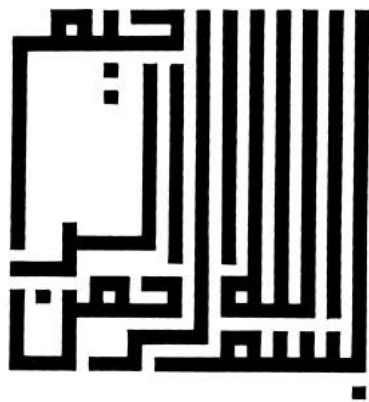




# ANNUAL REPORT 2015



**Pak-Gulf Leasing Company Limited**



## **CONTENTS**

Company Information .....	1
Mission Statement .....	2
Notice of Annual General Meeting .....	3
Directors' Report to the Shareholders .....	7
Statement of compliance with the Code of Corporate Governance .....	17
Auditors' review report to members on Statement of Compliance with the best practices of the Code of Corporate Governance .....	19
Shariah Advisory Report .....	20
Auditors' Report to the members .....	21
Balance Sheet .....	23
Profit and Loss Account .....	24
Statement of Comprehensive Income .....	25
Cash Flow Statement .....	26
Statement of Changes in Equity.....	27
Notes to the Accounts .....	28
Pattern of Shareholding .....	62
Categories of Shareholders .....	63
Proxy Form	

**Board of Directors**

Mr. Sohail Inam Ellahi	Chairman
Air Marshal Syed Masood Hatif (Retd.)	Vice Chairman
Mr. Pervez Inam	Non-Executive Director
Mr. Fawad Salim Malik	Non-Executive Director
Mr. Shaheed H. Gaylani	Non-Executive Director
Brig. Naveed Nasar Khan (Retd.)	Non-Executive Director
Mr. Rizwan Humayun	Non-Executive Director
Lt. Col. Saleem Ahmed Zafar (Retd.)	Executive Director
Mr. Mahfuz-ur-Rehman Pasha	Chief Executive Officer

**Company Secretary**

Ms. Mehreen Usama

**Audit Committee**

Mr. Rizwan Humayun	Chairman
Air Marshal Syed Masood Hatif (Retd.)	Vice Chairman
Brig. Naveed Nasar Khan (Retd.)	Member
Mr. Shaheed H. Gaylani	Member

**Human Resource & Remuneration Committee**

Air Marshal Syed Masood Hatif (Retd.)	Chairman
Brig. Naveed Nasar Khan (Retd.)	Vice Chairman
Mr. Pervez Inam	Member
Mr. Sohail Inam Ellahi	Member
Lt. Col. Saleem Ahmed Zafar (Retd.)	Member

**Senior Management**

Mr. Mahfuz-ur-Rehman Pasha	Chief Executive Officer
Mr. Khalil Anwer Hassan	Chief Manager
Lt. Col. Saleem Ahmed Zafar (Retd.)	Chief Operating Officer
Mr. Afzal-ul-Haque	Deputy Chief Operating Officer & Senior Manager Risk
Ms. Mehreen Usama	Chief Financial Officer
Ms. Farah Farooq	Head of Audit
Major Arifullah Lodhi (Retd.)	Manager HR & Administration

**Credit Rating Agency**

JCR-VIS Credit Rating Company Limited

**Entity Rating:**

- A- (Single A Minus) for Medium to Long term
- A-2 (A-Two) for short term
- Outlook: Stable

**Auditors**

M/s. BDO Ebrahim & Co.  
Chartered Accountants  
2nd Floor, Block C Lakson Square Building No. 1  
Sarwar Shaheed Road  
Karachi-74200.

**Legal Advisors**

M/s. Mohsin Tayebaly & Company  
2nd Floor, Dime Centre,  
BC-4, Block # 9, Kehkashan, Clifton,  
Karachi.  
Tel # : 35838077, 35872690  
Fax # : 35870240, 35870468

**Shariah Advisor**

Mufti Muhammad Ibrahim Essa

**Bankers**

Albaraka Bank (Pakistan) Limited  
Askari Commercial Bank Limited  
Bank Al-Falah Limited  
Bank Al Habib Limited  
JS Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
Silkbank Limited  
Soneri Bank Limited

**Registered Office**

Pak-Gulf Leasing Company Limited  
THE FORUM:  
Room # 125-127, First Floor,  
G-20, Block # 9, Main Khayaban-e-Jami,  
Clifton, P.O.Box # 12215, Karachi-75600.  
Tel #: (92-21) 35820301, 35820965-6  
35824401, 35375986-7  
Fax #: (92-21) 35820302, 35375985  
E-mail: pgl@pakgulfleasing.com  
Website: www.pakgulfleasing.com

**Registrar / Share Transfer Office**

THK Associates (Pvt) Limited  
Ground Floor, State Life Building - 3,  
Dr. Ziauddin Ahmed Road,  
Karachi - 75530  
P. O. Box No. 8533.  
Tel # : (92-21) 111-000-322  
Fax # : (92-21) 35655595

## **Mission Statement**

*The Company will:*

- Aim to gain the confidence of all its stakeholders by earning a credible reputation for being an innovative enterprise that is prepared to change in the best interests of its stakeholders.
- Continually monitor structural changes in the various sectors of the economy, and accordingly alter the Company's business strategy to benefit from the emerging opportunities.
- Focus on changing customer needs and strive to improve tangible and intangible returns to its customers by providing service and satisfaction at par with the best in the industry, which would be reflected in prompt risk evaluation and facility disbursement procedures and practices.
- Consciously share, and remain part of all initiatives by the leasing industry to play a positive role in the evolution of small and medium-size enterprises to expand the country's industrial base and support economic growth, higher employment, and a better future for all.

Notice is hereby given that the 22<sup>nd</sup> Annual General Meeting of Pak-Gulf Leasing Company Limited, will be held at the Company's Registered Office, THE FORUM, Room Nos. 125 - 127, First Floor, G-20, Block # 9, Main Khayaban-e-Jami, Clifton, Karachi-75600, on Tuesday, October 27, 2015 at 5:00 p.m. to transact the following business.

**Ordinary Business**

1. To read and confirm the minutes of the 21<sup>st</sup> Annual General Meeting held on October 23, 2014.
2. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2015 together with Directors' and Auditors' Report thereon.
3. To appoint Auditors for the year 2015-16 and fix their remuneration. The present Auditors M/s BDO Ebrahim & Co., Chartered Accountants retire and being eligible, offer themselves for re-appointment.

**Special Business**

4. To consider and approve the issuance of 7,142,857 (Seven Million One Hundred Forty Two Thousand Eight Hundred and Fifty Seven) shares to shareholders at a discount of Rs. 3/- (Rupees Three only) per share at a subscription price of Rs. 7/- (Rupees Seven only) per share in accordance with sections 84 and 86 of the Companies Ordinance, 1984 and to pass the following Resolution(s) with or without modifications, as Special Resolution(s), and as may be directed by the Securities and Exchange Commission of Pakistan (SECP).

**Special Resolution(s):**

- 1- RESOLVED THAT, "subject to the sanction of the Securities and Exchange Commission of Pakistan (SECP), 7,142,857 (Seven Million One Hundred Forty Two Thousand Eight Hundred and Fifty Seven) ordinary shares of a Par Value of Rs. 10/- (Rupees Ten only) each be offered and issued to the shareholders at a discount of Rs. 3/- (Rupees Three only) per share at a subscription price of Rs. 7/- (Rupees Seven only) per share by way of Right Issue under Sections 84 and 86 of the Companies Ordinance, 1984 with any amendments as may be approved by the shareholders or as may be directed by the SECP, which directives may be deemed to be a part of this Special Resolution without the need of the shareholders to pass a fresh Resolution."
- 2- FURTHER RESOLVED THAT, "the aforesaid Right shares shall from the date of their allotment, rank pari passu in all respect with the already existing fully paid shares of the Company and the Members subscribing to such shares shall enjoy similar rights and entitlements in respect of the Right Shares as in respect of their previously held ordinary shares of the Company from the date of allotment."
- 3- FURTHER RESOLVED THAT, "the Chief Executive Officer, be and he is hereby authorised to take all necessary steps, ancillary and incidental to the issuance of the aforesaid Right shares at a subscription price of Rs. 7/- (Rupees Seven only) (at a discount of Rs. 3/- (Rupees Three only) ) and to obtain the regulatory approvals from the Securities and Exchange Commission of Pakistan (SECP), and the Stock Exchanges".

- 4- FURTHER RESOLVED THAT, "the Chief Executive Officer, be and he is hereby authorised to submit application(s) to Securities and Exchange Commission (SECP) to obtain relaxation of certain provisions and rules under Section 84 of the Companies Ordinance, 1984, Companies (Issue of Capital) Rules, 1996 and other guidelines of the Commission with respect to issue of right shares at discount."
- 5- FURTHER RESOLVED THAT, "the fraction of the right shares shall be consolidated into a marketable lot which shall be disposed off in accordance with the approval of the Board and the proceeds thereof accordingly distributed among the existing shareholders."
- 6- FURTHER RESOLVED THAT, "the Board is hereby authorised to deal with the unsubscribed portion of the aforesaid Right Issue in a manner they deem fit, in accordance with the provisions of the Companies Ordinance, 1984 and other applicable laws, rules and regulations for the time being in force; and the consent and approval of the Securities and Exchange Commission of Pakistan (SECP)"

**Any Other Business**

5. To transact any other business with the permission of the Chair.

**By Order of the Board**

**Mehreen Usama**  
Company Secretary

Karachi: October 05, 2015.

**Notes:**

1. The Register of Members of the Company shall remain closed from October 21, 2015 to October 27, 2015 (both days inclusive).
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote on his/her behalf.
3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting. A form of proxy is enclosed.
4. CDC account holders will further have to follow the under mentioned guidelines, as laid down by the Securities and Exchange Commission of Pakistan (SECP):

**A. For attending the meeting:**

- (i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original CNIC or original passport at the time of attending the meeting.
- (ii) In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature of the nominees shall be produced (unless it has been provided earlier) at the time of the Meeting.

**B. For appointing proxies:**

- (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form accordingly.
- (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- (iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.
- (v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

5. Shareholders are requested to notify change of their addresses, if any immediately.

**STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984**

This statement sets out the material facts concerning the resolution contained in the Notice pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on Tuesday October 27, 2015 at 5:00 p.m. at the Company's Registered Office.

**Issuance of right shares at discounted price**

The Board of Directors of Pak-Gulf Leasing Company Limited have approved and recommended the issuance of 7,142,857 (Seven Million One Hundred Forty Two Thousand Eight Hundred and Fifty Seven) right shares at discount under the provisions of Sections 84 and 86 of the Companies Ordinance, 1984 constituting 28.15496% of its present paid-up-Capital, in proportion of 2.815496 shares for every 10 shares at a subscription price of Rs. 7/- (Rupees Seven only) per share i.e. at a discount of Rs. 3/- (Rupees Three only) per share to the shareholders of the Company, subject to the approval by the shareholders and sanction of the Securities and Exchange Commission of Pakistan.

The Directors of the Company have no interest in the Issuance of Right Share of the Company whether directly or indirectly except to the extent of their shareholding respectively held by them in the Company. The shares and percentage of personal shareholdings by the Directors (including spouse) of Pak-Gulf Leasing Company Limited in proportion to the paid up capital of Pak-Gulf Leasing Company Limited are as under:



<b>Name of Directors</b>	<b>No. of Shares Held</b>	<b>Percentage %</b>
Mr. Sohail Inam Ellahi	2,451,090	9.66
Mr. Pervez Inam	3,953,394	15.58
Mr. Fawad S. Malik	1,348,670	5.32
Mrs. Ateeqa Fawad	75,005	0.30
Air Marshal Syed Masood Hatif (Retd)	4,047	0.02
Brig. Naveed Nasar Khan (Retd)	500	0.00
Mr. Rizwan Humayun	600	0.00
Mr. Shaheed H Gayalni	24,845	0.10
Lt. Col. Saleem Ahmed Zafar (Retd)	5,146	0.02
Mr. Mahfuz-ur-Rehman Pasha	0	0.00

Break-up value per share of the Company as per the last audited accounts – June 30, 2015: Rs. 21.58 (June 30, 2014: Rs. 19.50).

Market value per share of the Company before declaration of Right Issue by the Board (April 29, 2015: Rs. 12.79).

Dear Shareholders,

Your directors are pleased to present the 22<sup>nd</sup> Annual Report of Pak-Gulf Leasing Company Limited (PGL), including financial statements and the Auditors' Report, for the year ended June 30, 2015.

#### **OPERATIONAL OVERVIEW**

Notwithstanding the restrictive operational environment, under which your Company was required to perform during the financial year under review, PGL's growth could easily be termed as fairly impressive.

During the year under review, your Company maintained the prudent and well tested policy of undertaking repeat business with some of PGL's most consistently performing and well established lessees, adding at the same time a few fresh client relationships having a good market standing. Wherever the quantum of exposure to a lessee necessitated mitigation of risk, additional collateral securities were obtained from the lessees, other than those covered by the assets being leased. This approach to beefing up the underlying security package for assets based financing is unique to your Company as most leasing companies in the market choose to restrict the security for leasing finance only to the relative assets being leased.

New business relationships are considered by PGL, by taking into account the related financials of the prospective lessee, its market reputation and historical track record, in addition to other risk evaluation factors justifying the viability of the financing proposition offered to the Company. All approvals are subject to an independent survey and valuation of the assets to be leased.

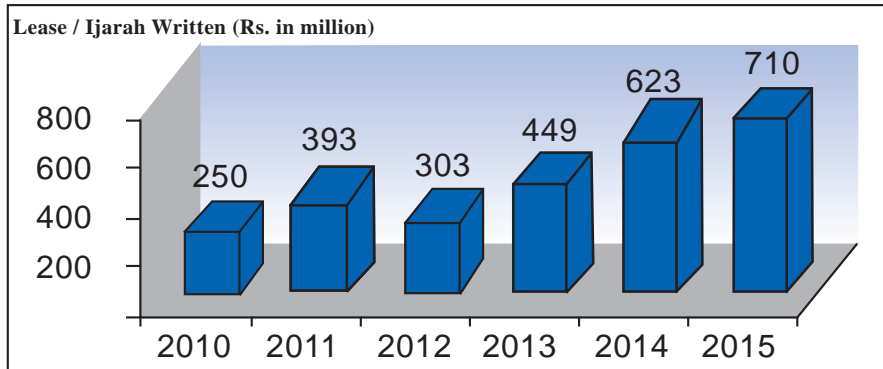
It has been a cornerstone of PGL's fund management policy to rely on internally generated financial resource for funding the Company's business. Consequently, your Company must focus on timely and regular repayments from the lessees under all leasing commitments. It is a matter of pride to state that your Company for the past couple of years has been reporting an extraordinary Recovery Rate. For the year under review this Rate was 97%.

The exceptionally high growth in business, during FY-2015, despite the outstanding performance with respect to Recoveries, required your Company to finance its increased business through Short Term Borrowings from commercial banks, in addition to relying on subvention on the part of the Sponsors of PGL in the form of their enhanced investment in the Company's Col Scheme, besides a short term clean placement from an Associated Undertaking. The Sponsors of your Company must be thanked, for their timely contribution to meet the Company's funding requirements and for the trust and confidence reposed by them in the management of your Company's affairs.

#### **ANALYSIS OF PGL's OPERATIONAL AND FINANCIAL PERFORMANCE IN FY-2015**

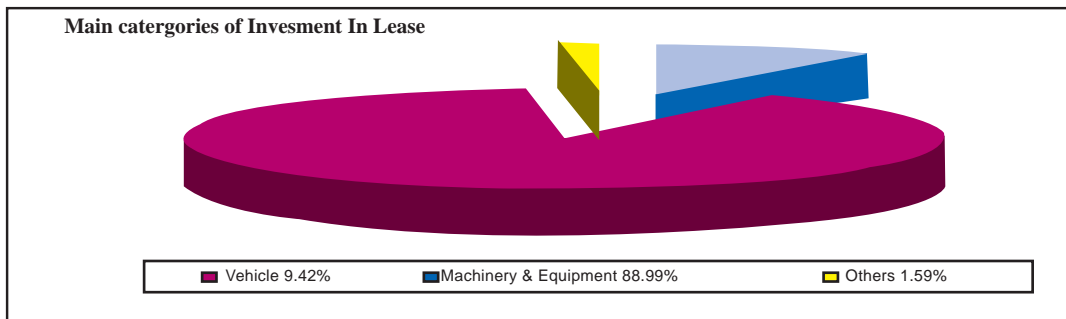
##### **Leases and Ijarah Written**

51 new leases (inclusive of Shariah-compliant *Ijarahs*) of Rs. 710.10 million were written, during FY-2015, as compared to an equal number of leases of Rs. 622.85 million in the FY-2014, translating into a growth of 14% in the lease portfolio. Shariah-compliant *Ijarah*, a product which was introduced by PGL towards the end of the Financial Year 2013 (FY-2013), written in FY-2015 by an increase of 70.99% in the *Ijarah* portfolio amounted to a total of three (03) *Ijarahs* of Rs. 39.21 million (FY-2014: Rs. 22.93 million). Each *Ijarah* requires the approval of your Company's Shariah Adviser, who has been appointed from an Approved Panel of Advisers notified by the SECP and the NBFIs & Modaraba Association of Pakistan. The growth in Leases written by your Company, over the past 6 years, is shown by the following Chart:



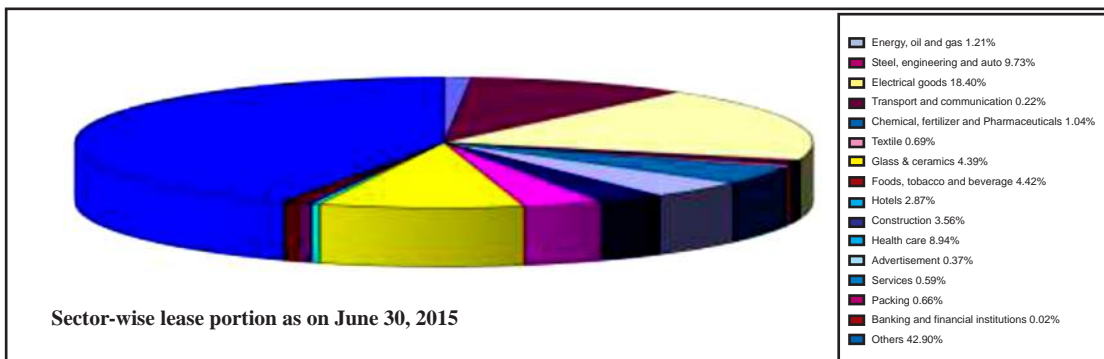
**Categories of Investment in Lease**

The assets-wise distribution of your Company's Investment in Leasing, during FY-2015, has been kept well diversified. Some of the more defining factors to the Assets Diversification Policy of PGL have been the tax advantages available to PGL with respect to the assets being leased; besides the security associated with the relative forced sale values of those assets and marketability thereof, in the unlikely event of any foreclosure. The Chart below gives a visual picture of the breakdown of PGL's Assets-wise Investment in Leasing, during FY-2015:



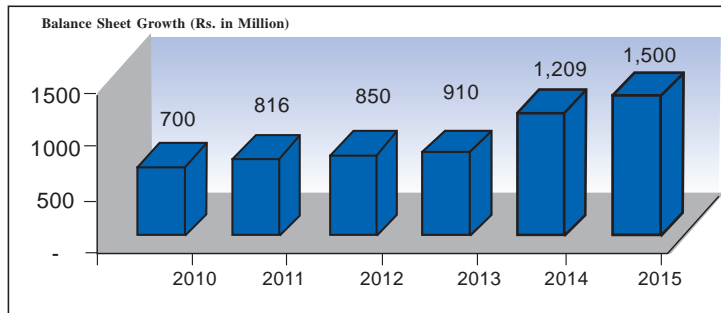
**Sector-wise Composition of the Lease Portfolio**

Rationally justifiable criteria, for an efficient and prudent Risk Management, were exercised in spreading over your Company's exposure to varying secure sectors of business and industry, keeping in mind the behavior of individual sectors, collectively comprising the domestic economy. A Chart describing, in graphical details, the manner in which the Sector-wise composition of PGL's Lease Portfolio has been evolved, is as under:

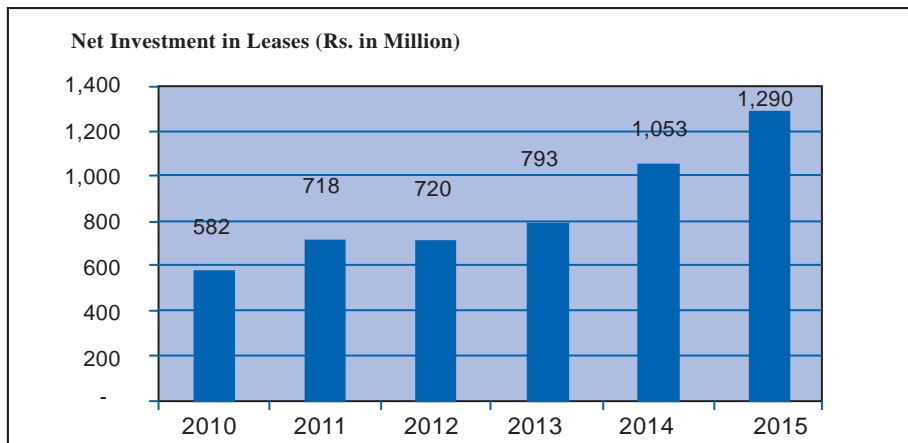


**Financial Achievements**

During FY-2014 your Company had crossed the coveted milestone of Rupees One Billion in terms of its Balance Sheet footings, which stood at Rs. 1,209.13 million as on June 30, 2014 which as at June 30, 2015 has further increased to Rs. 1,500.76 million. This year-on-year increase of 24.12%, in the Total Assets of your Company, signifies a remarkable improvement, when compared with the performance of the few remaining profitable leasing companies, presently operating in Pakistan. The Balance Sheet growth of PGL is depicted in the following Chart:



Gross Investment in Leases, stood at Rs. 1,453 million as on June 30, 2015 (FY-2014: Rs. 1,204 million), representing a year-on-year increase of 20.69% (FY-2014: 33%). Net Investment in Leases, after deduction of Unearned Income (Rs. 162.14 million), Mark-up held in Suspense (Rs. 0.11 million) and a Provision for Potential Lease Losses (Rs. 0.88 million), amounted to Rs. 1,289.56 million at the end of FY-2015, showing an increase of 22.51 % over the previous year's corresponding figure of Rs.1,052.63 million as at June 30, 2014. The Net Investment in Leases of the Company during the last six (6) years is shown in the Chart below:



**Profitability Performance**

It is noted with satisfaction, by your directors, that your Company has been consistent with its profitability performance, specifically with respect to its After-tax Profit which, for the Financial Year 2015, was recorded at Rs. 50.28 million, as against Rs. 29.22 million, attained during the corresponding period last year FY-2014, showing a significant annual increase of 72.09 %.

EPS for FY-2015 due to the significant increase in profit after tax for the year has shown a substantial rise to Rs. 1.98, as compared to Rs. 1.15 for FY-2014.

Gross Revenue for the period under review (FY-2015), was 27.63 % higher at Rs. 120.80 million, as compared to Rs. 94.65 million, for the corresponding period in FY-2014.

A quantum increase in leases written during FY-2015 of Rs. 710.10 million, as opposed to the amount of leases written in FY-2014 of Rs. 622.85 million (annual increase of 14%), is due to have a meaningful impact on Income from Leasing Operations in FY-2016, as over 57% of the leases, during FY-2015, have been written in the last quarter of that year (FY-2014: 69%). Despite their minimal contribution to the Pre-tax Income for FY-2015, the benefits accruing in your Company's favor, on account of the increased lease writing during the year, are already reflected in the Income Statement for FY-2015, in the form of their contribution towards restricting PGL's Tax Charge for FY-2015, to the lowest possible level.

Due to inflationary impact on all operational inputs there was an increase of 24.41 % in the Operating Expenses of the Company, over the preceding year (Rs. 46.15 million in FY-2015 as against Rs. 37.09 million in FY-2014). Financial charges for the FY-2015 have substantially increased by 142.52%, from Rs. 8.37 million in FY-2014 to Rs. 20.31 million, due to a substantial increase in financial liabilities, during FY-2015, for meeting increased requirements for funding a phenomenal rise in Lease Writing.

As a result of substantial rise in profit for the year, the Equity of your Company has crossed the limit of Rs. 500 million. As at June 30, 2015 the equity of your Company amounted to Rs. 505.50 million as compared to Rs. 452.49 million as at June 30, 2014.

With a view to facilitate a continuing expansion in the operations of your Company, and for the purpose of attaining the prescribed Minimum Equity Requirements, your directors are of the opinion that the After-tax Profit for FY-2015 be retained in the business of the Company. Hence, they would not propose for a Dividend to be declared for the Financial Year ended June 30, 2015.

<b>Comparative Analysis of Profitability Performance For the year ended 30th June</b>	<b>2015</b>	<b>2014</b>	<b>Change %</b>
	<b>(Rupees in Million)</b>		<b>+ or (-)</b>
Income	<b>120.80</b>	94.65	+ 27.63
Administrative Expenses	<b>46.15</b>	37.09	+24.43
Financial Charges	<b>20.31</b>	8.37	+142.52
Profit before Taxation	<b>54.31</b>	47.68	+13.91
Provision for Taxation (including Deferred Tax)	<b>4.03</b>	18.46	(-)78.17
Profit after Taxation	<b>50.28</b>	29.22	+ 72.09
Un-appropriated Profit Carried Forward	<b>140.97</b>	115.37	+ 22.19
Transferred from Surplus on Revaluation to Un-appropriated Profit	<b>2.33</b>	2.23	+ 04.62
Profit Available for Appropriation	<b>193.59</b>	146.82	+ 31.86
<b>Appropriations</b>			
Transfer to Statutory Reserve	<b>10.06</b>	5.84	+ 72.09
Dividend	-	-	-
Total Appropriations	<b>10.06</b>	5.84	+ 72.09
Un-appropriated Profit Carried Forward	<b>183.53</b>	140.97	+ 30.19
Earnings Per Share (In Rupees)	<b>1.98</b>	1.15	+ 72.17

#### **ECONOMIC SCENARIO**

It is interesting to note that while such reputed international magazines and analysts, as Forbes, Economist and Bloomberg, are unequivocally in praise of the economic improvement achieved since General Elections - 2013; Pakistan continues to face economic disparities and imbalances at the grass roots level.

Some of the key factors, coming in the way of the present Government to attaining a consistent upward movement in economic achievements, have been as follows:

1. National Security threatened along the border with Afghanistan by terrorist groups and to some extent by Indian hostilities along the line of control (LoC);
2. Deteriorating Internal Law and Order situation, particularly in the provinces of Sindh and Baluchistan, at the hands of local mafias and foreign funded terrorist groups;
3. A huge gap between the Supply and Demand of Electricity to both individuals and industry;
4. Depleted Natural Gas Reserves for fueling power generation, domestic consumption and transport running on Compressed Natural Gas (CNG);
5. A Budgetary Deficit, prone to increases arising from an unbridled Non-Development Expenditure and the hefty incidence of Debt Servicing on a humongous Domestic and External Debt owed by the country;
6. An abysmally low Direct Tax to GDP Ratio;
7. Escalating Trade Deficit due to declining Exports, more importantly value added exports and a continuously expanding Import bill;
8. Reduction in the productivity of both the Agriculture and Manufacturing Sector;
9. Ever increasing population, accompanied by incremental growth in the number of people looking for employment;
10. A sizeable number of Internally Displaced Persons (IDPs), as a result of a war-like situation prevailing in the Tribal Areas of the North;
11. Low Foreign Exchange Reserves and an unstable value of Pak Rupee; and
12. Political Turmoil, following increased political activity after the General Elections-2013.

The Federal Government of PML (N), having obtained the mandate to run the country through the General Elections, can justifiably boast about their success in solving the following issues:

1. National Security has been improved by the Federal Government & Armed Forces' continuing initiative to root terrorism out of the tribal areas adjoining unstable Afghanistan;
2. Internal law and order situation, following concerted efforts of the para-military forces, such as the Rangers and Frontier Constabulary as well as the Police, has shown a marked improvement;
3. IDPs are gradually moving back to their homes and hearths, the Army having assisted in making their resettlement possible;
4. Increased inward Remittances and borrowings from Multilateral Financial Institutions, such as the IMF, ADB and others, in addition to floatation of International US Dollars denominated Bonds, have led the Foreign Exchange Reserves to arrive at a decent level;
5. Action has been launched by the relevant Federal Agencies to curb corruption at both the Federal and Provincial Governments' level; and
6. Political turmoil has been harnessed to a very large extent.

Notwithstanding the foregoing achievements, the following challenges are still being faced by the Government:

- Improvement in supply of Gas and Electricity to the Industrial Sector, in particular;
- Keeping the value of Pak Rupee at a stable level;
- Cutting down on Non-Development Expenditure;
- Substantially increasing the Tax to GDP Ratio;
- Increasing value added exports in quantum terms;
- Noticeably improving the quality of Governance in the Public Sector; and
- Increasing job opportunities for millions of young unemployed persons.

The Government has been fortunate, during its present tenure so far, to cut down on its heavy fuel import bill, given the continuously declining prices of oil in the international market. However, the advantage is still not reflected on the Balance of Trade figures, which have remained negative.

Some achievement has been made by withdrawal or reduction of subsidies, in consonance with the terms agreed with the Multilateral Lenders, such as the IMF, but the positive impact thereof on the Budgetary Deficit is yet to be seen.

A notable decrease in Inflation and Interest Rates are factors for which the Government must be lauded. However, commercial banks' propensity to lend to the Private Sector remains low as compared to their investment in Government Securities.

Leasing Companies which, for several years until 2007, had fueled the demands of the consumer and the industrial sectors, as members of the quasi-banking sector in the form of NBFIs, have been left high and dry, with respect to liquidity, by the rising capital adequacy requirements, enforced by the regulators, the unwillingness of commercial banks to lend a helping hand by providing credit at acceptable terms and the escalating cost of doing business. The general downturn in the economy having hit hard the lease finance servicing capability of their customers, the very viability of the leasing companies has been rendered doubtful. A good majority of the smaller leasing companies has either opted for mergers with stronger financial institutions, or have taken the path of closing down their doors to customers by choosing voluntary liquidation. Currently there are only a few leasing companies operating in Pakistan which are also finding it hard to survive.

Much to the credit of Securities & Exchange Corporation of Pakistan (SECP), a NBFC Reform Committee was formed and it is expected that this Committee's recommendations would soon be converted into Statutory Notifications providing much needed relief to the Leasing Sector in terms of Minimum Equity Requirements (MER).

Some preferential Tax Reforms are also needed for the Leasing Sector *per se*, to reduce the incidence of Taxation for making Leasing Companies as viable as Modarabas.

PGL would need to closely watch and constantly monitor the emerging position of the economy for your Company to withstand the pressures caused by the situation taking an adverse turn. Caution has been the hall mark of PGL, throughout its operations, over the years. The Company might need to exercise that attribute to the maximum extent in the period to come.

#### **FUTURE PROSPECTS**

Assets-backed financing, particularly Leasing, relies heavily on the ability of the borrowers'/lessees' cash flow generation capacity to ensure prompt and punctual servicing of their respective liabilities. None of the financial institutions is in the business, either of initiating foreclosures, or managing the businesses of its defaulting borrowers.

A sound economic environment is a must for any business to prosper and progress. All businesses must have the ability to enjoy adequate profit margins, leaving them with enough room, in terms of liquidity needed to promptly and punctually honor their repayment commitments, towards their lenders or financiers. For the present at least, the capacity of businesses to service their debts is impaired by diminishing profit margins, resulting from an escalating cost of inputs and direct or indirect taxation.

Lack of support from commercial banks in advancing credit to the Private Sector is further eroding the propensity of businesses for undertaking much needed initiatives for improving their efficiency and output. This scenario is leading more and more entrepreneurs to seek financial support through leasing transactions, which are relatively expensive to afford, but do carry the advantage of some tax benefits for the lessees.

Leasing companies are now faced with the situation of an increase, in terms both in the number of prospective lessees, as well as the quantum of their financial demands. At the same time, these companies are finding the commercial banks increasingly shy in supporting them with the required amount of liquidity for funding the quantitative rise in demand for leasing finance.

Moreover, using the increasing rate of return on their substantial investment in Government Securities, as the benchmark, the Spread being demanded by commercial banks for lending to leasing companies, has always been kept on a much higher side. To make the matter worse, the lending banks are also looking for collateral securities, before undertaking any credit commitment for the Leasing Sector. Leasing companies are, therefore, faced with the dilemma of having to raise funds on tougher terms and at higher interest rates for financing the requirements of their lessees at rates, which might make it difficult for such lessees to afford.

To make the matter even worse for the Leasing Companies, commercial banks (particularly, Islamic Banks or Islamic Banking Divisions of commercial banks) have become exceedingly active in offering the Islamic equivalent mode of leasing namely, Ijarah to the public. With their low cost of funds, such banks can write leases at rates, which are hard to match by the leasing companies. The situation is compounded by Modarabas, which enjoy an almost Tax Free Status, also serving as tough competitors to the leasing companies.

A leasing company is required to maintain, at all times, minimum equity of Rs. 700 million and most leasing companies have faced problems in complying with this requirement. In this regard, SECP is reported to be in the process of reviewing the framework for regulating NBFCs, which includes, among other changes, reduction in minimum equity requirement for a leasing company to Rs.500 million, in addition to a moratorium on attaining this condition for a period of two years from the coming into force of the Amended NBFC Regulations. The provisioning regulations for delinquent accounts, anticipated in the aforesaid Amended NBFC Regulations are likely to be stringent. However, based on PGL's trend to maintain client relationships with entities having sound repayment history with your Company, it is expected that the impact of credit related losses would continue to remain to be minimal on the Company's profitability.

#### **Taxation**

The Federal Board of Revenue (FBR), despite a number of representations made by your Company, even at the level of the Finance Minister, has remained oblivious to the predicaments of the Leasing Sector, as a whole, with respect particularly to privately-owned leasing companies. Leasing is all about Tax Management. In the absence of an enabling and conducive taxation regime, it is almost impossible for a leasing company to maintain its profitability profile.

Two adverse tax measures have been undertaken by the FBR from the standpoint of leasing companies. To begin with Initial Depreciation Allowance admissible for a first time use of assets in Pakistan has been halved to 25% from the originally available rate of 50%. This has, in one sharp blow, curtailed the ability of leasing companies to enjoy temporary Tax Losses arising from Depreciation on leased assets, thereby reducing their appetite for financing larger amounts of Plant & Equipment.

The second discouraging step taken under The Federal Finance Act 2014 was the introduction of an Alternate Corporate Tax (ACT) at 17%, which has been retrospectively applied on Accounting Income, starting from current Tax Year 2014. This has increased the tax burden on leasing companies, as compared to other financial institutions engaged in a similar business activity, such as banks and modarabas. Your Company has filed a Constitutional Petition in Sindh High Court against the imposition of ACT, and the Honorable Court has granted an injunction against application of ACT on PGL. It is hoped, that PGL would be exempted from a levying of this Tax, as a result of the Company's Petition.

#### **The Way Forward**

The prudence exercised by your Company, in previous years, by owning its office premises; by restricting the size of funds mobilised through its Cols; and by concentrating on recovery, have helped PGL to be in a much better position, as compared to others in its peer group. Vigilance exercised in vetting the lessees' credentials and track record of their businesses and selectively choosing the assets to be leased, has kept your Company going without endangering its financial viability. These very policies are intended to be followed, in the future as well. More emphasis is intended to be assigned to operating in such a safe and secured manner, that PGL's Ratings Profile continues to improve. The accomplishment of this target is visible from the last awarded credit rating assigned to PGL that of A- for Medium to Long-term and A2 for Short-term. As far as possible, the cost of borrowings from banks is being kept at a lower level, by utilizing their credit facilities on a "when needed" basis, with a stress on rolling over the recovered rentals, as efficiently and profitably, as possible, for enhancing your Company's profitability. The continuous demand, however, on the Company to increase PGL's Lease Portfolio, is likely to raise a demand for leveraging your Company's resource base by mobilizing cheaper finance through an increase in our Certificates of Investment (Cols) Portfolio, in addition to increasing our Equity Base.

#### **MINIMUM EQUITY REQUIREMENT (MER) - Auditors' Comments**

With respect to the Auditors' comments on Minimum Equity Requirements, your directors recognise that the matter relates to the entire leasing sector. The SECP also appreciates, that given the prevailing



economic conditions, where investors are reluctant to undertake additional investments in any Sector, without exception, it would be difficult to expect PGL, or any other leasing company facing a similar situation, to fulfill the MER under the existing applicable NBFC Regulations. In this regard, it may be added that SECP had earlier issued the draft of Amended NBFC Regulations for comments of the stakeholders which included, among other changes, a reduction in MER and extension in time for meeting it, whereby a leasing company would be required to meet MER of Rs. 500 million within two years of the coming into force of the Amended NBFC Regulations. The aforesaid changes in MER are expected to be notified soon by SECP. Notwithstanding the said position, your Board is fully prepared to make alternate arrangements for coming up to the expectations of the SECP, with respect to the minimum equity requirements, for your Company. In this regard your Board in its meeting held on April 29, 2015 has recommended to issue 28.15496 % right shares at a discount of Rs. 3 per share in proportion of 2.815496 shares for every 10 share. The proposed right issue is subject to approval from shareholders and regulatory authorities.

### **CORPORATE GOVERNANCE**

Your Company has fully implemented the "The Code of Corporate Governance" (the 'Code') in both letter and spirit. The Review Report of the External Auditors to the Members, represented by the Statements in Compliance with the Best Practices of the Code of Corporate Governance, is appended to this Report.

#### **Human Resource and Remuneration Committee (HR & R)**

In keeping with the requirements of The Code of Corporate Governance, your directors have constituted the Human Resource and Remuneration Committee of the Board of Directors of your Company as shown below:

<b>S.No.</b>	<b>Name of Member</b>	<b>Designation</b>
1.	Air Marshal Syed Masood Hatif (Retd)	Chairman
2.	Brigadier Naveed Nasar Khan (Retd)	Vice Chairman
3.	Mr. Pervez Inam	Member
4.	Mr. Sohail Inam Ellahi	Member
5.	Lt. Col. Saleem Ahmed Zafar (Retd)	Member

#### **Audit Committee**

The Board of Directors, in compliance with the Code of Corporate Governance, has established an Audit Committee consisting of the following directors. During the year under review four (4) meetings of the Audit Committee were held at which the attendance details of the Members are given below:

<b>S.No.</b>	<b>Name of Member</b>	<b>Designation</b>	<b>No. of Meetings Attended</b>
1.	Mr. Rizwan Humayun	Chairman	4
2.	Air Marshal Syed Masood Hatif (Retd)	Vice Chairman	3
3.	Brigadier Naveed Nasar Khan (Retd)	Member	4
4.	Mr. Shaheed H Gaylani	Member	3
5.	Ms. Farah Farooq	Secretary	4

#### **Credit Rating**

It should be a matter of great satisfaction for the Company's Shareholders to note, that JCR-VIS, following a detailed analysis and evaluation of your Company's performance, on September 25, 2014, upgraded Company's Entity Rating; Medium to Long-term Rating from BBB+ to A-, and the Short-term Rating from A-3 at A-2. The Outlook for the Company has been marked as Stable. A review of the aforesaid Ratings by JCR-VIS is under progress for the current Financial Year and it is hoped that some further improvement in your Company's Rating Status would be made once again.

#### **Auditors**

For the FY-2015 Messers BDO Ebrahim & Co., Chartered Accountants were appointed as statutory auditors on the completion statutory period of five years of their appointment as auditors of PGL by the prior auditors; Messers KPMG Taseer Hadi & Co., Chartered Accountants after audit of FY-2014.

The Board of Directors wishes to place, on record, their appreciation for the high standards of professionalism, integrity and ethics maintained by the auditors - BDO Ebrahim & Co., Chartered Accountants.

**Acknowledgements**

The Board would like to place on record its appreciation for the management team of your Company and each and every member of its staff for their hard work and dedication, which has been reflected in a consistently maintained and highly satisfactory performance of your Company, in the challenging economic environment. We, the Members of the Board, as representatives of the Shareholders of the Company, assure the management and staff of the Company of our continued support and commitment towards strengthening the Company and leading it to maintain its growth and performance. We are confident, that the management and the staff will continue to serve the customers of the Company with the same zeal, as demonstrated by them in all the previous years, enabling your Company to further improve its reputation in the financial services sector of Pakistan.

The Board also acknowledges the co-operation and guidance extended to the Company by the Securities and Exchange Commission of Pakistan (SECP), the State Bank of Pakistan and other regulatory authorities. Their role is critical in developing the Financial Services Sector and we hope that their actions will continue to strengthen this sector. The Board would also like to praise the NBFIs & Modaraba Association of Pakistan for its assistance and support in professionally safe-guarding your Company's interest. At the end, we would like to thank our valued Shareholders, Customers, Bankers, Investors and other Stakeholders for their valuable support during the year. We look forward to reinforcing and building this relationship further in the years to come.

**Statements in Compliance with the Code of Corporate Governance**

The Board of Directors has reviewed the Code of Corporate Governance and confirms the correctness of the following statements to the best of our knowledge and belief:

- Financial statements prepared by the management of the Pak-Gulf Leasing Company Limited, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and the accounting estimates presented in the report are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained.
- The system of internal control is sound in design, and has been effectively implemented and monitored.
- There is no significant doubt upon the Company's ability to continue as a going concern.
- There was no trade in shares of the Company, carried out by its directors, CEO, COO, CFO, Company Secretary, Head of Internal Audit and their spouses and minor children.
- There has been no material departure from best practices of corporate governance, as detailed in the listing regulations.

**Pattern of Shareholding**

Pattern of Shareholdings, as required by the Code of Corporate Governance, as at June 30, 2015, is appended at the end of this Report.

Significant deviations from the last year, in the operating results, have been highlighted at the beginning of this Report, along with reasons thereof.

**Key Operating and Financial Data for the last six (6) years 2010 – 2015**

Year ended 30th June	2015	2014	2013	2012	2011	2010
<b>Operational Results:</b>	----- Rupees -----					
Revenues	120,800,853	94,648,511	77,029,731	84,405,724	69,197,688	69,383,320
Lease Revenue	117,152,534	89,270,252	70,897,873	77,359,593	64,474,169	64,157,818
Profit before Taxation	54,260,991	47,678,901	46,699,898	48,102,092	33,900,240	32,272,693
Profit after Taxation	50,284,982	29,220,611	27,280,001	22,504,643	15,528,757	21,249,408
Finance Cost	20,306,096	8,372,942	5,479,981	10,633,657	5,548,263	9,650,487
Provision for Potential Lease Losses	(52,620)	1,420,902	(6,883,301)	(2,592,026)	(1,792,732)	7,505,698
Dividend/(Stock) %	-	-	-	-	-	5.00 %
<b>Balance Sheet:</b>						
Shareholders Equity	505,500,727	452,496,423	420,278,122	389,817,560	364,805,885	346,117,010
Surplus on Revaluation of Assets	41,949,605	42,326,603	44,554,319	38,596,264	41,205,380	43,814,496
Reserves	249,535,302	196,919,786	165,471,459	135,670,642	110,556,883	92,419,010
Working Capital	31,071,397	83,786,321	172,425,843	208,856,017	166,683,772	179,305,685
Non-current Liabilities	486,656,368	334,515,596	287,278,921	304,498,443	288,463,703	235,872,082
Long-term Loans	-	-	-	25,000,000	58,333,332	25,000,000
Investments	28,206,036	23,935,647	5,273,569	4,592,869	4,676,315	4,444,271
<b>Financial Ratios:</b>						
Income / Expense Ratio	1.82	2.08	2.07	2.17	1.86	2.34
Earning per Share (in Rs)	1.98	1.15	1.08	0.89	0.61	0.84
Debt / Equity Ratio	NIL	NIL	NIL	6.02	14.28	6.02
Current Ratio	1.07	1.22	2.09	2.78	2.37	3.41

**Board Meetings**

Four (04) Board Meetings were held during the year under review. Details of attendance are as follows:

S. No.	Name of Director	No. of Meetings Attended
1.	Mr. Sohail Inam Ellahi	2
2.	Air Marshal Syed Masood Hatif (Retd)	3
3.	Mr. Shaheed H Gayalani	3
4.	Mr. Pervez Inam	3
5.	Brigadier Naveed Nasar Khan (Retd)	4
6.	Mr. Rizwan Humayun	4
7.	Mr. Fawad Saleem	1
8.	Lt. Col. Saleem Ahmed Zafar (Retd)	4
9.	Mr. Mahfuz-ur-Rehman Pasha	4

Statutory Payment of Rs. 1,793,332 on account of taxes, duties, levies and/or charges was outstanding against the Company as on June 30, 2015.

Value of investments of the Staff Provident Fund stood at Rs. 4,452,274 as at June 30, 2015. This represents funds placed with an A-rated commercial bank and investment in the Registered Units of the National Investment Trust.

**Chairman**
**Chief Executive Officer**

 September 30, 2015  
 Karachi

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi, Lahore and Islamabad Stock Exchanges respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. As on June 30, 2015 the Board includes:

Category	Names
Independent Directors *	Brig. Naveed Nasar Khan (Retd) Mr. Rizwan Humayun
Executive Director	Lt. Col. Saleem Ahmed Zafar (Retd) Mr. Mahfuz-ur-Rehman Pasha
Non-Executive Directors	Mr. Sohail Inam Ellahi Air Marshal Syed Masood Hatif (Retd) Mr. Fawad Salim Malik Mr. Pervez Inam Mr. Shaheed H. Gaylani

\*The independent directors meet the criteria of independence under clause (i) (b) of the CCG.

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancies occurred on the board during the year.
5. The Company has prepared a 'Code of Conduct' and the same is placed on the Company's website to disseminate it throughout the Company.
6. The board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors have been taken by the board/shareholders.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors have been provided with the copies of the listing regulations, Company's memorandum and articles of association and the Code of Corporate Governance and they are well conversant with their duties and responsibilities. During the year two directors of the Company have acquired the required certificate of Directors Training course from an Institute approved by the Securities and Exchange Commission of Pakistan (SECP). Further, the domestic and international business environment and regulatory changes were discussed with the directors in the BOD meetings held during the year.

10. No new appointment of CFO, Company Secretary and Head of Internal audit was made during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises of four members, all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of five members including three non-executive directors, one executive director and one independent director. The chairman of the committee is a non-executive director.
18. The Board has set up an effective internal audit function and the internal auditor is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all the participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the CCG have been duly complied with.

**Chief Executive Officer****Director**September 30, 2015  
Karachi



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## REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Pak - Gulf Leasing Company Limited** for the year ended June 30, 2015 to comply with the requirements of Listing Regulation No. 35 of Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2015.

KARACHI

DATED: 30 SEP 2015

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

### BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

## Shariah Advisor's Report

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Pak-Gulf Leasing Company Limited (PGL) established an Islamic Division on 1<sup>st</sup> March 2013. PGL, in consultation with the undersigned, developed and executed a Shariah-complaint Ijarah product.

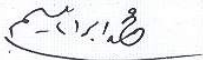
By the grace of Allah, the year under review was the third year of Islamic financing at Pak-Gulf Leasing Company Limited. During the last year concluded, a number of Shariah-compliant transactions have been carried out by PGL with valuable clients.

In the capacity of PGL's Shariah Advisor, I have reviewed the Legal documents of Ijarah (Vehicle & Machinery) and supervised the above mentioned transactions.

I confirm that the Ijarah transactions, executed by PGL, are Shariah-compliant and the Legal Agreement(s) have been executed on the formats as approved by the Shariah Advisor and all the related conditions have been met.

I certify that the treasury function and accounting treatment of the referred product are in conformity to Shariah requirements.

Alhamdulillah, PGL is still working sincerely on the development and refinement of its Islamic product to make it more attractive to the interested clients. May Allah make us successful in this regard and accept our efforts. In addition to this, I would like to take this opportunity to offer praise to Almighty Allah and seek His Guidance and Blessings and to express my best wishes for further progress, development and prosperity of **Pak-Gulf Leasing Company Limited (PGL) and Islamic Finance.**



Mufti Ibrahim Essa  
Shariah Advisor  
Pak-Gulf Leasing Company Limited





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#### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of PAK-GULF LEASING COMPANY LIMITED ("the Company") as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 and of the income, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

#### BDO Ebrahim & Co. Chartered Accountants

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Without qualifying our opinion, we draw attention to note 1.2 to the financial statements which discusses the matter relating to the minimum equity requirement as required by the Non Banking Finance Companies and Notified Entities Regulations, 2008.

The financial statements for the year ended June 30, 2014 were audited by another firm of chartered accountants who had expressed an unqualified opinion thereon vide their report dated September 26, 2014. The report included an emphasis of matter in respect of the matter emphasized above.

KARACHI

DATED: 30 SEP 2015

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

**BDO Ebrahim & Co. Chartered Accountants**

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**BALANCE SHEET  
AS AT JUNE 30, 2015**

	Note	2015	2014
----- Rupees -----			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	5	43,753,913	18,734,373
Short term investments	6	3,461,625	3,072,837
Other receivables - net	7	1,328,723	5,873,261
Advances to employees		78,304	81,914
Accrued mark-up / return on investments		1,229,408	1,044,514
Prepayments		527,043	717,925
Current portion of net investment in finance lease	8	438,608,838	429,472,999
Taxation - net	9	8,734,754	4,579,176
<b>Total current assets</b>		<b>497,722,608</b>	<b>463,576,999</b>
<b>Non-current assets</b>			
Net investment in finance lease	8	850,949,630	623,154,313
Long-term investments	10	24,744,411	20,862,810
Long-term deposits		109,500	109,500
Operating fixed assets	11	125,763,680	100,976,272
Intangible assets	12	1,468,082	449,406
<b>Total non-current assets</b>		<b>1,003,035,303</b>	<b>745,552,301</b>
<b>Total assets</b>		<b>1,500,757,911</b>	<b>1,209,129,300</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	13	9,170,873	10,061,629
Accrued mark-up	14	4,161,639	3,438,338
Certificates of investment - unsecured	15	156,466,231	137,107,176
Short term borrowings	16	192,856,269	99,922,571
Short term loan from a related party	17	40,000,000	22,000,000
Current portion of advance rental against Ijarah leasing	19	3,337,816	3,191,362
Current portion of long-term deposits	18	60,658,383	104,069,602
<b>Total current liabilities</b>		<b>466,651,211</b>	<b>379,790,678</b>
<b>Non-current liabilities</b>			
Long-term deposits	18	345,791,150	204,525,380
Advance rental against Ijarah leasing	19	7,222,006	1,562,773
Deferred taxation - net	20	133,643,212	128,427,443
<b>Total non-current liabilities</b>		<b>486,656,368</b>	<b>334,515,596</b>
<b>Total liabilities</b>		<b>953,307,579</b>	<b>714,306,274</b>
<b>NET ASSETS</b>		<b>547,450,332</b>	<b>494,823,026</b>
<b>Financed by:</b>			
Share capital	21	253,698,000	253,698,000
Reserves	22	249,535,302	196,919,786
		<b>503,233,302</b>	<b>450,617,786</b>
Surplus on revaluation of available for sale investments	6	2,267,425	1,878,637
Total equity		<b>505,500,727</b>	<b>452,496,423</b>
Surplus on revaluation of operating fixed assets - net of tax	23	41,949,605	42,326,603
		<b>547,450,332</b>	<b>494,823,026</b>
<b>Contingencies and commitments</b>	24		

The annexed notes 1 to 40 form an integral part of these financial statements.

**Chief Executive Officer**

**Director**

**PROFIT AND LOSS ACCOUNT**  
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	2014
----- Rupees -----			
<b>INCOME</b>			
Income from leasing operations	25	117,152,534	89,270,252
<b>Other Operating Income</b>			
Profit on bank accounts / return on investments	26	3,626,481	5,329,285
Other income	27	21,838	48,974
		3,648,319	5,378,259
		120,800,853	94,648,511
<b>OPERATING EXPENSES</b>			
Administrative and operating expenses	28	46,156,471	37,094,949
Finance cost	29	20,306,096	8,372,942
Other charges		77,295	80,817
		66,539,862	45,548,708
<b>Operating profit before provision</b>		54,260,991	49,099,803
Reversal for potential lease losses	8.3	52,620	833,597
Provision against lease receivable held under litigation	7.3	-	(823,807)
Provision against insurance premium and other receivables	7.4	-	-
<b>Profit before taxation</b>		54,313,611	47,678,901
<b>Taxation</b>	30	4,028,629	18,458,290
<b>Profit for the year</b>		50,284,982	29,220,611
<b>Earning per share-basic and diluted</b>	31	1.98	1.15

The annexed notes 1 to 40 form an integral part of these financial statements.

**Chief Executive Officer**

**Director**

**STATEMENT OF  
COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2015**

	Note	2015	2014
		----- Rupees -----	
Profit for the year		<b>50,284,982</b>	29,220,611
<b>Other comprehensive income for the year</b>			
<i>Items to be reclassified to income statement in subsequent periods:</i>			
Surplus on revaluation of available for sale investments	6	<b>388,788</b>	769,974
<b>Total comprehensive income for the year</b>		<b><u>50,673,770</u></b>	<b><u>29,990,585</u></b>

The annexed notes 1 to 40 form an integral part of these financial statements.

**Chief Executive Officer**

**Director**

## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015	2014
		----- Rupees -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		54,313,611	47,678,901
<b>Adjustment for:</b>			
Depreciation		15,769,054	8,113,692
Amortisation		149,802	149,802
Finance cost		20,306,096	8,372,942
Amortisation of (discount) / premium on PIB investment		(46,702)	17,133
Reversal of potential lease losses		(52,620)	(833,597)
Provision against insurance premium and other receivable		-	823,807
Provision against lease receivable held under litigation		-	1,430,692
Gain on disposal of fixed asset		-	(2,450)
		36,125,630	18,072,021
<b>Operating profit before working capital changes</b>		<b>90,439,241</b>	<b>65,750,922</b>
<b>Movement in working capital</b>			
<b>Decrease / (increase) in current assets</b>			
Advances to employees		3,610	59,010
Accrued mark-up / return on investments		(184,894)	(928,724)
Other receivables - net		4,544,538	(3,167,564)
Long term deposits		-	100,000
Prepayments		190,882	288,430
		4,554,136	(3,648,848)
<b>(Decrease) / increase in current liabilities</b>			
Trade and other payables		(890,756)	3,565,585
		(890,756)	3,565,585
<b>Cash generated from operations</b>		<b>94,102,621</b>	<b>65,667,659</b>
<b>Finance cost paid</b>			
Finance cost paid		(19,582,795)	(7,704,675)
Tax paid		(1,014,902)	(2,229,152)
Deposits received from / (paid) to lessees		97,854,551	80,858,717
Advance Ijarah rental received from lessees		5,805,687	4,279,466
Increase in net investment in finance lease - net		(236,878,536)	(258,868,279)
		(153,815,995)	(183,663,923)
<b>Net cash outflow from operating activities</b>		<b>(59,713,374)</b>	<b>(117,996,264)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(41,724,940)	(25,370,971)
Proceeds from disposal of fixed asset		-	39,150
Long-term investment		(3,834,899)	(17,909,237)
<b>Net cash outflow from investing activities</b>		<b>(45,559,839)</b>	<b>(43,241,058)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from certificates of investment - net		19,359,055	77,272,750
Short term loan - related party - net		18,000,000	22,000,000
<b>Net cash inflow from financing activities</b>		<b>37,359,055</b>	<b>99,272,750</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(67,914,158)</b>	<b>(61,964,572)</b>
Cash and cash equivalents at the beginning of the year		<b>(81,188,198)</b>	<b>(19,223,626)</b>
<b>Cash and cash equivalents at the end of the year</b>	35	<b>(149,102,356)</b>	<b>(81,188,198)</b>

The annexed notes 1 to 40 form an integral part of these financial statements.

**Chief Executive Officer**

**Director**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2015**

	Share capital	Reserves			Sub Total	Surplus on revaluation of available for sale Investment	Total equity
		Capital		Revenue			
		Statutory reserve	Reserve for issue of bonus shares	Unappropriated profit			
----- Rupees -----							
<b>Balance as at June 30, 2013</b>	253,698,000	45,701,974	4,402,000	115,367,485	165,471,459	1,108,663	420,278,122
<i>Total comprehensive income for the year ended June 30, 2014</i>							
Profit for the year	-	-	-	29,220,611	29,220,611	-	29,220,611
<i>Other comprehensive income</i>							
Surplus on revaluation of available for sale investments	-	-	-	-	-	769,974	769,974
	-	-	-	29,220,611	29,220,611	769,974	29,990,585
Transfer from surplus on revaluation of operating fixed assets to unappropriated profit - net of deferred tax	-	-	-	2,227,716	2,227,716	-	2,227,716
Transfer to statutory reserve (note 22.1)	-	5,844,122	-	(5,844,122)	-	-	-
<b>Balance as at June 30, 2014</b>	253,698,000	51,546,096	4,402,000	140,971,690	196,919,786	1,878,637	452,496,423
<i>Total comprehensive income for the year ended June 30, 2015</i>							
Profit for the year	-	-	-	50,284,982	50,284,982	-	50,284,982
<i>Other comprehensive income</i>							
Surplus on revaluation of available for sale investments	-	-	-	-	-	388,788	388,788
	-	-	-	50,284,982	50,284,982	388,788	50,673,770
Transfer from surplus on revaluation of operating fixed assets to unappropriated profit - net of deferred tax	-	-	-	2,330,534	2,330,534	-	2,330,534
Transfer to statutory reserve (note 22.1)	-	10,056,996	-	(10,056,996)	-	-	-
<b>Balance as at June 30, 2015</b>	<b>253,698,000</b>	<b>61,603,092</b>	<b>4,402,000</b>	<b>183,530,210</b>	<b>249,535,302</b>	<b>2,267,425</b>	<b>505,500,727</b>

The annexed notes 1 to 40 form an integral part of these financial statements.

**Chief Executive Officer**

**Director**

**1. STATUS AND NATURE OF BUSINESS**

- 1.1** Pak-Gulf Leasing Company Limited ("the Company") was incorporated in Pakistan on December 27, 1994 as a public limited company under the Companies Ordinance, 1984 and commenced its operations on September 16, 1996. The Company is principally engaged in the business of leasing and is listed on all three Stock Exchanges of Pakistan, namely, the Karachi Stock Exchange (Guarantee) Limited, the Lahore Stock Exchange (Guarantee) Limited and the Islamabad Stock Exchange (Guarantee) Limited. The registered office of the Company is situated at The Forum, Rooms 125 - 127, First floor, Main Khayaban-e-Jami, Clifton, Karachi.
- 1.2** Regulation 4 of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations 2008) requires a leasing company to maintain, at all times, minimum equity of Rs. 700 million. The equity of the Company as at June 30, 2015 is Rs. 505.501 million which is Rs. 194.499 million short of the minimum capital requirement. Securities and Exchange Commission of Pakistan (SECP) is reviewing the overall regulatory regime including the minimum equity requirement. In this regard SECP has recently issued draft of Amended NBFC Regulations, 2008 keeping in view the recommendations of the NBF- Reform Committee Report, for comments of the stakeholders which includes among other measures, reduction in minimum equity requirement limit and extension in time for meeting it whereby a leasing company is required to meet minimum equity requirements of Rs. 500 million within two years of the coming into force of the Amended NBFC Regulations.
- 1.3** JCR-VIS Credit Rating Company Limited (JCR-VIS) has assigned A- and A-2 ratings to the Company for medium to long term and short term, respectively on September 25, 2014.

**2. BASIS OF PREPARATION****2.1 Statement of Compliance**

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by International Accounting Standards Board (IASB) as are notified under the Companies Ordinance 1984, Islamic Financial Accounting Standard - 2 Ijarah (IFAS-2) issued by Institute of Chartered Accountants of Pakistan (ICAP), the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case the requirements differ, the provisions of and directives issued under the NBFC Rules, the NBFC Regulations, Companies Ordinance, 1984 and the directives issued by SECP shall prevail.

**2.2 Basis of Measurement**

These financial statements have been prepared under the historical cost convention, except that certain operating fixed assets are stated at revalued amount and investments classified as 'available for sale' are marked to market and carried at fair value.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

**2.3 Functional and presentation currency**

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Company.

**3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS**
**3.1 Standards or interpretations that are effective in current year but not relevant to the Company**

The Company has adopted the following accounting standards and interpretations which became effective during the year:

	<b>Effective date (annual periods beginning on or after)</b>
IFRIC 21 Levies	Jan. 01, 2014

**3.2 Amendments that are effective in current year but not relevant to the Company**

The Company has adopted the amendments to the following accounting standards which became effective during the year:

IFRS 2 Share-based Payment - Amendments resulting from Annual Improvements 2010-2012 Cycle (definition of 'vesting condition')	July 01, 2014
IFRS 3 Business Combinations - Amendments resulting from Annual Improvements 2010-2012 Cycle (accounting for contingent consideration) and 2011-2013 Cycle (scope exception for joint ventures)	July 01, 2014
IFRS 8 Operating Segments - Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	July 01, 2014
IFRS 10 Consolidated Financial Statements - Amendments for investment entities	Jan. 01, 2014
IFRS 12 Disclosure of Interests in Other Entities - Amendments for investment entities	Jan. 01, 2014
IFRS 13 Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)	July 01, 2014
IAS 16 Property, Plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014
IAS 19 Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	July 01, 2014
IAS 24 Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	July 01, 2014
IAS 27 Separate Financial Statements - Amendments for investment entities	Jan. 01, 2014
IAS 32 Financial Instruments - Presentation - Amendments relating to the offsetting of assets and liabilities	Jan. 01, 2014
IAS 36 Impairment of Assets - Amendments arising from recoverable amount disclosures for non financial assets	Jan. 01, 2014
IAS 38 Intangible Assets - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	July 01, 2014



	<b>Effective date (annual periods beginning on or after)</b>
IAS 39 Financial Instruments: Recognition and Measurement - Amendments for novations of derivatives	Jan. 01, 2014
IAS 40 Investment Property - Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)	July 01, 2014

### 3.3 Amendments not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Amendments resulting from September 2014 Annual Improvements to IFRSs	Jan. 01, 2016
IFRS 7 Financial Instruments: Disclosures - Amendments resulting from September 2014 Annual Improvements to IFRSs (Servicing Contracts and Applicability of the offsetting amendments in condensed interim financial statements)	Jan. 01, 2016
IFRS 9 Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	Jan. 01, 2018
IFRS 10 Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Jan. 01, 2016
IFRS 10 Consolidated Financial Statements - Amendments regarding the application of the consolidation exception	Jan. 01, 2016
IFRS 11 Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	Jan. 01, 2016
IFRS 12 Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	Jan. 01, 2015
IAS 1 Presentation of Financial Statements - Amendments resulting from the disclosure initiative	Jan. 01, 2016
IAS 16 Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	Jan. 01, 2016
IAS 19 Employee Benefits - Amendments resulting from September 2014 Annual Improvements to IFRSs	Jan. 01, 2016
IAS 27 Separate Financial Statements (as amended in 2011) - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	Jan. 01, 2016

	<b>Effective date (annual periods beginning on or after)</b>
IAS 28 Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Jan. 01, 2016
IAS 28 Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception	Jan. 01, 2016
IAS 34 Interim Financial Reporting - Amendments resulting from September 2014 Annual Improvements to IFRSs	Jan. 01, 2016
IAS 38 Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	Jan. 01, 2016
IAS 39 Financial Instruments: Recognition and Measurement - Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	Jan. 01, 2018
IAS 41 Agriculture - Amendments bringing bearer plants into the scope of IAS 16	Jan. 01, 2016

### 3.4 Standards or interpretations not yet effective

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers

The Company expects that the adoption of the above amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the periods presented in these financial statements.

### 4.1 Financial assets

#### 4.1.1 Classification

The Company classifies its financial assets in the following categories: loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

**a) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

**b) Held-to-maturity**

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Company has a positive intent and ability to hold to maturity.

**c) Available for sale**

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held to maturity investments or financial assets at fair value through profit or loss.

**4.1.2 Initial recognition and measurement**

Financial assets are initially recognised at fair value plus any related transaction costs directly attributable to the acquisition.

**4.1.3 Subsequent measurement**

Subsequent to initial recognition, financial assets designated by the management as loans and receivables, held to maturity and available for sale are valued as follows:

**a) Loans and receivables**

Loans and receivables are carried at amortised cost.

**b) Held to maturity**

Subsequent to initial measurement, held to maturity investments are carried at amortised cost.

**c) Available for sale**

Subsequent to initial measurement, available for sale investments are revalued and are remeasured to fair value.

Surplus or deficit arising on changes in fair value of available for sale financial assets are taken to equity through statement of comprehensive income until these are derecognised. At this time, the cumulative surplus or deficit previously recognised directly in equity is transferred to the profit and loss account.

**4.1.4 Impairment**

The carrying value of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

**4.1.5 Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership attached to such financial assets.

**4.2 Financial liabilities**

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

**4.3 Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

**4.4 Cash and bank balances**

Cash in hand and at banks are carried at nominal amount.

**4.5 Cash and cash equivalents**

Cash and cash equivalents comprise of cash balances and bank deposit, and other short-term highly liquid investments with original maturities of three months or less, short-term running finance facilities that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

**4.6 Net investment in finance lease**

Leases where the Company transfers substantially all the risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognised on the balance sheet. The difference between the gross lease receivables and the present value of the lease receivables is recognised as unearned finance income.

A receivable is recognised at an amount equal to the present value of the minimum lease payments under the lease agreements, including guaranteed residual value, if any.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in the profit and loss account on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivables.

Initial direct costs incurred by the Company in negotiating and arranging finance leases are added to finance lease receivables and are recognised as an expense in the profit and loss account over the lease term on the same basis as the finance lease income.

**4.7 Provision for potential lease losses and provision for terminated leases**

Calculating the provision for net investment in finance lease losses and provision for terminated leases is subject to numerous judgments and estimates. In evaluating the adequacy of provision, management considers various factors, including the requirements of the NBFC Regulations, 2008 issued by Securities and Exchange Commission of Pakistan, the nature and characteristics of the obligor, current economic conditions, credit concentrations, historical loss experience and delinquencies. Lease receivables are charged off, when in the opinion of management, the likelihood of any future collection is believed to be minimal.

**4.8 Operating fixed assets**

These are stated at cost less accumulated depreciation and impairment losses, if any, except for leasehold premises which is stated at revalued amount less accumulated depreciation and impairment losses.

Subsequent costs are included in the assets' carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other subsequent costs including repairs and maintenance are charged to the profit and loss account as and when incurred.

Depreciation is charged using the straight line method, whereby the depreciable amount of an asset is written off over its estimated useful life at the rates specified in note 11.1 after taking into account residual value, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the month the assets are put to use while no depreciation is charged in the month in which the assets are disposed off.

Any surplus arising on revaluation of operating fixed assets is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amounts of assets do not differ materially from the fair value of such assets. To the extent of the incremental depreciation charged on the revalued assets, the surplus on revaluation of operating fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

Gains or losses on sale of assets are charged to the profit and loss account in the period in which they arise, except that the related surplus on revaluation of assets (net of deferred taxation) is transferred directly to accumulated profit.

**Ijarah assets**

Rental from Ijarah arrangements are recognised in profit and loss on accrual basis as and when rentals become due. Costs including depreciation, incurred in earning the Ijarah income are recognised as expense. Initial direct costs incurred specifically to earn revenues from Ijarah are recognised as an expense in the period in which they are incurred. Assets leased out are depreciated over the period of lease term on a straight line basis.

**4.9 Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. These are amortised using the straight line method reflecting the pattern in which the economic benefits of the asset are consumed by the Company as mentioned in note 12.

**4.10 Other receivables**

Other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when considered irrecoverable.

**4.11 Provisions**

Provisions are recognised when the company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

#### **4.12 Taxation**

##### **4.12.1 Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for current taxation also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

Taxable income for the purpose of computing current taxation is determined under the provisions of the tax laws, whereby, lease rentals received and receivable are deemed to be the income of the Company.

Provision for taxation is thus based on taxable income determined in accordance with the requirements of such laws, and is made at the current rates of taxation in the Income Tax Ordinance, 2001.

##### **4.12.2 Deferred**

Deferred tax is recognised, using the balance sheet liability method, on all temporary differences arising between the tax base of assets and liabilities and their carrying amount. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on the tax rates that have been enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, whereas deferred tax assets are recognised for all deductible temporary differences. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits or taxable temporary differences will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. In addition, the Company also recognises deferred tax liability on the surplus on revaluation of tangible fixed assets which is adjusted against the related surplus in accordance with the requirements of International Accounting Standard 12 (IAS 12), 'Income Taxes'.

#### **4.13 Trade and other payables**

Liabilities for trade and other payables are recognised initially at fair value and subsequently carried at amortised cost.

#### **4.14 Borrowings**

Loans and borrowings are recorded at the proceeds received. Finance cost are accounted for on accrual basis and are shown as interest and markup accrued to the extent of the amount remaining unpaid.

Short term borrowings are classified as current liabilities unless the Company has unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

#### **4.15 Staff retirement benefits**

##### **Defined contribution plan**

The Company operates an approved defined contributory provident fund for all its permanent employees. Monthly contributions are made to the fund equally by the Company and the employees in accordance with the rules of the Fund. The contributions are recognised as employee benefit expense when they become due.

Staff retirement benefits are payable to employees on completion of the prescribed qualifying period of service under the scheme.

**4.16 Employees' compensated absences**

The Company accounts for the liability in respect of employees' compensated absences in the year in which these are earned. Provision to cover the obligations under the scheme is made based on the current leave entitlements of the employees and by using the current salary level of the employees.

**4.17 Currency translation****Foreign currency transactions**

Items included in financial statements are measured using the currency of the primary economic environment in which the Company operates.

Transactions in foreign currencies are translated to Pakistani Rupees at the foreign exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rates of exchange approximating those prevailing on the balance sheet date. Exchange differences are taken to the profit and loss account.

**4.18 Revenue recognition****Finance lease income**

The Company follows the finance lease method in accounting for the recognition of lease income. Under this method, the unearned lease income i.e. the excess of gross lease rentals and the estimated residual value over the cost of the leased assets is deferred and taken to income over the term of the lease contract, so as to produce a systematic return on the net investment in finance lease. Unrealised lease income is held in suspense account, where necessary, in accordance with the requirements of the NBFC Regulations.

Documentation charges, late payment charges and processing fee are taken to income when realised.

**Rental income from Ijarah**

Rental from Ijarah arrangements are recognised in profit and loss on accrual basis as and when rentals become due.

**Mark-up / return on investments**

Mark-up income on debt securities is recognised on time proportion basis using the effective yield on instruments and return on equity securities is accounted for on accrual basis.

**Dividend income**

Dividend income from investment is recognised when the Company's right to receive dividend is established.

**Interest income**

Interest income on bank deposits is recognised on time proportion basis using the effective interest method.

**Gain or losses on sale of investments**

Capital gain or losses arising on sale of investments are taken to income in the period in which they arise.

**4.19 Earnings per share**

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary share holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares, if any.

**4.20 Dividend distribution and transfer between reserves**

Dividend distribution (including stock dividend) to the Company's shareholders and transfer between reserves, except appropriations which are required under law, are recognised in the financial statements in the period in which such dividends are declared or such transfers between reserves are made.

**4.21 Segment reporting**

Segment results that are reported to the Company's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items, if any, comprise corporate assets and tax assets and liabilities. Management has determined that the Company has a single reportable segment and therefore it has only presented entity wide disclosures.

**4.22 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires management to exercise judgment in application of the Company's accounting policies. 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 judgment about the carrying value of assets and liabilities that are not readily apparent from other sources, actual results may differ from those estimates. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to the Company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) Classification and valuation of investments (notes 4.1, 6 and 10).
- ii) Provision for current and deferred taxation (notes 4.12, 20 and 30).
- iii) Recognition and measurement of deferred tax assets and liabilities (notes 4.12.2, 20 and 30).
- iv) Classification and provision of net investment in finance lease (notes 4.6, 4.7 and 8).
- v) Determination and measurement of useful life and residual value of operating fixed assets (notes 4.8 and 11).
- vi) Determination and measurement of useful life and residual value of intangible assets (notes 4.9 and 12).
- vii) Measurement of leasehold premises carried at revalued amount. (notes 4.8, 11.2 and 23).



5.	<b>CASH AND BANK BALANCES</b>	Note	2015	2014
			----- Rupees -----	
	Cash in hand		17,082	5,076
	Balance with banks:			
	- in current accounts		38,733,438	16,829,807
	- in saving accounts	5.1	5,003,393	1,899,490
			<u>43,753,913</u>	<u>18,734,373</u>
5.1	These carry mark-up rates ranging from 5% to 6.25% (2014: 6.5% to 9%) per annum.			
6.	<b>SHORT TERM INVESTMENT</b>			
	<b>Available for sale investments</b>			
	<b>Cost</b>			
	54,300 units of National Investment (Unit) Trust (2014: 54,300)		1,194,200	1,194,200
	<b>Revaluation surplus / (deficit)</b>			
	As at July 01		1,878,637	1,108,663
	Surplus/ (deficit) for the year		388,788	769,974
	As at June 30		<u>2,267,425</u>	<u>1,878,637</u>
			<u>3,461,625</u>	<u>3,072,837</u>
7.	<b>OTHER RECEIVABLES - NET</b>			
	Lease receivable held under litigation	7.1	28,581,952	28,581,952
	Insurance premium and other receivable	7.2	2,506,560	7,051,098
			<u>31,088,512</u>	<u>35,633,050</u>
	Provision against lease receivable held under litigation	7.3	(25,600,250)	(25,600,250)
	Mark-up held in suspense against lease receivable held under litigation		(2,728,847)	(2,728,847)
	Provision against insurance premium and other receivable	7.4	(1,430,692)	(1,430,692)
			<u>1,328,723</u>	<u>5,873,261</u>
7.1	This includes net investment in finance lease terminated by the Company and where litigation has commenced.			
7.2	This includes insurance premium receivable from lessees for leased assets insured on their behalf by the Company. These amounts are recovered either during the lease period or on termination / maturity of the lease contracts.			
7.3	<b>Movement of provision against lease receivable held under litigation</b>			
			----- Rupees -----	
	Balance as at July 01		25,600,250	24,776,443
	Charge for the year		-	823,807
	Balance as at June 30		<u>25,600,250</u>	<u>25,600,250</u>

	Note	2015	2014
		----- Rupees -----	
<b>7.4 Movement of provision against insurance premium and other receivable</b>			
Balance as at July 01		1,430,692	-
Charge for the year		-	1,430,692
Balance as at June 30		<u>1,430,692</u>	<u>1,430,692</u>

**8. NET INVESTMENT IN FINANCE LEASE**

Net investment in finance leases	8.1	1,289,558,468	1,052,627,312
Current portion shown under current assets	8.1	<u>(438,608,838)</u>	<u>(429,472,999)</u>
		<u>850,949,630</u>	<u>623,154,313</u>

**8.1 Net investment in finance lease  
2015**

	2015				2014			
	Not later than one year	Later than one year and less than five years	Later than five years	Total	Not later than one year	Later than one year and less than five years	Later than five years	Total
	----- Rupees -----							
Minimum lease payments	472,311,495	572,631,137	1,296,445	1,046,239,077	413,632,492	480,423,646	1,004,904	895,061,042
Residual value of leased assets (note 8.2)	60,658,383	344,732,225	1,058,925	406,449,533	104,069,602	204,385,755	139,625	308,594,982
Gross investment in finance leases	532,969,878	917,363,362	2,355,370	1,452,688,610	517,702,094	684,809,401	1,144,529	1,203,656,024
Unearned lease income	(93,366,958)	(68,674,215)	(94,887)	(162,136,060)	(87,192,451)	(62,690,093)	(109,524)	(149,992,068)
Mark-up held in suspense	(116,033)	-	-	(116,033)	(105,975)	-	-	(105,975)
	(93,482,991)	(68,674,215)	(94,887)	(162,252,093)	(87,298,426)	(62,690,093)	(109,524)	(150,098,043)
	439,486,887	848,689,147	2,260,483	1,290,436,517	430,403,668	622,119,308	1,035,005	1,053,557,981
Provision for potential lease losses (note 8.3)	(878,049)	-	-	(878,049)	(930,669)	-	-	(930,669)
Net investment in finance lease	<u>438,608,838</u>	<u>848,689,147</u>	<u>2,260,483</u>	<u>1,289,558,468</u>	<u>429,472,999</u>	<u>622,119,308</u>	<u>1,035,005</u>	<u>1,052,627,312</u>

In certain leases, the Company has security, in addition to leased assets, in the form of mortgages / corporate / personal guarantees of associated companies / directors.

**8.2** These represent interest free security deposits received against lease contracts and are refundable / adjustable at the expiry / termination of the respective leases. The amount is net of security deposit held against matured leases amounting to Rs. 62.290 million (2014: Rs. 65.375 million).

**8.3 Provision for potential lease losses**

	Note	2015	2014
		----- Rupees -----	
Balance as at July 01		930,669	1,764,266
Reversal for the year		<u>(52,620)</u>	<u>(833,597)</u>
Balance as at June 30		<u>878,049</u>	<u>930,669</u>

- 8.4 The net investment in finance lease portfolio includes Rs. 0.88 million (2014: Rs. 0.93 million) which has been placed under non-performing status.
- 8.5 The Company has entered into various lease agreements for periods ranging from one to seven years (2014: one to seven years). Security deposits ranging from 5% to 64.5% (2014: 5% to 71.42%) are obtained at the time of entering into the lease arrangement. The rate of return implicit in the leases ranges from 10.51% to 22.36% (2014: 12.86% to 22.36%) per annum.

9. TAXATION - NET	Note	2015	2014
		----- Rupees -----	
Balance as at July 01		4,579,176	3,314,836
Advance tax paid		1,014,902	2,229,152
Charge for the year	30	(1,228,026)	(964,812)
Reversal of prior year tax	30.3	4,368,702	-
Balance as at June 30		<u>8,734,754</u>	<u>4,579,176</u>

#### 10. LONG TERM INVESTMENT

##### Held to maturity

Government Security			
Pakistan Investment Bonds		<u>24,744,411</u>	<u>20,862,810</u>

As per the requirements of Regulations 14(4)(i) of the Non Banking Finance Companies and Notified Entities Regulations, 2008, the Company is required to invest at least 15% of its outstanding funds raised through issue of Certificates of Investment in the Government securities. As at June 30, 2015, the Company had 15.81% of its funds raised through Certificates of Investment invested in Pakistan Investment Bonds (PIBs). It carries interest rate ranging from 9.25% to 11.5% per annum and has maturity date ranging from July 19, 2017 to March 25, 2020. The market value of investment as at June 30, 2015 amounted to Rs. 26.765 million (2014: Rs. 20.548 million).

11. OPERATING FIXED ASSETS	Note	2015	2014
		----- Rupees -----	
Fixed assets - own use	11.1	73,913,448	77,754,130
Fixed assets - Ijarah finance	11.3	51,850,232	23,222,142
		<u>125,763,680</u>	<u>100,976,272</u>

**11.1 Fixed Assets - own use**

Description	2015								Net book value as at June 30, 2015	Depreciation rate % per annum
	COST / REVALUED AMOUNT				ACCUMULATED DEPRECIATION					
	As at July 1, 2014	Addition / (deletion)	Surplus on revaluation	As at June 30, 2015	As at July 1, 2014	Charge for the year	On disposal	As at June 30, 2015		
	Rupees									
Leasehold premises	77,220,004	-	-	77,220,004	4,824,023	3,861,000	-	8,685,023	68,534,981	5
Leasehold improvements	670,981	-	-	670,981	670,981	-	-	670,981	-	33.33
Furniture & fittings	1,830,437	15,300	-	1,845,737	1,681,370	26,027	-	1,707,397	138,340	10
Office equipment	1,925,825	222,800	-	2,148,625	1,586,093	108,649	-	1,694,742	453,883	20
Vehicles	9,761,520	-	-	9,761,520	5,287,531	856,630	-	6,144,161	3,617,359	20
Computer equipment	2,796,903	1,106,862	-	3,903,765	2,401,542	333,338	-	2,734,880	1,168,885	33.33
	<b>94,205,670</b>	<b>1,344,962</b>	-	<b>95,550,632</b>	<b>16,451,540</b>	<b>5,185,644</b>	-	<b>21,637,184</b>	<b>73,913,448</b>	

Description	2014								Net book value as at June 30, 2014	Depreciation rate % per annum
	COST / REVALUED AMOUNT				ACCUMULATED DEPRECIATION					
	As at July 1, 2013	Addition / (deletion)	Surplus on revaluation	As at June 30, 2014	As at July 1, 2013	Charge for the year	On disposal	As at June 30, 2014		
	Rupees									
Leasehold premises	77,220,004	-	-	77,220,004	963,023	3,861,000	-	4,824,023	72,395,981	5
Leasehold improvements	670,981	-	-	670,981	670,981	-	-	670,981	-	33.33
Furniture & fittings	1,815,037	15,400	-	1,830,437	1,653,475	27,895	-	1,681,370	149,067	10
Office equipment	1,634,999	290,826	-	1,925,825	1,540,367	45,726	-	1,586,093	339,732	20
Vehicles	8,052,420	1,709,100	-	9,761,520	4,430,903	856,628	-	5,287,531	4,473,989	20
Computer equipment	2,372,498	424,405	-	2,796,903	2,095,689	305,853	-	2,401,542	395,361	33.33
	<b>91,765,939</b>	<b>2,439,731</b>	-	<b>94,205,670</b>	<b>11,354,438</b>	<b>5,097,102</b>	-	<b>16,451,540</b>	<b>77,754,130</b>	

**11.2** The Company follows the revaluation model for its leasehold premises. The leasehold premises of the Company were revalued as at November 1, 2005, October 27, 2008 and April 1, 2013 by M/s. Akbani & Javed Associates, independent valuation consultants, based on active market prices and relevant inquiries and information as considered necessary, adjusted for any difference in nature and location. The revaluations resulted in a net surplus of Rs. 41.224 million, Rs. 39.057 million and Rs. 13.044 million, respectively over the written down values of Rs. 9.731 million, Rs. 43.311 million and Rs. 64.178 million, respectively. Out of the revaluation surplus, an amount of Rs. 61.690 million remains undepreciated as at June 30, 2015 (2014: Rs. 65.118 million). Had there been no revaluation, the book value of leasehold premises would have been Rs. 6.844 million (2014: Rs. 7.278 million).

**11.3 Fixed assets - Ijarah finance**

		2015							
		COST		ACCUMULATED DEPRECIATION			Net book	Depreciation	
	As at July 1, 2014	Addition / (deletions)	As at June 30, 2015	As at July 1, 2014	Charge for the year	As at June 30, 2015	value as at June 30, 2015	rate % per annum	
Rupees									
Vehicles	4,318,740	1,867,500	4,098,740	2,135,212	637,580	685,292	3,413,448	33.33	
		(2,087,500)			(2,087,500)				
Machinery	22,130,000	37,344,000	59,474,000	1,091,386	9,945,830	11,037,216	48,436,784	20 to 33	
	26,448,740	39,211,500	63,572,740	3,226,598	10,583,410	11,722,508	51,850,232		
		(2,087,500)			(2,087,500)				

		2014							
		COST		ACCUMULATED DEPRECIATION			Net book	Depreciation	
	As at July 1, 2013	Addition / (deletions)	As at June 30, 2014	As at July 1, 2013	Charge for the year	As at June 30, 2014	value as at June 30, 2014	rate % per annum	
Rupees									
Vehicles	2,131,541	2,231,240	4,318,740	177,627	1,964,926	2,135,212	2,183,528	33.33 to 100	
		(44,041)			(7,341)				
Machinery	1,430,000	20,700,000	22,130,000	39,722	1,051,664	1,091,386	21,038,614	33	
	3,561,541	22,931,240	26,448,740	217,349	3,016,590	3,226,598	23,222,142		
		(44,041)			(7,341)				

11.4 The detail of fixed asset - Ijarah finance / own assets disposed off during the year is as follow:

	Original Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain / (Loss) on disposal	Mode of disposal	Particulars of buyer
Rupees							
2015	2,087,500	2,087,500	-	-	-	End of Ijarah term	Lessee
2014	44,041	7,341	36,700	39,150	2,450		

**12. INTANGIBLE ASSETS**

	Note	2015	2014
Rupees			
Intangible assets	12.1	1,468,082	449,406

**12.1 Intangible Assets**
**2015**

	COST		ACCUMULATED AMORTISATION			Net book value as at June 30, 2015	Amortisation rate % per annum
	As at July 1, 2014	Addition	As at June 30, 2015	As at July 1, 2014	Charge for the year		
	Rupees						
Computer Software	749,010	-	749,010	299,604	149,802	449,406	20
Software under development	-	1,168,478	1,168,478	-	-	1,168,478	-
<b>Total</b>	<b>749,010</b>	<b>1,168,478</b>	<b>1,917,488</b>	<b>299,604</b>	<b>149,802</b>	<b>449,406</b>	

**2014**

	COST		ACCUMULATED AMORTISATION			Net book value as at June 30, 2014	Amortisation rate % per annum
	As at July 1, 2013	Addition	As at June 30, 2014	As at July 1, 2013	Charge for the year		
	Rupees						
Computer Software	749,010	-	749,010	149,802	149,802	299,604	20

<b>13. TRADE AND OTHER PAYABLES</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
		----- Rupees -----	
Accrued liabilities		<b>2,649,138</b>	4,661,483
Unclaimed dividend		<b>180,544</b>	180,544
Sundry creditors - Lease		<b>5,402,964</b>	4,036,258
Other liabilities		<b>938,227</b>	1,183,344
		<b><u>9,170,873</u></b>	<b><u>10,061,629</u></b>
<b>14. ACCRUED MARKUP</b>			
Accrued mark-up on:			
Certificates of investment		<b>3,957,545</b>	3,222,670
Running finance facilities		<b>184,412</b>	208,333
Short term loan from a related party		<b>19,682</b>	7,335
		<b><u>4,161,639</u></b>	<b><u>3,438,338</u></b>
<b>15. CERTIFICATES OF INVESTMENT - unsecured</b>			
Opening balance		<b>137,107,176</b>	59,834,426
Certificates issued during the year	15.1	<b>165,018,986</b>	154,684,709
Rolled over during the year		<b>(110,779,993)</b>	(75,711,959)
Payments made during the year		<b>(34,879,938)</b>	(1,700,000)
Closing balance		<b><u>156,466,231</u></b>	<b><u>137,107,176</u></b>
<b>15.1</b>	These represent certificates of investment issued by the Company for periods ranging from 3 to 12 months and carry mark-up rates ranging from 8.5% to 11% (2014: 10% to 11%) per annum.		
<b>16. SHORT TERM BORROWING</b>			
From banking companies - secured			
Running finances under mark-up arrangements	16.1	<b><u>192,856,269</u></b>	<b><u>99,922,571</u></b>

**16.1** The Company has availed short-term running finance facilities from various commercial banks having sanctioned limit amounting to Rs. 200 million (2014: Rs. 100 million). The facilities carry mark-up at the rate ranging from 3 months KIBOR plus 1.5% to 3 months KIBOR plus 2.5% per annum. The facilities are secured by hypothecation charge over leased assets and lease rentals receivable.

	Note	2015	2014
<b>17. SHORT TERM LOAN FROM A RELATED PARTY - unsecured</b>		----- Rupees -----	
Short term loan from a related party	17.1	<u>40,000,000</u>	<u>22,000,000</u>

**17.1** The amount represents unsecured short term finance availed from a related party. This carries mark-up at the rate of 6 months KIBOR plus 2% per annum (2014: 6 months KIBOR plus 2% per annum) and will mature on July 29, 2015 (2014: July 20, 2014). The loan has been repaid on maturity.

**18. LONG-TERM DEPOSITS**

Long-term security deposits	18.1	<b>406,449,533</b>	308,594,982
Current portion shown under current liabilities	18.1	<b>(60,658,383)</b>	(104,069,602)
		<u><b>345,791,150</b></u>	<u>204,525,380</u>

**18.1** These represent interest free security deposits received against lease contracts and are refundable / adjustable at the expiry / termination of the respective leases.

**19. ADVANCE RENTAL AGAINST IJARAH LEASING**

Advance rental against Ijarah leasing		<b>10,559,822</b>	4,754,135
Current portion shown under current liabilities		<b>(3,337,816)</b>	(3,191,362)
		<u><b>7,222,006</b></u>	<u>1,562,773</u>

**20. DEFERRED TAXATION - Net**

**20.1 Taxable temporary difference arising in respect of:**

Surplus on revaluation of fixed assets	<b>19,740,990</b>	22,791,248
Accelerated tax depreciation	<b>3,204,615</b>	3,186,234
Investment in finance lease and tax book value of assets given on finance lease	<b>122,044,365</b>	123,274,775
Long-term investments	<b>30,212</b>	-
	<u><b>145,020,182</b></u>	<u>149,252,257</u>

**Deductible temporary difference arising in respect of:**

Carried forward tax losses	<b>(2,121,856)</b>	(10,695,110)
Provision against potential lease losses	<b>(280,976)</b>	(325,734)
Provision against other receivable	<b>(8,649,901)</b>	(9,460,830)
Long-term investments	-	(65,517)
Provision for leave encashment	<b>(324,237)</b>	(277,623)
	<u><b>(11,376,970)</b></u>	<u>(20,824,814)</u>
	<u><b>133,643,212</b></u>	<u>128,427,443</u>

**20.2 Movement in temporary differences is as follows:**

	Balance as at July 1, 2014	Recognised in profit and loss account	Recognised in equity	Balance as at June 30, 2015
	----- Rupees -----			
Surplus on revaluation of fixed assets	22,791,248	(1,096,722)	(1,953,536)	19,740,990
Excess of accounting WDV over Tax WDV	3,186,234	18,381	-	3,204,615
Long-term investments	(65,517)	95,729	-	30,212
Investment in finance lease and tax book value of assets given on finance lease	123,274,775	(1,230,410)	-	122,044,365
Recognised tax losses	(10,695,110)	8,573,254	-	(2,121,856)
Provision against potential lease losses	(325,734)	44,758	-	(280,976)
Provision against other receivable	(9,460,830)	810,929	-	(8,649,901)
Provision for leave encashment	(277,623)	(46,614)	-	(324,237)
	<u>128,427,443</u>	<u>7,169,305</u>	<u>(1,953,536)</u>	<u>133,643,212</u>

**21. SHARE CAPITAL**

## Authorised capital

2015 (Number of shares)	2014		2015	2014
			----- Rupees -----	
<u>50,000,000</u>	<u>50,000,000</u>	Ordinary shares of Rs. 10 each	<u>500,000,000</u>	<u>500,000,000</u>
Issued, Subscribed and paid-up share capital				
10,000,000	10,000,000	Ordinary shares of Rs.10 each fully paid in cash	100,000,000	100,000,000
2,369,800	2,369,800	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	23,698,000	23,698,000
13,000,000	13,000,000	Ordinary shares of Rs. 10 each issued as fully paid Right shares	130,000,000	130,000,000
<u>25,369,800</u>	<u>25,369,800</u>		<u>253,698,000</u>	<u>253,698,000</u>

**21.1** As at June 30, 2015, 10,650,076 shares (2014: 9,282,522 shares) of the Company were held by related parties.

**21.2** The Board of Directors of the Company in its meeting held on April 29, 2015 has recommended to issue 28.15496 % right shares at a discount of Rs. 3 per share in proportion of 2.815496 shares for every 10 share. The proposed right issue is subject to approval from shareholders and regulatory authorities.



22. RESERVES	Note	2015	2014
		----- Rupees -----	
<b>Capital reserve</b>			
Statutory reserve	22.1	61,603,092	51,546,096
Reserve for issue of bonus shares		4,402,000	4,402,000
		<u>66,005,092</u>	<u>55,948,096</u>
<b>Revenue reserve</b>			
Unappropriated profit		<u>183,530,210</u>	140,971,690
		<u><u>249,535,302</u></u>	<u><u>196,919,786</u></u>

**22.1** In accordance with the requirements of the NBFC Regulations, an amount of not less than 20 percent of after tax profits shall be transferred to statutory reserve till such time when the reserve equals the amount of paid-up capital, and thereafter a sum of not less than 5 percent shall be transferred. Consequently, during the current year the Company has transferred an amount of Rs. 10.057 million (2014: Rs. 5.844 million) to its statutory reserve.

23. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - net of deferred tax	2015	2014	
		----- Rupees -----	
Surplus on revaluation of leasehold premises as at July 01	65,117,851	68,545,106	
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	<b>(2,330,534)</b>	(2,227,716)	
Related deferred tax liability of incremental depreciation charged during the year	<b>(1,096,722)</b>	(1,199,539)	
	<u>(3,427,256)</u>	<u>(3,427,255)</u>	
Surplus on revaluation of operating fixed asset as at June 30	<b>61,690,595</b>	65,117,851	
Related deferred tax liability at the beginning of the year	<b>22,791,248</b>	23,990,787	
Related to incremental depreciation charged during the year	<b>(1,096,722)</b>	(1,199,539)	
Effect of change in tax rate	<b>(1,953,536)</b>	-	
	<u>19,740,990</u>	<u>22,791,248</u>	
	<u><u>41,949,605</u></u>	<u><u>42,326,603</u></u>	

## 24. CONTINGENCIES AND COMMITMENTS

### 24.1 Contingency

**24.1.1** The Alternate Corporate Tax charge for the Tax Year 2015 amounted to Rs. 9.233 million (2014: Rs. 8.100 million) which is Rs. 8.005 million (2014: Rs. 7.140 million) in excess of the minimum tax, payable at Rs. 1.228 million (2014: Rs. 0.96 million) under section 113 of the Income Tax Ordinance, 2001 (Ordinance). The Company has filed a Constitutional Petition against the levy and payment of Alternate Corporate Tax (ACT) in the Honourable Sindh High Court and on December 29, 2014 the Honourable Court has issued an order restraining the Federal Board of Revenue (FBR) from taking any coercive action against the Company. Accordingly, payment for only minimum tax has been made. The Company has a strong case and the management is confident that the decision will be in the Company's favor.

	Note	2015	2014
24.2 Commitment		----- Rupees -----	
Commitments for finance lease		<u><u>40,842,000</u></u>	<u><u>40,936,652</u></u>
<b>25. INCOME FROM LEASING OPERATIONS</b>			
Finance Income		<b>102,550,969</b>	84,548,966
Gain / (loss) on lease termination		<b>466,254</b>	(143,633)
Late payment charges		<b>574,402</b>	899,067
Processing fee		<b>953,750</b>	827,500
Documentation charges		<b>328,800</b>	310,000
Income from Ijarah operations		<u><u>12,278,359</u></u>	<u><u>2,828,352</u></u>
		<u><u>117,152,534</u></u>	<u><u>89,270,252</u></u>
<b>26. PROFIT ON BANK ACCOUNTS / RETURN ON INVESTMENT</b>			
Profit on bank accounts		<b>877,649</b>	3,967,138
Income from Pakistan Investment Bonds		<b>2,526,202</b>	1,158,521
Dividend income		<u><u>222,630</u></u>	<u><u>203,626</u></u>
		<u><u>3,626,481</u></u>	<u><u>5,329,285</u></u>
<b>27. OTHER INCOME</b>			
<b>Income from financial assets</b>		<b>3,388</b>	9,175
<b>Income from non-financial assets</b>			
Gain on disposal of fixed assets	11.4	-	2,450
Others		<u><u>18,450</u></u>	<u><u>37,349</u></u>
		<u><u>21,838</u></u>	<u><u>48,974</u></u>
<b>28. ADMINISTRATIVE AND OPERATING EXPENSES</b>			
Directors' fee	32	<b>560,000</b>	310,000
Salaries, allowances and benefits	28.1 & 28.2	<b>18,604,281</b>	18,762,164
Depreciation	11.1 & 11.3	<b>15,769,054</b>	8,113,692
Amortisation	12	<b>149,802</b>	149,802
Office utilities		<b>1,167,514</b>	1,198,344
Legal and professional		<b>2,342,958</b>	2,089,879
Auditors' remuneration	28.4	<b>525,000</b>	525,000
Postage, subscription, printing and stationary		<b>1,394,700</b>	1,209,964
Vehicle running and maintenance		<b>1,210,589</b>	1,255,245
Office repair and general maintenance		<b>1,148,555</b>	956,284
Workers' Welfare Fund		<b>1,108,441</b>	974,162
Insurance		<b>746,732</b>	487,114
Advertisement		<b>90,550</b>	151,856
Travelling and conveyance		<b>352,235</b>	182,793
General		<u><u>986,060</u></u>	<u><u>728,650</u></u>
		<u><u>46,156,471</u></u>	<u><u>37,094,949</u></u>

**28.1** This includes salary of Rs. 5.01 million (2014: Rs. 4.6 million) paid to the Chief Executive Officer and Executive Director.

**28.2** Salaries and benefits include Rs. 0.373 million (2014: Rs. 0.352 million) in respect of Company's contribution to provident fund.

**28.3** The total number of employees at as June 30, 2015 is 23 (2014: 24).

<b>28.4 Auditors' remuneration</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
		----- Rupees -----	
Audit fee		<b>335,000</b>	335,000
Review report on the statement of compliance with the Code of Corporate Governance		<b>50,000</b>	50,000
Half yearly review fee		<b>115,000</b>	115,000
Out of pocket expenses		<b>25,000</b>	25,000
		<b><u>525,000</u></b>	<u>525,000</u>

**29. FINANCE COST**

Markup on:

- Running finance facilities		<b>4,720,240</b>	417,366
- Certificate of investment - unsecured		<b>15,183,128</b>	7,908,921
- Short term loan from related party		<b>333,238</b>	7,335
Bank charges		<b>69,490</b>	39,320
		<b><u>20,306,096</u></b>	<u>8,372,942</u>

**30. TAXATION**

Current		<b>1,228,026</b>	964,812
Prior	30.3	<b>(4,368,702)</b>	-
Deferred	20.2	<b>7,169,305</b>	17,493,478
		<b><u>4,028,629</u></b>	<u>18,458,290</u>

**30.1** Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as Company is subject to the provisions of taxation under Section 113 of the Income Tax Ordinance, 2001. Movement in deferred tax is mainly due to excess of carrying value of net investment in finance lease over WDV of leased assets amounting to Rs. 381 million (2014: Rs. 352 million).

**30.2** The returns of income have been filed upto and including Tax Year 2014 corresponding to financial year ended June 30, 2014 under self assessment scheme. However, the return may be selected for which an amendment within six years from the end of the respective tax year and within five years from the end of financial year in which assessment order is issued as treated to have been issued for that tax years to the company respectively.

**30.3** During the current year the Company had filed revised tax returns for Tax Year 2011 and Tax Year 2012 to claim refund of cumulative excess tax charged for those tax years amounting to Rs. 4.368 million after obtaining requisite approval from the Income Tax authorities under the Income Tax Ordinance, 2001.

31. EARNINGS PER SHARE - BASIC AND DILUTED	2015	2014
	----- Rupees -----	
Profit after taxation attributable to ordinary shareholders	<u>50,284,982</u>	<u>29,220,611</u>
Weighted average number of outstanding ordinary shares	<b>(Number of shares)</b>	
	<u>25,369,800</u>	<u>25,369,800</u>
Earning per share - basic and diluted	<b>(Rupees)</b>	
	<u>1.98</u>	<u>1.15</u>

31.1 There were no convertible dilutive potential ordinary shares in issue as at June 30, 2015.

### 32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2015			2014		
	Chief Executive Officer	Non Executive Directors	Executive Director & Executives	Chief Executive Officer	Non Executive Directors	Executive Director & Executives
	----- Rupees -----					
Managerial remuneration	1,703,226	560,000	5,610,921	1,548,384	310,000	6,164,469
Housing and utilities	936,774	-	3,337,995	851,616	-	3,634,079
Provident Fund contribution	-	-	122,580	-	-	166,546
	<u>2,640,000</u>	<u>560,000</u>	<u>9,071,496</u>	<u>2,400,000</u>	<u>310,000</u>	<u>9,965,094</u>
Number of persons	<u>1</u>	<u>7</u>	<u>6</u>	<u>1</u>	<u>7</u>	<u>9</u>

32.1 The executives of the Company are also entitled to free use of Company owned and maintained vehicles.

32.2 The amount charged in the financial statements as the fee of directors for attending a Board of Directors meeting was Rs. 40,000 (2014: Rs. 25,000) per meeting.

### 33. TRANSACTIONS WITH RELATED PARTIES

The Company has related party relationships with the companies with common directorship, directors of the company, key management personnel and employee's contribution plan (provident fund).

Contributions to the provident fund are made in accordance with the terms of employment. Salaries and allowances of the key management personal are in accordance with the terms of employment. Other transactions are at agreed terms.

Nature of transaction	Relation with the Company	Note	2015	2014
			----- Rupees -----	-----
<b>Certificates of investment</b>				
Certificates of investment issued during the year	Directors		<b>62,800,510</b>	62,475,000
Certificates of investment matured during the year	Directors		<b>66,285,510</b>	27,475,000
Financial charges on above certificates of investment for the year	Directors		<b>6,868,634</b>	2,931,553
<b>Certificates of Investment</b>				
Certificates of investment issued during the year	Close relatives of directors		<b>89,265,720</b>	63,926,952
Certificates of investment matured during the year	Close relatives of directors		<b>69,265,720</b>	33,926,952
Financial charges on above certificates of investment for the year	Close relatives of directors		<b>8,233,811</b>	3,912,151
<b>Finance Lease</b>				
Finance leases disbursed during the year	Directors		<b>4,502,500</b>	1,753,500
Rental received / adjusted	Directors		<b>1,109,355</b>	465,380
Finance leases disbursed during the year	Associated undertaking		<b>4,400,000</b>	2,459,000
Rental received / adjusted	Associated undertaking		<b>1,287,057</b>	1,080,108
<b>Short term loan</b>				
Short term loan obtained during the year	Associated undertaking		<b>50,000,000</b>	22,000,000
Short term loan repaid during the year	Associated undertaking		<b>32,000,000</b>	-
Financial charges on short term loan for the year	Associated undertaking	29	<b>333,238</b>	7,335
<b>Employee •P•rovident Fund</b>				
Contribution during the year			<b>745,634</b>	703,388
<b>33.1 Year ended balances</b>				
Certificates of investment			<b>152,066,230</b>	126,401,952
Accrued mark-up on above Certificates of investment			<b>3,765,052</b>	3,125,254
Closing balance of rentals receivable related to finance leases			<b>14,309,838</b>	7,007,520
Short term loan		17	<b>40,000,000</b>	22,000,000
Accrued markup on short term loan		14	<b>19,682</b>	7,335

Any receivable from related parties was not overdue at June 30, 2015. Particulars of remuneration to chief executive, directors and executives are disclosed in note 32 to these financial statements.

**34. PROVIDENT FUND DISCLOSURE**

The Company operates approved Funded contributory provident fund for both its management and non management employees. Details of net assets and investments of the fund is as follows:

	Note	2015	2014
		Rupees	
Size of the fund - Net assets		<u>4,452,274</u>	<u>3,580,575</u>
Cost of investments made		<u>252,000</u>	<u>252,000</u>
Percentage of the investments made		<u>6%</u>	<u>7%</u>
Fair value of the investments made		<u>520,774</u>	<u>462,284</u>

The breakup of the fair value of the investments is:

	2015		2014	
	Rupees	%	Rupees	%
Mutual Funds	<u>520,774</u>	<u>100</u>	<u>462,284</u>	<u>100</u>

The management, based on the unaudited financial statements of the Fund, is of the view that the investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and Rules formulated for this purpose.

**35. CASH AND CASH EQUIVALENTS**

Note	2015	2014
	Rupees	

Cash and cash equivalents comprise of the following items:

Cash and bank balances	5	43,753,913	18,734,373
Short term borrowings	16	<u>(192,856,269)</u>	<u>(99,922,571)</u>
		<u>(149,102,356)</u>	<u>(81,188,198)</u>

**36. FINANCIAL RISK MANAGEMENT**
**Introduction and overview**

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

**36.1 Risk management framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

**36.2 Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company. The risk is generally limited to principal amounts and accrued interest thereon, if any, and arises principally from the Company's receivables from customers and balances with the banks.

**36.2.1 Management of credit risk**

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the NBFC Rules and Regulations. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter parties, and continually assessing the credit worthiness of counter parties.

**36.2.2 Exposure to credit risk**

In summary, compared to the maximum amount included in the balance sheet, the maximum exposure to credit risk as at June 30, 2015 is as follows:

	2015		2014	
	Balance Sheet	Maximum exposure	Balance Sheet	Maximum exposure
	----- Rupees -----			
Cash and bank balances	43,753,913	43,736,831	18,734,373	18,729,297
Investments	28,206,036	3,461,625	23,935,647	3,072,837
Advances to employees	78,304	78,304	81,914	81,914
Accrued markup / return on investment	1,229,408	-	1,044,514	-
Net Investment in finance lease	1,289,558,468	883,108,935	1,052,627,312	744,032,330
Other receivable - net	1,328,723	1,328,723	5,873,261	5,873,261
Long term deposits	109,500	109,500	109,500	109,500
	<u>1,364,264,352</u>	<u>931,823,918</u>	<u>1,102,406,521</u>	<u>771,899,139</u>

Differences in the balances as per balance sheet and maximum exposures in investments and investment in finance lease were due to the fact that investments of Rs. 24.744 million (2014: Rs. 20.862 million) relates to investments in government securities and investment in finance lease includes Rs. 406.449 million (2014: Rs. 308.595 million) relating to security deposit which are not considered to carry credit risk.

### 36.2.3 Credit ratings and Collaterals

Details of the credit ratings of balances with the banks as at 30 June were as follows:

Ratings	2015	2014
AAA	0.66%	0.09%
AA+	50.14%	0.86%
AA	11.10%	20.63%
AA-	0.24%	0.54%
A+	0.18%	-
A	37.09%	72.30%
A-	0.59%	5.58%
	<b>100.00%</b>	<b>100.00%</b>

### 36.2.4 Description of Collaterals held

The Company's leases are secured against assets leased out and post dated cheques. In a few leases additional collateral is also obtained.

### 36.2.5 Aging analysis of net investment in finance lease

	2015			
	Carrying Amount	Amount on which no impairment recognised	Amount on which impairment recognised	Impairment recognised
<b>Past due</b>	----- Rupees -----			
Neither over due not impaired	1,280,111,874	1,280,111,874	-	-
1 - 89 days *	6,053,432	6,053,432	-	-
90 days - 1 year *	3,393,162	3,393,162	-	-
1 year - 2 years	-	-	-	-
2 years - 3 years	-	-	-	-
More than 3 years	878,049	-	878,049	878,049
	<b>1,290,436,517</b>	<b>1,289,558,468</b>	<b>878,049</b>	<b>878,049</b>



	2014			
	Carrying Amount	Amount on which no impairment recognised	Amount on which impairment recognised	Impairment recognised
Past due	-----Rupees -----			
Neither over due not impaired	1,015,948,274	1,015,948,274	-	-
1 - 89 days *	36,647,825	36,647,825	-	-
90 days - 1 year *	31,213	31,213	-	-
1 year - 2 years	-	-	-	-
2 years - 3 years	-	-	-	-
More than 3 years	930,669	-	930,669	930,669
	<u>1,053,557,981</u>	<u>1,052,627,312</u>	<u>930,669</u>	<u>930,669</u>

Impairment is recognised by the Company in accordance with NBFC Regulations, 2008 and subjective evaluation of investment portfolio is carried out on an ongoing basis.

\* No impairment loss has been recorded as these finance leases do not meet the criteria for provisioning requirements under NBFC Regulations, 2008.

#### **36.2.6 Concentration of credit risk - Gross investment in finance lease**

The Company seeks to manage its credit risk through diversification of financing activities to avoid undue concentration of credit risk with individuals or groups of customers in specific locations or 'business sectors'.

The management of the Company follows two sets of guidelines. Internally, it has its own operating policy duly approved by the Board of Directors whereas externally it adheres to the regulations issued by the Securities and Exchange Commission of Pakistan. The operating policy defines the extent of exposures with reference to a particular sector or group of leases.

Details of the composition of gross investment in finance lease portfolio of the Company are given below:

	2015		2014	
	Rupees	Percentage	Rupees	Percentage
Energy, oil and gas	18,304,526	1.21	27,567,975	2.17
Steel, engineering and auto	147,381,149	9.73	163,969,546	12.92
Electrical goods	278,695,541	18.40	230,819,826	18.19
Transport and communication	3,404,660	0.22	1,967,945	0.16
Chemical, fertilizer and pharmaceuticals	15,733,291	1.04	26,640,140	2.10
Textile	10,391,244	0.69	6,415,519	0.51
Glass & ceramics	66,560,704	4.39	115,165,750	9.08
Food, tobacco and beverage	66,963,352	4.42	116,863,731	9.21
Hotels	43,405,182	2.87	92,467,580	7.29
Construction	53,858,758	3.56	76,236,009	6.01
Health care	135,429,562	8.94	136,016,277	10.72
Advertisement	5,631,333	0.37	10,265,281	0.81
Services	8,934,830	0.59	1,178,088	0.09
Packing	10,060,457	0.66	-	-
Banking and Financial Institutions	356,594	0.02	1,047,601	0.08
Communication	-	-	6,678,685	0.53
Others	649,868,546	42.90	255,730,833	20.15
	<u>1,514,979,729</u>	<u>100.00</u>	<u>1,269,030,786</u>	<u>100.00</u>

### 36.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

#### 36.3.1 Management of liquidity risk

The Company manages liquidity risk by following the internal guidelines of the management such as monitoring maturities of financial liabilities, continuously monitoring its liquidity position and ensuring availability of the funds by maintaining flexibility in funding by keeping committed credit lines available, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

#### 36.3.2 Maturity analysis for financial liabilities

The table below summarises the maturity profile of the Company's liabilities:

Non derivative financial liabilities	2015					
	Total	Contractual cash flow	Upto three months	More than three months and upto one year	More than One year and upto five years	Over five years
	----- Rupees -----					
Trade and other payables	7,377,541	7,377,541	7,377,541	-	-	-
Advance rental against Ijarah leasing	10,559,822	10,559,822	836,436	2,501,380	7,222,006	-
Accrued mark-up	4,161,639	4,161,639	4,161,639	-	-	-
Certificates of investment - unsecured	156,466,231	167,416,844	28,644,371	138,772,473	-	-
Short term borrowing	192,856,269	192,856,269	192,856,269	-	-	-
Short term loan - related party	40,000,000	40,295,233	40,295,233	-	-	-
Long-term deposits	406,449,533	406,449,533	4,554,400	56,103,983	345,791,150	-
	<u>817,871,035</u>	<u>829,116,881</u>	<u>278,725,889</u>	<u>197,377,836</u>	<u>353,013,156</u>	<u>-</u>

Non derivative financial liabilities	2014					
	Total	Contractual cash flow	Upto three months	More than three months and upto one year	More than One year and upto five years	Over five years
	----- Rupees -----					
Trade and other payables	8,403,677	8,403,677	8,403,677	-	-	-
Advance rental against Ijarah leasing	4,754,135	4,754,135	390,693	1,172,080	3,191,362	-
Accrued mark-up	3,438,338	3,438,338	3,438,338	-	-	-
Certificates of investment - unsecured	137,107,176	143,074,107	31,299,993	111,774,114	-	-
Short term borrowing	99,922,571	99,922,571	99,922,571	-	-	-
Short term loan - related party	22,000,000	22,146,707	22,146,707	-	-	-
Long-term deposits	308,594,982	308,594,982	12,355,000	91,714,602	204,525,380	-
	<u>584,220,879</u>	<u>590,334,517</u>	<u>177,956,979</u>	<u>204,660,796</u>	<u>207,716,742</u>	<u>-</u>

**36.3.3** The contractual cash flow relating to the above financial liabilities have been determined on the basis mark-up rates effective at year end. The rates of mark-up have been disclosed in notes 15 to 17 to these financial statements.

#### **36.4 Market risk**

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Company's income or the value of its holdings of financial instruments.

##### **36.4.1 Management of market risk**

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies and regulations laid down by the Securities and Exchange Commission of Pakistan. The Company is exposed to interest rate and other price risk only.

**36.4.2 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on investment in finance lease, investment in government securities, bank balances and borrowing from banks. The Company carries a mix of fixed and floating rate financial instruments.

At June 30, details of the interest rate profile of the Company's interest bearing financial instruments were as follows:

	<u>Carrying amount</u>	
	2015	2014
	----- Rupees -----	
<b>Fixed rate instruments</b>		
Financial assets	<u>29,747,804</u>	<u>22,762,300</u>
Financial liabilities	<u>156,466,231</u>	<u>137,107,176</u>
<b>Variable rate instruments</b>		
Financial assets	<u>1,289,558,468</u>	<u>1,052,627,312</u>
Financial liabilities	<u>232,856,269</u>	<u>121,922,571</u>

**36.4.2.1 Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

**36.4.2.2 Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points (bps) in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	<u>Profit and loss</u>	
	100 bp increase	100 bp decrease
	----- Rupees -----	
<b>As at June 30, 2015</b>		
Cash flow sensitivity - variable rate instruments	<u>10,567,022</u>	<u>(10,567,022)</u>
<b>As at June 30, 2014</b>		
Cash flow sensitivity - variable rate instruments	<u>9,307,047</u>	<u>(9,307,047)</u>

The sensitivity analysis prepared as of June 30, 2015 is not necessarily indicative of the impact on the Company's net assets of future movements in interest rates and profit for the year and assets / liabilities of the Company.

**36.4.2.3 Yield / interest rate sensitivity position for on balance sheet financial instruments based on the earlier of contractual repricing or maturity date is as follows:**

		2015					
		Exposed to mark-up / Interest / profit rate risk					Not exposed to mark-up / Interest / profit rate risk
Effective mark-up / interest / profit rate	Total	Upto three months	More than three months and upto one year	More than One year and upto five years	Over five years		
Percent (%)	Rupees						
<b>Financial assets</b>							
Cash and bank balances	5 - 6.25	43,753,913	5,003,393	-	-	-	38,750,520
Short term investments	-	3,461,625	-	-	-	-	3,461,625
Other receivables - net	-	1,328,723	-	-	-	-	1,328,723
Loans and advances to employees - considered good	-	78,304	-	-	-	-	78,304
Accrued mark-up / return on investments	-	1,229,408	-	-	-	-	1,229,408
Net investment in finance lease	10.51 - 22.36	1,289,558,468	100,190,874	338,417,964	848,689,147	2,260,483	-
Long-term Investments	9.25 - 11.5	24,744,411	-	-	24,744,411	-	-
Long-term deposits	-	109,500	-	-	-	-	109,500
		1,364,264,352	105,194,267	338,417,964	873,433,558	2,260,483	44,958,080
<b>Financial liabilities</b>							
Trade and other payables	-	7,377,541	-	-	-	-	7,377,541
Accrued mark-up	-	4,161,639	-	-	-	-	4,161,639
Certificates of investment - unsecured	-	156,466,231	25,857,710	130,608,521	-	-	-
Short-term borrowings	8.5 - 11	192,856,269	192,856,269	-	-	-	-
Short-term loan - related party	9.49 - 10.49	40,000,000	40,000,000	-	-	-	-
Advance rental against Ijarah leasing	8.98	10,559,822	-	-	-	-	10,559,822
Long-term deposits	-	406,449,533	-	-	-	-	406,449,533
		817,871,035	258,713,979	130,608,521	-	-	428,548,535
<b>On balance sheet gap</b>		546,393,317	(153,519,712)	207,809,443	873,433,558	2,260,483	(383,590,455)
		2014					
		Exposed to mark-up / Interest / profit rate risk					Not exposed to mark-up / Interest / profit rate risk
Effective mark-up / interest / profit rate	Total	Upto three months	More than three months and upto one year	More than One year and upto five years	Over five years		
Percent (%)	Rupees						
<b>Financial assets</b>							
Cash and bank balances	6.5 - 9	18,734,373	1,899,490	-	-	-	16,834,883
Short term investments	-	3,072,837	-	-	-	-	3,072,837
Other receivables - net	-	5,873,261	-	-	-	-	5,873,261
Loans and advances to employees - considered good	-	81,914	-	-	-	-	81,914
Accrued mark-up / return on investments	-	1,044,514	-	-	-	-	1,044,514
Net investment in finance lease	12.86 - 22.36	1,052,627,312	33,346,416	396,126,583	622,119,308	1,035,005	-
Long-term Investments	11.5	20,862,810	2,996,270	-	17,866,540	-	-
Long-term deposits	-	109,500	-	-	-	-	109,500
		1,102,406,521	38,242,176	396,126,583	639,985,848	1,035,005	27,016,909
<b>Financial liabilities</b>							
Trade and other payables	-	8,403,677	-	-	-	-	8,403,677
Accrued mark-up	-	3,438,338	-	-	-	-	3,438,338
Certificates of investment - unsecured	-	137,107,176	31,299,993	105,807,183	-	-	-
Short-term borrowings	10 - 11	99,922,571	99,922,571	-	-	-	-
Short-term loan - related party	12.67	22,000,000	22,000,000	-	-	-	-
Advance rental against Ijarah leasing	12.17	4,754,135	-	-	-	-	4,754,135
Long-term deposits	-	308,594,982	-	-	-	-	308,594,982
		584,220,879	153,222,564	105,807,183	-	-	325,191,132
<b>On balance sheet gap</b>		518,185,642	(114,980,388)	290,319,400	639,985,848	1,035,005	(298,174,223)

**36.4.3 Financial instruments by category**

Particulars	2015				Total
	Loans and receivables	Held to maturity	Financial assets 'at fair value through profit or loss'	Financial assets 'available for sale'	
----- Rupees -----					
<b>Financial assets</b>					
Cash and bank balances	43,753,913	-	-	-	43,753,913
Short term investments	-	-	-	3,461,625	3,461,625
Other receivables - net	1,328,723	-	-	-	1,328,723
Advance to employees	78,304	-	-	-	78,304
Accrued markup / return on investments	1,229,408	-	-	-	1,229,408
Net investment in finance leases	1,289,558,468	-	-	-	1,289,558,468
Long-term investments	-	24,744,411	-	-	24,744,411
Long-term deposits	109,500	-	-	-	109,500
	<b>1,336,058,316</b>	<b>24,744,411</b>	<b>-</b>	<b>3,461,625</b>	<b>1,364,264,352</b>

Particulars	2015		Total
	Financial liabilities 'at fair value through profit or loss'	Other financial liabilities	
----- Rupees -----			
<b>Financial Liabilities</b>			
Trade and other payables	-	7,377,541	7,377,541
Accrued mark-up	-	4,161,639	4,161,639
Certificates of investment - unsecured	-	156,466,231	156,466,231
Short term borrowings	-	192,856,269	192,856,269
Short term loan from a related party - unsecured	-	40,000,000	40,000,000
Long-term deposits	-	406,449,533	406,449,533
Advance rental against Ijarah leasing	-	10,559,822	10,559,822
	<b>-</b>	<b>817,871,035</b>	<b>817,871,035</b>

Particulars	2014				Total
	Loans and receivables	Held to maturity	Financial assets 'at fair value through profit or loss'	Financial assets 'available for sale'	
----- Rupees -----					
<b>Financial assets</b>					
Cash and bank balances	18,734,373	-	-	-	18,734,373
Short term investments	-	-	-	3,072,837	3,072,837
Other receivables - net	5,873,261	-	-	-	5,873,261
Advance to employees	81,914	-	-	-	81,914
Accrued markup / return on investments	1,044,514	-	-	-	1,044,514
Net investment in finance leases	1,052,627,312	-	-	-	1,052,627,312
Long-term investments	-	20,862,810	-	-	20,862,810
Long-term deposits	109,500	-	-	-	109,500
	<b>1,078,470,874</b>	<b>20,862,810</b>	<b>-</b>	<b>3,072,837</b>	<b>1,102,406,521</b>

Particulars	Financial liabilities at fair value through profit or loss <sup>1</sup>	Other financial liabilities	Total
----- Rupees -----			
<b>Financial Liabilities</b>			
Trade and other payables	-	8,403,677	8,403,677
Accrued mark-up	-	3,438,338	3,438,338
Certificates of investment - unsecured	-	137,107,176	137,107,176
Short term borrowings	-	99,922,571	99,922,571
Short term loan from a related party - unsecured	-	22,000,000	22,000,000
Long-term deposits	-	308,594,982	308,594,982
Advance rental against Ijarah leasing	-	4,754,135	4,754,135
	-	<u>584,220,879</u>	<u>584,220,879</u>

### 36.5 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Presently, the Company is not exposed to equity securities price risk as the Company does not hold any equity securities as at June 30, 2015.

However, the Company holds National Investment Trust (NIT) units, exposing the Company to cash flow market risk. In case of one percent increase / decrease in the net assets value of such units as on June 30, 2015, with all other variables held constant, the net assets of the Company and total comprehensive income for the year would have been higher / lower by Rs. 34,616 (2014: Rs. 30,728).

### 37. CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce its cost of capital.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital employed:

	2015	2014
----- Rupees -----		
Total debt	<b>389,322,500</b>	259,029,747
Total equity	<b>505,500,727</b>	452,496,423
Total capital employed	<u><b>894,823,227</b></u>	<u>711,526,170</u>
<b>Gearing ratio</b>	<u><b>43.51%</b></u>	<u>36.40%</u>

#### 37.1 Financial risk management objectives and policies

The Company finances its operations through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimise liquidity risk. Taken as a whole, the Company's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

**38. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of the financial assets and financial liabilities approximate their fair values except for investments held to maturity and leases at fixed rate of return. The fair value of leases at fixed rate of return cannot be reasonably estimated due to absence of market for such leases. The fair value of held-to-maturity investments is disclosed in note 10.

The Company's accounting policy on fair value measurements is discussed in note 4.1.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at June 30, 2015, all short term investments - available for sale, mentioned in note 6, were categorised in level 1.

**39. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on September 30, 2015 by the Board of Directors of the Company.

**40. GENERAL**

Figures have been rounded off to the nearest rupee.

**Chief Executive Officer****Director**



No. of Share Holders	Having Shares		Shares Held	Percentage %
	From	To		
52	1	100	491	0.0019
17	101	500	6661	0.0263
23	501	1000	17178	0.0677
23	1001	5000	52690	0.2077
5	5001	10000	37404	0.1474
2	10001	15000	27051	0.1066
4	15001	20000	69975	0.2758
2	20001	25000	49690	0.1959
2	25001	30000	50736	0.2000
1	30001	35000	34500	0.1360
1	45001	50000	49950	0.1969
4	55001	60000	229241	0.9036
1	90001	95000	94080	0.3708
1	100001	105000	100831	0.3974
1	115001	120001	116787	0.4603
1	120001	125001	122127	0.4814
1	125001	130000	128560	0.5067
1	155001	160000	159116	0.6272
2	195001	200000	399800	1.5759
1	495001	500000	500000	1.9708
1	580001	585000	582007	2.2941
1	795001	800000	799899	3.1530
1	810001	815000	813885	3.2081
1	1145001	1150000	1148770	4.5281
1	1285001	1290000	1286994	5.0729
1	1495001	1500000	1499785	5.9117
1	1660001	1665000	1663524	6.5571
2	2345001	2350000	4700000	18.5260
1	2450001	2455000	2451090	9.6614
1	3950001	3955000	3953394	15.5831
1	4220001	4225000	4223584	16.6481
<b>157</b>		<b>Company Total</b>	<b>25369800</b>	<b>100.0000</b>

**CATEGORIES OF SHAREHOLDERS  
AS AT JUNE 30, 2015**

Categories of shareholder	Number	Share Held	Total Share holding	Percentage
<b>Associated companies, undertaking and related parties</b>				
1 Unibro Industries Ltd		1,499,785		
2 Mid East Agencies (Pvt) Ltd		1,286,994		
<b>Total</b>	<b>2</b>		<b>2,786,779</b>	<b>10.98</b>
<b>NIT and ICP</b>	-	-	-	-
<b>Director, chief executive &amp; their spouse and minor children</b>				
1 Mr. Sohail Inam Ellahi		2,451,090		
2 Mr. Pervez Inam		3,953,394		
3 Mr. Fawad S. Malik		1,348,670		
4 Mrs. Atteqa Fawad		75,005		
5 Air Marshal Syed Masood Hatif (Retd.)		4,047		
6 Brig. Naveed Nasar Khan (Retd.)		500		
7 Mr. Rizwan Humayun		600		
8 Mr. Shaheed H Gayalni		24,845		
9 Lt. Col. Saleem Ahmed Zafar (Retd.)		5,146		
<b>Total</b>	<b>9</b>		<b>7,863,297</b>	<b>30.99</b>
<b>Executives</b>	-	-	-	-
<b>Public Sector Companies</b>	1	1	1	0.00
<b>Banks, DFIs, NBFCs, Insurance Companies, Modaraba and Mutual Funds</b>				
Bank of Punjab Ltd.	1	799,899	<b>799,899</b>	3.15
<b>Foreign Companies</b>				
Kraftex Limited	1	4,223,584	<b>4,223,584</b>	16.65
Individuals	139	9,692,336	<b>9,692,336</b>	38.20
Others	4	3,904	<b>3,904</b>	0.02
<b>Total</b>	<b>157</b>	<b>25,369,800</b>	<b>25,369,800</b>	<b>100</b>
<b>Holding 5% or more</b>				
1 Kraftex Limited		4,223,584		16.65%
2 Unibro Industries Ltd		1,499,785		5.91%
3 Mid East Agencies (Pvt.) Ltd		1,286,994		5.07%
4 Mr. Yousuf Jan Muhammad		1,822,640		7.18%
5 Mr. Sohail Inam		2,451,090		9.66%
6 Mr. Pervez Inam		3,953,394		15.58%
7 Mr. Fawad S Malik		1,348,670		5.32%
8 Mr. Muhammad Ali Pervez		2,350,000		9.26%
9 Mr. Hassan Sohail		2,350,000		9.26%
<b>Total</b>			<b>21,286,157</b>	<b>83.89%</b>

I/We \_\_\_\_\_ of \_\_\_\_\_ being member(s) of **PAK-GULF LEASING COMPANY LIMITED** holding \_\_\_\_\_ ordinary shares as per Registered Folio No./CDC A/c No. (for members who have shares in CDS) \_\_\_\_\_ hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him/her \_\_\_\_\_ of \_\_\_\_\_ as my/our Proxy to attend and vote for me/us and on my/our behalf at the 22<sup>nd</sup> Annual General Meeting to be held on Tuesday, October 27, 2015 and at any adjournment thereof.

As witness my/our hand this day of \_\_\_\_\_ 2015.

Signed by \_\_\_\_\_ in presence of \_\_\_\_\_

Please affix  
Rs. 5/- Revenue  
Stamp

\_\_\_\_\_  
Signature and address of witness

\_\_\_\_\_  
Signature of Member(s)

Share Folio No.

Share Folio No.

A member entitled to attend, speak and vote at a General Meeting is entitled to appoint a proxy to attend, speak and voter for him/her. A proxy must be a member of the Company.

The instrument appointing a proxy shall be in writing under the hand of the appointer of this attorney duly authorised in writing if the appointer is a corporation under its common seal or the hand of an officer or attorney duly authorised.

The instrument appointing a proxy together with the Power of Attorney if any under which it is signed or a notarially certified copy thereof, should be deposited at the Company's Registered Office not later than 48 hours before the time of holding the meeting.








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