

The logo for Saudi Pak Leasing, featuring the words "SAUDI PAK" in a bold, blue, sans-serif font inside a green rounded rectangle, with the word "LEASING" in a smaller, blue, sans-serif font below it.

L E A S I N G

1st QUARTERLY REPORT

CONDENSED INTERIM FINANCIAL
INFORMATION (UN-AUDITED)

SEPTEMBER 30, 2014

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Ahsanullah Khan	Chairman, Non-Executive Director
Mr. Muhammad Farhan Malik	Vice Chairman / Non-Executive Director
Mr. Muhammad Tariq Masud	Chief Executive Officer, Executive Director
Ms. Parveen A. Malik	Non-Executive Director
Mr. Arsalan Iftikhar Khan	Non-Executive Director

AUDIT COMMITTEE

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

HUMAN RESOURCE AND REMUNERATION COMMITTEE

Mr. Muhammad Farhan Malik	Chairman, Non-Executive Director
Mr. Muhammad Tariq Masud	Member, 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

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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
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CONTACT DETAILS

Universal Access Number: 111-888-999
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 Shakra-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 first quarter ended September 30, 2014.

Operating and Financial Results

	September 30, 2014 Rupees	September 30, 2013 Rupees
Income from operating and finance leases	2,850,338	8,952,945
Other operating income	32,952,661	96,124,332
Total income	35,802,999	105,077,277
Financial charges	12,476,845	18,343,903
Administrative and operating costs	11,515,289	26,390,192
Operating profit before provisions	11,810,865	60,343,182
Provisions / (reversals) against leases, loans, receivables and investments	45,214,138	(39,636,148)
(Loss) / profit before taxation	(33,403,273)	99,979,330
(Loss) / profit after taxation	(33,992,822)	97,979,330
(Loss) / profit per share - basic	(0.75)	2.17
(Loss) / profit per share - diluted	(0.01)	1.00

The total income earned during the quarter ending September 30, 2014 registered a steep decline of 65% when compared to corresponding period of 2013. Consequently, the operating profit before provisions stood at Rs 11.8 million during the period under consideration (Rs 60.3 million in 1st Quarter 2013). 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 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 demanding rescheduling/restructuring for which negotiations are underway.

To overcome the prevalent liquidity crises, the management is contemplating to initiate negotiations for the settlement of its loan portfolio / other liabilities with the sole objective of proposed long term deferment of payments to creditors under rescheduling / restructuring. If succeeded the said rescheduling is likely to bring much needed improvement in overall financial health of the Company.

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 collaterals, management is engaging independent valuers duly approved by NBF1 and Modarba Association. The management intends to carry out inspection 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 efforts for the revival of the Company by the Management are underway. The Board is fully aware of its responsibility towards its stakeholders and is determined to improve the financial condition of the Company in the days to come.

For and on behalf of the Board



Muhammad Tariq Masud
MD/Chief Executive Officer

Karachi: December 26, 2014



Ahsanullah Khan
Chairman

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CONDENSED INTERIM BALANCE SHEET (UN-AUDITED)

As at September 30, 2014

	Note	September 30,	June 30,
		2014	2014
		Rupees	
		(Un-audited)	(Audited)
ASSETS			
Current assets			
Cash and bank balances		28,993,759	23,552,393
Short term loans	5	130,771,096	131,371,094
Short term investments	6	38,265,095	38,722,092
Trade deposits and short term prepayments		964,886	888,386
Other receivables		7,105,225	7,075,225
Current maturity of non-current assets	7	809,080,080	868,446,391
		1,015,180,141	1,070,055,581
Non-current assets classified as held for sale		67,936,839	67,936,844
Total current assets		1,083,116,980	1,137,992,425
Non-current assets			
Long-term loans	8	625,719	1,308,123
Net investment in finance leases	9	10,177,351	17,736,695
Investment properties		43,069,447	43,828,669
Property, plant and equipment	10	20,100,007	21,636,654
Total non-current assets		73,972,524	84,510,141
Total Assets		1,157,089,504	1,222,502,566
LIABILITIES			
Current liabilities			
Borrowings from financial institutions	11	177,693,232	177,693,232
Certificates of investment		67,395,301	67,395,301
Accrued mark-up		255,585,519	246,836,646
Provision for taxation - net		2,267,884	2,180,760
Accrued expenses and other payables		26,336,232	25,722,269
Preference dividend payable		5,774,153	5,774,153
Current maturity of non-current liabilities	12	893,362,658	930,749,137
Total current liabilities		1,428,414,979	1,456,351,498
Non-current liabilities			
Certificates of investment		-	-
Deferred tax liability - net		81,246,244	81,246,244
Long term finances	13	13,074,066	15,277,768
Deposits against leases		6,056,326	7,330,000
Total non-current liabilities		100,376,636	103,854,012
Total liabilities		1,528,791,615	1,560,205,510
NET ASSETS		(371,702,111)	(337,702,944)
FINANCED BY			
Authorized Capital			
100,000,000 (June 30, 2014: 100,000,000) ordinary shares of Rs. 10/-each		1,000,000,000	1,000,000,000
100,000,000 (June 30, 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
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		(1,562,856,250)	(1,528,863,428)
Unrealised gain on re-measurement of available for sale investments		56,887	63,232
		(405,057,669)	(371,058,502)
Surplus on revaluation of property, plant and equipment - net	14	33,355,558	33,355,558
		(371,702,111)	(337,702,944)
CONTINGENCIES AND COMMITMENTS	15		

The annexed notes from 1 to 22 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 quarter ended September 30, 2014

	Note	Quarter ended	
		September 30, 2014	September 30, 2013
		----- Rupees -----	
Revenue			
Income from:			
Finance leases		2,420,338	8,039,591
Operating leases		430,000	913,354
		2,850,338	8,952,945
Other operating income	17	32,952,661	96,124,332
		35,802,999	105,077,277
Expenses			
Finance cost		12,476,845	18,343,903
Administrative and operating expenses		9,144,253	17,654,838
Amount written-off directly against loans and lease receivables		926,410	4,177,171
Direct cost of operating leases		1,444,626	4,558,183
		23,992,134	44,734,095
Operating profit before provisions		11,810,865	60,343,182
Provisions / (reversals) for doubtful leases, loans and other receivables		45,214,138	(39,636,148)
(Loss) / profit before taxation		(33,403,273)	99,979,330
Taxation		589,549	2,000,000
(Loss) / profit for the period		(33,992,822)	97,979,330
Earnings per share - basic		(0.75)	2.17
Earnings per share - diluted		(0.01)	1.00

The annexed notes from 1 to 22 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 STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

For the quarter ended September 30, 2014

Note	September 30, 2014	September 30, 2013
	----- Rupees -----	
(Loss) / profit after taxation	(33,992,822)	97,979,330
Other comprehensive income		
Items that are or may be reclassified subsequently to profit and loss account:		
Unrealised (loss) / gain on re-measurement of available for sale investments	(6,345)	44,760
Items that will not be reclassified subsequently to profit and loss account:		
Remeasurement of defined benefit plan	-	-
Deferred tax on remeasurement of defined benefit plan	-	-
	-	-
Total comprehensive income for the year	<u>(33,999,167)</u>	<u>98,024,090</u>

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 from 1 to 22 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 quarter ended September 30, 2014

	Note	Quarter ended	
		September 30, 2014	September 30, 2013
		----- Rupees -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations after working capital changes	18	(3,260,216)	12,829,230
Financial charges paid		(3,727,972)	(12,534,205)
Taxes paid		(502,425)	(1,007,085)
Security deposits paid to lessees		(7,814,005)	(2,485,689)
Decrease in net investment in finance leases		20,785,118	106,777,323
		8,740,716	90,750,344
Net cash generated from operating activities		5,480,500	103,579,574
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of short term investments - net		450,652	4,929,015
Recovery of long term loans		682,404	2,917,507
Dividend received		1,732	5,639
Net cash generated from investing activities		1,134,788	7,852,161
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term finances		(1,173,922)	(137,121,867)
Repayment of borrowings from financial institutions		-	(6,249,999)
Encashment of certificates of investment		-	(5,600,000)
Net cash used in financing activities		(1,173,922)	(148,971,866)
Net Increase / (Decrease) in cash and cash equivalents		5,441,366	(37,540,131)
Cash and cash equivalents at beginning of the period		23,552,393	40,054,055
Cash and cash equivalents at end of the period		28,993,759	2,513,924

The annexed notes from 1 to 22 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 STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

For the quarter ended September 30, 2014

	Share capital	Preference shares	Capital reserves	Unrealised gain on re-measurement of available for sale investments	Accumulated loss	Total
----- Rupees -----						
Balance as at July 1, 2013	451,605,000	528,208,500	176,484,656	98,833	(1,532,286,468)	(375,889,479)
Profit after taxation for the period ended September 30, 2013	-	-	-	-	97,979,330	97,979,330
Transfer from surplus on revaluation of properties on account of incremental depreciation	-	-	-	-	2,538,500	2,538,500
Unrealize gain on remeasurement of available for sale investments	-	-	-	44,760	-	44,760
Preference dividend for the quarter ended 30 September 2013	-	-	-	-	(3,328,437)	(3,328,437)
Balance as at September 30, 2013	<u>451,605,000</u>	<u>528,208,500</u>	<u>176,484,656</u>	<u>143,593</u>	<u>(1,435,097,075)</u>	<u>(278,655,326)</u>
Balance as at July 1, 2014	451,605,000	528,208,500	177,928,194	63,232	(1,528,863,428)	(371,058,502)
Loss after taxation for the period ended September 30, 2014	-	-	-	-	(33,992,822)	(33,992,822)
Transfer from surplus on revaluation of properties on account of incremental depreciation	-	-	-	-	-	-
Unrealize loss on remeasurement of available for sale investments	-	-	-	(6,345)	-	(6,345)
Balance as at September 30, 2014	<u>451,605,000</u>	<u>528,208,500</u>	<u>177,928,194</u>	<u>56,887</u>	<u>(1,562,856,250)</u>	<u>(405,057,669)</u>

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.


Muhammad Tariq Masud
 Chief Executive Officer


Ahsanullah Khan
 Chairman

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

For the quarter ended September 30, 2014

1 LEGAL STATUS AND OPERATIONS

Saudi Pak Leasing Company Limited (the Company) was incorporated in Pakistan on January 08, 1991 and is listed on all the three stock exchanges in Pakistan. The registered office of the Company is situated at 6th Floor, Lakson Square Building No.1, Sarwar Shaheed Road, 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 May 18, 2010 and renewal is pending with the Securities and Exchange Commission of Pakistan.

Saudi Pak Industrial and Agricultural Investment Company Limited (SAPICO) is the parent company (by virtue of management rights).

- 1.2** The country's weak economic fundamentals has had a pessimistic impact on the local economy, the country is facing serious challenges for the last several years on account of numerous factors along with energy crisis and security risk. Higher inflation, political instability, disturbed security environment and lack of trust of foreign investors are the other main reasons and have caused a serious dent in the country's economy.

These factors provides foundation for severe liquidity crunch in the leasing sector and in the Company as well. The Company was thus trapped in the mud of defaults wherein recovery from customers had become an uphill task. The deteriorated financial position of the Company can be overcome from the recovery on account of balance lease / loan portfolio, which is currently an available lifeline for the company, and the management is trying to recover as much as possible from the available means.

Although uncertainty still exists due to the above factors which may cast doubt on the Company's ability to continue as a going concern, however, the management of the Company is confident that due to steps / measures as fully explained and disclosed in the financial statements for the year ended June 30, 2014 and efforts by the management for recovery of bad loan portfolio major portion of which is under litigation and dependent on court decisions, the going concern assumption is appropriate and has as such prepared these financial statements on a going concern basis.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These condensed interim financial statements for the quarter ended September 30, 2014 have been prepared in accordance with the requirements of the International Accounting Standard 34, "Interim Financial Reporting" as applicable in Pakistan, the Companies Ordinance, 1984, Non Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) and directives issued by the SECP. In case where requirements differ, the provisions of or directives issued under the Rules, the Regulations and Companies Ordinance, 1984 have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for plant and machinery which are stated at revalued amounts, investments classified as available for sale which are stated at fair value and obligations in respect of gratuity which are measured at present value of defined benefit obligations less fair value of plan assets.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency and has been rounded-off to the nearest rupee.

2.4 Use of estimates and judgments

The preparation of the condensed Interim Financial statement require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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

For the quarter ended September 30, 2014

The significant judgments made by management and the key sources of estimating uncertainty in preparation of these condensed interim financial statements were same as those applied to the annual financial statements for the year ended 30 June 2014.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND JUDGMENTS

The accounting policies and basis for accounting estimates adopted for the preparation of this condensed interim financial information (un-audited) are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2014.

This interim financial information is in condensed form and should be read in conjunction with the annual audited financial statements of the Company for the year ended June 30, 2014.

4 FINANCIAL RISK AND CAPITAL MANAGEMENT

Risk management policies are consistent with those disclosed in the financial statements for the year ended June 30, 2014.

	Note	September 30, 2014 ----- (Rupees) (Un-audited)	June 30, 2014 ----- (Audited)
5 SHORT TERM LOANS - Secured			
Term loan to customers		-	-
- Considered good			
- Non-performing loans		206,946,794	207,546,794
		<u>206,946,794</u>	<u>207,546,794</u>
Allowance for non-performing loans		(76,175,698)	(76,175,700)
		<u>130,771,096</u>	<u>131,371,094</u>

5.1 Term loans due from customers are secured against property. The rate of return on these loans ranges from 16.06% to 25% (June 30, 2014: 16.06% to 25%) per annum.

	Note	September 30, 2014 ----- (Rupees) (Un-audited)	June 30, 2014 ----- (Audited)
6 SHORT TERM INVESTMENTS			
Available for sale			
- Ordinary shares of listed companies	6.1	85,935	85,935
- Ordinary shares of unlisted companies		18,914,938	18,914,938
Investments at cost		<u>19,000,873</u>	<u>19,000,873</u>
Unrealised gain on re-measurement to fair value		56,887	63,232
		<u>19,057,760</u>	<u>19,064,105</u>
Held to maturity			
Government Market Treasury Bills	6.2	19,207,335	19,657,987
		<u>38,265,095</u>	<u>38,722,092</u>

6.1 The investments in the listed equity securities held as available for sale are valued at prices quoted on stock exchanges as at September 30, 2014.

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

For the quarter ended September 30, 2014

6.2 This represents investment in Government Market Treasury Bills having maturity on 27 November 2014 and carry effective mark-up at a rate of 9.93% (2014: 9.75%) per annum.

	Note	September 30, 2014 ----- (Rupees) ----- (Un-audited)	June 30, 2014 ----- (Audited)
7 CURRENT MATURITY OF NON - CURRENT ASSETS			
Current portion of:			
Long term loans	8	49,642,726	49,642,726
Net investment in finance leases	9	759,437,354	818,803,665
		809,080,080	<u>868,446,391</u>
8 LONG TERM LOANS			
Related party			
Due from employees - considered good		2,136,524	2,151,506
Other than related party			
Term loan to customers		-	-
- Considered good		105,868,312	106,535,734
- Non-performing loans	8.1	105,868,312	106,535,734
		108,004,836	108,687,240
Allowance for non-performing loans		(57,736,391)	(57,736,391)
		50,268,445	50,950,849
Recoverable within one year shown as current portion of long term loans	7	(49,642,726)	(49,642,726)
		625,719	<u>1,308,123</u>

8.1 Term loans due from customers are secured against property. The rate of return on these loans ranges from 16% to 22.66% (June 30, 2014: 16% to 22.66%) per annum.

	Note	September 30, 2014 ----- (Rupees) ----- (Un-audited)	June 30, 2014 ----- (Audited)
9 NET INVESTMENT IN FINANCE LEASES			
Minimum lease payments receivable		1,492,465,012	1,508,600,230
Add: Residual value of leased assets		437,085,650	444,899,650
Gross investment in finance leases		1,929,550,662	1,953,499,880
Less: Unearned lease income		1,435,911	2,152,884
Income suspended		351,498,405	353,019,241
Provision for potential lease losses		807,001,641	761,787,395
		1,159,935,957	1,116,959,520
Net investment in finance leases		769,614,705	836,540,360
Less: Current portion of net investment in finance leases	7	(759,437,354)	(818,803,665)
		10,177,351	<u>17,736,695</u>

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

For the quarter ended September 30, 2014

- 9.1 The internal rate of return on leases ranges from 12.50% to 20.01% (June 30, 2014: 12.50% to 20.01%) per annum. Certain leases rentals have been hypothecated against long term finance obtained (refer note 13).
- 9.2 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.

	Note	September 30, 2014 ----- (Rupees) ----- (Un-audited)	June 30, 2014 ----- (Audited)
10 PROPERTY, PLANT AND EQUIPMENT			
Property, plant and equipment - own use		2,792,234	2,898,654
Property, plant and equipment - operating lease		17,307,773	18,738,000
		<u>20,100,007</u>	<u>21,636,654</u>
11 BORROWINGS FROM FINANCIAL INSTITUTIONS			
Letter of placements - Unsecured			
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>
12 CURRENT MATURITY OF NON- CURRENT LIABILITIES			
Current portion of:			
Certificates of investment		57,349,000	57,349,000
Long term finances	13	425,838,664	456,684,818
Security deposits against finance leases		410,174,993	416,715,319
		<u>893,362,657</u>	<u>930,749,137</u>
13 LONG TERM FINANCES			
Long term finances - secured	13.1 & 13.2	184,061,502	216,907,654
Long term finances - unsecured	13.2	6,518,512	6,722,216
Term finance certificates - secured	13.3	248,332,716	248,332,716
		<u>438,912,730</u>	<u>471,962,586</u>
Less: Current maturity shown under current liabilities	12	(425,838,664)	(456,684,818)
		<u>13,074,066</u>	<u>15,277,768</u>

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

For the quarter ended September 30, 2014

	Principal Outstanding	
	September 30, 2014	June 30, 2014
	----- (Rupees) -----	
13.1 Long term finances		
Secured		
National Bank of Pakistan - II	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	21,000,000	23,000,000
HSBC Bank Middle East Limited - III	-	30,846,153
Un-secured		
Silk Bank Limited	6,518,513	6,722,216
	<u>190,580,014</u>	<u>223,629,870</u>

13.2 These above are secured by way of hypothecation of specific leased assets and associated lease rentals. These facilities were utilized mainly for lease financing activities and carry mark-up ranging from 6 month KIBOR + 1.5% to 12.00% per annum.

13.3 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 certificates of Rs. 5,000 each.

	September 30, 2014	June 30, 2014
Note	----- (Rupees) -----	----- (Rupees) -----
	(Un-audited)	(Audited)
14 SURPLUS ON REVALUATION OF ASSETS		
Surplus on revaluation of property, plant and equipment	33,355,558	33,355,558
Unrealised gain on available-for-sale investments	56,887	63,232
	<u>33,412,445</u>	<u>33,418,790</u>

14.1 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.

	September 30, 2014	June 30, 2014
Note	----- (Rupees) -----	----- (Rupees) -----
	(Un-audited)	(Audited)
15 CONTINGENCIES AND COMMITMENTS		
Claims against the Company not acknowledged as debts	193,558,675	193,558,675

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

For the quarter ended September 30, 2014

15.1 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.

15.2 The Company has been issued with a notice under section 14 of the Federal Excise Act, 2005. In the notice it has been alleged that the Company has not paid Federal Excise Duty (FED) in terms of section 3 (read with Entry 8 of Table-II of the First Schedule) to the Federal Excise Act 2005 for the periods 2007-08, 2008-09 and 2009-10 on services provided including both funded and non-funded services. Accordingly, Rs. 126.205 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 2014.

16 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.

	Quarter Ended	
	September 30, 2014	September 30, 2013
	----- (Rupees) -----	
17 OTHER OPERATING INCOME		
Dividend income	1,732	5,639
Income from government securities	447,097	1,231,717
Income from saving accounts	481,344	1,126,514
Income on term loans	26,966	2,886,210
Gain on settlement of liabilities	31,875,934	89,718,514
Mark-up, commission and fee income	-	1,594
Return on certificates of deposit	-	284,750
Others	119,588	869,394
	32,952,661	96,124,332

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

For the quarter ended September 30, 2014

	Quarter Ended	
	September 30, 2014	September 30, 2013
	----- (Rupees) -----	
18 CASH GENERATED FROM OPERATIONS		
(Loss) / profit for the period before taxation	(33,403,273)	99,979,330
Adjustment for non cash charges and other items :		
Depreciation - owned assets	106,420	3,452,422
Depreciation - investment properties	759,222	889,497
Depreciation - assets under operating lease	1,430,227	3,668,686
Financial charges and other charges	12,476,845	18,343,903
Provision / (reversals) for doubtful leases, loans and other receivables	45,214,138	(39,636,148)
Dividend income	(1,732)	(5,639)
Amount written off directly against loans, lease receivables and investments	926,410	4,177,171
Gain on settlement of loans	(31,875,934)	(89,718,514)
	29,035,596	(98,828,622)
(Loss)/profit before working capital changes	(4,367,677)	1,150,708
Working capital changes		
Short term loans	599,998	42,656,498
Accrued mark-up	-	1,912
Trade deposits and short term prepayments	(106,500)	(50,000)
Accrued and other payables	613,963	(30,929,888)
	1,107,461	11,678,522
Cash (used in) / generated from operations after working capital changes	(3,260,216)	12,829,230

19 TRANSACTIONS WITH RELATED PARTIES AND ASSOCIATED UNDERTAKINGS

The related parties comprises Saudi Pak Industrial & Agricultural Investment Company Limited, related group companies, key management personnel and companies in which directors are common or a director hold office.

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

	Quarter Ended	
	September 30, 2014	September 30, 2013
	----- (Rupees) -----	
Parent Company		
Rent paid	139,755	127,050
Directors fee		
Fee	45,000	135,000
Key management personnel		
Remuneration to key management personnel	1,908,324	3,516,793
Other related parties		
Payments to gratuity fund	-	-
Payments to provident fund	229,954	356,976

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

For the quarter ended September 30, 2014

	Quarter Ended	
	September 30, 2014	September 30, 2013
	----- (Rupees) -----	
20 CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>28,993,759</u>	<u>2,513,924</u>

21 COMPARATIVE FIGURES

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

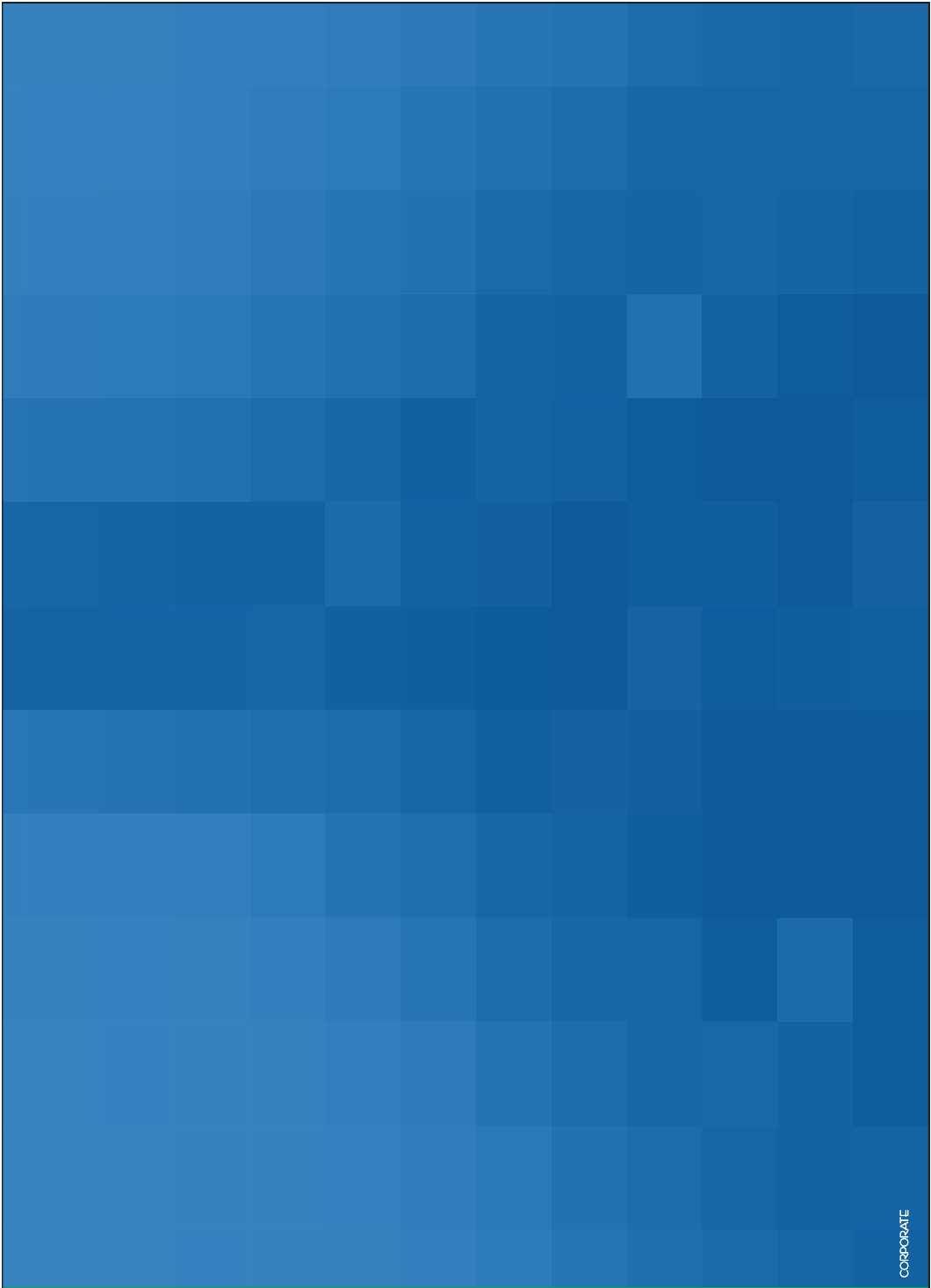
22 DATE OF AUTHORIZATION

This condensed interim financial information (un-audited) was authorized for issue on December 26, 2014 by the Board of Directors.

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.


Muhammad Tariq Masud
Chief Executive Officer


Ahsanullah Khan
Chairman



CORPORATE

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