SAUDI PAK

LEASING

HALF YEARLY REPORT

CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

DECEMBER 31, 2014

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Ahsanullah khan	Chairman, Non-Executive Director
Mr. Muhammad Tariq Masud	Chief Executive Officer
Ms. Parveen A. Malik	Non-Executive Director
Mr. Arsalan Iftikhar Khan	Non-Executive Director
Mr. Hazrat Wali	Non-Executive Director

AUDIT COMMITTEE

Ms. Parveen A. Malik	Chairperson, Non-Executive Director
Mr. Arsalan Iftikhar Khan	Member, Non-Executive Director

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Muhammad Tariq Masud	Chief Executive Officer
Mr. Hazrat Wali	Non-Executive Director

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. Waris Jamil

HEAD OF INTERNAL AUDIT

Mr. Raheel Ramzan Ali

AUDITORS

KPMG Taseer Hadi & Co.
Chartered Accountants

LEGAL ADVISOR

Zafar & Zafar Law Associates

TAX CONSULTANTS

Junaidy Shoaib Asad
Chartered Accountants

BANK & LENDING INSTITUTIONS

Faysal Bank Limited
MCB Bank Limited
SILK Bank Limited

REGISTERED OFFICE

6th Floor, Lakson Square, Building #1,
Sarwar Shaheed Road, Saddar, Karachi - 74200
Tel: (021) 35655181-85, 35655215-19
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BRANCHES

Lahore
Flat No. 4, First Floor, Commercial Area,
Alpha Co-operative Housing Society,
Canal Bank, Lahore.
Tel: (042) 35788691-94
Fax: (042) 35964965

Islamabad
Room No. 5, Business Centre, Low Rise Area,
Saudi Pak Tower, 61-A, Jinnah Avenue,
Blue Area, Islamabad
Tel : (051) 2800207, 2800206
Fax : (051) 2800205

CONTACT DETAILS

Website : www.saudipakleasing.com
Email : info@saudipakleasing.com

REGISTRAR AND SHARE TRANSFER OFFICE

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block B
S.M.C.H.S, Main Shahra-e-Faisal Karachi
Tel: (021) 111-111-500
Fax: (021) 34326031

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, 2014.

Operating and Financial Results

	December 31, 2014 Rupees	December 31, 2013 Rupees
Income from finance and operating leases	**3,987,835**	33,013,846
Other operating income	**35,069,918**	109,393,533
Total income	**39,057,753**	142,407,379
Finance cost	**(24,389,661)**	(28,454,145)
Administrative and other operating expenses	**(22,587,411)**	(33,090,269)
Write-offs against loans and leases	**(926,410)**	(1,537,808)
Operating (loss) / profit before provisions	**(8,845,729)**	75,780,802
Reversal / (provision) against leases, loans, receivables and investment properties	**(88,737,007)**	42,063,618
(Loss) / Profit before taxation	**(97,582,736)**	17,844,420
(Loss) / Profit after taxation	**(96,782,804)**	121,771,201
(Loss) / Earnings per share - basic	**(2.14)**	2.70
(Loss) / Earnings per share - diluted	**(0.99)**	1.24

The total income earned during the half year ended December 31, 2014 registered a decline of 72% when compared to the income during corresponding period of 2013. Consequently, the operating loss before provisions stood at Rs 8.8 million during the period under consideration (operating profit of Rs 75.78 million in 2013). Increase in provisions is the result of partial verification of the existence of all movable leased assets on periodic basis. Due to lack of in house facilities for monitoring and supervision of financed assets and collaterals, the management is engaging independent valuators duly approved by NBFI and Modarba Association. The management intends to carry out physical inspection and the realizable value for all movable assets against which FSV benefit has been recognized in these financial statements as an ongoing exercise and its impact is being accounted for accordingly.

The Company has been facing serious challenges on account of stuck up and non-performing loans/ leases and is facing liquidity issues. No fresh leasing business has been undertaken since 2008 and the Company is concentrating on recoveries through settlements and salvaging the investments only. The Company is struggling to recover amounts from defaulters and is making concerted efforts and opting for out of court settlements as far as possible. Some of the defaulters are asking for rescheduling/restructuring, write offs etc. for which negotiations are underway.

DIRECTORS' REVIEW

Moreover, the liquidity resources of the Company have been completely dried up. The Company has been able to substantially reduce its book size and maintain its operations only with the help of internal resources. The Company is making concerted efforts to initiate negotiations as far as possible for the settlement of its loan portfolio / other liabilities with the sole objective of seeking remissions; write offs and long term deferment of payments to the creditors. If succeeded the said restructuring and rescheduling is likely to bring much needed improvement in overall financial health of the Company.

The efforts for the revival of the Company are underway and the management under the guidance of the Board, continued their efforts directed towards the betterment of Company. The Board 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

Muhammad Tariq Masud
MD/Chief Executive Officer

Parveen A. Malik
Director

Karachi: February 27, 2014

AUDITORS' REPORT

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
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Karachi, 75530 Pakistan

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Auditor's Report to the Members on Review of Condensed 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 2014 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.

a) as more fully explained in notes 13.3.1 and 13.3.2 to the interim financial information, for the purposes of determination of provisioning requirement against non-performing portfolio, in the current period, the management has not taken the FSV benefit of certain leased assets amounting to Rs. 68.5 million, as physical locations of these assets cannot be ascertained. Furthermore, the management intends to carry out fresh valuations for the determination of existence of all movable leased assets against which FSV benefit of Rs. 146.657 million has been recognized in the condensed interim financial information. We consider that since the existence of these movable assets have not been ensured, accordingly, we were unable to satisfy ourselves regarding the appropriateness of the charge that should have been recognized in the interim financial information for non performing portfolio.

Conclusion

Except for the matter discussed in paragraph (a) above, 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.

AUDITORS' REPORT

KPMG

KPMG Taseer Hadi & Co.

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. 1,625.586 million as of the balance sheet date, resulting in a negative equity of Rs. 467.779 million. Furthermore, due to the liquidity crisis, the Company was unable to meet its financial obligations of Rs. 619.518 million in principal and Rs. 246.237 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 20 to the condensed interim financial information, which describes that the non-redeemable preference shares have been treated by the Company as part of equity, in view of the requirements of the Companies Ordinance, 1984;

- 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 2014 is negative; and

- Note 26 to the condensed interim financial information, which states that the Company has not been able to make timely contributions to provident fund in accordance with the requirements of section 227 (3) of the Companies Ordinance, 1984.

Our conclusion is not further qualified in respect of these matters.

Other matters

The figures for the three months period ended 31 December 2014, 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.

KPMG Taseer Hadi

Date: 27 February 2015

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

CONDENSED INTERIM BALANCE SHEET

As at 31 December 2014

ASSETS	Note	31 December 2014 (Unaudited)	30 June 2014 (Audited)
		---------------- Rupees ----------------	
Current assets			
Cash and bank balances	6	**8,790,088**	23,552,393
Short term loans	7	**130,521,096**	131,371,094
Short term investments	8	**56,333,790**	38,722,092
Accrued mark-up		**70,279**	-
Trade deposits and short term prepayments		**886,886**	888,386
Other receivables	9	**7,265,980**	7,075,225
Current maturity of non-current assets	10	**761,651,766**	868,446,391
		965,519,885	1,070,055,581
Non-current assets classified as held for sale	11	**67,936,844**	67,936,844
		1,033,456,729	1,137,992,425
Non-current assets			
Long term loans	12	**892,785**	1,308,123
Net investment in finance leases	13	**7,640,863**	17,736,695
Investment properties	14	**42,427,563**	43,828,669
Property, plant and equipment	15	**18,584,623**	21,636,654
		69,545,834	84,510,141
Total assets		**1,103,002,563**	1,222,502,566
LIABILITIES			
Current liabilities			
Short term borrowings from financial institutions	16	**177,693,232**	177,693,232
Certificates of investment		**67,395,301**	67,395,301
Accrued mark-up		**267,328,904**	246,836,646
Accrued expenses and other payables		**29,858,745**	25,722,269
Provision for taxation		**1,718,582**	2,180,760
Current maturity of non-current liabilities	17	**893,362,660**	930,749,137
Preference dividend payable		**5,774,153**	5,774,153
		1,443,131,577	1,456,351,498
Non-current liabilities			
Deferred tax liability - net		**80,039,041**	81,246,244
Long term finances	18	**8,259,247**	15,277,768
Security Deposits Against Finance Leases	19	**6,056,326**	7,330,000
		94,354,614	103,854,012
Total liabilities		**1,537,486,191**	1,560,205,510
NET ASSETS		**(434,483,628)**	(337,702,944)
FINANCED BY			
Authorised share capital			
100,000,000 (30 June 2014: 100,000,000) ordinary shares of Rs. 10 each; and		**1,000,000,000**	1,000,000,000
100,000,000 (30 June 2014: 100,000,000) preference shares of Rs. 10 each		**1,000,000,000**	1,000,000,000
	20	**2,000,000,000**	2,000,000,000
Issued, subscribed and paid-up capital - ordinary shares		**451,605,000**	451,605,000
Issued, subscribed and paid-up capital - preference shares		**528,208,500**	528,208,500
Capital reserves		**177,928,194**	177,928,194
Accumulated loss		**(1,625,586,137)**	(1,528,863,428)
Surplus on revaluation of available-for-sale investments		**65,352**	63,232
Total equity		**(467,779,091)**	(371,058,502)
Surplus on revaluation of property, plant and equipment - net	21	**33,295,463**	33,355,558
		(434,483,628)	(337,702,944)
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The annexed notes 1 to 31 form an integral part of this condensed interim financial information.

Muhammad Tariq Masud
Chief Executive Officer

Parveen A. Malik
Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

For the six months period ended 31 December 2014

	Note	Six months period ended 31 December 2014	Six months period ended 31 December 2013	Three months period ended 31 December 2014	Three months period ended 31 December 2013
		(Rupees)			
Income					
Finance leases	23	**3,407,835**	31,064,742	**987,497**	23,025,151
Operating leases		**580,000**	1,949,104	**150,000**	1,035,750
		3,987,835	33,013,846	**1,137,497**	24,060,901
Other operating income	24	**35,069,918**	109,393,533	**2,117,257**	13,269,201
TOTAL INCOME		**39,057,753**	142,407,379	**3,254,754**	37,330,102
Expenses					
Finance cost	25	**(24,389,661)**	(28,454,145)	**(11,912,816)**	(10,110,242)
Administrative and other operating expenses		**(19,908,057)**	(33,090,269)	**(10,763,804)**	(15,435,431)
Amount written-off directly against loans and lease receivables		**(926,410)**	(1,537,808)	**-**	2,639,363
Direct cost of operating leases		**(2,679,354)**	(3,544,355)	**(1,234,728)**	1,013,828
		(47,903,482)	(66,626,577)	**(23,911,348)**	(21,892,482)
Operating (loss) / profit before provisions		**(8,845,729)**	75,780,802	**(20,656,594)**	15,437,620
Reversal / (provision) for doubtful leases, loans and other receivables - net		**(88,737,007)**	42,063,618	**(43,522,869)**	2,427,470
		(88,737,007)	42,063,618	**(43,522,869)**	2,427,470
(Loss) / profit before taxation		**(97,582,736)**	117,844,420	**(64,179,463)**	17,865,090
Taxation					
- Current		**(407,271)**	(958,960)	**182,278**	(2,455,539)
- Deferred		**1,207,203**	4,885,741	**1,207,203**	8,382,320
		799,932	3,926,781	**1,389,481**	5,926,781
(Loss) / profit after taxation		**(96,782,804)**	121,771,201	**(62,789,982)**	11,938,309
(Loss) / Earnings per share - basic	28	**(2.14)**	2.70	**(1.39)**	0.26
(Loss) / Earnings per share - diluted	28	**(0.99)**	1.24	**(0.64)**	0.12

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

Muhammad Tariq Masud
Chief Executive Officer

Parveen A. Malik
Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the six months period ended 31 December 2014

	Six months period ended 31 December		Three months period ended 31 December	
	2014	2013	2014	2013
	(Rupees)			
(Loss) / profit after taxation	**(96,782,804)**	121,771,201	**(62,789,982)**	11,938,309
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Surplus / (deficit) on revaluation of available-for-sale investments	**2,120**	17,361	**(11,416)**	-
Realisation of surplus on disposal of available-for-sale investments	**-**	(75,603)	**-**	-
	2,120	(58,242)	**(11,416)**	-
Total comprehensive income for the period	**(96,780,684)**	121,712,959	**(62,801,398)**	11,938,309

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.

Muhammad Tariq Masud
Chief Executive Officer

Parveen A. Malik
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

For the six months period ended 31 December 2014

	Six months period ended 31 December 2014	2013
	-------------- (Rupees) --------------	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(97,582,736)	117,844,420
Adjustments for:		
Depreciation and amortization - owned assets	348,932	448,460
Depreciation - assets under operating lease	2,664,954	3,544,355
Depreciation - investment properties	1,401,106	1,693,439
Finance cost	24,389,661	28,454,145
(Reversal) / provision for doubtful leases, loans and other receivables	88,737,007	(42,063,618)
Dividend income	(3,120)	(13,161)
Amount written off directly against loans and lease receivables	926,410	1,537,808
Interest income from government securities	(913,298)	(1,088,371)
Gain on sale of investments	-	(140,798)
Waiver on settlement of long term finances	(31,875,934)	(101,463,972)
Gain on sale of property, plant and equipment	(779,200)	(3,567,174)
	84,896,518	(112,658,887)
Operating (loss) / profit before working capital changes	(12,686,218)	5,185,533
Movement in working capital		
(Increase) / decrease in operating assets		
Trade deposits, short term prepayments and other receivables	(189,255)	6,052,816
Accrued mark-up	(70,279)	8,972
Short term loans	850,000	57,015,327
	590,466	63,077,115
Increase / (decrease) in operating liabilities		
Accrued expenses and other payables	4,106,467	12,011,640
Cash (used) / generated from operations	(7,989,285)	80,274,288
Finance cost paid	(21,469)	(447,943)
Taxes paid	(869,449)	(1,849,893)
Decrease in net investment in finance leases	18,999,813	34,460,604
	18,108,895	32,162,768
Net cash flows from operating activities	10,119,610	112,437,056
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(85,400)	-
Purchase of short term investments	(75,396,281)	-
Proceeds from disposal of short term investments	58,697,881	34,285,590
Proceeds from disposal of property, plant and equipment	935,000	10,900,000
Proceeds from disposal of investment properties	-	-
Repayment of long term loans	828,437	6,166,923
Dividend received	3,120	13,161
Net cash (used in) / from investing activities	(15,017,243)	51,365,674
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of long term finances	(9,864,672)	(166,900,505)
Repayment of short term borrowings from financial institutions	-	(12,499,998)
Preference dividend paid	-	(180,893)
Repayment of certificates of investment	-	(15,364,381)
Net cash used in financing activities	(9,864,672)	(194,945,777)
Net decrease in cash and cash equivalents during the period	(14,762,305)	(31,143,047)
Cash and cash equivalents at beginning of the period	23,552,393	40,054,055
Cash and cash equivalents at end of the period	8,790,088	8,911,008

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

Muhammad Tariq Masud
Chief Executive Officer

Parveen A. Malik
Director

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

For the six months period ended 31 December 2014

	Issued, subscribed and paid-up share capital					
	Ordinary shares	Non-redeemable preference shares	Capital reserves	Accumulated loss	Unrealised gain on re-measurement of available-for-sale investments	Total equity
	Rupees					
Balance as at 30 June 2013	451,605,000	528,208,500	176,484,656	(1,529,737,709)	98,833	(373,340,720)
Total comprehensive income for the period:						
Profit for the six months period ended 31 December 2013	-	-	-	121,771,201	-	121,771,201
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	-	5,956	-	5,956
Unrealised gain on re-measurement of available-for-sale investments realised on disposal	-	-	-	-	(75,603)	(75,603)
Unrealised gain on re-measurement of available-for-sale investments	-	-	-	-	17,361	17,361
Transactions with owners, recorded directly in equity						
Issuance of non-voting, non-cumulative, non-redeemable, convertible unlisted preference shares	-	-	-	-	-	-
Preference dividend for the six months period ended 31 December 2013	-	-	-	(6,602,606)	-	(6,602,606)
Transferred to capital reserves	-	-	24,354,240	(24,354,240)	-	-
	-	-	24,354,240	90,820,311	(58,242)	115,116,309
Balance as at 31 December 2013	451,605,000	528,208,500	200,838,896	(1,438,917,398)	40,591	(258,224,411)
Balance as at 01 July 2014	451,605,000	528,208,500	177,928,194	(1,528,863,428)	63,232	(371,058,502)
Total comprehensive income for the period						
Loss for the six months period ended 31 December 2014	-	-	-	(96,782,804)	-	(96,782,804)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	-	60,095	-	60,095
Unrealised gain on re-measurement of available-for-sale investments	-	-	-	-	2,120	2,120
	-	-	-	(96,722,709)	2,120	(96,720,589)
Balance as at 31 December 2014	**451,605,000**	**528,208,500**	**177,928,194**	**(1,625,586,137)**	**65,352**	**(467,779,091)**

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

Muhammad Tariq Masud
Chief Executive Officer

Parveen A. Malik
Director

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

For the six months period ended 31 December 2014

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 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 2014 holds 35.06% (30 June 2014: 35.06%) of issued ordinary share capital of the Company and 63% (30 June 2014: 63%) of issued preference 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 2014, the Company has earned a loss after tax of Rs. 96.782 million (compared with a profit of Rs. 121.771 million in the corresponding period). Moreover, as at the period end, its accumulated losses stood at Rs. 1,625.586 million, whereas the equity stood at negative Rs. 467.779 million, as against the minimum equity requirement of Rs. 700 million. Furthermore, its total liabilities exceeded total assets by Rs. 434.483 million.
- As of 31 December 2014 impairment loss of Rs. 984.436 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 2014, total outstanding principal on which defaults were made amounts to Rs. 619.518 million and defaulted mark-up repayments amounts to Rs. 246.237 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. Furthermore, in order to improve the financial health including equity position of the Company, the management is in the process of identifying strategic investors to inject funds into the Company. This will generally help to revive the liquidity position of the Company.

- The Board of Directors support the Company in negotiating the terms of restructuring of various borrowings amounting to Rs. 492.920 million (including mark-up thereon) from the Company's lenders (including the 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 2014

- The settlement agreements finalised as of 31 December 2014 will result in reduction of borrowings by Rs. 95.132 million including waiver of principal of Rs. 27.5 million. These are subject to performance of certain terms.
- The borrowings (including mark-up thereon) of the Company has been brought down to Rs. 1,004 million from Rs. 1,021.236 million during the period through settlements effected by lease and term loans swapping or sale / swapping of collateral held against non-performing borrowers as well as cash settlements and timely repayments as per the revised and restructured terms negotiated with the lenders. The management has finalised certain loans settlement agreements and is under negotiation with the remaining borrowers for the settlement of the Company's obligation through surrendering of its assets/collateral held by the Company against its non-performing exposure or otherwise.
- Since previous financial years, the management of the Company has managed to generate liquidity from the existing business through recovery drive 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 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.
- In order to improve the equity position of the Company, the management has engaged an independent consultant with the scope to;
  - Undertake and negotiate settlement of liabilities of the Company with creditors and COI/TFC holders.
  - To maximize the assets build up through recovery from bad doubtful borrowers of debt.
  - Post structuring from the settlement of liabilities and recovery of debts.
  - To seek and identify a strategic buyer/investor for acquisition of the Company.

1.3 Due to the fact that at 31 December 2014, the Company's equity is negative by Rs. 465.063 million, the Company could not meet the regulatory requirements of NBFC Regulations, 2008 (apart from those mentioned in notes 1.2 above and 28), 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 (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.

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

For the six months period ended 31 December 2014

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 2014 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 requirements differ, the provisions or directives issued under the Companies Ordinance,1984, NBFC Rules, 2003 and NBFC Regulations, 2008 shall prevail.

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 genervally 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 2014 has been extracted from the audited financial statements of the Company for the year ended 30 June 2014, 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 2013. Further, the figures in the condensed interim financial information for the three months period ended 31 December 2014 and 31 December 2013 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 2014.

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 2014.

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 2014.

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

For the six months period ended 31 December 2014

			31 December 2014	30 June 2014
			------------- (Rupees) -------------	
6.	**CASH AND BANK BALANCES**		(Unaudited)	(Audited)
	Cash in hand		**91,211**	81,211
	Balance with State Bank of Pakistan in:			
	- current account		**20,305**	21,041
	Balances with other banks in:			
	- current account		**5,500**	5,500
	- current accounts - foreign currency		**-**	-
	- saving accounts	6.1	**8,673,072**	23,444,641
			8,790,088	23,552,393

6.1 These saving accounts carry profit rates ranging from 6% to 7.75% per annum (30 June 2014: 6% to 8% per annum).

			31 December 2014	30 June 2014
			------------- (Rupees) -------------	
			(Unaudited)	(Audited)
7.	**SHORT TERM LOANS**			
	Considered good		**-**	-
	Non-performing loans		**206,696,794**	207,546,794
		7.1	**206,696,794**	207,546,794
	Provision against non-performing loans	7.2	**(76,175,698)**	(76,175,700)
			130,521,096	131,371,094

7.1 This represents term finance facilities provided to customers and carries mark-up ranging from 16.25% to 25% (30 June 2014 :16.13% to 25%) per annum.

7.2 The above provision for non-performing loans is net of forced sales values (FSVs) of collaterals of Rs. 130.521 million (30 June 2014: Rs. 131.371 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. 130.521 million (30 June 2014: Rs. 131.371 million) and the Company's profit for the period (before taxation) would have been lower by the same amount.

8.	**SHORT TERM INVESTMENTS**			
	Available-for-sale	8.1	**19,066,224**	19,064,105
	Held to maturity	8.2	**37,267,566**	19,657,987
			56,333,790	38,722,092
8.1	**Available-for-sale**			
	Ordinary shares of listed companies	8.1.1	**85,934**	85,935
	Ordinary shares of unlisted companies	8.1.2	**18,914,938**	18,914,938
	Available-for-sale at cost		**19,000,872**	19,000,873
	Unrealised gain on re-measurement to fair value		**65,352**	63,232
	Available-for-sale at market value		**19,066,224**	19,064,105

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

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

SPI Insurance Company Limited (formerly known as Saudi Pak Insurance Company Limited)	**14,664,938**	14,664,938
Pace Barka Properties Limited	**4,250,000**	4,250,000
	18,914,938	18,914,938

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

For the six months period ended 31 December 2014

		31 December 2014 (Unaudited)	30 June 2014 (Audited)
		------------- (Rupees) -------------	
8.2 Held to Maturity			
Government Market Treasury Bills	8.2.1	**19,267,566**	19,657,987
Certificates of deposit	8.2.2	**18,000,000**	-
		37,267,566	19,657,987

8.2.1 This represents investment in Government Market Treasury Bills having maturity on 19 February 2015 and carries effective mark-up rate of 9.35% (30 June 2014: 9.37%) per annum.

8.2.2 This represents investment in Certificate of deposit with Saudi Pak Agricultural and Investment Company (the Holding Company) having maturity on 16 January 2015 and carries effective mark-up rate of 9.50% (30 June 2014: Nil) per annum.

		31 December 2014 (Unaudited)	30 June 2014 (Audited)
9. OTHER RECEIVABLES			
Operating lease rentals receivable		**11,545,095**	11,545,095
Receivable on termination of leases		**68,439,547**	68,416,547
Others		**7,014,345**	6,846,590
		86,998,987	86,808,232
Provision against doubtful receivables		**(79,733,007)**	(79,733,007)
		7,265,980	7,075,225
10. CURRENT MATURITY OF NON-CURRENT ASSETS			
Long term loans	12	**49,229,607**	49,642,726
Net investment in finance leases	13	**712,422,159**	818,803,665
		761,651,766	868,446,391
11. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE			
Office premises	11.1	**67,936,844**	67,936,844
		67,936,844	67,936,844

11.1 As discussed fully in note 1.2 to this financial information, the management of the Company has prepared a contingent plan for generating liquidity in case need arises. Keeping in view this requirement, the Board of Directors of the Company, as part of aforementioned contingency plan, approved the decision to dispose Company's office premises. Further in the meeting, the Chief Executive Officer of the Company was authorised to sell the said premises. The market value of the property was determined by an independent valuer, Maricon Consultants (Pvt) Limited on 30 June 2014, the market value of the office premises net of cost to sell as of that date amounts to Rs. 68.728 million.

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

For the six months period ended 31 December 2014

		31 December 2014	30 June 2014
		------------- (Rupees) -------------	
12. LONG TERM LOANS		(Unaudited)	(Audited)
Related party - secured			
Due from employees - considered good		**1,990,471**	2,151,506
Other than related party - secured			
Term loans to customers			
- Considered good		**-**	-
- Non-performing loans		**105,868,312**	106,535,734
	12.1	**105,868,312**	106,535,734
		107,858,783	108,687,240
Provision against non-performing loans	12.2	**(57,736,391)**	(57,736,391)
		50,122,392	50,950,849
Current maturity of long term loans	10	**(49,229,607)**	(49,642,726)
		892,785	1,308,123

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 2014: 16% to 22.66%) per annum and have matured during the period.

12.2 The above provision for non-performing loans is net of forced sales values (FSVs) of collaterals of Rs. 48.132 million (30 June 2014: Rs. 48.799 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. 48.132 million (30 June 2014: Rs. 48.799 million) and the Company's profit for the period (before taxation) would have been lower by the same amount.

		31 December 2014	30 June 2014
		------------- (Rupees) -------------	
13. NET INVESTMENT IN FINANCE LEASES		(Unaudited)	(Audited)
Minimum lease payments receivable		**1,485,502,369**	1,508,600,230
Residual value of leased assets		**437,085,650**	444,899,650
Gross investment in finance leases	13.1	**1,922,588,019**	1,953,499,880
Unearned lease income		**(883,012)**	(2,152,884)
Net investment in finance leases		**1,921,705,007**	1,951,346,996
Mark-up held in suspense	13.2	**(351,117,475)**	(353,019,241)
Provision for lease losses	13.3	**(850,524,510)**	(761,787,395)
		(1,201,641,985)	(1,114,806,636)
		720,063,022	836,540,360
Current portion of net investment in finance leases	10	**(712,422,159)**	(818,803,665)
		7,640,863	17,736,695

13.1 The internal rate of return on leases disbursed by the Company ranges from 12.50% to 20.01% per annum (30 June 2014: 12.50% to 20.01% per annum). Certain lease rentals have been hypothecated against long term finances obtained (refer note 18.1.1).

13.2 Mark-up held in suspense

	31 December 2014	30 June 2014
Balance at beginning of the year	**353,019,241**	387,980,694
Income suspended during the year	**1,104,246**	8,314,398
	354,123,487	396,295,092
Suspended income:		
- realised during the year	**(3,006,012)**	(42,253,779)
- written off during the year	**-**	(1,022,072)
	(3,006,012)	(43,275,851)
	351,117,475	353,019,241

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

For the six months period ended 31 December 2014

	31 December 2014	30 June 2014
	------------- (Rupees) -------------	
	(Unaudited)	(Audited)
13.3 Provision for lease losses		
Balance at beginning of the year	**761,787,395**	694,085,939
Charge for the year	**100,268,120**	153,377,828
Reversal during the year	**(11,531,005)**	(77,934,206)
	88,737,115	75,443,622
Write-offs against provision	**-**	(7,742,166)
Balance at end of the year	**850,524,510**	761,787,395

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. 283.117 million (30 June 2014: Rs. 408.877 million) considered by the Company for the purpose of determination of provision requirements. Had this benefit of FSVs not been taken by the Company, specific provision against non-performing lease portfolio would have been higher by Rs. 283.117 million (30 June 2014: Rs. 408.877 million) and Company's profit for the period before taxation would also have been lower by the same amount. (This also include FSV benefit of moveable leased assets of Rs. 146.657 million).

13.3.2 During 2014, the management initiated an exercise to verify the existence of all movable leased assets held against the finance lease facilities on periodic basis. Due to lack of in house facilities for monitoring and supervision of collaterals, management is considering to engage independent experts. The management intends to carry out inspection for all movable assets against which FSV benefit has been recognised in these financial statements as an ongoing exercise and its impact is being accounted for accordingly.

13.4 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 2014, the Company's investment in lease assets was 68.46% (30 June 2014: 73.08%) of the total assets (less allowable deductions).

	31 December 2014	30 June 2014
	------------- (Rupees) -------------	
	(Unaudited)	(Audited)
14. INVESTMENT PROPERTIES		
Cost at the beginning of the period / year	**66,160,092**	71,159,772
Additions during the year	**-**	71,000,000
Disposals during the year	**-**	(75,999,680)
Cost at the end of the year	**66,160,092**	66,160,092
Accumulated depreciation	**(14,804,614)**	(12,692,649)
Depreciation charged during the year	**(1,401,106)**	(3,236,885)
Provision for diminution in the value of investment properties	**(7,526,809)**	(7,526,809)
Depreciation reversed during the year due to disposals	**-**	1,124,920
Carrying value of investment properties	**42,427,563**	43,828,669

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

For the six months period ended 31 December 2014

		31 December 2014 (Unaudited)	30 June 2014 (Audited)
		------------- (Rupees) -------------	
15. PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment - owned assets		**2,511,578**	2,898,654
Plant and equipment - assets under operating lease		**16,073,045**	18,738,000
		18,584,623	21,636,654
Additions - Cost			
Owned assets			
Office equipment		**85,400**	400,000
Total additions		**85,400**	400,000
Disposals - Cost			
Owned assets			
Land		**-**	2,800,000
Vehicles		**1,558,000**	3,555,106
		1,558,000	6,355,106
Assets under operating lease			
Generators		**-**	24,145,550
		-	24,145,550
Total disposals		**1,558,000**	30,500,656
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**	27,001,588
AKD Aggressive Income Fund	16.4	**2,762,504**	2,762,504
KASB Income Opportunity Fund	16.5	**10,429,140**	10,429,140
KASB Asset Allocation Fund	16.5	**-**	-
		177,693,232	177,693,232

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 2014, the Company has accrued a mark-up of Rs. 41.283 million on this borrowing. The management intends 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 2014, the Company has accrued a mark-up of Rs. 23.241 million on this borrowing. The management intends to settle / restructure this borrowing.

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

For the six months period ended 31 December 2014

16.3 This represents finance of Rs. 150 million obtained from Meezan Bank Limited (MEBL) on 20 September 2008, under Murabaha arrangement at a 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 a settlement agreement on 22 April 2011 whereby the Company transferred a lease portfolio of Rs. 32 million. On 16 September 2012, a revised settlement agreement was signed. As per the revised settlement agreement, loan was to be settled by way of transferring of Company's assets / collateral held by the Company against one of its non-performing borrowers and cash payment of Rs. 9.870 million as down payment. The Company made the down payment on 06 September 2012 and the collateral held by the Company against the non-performing borrower is yet to be transferred after the execution of a tripartite agreement between the Company, MEBL and the said borrower. The management is currently under negotiation for an early execution of the said agreement. As per the restructuring terms, this finance carries no mark-up.

16.4 This represents finance of Rs. 26 million obtained from AKD Aggressive Income Fund on 23 June 2011 through a letter of placement for a period of 30 days at a rate of 10% per annum. On 24 December 2012, the Company restructured the loan by way of a settlement agreement. As per the latest agreement, the Company is required to settle the loan through following terms:

- Down payment of Rs. 1.237 million.
- 14 equal monthly cash payments of Rs. 1.33 million starting from January 2013.
- Transfer of shares of Pace Barka held by the Company.

The Company made down payment of Rs. 1.237 million on 31 December 2012 and has paid the monthly installments on the agreed dates as per the revised agreement. The transfer of share is yet to be executed. As of 31 December 2014, the Company has accrued a mark-up of Rs. 4.59 million on this borrowing.

16.5 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 installments. The Company has paid all the monthly installments. However, the transfer of lease portfolio is still pending.

			31 December 2014	30 June 2014
			------------- (Rupees) -------------	
17.	**CURRENT MATURITY OF NON-CURRENT LIABILITIES**		**(Unaudited)**	**(Audited)**
	Long term finances	18	**425,838,667**	456,684,818
	Certificates of investment		**57,349,000**	57,349,000
	Security deposits against finance leases	19	**410,174,993**	416,715,319
			893,362,660	930,749,137
18.	**LONG TERM FINANCES**			
	Long term finances - secured		**180,061,502**	216,907,654
	Long term finances - unsecured		**5,703,696**	6,722,216
		18.1	**185,765,198**	223,629,870
	Term finance certificates - secured	18.9	**248,332,716**	248,332,716
			434,097,914	471,962,586
	Current maturity of long term finances	17	**(425,838,667)**	(456,684,818)
			8,259,247	15,277,768

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

For the six months period ended 31 December 2014

			31 December 2014	30 June 2014
			------------- (Rupees) -------------	
18.1	**Long term finances**		**(Unaudited)**	**(Audited)**
	Secured			
	National Bank of Pakistan	18.2	**12,500,000**	12,500,000
	First Women Bank Limited	18.3	**75,061,505**	75,061,505
	Askari Income Fund	18.4	**13,500,000**	13,500,000
	Soneri Bank Limited	18.5	**61,999,996**	61,999,996
	Bank of Khyber	18.6	**17,000,000**	23,000,000
	HSBC Bank Middle East Limited	18.7	**-**	30,846,153
	Un-secured			
	Silk Bank Limited	18.8	**5,703,696**	6,722,216
			185,765,197	223,629,870

18.1.1 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.

18.2 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 installments 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 installments 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 2014, the Company has accrued mark up of Rs. 8.602 million on this borrowing. The management intends to negotiate to settle / restructure this borrowing.

18.3 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 installments upto 31 December 2012. The Company paid the installments 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 2014, the Company has accrued mark-up of Rs. 37.69 million on this borrowing. The management intends to settle / restructure this borrowing.

18.4 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 installments of Rs. 1 million starting from 6 February 2011 and outstanding mark-up was waived. The Company paid the installments upto 15 July 2011 and afterwards no amount has been paid.

18.5 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 installments of Rs. 1 million starting from November 2010. The Company paid the installments upto 16 March 2011.

On 7 May 2013, the Company again restructured the loan by way of settlement agreement. As per the latest agreement, the Company is required to settle the loan through following terms:

- Rs. 43 million by way of transfer of a property (held as collateral of Rs. 43 million against a non-performing borrower) or a cash payment of Rs. 25 million as full and final settlement of Rs. 43 million.

- Rs. 34.5 million by way of transfer of a property (held as collateral of Rs. 34.5 million against a non-performing borrower).

- Cash payment of Rs. 5 million in 12 equal monthly installments of Rs. 0.416 million each commencing from the date of execution of settlement agreement.

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

For the six months period ended 31 December 2014

The Company has settled the loan amounting to Rs. 43 million by way of cash payment of Rs. 25 million on 28 August 2013 (and has recognised a waiver of Rs. 18 million against the said payment). The Company has also paid the installments on due dates. Transfer of property is yet to be executed. As per the revised restructuring terms, this finance carries no mark-up.

18.6 This represents finance of Rs. 468 million obtained from Bank of Khyber on 12 March 2009 mainly for lease financing activities. The finance 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 installments of Rs. 1 million each.

The transfer of property amounting to Rs. 150 million was completed on 19 July 2012, whereas the issuance of preference shares amounting to Rs. 195 million was also completed on 25 June 2013. Further, monthly installments of Rs. 1 million each are being paid regularly by the Company. As per latest restructuring terms this finance carries no mark-up.

18.7 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 installments 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 2014. The Company has fully complied with revised terms of the restructuring agreement.

18.8 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 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 was to be settled by making down payment of Rs. 0.707 million and balance of Rs. 11 million was to be paid in 54 equal monthly installments of Rs. 0.204 per month The down payment and monthly installments have been timely paid by the Company. As of 31 December 2014, the Company has accrued a mark up of Rs. 4.192 million on this borrowing.

18.9 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. 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 installments 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

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For the six months period ended 31 December 2014

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 installments 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. During 2014, the Company has made default in complying with revised terms of restructuring and is under process of negotiations with its TFC holder.

		31 December 2014	30 June 2014
		------------- (Rupees) -------------	
19. SECURITY DEPOPSITS AGAINST		**(Unaudited)**	**(Audited)**
Security deposits against finance leases	19.1	**416,231,319**	424,045,319
Less: Current maturity of deposits against finance leases	17	**(410,174,993)**	(416,715,319)
		6,056,326	7,330,000

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

20. AUTHORISED SHARE CAPITAL

Saudi Pak Industrial & Agricultural Investment Company Limited (SAPICO) holds 35.06% (2014: 35.06%) of the issued, subscribed and paid-up ordinary share capital of the Company and 63% (2014: 63%) of issued preference share capital of the Company.

The shareholders of the Company through special resolution in Extra Ordinary General Meeting held on 11 July 2012 approved the decision of the Board of Directors to convert the sub-ordinated debt from SAPICO and loan from Bank of Khyber into non-voting, non-cumulative, convertible unlisted preference shares at Rs. 10 each. The SECP vide its letter number SC/NBFC/23/SPLCL/2013/58 dated 13 February 2013, also approved the conversion.

During 2013, the Company issued non-redeemable / convertible preference shares of Rs. 10 each aggregating to Rs. 528.209 million against the conversion of debt. These are non-cumulative,non-redeemable / convertible preference shares carrying dividend at 2.5% per annum annually at theend of each completed year on the face value of Rs.10 per preference share. The preference shareholders are only entitled to receive preferential dividend and are not entitled to right shares and bonus shares to which the holders of ordinary shares may be entitled. These shares are convertible into ordinary shares at the option of preference share holders at any time from the date of issue of preference shares. The dividend is payable annually at the end of each completed year subject to availability of profit for the year.

The preference shares have been treated as part of equity on the following basis:

- the preference shares were issued under the provisions of section 86 of the Companies Ordinance, 1984 (the Ordinance) read with section 90 of the Ordinance and Companies Share Capital (Variation in Rights and Privileges) Rules, 2000.

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

For the six months period ended 31 December 2014

- the authorized capital of the Company and the issue of the preference shares were duly approved by the shareholders of the Company in the Extra Ordinary General Meeting held on 11 July 2012.
- return of allotment in respect of these preference shares was filed under section 73(1) of the Ordinance.
- the preference share holders have the right to convert these shares into ordinary shares at Rs. 10 each.
- dividend on the shares is appropriation of profit both under the Ordinance and the tax laws.
- the requirements of the Ordinance take precedence over the requirements of International Accounting Standards.

	31 December 2014	30 June 2014
	------------- (Rupees)	-------------
21. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX	**(Unaudited)**	**(Audited)**
Surplus on revaluation of property, plant and equipment - net	**33,295,463**	33,355,558

21.1 The property, plant and equipment of the Company were revalued as at September 28, 2008, June 27, 2012 and June 30, 2012. The revaluation was carried out by independent valuers, on the basis of professional assessment of present market values and resulted in surplus of Rs.33,769,445, Rs.41,486,216 and Rs.10,006,600 respectively over the written down values.

	31 December 2014	30 June 2014
	------------- (Rupees)	-------------
22. CONTINGENCIES AND COMMITMENTS	**(Unaudited)**	**(Audited)**
Claims against the Company not acknowledged as debt	**193,558,675**	193,558,675

22.1 The above includes contingencies of Rs. 127.341 million which represents cases which are filed against the Company as counter claims. It also includes contingencies of Rs. 66.218 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.

22.2 The ex-employees of the company have filed two cases against the Company before High Court of Sindh claiming an amount of Rs. 65.935 million in lieu of gratuity and other retirement benefits. In view of the legal advisor, the Company is not likely to suffer any loss on account of the aforementioned cases.

22.3 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. 126.205 million 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.

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.

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

For the six months period ended 31 December 2014

The Company has filed an appeal before the Commissioner Inland Revenue (Appeals) CIR (A) 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 filed appeal before the Appellate Tribunal Inland Revenue (ATIR) against the above CIR (A) order who has decided the case is in favour of the company during the year ended 30 June 2014.

	31 December 2014	31 December 2013
	------------- (Rupees) -------------	
	(Unaudited)	(Unaudited)
23. INCOME FROM FINANCE LEASES		
Income from finance lease contracts	**3,171,038**	29,003,510
Gain on termination of finance lease contracts	**236,797**	2,061,232
	3,407,835	31,064,742
24. OTHER OPERATING INCOME		
Income from financial assets:		
- Dividend income	**3,120**	13,161
- Capital gain on sale of investments	**-**	140,798
- Interest income from government securities	**913,298**	1,088,371
- Interest income on term loans	**26,969**	747,715
- Return on certificates of deposit	**401,780**	135,260
- Interest income from savings accounts	**866,238**	1,053,663
	2,211,405	3,178,968
Income from non-financial assets:		
- Commission and fee income	**-**	1,594
- Gain on sale of property, plant and equipment	**779,200**	3,567,174
- Waiver on settlement of long term finances	**31,875,934**	101,463,972
- Others	**203,379**	1,181,825
	32,858,513	106,214,565
	35,069,918	109,393,533

	31 December 2014	31 December 2013
	------------- (Rupees) -------------	
25. FINANCE COST	**(Unaudited)**	(Unaudited)
Mark-up on:		
- Long term finances	**5,237,008**	5,237,008
- Term finance certificates	**7,470,393**	9,911,484
- Short term borrowings from financial institutions	**6,795,398**	7,161,872
Return on certificates of investment	**4,865,394**	6,003,318
Bank charges	**21,468**	140,463
	24,389,661	28,454,145

26. Defined contribution scheme

The Company has set up a provident fund for its permanent employees and the contributions were made by the Company to the trust in accordance with the requirements of the Companies Ordinance, 1984. During the period, the Company has not deposited the contribution collected from employees aswell as its own contribution within 15 days as required under Section 227 of the Companies Ordinance,1984. However, the unpaid contribution was deposited after the stipulated time and mark-up on the delayed payments have been accrued at KIBOR.

Further, the Company had suspended the contributions to provident fund as per the decision of Trustees of the fund and Board of Directors for a period from October 2009 to June 2012. However, the Company has reinstated the provident fund from 01 July 2012 and is contributing the amounts to fund on monthly basis.

Details of the size of the fund and the investments made are as follows:

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

For the six months period ended 31 December 2014

	31 December 2014	30 June 2014
	------------- (Rupees) -------------	
Size of the fund (net assets)	**5,228,133**	7,802,874
Certificate of Deposits	**3,500,000**	6,000,000
Percentage of investments made (cost of investment / size of the Fund)	**67%**	77%
Fair value of investments made	**3,500,000**	6,000,000

Break up of investments of provident fund

Break up of investments in provident fund in terms of amount and percentage of the size of the provident fund are as follows:

Fair value of investments	Investments		% of investment as size of the fund	
	31 December 2014	30 June 2014	31 December 2014	30 June 2014
	--------------------------- (Rupees) ---------------------------			
Certificate of Deposits	**3,500,000**	6,000,000	**77%**	77%
	3,500,000	6,000,000	**77%**	77%

The above investments out of provident fund have been made in accordance with the requirement of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

27. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise Saudi Pak Industrial & Agricultural Investment Company Limited (the parent 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 certificates of deposits placed with parent company and long term loans in respect of amount due from employees as disclosed in note 12, 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 2014 (Unaudited)			
	Parent company	Other group companies	Key management personnel	Other related parties
	--------------------------- (Rupees) ---------------------------			
Parent Company				
Rent paid	279,510	-	-	-
Certificate of deposit	18,000,000	-	-	-
Directors fee				
Fee	-	-	240,000	-
Key management personnel				
Remuneration to key management personnel	-	-	-	3,804,170
Other related parties				
Payments to gratuity fund	-	-	-	-
Payments to provident fund	-	-	-	440,830
	18,279,510	**-**	**240,000**	**4,245,000**

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

For the six months period ended 31 December 2014

	31 December 2013 (Unaudited)			
	Parent company	Other group companies	Key management personnel	Other related parties
	(Rupees)			
Parent Company				
Rent paid	254,100	-	-	-
Associated Companies				
Payments made to Saudi Pak Real Estate	-	-	-	45,000,000
Directors fee				
Fee	-	-	-	-
Key management personnel				
Remuneration of key management personnel	-	-	4,897,011	-
Other related parties				
Payments to gratuity fund	-	-	-	1,735,162
Payments to provident fund	-	-	-	1,884,776
	254,100	-	4,897,011	48,619,938

28. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

	For the six months period ended 31 December	
	2014	**2013**
	(Unaudited)	
	(Rupees)	
(Loss) / Profit after taxation attributable to ordinary shareholders	**(96,782,804)**	121,771,201
	(Number)	
Weighted average number of ordinary shares	**45,160,500**	45,160,500
	(Rupees)	
(Loss) / Earnings per share - Basic	**(2.14)**	2.70
(Loss) / Profit after taxation attributable to ordinary shareholders - net of dilution effect	**(96,782,804)**	121,771,201
	(Number)	
Weighted average number of ordinary shares - net of dilution effect	**97,981,350**	97,981,350
	(Rupees)	
(Loss) / Earnings per share - Diluted	**(0.99)**	1.24

29. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

Capital requirements applicable to the Company are set out 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 2014 respectively.

The Company has requested the SECP for relaxation in the above requirements and is hopeful that this request will be accepted based on the conditions of the business environment and the Company's position in the overall leasing sector, as well as its past performance and the reason given in note 1.2.

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

For the six months period ended 31 December 2014

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.

	31 December 2014 (Unaudited)					
	Finance lease	Operating lease	Term loans	Investments	Others	Total
	(Rupees)					
Segment revenue						
Lease income	3,407,835	580,000	-	-	-	**3,987,835**
Interest income	-	-	26,969	1,318,198	-	**1,345,167**
Other income	-	-	-	-	33,724,751	**33,724,751**
Direct cost of operating leases	-	(2,679,354)	-	-	-	**(2,679,354)**
(Provisions) / reversals against assets	(88,737,007)	-	-	-	-	**(88,737,007)**
Segment results	**(85,329,172)**	**(2,099,354)**	**26,969**	**1,318,198**	**33,724,751**	**(52,358,608)**
Unallocated cost						
Financial and bank charges	-	-	-	-	-	**(24,389,661)**
Administrative and other operating expenses	-	-	-	-	-	**(19,908,057)**
Write-offs	-	-	-	-	-	**(926,410)**
						(45,224,128)
Profit before taxation						**(97,582,736)**
Taxation	-	-	-	-	-	**799,932**
Profit for the period						**(96,782,804)**
Other information						
Segment assets	720,063,022	16,073,045	180,643,488	56,333,790	-	**973,113,345**
Unallocated assets	-	-	-	-	129,889,218	**129,889,218**
Total assets						**1,103,002,563**
Segment liabilities	1,159,048,794	16,580,964	186,351,938	58,113,974	-	**1,420,095,670**
Unallocated liabilities	-	-	-	-	117,390,521	**117,390,521**
Total liabilities						**1,537,486,191**
Net assets						**(434,483,628)**

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

For the six months period ended 31 December 2014

	30 June 2014 (audited)					
	Finance lease	Operating lease	Term loans	Investments	Others	Total
	(Rupees)					
Segment revenue						
Lease income	47,128,147	2,678,255	-	-	-	49,806,402
Interest income	-	-	1,066,327	135,260	1,367,791	2,569,378
Other income	-	-	-	2,228,447	153,211,448	155,439,895
Direct cost of operating leases	-	(6,405,266)	-	-	-	(6,405,266)
(Provisions) / reversals against assets	(75,443,622)	-	7,405,079	-	1,558,125	(66,480,418)
Segment results	(28,315,475)	(3,727,011)	8,471,406	2,363,707	156,137,364	134,929,991
Unallocated cost						
Financial charges	-	-	-	-	-	(56,274,636)
Impairment on investment properties	-	-	-	-	-	(4,087,000)
Administrative / operating expenses	-	-	-	-	-	(58,626,578)
Write-offs	-	-	-	-	-	(11,082,282)
	-	-	-	-	-	(130,070,496)
Profit before taxation						4,859,495
Taxation	-	-	-	-	-	2,358,196
Profit after taxation						7,217,691
Other information						
Segment assets	836,540,360	18,738,000	182,321,943	38,722,092	-	1,076,322,395
Unallocated assets	-	-	-	-	146,180,171	146,180,171
Total assets						1,222,502,566
Segment liabilities	1,214,993,069	17,996,159	175,103,779	37,189,076	-	1,445,282,083
Unallocated liabilities	-	-	-	-	114,923,426	114,923,426
Total liabilities						1,560,205,510
Net assets	-	-	-	-	-	(337,702,944)

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 February 27, 2015.

Muhammad Tariq Masud
Chief Executive Officer

Parveen A. Malik
Director

CORPORATE

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