



L E A S I N G

**QUARTERLY REPORT**

CONDENSED INTERIM FINANCIAL  
INFORMATION (UN-AUDITED)  
MARCH 31, 2015

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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  
Fax: (021) 35210607-9

**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](http://www.saudipakleasing.com)  
Email : [info@saudipakleasing.com](mailto: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

## Quarterly Report 2015

### 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 nine months period ended March 31, 2015.

#### Operating and Financial Results

	March 31, 2015 Rupees	March 31, 2014 Rupees
Income from finance and operating leases	9,937,538	38,012,999
Other operating income	37,079,829	116,708,452
Total income	47,017,367	154,721,451
Finance cost	(36,571,398)	(43,025,656)
Administrative and other operating expenses	(50,876,606)	(49,578,523)
Write-offs against loans and leases	(4,451,072)	(1,537,808)
Operating (loss) / profit before provisions	(44,881,709)	60,579,464
Reversal / (provision) against leases, loans, receivables and investment properties	(62,270,457)	46,735,150
(Loss) / Profit before taxation	(107,152,166)	107,314,614
(Loss) / Profit after taxation	(106,152,251)	110,200,355
(Loss) / Earnings per share - basic	(2.35)	2.44
(Loss) / Earnings per share - diluted	(1.08)	1.12

The total income booked during the nine months ended March 31, 2015 registered a decline of 70% when compared to the income booked during corresponding period of 2014. Consequently, the operating loss before provisions stood at Rs 44.881 million during the period under consideration (operating profit of Rs 60.579 million in 2014). 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 valuers duly approved by NBF 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 and booked 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 therefore the stream of revenues from business / operations has already been dried up 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 traced defaulters are asking for rescheduling/restructuring of long term and write offs in principle etc. for which negotiations are still underway.

## DIRECTORS' REVIEW

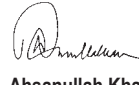
The liquidity resources of the Company have been completely dried up because of which the Company is unable to pay the overdue and defaulted amounts to the creditors. The Company has been able to substantially reduce its book size and to maintain running of entity's operations only with the help of meager internal resources being generated through recoveries and settlements. 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 salvage and 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 the regulators 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



**Ahsanullah Khan**  
Chairman

Karachi: April 21, 2015

Quarterly Report 2015

**CONDENSED INTERIM BALANCE SHEET**

As at 31 March 2015

	Note	31 March	30 June
		2015	2014
		Rupees	
		(Unaudited)	(Audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	6	1,747,215	23,552,393
Short term loans	7	129,781,094	131,371,094
Short term investments	8	68,368,379	38,722,092
Accrued mark-up		165,212	-
Trade deposits and short term prepayments		886,886	888,386
Other receivables	9	7,040,980	7,075,225
Current maturity of non-current assets	10	761,651,766	868,446,391
		969,641,532	1,070,055,581
Non-current assets classified as held for sale	11	-	67,936,844
		969,641,532	1,137,992,425
<b>Non-current assets</b>			
Long term loans	12	640,576	1,308,123
Net investment in finance leases	13	9,242,339	17,736,695
Investment properties	14	41,668,341	43,828,669
Property, plant and equipment	15	69,002,228	21,636,654
		120,553,484	84,510,141
<b>Total assets</b>		<b>1,090,195,016</b>	<b>1,222,502,566</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
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		279,486,106	246,836,646
Accrued expenses and other payables		17,988,230	25,722,269
Provision for taxation		1,415,941	2,180,760
Current maturity of non-current liabilities	17	894,177,475	930,749,137
Preference dividend payable		5,774,153	5,774,153
		1,443,930,438	1,456,351,498
<b>Non-current liabilities</b>			
Deferred tax liability - net		79,808,056	81,246,244
Long term finances	18	4,344,432	15,277,768
Security deposits against finance lease	19	6,056,326	7,330,000
		90,208,814	103,854,012
<b>Total liabilities</b>		<b>1,534,139,252</b>	<b>1,560,205,510</b>
<b>NET ASSETS</b>		<b>(443,944,236)</b>	<b>(337,702,944)</b>
<b>FINANCED BY</b>			
<b>Authorised share capital</b>			
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
		2,000,000,000	2,000,000,000
<b>Issued, subscribed and paid-up capital - ordinary shares</b>			
Issued, subscribed and paid-up capital - preference shares		451,605,000	451,605,000
Capital reserves		528,208,500	528,208,500
Accumulated loss		177,928,194	177,928,194
Surplus on revaluation of available-for-sale investments		(1,634,882,443)	(1,528,863,428)
		45,007	63,232
<b>Total equity</b>		<b>(477,095,742)</b>	<b>(371,058,502)</b>
Surplus on revaluation of property, plant and equipment - net	20	33,151,506	33,355,558
		(443,944,236)	(337,702,944)
<b>CONTINGENCIES AND COMMITMENTS</b>	21		

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

  
**Muhammad Tariq Masud**  
 Chief Executive Officer

  
**Ahsanullah Khan**  
 Chairman

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**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)**

For the nine months period ended 31 March 2015

	Note	Nine months period ended 31 March		Three months period ended 31 March	
		2015	2014	2015	2014
----- (Rupees) -----					
<b>Income</b>					
Finance leases	22	8,091,538	35,796,744	4,683,703	4,732,002
Operating leases		1,846,000	2,216,255	1,266,000	267,151
		<u>9,937,538</u>	<u>38,012,999</u>	<u>5,949,703</u>	<u>4,999,153</u>
Other operating income	23	37,079,829	116,708,452	2,009,911	7,314,919
<b>Total income</b>		<u>47,017,367</u>	<u>154,721,451</u>	<u>7,959,614</u>	<u>12,314,072</u>
<b>Expenses</b>					
Finance cost	24	(36,571,398)	(43,025,656)	(12,181,737)	(14,571,511)
Administrative and other operating expenses		(46,950,174)	(44,475,324)	(27,042,117)	(11,385,055)
Amount written-off directly against loans and lease receivables		(4,451,072)	(1,537,808)	(3,524,662)	-
Direct cost of operating leases		(3,926,432)	(5,103,199)	(1,247,078)	(1,558,844)
		<u>(91,899,076)</u>	<u>(94,141,987)</u>	<u>(43,995,594)</u>	<u>(27,515,410)</u>
<b>Operating (loss) / profit before provisions</b>		<u>(44,881,709)</u>	<u>60,579,464</u>	<u>(36,035,980)</u>	<u>(15,201,338)</u>
Reversal / (provision) for doubtful leases, loans and other receivables		(62,270,457)	46,735,150	26,466,550	4,671,532
Reversal / (impairment) on available-for-sale investments		-	-	-	-
Impairment on investment properties		-	-	-	-
		<u>(62,270,457)</u>	<u>46,735,150</u>	<u>26,466,550</u>	<u>4,671,532</u>
<b>(Loss) / profit before taxation</b>		<u>(107,152,166)</u>	<u>107,314,614</u>	<u>(9,569,430)</u>	<u>(10,529,806)</u>
<b>Taxation</b>					
- Current		(509,089)	2,000,000	(101,818)	1,041,040
- Deferred		1,509,004	(4,885,741)	301,801	-
		<u>999,915</u>	<u>(2,885,741)</u>	<u>199,983</u>	<u>1,041,040</u>
<b>(Loss) / profit after taxation</b>		<u>(106,152,251)</u>	<u>110,200,355</u>	<u>(9,369,447)</u>	<u>(11,570,846)</u>
<b>(Loss) / earnings per share - basic</b>		<u>(2.35)</u>	<u>2.44</u>	<u>(0.21)</u>	<u>(0.26)</u>
<b>(Loss) / earnings per share - diluted</b>		<u>(1.08)</u>	<u>1.12</u>	<u>(0.10)</u>	<u>(0.12)</u>

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

  
**Muhammad Tariq Masud**  
 Chief Executive Officer

  
**Ahsanullah Khan**  
 Chairman



**Quarterly Report 2015**

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**

**For the nine months period ended 31 March 2015**

	Nine months period ended 31 March		Three months period ended 31 March	
	2015	2014	2015	2014
	----- (Rupees) -----			
<b>(Loss) / profit after taxation</b>	<b>(106,152,251)</b>	110,200,355	<b>(9,369,447)</b>	(11,570,846)
<b>Other comprehensive income</b>				
Items that are or may be reclassified subsequently to profit and loss account:				
Surplus / (deficit) on revaluation of available-for-sale investments	(18,225)	(31,125)	(20,345)	(2,356)
Realisation of surplus on disposal of available-for-sale investments	-	-	-	-
	(18,225)	(31,125)	(20,345)	(2,356)
<b>Total comprehensive income for the period</b>	<b>(106,170,476)</b>	110,169,230	<b>(9,389,791)</b>	(11,573,202)

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 26 form an integral part of this condensed interim financial information.

  
**Muhammad Tariq Masud**  
 Chief Executive Officer

  
**Ahsanullah Khan**  
 Chairman

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**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**

For the nine months period ended 31 March 2015

	Nine months period ended 31 March	
	2015	2014
	----- (Rupees) -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) / Profit before taxation	(107,152,166)	107,314,614
Adjustments for:		
Depreciation - owned assets	16,900,638	737,542
Depreciation - assets under operating lease	3,899,682	5,103,199
Depreciation - investment properties	2,160,328	2,515,157
Finance cost	36,571,398	43,025,656
(Reversal) / provision for doubtful leases, loans and other receivables	62,270,457	(46,735,150)
Dividend income	(3,120)	(13,161)
Amount written off directly against loans and lease receivables	4,451,072	1,537,808
Income from government securities	(1,327,323)	(1,449,674)
(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	(1,701,900)	(10,418,214)
	91,345,298	(107,301,607)
<b>Operating (loss) /profit before working capital changes</b>	<b>(15,806,868)</b>	<b>13,007</b>
<b>Movement in working capital</b>		
(Increase) / decrease in operating assets		
Trade deposits, short term prepayments and other receivables	35,745	(307,540)
Accrued mark-up	(165,212)	35,844
Short term loans	1,590,000	57,915,327
	1,460,533	57,643,631
Increase / (decrease) in operating liabilities		
Accrued expenses and other payables	(7,734,039)	(1,027,586)
<b>Cash (used) in / generated from operations</b>	<b>(22,080,374)</b>	<b>56,629,052</b>
Finance cost paid	(46,003)	(16,653,553)
Taxes paid	235,096	(3,027,586)
Decrease in net investment in finance leases	40,079,451	166,692,171
	40,268,544	147,011,032
<b>Net cash flows from operating activities</b>	<b>18,188,170</b>	<b>203,640,084</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(470,400)	400,000
Purchase of short term investments - net	(29,628,062)	34,895,501
Proceeds from disposal of property, plant and equipment	1,986,000	10,900,000
Proceeds from disposal of investment properties	-	10,000,000
Repayment of long term loans	1,080,666	8,610,769
Dividend received	3,120	13,161
<b>Net cash flows from investing activities</b>	<b>(27,028,676)</b>	<b>64,819,431</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of long term finances	(10,964,672)	(268,370,411)
Repayment of short term borrowings from financial institutions	-	(13,999,998)
Preference dividend paid	-	(180,893)
Repayment of certificates of investment	(2,000,000)	(18,920,000)
<b>Net cash flows from financing activities</b>	<b>(12,964,672)</b>	<b>(301,471,302)</b>
Net (decrease) in cash and cash equivalents	(21,805,178)	(33,011,787)
Cash and cash equivalents at beginning of the period	23,552,393	40,054,055
Cash and cash equivalents at end of the period	1,747,215	7,042,268

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

  
**Muhammad Tariq Masud**  
 Chief Executive Officer

  
**Ahsanullah Khan**  
 Chairman

## Quarterly Report 2015

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

For the nine months period ended 31 March 2015

	Issued, subscribed and paid-up share capital		Capital reserves	Accumulated loss	Unrealised gain on re-measurement of available-for-sale investments	Total equity
	Ordinary shares	Non-redeemable preference shares				
----- Rupees -----						
Balance as at 01 July 2013	451,605,000	528,208,500	176,484,656	(1,529,737,709)	98,833	(373,340,720)
<b>Total comprehensive income for the period</b>						
Profit for the nine months period ended 31 March 2014	-	-	-	110,200,355	-	110,200,355
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	-	-	-	-	44,478	44,478
Transactions with owners, recorded directly in equity						
Issuance of non-voting, non-cumulative, non-redeemable, convertible unlisted preference shares	-	-	-	-	-	-
Preference dividend for the nine months period ended 31 March 2014	-	-	-	(9,768,239)	-	(9,768,239)
Transferred to capital reserves	-	-	24,354,240	(24,354,240)	-	-
<b>Balance as at 31 March 2014</b>	<b>451,605,000</b>	<b>528,208,500</b>	<b>200,838,896</b>	<b>(1,453,653,877)</b>	<b>67,708</b>	<b>(272,933,773)</b>
Balance as at 01 July 2014	451,605,000	528,208,500	177,928,194	(1,528,863,428)	63,232	(371,058,502)
<b>Total comprehensive income for the period</b>						
Loss for nine months period ended 31 March 2015	-	-	-	(106,152,251)	-	(106,152,251)
Transfer from surplus on revaluation of property, plant and equipment on account of incremental depreciation - net of deferred tax	-	-	-	133,236	-	133,236
Unrealised gain on re-measurement of available-for-sale investments realised on disposal	-	-	-	-	-	-
Unrealised gain on re-measurement of available-for-sale investments	-	-	-	-	(18,225)	(18,225)
Transactions with owners, recorded directly in equity						
Issuance of non-voting, non-cumulative, non-redeemable, convertible unlisted preference shares	-	-	-	-	-	-
Transferred to capital reserves	-	-	-	-	-	-
<b>Balance as at 31 March 2015</b>	<b>451,605,000</b>	<b>528,208,500</b>	<b>177,928,194</b>	<b>(1,634,882,443)</b>	<b>45,007</b>	<b>(477,095,742)</b>

The annexed notes 1 to 26 form an integral part of this condensed interim financial information.

  
**Muhammad Tariq Masud**  
 Chief Executive Officer

  
**Ahsanullah Khan**  
 Chairman

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

**For the nine months period ended 31 March 2015**

**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). The Company has not been doing business of new leases since 2008.

Saudi Pak Industrial & Agricultural Investment Company Limited (SAPICO) is the parent company (by virtue of management rights) and as of 31 March 2015 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 has been facing difficulties in the form of defaults wherein settlements, slaving of its investments financing from customers became a challenging task. The deteriorated financial position of the Company requires a fresh injection of funds in order to stabilise its running. The management is trying on best effort basis to recover as much as possible with the available means. Following are the vital factors to consider for the current situation of the Company:

- During the nine months period ended 31 March 2015, the Company has booked a loss after tax of Rs. 106.152 million (compared with a book profit of Rs. 110.200 million in the corresponding period). At the period end, the accumulated losses stood at Rs. 1,634.882 million and the equity stood at negative Rs. 477.095 million, as against the regulatory minimum equity requirement of Rs. 700 million. The total liabilities exceeded total assets by Rs. 443.944 million and the current liabilities exceeded current assets by Rs. 474.288 million.
- As of 31 March 2015 impairment loss of Rs.957.970 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 in 30 June 2010, thereby not permitting the Company to issue new certificates of investment. The Company thereafter has not renewed the rating agreement with the credit rating company.
- During the period, the Company defaulted in making payments of its financial obligations due to severe liquidity problems. As of 31 March 2015, total default stood at Rs 972.756 million including principal of Rs 701.122 million and of Rs. 271.633 million. The management is in the process of negotiating the restructuring terms of such borrowings including remission / writeoffs and expects that lenders/creditors will come forward with a favorable approach.
- 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).

Although uncertainty exists due to the above factors which may cast doubt on the Company's ability to continue as a going concern, the Board of directors of the Company, however is confident that in line with the approved rehabilitation plan of 2012 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. In order to improve the financial health including equity position of the Company, the Board 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.

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

**For the nine months period ended 31 March 2015**

- The borrowings (including mark-up thereon) of the Company has been brought down to Rs. 1,012.921 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 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.
- 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.
- In order to improve the equity position of the Company, the board of directors has engaged an independent consultant with the scope of work assigned 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 and doubtful debtors.
  - Post structuring from the settlement of liabilities and recovery of debts.
  - To seek and identify a strategic buyer/investor for acquisition of the Company.

Due to the fact that at 31 March 2015, the Company's equity is negative by Rs. 443.944 million, the Company could not meet the regulatory requirements of NBFC Regulations, 2008 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 nine months period ended 31 March 2015**

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

This condensed interim financial information of the Company for the nine months period ended 31 March 2015 has been prepared in accordance with the requirements of the International Accounting Standard 34 (IAS 34), "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

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

As mentioned in note 1.1 above, although the Company's license to carry out the business of leasing had expired on 18 May 2010, this condensed financial information has been prepared in accordance with the format generally followed for financial institutions and the provision requirements have been determined in accordance with the requirements of NBFC Regulations, 2008.

**2.2** The requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement", relating to the assessment of impairment loss on leasing portfolio have not been followed in the preparation of this condensed interim financial information based on a clarification received from the SECP specifying that the requirements of IAS 39 should only be followed by leasing companies so far as it relates to investments made by them.

**2.3** The Company provides for impairment in the carrying value of its net investment in finance lease receivable based on the requirements laid down in the Prudential Regulations for Non-Banking Finance Companies.

**2.4** The comparative balance sheet presented in this condensed interim financial information as at 31 March 2015 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, cash flow statement and statement of changes in equity have been extracted from the condensed interim financial information for the period ended 31 March 2014.

**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.

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

For the nine months period ended 31 March 2015

		31 March 2015 (Unaudited) ----- (Rupees) -----	30 June 2014 (Audited) -----
<b>6. CASH AND BANK BALANCES</b>			
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
- saving accounts	6.1	1,630,199	23,444,641
		<u>1,747,215</u>	<u>23,552,393</u>
<b>6.1</b>	These saving accounts carry profit rates ranging from 5% to 6% per annum (30 June 2014: 6% to 7% per annum).		
		31 March 2015 (Unaudited) ----- (Rupees) -----	30 June 2014 (Audited) -----
<b>7. SHORT TERM LOANS</b>			
Considered good		-	-
Non-performing loans		205,956,794	207,546,794
	7.1	<u>205,956,794</u>	<u>207,546,794</u>
Provision against non-performing loans		(76,175,700)	(76,175,700)
		<u>129,781,094</u>	<u>131,371,094</u>
<b>7.1</b>	This represents term finance facilities provided to customers and carries mark-up ranging from 16.06% to 25% (30 June 2014: 16.06% to 25%).		
<b>8. SHORT TERM INVESTMENTS</b>			
Available-for-sale	8.1	19,045,880	19,064,105
Held to maturity	8.2	49,322,499	19,657,987
		<u>68,368,379</u>	<u>38,722,092</u>
<b>8.1 Available-for-sale</b>			
Ordinary shares of listed companies	8.1.1	85,935	85,935
Ordinary shares of unlisted companies	8.1.2	18,914,938	18,914,938
Available-for-sale at cost		19,000,873	19,000,873
Unrealised gain on re-measurement to fair value		45,007	63,232
Available-for-sale at market value		<u>19,045,880</u>	<u>19,064,105</u>
<b>8.1.1</b>	The investments in the listed equity securities held as available-for-sale are valued at prices quoted on the Karachi Stock Exchange.		
<b>8.1.2</b>	Detail of investment 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
		<u>18,914,938</u>	<u>18,914,938</u>

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

**For the nine months period ended 31 March 2015**

		31 March 2015 (Unaudited)	30 June 2014 (Audited)
		----- (Rupees) -----	
<b>8.2</b>	<b>Held to Maturity</b>		
	Government Market Treasury Bills	8.2.1 <b>19,322,499</b>	19,657,987
	Certificates of deposit	8.2.2 <b>30,000,000</b>	-
		<b>49,322,499</b>	<u>19,657,987</u>

**8.2.1** This represents investment in Government Market Treasury Bill having maturity on 14 May 2015 and carries effective mark-up at a rate of 8.25% (30 June 2014: 9.35%) 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 April 2015 and carries effective mark up rate of 8.25% (30 June 2014: Nil) per annum.

**9. OTHER RECEIVABLES**

	Operating lease rentals receivable	<b>11,545,095</b>	11,545,095
	Receivable on termination of leases	<b>72,354,318</b>	68,416,547
	Others	<b>2,874,574</b>	6,846,590
		<b>86,773,987</b>	<u>86,808,232</u>
	Provision against doubtful receivables	<b>(79,733,007)</b>	(79,733,007)
		<b>7,040,980</b>	<u>7,075,225</u>

**10. CURRENT MATURITY OF NON-CURRENT ASSETS**

	Long term loans	12 <b>49,229,607</b>	49,642,726
	Net investment in finance leases	13 <b>712,422,159</b>	818,803,665
		<b>761,651,766</b>	<u>868,446,391</u>

**11. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE**

	Office premises	11.1 -	67,936,844
		-	<u>67,936,844</u>

**11.1** The Board of Directors of the Company, as part of contingency plan, previously approved to dispose Company's office premises and for that the Chief Executive Officer of the Company was authorised to sell the said premises. However, during the year, Board of Directors of the Company in their 127th meeting held on 27th February, 2015 decided not to sell the office premises and approved to change its classification from "non current assets classified as held for sale" to "Property Plant and Equipment" due to the fact that a suitable buyer could not be found.



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

For the nine months period ended 31 March 2015

		31 March 2015 (Unaudited)	30 June 2014 (Audited)
		----- (Rupees) -----	
<b>12. LONG TERM LOANS</b>			
	<b>Related party - secured</b>		
	Due from employees - considered good	1,738,262	2,151,506
	<b>Other than related party - secured</b>		
	Term loans to customers		
	- Considered good	-	-
	- Non-performing loans	105,868,312	106,535,734
		105,868,312	106,535,734
12.1		107,606,574	108,687,240
	Provision against non-performing loans	(57,736,391)	(57,736,391)
		49,870,183	50,950,849
	Current maturity of long term loans	(49,229,607)	(49,642,726)
10		640,576	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.

		31 March 2015 (Unaudited)	30 June 2014 (Audited)
		----- (Rupees) -----	
<b>13. NET INVESTMENT IN FINANCE LEASES</b>			
	Minimum lease payments receivable	1,455,953,596	1,508,600,230
	Residual value of leased assets	437,085,650	444,899,650
	<b>Gross investment in finance leases</b>	1,893,039,246	1,953,499,880
13.1			
	Unearned lease income	(407,817)	(2,152,884)
	<b>Net investment in finance leases</b>	1,892,631,429	1,951,346,996
	Mark-up held in suspense	(346,908,971)	(353,019,241)
13.3			
	Provision for lease losses	(824,057,960)	(761,787,395)
13.4		(1,170,966,931)	(1,114,806,636)
		721,664,498	836,540,360
	Current portion of net investment in finance leases	(712,422,159)	(818,803,665)
10		9,242,339	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 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 on going exercise and its impact is being accounted for accordingly.

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

**For the nine months period ended 31 March 2015**

	31 March 2015 (Unaudited)	30 June 2014 (Audited)
	----- (Rupees) -----	
<b>13.3 Mark-up held in suspense</b>		
Balance at beginning of the period / year	353,019,241	387,980,694
Income suspended during the period / year	1,531,836	8,314,398
	<u>354,551,077</u>	<u>396,295,092</u>
Suspended income:		
- realised during the period / year	(7,524,170)	(42,253,779)
- written off during the period / year	(117,936)	(1,022,072)
	<u>(7,642,106)</u>	<u>(43,275,851)</u>
	<u>346,908,971</u>	<u>353,019,241</u>
<b>13.4 Provision for lease losses</b>		
Balance at beginning of the period / year	761,787,395	694,085,939
Charge for the period / year	95,934,984	153,377,828
Reversal during the period / year	(37,997,555)	(77,934,206)
	<u>57,937,429</u>	<u>75,443,622</u>
Write-offs against provision	4,333,136	(7,742,166)
Balance at end of the period / year	<u>824,057,960</u>	<u>761,787,395</u>
<b>14. INVESTMENT PROPERTIES</b>		
Cost at the beginning of the period / year	66,160,092	71,159,772
Additions during the period / year	-	71,000,000
Disposals during the period / year	-	(75,999,680)
Cost at the end of the period / year	<u>66,160,092</u>	<u>66,160,092</u>
Accumulated depreciation	(14,804,614)	(12,692,649)
Depreciation charged during the period / year	(2,160,328)	(3,236,885)
Impairment loss on investment properties	(7,526,809)	(7,526,809)
Depreciation reverse during the year due to disposals	-	1,124,920
Carrying value of investment properties	<u>41,668,341</u>	<u>43,828,669</u>
<b>15. PROPERTY, PLANT AND EQUIPMENT</b>		
Property, plant and equipment - owned assets	54,163,911	2,898,654
Plant and equipment - assets under operating lease	14,838,317	18,738,000
	<u>69,002,228</u>	<u>21,636,654</u>
<b>Additions - Cost</b>		
<b>Owned assets</b>		
Office equipment	470,400	400,000
<b>Total additions</b>	<u>470,400</u>	<u>400,000</u>
<b>Disposals - Cost</b>		
<b>Owned assets</b>		
Land	-	2,800,000
Vehicles	2,841,000	3,555,106
	<u>2,841,000</u>	<u>6,355,106</u>
<b>Assets under operating lease</b>		
Generators	-	24,145,550
	-	24,145,550
<b>Total disposals</b>	<u>2,841,000</u>	<u>30,500,656</u>

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

For the nine months period ended 31 March 2015

		31 March 2015 (Unaudited)	30 June 2014 (Audited)
		----- (Rupees) -----	
<b>16. SHORT TERM BORROWINGS FROM FINANCIAL INSTITUTIONS</b>			
<b>Letters of placement - Unsecured</b>			
National Bank of Pakistan		77,500,000	77,500,000
Innovative Investment Bank Limited		60,000,000	60,000,000
Meezan Bank Limited		27,001,588	27,001,588
AKD Aggressive Income Fund		2,762,504	2,762,504
KASB Income Opportunity Fund		10,429,140	10,429,140
		<u>177,693,232</u>	<u>177,693,232</u>
<b>17. CURRENT MATURITY OF NON-CURRENT LIABILITIES</b>			
Long term finances	18	428,653,482	456,684,818
Certificates of investment		55,349,000	57,349,000
Security deposits against finance leases	19	410,174,993	416,715,319
		<u>894,177,475</u>	<u>930,749,137</u>
<b>18. LONG TERM FINANCES</b>			
Long term finances - secured		178,961,502	216,907,654
Long term finances - unsecured		5,703,696	6,722,216
	18.1	<u>184,665,198</u>	<u>223,629,870</u>
Term finance certificates - secured		248,332,716	248,332,716
		<u>432,997,914</u>	<u>471,962,586</u>
Current maturity of long term finances	17	<u>(428,653,482)</u>	<u>(456,684,818)</u>
		<u>4,344,432</u>	<u>15,277,768</u>
<b>18.1 Long term finances</b>			
<b>Secured</b>			
National Bank of Pakistan		12,500,000	12,500,000
First Women Bank Limited		75,061,505	75,061,505
Askari Income Fund		13,500,000	13,500,000
Soneri Bank Limited		61,999,996	61,999,996
Bank of Khyber		15,900,000	23,000,000
HSBC Bank Middle East Limited		-	30,846,153
<b>Un-secured</b>			
Silk Bank Limited		5,703,696	6,722,216
		<u>184,665,197</u>	<u>223,629,870</u>

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.

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

**For the nine months period ended 31 March 2015**

	31 March 2015 (Unaudited)	30 June 2014 (Audited)
	----- (Rupees) -----	
<b>19. SECURITY DEPOSITS AGAINST FINANCE LEASES</b>		
Security deposits against finance leases	416,231,319	424,045,319
Less: Current maturity of deposits against finance leases	17 (410,174,993)	(416,715,319)
	<u>6,056,326</u>	<u>7,330,000</u>

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

**20. SURPLUS ON REVALUATION OF PROPERTY,  
PLANT AND EQUIPMENT - NET OF TAX**

Surplus on revaluation of property, plant and equipment - net	<u>33,151,506</u>	<u>33,355,558</u>
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20.1 The properties of the Company were revalued as of 28 September 2008 and 30 June 2012. The revaluation was carried out by independent valuers, on the basis of professional assessment of present market values and the revaluation of 30 June 2012 resulted in surplus of Rs. 41.486 million and Rs. 17.501 million and deficit of Rs. 7.495 million for properties, generators and plant respectively over the written down values.

**21. CONTINGENCIES AND COMMITMENTS**

Claims against the Company not acknowledged as debt	<u>193,558,675</u>	<u>193,558,675</u>
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21.1 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.

21.2 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.

21.3 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.

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.

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

**For the nine months period ended 31 March 2015**

	31 March 2015 (Unaudited)	31 March 2014 (Audited)
	----- (Rupees) -----	-----
<b>22. INCOME FROM FINANCE LEASES</b>		
Income from finance lease contracts	7,854,737	32,975,893
Gain on termination of finance lease contracts	236,801	2,820,851
	<u>8,091,538</u>	<u>35,796,744</u>
<b>23. OTHER OPERATING INCOME</b>		
<b>Income from financial assets:</b>		
Dividend income	3,120	13,161
Capital gain on sale of investments	-	140,798
Interest income from government securities	1,327,323	1,449,674
Interest income on term loans	26,971	825,577
Return on certificates of deposit	319,541	135,260
Interest income from savings accounts	1,597,986	1,053,663
	<u>3,274,941</u>	<u>3,618,133</u>
<b>Income from non-financial assets:</b>		
Gain on sale of property, plant and equipment	1,701,900	10,418,214
Waiver on settlement of long term finances	31,875,934	101,463,972
Others	227,054	1,208,133
	<u>33,804,888</u>	<u>113,090,319</u>
	<u>37,079,829</u>	<u>116,708,452</u>
<b>24. FINANCE COST</b>		
Mark-up on:		
- Long term finances	7,965,743	7,798,588
- Term finance certificates	11,144,356	16,049,358
- Short term borrowings from financial institutions	10,187,350	10,514,884
Return on certificates of investment	7,227,946	8,517,072
Bank charges	46,003	145,754
	<u>36,571,398</u>	<u>43,025,656</u>
<b>25. TRANSACTIONS WITH RELATED PARTIES</b>		

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 to this condensed interim financial information is as follows:

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

For the nine months period ended 31 March 2015

	31 March 2015 (Unaudited)			
	Parent company	Other group companies	Key management personnel	Other related parties
	----- (Rupees) -----			
<b>Parent Company</b>				
Rent paid	419,265	-	-	-
Certificate of deposit	30,000,000	-	-	-
Accrued mark-up	165,212	-	-	-
<b>Directors fee</b>				
Fee	-	-	-	375,000
<b>Key management personnel</b>				
Remuneration to key management personnel	-	-	5,162,300	-
<b>Other related parties</b>				
Payments to gratuity fund	-	-	-	-
Payments to provident fund	-	-	-	619,969
	<u>30,584,477</u>	<u>-</u>	<u>5,162,300</u>	<u>994,969</u>

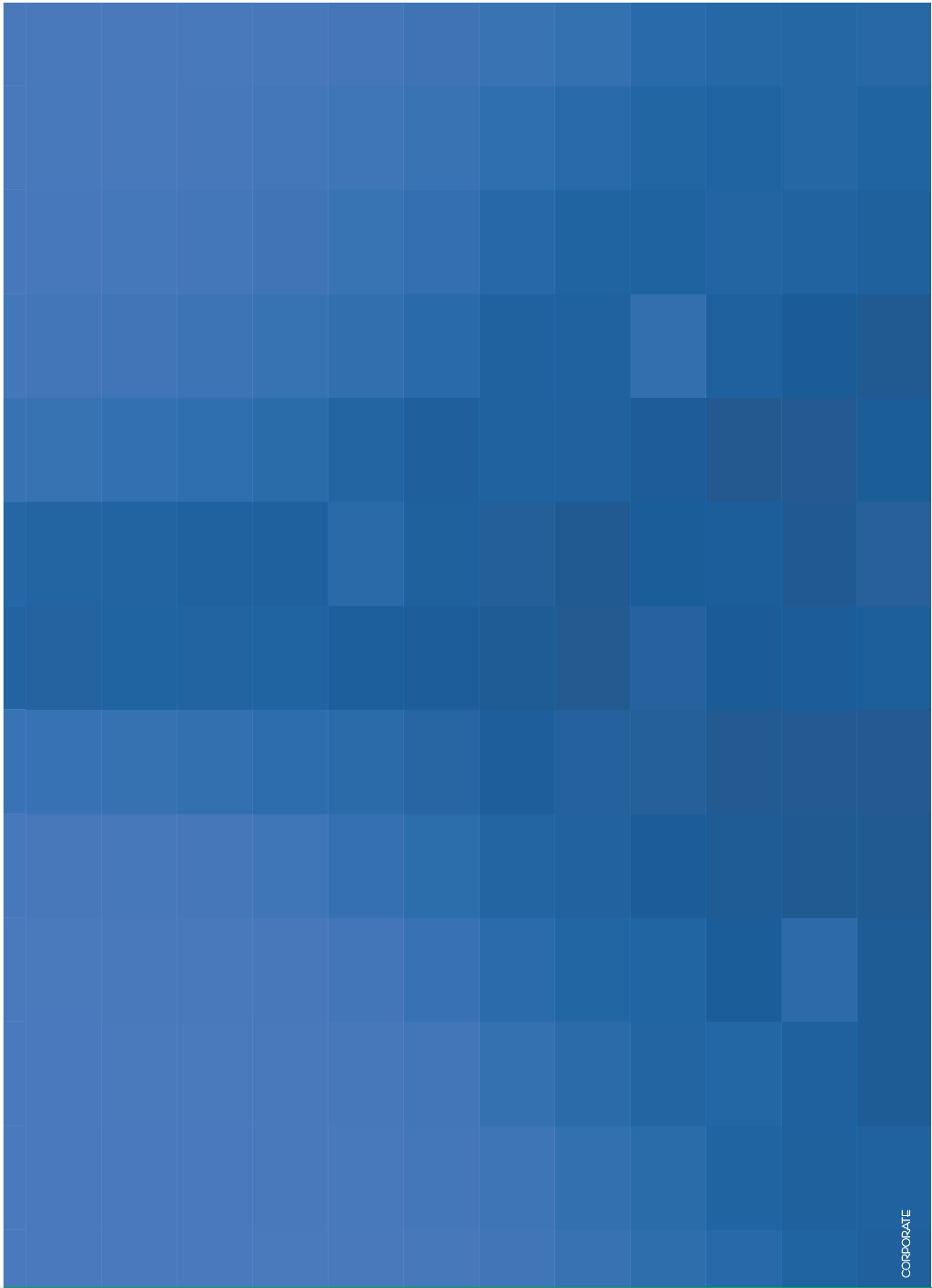
	31 March 2014 (Unaudited)			
	Parent company	Other group companies	Key management personnel	Other related parties
	----- (Rupees) -----			
<b>Parent Company</b>				
Rent paid	381,150	-	-	-
<b>Directors fee</b>				
Fee	-	-	-	555,000
<b>Key management personnel</b>				
Remuneration of key management personnel	-	-	6,137,156	-
<b>Other related parties</b>				
Payments to the gratuity fund	-	-	-	1,735,162
Payments made to Saudi Pak Real Estate	-	-	-	45,000,000
	<u>381,150</u>	<u>-</u>	<u>6,137,156</u>	<u>47,290,162</u>

26. GENERAL

- 26.1 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.
- 26.2 Corresponding figures have been rearranged and reclassified wherever necessary to reflect more appropriate presentation of events and transactions for the purposes of comparison.
- 26.3 This condensed interim financial information was authorised for issue by the Board of Directors of the Company on April 21, 2015.

  
**Muhammad Tariq Masud**  
 Chief Executive Officer

  
**Ahsanullah Khan**  
 Chairman



CORPORATE

**SAUDI PAK LEASING COMPANY LIMITED**  
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