

QUARTERLY REPORT
MARCH 31, 2014



INVEST CAPITAL INVESTMENT BANK LIMITED

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Company Information

Board of Directors

- Mr. Shaukat Ali - Chairman
- Mr. Muhammad Asif - Chief Executive Officer
- Mr. Basheer A. Chowdry - Director
- Mr. Ejaz Ahmed Khan - Director
- Mr. Muhammad Qasim - Director
- Ms. Ayesha Zahid - Director
- Ms. Fiza Zahid - Executive Director

Audit Committee

- Mr. Ejaz Ahmed Khan - Chairman
- Mr. Shaukat Ali - Member
- Ms. Ayesha Zahid - Member

Human Resource Committee

- Mr. Muhammad Asif - Chairman
- Ms. Fiza Zahid - Member
- Mr. A.H. Khawar Hassan - Member
- Mr. M. Naim Ashraf - Member

Chief Financial Officer &

Company Secretary

Mr. M. Naim Ashraf

Auditors

Avais Hyder Liaquat Nauman
Chartered Accountants

Legal Advisors

Ahmed & Qazi

Share Registrar

CorpTec Associates (Private) Limited,
503-E, Johar Town, Lahore
Tel: 042-35170336-7
Fax: 042-35170338
E-mail: mimran.csbm@gmail.com

Bankers

Askari Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
State Bank of Pakistan

Registered Office

801-802, 8th Floor, Lakson Square Building
No. 3, Sarwar Shaheed Road, Karachi.
Tel : 021 - 35661968
Fax: 021 - 35654022
Website: www.icibl.com

Head Office

701-A, City Tower, 6-K Main Boulevard,
Gulberg II, Lahore.
Tel : 042 - 35770383-84
Fax: 042 - 35788711

National Tax Number

0656427-5

Directors' Report

The Directors of Invest Capital Investment Bank Limited (the "Company") are pleased to present to you, the unaudited financial statements for the Quarter ended March 31, 2014.

The Review

During the quarter under review there has been a visible improvement in the economic conditions of the Country. The stock markets are performing well and foreign investment is forthcoming. Rupee/Dollar parity has also improved during the last one month. While there is some improvement in the Gas supply after the winter months, the shortage of electricity is persisting and will take time to improve as various electricity generating projects are in different phases of construction. The NBF Sector is still facing the problems of liquidity as well as meeting regulatory requirements. The implementation of SECP Reforms Committee recommendations is still awaited which, when introduced, will provide a clearer road map for the Sector.

At the end of the nine months period of the fiscal year 2013-14, the Company showed an after tax profit of Rupees 67.81 million and a comprehensive income of Rupees 74.98 million. The earnings per share stood at Re. 0.24. The administrative and operating expenses came down to Rupees 37.86 million whereas the financial charges reduced to Rupees 32.07 million, net of reversals and waivers.

On the balance sheet side, the total assets reduced slightly by Rupees 46.38 million from Rupees 1,400.81 million as at 30th June 2013 to Rupees 1,354.43 million. The equity increased to Rupees 144.90 million from Rupees 69.93 million whereas the liabilities reduced by Rupees 121.36 million mainly due to payment / settlement of liabilities and stood at Rupees 1,209.53 million at the end of the quarter.

A comparison of the current and previous period profit and loss figures is presented below:

	Rs. in million	
	March 31, 2014	March 31, 2013
Gross Revenue	50.47	121.54
Other Income	88.99	181.67
Administration & Operating expenses	37.86	106.58
Profit for the period before taxation	68.18	151.73
Taxation - net	0.37	(1.77)
Profit for the period after taxation	67.81	149.96
Earnings per Share	0.24	0.53

During the nine months period gross revenue reduced due to maturity of leases. This may increase if the fresh business undertaken is more than the maturities. This is only possible when ample liquidity is available to the Company. The administrative expenses and financial charges have shown a decline due to the measures taken by the management. These are expected to reduce further in the future which will add to the profitability as well as liquidity of the Company.

The Plan

In July 2011 the new management put forth a plan for revival of the Company which has shown good results. The work on the plan continued during the period and the position of achievements as at 31st March 2014 is summarized hereunder:

(1) Settlement or rescheduling of loans with lending banks and financial institutions

As at March 31, 2014, liabilities amounting to Rupees 1,316.03 million (84.28%) have been settled or rescheduled, liabilities amounting to Rupees 38.92 million (2.49%) have been principally agreed for settlement or rescheduling by the respective lenders whereas advanced stage negotiations are in process for the remaining amounts. Best efforts are being made to conclude all the outstanding settlements (13.23%) as early as possible.

(2) Disposal of non-core assets

Up-till March 31, 2014 properties having book value of Rupees 368.49 million have been disposed-off against settlement of liabilities. This has earned the bank a capital gain of Rupees 124.49 million. Further, properties having book value of Rupees 25.78 million have been accepted for disposal against settlement of liabilities and formalities in this regard are in the process of completion. This status shall further improve with the conclusion of settlement of liabilities in process.

Disposal of non-core assets at profit will result in further improvement in liquidity as well as equity position of the Company.

Directors' Report

(3) Disposal / transfer of brokerage related assets and liabilities

As a result of our constant follow-up, facilities worth Rupees 1,047 million have been settled and the total outstanding liabilities have been brought down to Rupees 113 million from the position of Rupees 1,160 million as of April 2011. The remaining amount of Rupees 113 million pertaining to two banks is in advanced stage of settlement and shall hopefully be settled in the near future.

(4) Recovery of non-performing leases and loans portfolio

Net recovery made during the period under review is Rupees 128.27 million (March 2013 Rupees 153.71 million). This amount is being ploughed back in our new leasing business as well as in meeting of our obligations towards depositors and other lenders.

(5) Substantial reduction in administrative and other expenses

The management has substantially curtailed its administrative and other operating expenditures which is evident from the financial results of the last two years.

(6) Commencement of new leasing business

The Company has recommenced leasing business after a considerable gap of well above two years. Leases disbursed so far since the start of fresh leasing in July 2011 amount to Rupees 333.32 million. This has been achieved despite the liquidity problems being faced by the Company as well as the NBF Sector. The new business is mainly being done in car leasing segment only at attractive rates and reasonable deposit margins. Leasing business will result in profits in the coming years which will result in improvement of the profitability and equity position of the Company.

The above mentioned measures have helped to a great extent to overcome the financial and operational problems and will further result in improvement of financial position of the Company. Considering management's plans and the results of the mitigating measures as discussed above, the management is confident that the Company will continue as a going concern.

Credit Rating

The Company was previously put on the entity rating "D" by JCR-VIS Credit Rating Company Ltd. The Company shall apply for revision in the rating after settlement / restructuring of remaining bank liabilities.

Acknowledgments

The guidance and support provided by the Regulatory Authorities and the cooperation of the members and lenders is highly appreciated by the Board of Directors of the Company. The Board also recognizes the devotion and hard work of the staff members of the Company.

For and on behalf of the Board

Lahore
April 18, 2014


Muhammad Asif
Chief Executive Officer

Condensed Interim Balance Sheet (Un-audited)

As at March 31, 2014

	Note	Un-audited March 31, 2014	Audited June 30, 2013
— Rupees in thousands —			
ASSETS			
Non-current assets			
Property, plant and equipment	5	72,558	80,512
Intangible assets		3,139	3,711
Long term investments	6	78,008	74,719
Net investment in Ijarah finance / assets under Ijarah arrangements	7	199,127	198,328
Long term musharakah finances	8	-	16,658
Long term loans	9	70,146	10,654
Long term security deposits		2,864	2,948
Deferred tax asset		150,000	150,000
		575,842	537,530
Current assets			
Short term investments	10	29,087	34,903
Short term musharakah finances	11	70,506	73,186
Short term finances	12	9,177	8,954
Ijarah rentals receivables	7,3	2,021	2,427
Current portion of non-current assets	13	378,920	354,740
Advances, deposits, prepayments and other receivables	14	40,041	131,739
Cash and bank balances	15	2,554	11,451
Assets classified as held for sale	16	246,286	245,884
		778,592	863,284
TOTAL ASSETS		1,354,434	1,400,814

Condensed Interim Balance Sheet (Un-audited)

As at March 31, 2014

	Note	Un-audited March 31, 2014	Audited June 30, 2013
-- Rupees in thousands --			
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized capital			
485,000,000 (June 30, 2013 : 485,000,000)			
ordinary shares of Rs. 10 each		<u>4,850,000</u>	<u>4,850,000</u>
Issued, subscribed and paid-up capital		<u>2,848,669</u>	<u>2,848,669</u>
Capital reserve on amalgamation		<u>(2,022,076)</u>	<u>(2,022,076)</u>
Gain / (loss) on remeasurement of available for sale investments		5,750	(1,418)
Accumulated loss		<u>(687,440)</u>	<u>(755,249)</u>
		144,903	69,926
Non-current liabilities			
Subordinated loan from directors		<u>126,000</u>	<u>126,000</u>
Security deposits from lessees		<u>90,220</u>	<u>71,937</u>
Long term certificates of musharakah		<u>4,735</u>	<u>13,908</u>
Long term certificates of investments		<u>3,800</u>	<u>9,202</u>
Long term musharakah and murabaha borrowings	17	<u>23,404</u>	<u>7,544</u>
Deferred liability			
Deferred mark up on long term musharakah	17.1	<u>9,747</u>	<u>-</u>
		257,906	228,591
Current liabilities			
Current portion of non-current liabilities	18	<u>295,442</u>	<u>378,893</u>
Short term certificates of musharakah		<u>28,550</u>	<u>45,450</u>
Short term certificates of investments		<u>17,400</u>	<u>25,300</u>
Loan from sponsor		<u>197,542</u>	<u>197,542</u>
Accrued and other liabilities	19	<u>96,282</u>	<u>77,835</u>
Profit / mark up payable	20	<u>203,212</u>	<u>191,527</u>
Liabilities directly associated with assets held for sale of discontinued operation	16.2	<u>113,197</u>	<u>185,750</u>
		951,625	1,102,297
TOTAL EQUITY AND LIABILITIES		<u>1,354,434</u>	<u>1,400,814</u>
COMMITMENTS		21	-

The annexed notes form an integral part of this condensed interim financial report.



Muhammad Asif
Chief Executive Officer



Ejaz Ahmed Khan
Director

Condensed Interim Profit and Loss Account (Un-audited)

For the Nine Months Period Ended March 31, 2014

	Nine months period ended March 31		Three months period ended March 31	
	2014	2013	2014	2013
— Rupees in thousand —				
Income				
Income from leasing operations	27,517	52,210	8,287	15,040
Operating lease rentals	9,749	47,047	1,701	4,312
Profit / (loss) on musharakah investments	1,417	4,829	578	(491)
Income from investment and placement	267	278	107	75
Income / (loss) from finances	677	9,163	169	5,422
Income on deposits with banks	302	3,103	60	338
Income / (loss) from joint ventures	5,255	275	18	1,218
Dividend income	2,030	4,469	1,265	3,934
Net gain on sale of marketable securities	4,849	3,945	1,428	1,074
Loss from Diesel / CNG filling station-net	-	(606)	-	(606)
Unrealized (loss) / gain on investment in marketable securities - net	(1,597)	(3,176)	(1,073)	(3,318)
	<u>50,466</u>	<u>121,537</u>	<u>12,540</u>	<u>26,999</u>
Expenses				
Administrative and operating expenses	(37,855)	(106,580)	(11,353)	(18,445)
Financial charges	(47,155)	(83,467)	(15,253)	(23,908)
Waiver of financial charges	15,089	82,012	-	-
	<u>(69,921)</u>	<u>(108,035)</u>	<u>(26,606)</u>	<u>(42,354)</u>
Other income	(19,455)	13,502	(14,066)	(15,355)
	<u>88,988</u>	<u>181,666</u>	<u>7,515</u>	<u>-</u>
Provision (charged) / reversed on non-performing loans and write-offs	69,533	195,168	(6,551)	(15,355)
Provision against:				
Finance lease receivable and rentals - net	4,963	(30,084)	6,261	29,263
Long term / short term musharakah finances	1,082	569	247	(3,609)
Long term / short term loans	7,599	(8,622)	101	1,941
Other receivables	(1,737)	-	12	-
Balances written off:				
Lease receivables	(13,000)	(4,812)	(5,165)	(4,812)
Loans	(264)	-	-	-
Other receivables	-	(485)	-	(485)
	<u>(1,357)</u>	<u>(43,434)</u>	<u>1,456</u>	<u>22,298</u>
Profit before taxation	<u>68,176</u>	<u>151,734</u>	<u>(5,095)</u>	<u>6,943</u>
Provision for taxation				
-For the period	(367)	(1,355)	-	(144)
-Prior period's	-	(424)	-	-
Profit for the period	<u>67,809</u>	<u>149,955</u>	<u>(5,095)</u>	<u>6,799</u>
Earnings per share - Basic and Diluted				
Rupees per share	<u>0.24</u>	<u>0.53</u>	<u>(0.02)</u>	<u>0.02</u>

The annexed notes form an integral part of this condensed interim financial report.



Muhammad Asif
Chief Executive Officer



Ejaz Ahmed Khan
Director

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the Nine Months Period Ended March 31, 2014

	Nine months period ended March 31		Three months period ended March 31	
	2014	2013	2014	2013
	– Rupees in thousand –			
Profit for the period	67,809	149,955	(5,095)	6,799
Other comprehensive income				
Items that will be reclassified subsequently to profit or loss				
Unrealized gain on remeasurement of available for sale investments	6,855	-	(424)	-
Other Items				
Revaluation surplus realized on disposal of revalued assets	-	(9,258)	-	-
Un-realized loss / (gain) on available for Sale investment reclassified to profit and loss account on disposal	313	(3,896)	-	(6,123)
	7,168	(13,154)	(424)	(6,123)
Total comprehensive Income	74,977	136,801	(5,519)	676

The annexed notes form an integral part of this condensed interim financial report.



Muhammad Asif
Chief Executive Officer



Ejaz Ahmed Khan
Director

Condensed Interim Cash Flow Statement (Un-audited)

For the Nine Months Period Ended March 31, 2014

	March 31, 2014	March 31, 2013
— Rupees in thousand —		
a) CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	68,176	151,734
Adjustments for non cash charges and other items:		
Depreciation of property, plant and equipment	6,140	9,180
Amortization of intangible assets	873	888
Depreciation on assets leased out	2,949	25,799
Provision charged / (reversed) on non-performing loans and write offs		
Provision against :		
Finance lease receivable and rentals - net	(4,963)	30,084
Long term / short term musharakah finances	(1,082)	(568)
Long term / short term loans	(7,599)	8,622
Other receivables	1,737	-
Balances written off :		
Lease receivables	13,000	4,812
Loans	264	-
Other receivables	-	485
Loss on disposal of non-current assets held for sale	-	320
Financial charges - net	32,066	1,455
Gain on settlement of liabilities	(2,201)	(183,707)
(Gain) on disposal of operating assets - net	(567)	2,890
Unrealised loss / (gain) on investments in marketable securities - net	1,597	3,176
	<u>42,214</u>	<u>(96,564)</u>
Cash flow from operating activities before working capital changes	110,390	55,170
Changes in working capital		
Decrease / (increase) in current assets		
Short term investments	4,219	(16,969)
Short term musharakah finances	2,683	1,597
Short term finances	4,077	3,243
Ijarah rentals receivables	406	(876)
Advances, deposits, prepayments and other receivables	90,072	1,375
Stock in trade	-	209
Assets classified as held for sale - net	(1,000)	-
	<u>100,457</u>	<u>(11,421)</u>
(Decrease) / increase in current liabilities		
Short term certificates of musharakah	(16,900)	(38,222)
Short term certificates of investments	(7,900)	6,587
Accrued and other liabilities	18,447	(8,156)
Liabilities directly associated with assets held for sale of discontinued operation	(71,955)	-
	<u>(78,308)</u>	<u>(39,791)</u>
Cash generated from / (used in) operations	132,539	3,958
Financial charges paid	(10,634)	(8,218)
Income tax paid	(479)	(2,100)
	<u>(11,113)</u>	<u>(10,318)</u>
Net cash generated from / (used in) operations	121,426	(6,360)

Condensed Interim Cash Flow Statement (Un-audited)

For the Nine Months Period Ended March 31, 2014

	March 31, 2014	March 31, 2013
-- Rupees in thousand --		
b) CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in:		
Operating assets	(141)	4,640
Intangible assets	(300)	-
Proceeds from disposal of:		
Operating assets	2,522	-
Non-current assets held for sale	-	30,600
Proceeds from:		
Long term investments	3,879	7,093
Long term musharakah finances	2,119	7,722
Net investment in Ijarah finance / assets under Ijarah arrangements	(8,291)	55,905
Long term loans	(68,515)	(405)
Long term security deposits	84	2,648
Net cash (used in) / generated from investing activities	(68,643)	108,203
c) CASH FLOWS FROM FINANCING ACTIVITIES		
Security deposits from lessees	(3,106)	(57,573)
Repayment of :		
Redeemable capital	(18,929)	-
Long term certificates of musharakah	(24,350)	(20,853)
Long term certificates of investments	(2,700)	(6,800)
Long term musharakah and murabaha borrowings	(11,020)	(5,553)
Musharakah Term Finance Certificates	-	(51,290)
Long term loan	(1,575)	(2,949)
Short term musharakah borrowings	-	(1,350)
Net cash (used in) financing activities	(61,680)	(146,368)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,897)	(44,525)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	11,451	62,199
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>2,554</u>	<u>17,674</u>

The annexed notes form an integral part of this condensed interim financial report.



Muhammad Asif
Chief Executive Officer



Ejaz Ahmed Khan
Director

Condensed Interim Statement of Changes in Equity (Un-audited)

For the Nine Months Period Ended March 31, 2014

	Issued, subscribed and paid-up capital	Capital reserve on amalgamation	Gain / (loss) on remeasurement of available for sale investments	Accumulated loss	Total
— Rupees in thousand —					
Balance as at July 01, 2012	2,848,669	(2,022,076)	(582)	(1,116,316)	(290,305)
Total comprehensive income for the period					
Profit for the period	-	-	-	149,955	149,955
Items that will be reclassified subsequently to profit or loss					
Unrealized gain on remeasurement of available for sale investments	-	-	-	-	-
Other items					
Revaluation surplus realized on disposal of revalued assets	-	-	-	9,258	9,258
Un-realized gain on available for sale investment reclassified to profit and loss account on disposal	-	-	(3,896)	-	(3,896)
	-	-	(3,896)	159,213	155,317
Balance as at March 31, 2013	<u>2,848,669</u>	<u>(2,022,076)</u>	<u>(4,478)</u>	<u>(957,103)</u>	<u>(134,988)</u>
Balance as at July 01, 2013	2,848,669	(2,022,076)	(1,418)	(755,249)	69,926
Total comprehensive income for the period					
Profit for the period	-	-	-	67,809	67,809
Items that will be reclassified subsequently to profit or loss					
Unrealized gain on remeasurement of available for sale investments	-	-	6,855	-	6,855
Other items					
Un-realized gain on available for sale investment reclassified to profit and loss account on disposal	-	-	313	-	313
	-	-	7,168	67,809	74,977
Balance as at March 31, 2014	<u>2,848,669</u>	<u>(2,022,076)</u>	<u>5,750</u>	<u>(687,440)</u>	<u>144,903</u>

The annexed notes form an integral part of this condensed interim financial report.



Muhammad Asif
Chief Executive Officer



Ejaz Ahmed Khan
Director

Notes to the Condensed Interim Financial Report (Un-audited)

For the Nine Months Period Ended March 31, 2014

1. LEGAL STATUS AND OPERATIONS

- 1.1** Invest Capital Investment Bank Limited (‘the Company’) is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The Company is engaged in the business of leasing and investment finance activities as a Non-Banking Finance Company (NBFC) and is regulated by the Securities and Exchange Commission of Pakistan (SECP). The Company is listed on all the stock exchanges of Pakistan. The registered office of the Company is situated at Karachi in the province of Sindh.
- 1.2** In 2009, the Company entered in a scheme of arrangement for the amalgamation by way of merger of Al-Zamin Leasing Corporation Limited (AZLCL) and Al-Zamin Leasing Modaraba (AZLM) with and into Invest Capital Investment Bank Limited. All the assets, liabilities and reserves of AZLCL and AZLM were vested with and assumed by the Company. The Honorable High Court of Sindh approved the amalgamation by way of merger through order dated December 08, 2009 effective from June 30, 2009 (close of business).
- 1.3** The Company is facing financial and operational difficulties. These financial and operational difficulties resulted as under:
- the Company has suffered huge operating losses till 2011 and, as at the balance sheet date, the accumulated loss is Rs. 687.44 million (June 30, 2013: Rs. 755.25 million) and the current liabilities of the Company exceeded its current assets by Rs. 173.03 million (June 30, 2013: by Rs. 239.01 million).
 - net shareholders equity of the Company as at March 31, 2014 is Rs. 270.90 million (June 30, 2013: Rs. 195.93 million) (inclusive of sub-ordinated loan of Rs. 126 million) as compared to the minimum equity level of Rs. 1,700 million (June 30, 2013: Rs. 1,700 million) required under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations, 2008). The Company has been unable to comply with certain prudential regulations as stipulated under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules, 2003) and NBFC Regulations, 2008 (Refer Note 1.4).
 - the Company has been unable to comply with the terms of certain loan agreements as explained in detail in the relevant notes to the condensed interim financial report.
 - the Company has been facing difficulty in recovery of its leases and loans portfolio.
 - the leasing and investment finance services licenses of the Company expired on December 08, 2010 and February 29, 2011 respectively and renewal is pending.
 - The Company is defending a suit for winding-up of the Company filed by a creditor of the Company having a stake of 1.35% (June 30, 2013 : 1.24%) of the total liabilities as at March 31, 2014 amounting to Rs. 18.82 million (June 30, 2013 : Rs. 17.41 million).

There is material uncertainty related to events and conditions which may cast significant doubt about the Company's ability to continue as a going concern and, therefore the Company may not be able to realize its assets and discharge its liabilities in the normal course of business.

However, the management implemented its multi-facet plan which resulted in improvement in the financial and operational condition of the Company. The plan and efforts and their impact on the financial and operational conditions of the Company are discussed below:

(a) Substantial reduction in administrative and other expenses

The management of the Company has curtailed its administrative and other operating expenses as reflected in the profit and loss account to minimum possible level.

(b) Commencement of new leasing business

The Company is mainly carrying out car leasing business at a very attractive rates and reasonable deposit margin. During the period lease finances amounting to Rs. 103.81 million (March 31, 2013 : Rs. 80.30 million) have been disbursed. Leasing business will result in improvement in the operational results.

Notes to the Condensed Interim Financial Report (Un-audited)

For the Nine Months Period Ended March 31, 2014

(c) Settlement / rescheduling of loans / finances with lenders

Management has continued its efforts in settlement / rescheduling of outstanding loans and waiver of mark up with various banks / financial institutions through transfer of Company's lease / loan portfolio and immovable properties / shares / other assets. During the period liabilities amounting to Rs. 54.46 million (March 31, 2013: Rs. 327.52 million) have been settled / rescheduled, the percentage of liabilities settled to date is 80.79% whereas, liabilities amounting to Rs. 38.92 (2.49%) million (June 30, 2013: Rs. 38.92 million) are under consideration for settlement / rescheduling by the lender, and negotiations are also in process for the remaining amounts. Best efforts are being made to settle the remaining outstanding liabilities.

(d) Disposal of non-core assets

The management is focusing on disposal of its non-core assets and is in the process of negotiations with lenders / prospective buyers for disposal of properties having book value of Rs. 80.46 million (June 30, 2013: 80.46 million). This will result in reduction of its liabilities and improvement in the liquidity and equity position of the Company.

(e) Disposal / transfer of brokerage related assets and liabilities

The Company is in the process of transfer of brokerage business related assets and liabilities to the outgoing group as explained in detail in Note 16. Gain of Rs. 71.96 million has been recognised during the period on transfer of other liability to the outgoing group. This transaction on completion will result in net saving of approximately Rs. 74.87 million for the Company and, therefore, will result in improvement in financial performance and equity of the Company.

(f) Improved recovery of lease and loan portfolio

Net recovery from lease and loan portfolio during the period is Rs. 128.27 million (March 31, 2013 : 153.71 million). This amount has been utilized in the new leasing business, as well as, in meeting the obligations towards depositors and other lenders.

The above mentioned efforts will help to overcome the financial and operational problems and will result in further improvement of financial and operational position of the Company. Considering management's plans and the results of the mitigating actions as discussed in paras (a) to (f) above, management is confident that the Company will be able to continue as a going concern.

1.4 As at March 31, 2014, the Company could not meet the regulatory requirements of NBFC Rules, 2003 and Non-Banking Finance Companies and NBFC Regulations, 2008 mentioned as under:

- Regulation 14(4)(i) : An NBFC shall invest at least 15% of the funds raised through certificate of investment / musharakah, excluding the certificate of investment / musharakah held by financial institutions, in Government securities.
- Regulation 17(1) : Total outstanding exposure (fund and non-fund based) of an NBFC to a person shall 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 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 NBFC's equity.

The Company's request to SECP to allow relaxation of the above-mentioned regulatory requirements and compliance of minimum equity requirement for a period of four years in view of the operational and financial difficulties faced by the Company, is under consideration of SECP. The management expects a favorable response from SECP.

2. BASIS OF PREPARATION

2.1 Basis of Preparation

This condensed interim financial report has been prepared under the 'historical cost convention' except investments in joint ventures which have been accounted for using equity method, assets classified as held for sale which are stated at the lower of carrying amount and fair value less costs to sell, and available for sale investments which are stated at fair value.

Notes to the Condensed Interim Financial Report (Un-audited)

For the Nine Months Period Ended March 31, 2014

2.2 Statement of Compliance

This condensed interim financial report has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case the requirements of IAS 34 differ with the requirements of the Companies Ordinance, 1984, the provisions of or the directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial report does not include all the information required for a complete set of financial statements, and should be read in conjunction with the published audited financial statements of the Company for the year ended June 30, 2013.

This condensed interim financial report is un-audited and is being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984.

2.3 Functional and Presentation Currency

This condensed interim financial report is prepared in Pakistani Rupee which is the functional and presentation currency of the Company. Figures have been rounded off to the nearest thousand of rupees except earning per share which is in Rupees.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation followed in the preparation of this condensed interim financial report are the same as those applied in the preparation of the published audited financial statements for the year ended June 30, 2013.

3.2 Application of new and revised International Financial Reporting Standards

3.2.1 Standards, amendments to published approved accounting standards and interpretations effective from July 01, 2013:

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods of the Company beginning on or after July 01, 2013 but are considered not to be relevant or not to have any significant effect on the Company's operations and are, therefore, not disclosed in this condensed interim financial report.

3.2.2 Standards, amendments to published approved accounting standards and interpretations as adopted in Pakistan, which are not yet effective:

There are other amendments to the standards and new interpretations that are mandatory for accounting periods of the Company beginning on or after July 01, 2014 but are considered not to be relevant or not to have any significant effect on the Company's operations and are, therefore, not disclosed in this condensed interim financial report.

4. ESTIMATES, JUDGMENTS AND RISK MANAGEMENT POLICIES

4.1 The preparation of financial reports in conformity with approved accounting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on amounts recognized in this condensed interim financial report are the same as those disclosed in the published audited financial statements for the year ended June 30, 2013.

4.2 Risk management policies and procedures are consistent with those disclosed in the published audited financial statements for the year ended June 30, 2013.

Notes to the Condensed Interim Financial Report (Un-audited)

For the Nine Months Period Ended March 31, 2014

	Un-audited March 31, 2014	Audited June 30, 2013
	— Rupees in thousand —	
5. PROPERTY, PLANT AND EQUIPMENT - Operating assets	<u>72,558</u>	<u>80,512</u>

	Nine months period ended March 31,			
	2014		2013	
	Additions	Disposals	Additions	Disposals
5.1 Acquisitions and disposals of operating assets at cost				
Furniture and fixtures	21	962	962	3,844
Office equipment	120	502	-	3,120
Vehicles	-	3,595	-	2,530
Generators	-	-	-	7,625
	<u>141</u>	<u>5,059</u>	<u>962</u>	<u>17,119</u>

	Note	Un-audited March 31, 2014	Audited June 30, 2013
6. LONG TERM INVESTMENTS			
Investment in joint ventures	6.1	51,731	53,402
Available for sale investments:			
- At fair value		23,833	18,594
- At cost		<u>2,443</u>	<u>2,724</u>
		<u>78,008</u>	<u>74,719</u>

6.1 Investment in joint ventures

This represents investment in CNG filling stations. The latest available unaudited financial statements of joint ventures as on December 31, 2013 have been used for the purpose of application of equity method.

- Centre Gas (Private) Limited	6.1.1	31,834	33,139
- Ameen Enterprises	6.1.2	19,897	20,263
		<u>51,731</u>	<u>53,402</u>

6.1.1 Centre Gas (Private) Limited

Cost	34,536	34,536
Share of profit of joint venture	21,095	16,074
Dividend received	<u>(23,796)</u>	<u>(17,470)</u>
	<u>31,834</u>	<u>33,139</u>

6.1.2 Ameen Enterprises

Cost	20,622	20,622
Share of profit of joint venture	5,791	5,576
Drawings	<u>(6,516)</u>	<u>(5,935)</u>
	<u>19,897</u>	<u>20,263</u>

7. NET INVESTMENT IN IJARAH FINANCE / ASSETS UNDER IJARAH ARRANGEMENTS

Contracts accounted for as finance lease under IAS 17	7.1	423,985	404,850
Contracts accounted for under IFAS 2		1,622	23,452
		<u>425,607</u>	<u>428,302</u>
Less : Current portion	13	<u>(226,480)</u>	<u>(229,974)</u>
		<u>199,127</u>	<u>198,328</u>

Notes to the Condensed Interim Financial Report (Un-audited)

For the Nine Months Period Ended March 31, 2014

7.1 Net investment in Ijarah finance

Following is a statement of lease receivables accounted for under IAS 17:

	As at March 31, 2014(Un-audited)			As at June 30, 2013(Audited)		
	Due within one year	Due after one year but within five years	Total	Due within one year	Due after one year but within five years	Total
	-- Rupees in thousand --					
Minimum lease payments receivable	812,440	161,994	974,434	848,193	135,415	983,608
Residual value of leased assets	11,307	92,588	103,895	13,261	71,370	84,631
Lease contracts receivable	823,747	254,582	1,078,329	861,454	206,785	1,068,239
Unearned lease income (including suspended income)	(165,944)	(21,334)	(187,278)	(173,863)	(17,498)	(191,361)
Provision for potential lease losses	(431,323)	(35,743)	(467,066)	(457,617)	(14,411)	(472,028)
	(597,267)	(57,077)	(654,344)	(631,480)	(31,909)	(663,389)
	226,480	197,505	423,985	229,974	174,876	404,850

7.2 The above net investment in finance lease includes non-performing lease portfolio of Rs. 602.58

Category of Classification	As at March 31, 2014(Un-audited)			As at June 30, 2013(Audited)		
	Principal outstanding	Provision required	Provision held	Principal outstanding	Provision required	Provision held
	-- Rupees in thousand --					
Substandard	1,326	254	254	33,213	8,303	8,303
Doubtful	37,139	18,570	18,570	19,743	9,871	9,871
Loss	564,114	448,242	448,242	576,773	453,854	453,854
	602,579	467,066	467,066	629,729	472,028	472,028

7.3 Ijarah rentals receivable

The rentals receivable for Ijarah contracts accounted for under IFAS 2 are as under:

	Note	Un-audited March 31, 2014	Audited June 30, 2013
		-- Rupees in thousand --	
Ijarah rentals receivable		90,378	94,189
Less : Provision against Ijarah rentals receivable		(88,357)	(91,761)
		2,021	2,427

8. LONG TERM MUSHARAKAH FINANCES

Secured

Considered good

Individuals

- 1,015

Considered doubtful

Companies (Non-financial institutions)

Individuals

82,182 84,830

97,468 95,924

179,650 180,754

Provision against impaired balances

(46,738) (46,817)

133,912 134,953

Current maturity

13

(133,912) (118,295)

- 16,658

9. LONG TERM LOANS

Considered good

Employees

Customers

Other

557 557

3,504 -

71,955 -

76,016 557

Considered doubtful

Customers

Less : Provision

45,584 52,792

(32,926) (36,225)

12,658 16,567

Current maturity

13

88,674 17,124

(18,528) (6,470)

70,146 10,654

Notes to the Condensed Interim Financial Report (Un-audited)

For the Nine Months Period Ended March 31, 2014

- 9.1 Other receivable of Rs. 71.96 million due from the outgoing group under the agreement for transfer of brokerage business related assets and liabilities (Refer Note 16.3) has been classified as a non current asset due to revision of terms of its repayment. Rs. 24.58 million is receivable in 08 unequal quarterly installments commencing from December 31, 2016 and ending on September 30, 2018, and balance amount of Rs. 47.37 million is receivable in lump sum on December 31, 2018. It is subject to mark up at the rate of six months KIBOR plus 2% per annum.

	Note	Un-audited March 31, 2014	Audited June 30, 2013
— Rupees in thousand —			
10. SHORT TERM INVESTMENTS			
Investments at fair value through profit and loss			
Quoted securities - different listed companies		28,837	30,953
Available for sale			
Quoted securities			
National Bank Of Pakistan		-	3,701
Un-quoted securities			
Dawood Family Takaful Limited - Held for sale		250	250
		<u>29,087</u>	<u>34,903</u>
11. SHORT TERM MUSHARAKAH FINANCES			
Secured			
Impaired balances		129,025	131,708
Provision against impaired balances		(58,519)	(58,522)
		<u>70,506</u>	<u>73,186</u>
12. SHORT TERM FINANCES			
Secured			
Impaired balances		11,226	15,303
Provision against impaired balances		(2,049)	(6,349)
		<u>9,177</u>	<u>8,954</u>
13. CURRENT PORTION OF NON-CURRENT ASSETS			
Net investment in lease finance / assets under ijarah arrangements	7	226,480	229,974
Long term musharakah finances	8	133,912	118,295
Long term loans	9	18,528	6,470
		<u>378,920</u>	<u>354,740</u>
14. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Unsecured, considered good			
Advances			
- against purchases and expenses		110	349
- to staff		50	811
- Income tax - net		7,948	7,812
Prepayments		524	141
Other receivables	14.1	31,409	111,684
		<u>40,041</u>	<u>120,797</u>
Unsecured, considered doubtful			
Advances			
- against purchases and expenses		5,701	6,191
- to staff		135	-
Deposit with Privatization Commission		10,000	10,000
Other receivables		150,729	159,578
		<u>166,565</u>	<u>175,769</u>
Provision against doubtful balances		(166,565)	(164,827)
		<u>-</u>	<u>10,942</u>
		<u>40,041</u>	<u>131,739</u>

Notes to the Condensed Interim Financial Report (Un-audited)

For the Nine Months Period Ended March 31, 2014

- 14.1** It includes mark up of Rs. 6.03 million (June 30, 2013: Receivable of Rs. 72.55 million and mark up of Rs. 21.64 million) due from the outgoing group under an agreement for transfer of brokerage business related assets and liabilities (Refer Note 16.3). Receivable of Rs. 0.6 million along with mark up of Rs. 21.64 million have been settled against term finance certificates and related mark up (Refer Note 18.2)

Other receivable of Rs. 71.96 million due from the outgoing group has been transferred to long term loan due to revision of terms of its repayment (Refer Note 9.1)

Note	Un-audited March 31, 2014	Audited June 30, 2013
— Rupees in thousand —		
15. CASH AND BANK BALANCES		
Balances with banks in local currency:		
In current accounts:		
- State Bank of Pakistan	45	45
- Commercial Banks	<u>2,030</u>	<u>723</u>
	2,075	768
In deposit accounts - commercial banks	<u>479</u>	10,683
	<u><u>2,554</u></u>	<u><u>11,451</u></u>

16. ASSETS CLASSIFIED AS HELD FOR SALE

The assets classified as held for sale of discontinued operation (Refer Note 16.1) and liabilities directly associated with such assets (Refer Note 16.2) and other non-current assets (Refer Note 16.1) in their respective categories are summarized hereunder:

16.1 Assets classified as held for sale

Assets held for sale of discontinued operation	16.3		
Trade debts - unsecured		25,250	25,250
Advances, deposits, prepayments and other receivables		<u>37,067</u>	<u>37,665</u>
		62,317	62,915
Non-current assets held for sale	16.4	<u>183,969</u>	<u>182,969</u>
Total assets classified as held for sale		<u><u>246,286</u></u>	<u><u>245,884</u></u>

16.2 Liabilities directly associated with assets held for sale

Long term loan		5,295	5,295
Short term borrowings		<u>107,902</u>	<u>107,902</u>
Other liability		-	72,552
		<u><u>113,197</u></u>	<u><u>185,750</u></u>

- 16.3** The agreement for transfer of assets and liabilities related to brokerage business to the outgoing group has been revised during the period. Other liability of Rs. 71.96 million has been transferred to the outgoing group on conversion of other receivable of Rs. 71.96 million into long term loan (Refer Note 9.1). Remaining assets and liabilities will be transferred to the outgoing group on completion of other sale conditions as stipulated in clause 5 of the agreement on or before December 31, 2014.

- 16.4** Active campaign is being undertaken to dispose-off the remaining properties at the earliest including settlement against liabilities, if appropriate.

Notes to the Condensed Interim Financial Report (Un-audited)

For the Nine Months Period Ended March 31, 2014

	Note	Un-audited March 31, 2014	Audited June 30, 2013
— Rupees in thousand —			
17. LONG TERM MUSHARAKAH AND MURABAHA BORROWINGS			
Secured			
Musharakah borrowing			
From commercial bank	17.1	24,899	33,333
Murabaha borrowings			
From commercial banks	17.2	57,308	41,263
From other financial institutions	17.2	-	18,631
		<u>57,308</u>	<u>59,894</u>
Current portion	18	82,207	93,228
		<u>(58,803)</u>	<u>(85,684)</u>
		<u>23,404</u>	<u>7,544</u>

17.1 Terms of repayment have been revised during the period. Principal plus future mark up is repayable in 16 equal quarterly installments commencing from September 31, 2013 and ending on June 30, 2017. Overdue mark up for the period till June 30, 2013 is deferred and will be paid in eight equal quarterly installments commencing from September 30, 2017 and ending on September 30, 2019. It is subject to mark up at fixed rate of 6.78% per annum (June 30, 2013 : three month KIBOR plus 1.5% per annum)

17.2 Syndicated murabaha borrowings of Rs. 49.12 million (June 30, 2013: Rs. 52.76 million) alongwith related mark up of Rs. 26.49 million (June 30, 2013: Rs. 21.12 million) are overdue. The Company's applications for restructuring / settlement of overdue borrowings and related mark up are pending with the lenders.

18. CURRENT PORTION OF NON-CURRENT LIABILITIES

Security deposit from lessees		11,307	32,696
Long term certificates of musharakah		23,073	38,250
Long term certificates of investments		5,700	2,998
Long term musharakah and murabaha borrowings	17	58,803	85,684
Musharakah term finance certificates	18.1	38,924	38,924
Term finance certificates	18.2	107,250	128,380
Long term loans	18.3	50,386	51,961
		<u>295,442</u>	<u>378,893</u>

18.1 This finance alongwith related mark up of Rs. 19.53 million (June 30, 2013: 15.4 million) is overdue. The Company's application for rescheduling / settlements is pending with the lender.

18.2 These Term Finance Certificates have matured on September 05, 2013. Term finance certificates of Rs. 17.5 million and related mark up of Rs. 4.74 million have been settled against other receivables and related mark up due from outgoing group (Refer Note 14.1). Term finance certificates amounting to Rs. 107.25 million (June 30, 2013 : Rs. 128.38 million) alongwith related mark up of Rs. 43.46 million (June 30, 2013 : Rs. 36.86 million) are over due. The Company is negotiating with TFC holders for rescheduling / settlement of over due balances.

18.3 It includes overdue loans of Rs. 50.16 million (June 30, 2013: Rs. 50.16 million). Mark up related to these loans amounting to Rs. 23.64 million (June 30, 2013 : Rs. 19.23 million) is also overdue. The Company's applications for restructuring / settlement of overdue loans and related mark up are pending with the lenders.

19 ACCRUED AND OTHER LIABILITIES

Accrued expenses		1,567	3,172
Auditors' remuneration payable		1,935	2,520
Advance against termination of leases		770	461
Unclaimed dividend		6,072	6,072
Advance received against			
Assets of discontinued operation held for sale		24,000	24,000
Other assets - held for sale		12,501	5,000
Other liabilities		49,438	36,610
		<u>96,282</u>	<u>77,835</u>

Notes to the Condensed Interim Financial Report (Un-audited)

For the Nine Months Period Ended March 31, 2014

	Un-audited March 31, 2014	Audited June 30, 2013
— Rupees in thousand —		

20. PROFIT / MARK UP PAYABLE

Profit / mark-up payable on:

- Certificates of musharakah / investments	1,134	7,047
- Long term musharakah and murabaha borrowings	26,489	38,161
- Redeemable capital	43,456	36,865
- Musharakah term finance certificates	19,530	15,404
- Long term loans	23,642	19,232
- Loan from sponsor	88,961	74,818
	<u>203,212</u>	<u>191,527</u>

21. COMMITMENTS

Lease financing contracts committed but not executed at the balance sheet date amounted to Rs. 31.04 million (June 30, 2013 : Rs. 36.40 million).

22. RELATED PARTY TRANSACTIONS

Related parties comprise of major shareholders, associated companies with or without common directors, staff retirement fund, directors, other key management personnel and their close family members. Contributions to the staff retirement fund, remuneration of key management personnel and loans to employees are made / paid in accordance with the terms of their employment. Other transactions with related parties are entered into at agreed rates.

Details of transactions for the period with related parties, other than those which have been disclosed elsewhere in this condensed interim financial report, are as follows:

	Nine months period ended March 31,	
	2014	2013
— Rupees in thousand —		
Transactions during the period		
Contribution to staff retirement fund	638	901
Key management compensation	<u>4,473</u>	<u>8,486</u>

23. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial report was authorized for issue on 18th April 2014 by the Board of Directors of the Company.



Muhammad Asif
Chief Executive Officer



Ejaz Ahmed Khan
Director

Our Network

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