability. So far, the settlements with the lending institutions were effectively structured and commitments are being maintained.

The settlements of assets and liabilities have thus 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 Rehabilitation Plan along with the Financial Projections as approved by the Board 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 items to the creditors. Also, the issuance of convertible preference shares against settlement of liabilities will assist the company in reducing the losses and improving its equity.

The Board assures you that the management is fully aware of its responsibility towards its stakeholders and is determined to improve the financial condition of the Company.

For and on behalf of the Board



Ahsanullah Khan
Chief Executive Officer



Muhammad Iqbal Hussain
Chairman

Karachi: March 27, 2013

AUDITORS' REPORT

AUDITOR'S REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of **Saudi Pak Leasing Company Limited** ("the Company") as at 31 December 2012 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six months period then ended (here-in-after-referred to as "the interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of matter

We draw attention to:

- note 1.2 to the accompanying condensed interim financial information, which states that the Company has accumulated losses of Rs. 1,616.483 million as of the balance sheet date, resulting in a negative equity of Rs. 1,016.555 million and the current liabilities exceeded its current assets by Rs. 673.258 million as at 31 December 2012. Furthermore, due to the liquidity crisis, the Company has defaulted on financial obligations of Rs. 617.507 million in principal and Rs. 154.024 million in accrued mark up. These conditions along with the fact that the Company's license to carry out leasing business has expired 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 1.3 to the accompanying condensed interim financial information which gives the details of certain requirements of NBFC Regulations, 2008 not met by the Company as its equity as at 31 December 2012 is negative; and
- note 15.1 to the accompanying condensed interim financial information, certain legal requirements relating to the title of property documentation relating to a portion of office premises are under process.

Our opinion is not qualified in respect of these matters.

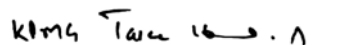
Other matters

The figures for the three months period ended 31 December 2012, in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Date: 27 March 2013

Karachi

SAUDI PAK LEASING COMPANY LIMITED




KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

CONDENSED INTERIM BALANCE SHEET

As at 31 December 2012

	Note	31 December	30 June
		2012	2012
		Rupees	
		(Unaudited)	(Audited)
ASSETS			
Current assets			
Cash and bank balances	6	17,379,650	27,279,060
Short term loans	7	239,763,311	220,222,545
Short term placements	8	20,000,000	-
Short term investments	9	96,853,151	122,568,873
Accrued mark-up		1,971,903	1,513,530
Trade deposits and short term prepayments		1,188,738	808,696
Other receivables	10	13,390,720	15,649,183
Current maturity of non-current assets	11	1,003,438,493	1,123,221,788
		1,393,985,966	1,511,263,675
Non-current assets			
Long term loans	12	-	-
Net investment in finance leases	13	158,822,303	282,415,625
Investment properties	14	56,670,752	66,983,055
Property, plant and equipment	15	116,486,716	132,660,389
Intangibles		91,951	367,856
		332,071,722	482,426,925
Total assets		1,726,057,688	1,993,690,600
LIABILITIES			
Current liabilities			
Short term borrowings from financial institutions	16	231,276,558	246,884,058
Certificates of investment		85,895,301	94,895,301
Accrued mark-up		290,017,637	320,736,579
Sub-ordinated debt	17	333,208,499	333,208,499
Accrued expenses and other payables		17,382,013	31,504,450
Provision for taxation		3,942,490	4,100,334
Current maturity of non-current liabilities	18	1,105,521,118	1,290,830,231
		2,067,243,616	2,322,159,452
Non-current liabilities			
Certificates of investment		6,300,000	11,300,000
Deferred tax liability - net		89,657,520	93,432,598
Long term finances	19	505,182,539	507,776,283
Long term deposits	20	33,602,435	70,039,373
		634,742,494	682,548,254
Total liabilities		2,701,986,110	3,004,707,706
NET ASSETS		(975,928,422)	(1,011,017,106)
FINANCED BY			
Authorised share capital			
100,000,000 (30 June 2012: 100,000,000) ordinary shares of Rs. 10 each; and 100,000,000 (30 June 2012: Nil) preference shares of Rs. 10 each	21	1,000,000,000 1,000,000,000 2,000,000,000	1,000,000,000 - 1,000,000,000
Issued, subscribed and paid-up share capital		451,605,000	451,605,000
Capital reserves		148,257,389	148,257,389
Accumulated loss		(1,616,483,001)	(1,658,516,423)
Surplus on revaluation of available-for-sale investments		66,120	-
Total equity		(1,016,554,492)	(1,058,654,034)
Surplus on revaluation of property, plant and equipment - net	22	40,626,070	47,636,928
		(975,928,422)	(1,011,017,106)
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes 1 to 31 form an integral part of this condensed interim financial information.


Ahsanullah Khan
Chief Executive Officer

Muhammad Iqbal Hussain
Chairman


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CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

For the six months and three months period ended 31 December 2012

Note	Six months period ended 31 December		Three months period ended 31 December		
	2012	2011	2012	2011	
----- (Rupees) -----					
Income					
Finance leases	24	20,251,246	19,416,690	8,939,878	9,632,382
Operating leases		2,051,336	2,168,643	1,357,020	687,993
		<u>22,302,582</u>	<u>21,585,333</u>	<u>10,296,898</u>	<u>10,320,375</u>
Other operating income / (loss) - net	25	87,012,379	(15,748,761)	1,715,236	(16,036,136)
TOTAL INCOME		<u>109,314,961</u>	<u>5,836,572</u>	<u>12,012,134</u>	<u>(5,715,761)</u>
Expenses					
Finance cost	26	(43,753,282)	(86,546,170)	(23,980,034)	(42,427,534)
Administrative and other operating expenses		(40,990,972)	(42,648,670)	(22,853,825)	(25,052,743)
Amount written off directly against loans and lease receivables		-	(10,566,253)	-	(10,566,253)
Direct cost of operating leases		(12,741,145)	(6,522,231)	(6,294,964)	(3,274,621)
		<u>(97,485,399)</u>	<u>(146,283,324)</u>	<u>(53,128,823)</u>	<u>(81,321,151)</u>
Operating profit / (loss) before provisions		<u>11,829,562</u>	<u>(140,446,752)</u>	<u>(41,116,689)</u>	<u>(87,036,912)</u>
Reversal / (provision) for doubtful leases, loans and other receivables		24,610,047	(279,496,668)	(23,946,268)	(230,840,153)
Reversal / (impairment) on available-for-sale investments		-	(20,257,168)	(742,235)	(16,188,050)
Impairment on investment properties		(3,439,809)	-	(3,439,809)	-
		<u>21,170,238</u>	<u>(299,753,836)</u>	<u>(28,128,312)</u>	<u>(247,028,203)</u>
Profit / (loss) before taxation		<u>32,999,800</u>	<u>(440,200,588)</u>	<u>(69,245,001)</u>	<u>(334,065,115)</u>
Taxation					
- Current		1,752,314	2,421,707	252,314	1,178,400
- Prior year		-	-	-	-
- Deferred		(3,775,078)	214,608,949	(3,775,078)	214,608,949
		<u>(2,022,764)</u>	<u>217,030,656</u>	<u>(3,522,764)</u>	<u>215,787,349</u>
Profit / (loss) after taxation		<u>35,022,564</u>	<u>(657,231,244)</u>	<u>(65,722,237)</u>	<u>(549,852,464)</u>
Earnings / (loss) per share - basic and diluted	28	0.78	(14.55)	(1.46)	(12.18)

The annexed notes 1 to 31 form an integral part of this condensed interim financial information.


Ahsanullah Khan
Chief Executive Officer


Muhammad Iqbal Hussain
Chairman

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CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)


For the six months and three months period ended 31 December 2012

	Six months period ended 31 December		Three months period ended 31 December	
	2012	2011	2012	2011
	----- (Rupees) -----			
Profit / (loss) after taxation	35,022,564	(657,231,244)	(65,722,237)	(549,852,464)
Other comprehensive income				
Surplus / (deficit) on revaluation of available-for-sale investments	66,120	(2,643,235)	66,120	1,416,475
Realisation of surplus on disposal of available-for-sale investments	-	(4,142,557)	-	-
	66,120	(6,785,792)	66,120	1,416,475
Total comprehensive income for the period	35,088,684	(664,017,036)	(65,656,117)	(548,435,989)

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 1 to 31 form an integral part of this condensed interim financial information.


Ahsanullah Khan
 Chief Executive Officer


Muhammad Iqbal Hussain
 Chairman

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CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For the six months period ended 31 December 2012

	Six months period ended 31 December	
	2012	2011
	----- (Rupees) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	32,999,800	(440,200,588)
Adjustments for:		
Depreciation and amortization - owned assets	5,559,773	5,041,539
Depreciation - assets under operating lease	12,741,145	6,435,642
Depreciation - investment properties	1,862,494	7,282,473
Finance cost	43,753,282	86,546,170
(Reversal) / provision for doubtful leases, loans and other receivables	(24,610,047)	279,496,668
Dividend income	(25,000)	(1,251,026)
Impairment on available-for-sale investments	-	20,257,168
Impairment on investment properties	3,439,809	-
Amount written off directly against loans and lease receivables	-	10,566,253
Interest income from government securities	(1,776,565)	(304,328)
(Gain) / loss on sale of investments	(1,209,515)	1,634,366
Waiver on settlement of long term finances	(73,503,276)	-
Gain on sale of property, plant and equipment	(2,217,800)	(553,485)
	(35,985,700)	415,151,440
Operating loss before working capital changes	(2,985,900)	(25,049,148)
Movement in working capital		
(Increase) / decrease in operating assets		
Trade deposits, short term prepayments and other receivables	1,878,421	(13,420,763)
Accrued mark-up	(458,373)	34,950,150
Short term loans	15,488,400	4,560,859
	16,908,448	26,090,246
Increase / (decrease) in operating liabilities		
Accrued expenses and other payables	(14,122,437)	52,630,619
Cash generated from operations	(199,889)	53,671,717
Finance cost paid	(968,948)	(14,322,703)
Taxes paid	(1,910,158)	(2,092,290)
Security deposits paid to lessees	-	(24,570,314)
Decrease in net investment in finance leases	46,771,629	80,750,444
	43,892,523	39,765,137
Net cash flows from operating activities	43,692,634	93,436,854
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(2,205,500)	83,050
Investment in assets under operating lease	-	(900,000)
Purchase of short term investments - net	8,701,802	22,527,506
Proceeds from disposal of property, plant and equipment	2,572,000	1,527,552
Proceeds from disposal of investment properties	5,010,000	-
Repayment of long term loans	5,582,894	4,023,015
Dividend received	25,000	1,251,026
Net cash flows from investing activities	19,686,196	28,512,149
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term finances	(33,972,328)	(43,408,632)
Repayment of short term borrowings from financial institutions	(15,605,912)	(3,000,000)
Repayment of certificates of investment	(23,700,000)	(88,150,000)
Net cash flows from financing activities	(73,278,240)	(134,558,632)
Net (decrease) in cash and cash equivalents	(9,899,410)	(12,609,629)
Cash and cash equivalents at beginning of the period	27,279,060	31,700,552
Cash and cash equivalents at end of the period	17,379,650	19,090,923

The annexed notes 1 to 31 form an integral part of this condensed interim financial information.



Ahsanullah Khan
Chief Executive Officer



Muhammad Iqbal Hussain
Chairman


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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

For the six months period ended 31 December 2012

	Issued, subscribed and paid-up share capital	Capital reserves	Accumulated loss	Surplus / (deficit) on revaluation of available- for-sale investments	Total equity
----- R u p e e s -----					
Balance as at 30 June 2011	451,605,000	148,257,389	(839,410,437)	6,851,796	(232,696,252)
Total comprehensive income for the period:					
Loss for the six months period ended 31 December 2011	-	-	(657,231,244)	-	(657,231,244)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	934,042	-	934,042
Changes in surplus on revaluation of available-for-sale investments	-	-	-	(2,643,235)	(2,643,235)
Realisation of surplus on available for sale investments on disposal	-	-	-	(4,142,557)	(4,142,557)
	-	-	(656,297,202)	(6,785,792)	(663,082,994)
Balance as at 31 December 2011	451,605,000	148,257,389	(1,495,707,639)	66,004	(895,779,246)
Total comprehensive income for the period					
Loss for the six months period ended 30 June 2012	-	-	(164,521,016)	-	(164,521,016)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	1,712,232	-	1,712,232
Changes in surplus on revaluation of available-for-sale investments	-	-	-	(66,004)	(66,004)
	-	-	(162,808,784)	(66,004)	(162,874,788)
Balance as at 30 June 2012	451,605,000	148,257,389	(1,658,516,423)	-	(1,058,654,034)
Total comprehensive income for the period					
Profit for the six months period ended 31 December 2012	-	-	35,022,564	-	35,022,564
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	7,010,858	-	7,010,858
Changes in surplus on revaluation of available-for-sale investments	-	-	-	66,120	66,120
	-	-	42,033,422	66,120	42,099,542
Balance as at 31 December 2012	451,605,000	148,257,389	(1,616,483,001)	66,120	(1,016,554,492)

The annexed notes 1 to 31 form an integral part of this condensed interim financial information.


Ahsanullah Khan
Chief Executive Officer


Muhammad Iqbal Hussain
Chairman

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

For the six months period ended 31 December 2012

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 the leasing of assets. The Company's license to carry out the business of leasing had expired on 18 May 2010 and its 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 31 December 2012 holds 35.06% (30 June 2012: 35.06%) of issued share capital of the Company.

1.2 The country's weak economic fundamentals along with serious challenges being faced by the country for last several years on account of various factors such as energy crisis, disturbed security environment, higher inflation, political instability and lack of trust of foreign investors have provided foundation for severe liquidity crunch for the leasing sector and for the Company as well. The Company thus faced difficulties in the form of defaults wherein recovery from customers became a challenging task. The deteriorated financial position of the Company can be overcome from the recovery on account of balance lease / loan portfolio, which is currently a 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 six months period ended 31 December 2012, the Company has earned a profit after tax of Rs. 35.023 million (compared with a loss of Rs. 657.231 million in the corresponding period). Moreover, as at the period end, its accumulated losses stood at Rs. 1,616.483 million, whereas the equity stood at negative Rs. 1,016.555 million, as against the minimum equity requirement of Rs. 500 million. Furthermore, its total liabilities exceeded total assets by Rs. 975.928 million and its current liabilities exceeded current assets by Rs. 673.258 million.
- As of 31 December 2012 impairment loss of Rs. 895.652 million on lease and loans portfolio has been recognised and is included in the above mentioned accumulated loss figure.
- The Company's rating was downgraded as at 30 June 2010, not permitting the Company to issue new certificates of investment. Subsequently, the management has not reviewed the rating agreement with the credit rating company.
- During the period, the Company defaulted in making payments of certain financial obligations due to liquidity problems. As of 31 December 2012, total outstanding principal on which defaults were made amounts to Rs. 617.507 million and defaulted mark-up repayments amounts to Rs. 154.024 million. The management is in the process of negotiating the restructuring terms of such borrowings.
- Furthermore, the Company's license to carry out the leasing business had expired on 18 May 2010 and its renewal is pending with the Securities and Exchange Commission of Pakistan (SECP). However, the Company continues to carry out operating leases.

Although uncertainty exists due to the above factors which may cast doubt on the Company's ability to continue as a going concern, 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 this condensed interim financial information on a going concern basis.

- The Board of Directors supports the Company in negotiating the terms of restructuring of various borrowings from the Company's lenders (including financial institutions, term finance certificate holders, holders of certificates of investment, etc.) which will help the Company to continue as a going concern.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

For the six months period ended 31 December 2012

- The Board of Directors of the Company in their meeting held on 11 June 2012 approved to convert the sub-ordinated debt amounting to Rs. 333.208 million and a debt of major lender amounting to Rs. 195 million into convertible preference shares at a face value of Rs. 10 per share. The shareholders in extra ordinary general meeting held on 31 July 2012 also approved the decision of the Board and also decided to increase the authorised share capital of the Company to Rs. 2,000 million. The management of the Company has initiated the process of such conversion and filed an application for approval to the SECP. Subsequently, the SECP vide its letter number SC/NBFC/23/ SPLCL/2013/58 dated 13 February 2013 approved the issuance of non-voting, non-cumulative, convertible and unlisted non-redeemable preference shares to Saudi Pak Industrial & Agricultural Investment Company Limited (SAPICO) and the Bank of Khyber (BOK) amounting in total to Rs. 528.208 million, in lieu of conversion of sub-ordinated debt to equity and settlement of liability respectively. This will result in an increase in equity of the Company by Rs. 528.208 million.
- The borrowings (including mark-up thereon) of the Company has been brought down to Rs. 1,777.328 million from Rs. 1,881.327 million (excluding sub-ordinated debt) during the six months period through cash payments and settlements effected by lease and term loans swapping or sale / swapping of collateral held against non-performing borrowers. The management has also finalised a few loan settlement agreements and is under negotiation with the remaining borrowers for the settlement of the Company's obligation through surrender of its assets / collateral held against its non-performing exposure.
- The settlement agreements finalised as of 31 December 2012 will result in reduction of borrowing by Rs. 126.513 million by way of waiver of principal and mark-up, which is subject to performance of certain terms.
- Moreover, after the balance sheet date the management further managed to finalise settlement agreements against their borrowing amounting to Rs. 56.316 million and will also receive a waiver in principal and mark-up of Rs. 30.702 million which is subject to performance of certain conditions. Further, the management is currently under negotiation with various borrowers amounting to Rs. 335.061 million and is expecting positive results based on the negotiations so far.
- 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 Term Finance Certificate (TFC) holders for restructuring of term finance certificates and has successfully concluded the transaction by way of step up monthly payments to be made during the period starting from January 2012 and has also successfully negotiated to defer the mark-up payments.
- Management is hopeful that the reduction in the finance cost through restructuring / settlements with the borrowers and the issuance of preference shares (as mentioned above) will assist in reducing the losses and improving the 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 of Rs. 20 million each month through such recoveries. During the six months period, on an average basis, a monthly cash recovery of Rs. 18.250 million has been achieved.
- The Company has requested the Securities and Exchange Commission of Pakistan (SECP) for relaxation in the minimum Capital requirement under NBFC Regulations, 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 leasing sector. Moreover, the SECP in view of the prevailing economic condition and the overall business environment is considering a proposal for revision in the minimum capital requirement (MCR) under the NBFC Rules and it is hoped that a substantial reduction in the MCR would be in place soon.

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:

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Equity position as of 31 December 2012	2012 (Rupees)
Issued, subscribed and paid-up share capital	451,605,000
Capital reserves	148,257,389
Accumulated loss	(1,616,483,001)
Surplus on revaluation of available-for-sale investments	66,120
Equity	<u>(1,016,554,492)</u>
Expected impact on the equity based on financial projections (over the next three years)	
Equity as of 31 December 2012:	<u>(1,016,554,492)</u>
Conversion of liabilities into preference shares	668,208,000
Reversal / waivers of mark-up on settlement of liabilities	300,997,723
Reversal / waivers of principal on settlement of liabilities	224,427,000
Reversal of provisions by claiming forced sales value benefits	55,570,156
Reversal of provisions through recoveries	453,155,095
Effects of taxation and others - net	(41,003,979)
	<u>1,661,353,995</u>
Expected equity (by June 2015)	<u>726,809,050</u>

1.3 Due to the fact that at 31 December 2012, the Company's equity is negative by Rs. 1,016.555 million, the Company could not meet the regulatory requirements of NBFC Regulations, 2008 (apart from those mentioned in notes 1.2 above and 29), 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 operation and ten times of its equity in the subsequent years.
- Regulation 17 (1) - total outstanding exposure (fund and non-fund based) of an NBFC to a person should 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 18 - an NBFC shall make clean money market placement only with financial institutions and its aggregate exposure shall not exceed its equity.
- 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 31 December 2012, the Company's investment in lease assets was 67.52% (30 June 2012: 71.4%) of the total assets (less allowable deductions).
- 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 scrip of any one company in excess of 10% of its own equity or the issued capital of that company, whichever is lower.

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information of the Company for the six months period ended 31 December 2012 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 where requirements differ, the provisions or directives issued under the Companies Ordinance, 1984, NBFC Rules, 2003 and NBFC Regulations, 2008 shall prevail.

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As mentioned in note 1.1 above, although the Company's license to carry out the business of leasing had expired on 18 May 2010, this condensed financial information has 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 The requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement", relating to the assessment of impairment loss on leasing portfolio have not been followed in the preparation of this condensed interim financial information based on a clarification received from the SECP specifying that the requirements of IAS 39 should only be followed by leasing companies so far as it relates to investments made by them.
- 2.3 The Company provides for impairment in the carrying value of its net investment in finance lease receivable based on the requirements laid down in the Prudential Regulations for Non-Banking Finance Companies.
- 2.4 The comparative balance sheet presented in this condensed interim financial information as at 31 December 2012 has been extracted from the audited financial statements of the Company for the year ended 30 June 2012, whereas the comparative profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity have been extracted from the condensed interim financial information for the period ended 31 December 2011. Further, the figures in the condensed interim financial information for the three months period ended 31 December 2011 and 31 December 2012 have not been reviewed by the auditors.

3. ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Company for the year ended 30 June 2012.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. However, actual results may differ from these estimates. In preparing this condensed interim financial information the significant judgments made by the management in applying the Company's accounting policies and the key sources of estimates and uncertainty were the same as those that were applied to the financial statements for the year ended 30 June 2012.

5. FINANCIAL RISK 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 2012.

	31 December 2012 ----- (Rupees) ----- (Unaudited)	30 June 2012 ----- (Audited)
6. CASH AND BANK BALANCES		
Cash in hand	128,279	86,282
Balance with State Bank of Pakistan in: - current account	23,710	27,285
Balances with other banks in: - current account	5,500	5,500
- saving accounts	17,222,161	27,159,993
6.1	<u>17,379,650</u>	<u>27,279,060</u>

- 6.1 These saving accounts carry profit rates ranging from 5% to 6% per annum (30 June 2012: 6% to 8% per annum).

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For the six months period ended 31 December 2012

		31 December 2012	30 June 2012
		----- (Rupees) ----- (Unaudited)	----- (Audited)
7. SHORT TERM LOANS			
Considered good		-	-
Non-performing loans	7.1	314,008,072	329,496,472
		314,008,072	329,496,472
Provision against non-performing loans	7.2	(74,244,761)	(109,273,927)
		239,763,311	220,222,545

7.1 This represents term finance facilities provided to customers and carries mark-up ranging from 16.06% to 25% (30 June 2012 : 16.06% to 25%).

7.2 The above provision for non-performing loans is net of forced sales values (FSVs) of collaterals of Rs. 202.704 million (30 June 2012: Rs. 171.7 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. 202.704 million (30 June 2012: Rs. 171.7 million) and the Company's profit for the period (before taxation) would also have been lower by the same amount.

		31 December 2012	30 June 2012
		----- (Rupees) ----- (Unaudited)	----- (Audited)
8. SHORT TERM PLACEMENT			
Short term placement	8.1	20,000,000	-

8.1 This represents a short term placement with Saudi Pak Industrial & Agricultural Investment Company Limited (the parent company), having maturity on 14 January 2013. This carries profit rate of 9.10% per annum (30 June 2012: Nil).

9. SHORT TERM INVESTMENTS

Available-for-sale	9.1	35,826,901	45,162,454
Held to maturity	9.2	61,026,250	77,406,419
		96,853,151	122,568,873
9.1 Available-for-sale			
Ordinary shares of listed companies	9.1.1	13,502,545	33,654,260
Ordinary shares of unlisted companies	9.1.2	32,248,268	32,248,268
Available-for-sale at cost		45,750,813	65,902,528
Impairment loss recognised	9.1.4	(9,923,912)	(20,740,074)
Available-for-sale at market value		35,826,901	45,162,454

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

9.1.2 Detail of investments in the ordinary shares of unlisted companies is as follows:

Saudi Pak Insurance Company Limited		14,664,938	14,664,938
Pace Barka Properties Limited		4,250,000	4,250,000
Burj Bank Limited	9.1.3	13,333,330	13,333,330
		32,248,268	32,248,268

9.1.3 Subsequent to period end, these shares were transferred to one of a lender of the Company in settlement of liability at the face value of the shares of Rs. 10 each, amounting to Rs. 13.333 million.

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For the six months period ended 31 December 2012

		31 December 2012	30 June 2012
		----- (Rupees) ----- (Unaudited)	----- (Audited)
9.1.4 Details of impairment loss recognised by the Company up to the period end / year end are as follows:			
Balance at the beginning of the period / year		20,740,074	184,593,547
Charge for the period / year		-	13,197,008
Reversal during the period / year due to settlements		-	(28,469,751)
Reversal during the period / year on sale of investments		(10,816,162)	(148,580,730)
Balance at the end of the period / year		9,923,912	20,740,074
9.2 Held to Maturity			
Government Market Treasury Bills	9.2.1	26,026,250	32,406,419
Certificates of deposit	9.2.2	35,000,000	45,000,000
		61,026,250	77,406,419

9.2.1 This represents investment in Government Market Treasury Bills having maturity on 30 May 2013 and carries effective mark-up rate of 9.23% (30 June 2012: 11.78%) per annum. As of 31 December 2012, the market value of these treasury bills amounted to Rs. 27 million (30 June 2012: Rs. 32.399 million).

9.2.2 This represents certificates of deposit of Orix Leasing Pakistan Limited for a period of one year having maturity from 17 February 2013 to 19 April 2013. These certificates carry interest rate of 12% per annum (30 June 2012: 12% per annum).

		31 December 2012	30 June 2012
		----- (Rupees) ----- (Unaudited)	----- (Audited)
10. OTHER RECEIVABLES			
Operating lease rentals receivable		11,545,095	11,545,095
Receivable on termination of leases		75,526,830	76,619,903
Others		2,874,574	4,039,964
		89,946,499	92,204,962
Provision against doubtful receivables		(76,555,779)	(76,555,779)
		13,390,720	15,649,183

10.1 The above provision for other receivables is net of forced sales values (FSVs) of collaterals of Rs. 13.090 million (30 June 2012: Rs. 13.090 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. 13.090 million (30 June 2012: Rs. 13.090 million) and the Company's profit for the period (before taxation) would also have been lower by the same amount.

		31 December 2012	30 June 2012
		----- (Rupees) ----- (Unaudited)	----- (Audited)
11. CURRENT MATURITY OF NON-CURRENT ASSETS			
Long term loans	12	69,223,051	73,142,480
Net investment in finance leases	13	934,215,442	1,050,079,308
		1,003,438,493	1,123,221,788

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

For the six months period ended 31 December 2012

		31 December 2012 ----- (Rupees) ----- (Unaudited)	30 June 2012 ----- (Audited)
12. LONG TERM LOANS			
Related party - secured			
Due from employees - considered good		4,202,129	4,724,493
Other than related party - secured			
Term loans to customers			
- Considered good		10,836,806	1,182,846
- Non-performing loans		108,654,106	123,368,596
	12.1	<u>119,490,912</u>	<u>124,551,442</u>
		<u>123,693,041</u>	<u>129,275,935</u>
Provision against non-performing loans	12.2	<u>(54,469,990)</u>	<u>(56,133,455)</u>
		<u>69,223,051</u>	<u>73,142,480</u>
Current maturity of long term loans	11	<u>(69,223,051)</u>	<u>(73,142,480)</u>
		<u>-</u>	<u>-</u>

12.1 Term loans due from customers are secured against properties. The rate of return on these loans ranges from 16% to 22.66% (30 June 2012: 16% to 22.66%) per annum and they have maturity upto 5 June 2013.

12.2 The above provision for non-performing loans is net of forced sales values (FSVs) of collaterals of Rs. 54.184 million (30 June 2012: Rs. 53.12 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. 54.184 million (30 June 2012: Rs. 53.12 million) and the Company's profit for the period (before taxation) would also have been lower by the same amount.

		31 December 2012 ----- (Rupees) ----- (Unaudited)	30 June 2012 ----- (Audited)
13. NET INVESTMENT IN FINANCE LEASES			
Minimum lease payments receivable		1,771,259,012	1,839,774,845
Residual value of leased assets		502,181,821	682,864,766
Gross investment in leases	13.1	<u>2,273,440,833</u>	<u>2,522,639,611</u>
Unearned lease income		<u>(26,867,959)</u>	<u>(49,166,687)</u>
Net investment in finance leases		<u>2,246,572,874</u>	<u>2,473,472,924</u>
Mark-up held in suspense	13.2	<u>(386,597,347)</u>	<u>(386,122,793)</u>
Provision for lease losses	13.3	<u>(766,937,782)</u>	<u>(754,855,198)</u>
		<u>(1,153,535,129)</u>	<u>(1,140,977,991)</u>
		<u>1,093,037,745</u>	<u>1,332,494,933</u>
Current portion of net investment in finance leases	11	<u>(934,215,442)</u>	<u>(1,050,079,308)</u>
		<u>158,822,303</u>	<u>282,415,625</u>

13.1 The internal rate of return on leases disbursed by the Company ranges from 12.50% to 20.01% per annum (30 June 2012: 12.50% to 20.01% per annum). Certain lease rentals have been hypothecated against long term finances obtained (refer note 19.1.1)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

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	31 December 2012 ----- (Unaudited)	30 June 2012 ----- (Audited)
	(Rupees)	
13.2 Mark-up held in suspense		
Balance at beginning of the period / year	386,122,793	342,794,188
Income suspended during the period / year	14,304,889	60,003,247
	400,427,682	402,797,435
Suspended income:		
- realised during the period / year	(13,830,335)	(16,407,237)
- written off during the period / year	-	(267,405)
	(13,830,335)	(16,674,642)
	386,597,347	386,122,793
13.3 Provision for lease losses		
Balance at beginning of the period / year	754,855,198	416,137,170
Charge for the period / year	80,714,317	367,456,634
Reversal during the period / year	(68,631,733)	(28,273,631)
	12,082,584	339,183,003
Write-offs against provision	-	(464,975)
Balance at end of the period / year	766,937,782	754,855,198

13.3.1 The above provision for non-performing lease losses is net of the forced sales values (FSVs) of leased assets / collaterals of Rs. 571.097 million (30 June 2012: Rs. 601.68 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 lease portfolio would have been higher by Rs. 571.097 million (30 June 2012: Rs. 583.299 million) and the Company's profit (before taxation) would also have been lower by the same amount.

13.4 Net investment in finance leases includes lease contract receivables amounting to Rs. Nil (30 June 2012: Rs. 0.878 million) from related parties.

13.5 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 31 December 2012, the Company's investment in lease assets was 67.52% (30 June 2012: 71.4%) of the total assets (less allowable deductions).

13.6 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. 41.235 million.

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	31 December 2012 ----- (Rupees) ----- (Unaudited)	30 June 2012 ----- (Audited)
14. INVESTMENT PROPERTIES		
Cost at the beginning of the period / year	76,169,772	-
Additions during the period / year	-	76,169,772
Disposals during the period / year	(5,010,000)	-
Cost at the end of the period / year	<u>71,159,772</u>	<u>76,169,772</u>
Accumulated depreciation	(11,049,211)	(9,186,717)
Provision for diminution in the value of investment properties	(3,439,809)	-
Carrying value of investment properties	<u>56,670,752</u>	<u>66,983,055</u>

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

- 14.1 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 period, 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.

	31 December 2012 ----- (Rupees) ----- (Unaudited)	30 June 2012 ----- (Audited)
15. PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment - owned assets	78,770,090	82,202,621
Plant and equipment - assets under operating lease	37,716,626	50,457,768
	<u>116,486,716</u>	<u>132,660,389</u>
Additions		
<i>Owned assets</i>		
Land	-	2,800,000
Vehicles	2,176,000	1,529,000
Office equipment	29,500	226,850
	<u>2,205,500</u>	<u>4,555,850</u>
<i>Assets under operating lease</i>		
Generators	-	3,026,480
	-	3,026,480
Total additions	<u>2,205,500</u>	<u>7,582,330</u>
Disposals		
<i>Owned assets</i>		
Vehicles	3,542,000	10,079,869
	<u>3,542,000</u>	<u>10,079,869</u>
<i>Assets under operating lease</i>		
Generators	-	10,268,135
	-	10,268,135
Total disposals	<u>3,542,000</u>	<u>20,348,004</u>

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For the six months period ended 31 December 2012

- 15.1 The parent company holds the title of a portion in office premises (area 2,083 square feet) of the Company. The net book value of this portion as of 31 December 2012 is Rs. 15.741 million.

31 December 2012	30 June 2012
----- (Rupees) -----	----- (Audited) -----
(Unaudited)	(Audited)

16. SHORT TERM BORROWINGS FROM FINANCIAL INSTITUTIONS

Letters of placement - 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	18,762,500	20,000,000
IGI Investment Bank Limited	16.5	13,750,000	13,750,000
KASB Income Opportunity Fund	16.6	15,679,137	17,929,137
KASB Asset Allocation Fund	16.6	18,583,333	20,833,333
		<u>231,276,558</u>	<u>246,884,058</u>

- 16.1 This represents finance of Rs. 77.50 million obtained from National Bank of Pakistan on 1 April 2010 through a letter of placement carrying mark-up at a rate of 11.2% for a period of 140 days. The Company has not paid any amount in respect of this finance. As of 31 December 2012, the Company has accrued a mark-up of Rs. 23.923 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% 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 December 2012, the Company has accrued a mark-up of Rs. 13.641 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 (MBL) on 20 September 2008 under Murabaha arrangement at the 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. During the period, on 16 September 2012, a revised settlement agreement was signed and as per the revised settlement agreement, loan is to be settled by way of transferring of its assets / collateral held against one of its non-performing borrower and cash payment of Rs. 9.870 million as down payment. The Company has made the down payment on 06 September 2012 and the collateral is to be transferred after the execution of a tripartite agreement between the Company, MBL and the said borrower.

- 16.4 This represents finance of Rs. 26 million obtained from AKD Aggressive Income Fund on 23 June 2011 through letter of placement for a period of 30 days at a rate of 10% per annum. The Company has repaid an amount of Rs. 7.237 million on various dates till 31 December 2012. As of 31 December 2012, the Company has accrued a mark-up of Rs. 3.261 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 by further making a payment of Rs. 15.272 million. As per rescheduling agreement dated 24 November 2010, the revised facility carries mark-up at 10.03% per annum, payable monthly. As of 31 December 2012, the Company has accrued a mark-up of Rs. 5.607 million. The management is currently under negotiation to settle this borrowing.

- 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 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 period, the Company has paid an amount of Rs. 4.50 million on account of principal repayment. As per rescheduling agreement the finance carries no mark-up.

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For the six months period ended 31 December 2012

17. SUB-ORDINATED DEBT

This represents long term financing 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, the long term finance aggregating to Rs. 333.208 million has been converted into an interest free, unsecured, sub-ordinated debt of the Company.

On 31 July 2012, in an extra ordinary general meeting, the shareholders of the Company approved the decision of the Board of Directors to convert the sub-ordinated debt into non-redeemable and convertible preference shares. This conversion has also been approved by the board of directors of the parent company on 26 March 2012.

During the period ended 31 December 2012, the management of the Company filed an application with the Securities and Exchange Commission of Pakistan (SECP) for approval of the above mentioned conversion. Subsequent to period end, the SECP vide its letter number SC/NBFC/23/SPLCL/2013/58 dated 13 February 2013, approved the application for the conversation of this sub-ordinated debt into non-voting, non-cumulative, convertible and unlisted non-redeemable preference shares. The management has initiated the process of issuance of preference shares.

		31 December 2012 ----- (Unaudited)	30 June 2012 ----- (Audited)
		----- (Rupees) -----	
18. CURRENT MATURITY OF NON-CURRENT LIABILITIES			
Long term finances	19	587,187,459	618,565,767
Certificates of investment		71,469,000	81,169,000
Security deposits against finance leases	20	446,864,659	591,095,464
		<u>1,105,521,118</u>	<u>1,290,830,231</u>
19. LONG TERM FINANCES			
Long term finances - secured		503,127,627	517,806,216
Long term finances - unsecured		110,388,888	111,682,627
	19.1	<u>613,516,515</u>	<u>629,488,843</u>
Term finance certificates - secured	19.10	478,853,483	496,853,207
		<u>1,092,369,998</u>	<u>1,126,342,050</u>
Current maturity			
- Long term loans - secured		436,743,011	464,883,140
- Long term loans - unsecured		102,444,448	111,682,627
- Term finance certificates - secured	18	(587,187,459)	(618,565,767)
		<u>505,182,539</u>	<u>507,776,283</u>
19.1 Long term finances			
Secured			
National Bank of Pakistan - II	19.2	12,500,000	12,500,000
Pak Brunei Investment Company Limited		104,583	244,711
First Women Bank Limited	19.3	75,061,505	75,061,505
Askari Income Fund	19.4	15,000,000	15,000,000
Soneri Bank Limited	19.5	110,000,000	110,000,000
Bank of Khyber	19.6	234,000,000	240,000,000
HSBC Bank Middle East Limited - III	19.7	56,461,539	65,000,000
Un-secured			
CDC Trustee United Growth & Income Fund	19.8	100,000,000	100,000,000
Silk Bank Limited	19.9	10,388,888	11,682,627
		<u>613,516,515</u>	<u>629,488,843</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

For the six months period ended 31 December 2012

- 19.1.1 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.
- 19.2 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 31 December 2012, 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 31 December 2012, the Company has accrued mark up of Rs. 5.806 million. The management is currently under negotiation to settle / restructure this borrowing.
- 19.3 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 31 December 2012, the Company has accrued mark-up of Rs. 19.705 million. The management is currently under negotiation to settle / restructure this borrowing.
- 19.4 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.
- 19.5 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 and afterwards no amount has been paid. As per rescheduling agreement the finance carries mark-up at 6 months KIBOR + 1%, payable monthly. As of 31 December 2012, the Company has accrued mark-up of Rs. 44.242 million. The management is currently under negotiation to settle / restructure this borrowing.
- 19.6 This represents finance of Rs. 468 million obtained from Bank of Khyber which 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 issue of preference shares amounting to Rs. 195 million has been approved by the SECP subsequent to the period end. Further, monthly instalments of Rs. 1 million each are being paid regularly by the Company. This finance carries no mark-up.
- 19.7 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 agreement 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 31 December 2012 the Company is complying with revised terms of the restructuring agreement.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

For the six months period ended 31 December 2012

- 19.8 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 the Company's debtors on 31 December 2012 and 30 June 2013. As per revised restructuring agreement the finance carries no mark-up. The Company is in the process of renegotiating certain properties with the lender.
- 19.9 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 31 December 2012, the Company has accrued a mark up of Rs. 1.807 million.
- 19.10 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 75% of the aggregate amount outstanding to TFC holders. As of 31 December 2012, 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 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 September 2011) 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 CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

For the six months period ended 31 December 2012

	31 December 2012	30 June 2012
	----- (Rupees) ----- (Unaudited)	----- (Audited)
20. LONG TERM DEPOSITS		
Security deposits against finance leases	480,467,094	661,134,837
Less: Current maturity of deposits against leases 18	(446,864,659)	(591,095,464)
	<u>33,602,435</u>	<u>70,039,373</u>

20.1 These represent security deposits received from lessees under lease contracts and are adjustable on expiry of respective lease periods.

21. AUTHORISED SHARE CAPITAL

The Board of Directors of the Company in their meeting held on 11 June 2012, decided to convert the sub-ordinated debt into preference shares at Rs. 10 per share. Further, the shareholders in their extra ordinary general meeting held on 31 July 2012, approved the decision of the Board of Directors and also decided to increase the authorised share capital of the Company to Rs. 2,000 million by way of adding 100 million preference shares of Rs. 10 each in order to facilitate the issuance of non-voting, non-cumulative, convertible and unlisted non-redeemable preference shares as discussed fully in note 1.2.

	31 December 2012	30 June 2012
	----- (Rupees) ----- (Unaudited)	----- (Audited)
22. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX		
Surplus on revaluation of property, plant and equipment - net	40,626,070	47,636,928

22.1 The properties of the Company were revalued as of 28 September 2008 and 30 June 2012. The revaluation was carried out by independent valuers, on the basis of professional assessment of present market values and the revaluation of 30 June 2012 resulted in surplus of Rs. 41.486 million and Rs. 17.501 million and deficit of Rs. 7.495 million for properties, generators and plant respectively over the written down values.

Had there been no revaluation the carrying amount of the aforementioned revalued assets would have been as follows:

	31 December 2012	30 June 2012
	----- (Rupees) ----- (Unaudited)	----- (Audited)
Office premises	12,025,096	12,738,799
Leased generators	9,844,575	12,706,168
Leased plant	24,730,000	27,745,000

23. CONTINGENCIES AND COMMITMENTS

Claims against the Company not acknowledged as debt	168,034,208	100,822,578
---	-------------	-------------

23.1 The above includes contingencies of Rs. 107.341 million which represents cases that 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.

23.2 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. 126,204,794 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.

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For the six months period ended 31 December 2012

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. 198,530. However, no provision has been made in these financial statements.

The Company has filed an appeal before the Commissioner Inland Revenue (Appeals) 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.

	31 December 2012 ----- (Rupees) ----- (Unaudited)	30 June 2012 ----- (Audited)
24. INCOME FROM FINANCE LEASES		
Income from finance lease contracts	17,582,872	16,112,330
Gain on termination of lease contracts	2,668,374	3,304,360
	<u>20,251,246</u>	<u>19,416,690</u>
25. OTHER OPERATING INCOME / (LOSS)		
Income from financial assets:		
Dividend income	25,000	1,251,026
Capital gain / (loss) on sale of investments	1,209,515	(1,634,366)
Interest income from government securities	1,776,565	304,328
Interest income on term loans	4,342,082	(20,722,150)
Return on certificates of deposit	2,425,700	-
Interest income from savings accounts	657,888	1,164,337
	<u>10,436,750</u>	<u>(19,636,825)</u>
Income from non-financial assets:		
Commission and fee income	140,129	1,071,735
Gain on sale of property, plant and equipment	2,217,800	553,484
Waiver on settlement of long term finances	73,503,276	-
Others	714,424	2,262,845
	<u>76,575,629</u>	<u>3,888,064</u>
	<u>87,012,379</u>	<u>(15,748,761)</u>
26. FINANCE COST		
Mark-up on:		
- Long term finances	13,173,901	44,915,523
- Term finance certificates	14,666,822	17,047,238
- Short term borrowings from financial institutions	8,498,507	14,053,695
Return on certificates of investment	7,295,341	10,427,372
Bank charges	118,711	102,342
	<u>43,753,282</u>	<u>86,546,170</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

For the six months period ended 31 December 2012

27. 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, major shareholders, 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 loans to employees at reduced rate in accordance with their terms of employment.

There is no balance outstanding with or from related parties including parent and other group companies except long term loans in respect of amount due from employees as disclosed in note 12, net investment in finance lease in respect of lease receivables as disclosed in note 13, subordinated loan as disclosed in note 17 and amount due in respect of staff retirement benefits.

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

	31 December 2012 (Unaudited)			
	Parent company	Other group companies	Key management personnel	Other related parties
	----- (Rupees) -----			
Rent paid	231,000	-	-	-
Rentals received	-	20,305	-	-
Insurance premium paid	-	627,602	-	-
Remuneration of key management personnel	-	-	7,856,913	-
Payments to the gratuity fund	-	-	-	13,377
	<u>231,000</u>	<u>647,907</u>	<u>7,856,913</u>	<u>13,377</u>

	31 December 2011 (Unaudited)			
	Parent company	Other group companies	Key management personnel	Other related parties
	----- (Rupees) -----			
Rent paid	249,435	-	-	-
Principal repayment on certificate of investments	-	-	-	1,000,000
Rentals received	-	537,290	-	-
Insurance premium paid	-	630,722	-	-
Remuneration of key management personnel	-	-	3,222,853	-
Payments to the gratuity fund	-	-	-	1,012,200
	<u>249,435</u>	<u>1,168,012</u>	<u>3,222,853</u>	<u>2,012,200</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

For the six months period ended 31 December 2012

	For the six months period ended 31 December	
	2012	2011
28. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED	(Unaudited) ----- (Rupees) -----	
Net profit / (loss) for the period	<u>35,022,564</u>	<u>(657,231,244)</u>
	----- (Number) -----	
Weighted average number of ordinary shares outstanding during the period	<u>45,160,500</u>	<u>45,160,500</u>
	----- (Rupees) -----	
Earnings / (loss) per share - basic and diluted	<u>0.78</u>	<u>(14.55)</u>

29. 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 requirements and is hopeful that this request will be accepted based on the condition of the business environment and the Company's position in the overall leasing sector as well as its past performance and the reasons given in note 1.2.

The Board of Directors of the Company in their meeting held on 11 June 2012 decided to convert the sub-ordinated debt into preference shares at Rs. 10 per share. Further, the shareholders in their extra ordinary general meeting held on 31 July 2012, approved the decision of the Board and also decided to increase the authorised share capital of the Company to Rs. 2,000 million.

30. 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 securities and derivative transactions.

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 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, selling and other operating expenses, write offs, taxation and assets and liabilities not related to the above mentioned segments are managed on the Company basis and are not allocated in operating segments.

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

For the six months period ended 31 December 2012

	31 December 2012 (Unaudited)					Total
	Finance lease	Operating lease	Term loans	Investments	Others	
	----- (Rupees) -----					
Segment revenue	20,251,246	2,051,336	4,342,082	5,436,780	77,233,517	109,314,961
Direct (costs), (provisions) / reversals and fair value changes	(12,082,584)	(12,741,145)	36,692,631	-	(3,439,809)	(8,429,093)
Segment results	8,168,662	(10,689,809)	41,034,713	5,436,780	73,793,708	117,744,054
Unallocated cost						
Financial and bank charges	-	-	-	-	-	43,753,282
Administrative and other operating expenses	-	-	-	-	-	40,990,972
Write-offs	-	-	-	-	-	-
						(84,744,254)
						<u>32,999,800</u>
Taxation	-	-	-	-	-	(2,022,764)
Profit for the period						<u>35,022,564</u>
Other information						
Segment assets	1,093,037,745	37,716,626	308,986,362	96,853,151	-	1,536,593,884
Unallocated assets	-	-	-	-	189,463,804	189,463,804
Total assets						<u>1,726,057,688</u>
Segment liabilities	480,025,097	441,997	-	-	-	480,467,094
Unallocated liabilities	-	-	-	-	2,221,519,016	2,221,519,016
Total liabilities						<u>2,701,986,110</u>
Net assets						<u>(975,928,422)</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)


For the six months period ended 31 December 2012

	31 December 2011 (Unaudited)					Total
	Finance lease	Operating lease	Term loans	Investments	Others	
	----- (Rupees) -----					
Segment revenue	19,416,690	2,168,643	(20,722,150)	(79,012)	5,052,401	5,836,572
Direct (costs), (provisions) / reversals and fair value changes	(195,935,236)	(6,522,231)	(45,594,842)	(20,257,168)	(37,966,590)	(306,276,067)
Segment results	(176,518,546)	(4,353,588)	(66,316,992)	(20,336,180)	(32,914,189)	(300,439,495)
Unallocated cost						
Financial and bank charges	-	-	-	-	-	86,546,170
Administrative and other operating expenses	-	-	-	-	-	42,648,670
Write-offs	-	-	-	-	-	10,566,253
						(139,761,093)
						(440,200,588)
Taxation	-	-	-	-	-	(217,030,656)
Loss for the period						<u>(657,231,244)</u>
Other information						
Segment assets	1,332,494,933	50,457,768	293,365,025	122,568,873	-	1,798,886,599
Unallocated assets	-	-	-	-	194,804,001	194,804,001
Total assets						<u>1,993,690,600</u>
Segment liabilities	661,134,837	-	-	-	-	661,134,837
Unallocated liabilities	-	-	-	-	2,343,572,869	2,343,572,869
Total liabilities						<u>3,004,707,706</u>
Net assets						<u>(1,011,017,106)</u>

31. GENERAL

- 31.1 This condensed interim financial information has been presented in Pakistani Rupees, which is the functional currency of the Company. The figures are rounded off to the nearest rupee.
- 31.2 This condensed interim financial information was authorised for issue by the Board of Directors of the Company on March 27, 2013.


Ahsanullah Khan
 Chief Executive Officer


Muhammad Iqbal Hussain
 Chairman