

Half Yearly
Accounts Unaudited
December 31, 2010

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Corporate Information

BOARD OF DIRECTORS

Mr. Muhammad Anwar	Chairman
Senator (R) Ihsanul Haq Piracha	Vice Chairman
Mr. Nayyar Alam Ilyas	Acting Chief Executive Officer
Mr. Haroon Ihsan	Director
Mr. Farrukh Shauket Ansari	Director
Mr. Muhammad Tariq Masud	Director
Mr. Arsalan I. Khan	Director
Mr. Muhammad Iqbal Hussain	Director

AUDIT COMMITTEE

Senator (R) Ihsanul Haq Piracha	Chairman
Mr. Muhammad Tariq Masud	Director
Mr. Muhammad Iqbal Hussain	Director

REHABILITATION COMMITTEE

Mr. Muhammad Anwar	Chairman
Mr. Farrukh Shauket Ansari	Director
Mr. Haroon Ihsan	Director
Mr. Arsalan I. Khan	Director

CREDIT COMMITTEE

Mr. Haroon Ihsan	Chairman
Mr. Farrukh Shauket Ansari	Director
Mr. Arsalan I. Khan	Director

HUMAN RESOURCE COMMITTEE

Mr. Haroon Ihsan	Chairman
Mr. Muhammad Tariq Masud	Director
Mr. Arsalan I. Khan	Director

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Mr. Mazhar Abbas Zaidi

HEAD OF INTERNAL AUDIT

Mr. Imran Masood

AUDITORS

M/s. M. Yousuf Adil Saleem & Co.
Chartered Accountants

LEGAL ADVISOR

M/s. S & B Durrani Law Associates

TAX CONSULTANTS

M/s. Muniff Ziauddin Junaidy & Co.
Chartered Accountants

BANK & LENDING INSTITUTIONS

National Bank of Pakistan
United Bank Limited
MCB Bank Limited
Allied Bank Limited
Askari Bank Limited
Faysal Bank Limited
Samba Bank Limited
Standard Chartered Bank (Pakistan) Limited
HSBC Bank Middle East Limited
Silk Bank Limited

REGISTERED OFFICE

6th Floor, Lakson Square, Building # 1,
Sarwar Shaheed Road, Saddar, Karachi.
Tel: (021) 35655181-85, 35655215-19
Fax: (021) 35210607-9

BRANCHES**Lahore**

Pakistan Engineering Congress (PEC) Building
First Floor, 97/A-D/1, Liberty Market,
Gulberg-III, Lahore.
Tel: (042) 35762644-47, 35762634
Fax: (042) 35672633

Islamabad

10th Floor, High-Rise Block, Saudi Pak Tower
61-A, Jinnah Avenue, Blue Area, Islamabad.
Tel: (051) 2800206-07 Fax: (051) 2800205

Faisalabad

Allama Iqbal Road (Kotwali Road), Faisalabad.
Tel: (041)-2412082

Sialkot

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

Universal Access Number: 111-888-999

Karachi, Lahore & Islamabad

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 hereby present their report and review of unaudited financial statements of Saudi Pak Leasing Company Limited for the half year ended December 31, 2010.

Economic Scenario

The economy experienced the shock in the form of unprecedented devastating floods during the first half of financial year 2011. The provisional estimates released by Ministry of Finance indicate that the fiscal deficit from July-December 2010 has already reached Rs.500 billion against a full year revised target of Rs.812 billion which is 4.7 percent of GDP. Tax collection of Rs.661 billion by the Federal Board of Revenue during the first half of FY 2011 shows a growth of 13 percent only against the projected growth rate of 26 percent target for the full year. The external account shows a surplus of USD 26 million during first half of FY 2011 which is marked improvement over earlier projection. The major factors for the improvement in current account is robust export of USD 11.1 billion and the remittance by overseas Pakistanis USD 5.3 billion during the period July-December 2010. Surplus external current account has helped in stabilizing the foreign exchange reserves and exchange rate. The inflation remained higher vis-a-vis same period last year due to higher fiscal deficit, withdrawal of subsidies from power sector, spike in international prices of commodities and increased government borrowing from the central bank. During the period under review, the stock market continued its upward momentum and gained 24 percent to 12,022 points as on December 31, 2010 from 9,722 points as on June 30, 2010.

Financial Performance

Due to liquidity crunch and high cost of funds and state of affairs of the company fresh business was avoided during the period under review, resulting in reduction in lease and loan portfolio and decreased in gross revenues. The gross revenue of the company decreased to Rs.88 million in July-December 2010 from Rs.214 million in the corresponding period of the previous year. Finance lease revenue decreased to Rs.61 million from Rs.142 million and income from operating lease to Rs.5 million from Rs.22 million. Other operating income also declined to Rs.21 million from Rs.50 million. The decrease in revenue is mainly due to increase in delinquencies.

The Company repaid principal amount of Rs.678 million along with financial charges of Rs.67 million to the lenders during the half year ended December 31, 2010. The Company decreased its financial charges to Rs.114 million from Rs.296 million in the same period last year mainly due to de-leveraging book size through restructuring and settlement of liabilities. Moreover, the management of the Company also reduced administrative cost to reduce expense side. Due to decrease in operating lease portfolio, the depreciation cost for the period has also declined resulting in reduced direct cost of operating lease to Rs.8 million as compared to Rs.14 million in the same period of last year.

The Company has successfully negotiated with most of the lenders reduce markup rates and increase repayment period. The management is also swapping third party properties of defaulted lease and loan clients in settlement of outstanding loans. This has resulted in reversal in provisions and suspension in the second quarter and decrease in operating loss to Rs.83 million as against loss of Rs.146 million in the corresponding period last year. The Company incurred after tax loss of Rs.49 million during the half year ended December

31, 2010 as against after tax loss of Rs.166 million last year during the same period. The management is aggressively pursuing recovery drive and negotiating with the lenders to restructure the loans with reduced mark-up rates. These efforts will assist the company's rehabilitation.

Board of Directors

Mr. Muhammad Rashid Zahir, Chairman of the Company has resigned on January 17, 2011 from chairmanship and directorship of the Company and the casual vacancy in the Board has been filled by Mr. Muhammad Anwar for the remaining period till December 2012. Mr. Farrukh S. Ansari has also resigned as Chief Executive Officer of the Company on January 25, 2011 and the Board has appointed Mr. Nayyar Ilyas Alam as Acting Chief Executive Officer for the period till further order.

Furthermore, in-order to comply with the NBFC Rules and Code of Corporate Governance, Ms. Parveen A. Malik, nominee director of Saudi Pak Industrial and Agricultural Company Limited resigned from the Board of Directors of the Company and vacancy has been filled by the appointment of Mr. Muhammad Iqbal Hussain as independent director of the Company.

Future Outlook

The management of the Company is focusing on deleveraging and maintaining its liabilities size in controllable position. In line with the same, the Company is also negotiating part conversion of its debt into preference shares of the Company. The recovery drive will be accelerated and avenues will be explored to beef-up equity of the Company.

The Board appreciates the support of the lending institutions, regulatory authorities and COI holders, and recognize the dedicated services rendered by the management and other members of the staff of the Company.

For and on behalf of the Board of Directors



Muhammad Anwar
Chairman

Islamabad:

Dated: February 28, 2011

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 December 31, 2010, and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof, 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. The figures of the condensed profit and loss account for the quarters ended December 31, 2010 and December 31, 2009 have not been reviewed, as we are required to review only the cumulative figures for the six months ended December 31, 2010.

Scope of Review

We conducted our review in accordance with the 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 the person 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 the approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to Note 1.2 and Note 17 of the condensed interim financial information which indicates that the Company has incurred net loss of Rs. 49.18 million during the period ended December 31, 2010, while as of that date, the accumulated losses have reached Rs. 771.85 million and the total liabilities exceeded the total assets by Rs.134.09 million. The Company has a short fall of Rs. 38.78 million in the equity against the required minimum equity requirement of Rs. 200 million as prescribed by Non Banking Finance Companies and Notified Entities Regulation, 2008. These conditions, along with other matters including pending renewal of the lease license by the Securities and Exchange Commission of Pakistan as set forth in Note 1.2, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Management has also disclosed the mitigating factors in the aforesaid note on the basis of which these financial statements have been prepared using going concern assumption.

M. Yousuf Adil Saleem - c

Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Karachi

Dated: February 28, 2011

Condensed Interim Balance Sheet

As at December 31, 2010

			December 31, 2010	June 30, 2010
	Note		..... Rupees .....	..... Rupees
			(Un-audited)	(Audited)
ASSETS				
Current Assets				
Cash and bank balances			4,578,088	18,541,525
Short-term loans			492,437,734	620,176,633
Short-term investments	5		181,412,527	184,682,678
Advances			-	145,000
Accrued mark-up			65,304,090	107,901,582
Trade deposits and short-term prepayments			1,816,337	1,297,025
Advance tax- net of provision			-	2,088,468
Other receivables			68,119,257	98,563,601
Current maturity of non-current assets	6		1,592,099,049	1,960,463,212
			2,405,767,082	2,993,859,724
Non-current assets classified as held for sale			88,510,648	68,790,556
Total current assets			2,494,277,730	3,062,650,280
Non-current assets				
Long-term loans	7		125,694,511	122,760,408
Net investment in leases	8		801,941,318	1,069,278,428
Long-term investments			12,212,680	14,334,347
Deferred tax asset-net			143,676,139	81,735,676
Intangible assets			1,195,567	1,471,472
Property, plant and equipment	9		108,401,727	119,282,715
Total non-current assets			1,193,121,942	1,408,863,046
Total Assets			3,687,399,672	4,471,513,326
LIABILITIES				
Current Liabilities				
Borrowings from financial institutions			536,272,445	632,000,000
Certificates of investment			370,838,000	459,228,333
Accrued mark-up			220,001,885	172,215,801
Accrued and other payables			20,826,686	35,709,237
Provision for tax			303,206	-
Current maturity of non-current liabilities	10		1,375,210,968	1,501,478,944
Total current liabilities			2,523,453,190	2,800,632,315
Non-current liabilities				
Certificates of investment			35,923,000	54,173,000
Long-term finances	11		696,618,748	689,051,826
Sub-ordinated debt	12		333,208,499	333,208,499
Deposits against leases			232,295,222	692,924,599
Total non-current liabilities			1,298,045,469	1,769,357,924
Total liabilities			3,821,498,659	4,569,990,239
NET ASSETS			(134,098,987)	(98,476,913)
FINANCED BY				
Authorized Capital			1,000,000,000	1,000,000,000
100,000,000 (June 30, 2010:100,000,000) ordinary shares of Rs.10/-each				
Issued, subscribed and paid-up capital			451,605,000	451,605,000
Capital Reserves			148,257,389	148,257,389
Accumulated loss			(771,846,312)	(723,600,422)
			(171,983,923)	(123,738,033)
Surplus on revaluation of assets	13		37,884,936	25,261,120
			(134,098,987)	(98,476,913)
CONTINGENCIES				
	14			

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.



Nayyar Alam Ilyas
Chief Executive Officer



Muhammad Anwar
Chairman

Condensed Interim Profit and Loss Account

For the Half Year ended December 31, 2010 (Un-audited)

	Half year ended		Quarter ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Note	Rupees		Rupees	
Revenue				
Income from:				
Finance leases	61,438,579	142,737,378	26,156,936	67,091,604
Operating leases	5,478,404	21,890,798	2,698,475	10,816,011
	66,916,983	164,628,176	28,855,411	77,907,615
Other operating income	20,607,251	49,654,540	16,713,075	38,318,095
	87,524,234	214,282,716	45,568,486	116,225,710
Expenses				
Financial charges	114,446,896	296,141,555	69,862,950	140,123,215
Administrative, selling and other operating expenses	43,827,991	46,868,060	23,624,558	22,839,225
Amount written off directly against loans, lease receivables and investments	4,642,827	2,573,816	4,642,827	-
Direct cost of operating leases	8,002,852	14,456,507	4,039,106	5,559,999
	170,920,566	360,039,938	102,169,441	168,522,439
Operating loss before provisions	(83,396,332)	(145,757,222)	(56,600,955)	(52,296,729)
Provisions and fair value changes				
Provisions for doubtful leases, loans and other receivables	21,544,648	58,417,674	(8,528,040)	34,459,695
Impairment on available-for-sale investments	1,173,533	107,523,099	1,173,533	50,171,363
Unrealized gain in the market value of investment classified as held-for-trading	-	(1,517)	-	(512)
	22,718,181	165,939,256	(7,354,507)	84,630,546
	(106,114,513)	(311,696,478)	(49,246,448)	(136,927,275)
Share of (loss) / profit from associate	(2,121,667)	1,848	(2,121,667)	1,848
Loss before taxation	(108,236,180)	(311,694,630)	(51,368,115)	(136,925,427)
Taxation				
Current	4,111,166	4,742,070	1,859,664	2,855,646
Prior year	(1,226,945)	(2,395,671)	(1,226,945)	(2,395,671)
Deferred	(61,940,463)	(148,117,797)	(61,940,463)	(66,194,833)
	(59,056,242)	(145,771,398)	(61,307,744)	(65,734,858)
(Loss) / profit for the period	(49,179,938)	(165,923,232)	9,939,629	(71,190,569)
Other comprehensive income	-	-	-	-
Total comprehensive (loss) / profit	(49,179,938)	(165,923,232)	9,939,629	(71,190,569)
(Loss) / earnings per share - basic and diluted	(1.09)	(3.67)	0.22	(1.58)

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.



Nayyar Alam Ilyas
Chief Executive Officer



Muhammad Anwar
Chairman

Condensed Interim Cash Flow Statement

For the Half Year ended December 31, 2010 (Un-audited)

	Note	Half year ended	
		December 31, 2010	December 31, 2009
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations after working capital changes	15	193,259,758	230,910,785
Financial charges paid		(66,660,812)	(261,556,227)
Taxes paid		(492,547)	(3,961,671)
Deposits paid to lessees		(103,245,539)	(106,093,092)
Decrease in net investment in leases	18	566,080,651	595,373,997
		395,681,753	223,763,007
Net cash generated from operating activities		588,941,511	454,673,792
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(113,000)	(129,000)
Investment in operating lease assets		(565,000)	(3,169,366)
Proceeds from sale of property, plant and equipment		344,300	114,997,517
Decrease in investments - net		16,103,280	58,842,286
Long-term loans		58,170,877	25,233,647
Dividend received		1,607,375	5,083,004
Net cash generated from investing activities		75,547,832	200,858,088
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term finances	18	(451,494,892)	(170,416,617)
Decrease in borrowings from financial institutions -net	18	(95,727,555)	(292,392,597)
Repayment of certificates of investment		(131,230,333)	(187,621,000)
Net cash used in financing activities		(678,452,780)	(650,430,214)
Net (decrease) / increase in cash and cash equivalents		(13,963,437)	5,101,666
Cash and cash equivalents at beginning of the period		18,541,525	14,124,771
Cash and cash equivalents at end of the period		4,578,088	19,226,437

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.



Nayyar Alam Ilyas
Chief Executive Officer



Muhammad Anwar
Chairman

Condensed Interim Statement of Changes in Equity

For the Half Year ended December 31, 2010 (Un-audited)

	Share Capital	Capital Reserves	Accumulated loss	Total equity
	..... Rupees			
Balance as at July 1, 2009	451,605,000	148,257,389	(382,714,525)	217,147,864
Total comprehensive loss for the period				
Net loss for the period	-	-	(165,923,232)	(165,923,232)
Transfer from surplus on revaluation of properties on account of incremental depreciation	-	-	934,048	934,048
Other comprehensive income	-	-	-	-
Balance as at December 31, 2009	451,605,000	148,257,389	(547,703,709)	52,158,680
Balance as at July 1, 2010	451,605,000	148,257,389	(723,600,422)	(123,738,033)
Total comprehensive loss for the period				
Net loss for the period	-	-	(49,179,938)	(49,179,938)
Transfer from surplus on revaluation of properties on account of incremental depreciation	-	-	934,048	934,048
Other comprehensive income	-	-	-	-
Balance as at December 31, 2010	451,605,000	148,257,389	(771,846,312)	(171,983,923)

The annexed notes from 1 to 21 form an integral part of these condensed interim financial statements.



Nayyar Alam Ilyas
Chief Executive Officer



Muhammad Anwar
Chairman

Selected Notes to the Condensed Interim Financial Statements

For the Half Year ended December 31, 2010 (Un-audited)

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Saudi Pak Leasing Company Limited (the Company) was incorporated in Pakistan on January 08, 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 leasing of assets. The Company's license to carry out the business of leasing has expired on May 18, 2010 and renewal is pending with the Securities and Exchange Commission of Pakistan.

Saudi Pak Industrial and Agricultural Investment Company Limited (SAPICO) is the Holding Company.

1.2 Financial meltdown in the world has had a negative impact on the local economy as well, which had already been encountering higher inflation, political instability, and lack of trust of foreign investors. These factors cumulatively caused liquidity crunch in the country due to which a wave of defaults spread across the financial sector, soaring a percentage of bad loan portfolios beyond previous highs. The Company, being one of financial sector victims, also started facing defaults in repayments by its lessees. Heavy drop in market values of the Company's investments in equity portfolio also deteriorated financial position of the Company. As a result:

- * Impairments of Rs. 425.05 million and Rs. 185.08 million on lease and loans portfolios, and investment portfolio respectively have been recognized till December 31, 2010.
- * As of December 31, 2010, accumulated losses have reached to Rs. 771.85 million and total liabilities have exceeded total assets by Rs. 134.09 million due to which the Company may not be able to settle the liabilities in normal course of business.
- * The Company's rating was downgraded as at June 30, 2010, not permitting the Company to issue new certificate of investments. Subsequently, the management has not renewed the rating agreement with JCR - VIS, a credit rating company.
- * Potential lease losses of the Company could increase substantially if the revised criteria for classification of assets and provisioning as provided in Schedule XI of the Non Banking Finance Companies and Notified Entities Regulations, 2008, applicable from July 2011, is not deferred.
- * The Company maintains an equity of Rs. 161.22 million as against the minimum equity requirement of Rs. 200 million which has rendered it unable to get its license renewed and write new leases.

Although material uncertainty exists due to the above factors which may cast doubt on the Company's ability to continue as a going concern, however, the management of the Company is confident that the going concern assumption is appropriate for the reasons explained in the ensuing paragraphs and has, as such prepared these financial statements on a "going concern basis".

- * Keeping in view the liquidity crunch being faced by the Company, the management has successfully restructured its term finance certificate by increasing the repayment period by four years and substantially reducing the mark-up rate on the financing facility.
- * The management has successfully repaid / settled liabilities amounting to Rs. 678.45 million along with financial charges of Rs. 66.7 million to the lenders during the six months period ended December 31, 2010. The Company has accordingly decreased its financial charges from Rs. 296 million to Rs. 114.4 million in the same period last year mainly due to restructuring / settlement of loans agreements and resultant reduction in markup rate and borrowing levels. Out of Rs. 678.45 million, the Company successfully executed various settlement agreements during the period amounting to Rs. 413.12 million with its lenders resulting in satisfaction of short term and long term finance facilities against term loans, lease portfolio and properties recovered from non performing asset base.
- * Subsequent to period end, a settlement proposal has been discussed which is pending approval of the lending bank's board. This settlement will have an effect of conversion of loan of Rs. 125 million into preference shares and roll over of Rs. 100 million at substantially reduced markup rate thereby improving the equity position of the Company by Rs. 125 million.

Management is hopeful that the reduction in financing cost through restructuring/settlements, expected reversals of provisions resulting from settlement with the defaulted borrowers and the issuance of convertible preference shares against settlement of loans will assist in reducing the losses.

2. BASIS OF PRESENTATION

2.1 Statement of Compliance

These condensed interim financial statements for the six months period ended December 31, 2010 have been prepared in accordance with the requirements of the International Accounting Standard 34, "Interim Financial Reporting" as applicable in Pakistan, the Companies Ordinance, 1984, the Non Banking Finance Companies (NBFs) Rules, 2003 (the Rules), Non Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations)

Selected Notes to the Condensed Interim Financial Statements For the Half Year ended December 31, 2010 (Un-audited)

and directives issued by the SECP. In case where requirements differ, the provisions of or directives issued under the Rules, the Regulations and Companies Ordinance, 1984 have been followed.

These condensed interim financial statements are unaudited. However, a limited scope review of these condensed interim financial statements has been performed by the external auditors of the Company in accordance with the requirements of clause (xxi) of the Code of Corporate Governance and they have issued their review report thereon which are being submitted to shareholders as required by listing regulations of Karachi, Lahore and Islamabad Stock Exchanges and section 245 of the Companies Ordinance, 1984. These do not include all of the information required for the annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended as at June 30, 2010.

The comparative balance sheet presented has been extracted from annual financial statements for the year ended June 30, 2010, whereas comparative condensed profit and loss account, condensed cash flow statement and condensed statement of changes in equity are stated from the unaudited condensed interim financial statement for the six months ended December 31, 2009.

2.2 Functional and presentation currency

The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

3.1 The accounting policies and the methods of computation adopted for the preparation of these condensed interim financial statements are consistent with those followed in the preparation of Company's annual financial statements for the year ended June 30, 2010.

3.2 The preparation of condensed interim financial information require management to make the judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by the management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2010.

4. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended June 30, 2010.

5. SHORT-TERM INVESTMENTS

Available-for-sale

		December 31, 2010	June 30, 2010
	Note	..... Rupees .....	..... Rupees
		(Un-audited)	(Audited)
- Ordinary shares of listed companies	5.1	276,772,366	287,386,637
- Ordinary shares of unlisted companies		69,583,330	69,583,330
- Units of mutual funds		-	33,236,044

Available-for-sale at cost

Impairment loss recognized	5.2	(185,081,184)	(212,103,484)
		161,274,512	178,102,527
Surplus on revaluation of available-for-sale securities	13	20,138,015	6,580,151
		181,412,527	184,682,678

5.1 The investments in the listed equity securities and mutual funds held as available for sale are valued at prices quoted on stock exchanges and relevant net asset value as at December 31, 2010.

5.2 This represents impairment loss recognized in accordance with S.R.O 150 (I) / 2010 dated February 13, 2010 issued by SECP and includes revaluation loss booked on impaired portfolio of shares arising in subsequent periods.

Selected Notes to the Condensed Interim Financial Statements For the Half Year ended December 31, 2010 (Un-audited)

			December 31, 2010	June 30, 2010
	Note		..... Rupees .....	..... Rupees
			(Un-audited)	(Audited)
6. CURRENT MATURITY OF NON-CURRENT ASSETS				
Current maturity of:				
Long-term loans	7		145,114,417	191,175,601
Net investment in leases	8		1,446,984,632	1,769,287,611
			1,592,099,049	1,960,463,212
7. LONG-TERM LOANS - secured				
Related party				
Due from employees - considered good			10,875,337	12,459,778
Other than related party				
Term loan to customers				
- Considered good			19,806,777	26,341,297
- Non-performing loans			255,734,645	301,143,734
	7.1		275,541,422	327,485,031
Allowance for non-performing loans			286,416,759 (15,607,831)	339,944,809 (26,008,800)
Recoverable within one year shown as current portion of long-term loans	6		270,808,928 (145,114,417)	313,936,009 (191,175,601)
			125,694,511	122,760,408
7.1 Term loan due from customers is secured against property and pledge of listed securities. The rate of return on these loans ranges from 17.81% to 19.2% (June 2010: 15% to 22.66%) per annum.				
			December 31, 2010	June 30, 2010
	Note		..... Rupees .....	..... Rupees
			(Un-audited)	(Audited)
8. NET INVESTMENT IN LEASES				
Minimum lease payments receivable			2,255,998,556	2,760,601,760
Add: Residual value of lease assets			892,564,243	990,503,849
			3,148,562,799	3,751,105,609
Gross investment in leases	8.1		3,148,562,799	3,751,105,609
Less: Unearned lease income			(197,473,314)	(255,439,019)
			2,951,089,485	3,495,666,590
Net investment in leases				
Less: Income suspended			(317,224,358)	(295,720,812)
Provision for potential lease losses			(384,939,177)	(361,379,739)
			(702,163,535)	(657,100,551)
			2,248,925,950	2,838,566,039
Less: Current portion of net investment in lease	6		(1,446,984,632)	(1,769,287,611)
			801,941,318	1,069,278,428

Selected Notes to the Condensed Interim Financial Statements For the Half Year ended December 31, 2010 (Un-audited)

- 8.1 The internal rate of return on leases ranges from 8.50% to 25.96% (June 2010: 12.50% to 20.01%) per annum. Certain lease rentals have been hypothecated against long term finances obtained.

	December 31, 2010	June 30, 2010
	Rupees	
	(Un-audited)	(Audited)

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment - own use	50,689,925	54,250,221
Property, plant and equipment - operating lease	57,711,802	65,032,494
	108,401,727	119,282,715

- 9.1 Details of additions to and disposals from property, plant and equipment during the current period are given below;

	December 31, 2010			
	Own assets		Operating lease assets	
	Additions	Disposals	Additions	Disposals
	Rupees		Rupees	
Vehicles	-	-	-	-
Office equipment	113,000	781,100	-	-
Office premises	-	-	-	-
Plant and machinery	-	-	565,000	-
	113,000	781,100	565,000	-

	December 31, 2009			
	Own assets		Operating lease assets	
	Additions	Disposals	Additions	Disposals
	Rupees		Rupees	
Vehicles	-	2,071,000	569,366	155,074,673
Office equipment	129,000	490,000	-	-
Office premises	-	7,000,000	-	-
Plant and machinery	-	-	2,600,000	-
	129,000	9,561,000	3,169,366	155,074,673

	December 31, 2010	June 30, 2010
	Rupees	
	(Un-audited)	(Audited)

10. CURRENT MATURITY OF NON-CURRENT LIABILITIES

Current portion of:			
Certificates of investment		32,231,000	56,821,000
Long-term finances	11	707,186,396	1,166,248,210
Deposits against leases		635,793,572	278,409,734
		1,375,210,968	1,501,478,944

Selected Notes to the Condensed Interim Financial Statements For the Half Year ended December 31, 2010 (Un-audited)

		December 31, 2010	June 30, 2010
Note		..... Rupees .....	..... Rupees
		(Un-audited)	(Audited)
11. LONG-TERM FINANCES			
Long-term finances - secured	11.1	757,245,762	1,187,019,613
Long-term finances - unsecured		103,000,000	113,000,000
Term finance certificates - secured	11.2	543,559,382	555,280,423
		1,403,805,144	1,855,300,036
Less: Current maturity shown under current liabilities	10	(707,186,396)	(1,166,248,210)
		696,618,748	689,051,826

11.1 These represent long-term finances availed from banking companies and other financial institutions. These are secured by hypothecation of specific leased assets and associated lease rentals and carry markup ranging from 8% to 15.4% per annum.

11.2 This represents third issue of registered and listed TFCs issued by the Company to banking companies and other financial institutions, trusts and general public. These are secured by way of a first exclusive charge on specific leases including lease rental and receivables against lease with 25% margin available at all times to the TFCs holders on total outstanding amount of the issue.

The TFC holders approved the restructured payment terms of the TFCs with effect from September 13, 2010. As per the restructuring agreement, tenor for the repayment of TFCs has been extended by 4 years according to which the final redemption shall take place in March 2017 instead of March 2013 and the principal redemption shall take place in monthly installments starting from the month of September 2010. Markup rates have been reduced to 6% for the first 24 months from the restructuring date, 8% for a further period of 24 months (till the 48th month) and thereon markup shall be paid at the rate of one month KIBOR (Offer Side).

12. SUB-ORDINATED DEBT

This represents long-term financing obtained from the Holding Company. Through a resolution passed by board of directors of Holding Company and endorsed by board of directors of the Company, the long-term finance aggregating to Rs. 333,208,499 was converted into an interest free, unsecured debt sub-ordinated to all other debts of the Company.

		December 31, 2010	June 30, 2010
Note		..... Rupees .....	..... Rupees
		(Un-audited)	(Audited)
13. SURPLUS ON REVALUATION OF ASSETS			
Surplus on revaluation of property, plant and equipment	13.1	17,746,921	18,680,969
Unrealized gain on available-for-sale investments	5	20,138,015	6,580,151
		37,884,936	25,261,120

13.1 The properties of the Company were revalued as at September 28, 2008. The revaluation was carried out by an independent valuer, Messer Tracom (Private) Limited on the basis of professional assessment of present market values and resulted in surplus of Rs. 33,769,445, over the written down value.

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

		December 31, 2010	June 30, 2010
		..... Rupees .....	..... Rupees
		(Un-audited)	(Audited)
Premises		14,881,593	15,595,294
14. CONTINGENCIES			
Liabilities in respect of guarantees		18,645,000	18,645,000
Claims against the Company not acknowledged as debts		58,657,388	58,657,388

14.1 The Company has also filed various claims for the recovery of defaulted amounts.

Selected Notes to the Condensed Interim Financial Statements For the Half Year ended December 31, 2010 (Un-audited)

	December 31, 2010 Rupees	June 30, 2010 Rupees
	(Un-audited)	(Audited)
15. CASH GENERATED FROM OPERATIONS AFTER WORKING CAPITAL CHANGES		
Loss for the period before taxation	(108,236,180)	(311,694,630)
Adjustment for non-cash charges and other items :		
Depreciation - own assets	3,893,296	4,216,644
Depreciation - assets under operating lease	7,885,692	14,273,357
Financial and other charges	114,446,896	296,141,555
Provision for doubtful leases, loans and other receivables	21,544,648	58,417,674
Dividend income	(1,607,375)	(5,083,004)
Unrealized gain in market value of investments classified as held for trading	-	(1,517)
Impairment on available-for-sale investments	1,173,533	107,523,099
Amount written off directly against loans and lease receivables	4,642,827	2,573,816
Share of loss / (profit) from associate	2,121,667	(1,848)
Gain on sale of property, plant and equipment	(288,400)	(1,743,923)
	153,812,784	476,315,853
Profit before working capital changes	45,576,604	164,621,223
Working capital changes		
(Increase) / decrease in current assets		
Advances, deposits, prepayments and other receivables	(11,474,941)	(13,746,168)
Accrued Markup	42,597,492	17,250,814
Short-term loans	131,443,154	83,100,964
	162,565,705	86,605,610
Decrease in current liabilities		
Accrued and other payables	(14,882,551)	(20,316,048)
Cash generated from operations after working capital changes	193,259,758	230,910,785

16. EARNINGS PER SHARE - BASIC AND DILUTED

	Six months ended December 31,		Quarter ended December 31,	
	2010	2009	2010	2009
Net (loss) / profit for the period (Rupees)	(49,179,938)	(165,923,232)	9,939,629	(71,190,569)
Weighted average number of ordinary shares outstanding during the period	45,160,500	45,160,500	45,160,500	45,160,500
(Loss) / Earnings per share - Basic and diluted	(1.09)	(3.67)	0.22	(1.58)

Selected Notes to the Condensed Interim Financial Statements For the Half Year ended December 31, 2010 (Un-audited)

17. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's objective for managing capital is to safeguard its ability to continue as a going concern.

Capital requirement applicable to 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. The Company manages its Capital requirements by assessing its capital structure against the required capital level on a regular basis.

The minimum equity requirement applicable to company (Leasing License) under NBFC regulations, 2008 was Rs. 200 million. Under NBFC regulations, 2008, leasing companies are now required to meet the minimum equity requirements of Rs. 350 million by June 30, 2011.

The equity of the Company qualifying for ensuring compliance with minimum equity requirement comprises the following :

	Rupees
Issued, subscribed and paid up capital	451,605,000
Capital reserves	148,257,389
Accumulated loss	(771,846,312)
Sub-ordinated debt	333,208,499
	161,224,576

Due to heavy losses, the Company is facing shortfall in complying with minimum equity requirement as mentioned above.

18. NON CASH TRANSACTIONS

The decrease in long term and short term borrowings includes an amount aggregating to Rs. 413.123 million representing adjustments against lease, term finances and settlement against properties acquired in satisfaction of claims from defaulted borrowers.

19. TRANSACTIONS WITH RELATED PARTIES

The related parties comprises Saudi Pak Industrial & Agricultural Investment Company Limited (the holding company), other group companies (including associated company), key management personnel and employee benefit plans.

Transactions with related parties are carried out as per agreed terms.

Aggregate transactions with related parties and associated undertakings which are not disclosed in respective notes are as follows:

	Half year ended December 31, 2010			
	Holding Company	Other Group Companies	Key Management Personnel	Other Related Parties
	Rupees			
Rent Paid	446,610	-	-	-
Mark-up paid on certificate of investments	-	3,654,764	-	-
Markup paid on long-term and short-term finances	-	108,864	-	-
Rentals received	-	2,233,600	-	-
Payments to gratuity fund	-	-	-	1,418,988
Contributions to provident fund	-	-	-	-

Selected Notes to the Condensed Interim Financial Statements
For the Half Year ended December 31, 2010 (Un-audited)

Half year ended December 31, 2009				
Holding Company	Other Group Companies	Key Management Personnel	Other Related Parties	
Rupees				
Rent Paid	446,610	-	-	-
Mark-up paid on certificate of investments	9,134,083	-	-	-
Markup on long-term and short-term finances	-	515,425	-	-
Rentals received	-	2,043,022	-	-
Payments to gratuity fund	-	-	-	1,851,102
Contributions to provident fund	-	-	-	790,580

December 31, 2010	June 30, 2010
Rupees	
(Un-audited)	(Audited)

Balances with related parties can be summarized as follows:

Certificates of investment	61,000,000	80,000,000
Net investment in leases	2,122,032	6,735,790
Borrowings from financial institution	-	4,000,000

20. RECLASSIFICATION

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purposes of comparisons.

21. DATE OF AUTHORISATION

These condensed interim financial statements were authorized for issue on **February 28, 2011** by the Board of Directors.



Nayyar Alam Ilyas
Chief Executive Officer



Muhammad Anwar
Chairman

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