بسم الله الرحمن الرحيم

Pak-Gulf Leasing Company Limited

CONTENTS

Company Information 1
Mission Statement..2
Notice of Annual General Meeting 3
Director's Report to the Shareholders 4
Statement of compliance with the Code of Corporate Governance..........14
Auditors' review report to members on Statement of Compliance with
the best practices of the Code of Corporate Governance 16
Shariah Advisory Report 17
Auditors' Report to the members 18
Balance Sheet...20
Profit and Loss Account..21
Statement of Comprehensive Income..22
Cash Flow Statement..23
Statement of Changes in Equity...24
Notes to the Accounts...25
Pattern of Shareholding..56
Categories of Shareholders 57
Proxy Form

Pak-Gulf Leasing Company Limited

COMPANY INFORMATION

Board of Directors

Mr. Pervez Inam	Chairman
Air Marshal (R) Syed Masood Hatif	Vice Chairman
Mr. Fawad Salim Malik	Director
Mr. Shaheed H. Gaylani	Director
Mr. Shaikh Aftab Ahmed	Director
Brig. (R) Naveed Nasar Khan	Director
Mr. Rizwan Humayun	Director
Mr. Sohail Inam Ellahi	Director

Company Secretary

Mian Muhammad Shoaib

Audit Committee

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

Human Resource & Remuneration Committee

Air Marshal (R) Syed Masood Hatif	Chairman
Brig. (R) Naveed Nasar Khan	Vice Chairman
Mr. Pervez Inam	Member
Mr. Sohail Inam Ellahi	Member

Senior Management

Mr. Sohail Inam Ellahi	Chief Executive
Mr. Khalil Anwer Hassan	Chief Manager
Lt.Col.(R) Saleem Ahmed Zafar	Chief Operating Officer
Mian Muhammad Shoaib	Chief Financial Officer
Ms. Farah Farooq	Internal Auditor
Major (R) Arifullah Lodhi	Manager Administration

Credit Rating Agency

JCR-VIS Credit Rating Co. Ltd.

Entity Rating

- BBB+ for medium to long term
- A-3 for short term
- outlook: stable

Auditors

M/s. KPMG Taseer Hadi & Co.
Chartered Accountants
Shaikh Sultan Trust Building,
Beaumont Road,
Karachi - 75530

Legal Advisors

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

Bankers

Soneri Bank Ltd.
Bank Al-Falah Ltd.
Albarak Islamic Bank
National Bank of Pakistan
NIB Bank Ltd.
Silk Bank Ltd.

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 #: 35820301, 35820965-6
35824401, 35375986-7
Fax #: 35820302, 35375985
E-mail: pgl@cyber.net.pk
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.

Pak-Gulf Leasing Company Limited

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 20th 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 October 24, 2013 at 7:30 p.m. to transact the following business.

Ordinary Business

1. To read and confirm the minutes of the Annual General Meeting held on October 23, 2012.

2. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2013 together with Directors' and Auditors' Report thereon.

3. To appoint Auditors for the year 2013 -2014 and fix their remuneration. The present Audtiors M/s. KPMG, Taseer Hadi & Co., Chartered Accountants retire and being eligible, offer themselves for appointment.

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

By Order of the Board

Abdul Wahid
Company Secretary

Karachi: October 02, 2013.

Notes:

1. The Share Transfer Register of the Company will remain closed from October 18, 2013 to October 24, 2013 (both days inclusive).

2. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his/her behalf. Proxy forms must be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.

3. Members are requested to notify changes in their address, if any.

DIRECTOR'S REPORT TO THE SHAREHOLDERS

Dear Shareholders,

Your directors are pleased to present the 20th Annual Report of Pak-Gulf Leasing Company Limited (PGL), including financial statements and the Auditors' Report, for the year ended June 30th, 2013.

Review of Operational Environment

The entire financial year, which ended on June 30th, 2013, was full of uncertainties, both political as well as economic. General Elections had been announced to take place in May, 2013 and the accompanying activities of the political parties, preceding the Elections, left everyone guessing about the political future of the country. The transitional status of the sitting government made it difficult for clear cut policies to be enforced with respect to the economic and administrative management of the State. As a corollary, the fiscal and monetary administration by the Central Bank also remained in a state of flux and was restricted to a day to day management of the affairs of economy. Inflationary pressures did not ease and as a result, the cost of doing business continued to show an increasing trend.

Risk aversion, on the part of the commercial banks, led them to maintain and pursue their cautious approach of diverting their financial resources towards the apparently securer investment in government securities. This policy clearly overlooked the interest of the Private Sector, which was resultantly denied the availability of badly needed credit facilities for meeting with its working capital, besides the essential funding requirements for BMR by the manufacturing industry. Commercial banks were also not inclined to fund the quasi-banking sector comprising of Non-banking Financial Institutions (NBFIs), including Modarabas and Leasing Companies, with a view basically to containing any competition, offered by the latter, in lending activities monopolized by the commercial banks themselves and by their sponsored Leasing Companies and Modarabas. This somewhat preferential approach, adopted particularly by the privately owned commercial banks, resulted in an unusually increased demand for credit, on the part of Private Sector businesses and industry, on the NBFI and the Modaraba & Leasing Sectors. Hence, the task of filling the gap between the supply and demand for credit by the Private Sector was unwittingly passed on to NBFIs, including Leasing Companies and Modarabas, which were already starved of the required liquidity for carrying out their routine lending operations.

Under the circumstances, "non-commercial bank sponsored" NBFIs, Modarabas and Leasing Companies were left with only two options for fulfilling their enhanced liquidity needs: they could either mobilize additional funds by offering high rates of return on their Certificates of Investment/Musharaka (subject, of course, to enjoying the appropriate Credit Ratings); or resort to keep themselves afloat by undertaking just the bare minimum of their lending functions, by focusing on timely recovery of repayments from their existing borrowers and managing their respective cash flow positions on a highly vigilant basis. Recycling their funds, under such restrictive conditions, meant lowering of their target for fresh business, which was, in any case, becoming less remunerative owing to a diminishing interest rates scenario prevailing in the market, besides getting riskier to underwrite due to the overall economic down turn in the country.

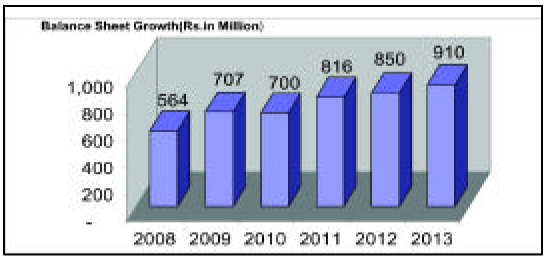
PGL chose not only to focus on higher and quicker recovery from their lessees, attaining an unheard of Recovery Rate of 99.40 % during FY-2012-13, but it also continued to drag its feet, when it was asked to finance new leases at a much lower IRR. This was not an easy task, when it was required to be conducted in a manner which ensured that none of PGL's well performing existing lessees was discouraged to the extent of severing its business relationship with the Company. The Sponsors of your Company need to be thanked, for lending a helping hand at that juncture, by increasing their investments in PGL's CoIs and easing the liquidity crunch to quite an extent.

PGL has now chosen to follow the safer norm of doing repeat business with some of its most well established lessees and further nurture such of its long standing customer relationships, which have exhibited an unblemished repayment history. Where necessary, the additional exposures are collateralized by obtaining charges on assets, other than those covered by a lease. New business relationships are encouraged, so long as the cash flows, financials, independent valuation and survey of the assets to be leased, market reputation and a wide spectrum analysis of the historical track record justify a prospective lessee's financing proposition to be seriously considered by the Company.

Your directors are pleased to report that they were not only able to restrict PGL's bank borrowings to the minimum, during the year, but were also successful in increasing your Company's business, inspite of some tough competition offered by a number of leasing companies and modarabas, sponsored and backed by major commercial banks.

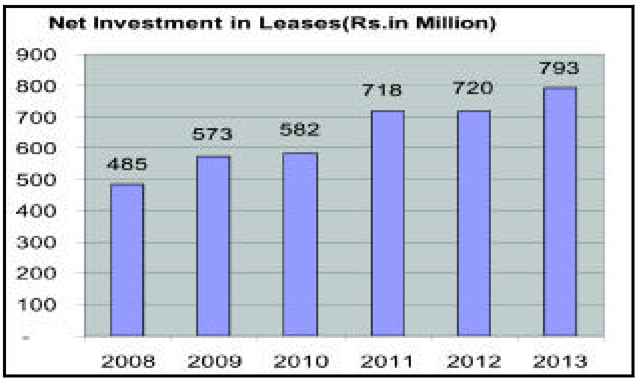
Financial Achievements

Your Company was successful in writing 51 new leases of Rs.449.05 million during FY-2012-13, which for the first time in PGL's history, also included 3 Ijarah (Shariah-compliant leasing) transactions, as compared to 43 new leases of Rs.302.0 million written in the Financial Year 2011-12. The Balance Sheet footing of your Company, over the same period, reached closer to the coveted Rupees "one billion mark", by attaining a figure of Rs.910.21 million, as on June 30th, 2013 (Rs.850.08 million, as at June 30th, 2012). This year-on-year increase of 7.07%, in the Total Assets of your Company, signifies a vast improvement, by all standards, when compared with the performance of the few profitable leasing companies presently operating in Pakistan, under the prevailing economic and market conditions.



After accounting for the leases that matured, during the Financial Year 2012-13, the Lease Portfolio of your Company, representing Gross Investment in Leases, stood at Rs.907 million (FY-2011-12: Rs.823 million), as on June 30th, 2013, representing a year-on-year increase of 10.21%.

Net Investment in Leases, after deduction of Unearned Income (Rs.111.73 million), Mark-up held in suspense (Rs.0.25 million) and a Provision for potential lease losses (Rs.1.76 million), amounted to Rs.792.93 million at the end of FY-2012-13, showing an increase of 10.5 % over the previous year's corresponding figure of Rs.720.82 million as at 30th June, 2012.



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 2012-13, was recorded at Rs 27.28 million, as against Rs.22.50 million, attained in the corresponding period last year FY-2011-12, showing an annual increase of 21.44 %. Gross Revenue, however, for the period under review (FY-2012-13), stood 8.74 % lower at Rs. 77.03 million, as compared to Rs. 84.41 million for the corresponding period in FY-2011-12, despite a quantum increase in leases written during the year under review of Rs. 449.05 million, as opposed to the amount of leases written in FY-2011-12 of Rs. 302.0 million: a phenomenal rise of 48.69 %. The positive impact of this relative increase of Rs.147.05 million, in the current year (over 28.38 % of which pertains to leases written towards the very end of FY-2012-13), shall be clearly noticeable in the Income for the financial year ending 30th June 2014. Notwithstanding the apparent reduction in Pre-tax Income, some advantage of the incremental lease writing, during the year under review, did reflect itself in the reduction of Tax Liability and, as a consequence, resulted in improving the After-tax Profit for the year ended 30th June, 2013.

Despite a significant increase in the operations of your Company, the directors are pleased to report a reduction of 4.33 % in the Operating Expenses of the Company, over the preceding year (Rs.37.21 million in FY-2012-13 as against Rs. 38.90 million in FY-2011-12). This is not a mean achievement, given the continuously increasing inflation affecting all operational inputs.

Your directors are of the view, that in order to further facilitate an expansion in the operations of your Company and for the purpose of maintaining an adequate Equity base, it would be necessary for your Company to retain its After-tax Profit for the year under review. Consequently, no Dividend is proposed for your Company's Financial Year ended June 30th, 2013.

Comparative Analysis of Profitability Performance For the year ended 30th June	**2013**	2012	**Change %**
	(Rupees in Million)		+ or (-)
Income	**77.03**	84.41	(-) 08.74
Profit before Taxation	**46.70**	48.10	(-) 02.91
Provision for Taxation(including Deferred Tax of Rs.19.02 million)	**19.42**	25.60	(-) 24.14
Profit after Taxation	**27.28**	22.50	+ 21.44
Un-appropriated Profit Brought Forward	**91.02**	70.41	+ 29.27
Transferred from Surplus on Revaluation to Un-appropriated Profit	**2.52**	2.61	(-)03.45
Profit Available for Appropriation	**120.82**	95.52	+ 26.49
Appropriations:			
Transfer to Statutory Reserve	**5.46**	4.50	+ 21.33
Interim Cash Dividend	**-**	-	-
Total Appropriations	**5.46**	4.50	+ 21.33
Un-appropriated Profit Carried Forward	**115.37**	91.02	+ 26.75
Earnings Per Share (In Rupees)	**1.08**	0.89	+ 21.35

Economic Scenario

Pakistan has been in the grips of an economic recession for the past several years. Unfortunately, the cost push has continuously seemed to have been tackled by adopting fiscal measures better known for handling the demand push. What the Country really needed was an invigoration of the economy by increasing Public Sector spending on development projects, coupled by expansion of credit in the Private Sector, at market driven rates of interest. By following this strategy, it would have been possible to generate more employment opportunities, thereby enabling the populace, at large, to economically sustain itself, leaving some space for diverting the monetary spill-over into savings and investments. This could not be done, on account of the pressure on the State Bank of Pakistan for maintaining a respectable value for the Pak Rupee, mainly against the US Dollar. Budgetary deficit has continued to mount due to ever-increasing spending, by the government, on non-development expenditure and on servicing the humongous Domestic, as well as Foreign Debt, which has attained a historically high level. Unmanageable energy shortages and the deteriorating law and order situation have hit the productivity levels hard, leaving the country's economic growth to creep at snail's pace, after nose-diving to abysmally low rates of growth in the preceding years. If it were not for the inward remittances from Overseas Pakistanis, which have been annually increasing in quantum terms, it would have been impossible for the country to avert a default on its foreign currency borrowings.

The newly elected Government shall be faced with unprecedented challenges on almost every front, whether the same relate to the economy, internal security, foreign relations or overall governance. The war like situation in Syria has already sent the international oil prices sky rocketing. Pakistan, which is entirely dependent for fuel supplies from abroad, shall find its fuel bills multiplying, with a direct impact on its foreign exchange resources and the Pak Rupee shall find itself under tremendous pressure. The dominoes effect shall be seen in operation, when higher cost of imports would require to be offset by increasing taxes and removal of subsidies, which in turn shall give rise to inflation. This would be followed by unbearably escalating cost of inputs, in almost all areas of economic and industrial activity, leading to defaults by businesses and reduction in savings, which would raise unemployment and adversely effect the functioning of commercial banks and consequently, the entire financial services sector. In addition to the Circular Debt (which has once again started building up in the Power Sector), a similar situation causing a huge gap between the receivables and payables in all sectors of the economy, including Private Sector enterprises, has already started setting in.

Leasing Companies, which for 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.

PGL would need to closely watch and constantly monitor the emerging position of the economy, under the new Government, 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.

Analysis of PGL's Performance in 2013

Investment in Leasing:

The assets-wise distribution of your Company's Investment in Leasing, during FY-2012-13, has been well diversified, keeping in view the available tax advantages and the security associated with the relative forced sale values of leased assets, in the event of delinquencies or defaults. The following Chart gives a visual picture of the breakdown of PGL's Investment in Leasing, during FY-2012-13:

Analysis of PGL's Performance in 2013

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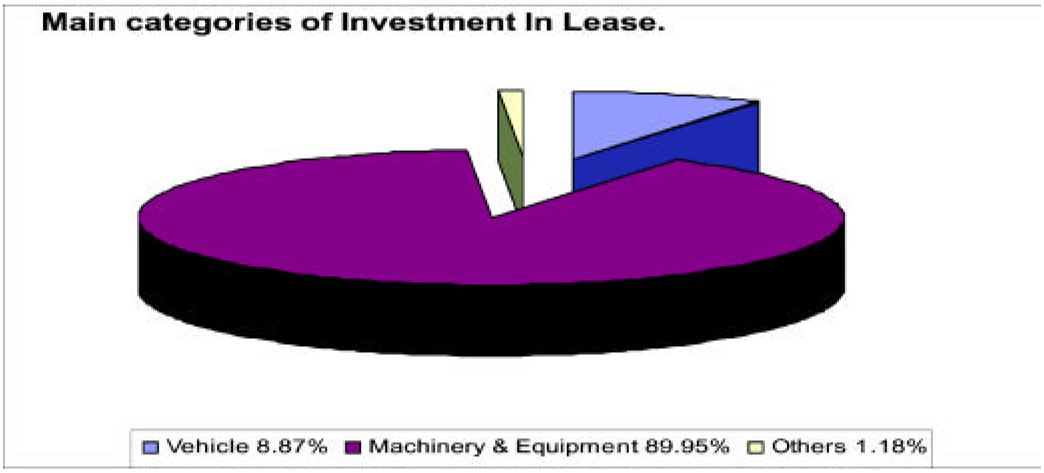
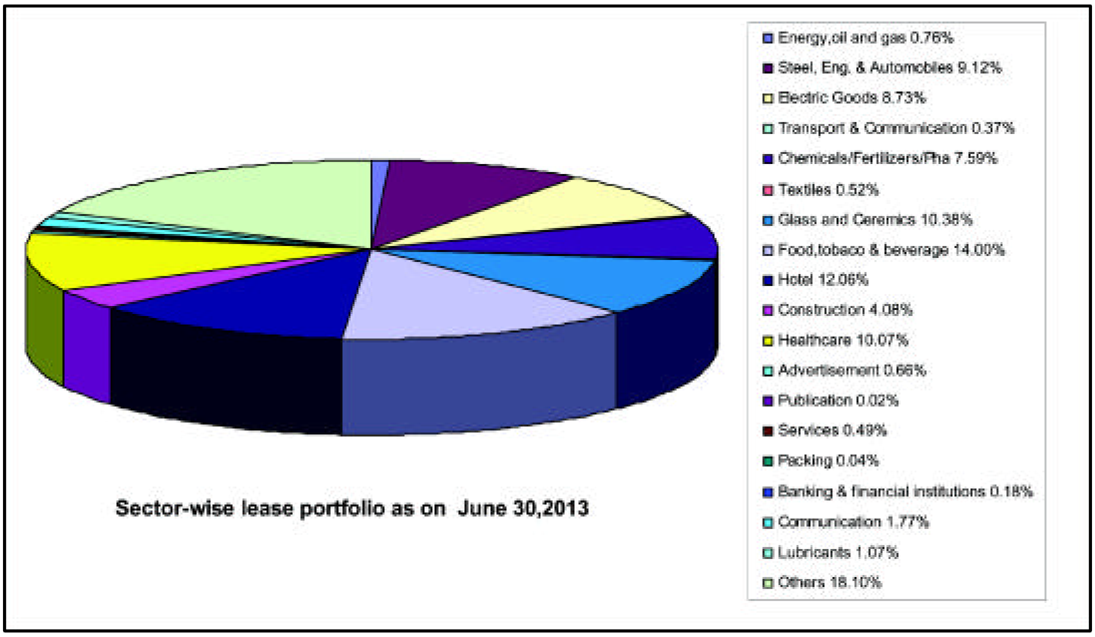


Sector-wise Composition of the Lease Portfolio:

Proper criteria, for an efficient and prudent Risk Management, were exercised in spreading your Company's exposure to varying sectors of business and industry, keeping the behavior of the domestic economy in mind. The following Chart describes, in graphical details, the manner in which the Sector-wise Composition of PGL's Lease Portfolio has been evolved:



Introduction of Shariah-compliant Leasing Transactions (Ijarah)

Your directors have been cognizant of a paradigm shift in the propensity of prospective lessees, who are increasingly inclined to avail leasing finance on a Shariah-compliant basis. In keeping with this shift, your directors, after obtaining written consent of the SECP, chose to introduce Ijarah transactions towards the end of FY-2013. A Shariah Adviser, on the Approved Panel of the SECP and the NBFIs & Modaraba Association was duly appointed for approving each Ijarah transaction to be undertaken by your Company. Shariah-compliant legal documents were put into place, together with an appropriate Lease Management System to cover all Ijarah transactions. Your directors are pleased to advise you that your Company undertook a total of three (03) Ijarah transactions of a total amount of Rs. 3,561,541 during the Financial Year ended 30th June, 2013. It is encouraging to note that more and more lessees (some of them fresh customers), have been showing an interest in dealing with your Company under the Ijarah mode.

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. It is an established fact that, 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. Lack of support from commercial banks in advancing credit to the Private Sector is further eroding the propensity of businesses for undertaking much needed BMR 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, is showing a steep rise. 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. This situation is causing lessees to operate at uneconomical terms, which are likely to lead to defaults, on their part, in servicing their lease liabilities.

SECP has also introduced new capital requirements, along with more stringent provisioning regulations for delinquent accounts. This is a double-edged sword: as on the one side, it demands the existing sponsors of the leasing companies to cough out fresh funds, in the form of additional investment in the equity of their respective companies; and on the other, reduces their ability to get adequate returns on their investment by the increased provisioning requirements. Devolution of recovery of Sales Tax to the Provincial Governments, by the Federation, has caused the Provincial Governments, to apply that Tax on almost all categories of services offered by the financial services sector in the Provinces. A recent judgment by one of the higher courts has entitled FBR to levy the Federal Excise Duty (FED) on Services rendered by the leasing companies, on top of the relative Provincial Government Sales Tax already being paid by these companies.

Thanks to the perseverance of the NBFIs & Modaraba Association of Pakistan, the SECP has submitted its detailed recommendations, in the shape of NBF-Reform Committee Report to all stakeholders, including the Ministry of Finance, Government of Pakistan, for revamping the Minimum Equity Requirements (MER) for the entire NBFC Sector, in the light of ground realities, in addition to other regulatory reformation measures for the Sector. The SECP and the Association must be lauded for their efforts and realistic recommendations. Much good shall be done to the survival and advancement of the entire NBFI Sector, should the Ministry find it feasible to approve the said recommendations, which include an extension, up to 30th June 2018, for increasing the minimum equity of your Company to Rs.700.00 million.

The prudence exercised by your Company, in previous years, by owning its office premises; by restricting the size of funds mobilized through its CoIs; 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, simultaneously with the quality of services offered by the Company. As far as possible, the bank borrowings of the Company shall be maintained at the least possible levels, with a stress on rolling over the recovered rentals, as efficiently and profitably, as possible, for enhancing your Company's profitability.

Minimum Equity Requirements (MER), Auditors' Comments

With respect to the Auditors' comments on Minimum Equity Requirements, your directors recognize 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 by the dates stipulated under the existing NBFC Regulations. That explains, as already mentioned in the preceding paragraphs, the extension in the date for this purpose until 2018 under the NBFC-Reforms Committee Report, submitted by the SECP to the Government of Pakistan. 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.

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 reconstituted the Human Resource and Remuneration Committee of the Board of Directors of your Company as shown below:

S.No.	Name of Member	Designation
01	Air Marshal (R) Syed Masood Hatif	Chairman
02	Brigadier (R) Naveed Nasar Khan	Vice Chairman
03	Mr. Pervez Inam	Member
04	Mr. Sohail Inam Ellahi	Chief Executive Officer

The attendance record for the newly constituted HR & R Committee shall be reported to you in the 21st Annual Report of the Company.

Audit Committee

The Board of Directors, in compliance with The Code of Corporate Governance, has established an Audit Committee of the Board. Composition of the Audit Committee and details relating to its meetings, during the Year, are given below:

S.No.	Name of Member	Designation	No. of Meetings Attended
01	Mr.Rizwan Humayun	Chairman	4
02	Air Marshal (R) Syed Masood Hatif	Vice Chairman	4
03	Mr. Pervez Inam	Member/Secretary	4
04	Mr.Shaheed H Gaylani	Member	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, during the Year, have yet again maintained your Company's Entity Rating at BBB+ (for the Medium to Long-term), in addition to reaffirming the Short-term Rating at A-3. The Outlook for the Company has also been maintained to be Stable.

Auditors

The retiring Auditors: Messers KPMG Taseer Hadi & Co., Chartered Accountants, being eligible for reappointment, have offered themselves for reappointment as Auditors of your Company. The Board of Directors wishes to place, on record, their appreciation for the high standards of professionalism, integrity and ethics maintained by the said Auditors: Messers KPMG Taseer Hadi & 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 yet again a very difficult year, in terms of the prevailing economic and political 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.

Your directors would like to sincerely and wholeheartedly acknowledge, with utmost appreciation and gratitude, the unparalleled contribution to your Company's progress and performance by the outgoing Chief Executive Officer of PGL: Mr. Sohail Inam Ellahi. His association with the Company began from its very inception in 1994, as one of the Sponsoring Directors of PGL. In 2006, he assumed the position of the Chairman of the Board of Directors of the Company, which he relinquished, in April, 2013, in order to segregate the functions of the Chairman from that of the CEO, in compliance with the Code of Corporate Governance.

Mr. Sohail Inam Ellahi uninterruptedly served as the CEO of your Company from 01 June, 2008 until he voluntarily decided to give up that position with effect from 19 July 2013, on account of personal reasons. During his eight (08) years of service, as the CEO of your Company, he introduced a paradigm shift in the management and operations of your Company, which is noticeably exhibited in the growth and performance of your Company as per PGL's financials covered by this Report.

During the year, Mr. Shoaib Saleem Malik, following the completion of his tenure as one of the Members of your Company's Board of Directors, was replaced by Mr. Fawad Saleem. Your directors would like to acknowledge the contribution made to your Company by Mr. Shoaib Saleem Malik, during his term in office, and would like to welcome Mr. Fawad Saleem, as a Member of the Board of your Company. He is not an unfamiliar person for the Company, as he has served on PGL's Board in previous years as well.

The Board also acknowledges the cooperation 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 NBFI's & Modaraba Association for its assistance and support in professionally safe-guarding your Company's interest, particularly in the matter of Sales Tax., before the concerned authorities.

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 listed 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, CFO, Company Secretary 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 Share-holdings, as required by the Code of Corporate Governance, as at June 30, 2013, 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.

Recent Developments

The following changes were undertaken in the executive management of the Company after 30th of June, 2013:

Chief Executive Officer:

Mr. Mahfuz-ur-Rehman Pasha was appointed as the new Chief Executive Officer of the Company, with effect from 19th July, 2013, in place of the outgoing CEO, Mr. Sohail Inam Ellahi. Mr. Pasha is a seasoned bureaucrat, who has served the Federal Government in various senior positions in FBR and the Ministry of Finance & Economic Affairs, Government of Pakistan.

Chief Financial Officer & Company Secretary:

Mian Muhammad Shoaib, FCA, who had served as the Chief Financial Officer & Company Secretary of PGL over the past several years, tendered his resignation to migrate to Canada. He has been replaced by a more experienced professional in the person of Mr. Abdul Wahid, FCA, with effect from 16 September, 2013.

Key Operating and Financial Data for the last six (6) years 2008 - 2013

	2013	2012	2011	2010	2009	2008
Operational Results:			------------------------ Rupees ------------------------			
Revenues	77,029,731	84,405,724	69,197,688	69,383,320	59,198,876	50,620,517
Lease revenue	70,897,873	77,359,593	64,474,169	64,157,818	53,666,448	49,767,447
Profit before taxation	46,699,898	48,102,092	33,900,240	32,272,693	23,022,809	12,163,778
Profit after taxation	27,280,001	22,504,643	15,528,757	21,249,408	16,055,008	10,848,668
Finance cost	5,479,981	10,633,657	5,548,263	9,650,487	9,621,569	9,591,157
Provision for potential lease losses	(6,883,301)	(2,592,026)	(1,792,732)	7,505,698	7,378,303	10,362,393
Dividend/(stock) %	-	-	-	5.00 %	-	-
Balance Sheet						
Shareholders Equity	420,278,122	389,817,560	364,805,885	346,117,010	334,943,418	256,702,410
Surplus on revaluation of assets	44,554,319	38,596,264	41,205,380	43,814,496	46,423,612	24,871,032
Reserves	165,471,459	135,670,642	110,556,883	92,419,010	81,245,418	63,004,410
Working capital	172,425,843	208,856,017	166,683,772	179,305,685	135,443,949	77,929,799
Non-current liabilities	287,278,921	304,498,443	288,463,703	235,872,082	227,756,845	151,143,864
Long-term loans	-	25,000,000	58,333,332	25,000,000	71,666,667	8,581,857
Investments	5,273,569	4,592,869	4,676,315	4,444,271	1,457,955	2,842,605
Financial Ratios						
Income / expense ratio	2.07	2.17	1.86	2.34	2.05	1.80
Earning per share (In Rupees)	1.08	0.89	0.61	0.84	0.69	0.56
Debt / Equity ratio	NIL	6.02	14.28	6.02	15.81	0.02
Current ratio	2.09	2.78	2.37	3.41	2.39	1.59

Board Mettings

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

	Name of Director	No. of Meetings Attended
1.	Mr.Sohail Inam Ellahi	3
2.	Shaikh Aftab Ahmad	4
3.	Mr.Shaheed H Gayalani	4
4.	Air Marshal (R) Syed Masood Hatif	4
5.	Mr.Pervez Inam	4
6.	Mr.Shoaib Salim Malik	2
7.	Brig. Naveed Nasar Khan (R)	4
8.	Mr.Rizwan Humayun	4
9.	Mr. Fawad Saleem	1

Rs. 1,636,785 and Rs. 36,320 are payable in respect of worker's welfare fund and Sindh Sales Tax, respectively and shall be paid in due course.

Value of investments of the Staff Provident Fund stood at Rs. 4,582,201 as at June 30th, 2013. This represents funds placed with a rated commercial bank at special rates and investment in the Registered Units of the National Investment Trust.

Chairman **Chief Executive Officer**
28 September, 2013
Karachi

STATEMENT OF COMPLIANCE WITH: THE CODE OF CORPORTE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of the listing regulations of the 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. At present all the Board includes:

Category	Names
Independent Directors	Brig. (R) Naveed Nasar Khan Mr. Rizwan Humayun
Executive Director	Mr. Sohail Inam Ellahi
Non-Executive Directors	Air Marshal (R) Syed Masood Hatif Mr. Fawad Salim Malik Mr. Pervez Inam Mr. Sheikh Aftab Ahmed Mr. Shaheed H. Gaylani

Independent directors meets the criteria of independence under clause i (b) of CCG.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, DFI or an NBFI or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.

4. No casual vacancy occured on the Board of Directors.

5. The Company has prepared a 'Code of Conduct' and the same has been placed on 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 has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment, determination of remuneration and terms and conditions of employment of an executive director, have been taken by the Board.

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. Directors are conversant of the relevant laws applicable to the Company, its policies and procedures and provisions of articles and memorandum of association and are aware of their duties and responsibilities. Although none of the directors acquired the required certification under CCG, however the Company plans to train two directors during next year and all directors by 30 June 2016, to comply with the requirement.

10. No new appointment of Chief Financial Officer (CFO), Company Secretary (CS) and Head of Internal Audit was made during the year. The Company is in process of ratification of terms and conditions of Head of Internal Audit and steps are being taken to seek compliance with the relevant requirement of CCG with reference to the eligility of Head of Internal Audit.

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, and all members of the Committee 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 and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Baord has formed a Human Resource and Rumuneration Committee. It comprises four members, of whom three are non-executive directors and the chairman of the committee is an independent director.

18. The Board has set-up effective internal audit functions who are considered suitably qualified and experienced for the purpose and are 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 Institue of Chartered of Pakistan (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 Institue of Chartered of Pakistan (ICAP).

20. 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.

21. 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.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. We confirm that all other material principles contained in the Code have been complied with.

Chief Executive Officer **Director**
September 28, 2013
Karachi

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

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Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Pak-Gulf Leasing Company Limited** ("the Company") to comply with the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges where the company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, sub regulation (x) of Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges require the company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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 of Corporate Governance as applicable to the Company for the year ended 30 June 2013.

We draw attention to paragraphs 9 and 10 of the Statement of Compliance which more fully explain the steps taken by the Company to seek compliance with requirements relating to training program of the Board of Directors and ratification of terms and condition of Head of Internal Audit.

KPMG Taseer Hadi & Co.

Date: 28 September 2013

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi

Shariah Advisor's Report

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِيْمِ

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

PGL started its Ijarah operation in April 2013 and, with the grace of Allah Almighty, 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 with Shariah requirements.

Alhamdulillah, PGL is still working sincerely on the development and refinement of its Islamic product to make it more attractive for the interested clients. May Allah make us successful in this regard and accept our efforts. 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 of Islamic Finance.

Mufti Ibrahim Essa
Shariah Advisor
Pak-Gulf Leasing Limited (PGL)

KPMG

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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 30 June 2013 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 (hereinafter referred to as the financial statements), 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 financial 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 financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the financial 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 account 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 30 June 2013 and of the profit, its 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.

We draw attention to note 1.2 to the financial statements which discusses the matter relating to the minimum equity requirements as required by the Non Banking Finance Companies and Notified Entities Regulations, 2008. Our opinion is not qualified in this respect.

KPMG Taseer. Hadi & C.

Date: 28 September 2013

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

Pak-Gulf Leasing Company Limited

BALANCE SHEET
AS AT JUNE 30, 2013

	NOTE	2013	2012
		---------- Rupees ----------	
ASSETS			
Current assets			
Cash and bank balances	4	**17,908,585**	42,903,724
Short term investments	5	**2,302,863**	1,643,118
Other receivables - net	6	**4,960,196**	9,110,962
Advances to employee		**140,924**	98,863
Accrued mark-up / return on investments		**115,790**	115,314
Prepayments		**1,006,355**	360,873
Current portion of net investment in lease finance	7	**300,775,024**	270,367,062
Taxation recoverable - net	8	**3,314,836**	1,422,687
Total current assets		**330,524,573**	326,022,603
Non-current assets			
Net investment in lease finance	7	**492,150,412**	449,234,894
Long-term investments	9	**2,970,706**	2,949,751
Long-term deposits		**209,500**	206,500
Operating fixed assets	10	**83,755,693**	71,665,105
Intangibles assets	11	**599,208**	-
Total non-current assets		**579,685,519**	524,056,250
Total assets		**910,210,092**	850,078,853
LIABILITIES			
Current liabilities			
Trade and other payables	12	**6,970,713**	5,451,338
Accrued mark-up	13	**2,770,071**	3,698,067
Certificates of investment - unsecured	14	**59,834,426**	32,005,613
Short term borrowings	15	**37,132,211**	-
Current portion of long term financing - secured		**-**	25,000,000
Current portion of long term deposits	16	**51,391,309**	51,011,568
Total current liabilities		**158,098,730**	117,166,586
Non-current liabilities			
Long-term deposits	16	**176,344,956**	217,146,718
Deferred taxation - net	17	**110,933,965**	87,351,725
Total non-current liabilities		**287,278,921**	304,498,443
Total liabilities		**445,377,651**	421,665,029
NET ASSETS		**464,832,441**	428,413,824
Financed by			
Share capital	18	**253,698,000**	253,698,000
Reserves	19	**165,471,459**	135,670,642
		419,169,459	389,368,642
Surplus on revaluation of available for sale investments	5	**1,108,663**	448,918
Total equity		**420,278,122**	389,817,560
Surplus on revaluation of operating fixed assets net of tax	20	**44,554,319**	38,596,264
		464,832,441	428,413,824
Contingencies and commitments	21		

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive Director

Pak-Gulf Leasing Company Limited

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013

	NOTE	2013	2012
		----------- Rupees -----------	
INCOME			
Income from leasing operations	22	70,897,873	77,359,593
Other Operating Income			
Profit on bank accounts / return on investments	23	5,648,281	5,175,885
Other income	24	483,577	1,870,246
		6,131,858	7,046,131
		77,029,731	84,405,724
OPERATING EXPENSES			
Administrative and operating expenses	25	31,695,847	28,186,942
Finance cost	26	5,479,981	10,633,657
Other charges		37,306	75,059
		37,213,134	38,895,658
Operating Profit before provision		39,816,597	45,510,066
Provision for potential lease losses	7.2	(542,283)	(351,887)
Reversal against terminated leases - net	6.3	7,425,584	2,943,913
Profit before Taxation		46,699,898	48,102,092
Taxation	27	19,419,897	25,597,449
Profit after taxation		27,280,001	22,504,643
Earning per share-basic and diluted	28	1.08	0.89

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive

Director

Pak-Gulf Leasing Company Limited

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2013

	NOTE	**2013**	2012
		----------- **Rupees**	-----------
Profit for the year		**27,280,001**	22,504,643
Other Comprehensive Income			
Items to be reclassified to income statement in subsequent periods:			
Surplus / (deficit) on revaluation of available for sale investments	*5*	**659,745**	(102,084)
Total comprehensive income for the year		**27,939,746**	22,402,559

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive

Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

	NOTE	2013	2012
		----------- Rupees	-----------
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**46,699,898**	48,102,092
Adjustment for:			
Depreciation		**5,322,710**	4,792,812
Amortisation		**149,802**	-
Finance cost		**5,479,981**	10,633,657
Amortization income on PIB		**(20,954)**	(18,638)
Provision for potential lease losses		**542,283**	351,887
Reversal against terminated leases - net		**(7,425,584)**	(2,943,913)
Gain on disposal of fixed asset		**(299,400)**	-
		3,748,838	12,815,805
Operating profit before working capital changes		**50,448,736**	60,917,897
Movement in working capital			
(Increase) / decrease in current assets			
Advances to employees		**(42,061)**	126,637
Accrued mark-up / return on investments		**(476)**	(3,751)
Other receivables - net		**11,576,350**	9,068,223
Prepayments		**(645,482)**	292,035
		10,888,331	9,483,144
Increase / (decrease) in current liabilities			
Trade and other payables		**1,519,375**	(6,036,672)
Cash generated from operations		**62,856,442**	64,364,369
Finance cost paid		**(6,407,977)**	(8,958,417)
Tax paid		**(2,295,353)**	(3,512,468)
Deposits received from / paid to lessees		**(40,422,021)**	24,093,626
Increase in net investment in lease finance - net		**(73,865,763)**	(2,282,072)
		(122,991,114)	9,340,669
Net cash (outflow on) / inflow from operating activities		**(60,134,672)**	73,705,038
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		**(5,208,491)**	(2,480,412)
Proceeds from disposal of asset		**390,000**	-
Long term deposit		**(3,000)**	-
Net cash outflow on investing activities		**(4,821,491)**	(2,480,412)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from certificates of investment - net		**27,828,813**	2,775,475
Repayment of long-term financing		**(25,000,000)**	(33,333,332)
Net cash (outflow on) / cash inflow from financing activities		**2,828,813**	(30,557,857)
Net (decrease) / increase in cash and cash equivalents		**(62,127,350)**	40,666,769
Cash and cash equivalents at the beginning of the year		**42,903,724**	2,236,955
Cash and cash equivalents at the end of the year	*32*	**(19,223,626)**	42,903,724

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive　　　　　　　　　　Director

Pak-Gulf Leasing Company Limited

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013

	Share capital	Reserves				(Deficit) / Surplus on revaluation of available for sale Investments	Total equity
		Capital		Revenue			
		Statutory reserve	Reserve for issue of bonus shares	Unappropriated profit	Sub Total		
	------	------	------	Rupees	------	------	------
Balance as at 30 June 2011	253,698,000	35,745,045	4,402,000	70,409,838	110,556,883	551,002	364,805,885
Total comprehensive income for the year ended 30 June 2012							
Profit after taxation	-	-	-	22,504,643	22,504,643	-	22,504,643
Other comprehensive income							
Deficit on revaluation of available for sale investments	-	-	-	-	-	(102,084)	(102,084)
	-	-	-	22,504,643	22,504,643	(102,084)	22,402,559
Transfer from surplus on revaluation of operating fixed assets to unappropriated profit - net of deferred tax	-	-	-	2,609,116	2,609,116	-	2,609,116
Transfer to statutory reserve (note 19.1)	-	4,500,929	-	(4,500,929)	-	-	-
Balance as at 30 June 2012	253,698,000	40,245,974	4,402,000	91,022,668	135,670,642	448,918	389,817,560
Total comprehensive income for the year ended 30 June 2013							
Profit after taxation	-	-	-	27,280,001	27,280,001	-	27,280,001
Other comprehensive income							
Surplus on revaluation of available for sale investments	-	-	-	-	-	659,745	659,745
	-	-	-	27,280,001	27,280,001	659,745	27,939,746
Transfer from surplus on revaluation of operating fixed assets to unappropriated profit - net of deferred tax	-	-	-	2,520,816	2,520,816	-	2,520,816
Transfer to statutory reserve (note 19.1)	-	5,456,000	-	(5,456,000)	-	-	-
Balance as at 30 June 2013	253,698,000	45,701,974	4,402,000	115,367,485	165,471,459	1,108,663	420,278,122

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive

Director

1. STATUS AND NATURE OF BUSINESS

1.1 Pak-Gulf Leasing Company ("the company") was incorporated in Pakistan on 27 December 1994 as a public limited company under companies ordinance, 1984 and commenced its operations on 16 September 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 by 30 June 2013. The equity of the Company as at 30 June 2013 is Rs. 420.278 million which is Rs. 279.722 million short of the minimum capital requirement. SECP is reviewing the overall regulatory regime including the minimum equity requirements for NBFCs. For this purpose, SECP has issued NBF-Reform Committee Report for comments of the stakeholders which includes among other measures, extension in time for minimum equity requirements whereby a leasing company is required to meet minimum equity requirements of Rs. 700 million by 30 June 2018.

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 (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984 (the Ordinance), the requirements of the Ordinance, 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 (the SECP). Wherever the requirements of the Ordinance, the NBFC Rules, the NBFC Regulations, or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Ordinance, the NBFC Rules, the NBFC Regulations, the directives issued by the SECP prevail.

During the year ended 30 June 2013 the Company entered into Ijarah leasing arrangements with its certain customers. As a result the Islamic Financial Accounting Standards -2 Ijarah (IFAS-2) became applicable on the Company during the period. Assets leased under and income arising from Ijarah leasing arrangements have been accounted for by the Company in these financial statements in accordance with requirements of IFAS-2.

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.

2.3 Functional and presentation currency

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

2.4 Standards, interpretations and amendments not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 July 2013.

- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendment is not applicable on the financial statements of the Company.

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

- Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.

    - IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.

- IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendment has no impact on financial statements of the Company.

- IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The improvement removes a perceived inconsistency between IAS 32 and IAS 12. The amendment has no impact on financial statements of the Company.

- IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendment has no impact on financial statements of the Company.

- IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The amendment has no impact on financial statements of the Company.

- Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment has no impact on financial statements of the Company.

2.5 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 ofthe 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 judgement 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 3.1 and 5).
ii) Provision for current and deferred taxation (notes 3.10 and 17).
iii) Recognition and measurement of deferred tax assets and liabilities (note 3.10 and 17).
iv) Classification and provision of net investment in finance lease (notes 3.5, 3.6 and 7).
v) Determination and measurement of useful life and residual value of operating fixed assets (note 3.7 and 10.1).
vi) Measurement of leasehold premises carried at revalued amount. (note 3.7, 10.1 and 18).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Financial assets

3.1.1 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.

3.1.2 Initial recognition and measurement

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

3.1.3 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.

Net gains and losses arising on changes in fair value of available for sale financial assets are taken to equity until these are derecognised. At this time, the cumulative gain or loss previously recognised directly in equity is transferred to the profit and loss account.

3.1.4 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.

3.1.5 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.

3.2 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.

3.3 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.

3.4 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cheques in hand, deposits held at call with banks, 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.

3.5 Net investment in lease finance

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.

3.6 Provision for potential lease losses and provision for terminated leases

Provision for potential lease losses and doubtful receivables are made on the basis of the requirements of the NBFC Regulations.

3.7 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, if any, and capital work-in-progress which is stated at cost less impairment losses, if any. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when the assets are available for use.

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 9.1 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 recognized in profit and loss on accrual basis as and when rentals become due. Costs including depreciation, incurred in earning the Ijarah income are recognized as expense. Initial direct costs incurred specifically to earn revenues from Ijarah are recognized 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.

3.8 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.

3.9 Other 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.

3.10 Taxation

3.10.1 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.

3.10.2 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'.

3.11 Trade and other payables

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

3.12 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.

3.13 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.

3.14 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.

3.15 Revenue recognition

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.

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

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

- Income on investments is accounted for on accrual basis.

- Dividend income is recognised when the right to receive the dividend is established.

3.16 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.

3.17 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.

3.18 Segment reporting

The Company determines and presents operating segment based on the information that is internally provided to the Board of Directors (Company's chief decision maker). However the Company is considered to be a single reportable segment entity, and such entity wide disclosures as required under International Financial Reporting Standard 8 (Operating Segment) has been made in the financial statements.

4. CASH AND BANK BALANCES

	Note	2013	2012
		----------- Rupees -----------	
Cash in hand		15,734	1,286
Balance with banks:			
- in current accounts		13,369,464	8,266,232
- in saving accounts	4.1	4,523,387	34,636,206
		17,908,585	42,903,724

4.1 Return on these savings accounts is earned at rates ranging from 6% to 8.5% (2012: 5% to 10%) per annum.

5. SHORT TERM INVESTMENT

Available for sale investments

	2013	2012
Cost		
54,300 units of National Investment (Unit) Trust (2012: 54,300)	1,194,200	1,194,200
Revaluation surplus / (deficit)		
As at 1 July	448,918	551,002
Surplus/ (deficit) for the year	659,745	(102,084)
As at 30 June	1,108,663	448,918
	2,302,863	1,643,118

6. OTHER RECEIVABLES - NET	Note	2013	2012
		----------- Rupees -----------	
Lease receivable held under litigation	6.1	**28,511,189**	40,155,461
Insurance premium and other receivable	6.2	**3,954,297**	5,494,897
		32,465,486	45,650,358
Provision against terminated leases	6.3	**(24,776,443)**	(32,202,027)
Mark-up held in suspense		**(2,728,847)**	(4,337,369)
		4,960,196	9,110,962

6.1 This includes net investment in finance lease for cases terminated by the Company and where litigation has commenced.

6.2 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.

6.3 Movement of provision against terminated leases

Balance as at 1 July		**32,202,027**	35,025,146
Charge for the year		**1,681,130**	346,457
Reversal during the year		**(9,106,714)**	(3,290,370)
		(7,425,584)	(2,943,913)
Transfer from net investment in finance lease	7.3	**-**	120,794
Balance as at 30 June		**24,776,443**	32,202,027

7. NET INVESTMENT IN FINANCE LEASES

Net investment in finance leases	7.1	**792,925,436**	719,601,956
Current portion shown under current assets	7.1	**(300,775,024)**	(270,367,062)
		492,150,412	449,234,894

7.1 NET INVESTMENT IN FINANCE LEASES

	2013			2012		
	Not later than one year	Later than one year and less than five years	Total	Not later than one year	Later than one year and less than five years	Total
	Rupees					
Minimum lease payments	322,834,189	356,094,410	678,928,599	284,584,095	269,997,841	554,581,936
Residual value of leased assets (note 7.2)	51,391,309	176,344,956	227,736,265	51,011,568	217,146,718	268,158,286
Gross investment in leases	374,225,498	532,439,366	906,664,864	335,595,663	487,144,559	822,740,222
Unearned lease income	(71,531,143)	(40,195,746)	(111,726,889)	(62,455,503)	(36,687,682)	(99,143,185)
Mark-up held in suspense	(248,273)	-	(248,273)	(2,773,098)	-	(2,773,098)
	(71,779,416)	(40,195,746)	(111,975,162)	(65,228,601)	(36,687,682)	(101,916,283)
	302,446,082	492,243,620	794,689,702	270,367,062	450,456,877	720,823,939
Provision for potential lease losses (note 7.3)	(1,671,058)	(93,208)	(1,764,266)	-	(1,221,983)	(1,221,983)
Net investment in finance leases	300,775,024	492,150,412	792,925,436	270,367,062	449,234,894	719,601,956

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

7.2 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. 59.725 million.

7.3 Provision for potential lease losses

	Note	2013	2012
		Rupees	
Balance at beginning of the year		1,221,983	990,890
Charge during the year		542,283	351,887
Transfer of provision relating to lease receiveble held under litigation	6.3	-	(120,794)
Balance at end of the year		1,764,266	1,221,983

7.4 The net investment in finance lease portfolio includes Rs. 2.602 million (2012: Rs. 27.226 million) which has been placed under non-performing status.

7.5 The Company has entered into various lease agreements for periods ranging from one to five years (2012: two to five years).

Security deposits ranging from 10% to 45.17% (2012: 5% to 78.84%) are obtained at the time of entering into the lease arrangement. The rate of return implicit in the leases ranges from 9.49% to 22.36% (2012: 9% to 24.68%) per annum.

7.6 During the period, Securities and Exchange Commission of Pakistan revised the provisioning criteria of non-performing loans for leasing companies. The revised provisioning criteria is applicable from 1 July 2012, and requires a non-performing lease to be classified as Substandard, Doubtful, and Loss after expiry of 180 days, 1 year and 2 years respectively, as compared to the previous requirement where non-performing leases were required to be classified as Other Assets Especially Mentioned (OAEM).

Substandard, Doubtful, and Loss after expiry of 90 days, 1 year, 2 years and 3 years respectively. Further the percentage of provision required for a substandard lease has also been increased from 20% to 25%. The Company has applied the provisioning criteria in line with the revised criteria. Had this change not been made the net provision against the non performing leases for the period would have been lower by Rs. 0.279 million, deferred tax asset would have been lower by Rs. 0.098 million and profit for the period would have been higher by Rs. 0.181million.

8 TAXATION RECOVERABLE - NET

	2013	2012
	----------- Rupees	-----------
Balance as at 1 July	**1,422,687**	1,040,133
Advance tax paid	**2,295,352**	3,512,468
Charge for the year	**(403,203)**	(3,129,914)
Balance as at 30 June	**3,314,836**	1,422,687

9. LONG TERM INVESTMENT - Held to maturity

Government Security		
Pakistan Investment Bonds	**2,970,706**	2,949,751

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 30 June 2013, the Company invested 4.96% of is certificate of investment in Pakistan Investment Bonds (PIBs). Subsequent to the year end, the company has increased its investment in PIBs in order to comply with the NBFC Regulations, 2008. It carries interest rate @ 11.5 % per annum and is due to mature on 3 September 2014.

10. OPERATING FIXED ASSETS

	Note	2013	2012
		----------- Rupees	-----------
Fixed assets - own use	*10.1*	**80,411,501**	70,916,095
Fixed assets - Ijarah finance	*10.4*	**3,344,192**	-
Capital work-in-progress	*10.5*	**-**	749,010
		83,755,693	71,665,105

10.1 Fixed Assets - own use

2013

Description	COST / REVALUED AMOUNT				ACCUMULATED DEPRECIATION				Net book value as at 30 June 2013	Depreciation rate % per annum
	As at 1 July 2012	Addition / (deletion)	Surplus on revaluation	As at 30 June 2013	As at 1 July 2012	Charge for the year	On disposal	As at 30 June 2013		
	Rupees									
Leasehold premises	82,368,004	-	13,044,417	95,412,421	15,100,800	4,054,640	-	19,155,440	76,256,981	5
Leasehold improvements	670,981	-	-	670,981	670,981	-	-	670,981	-	33.33
Furniture & fittings	1,792,137	22,900	-	1,815,037	1,612,622	40,853	-	1,653,475	161,562	10
Office equipment	1,571,744	63,255	-	1,634,999	1,493,338	47,029	-	1,540,367	94,632	20
Vehicles	6,971,125	1,534,295	-	8,052,420	4,251,044	542,259	-	4,430,903	3,621,517	20
		(453,000)					(362,400)			
Computer equipment	2,345,998	26,500	-	2,372,498	1,675,109	420,580	-	2,095,689	276,809	33
	95,719,989	1,646,950	13,044,417	109,958,356	24,803,894	5,105,361	(362,400)	29,546,855	80,411,501	
		(453,000)								

2012

Description	COST / REVALUED AMOUNT				ACCUMULATED DEPRECIATION				Net book value as at 30 June 2012	Depreciation rate % per annum
	As at 1 July 2011	Addition / (deletion)	Surplus on revaluation	As at 30 June 2012	As at 1 July 2011	Charge for the year / (accomulated depreciation on deletion)	On disposal	As at 30 June 2012		
	Rupees									
Leasehold premises	82,368,004	-	-	82,368,004	10,982,400	4,118,400	-	15,100,800	67,267,204	5
Leasehold improvements	670,981	-	-	670,981	670,981	-	-	670,981	-	33.33
Furniture & fittings	1,765,537	26,600	-	1,792,137	1,561,642	50,980	-	1,612,622	179,515	10
Office equipment	1,571,744	-	-	1,571,744	1,434,716	58,622	-	1,493,338	78,406	20
Vehicles	4,860,585	2,110,540	-	6,971,125	4,099,379	151,665	-	4,251,044	2,720,081	20
Computer equipment	2,002,726	343,272	-	2,345,998	1,261,964	413,145	-	1,675,109	670,889	33.33
	93,239,577	2,480,412	-	95,719,989	20,011,082	4,792,812	-	24,803,894	70,916,095	

10.2 The Company follows the revaluation model for its leasehold premises. The leasehold premises of the Company were revalued as at 1 November 2005, 27 October 2008 and 01 April 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 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. 68.545 million remains undepreciated as at 30 June 2013 (2012: Rs. 59.379 million). Had there been no revaluation, the book value of leasehold premises would have been Rs. 7.712 million (2012: Rs. 7.888 million).

10.3 During the year ended 30 June 2013, Management in consultation with its valuer, M/s. Akbani & Javed Associates, carried out a review of remaining useful life of its leasehold premise. Accordingly the life was reassessed to 20 years as at 1 April 2013 instead of remaining 15 years. Had the life not been reassessed the depreciation charge for future years would have been higher by Rs. 1.287 million per year.

10.4 Fixed assets - Ijarah finance

2013

	COST			ACCUMULATED DEPRECIATION			Net book value as at 30 June 2013	Depreciation rate % per annum
	As at 1 July 2012	Addition / (deletion)	As at 30 June 2013	As at 1 July 2012	Charge for the year	As at 30 June 2013		
	Rupees							
Vehicles	-	2,131,541	2,131,541	-	177,627	177,627	1,953,914	33.33 to 100
Machinery	-	1,430,000	1,430,000	-	39,722	39,722	1,390,278	33
	-	3,561,541	3,561,541	-	217,349	217,349	3,344,192	

10.5 Capital work-in-progress

	Note	2013	2012
		(Rupees)	
Balance as at 1 July		749,010	749,010
Transfer to intangible assets	11	(749,010)	-
Balance as at 30 June		-	749,010

10.6 The detail of operating fixed asset disposed off during the year is as follow:

	Original Cost	Accumulated depriciation	Written down value	Sale proceeds	Gain / (Loss) on disposal	Mode of disposal	Particulars of buyer
	Rupees						
Vehicle:							
Suzuki Bolan: (CN-5236)	453,000	362,400	90,600	390,000	299,400	Insurance Claim	Adamjee Insurance Co.Ltd.

11. INTANGIBLE ASSETS

2013

	COST			ACCUMULATED AMMORTIZATION			Net book value as at 30 June 2013	Depreciation rate % per annum
	As at 1 July 2012	Addition	As at 30 June 2013	As at 1 July 2012	Charge for the year	As at 30 June 2013		
	Rupees							
Computer Software	-	749,010	749,010	-	149,802	149,802	599,208	20

12. TRADE AND OTHER PAYABLES

	2013	2012
	----------- Rupees -----------	
Accrued liabilities	**2,643,426**	2,083,729
Unclaimed Dividend	**180,544**	180,547
Insurance payable	**3,063,170**	2,517,460
Other liabilities	**608,904**	669,602
Other payable - Ijarah operations	**474,669**	-
	6,970,713	5,451,338

13. ACCRUED MARKUP

	2013	2012
Mark-up on certificates of investment	**2,770,071**	3,698,067

14. CERTIFICATES OF INVESTMENT - unsecured

	Note	2013	2012
Opening balance		**32,005,613**	29,230,138
Certificates issued during the year	*14.1*	**59,834,426**	26,505,613
Rolled over during the year		**(20,534,426)**	(20,205,138)
Payments made during the year		**(11,471,187)**	(3,525,000)
Closing balance		**59,834,426**	32,005,613

14.1 These represent certificates of investment issued by the Company with the permission of the SECP. The term of these certificates is 12 months (2012: 3 months to 12 months) carrying mark-up at rate of 11% to 13% per annum (2012: 11% to 13% per annum).

15. SHORT-TERM BORROWING - secured

The Company has arranged short-term running finance facility from a commercial bank amounting to Rs. 50 million (2012: Nil) @ 3 months KIBOR plus 2.5% per annum. Facility will expire on 10 September 2014 and is secured by hypothecation charge over specified leased assets and assigned rentals.

16. LONG-TERM DEPOSITS

	Note	2013	2012
Long-term security deposits	*16.1*	**227,736,265**	**268,158,286**
Current portion shown under current liabilities	*16.1*	**(51,391,309)**	**(51,011,568)**
		176,344,956	**217,146,718**

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

17. DEFERRED TAXATION - Net

	2013	2012
	----------- Rupees -----------	
Taxable temporary difference arising in respect of:		
Surplus on revaluation of fixed assets	**23,990,787**	20,782,603
Excess of accounting WDV over Tax WDV	**463,139**	988,524
Investment in lease finance and tax book value of assets given on finance lease	**122,374,810**	93,449,889
Long term investments	**19,693**	-
Deductible temporary difference arising in respect of:		
Recognized tax losses	**(26,307,892)**	(10,157,629)
Provision for potential lease losses	**(617,493)**	(427,694)
Provision for doubtful receivable	**(8,671,755)**	(11,270,709)
Minimum tax	**-**	(5,867,966)
Provision for leave encashment	**(317,324)**	(145,293)
	110,933,965	87,351,725

18. SHARE CAPITAL

Authorised capital

2013	2012		2013	2012
(Number of shares)			----------- Rupees -----------	
50,000,000	50,000,000	Ordinary shares of Rs. 10 each	**500,000,000**	500,000,000

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
25,369,800	25,369,800		**253,698,000**	253,698,000

18.1 As at 30 June 2013, 9,259,175 shares (2012: 8,911,899 shares) of the Company were held by related parties.

19. RESERVES

	Note	2013	2012
Capital reserves			
Statutory reserve	*19.1*	**45,701,974**	40,245,974
Reserve for issue of bonus shares		**4,402,000**	4,402,000
Revenue reserves			
Unappropriated profit		**115,367,485**	91,022,668
		165,471,459	135,670,642

19.1 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. 5.456 million (2012: Rs. 4.501 million) to its statutory reserve.

20. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - net of tax

	2013	2012
	Rupees	
Surplus on revaluation of operating fixed asset as at 1 July	**59,378,867**	63,392,892
Surplus arising on revaluation during the year	**13,044,417**	-
Transferred to retained earnings in respect of incremental depreciation charged during the year -net of deferred tax	**(2,520,816)**	(2,609,116)
Related deferred tax liability	**(1,357,362)**	(1,404,909)
	(3,878,178)	(4,014,025)
Surplus on revaluation of Operating Fixed Asset as at 30 June	**68,545,106**	59,378,867
Related deferred tax liability on:		
- Revaluation at the beginning of the year	**20,782,603**	22,187,512
- Deferred tax liability on surplus arising on revaluations during the year	**4,565,546**	-
- Incremental depreciation charged during the year	**(1,357,362)**	(1,404,909)
	23,990,787	20,782,603
	44,554,319	38,596,264

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingency

21.1.1 The Company was issued a notice by Federal Board of Revenue (FBR) under section 14 of the Federal Excise Act, 2005, alleging that the Company has not paid Federal Excise Duty (FED) amounting to Rs. 19, 612, 245 for the periods from July 2007 to June 2010. The Company filed an appeal before Commissioner Inland Revenue (Appeals) “CIR (A)” against the said order who vide appellate order no. 92 of 2012 dated 30 April 2012 constituted that the duty so charged is constitutionally valid under FED Act, 2005. The Company challenged the decision of CIR (A) before Appellate Tribunal Inland Revenue (ATIR). The Company’s tax advisor is of the view that the Company has strong grounds to defend the case and therefore no provision is required to be made in these financial statements.

21.1.2 Commitment

Leasing contracts committed but not executed at the balance sheet date amounted to Rs. Nil (2012: Rs. 500,000).

22. INCOME FROM LEASING OPERATIONS

	2013	2012
	----------- Rupees -----------	
Income on finance lease contracts	**73,437,760**	75,913,768
Loss on lease termination	**(4,503,683)**	(1,849,293)
Late payment charges	**413,064**	922,881
Processing fee	**943,250**	2,179,287
Documentation charges	**238,400**	192,950
Income from Ijarah operations	**369,082**	-
	70,897,873	77,359,593

23. PROFIT ON BANK ACCOUNTS / RETURN ON INVESTMENT

	2013	2012
Profit on Bank Accounts	**5,092,277**	4,595,047
Income from Pakistan Investment Bonds	**365,954**	363,638
Dividend Income - NI(U)T Units	**190,050**	217,200
	5,648,281	5,175,885

24. OTHER INCOME

	2013	2012
Income from financial assets	**11,200**	20,135
Income from non-financial assets		
Commission income	**-**	21,615
Gain on disposal of fixed assets	**299,400**	-
Others	**172,977**	1,828,496
	483,577	1,870,246

25. ADMINISTRATIVE AND OPERATING EXPENSES

	Note	2013	2012
Directors' fee	*29*	**300,000**	66,000
Salaries, allowances and benefits	*25.1 & 25.2*	**16,255,928**	13,915,876
Depreciation	*10.1*	**5,322,710**	4,792,812
Amortisation	*11*	**149,802**	-
Office utilities		**1,002,403**	1,164,462
Legal and professional		**2,403,284**	2,527,377
Auditors' remuneration	*25.4*	**500,000**	500,000
Postage, subscription, printing and stationary		**824,303**	1,002,167
Vehicle running and maintenance		**1,443,162**	1,059,973
Office repair and general maintenance		**852,761**	646,539
Worker welfare fund		**949,854**	981,675
Insurance		**461,167**	293,949
Advertisement		**202,460**	74,030
Travelling and conveyance		**290,353**	152,520
General	*25.5*	**737,660**	1,009,562
		31,695,847	28,186,942

25.1 This includes salary of Rs. 2.4 million (2012: Rs. 2.2 million) paid to the Chief Executive.

25.2 Salaries and benefits include Rs. 372,682 (2012: Rs. 242,856) in respect of Company's contribution to provident fund.

25.3 The total number of employees as at 30 June 2013 are 22 (2012: 23).

25.4 Auditors' remuneration

	2013	2012
	Rupees	
Audit fee	315,000	315,000
Review report on the statement of compliance with the Code of Corporate Governance	50,000	50,000
Half yearly review fee	110,000	110,000
Out of pocket expenses	25,000	25,000
	500,000	500,000

25.5 It includes an amount of Rs. 227,717 (2012: Rs. 600,000) paid to Pearl Soft on account of outsourced information technology.

26. FINANCE COST

	2013	2012
Markup on:		
- Long term financing	1,961,112	6,402,439
- Certificate of investment - unsecured	3,491,269	4,169,353
Bank Charges	27,600	61,865
	5,479,981	10,633,657

27. TAXATION

	2013	2012
Current	403,203	3,129,914
Deferred	19,016,694	22,467,535
	19,419,897	25,597,449

27.1 Effective tax rate reconciliation

Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as provision for the current year income tax has been made under the provisions of minimum tax under Section 113 of the Income Tax Ordinance, 2001 (Ordinance). 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. 350 million (2012: Rs. 267 million).

27.2 The income tax assessments of the Company have deemed to be finalized up to and including Tax year 2012.

28. EARNINGS PER SHARE - BASIC AND DILUTED

	2013	2012
	------------- Rupees -------------	
Profit after taxation attributable to ordinary shareholders	**27,280,001**	22,504,643
	(Number of shares)	
Weighted average number of outstanding ordinary shares	**25,369,800**	25,369,800
	(Rupees)	
Earning per share - basic and diluted	**1.08**	0.89

28.1 There were no convertible dilutive potential ordinary shares in issue as at 30 June 2013.

29. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2013			2012		
	Chief Executive	Non Executive Directors	Executives	Chief Executive	Non Executive Directors	Executives
	-------------------------------			Rupees -------------------------------		
Managerial remuneration	**1,320,000**	**300,000**	**5,735,308**	1,210,000	66,000	3,262,991
Housing and utilities	**1,080,000**	**-**	**3,307,694**	990,000	-	2,041,339
Provident Fund contribution	**-**	**-**	**117,192**	-	-	98,582
	2,400,000	**300,000**	**9,160,194**	2,200,000	66,000	5,402,912
Number of persons	**1**	**7**	**4**	1	7	3

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

29.2 The amount charged in the financial statements for the fee of directors for attending a Board of Directors meeting was Rs 10,000 (2012: Rs 3,000) per meeting.

30. TRANSACTIONS WITH RELATED PARTIES

The Company has related party relationships with its associated companies, directors, senior executives and employee provident fund plan.

Contribution to defined contribution plan (provident fund) are made as per the terms of employment. All other transactions with related parties / connected persons are carried out on mutually agreed terms.

Details of transactions with related parties / connected persons and balances with them during and as at the year / period end, other than those which have been specifically disclosed elsewhere in this financial statements are as follows:

	2013 Director	2013 Close relatives of a director	2012 Director	2012 Close relatives of a director
	---------- Rupees ----------			
Certificates of investment	**25,000,000**	**30,534,426**	5,500,000	18,236,613
Accrued markup on above certificates of investment	**22,603**	**2,795,094**	770,000	2,532,141
Certificates of investment Issued during the year	**25,000,000**	**30,534,426**	5,500,000	18,236,613
Certificates of investment matured during the year	**5,500,000**	**18,236,613**	5,500,000	16,851,138
Financial charges on above certificates of investment for the year	**22,603**	**2,795,094**	767,890	2,429,654

	2013	2012
Associated undertaking	----- Rupees -----	
Opening balance of rentals receivable related to finance leases	**327,446**	1,114,787
Rental receivable against finance leases disbursed during the year	**2,850,000**	-
Rental received	**(374,946)**	(787,341)
Closing balance of rentals receivable related to finance leases	**2,802,500**	327,446
Employee provident fund		
Contribution during the year	**745,364**	485,712

Any receivable from related parties was not overdue at 30 June 2013. Particulars of remuneration to chief executive, directors and executives are disclosed in note 29 to these financial statements.

31. PROVIDENT FUND DISCLOSURE

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

	2013	2012
	----- Rupees -----	
Size of the fund - Net assets	**4,582,201**	3,417,318
Cost of investments made	**252,000**	252,000
Percentage of the investments made	**5**	7
Fair value of the investments made	**346,447**	247,194

The breakup of the fair value of the investments is:

	2013		2012	
	Rupees	**%**	Rupees	%
Mutual Funds	**346,447**	**100**	247,194	100

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.

32. CASH AND CASH EQUIVALENTS

	Note	2013	2012
		------------- Rupees -------------	
Cash and cash equivalents comprise of the following items:			
Cash and bank balances	*4*	**17,908,585**	42,903,724
Short term borrowings	*15*	**(37,132,211)**	-
		(19,223,626)	42,903,724

33. FINANCIAL RISK MANAGEMENT

Introduction and overview

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing it.

33.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

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.

33.2 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.

33.2.1 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.

33.2.2 Exposure to credit risk

In summary, compared to the maximum amount included in the balance sheet, the maximum exposure to credit risk as at 30 June 2013 is as follows:

	30 June 2013		30 June 2012	
	Balance Sheet	**Maximum exposure**	Balance Sheet	Maximum exposure
	Rupees			
Cash and bank balances	**17,908,585**	**17,908,585**	42,903,724	42,903,724
Investments	**5,273,569**	**2,302,863**	4,592,869	1,643,118
Advances to employees	**140,924**	**140,924**	98,863	98,863
Accrued markup / return on investment	**115,790**	**-**	115,314	-
Net Investment in finance lease	**792,925,436**	**565,189,171**	719,601,956	451,443,670
Other receivable - net	**4,960,196**	**4,960,196**	9,110,962	9,110,962
Long term deposits	**209,500**	**209,500**	206,500	206,500
	821,534,000	**590,711,239**	776,630,188	505,406,837

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.2.971 million (2012: Rs.2.950 million) relates to investments in government securities and investment in finance lease include Rs.287.461 million (2012: 268.158 million) relating to security deposit which are not considered to carry credit risk.

33.2.3 *Credit ratings and collaterals*

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

Ratings	2013	2012
AA+	**0.04%**	0.00%
AAA	**0.09%**	0.00%
AA	**3.27%**	98.00%
A	**70.88%**	1.00%
AA-	**0.56%**	1.00%
A-	**25.16%**	0.00%
	100.00%	100.00%

33.2.4 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.

33.2.5 Aging analysis of net investment in finance lease

	2013			
	Carrying Amount	**Amount on which no impairment recognised**	**Amount on which impairment recognised**	**Impairment recognised**
Past due	**Rupees**			
Neither over due not impaired	**792,088,072**	**792,088,072**	**-**	**-**
1 - 89 days	**48,002,600**	**48,002,600**	**-**	**-**
90 days - 1 year	**1,116,490**	**-**	**1,116,490**	**279,123**
1 year - 2 years	**-**	**-**	**-**	**-**
2 years - 3 years	**-**	**-**	**-**	
More than 3 years	**1,485,140**	**-**	**1,485,140**	**1,485,140**
	794,689,702	**840,090,672**	**2,601,630**	**1,764,263**

	2012			
	Carrying Amount	Amount on which no impairment recognised	Amount on which impairment recognised	Impairment recognised
Past due	Rupees			
Neither over due not impaired	693,598,321	693,598,321	-	-
90 days - 1 year	25,497,077	-	-	-
1 year - 2 years	-	-	-	-
2 years - 3 years	1,013,118	-	1,013,118	506,560
More than 3 years	715,423	-	715,423	715,423
	720,823,939	693,598,321	1,728,541	1,221,983

33.2.6 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. It also obtains collaterals when appropriate.

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 SECP. The operating policy defines the extent of fund and non-fund based exposures with reference to a particular sector or group of leases.

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

	2013		2012	
	Rupees	Percentage	Rupees	Percentage
Energy, oil and gas	7,380,245	0.76	14,865,146	1.81
Steel, engineering and auto	88,103,146	9.12	56,621,303	6.88
Electrical goods	84,367,624	8.73	74,169,292	9.01
Transport and communication	3,532,417	0.37	4,857,705	0.59
Chemical, fertilizer and pharmaceuticals	73,346,079	7.59	25,414,510	3.09
Textile	4,981,893	0.52	982,667	0.12
Glass & ceramics	100,323,924	10.38	-	-
Food, tobacco and beverage	135,309,092	14.00	107,480,672	13.06
Hotels	116,566,326	12.06	124,149,277	15.09
Construction	39,428,599	4.08	46,066,404	5.60
Health care	97,281,645	10.07	138,324,841	16.81
Advertisement	6,346,089	0.66	1,087,575	0.13
Publication	221,112	0.02	865,871	0.11
Services	4,695,104	0.49	13,830,822	1.68
Packing	365,416	0.04	839,501	0.10
Banking and Financial Institutions	1,748,523	0.18	2,556,289	0.31
Communication	17,095,375	1.77	16,549,807	2.01
Logistics	-	-	8,378,804	1.02
Lubricants	10,377,475	1.07	1,452,401	0.18
Others	174,919,440	18.10	184,247,335	22.40
	966,389,524	100.00	822,740,222	100.00

33.3 liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Company.

33.3.1 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.

33.3.2 Maturity analysis for financial liabilities

The table below summarizes the maturity profile of the Company's liabilities.

2013	Total	Contractual cash flow	Upto three months	More than three months and upto one year	More than One year	Over five years
	Rupees					
Non derivative financial liabilities						
Trade and other payables	6,970,713	6,970,713	6,970,713	-	-	-
Accrued mark-up	2,770,071	2,770,071	2,770,071	-	-	-
Certificates of investment - unsecured	59,834,426	63,933,564	20,560,640	43,372,924	-	-
Short-term financing facility	37,132,211	37,132,211	37,132,211	-	-	-
Long-term deposits	227,736,265	227,736,265	2,777,490	48,613,819	176,344,956	-
	334,443,686	338,542,824	70,211,125	91,986,743	176,344,956	-

2012	Total	Contractual cash flow	Upto three months	More than three months and upto one year	More than One year	Over five years
	Rupees					
Non derivative financial liabilities						
Trade and other payables	5,451,338	5,451,338	5,451,338	-	-	-
Accrued mark-up	3,698,067	3,698,067	3,698,067	-	-	-
Certificates of investment - unsecured	32,005,613	32,726,809	24,758,748	7,968,061	-	-
Long-term financing - secured	25,000,000	27,115,154	7,100,685	20,014,469	-	-
Long-term deposits	268,158,286	268,158,286	15,303,470	35,708,098	217,146,718	-
	334,313,304	337,149,654	56,312,308	63,690,628	217,146,718	-

33.4 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 obligator's / issuer's credit standing) will affect the Company's income or the value of its holdings of financial instruments.

33.4.1 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.

33.4.2 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 30 June, details of the interest rate profile of the Company's interest bearing financial instruments were as follows:

	Carrying amount	
	2013	2012
Fixed rate instruments	Rupees	
Financial assets	**96,773,785**	161,211,734
Financial liabilities	**59,834,426**	32,005,613
Variable rate instruments		
Financial assets	**703,645,744**	595,976,179
Financial liabilities	**(37,132,211)**	(25,000,000)

33.4.2.1 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.

33.4.2.2 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 2012.

	Profit and loss	
	100 bp increase	100 bp decrease
	Rupees	
As at 30 June 2013		
Cash flow sensitivity - variable rate instruments	**6,665,135**	(6,665,135)
As at 30 June 2012		
Cash flow sensitivity - variable rate instruments	**5,709,257**	(5,709,257)

The sensitivity analysis prepared as of 30 June 2013 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.

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

2013

	Effective mark-up/ interest/ profit rate	Total	Exposed to mark-up / Interest / profit rate risk: Upto three months	More than three months and upto one year	More than One year	Over five years	Not exposed to mark-up Interest / profit rate risk
	Percent	Rupees					
Financial assets							
Cash and bank balances	6 - 8.5	17,908,585	4,523,387	-	-	-	13,385,198
Short term investments	-	2,302,863	-	-	-	-	2,302,863
Other receivables - net	-	4,960,196	-	-	-	-	4,960,196
Loans and advances to employees - considered good	-	140,924	-	-	-	-	140,924
Accrued mark-up / return on investments	-	115,790	-	-	-	-	115,790
Net investment in finance lease	9.49 - 22.36	792,925,436	183,499,914	609,425,522	-	-	-
Long term Investments	11.5	2,970,706	2,970,706	-	-	-	
Long term deposits	-	206,500	-	-	-	-	206,500
		821,531,000	190,994,007	609,425,522	-	-	21,111,471
Financial liabilities							
Trade and other payables	-	6,970,713	-	-	-	-	6,970,713
Accrued mark-up	-	2,770,071	-	-	-	-	2,770,071
Certificates of investment - unsecured	11 - 13	59,834,426	21,034,426	38,800,000	-	-	-
Short-term borrowing	11.58	37,132,211	37,132,211	-	-	-	-
Long-term deposits	-	227,736,265	-	-	-	-	227,736,265
		334,443,686	58,166,637	38,800,000	-	-	237,477,049
On balance sheet gap		487,087,314	132,827,370	570,625,522	-	-	(216,365,578)

2012

	Effective mark-up/ interest/ profit rate	Total	Exposed to mark-up / Interest / profit rate risk: Upto three months	More than three months and upto one year	More than One year	Over five years	Not exposed to mark-up Interest / profit rate risk
	Percent	Rupees					
Financial assets							
Cash and bank balances	3.8 - 10	42,903,724	34,636,206	-	-	-	8,267,518
Short term investments	-	1,643,118	-	-	-	-	1,643,118
Other receivables - net	-	9,110,862	-	-	-	-	9,110,962
Loans and advances to employees - considered good	-	98,864	-	-	-	-	98,864
Accrued mark-up / return on investments	-	115,314	-	-	-	-	115,314
Net investment in finance lease	12 - 21.25	719,601,956	65,634,383	204,732,679	449,234,894	-	-
Long term Investments	11.5	2,949,751	2,949,751	-	-	-	
Long term deposits	-	206,500	-	-	-	-	206,500
		776,630,089	103,220,340	204,732,679	449,234,894	-	19,442,276
Financial liabilities			-	-	-	-	
Trade and other payables	-	5,451,338		-	-	-	5,451,338
Accrued mark-up	-	3,698,067	-	-	-	-	3,698,067
Certificates of investment - unsecured	11 - 13	32,005,613	16,855,138	15,150,475	-	-	-
Long-term financing - secured	13.5-15.3	25,000,000	6,250,000	18,750,000	-	-	-
Long-term deposits	-	268,158,286	-	-	-	-	268,158,286
		334,313,304	23,105,138	33,900,475	-		277,307,691
On balance sheet gap		442,316,785	80,115,202	170,832,204	449,234,894	-	(257,865,415)

The effective mark-up / interest / profit rate for each of the monetary financial instrument is as indicated above

33.5 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 30 June 2013.

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 30 June 2013, with all other variables held constant, the net assets of the Company and net income for the year would have been higher / lower by Rs. 23,029 (2012: Rs. 16,431).

34. 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.

Capital requirements applicable to the company are set out and regulated by the Securities and Exchange Commission of Pakistan (SECP). These requirements are put in place to ensure sufficient solvency margins. The Company manages its capital requirements by assessing its capital structure against the required capital level on regular basis. SECP extended the minimum equity requirement as per NBFC regulations 2008 vide SRO 764(I)/2009 dated 2 September, 2009 wherein the Company is required to meet the minimum equity requirements of Rs. 350 million, Rs. 500 million and Rs. 700 million by 2011, 2012 and 2013 respectively. The Company's equity as at 30 June 2013 amounts to Rs. 420.278 as mentioned in note 1.2.

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:

	2013	2012
	----------- **Rupees**	-----------
Total debt	**59,834,426**	57,005,613
Total equity	**420,278,122**	389,819,560
Total capital employed	**480,112,548**	446,825,173
Gearing ratio	**12.46%**	12.76%

34.1 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.

34.1 Financial risk management objectives and policies

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35. 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 Company's accounting policy on fair value measurements is discussed in note 3.1.

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 30 June 2013, all short term investments - available for sale were categorised in level 1.

36. OPERATING SEGMENT

These financial statements have been prepared on the basis of a single reportable segment which is consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

The internal reporting provided to the chief operating decision-maker relating to the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

There were no change in the reportable segments during the year.

The Company is domiciled in Pakistan. The Company's revenue is generated substantially from finance leases. During the year 24% revenue was generated from two major customers.

All non-current assets of the Company at 30 June 2013 are located in Pakistan.

37. GENERAL

Figures have been rounded off to the nearest rupee.

38. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 28 September, 2013 by the Board of Directors of the Company.

Chief Executive Officer **Director**

PATTERN OF SHAREHOLDING
AS OF JUNE 30, 2013

No. of Share Holders	Having Shares From	To	Share Held	Percentage %
30	1	100	397	0.0016
8	101	500	2731	0.0108
17	501	1000	10746	0.0424
19	1001	5000	47304	0.1865
4	5001	10000	28112	0.1108
2	10001	15000	25945	0.1023
4	15001	20000	68934	0.2717
2	20001	25000	49690	0.1959
2	25001	30000	50736	0.2000
1	30001	35000	35000	0.1380
1	45001	50000	47854	0.1886
4	55001	60000	227648	0.8973
1	100001	105000	100831	0.3974
1	115001	120000	116787	0.4603
1	120001	125000	122127	0.4814
1	125001	130000	128560	0.5067
1	130001	135000	130164	0.5131
1	155001	160000	159116	0.6272
2	195001	200000	399800	1.5759
1	390001	395000	392622	1.5476
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	1365001	1370000	1367554	5.3905
1	1495001	1500000	1499785	5.9117
1	1660001	1665000	1663524	6.5571
1	2450001	2455000	2451090	9.6614
1	2585001	2590000	2585840	10.1926
1	4220001	4225000	4223584	16.6481
1	4800001	4805000	4801764	18.9271
115		Company Total	25369800	100.0000

CATEGORIES OF SHAREHOLDERS
AS AT JUNE 30, 2013

	Categories of shareholder	Number	Share Held	Total Share holding	Percentage
	Associated companies, undertaking and related Parties				
1	Unibro Industries Ltd		1,499,785		
2	Mid East Agencies (Pvt) Ltd		1,286,994		
		2		2,786,779	10.98
	NIT and ICP	-	-	-	-
	Director, chief executive & their spouse and minor children				
1	Mr.Sohail Inam Ellahi		2,451,090		
2	Mr.Pervez Inam		2,585,840		
3	Mr.Fawad S. Malik		1,348,670		
4	Mrs. Atteqa Fawad		31,959		
5	Air Marshal (R) Syed Masood Hatif		4,047		
6	Brig. Naveed Nasar Khan (R)		500		
7	Rizwan Humayun		600		
8	Mr.Shaheed H Gayalni		24,845		
9	Shaikh Aftab Ahmed		24,845		
	Total	9		6,472,396	25.51
	Executive	1	5,146	5,146	0.02
	Public Sector Companies		-	-	-
	Banks, DFIs, NBFCs, Insurance Companies, Modarba and Mutual Funds		799,899		
	Bank of Punjab Ltd.	1		799,899	3.15
	Foreign Companies		4,223,584		
	Kraftex Limited	1		4,223,584	16.65
	Individual's		11,078,092	-	-
		97		11,078,092	43.67
	Others		3,904		
		4		3,904	0.02
	Total	115	**25,369,800**	**25,369,800**	**100**
	Holding 5% or more				
1	Mr.Inam Ellahi Shaikh		4,801,764		18.93%
2	Kraftex Ltd.		4,223,584		16.65%
3	Pervez Inam		2,585,840		10.19%
4	Sohail Inam		2,451,090		9.66%
5	J.Tayyab		1,663,524		6.56%
6	Unibro Industries Ltd.		1,499,785		5.91%
7	Habib Inam Shaikh		1,367,554		5.39%
8	Fawad S. Malik		1,348,670		5.32%
9	Mid East Agencies (Pvt.) Ltd.		1,286,994		5.07%
				21,228,805	83.68%

Pak-Gulf Leasing Company Limited

Proxy Form

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 20th Annual General Meeting

to be held on Thursday, October 24, 2013 and at any adjournment thereof.

As witness my/our hand this day of ______________ 2013.

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.