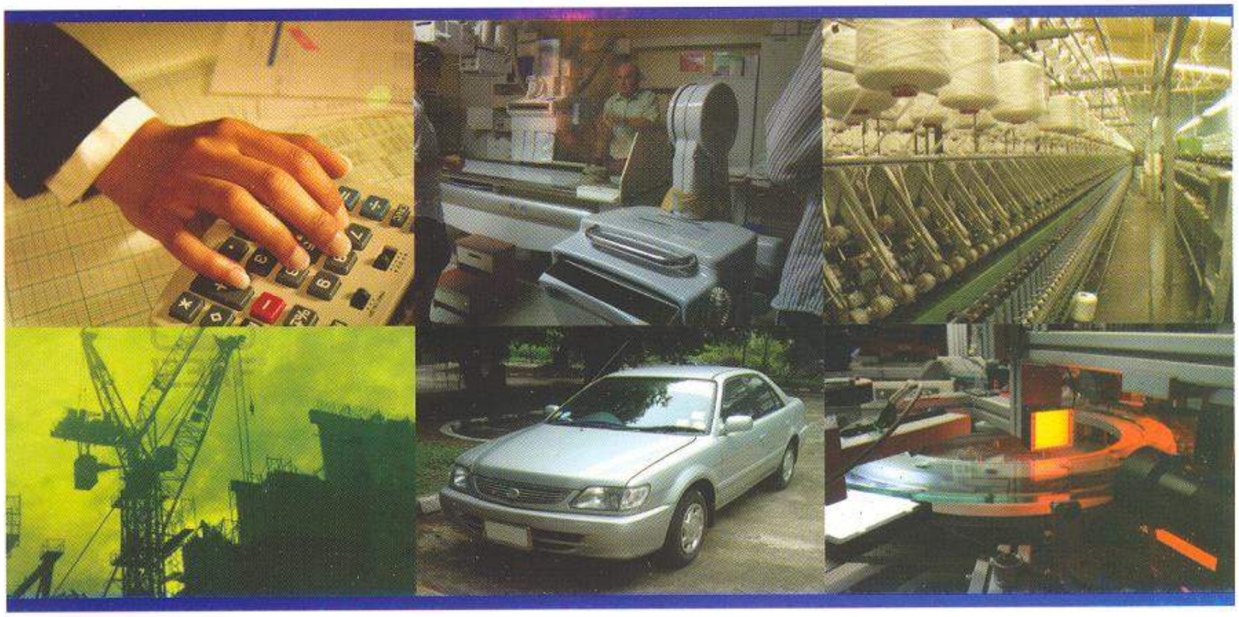
PGL

ANNUAL REPORT
2012



Pak-Gulf Leasing Company Limited

بسم الله الرحمن الرحيم

Pak-Gulf Leasing Company Limited

CONTENTS

Pak-Gulf Leasing Company Limited

COMPANY INFORMATION

Board of Directors

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

Company Secretary

Mian Muhammad Shoaib

Audit Committee

Mr. Rizwan Humayun	Chairman
Air Marshal (R) Syed Masood Hatif	Vice Chairman
Mr. Pervez Inam	Member
Mr. Shaheed H. Gaylani	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

Tax Consultants

M/s. Riaz Ahmad, Saqib, Gohar & Company
5 Nasim C.H.S., Major Nazir Bhatti Road,
Off. Shaheed-e-Millat Road, Karachi.
Tel # : 34945427, 34931736
Fax # : 34932629

Bankers

Soneri Bank Limited
Bank Al-Falah Ltd.
Albarak Islamic Bank
National Bank of Pakistan.
NIB Bank Ltd.
Standard Chartered Bank

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 19th 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 23, 2012 at 8:00 p.m. to transact the following business.

Ordinary Business

1. To read and confirm the minutes of the Annual General Meeting held on October 28, 2011.
2. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2012 together with Directors' and Auditors' Report thereon.
3. To appoint Auditors for the year 2012 -2013 and fix their remuneration. The present Audtiors M/s. KPMG, Taseer Hadi & Co., Chartered Accountants retire and being eligible, offer themselves for reappointment.
4. To transact any other business with the permission of the Chair.

By Order of the Board

Mian Muhammad Shoaib
Company Secretary

Karachi: October 01, 2012.

Notes:

1. The Share Transfer Register of the Company will remain closed from October 17, 2012 to October 23, 2012 (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 19th Annual Report of Pak-Gulf Leasing Company Limited (PGL), which includes the audited financial statements and the Auditors' Report, for the year ended June 30, 2012.

Review of Operational Environment

Constraints, for carrying out operations in a pragmatic and progressive manner, continued to multiply during the financial year ended June 30, 2012, over an already discouraging environment faced during the preceding year. As a result of the frequent increases in the prices of petroleum products, exacerbated by a plummeting Pak Rupee against other hard currencies, the input costs phenomenally increased for all sectors of industry and services. The corresponding rise in the cost of doing business made it very difficult to maintain an already eroded profit margin.

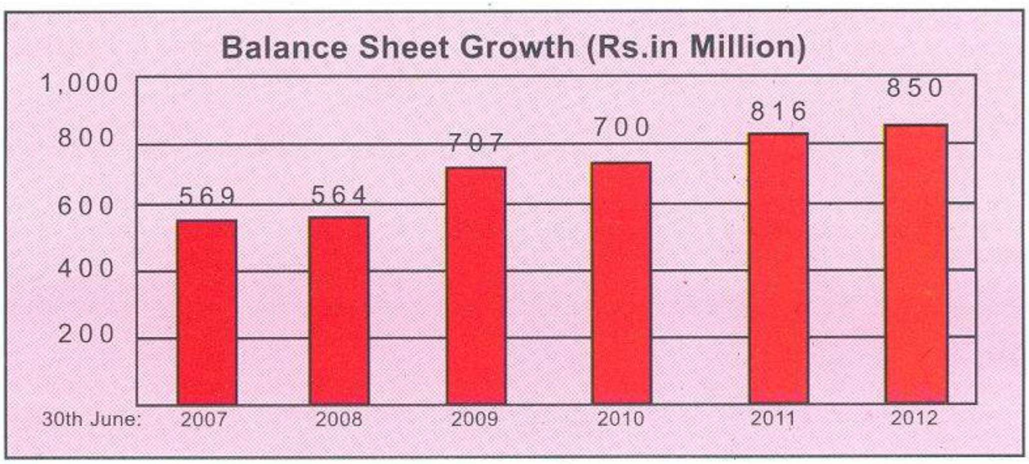
Relatively higher rates of return, available to commercial banks by investing in gilt-edged securities, issued by the government to bridge the widening budgetary deficit, heavily reduced the propensity of banks for providing credit support to the Private Sector. Going by the recent figures, commercial banks' lending to the Private Sector showed a decline of almost 50% during the current year as compared to FY 2011. The resultant gap between Supply and Demand for credit forced the Private Sector to reduce the size of its operations. That included the NBFIs and Modarabas, which were dependent on the commercial banks for supplementing their liquidity requirements. The opportunities, therefore, for striking profitable interest arbitrages by on lending their borrowings from commercial banks to industry and services in need of credit, were grossly denied to the NBFIs, including Leasing Companies. The Leasing Sector, under the circumstances, was left to manage its cash flows in a manner, where the repayments from our borrowers served to be the only liquidity available to undertake further lending operations. Paucity of credit support to the Private Sector has given rise to the dangers of upsetting the normal business cycles dependent on timely realization of receivables and satisfaction of the payables within the established norms for any business. A vicious circle is being created, as a result, for the smaller businesses in the Private Sector, akin to the dreadful 'Circular Debt' in the Power Sector. Unemployment is on the rise; ability to maintain essential stock is dwindling and risks relating to proper debt-servicing are on the rise. The rampant lawlessness, accompanied by the resultant instability, is creating an alarmingly difficult environment for carrying out any lending activity in a secure and worthwhile manner.

Taking due cognizance of the limiting factors cited above, your Company has increased the standards for undertaking financial risks. PGL has not only relied almost entirely for its funding for fresh Leasing transactions, on the rentals being received from existing lessees, but the Company has chosen to restrict itself to financing only such essential sectors of business, where the likelihood of a downturn in revenue generation was considered to be most negligible. Food, Beverages, Education, Health, Entertainment and allied industries, particularly those which have already held an exemplary track-record of honoring their commitments with PGL, have been chosen to receive further financial support from your Company.

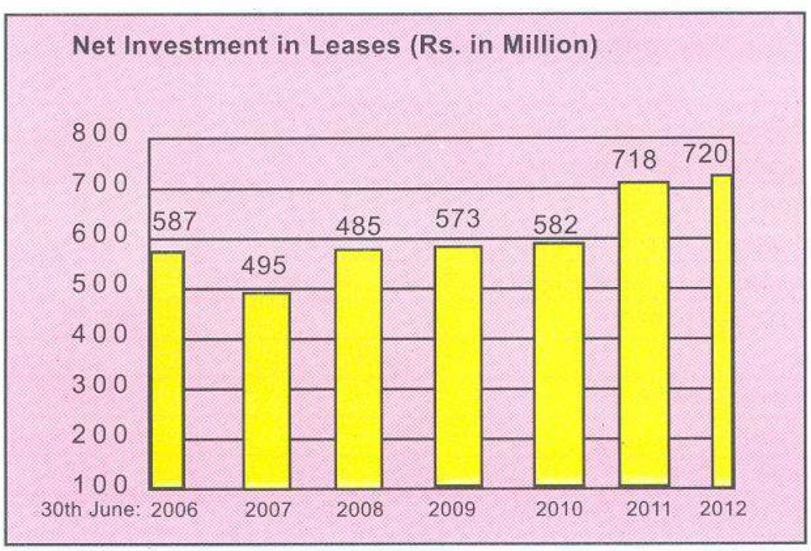
In order to further secure ourselves, your Company has, wherever possible, increased our insistence to obtain additional collateral securities, personal guarantees from the sponsors and cross corporate guarantees from the associated concerns of the Lessees. Legal Documentation and ' Know-your-Customer (KYC)' requirements have been assigned utmost priority to secure the interest of all investors and shareholders of the Company.

Financial Achievements

Despite the rigorous evaluation of all leasing propositions, received during the year under review, your directors would like our distinguished Shareholders to know that their Company was successful in writing 43 new leases of Rs.302 million in the Financial Year 2011-12, notwithstanding the extremely difficult market conditions faced during the year. Stringent assessment measures adopted by the Company for accepting new lease applications, besides a decrease in available funds, in the absence of additional credit lines from commercial banks, reduced your Company's ability to write fresh leases within the year, by Rs.91 million as compared the FY 2010-11: a decrease of 23.16%. Going by the maxim," that a Penny saved, is a Penny earned", your directors derive comfort from the fact that the prudence exercised in limiting our exposure during the uncertainties accompanying the year under review was in the interest of your Company and perfectly understandable. During the same year, the Balance Sheet footing of your Company touched an all-time high figure of Rs.850 million, as on June 30, 2012, in contrast to Rs.816 million, as at June 30, 2011. This year-on-year increase of 4.16%, in the Total Assets of your Company, although seemingly insignificant, is laudable, given the adverse economic conditions prevailing in the Country.



After accounting for the leases that matured, during the Financial Year 2011-12, the overall Lease Portfolio of your Company stood at Rs.823 million (2011: Rs.832 million), as on June 30, 2012.



Profitability Performance

Notwithstanding the reduction in writing new leases during the year under review, it should be a matter of great satisfaction for our Shareholders to know that their Company has substantially increased its profitability performance in FY ending 30-06-2012. After-tax Profit was recorded at Rs.22.505 million, as against Rs.15.529 million, attained for the period 30-06-2011: a very healthy year-on-year increase of 44.92%.

Gross Revenue, for the period under review, stood at Rs.84.406 million, showing an appreciable 21.98 % increase over Rs.69.198 million for the year ended 30-06-2011. Administrative Expenses for the year under review tapered down by Rs.3.268 million to Rs.28.187 million from Rs.31.455 million in the corresponding period in the previous year. At 33.39% of the Gross Income for the year, the Administrative Expenses are probably the lowest recorded in your Company's peer group of profitably operating Leasing Companies. Salaries & Allowances to Employees accounted for 49.37% of the Administrative Expenses. At Rs.13.916 million, Salaries & Allowances stood for an Average Monthly Pay-out of Rs.52,712 per employee, the number of employees remaining at 22 persons, at the end of the year under review. As opposed to this the Per Employee Average Monthly Contribution to the After Tax Profit of your Company was Rs.85,245 for the year ended 30-06-2012.

Financial Charges for the year showed an increase of 91.66%, from Rs.5.548 million in FY-2011 to Rs.10.634 million for the year under review. This was due to an increase in the Company's Certificates of Investment Portfolio (up from Rs.2.660 million in FY-2011 to Rs.4.169 million in FY-2012) besides a fuller term utilization of the Term Finance Limit available from a commercial bank.

Your Company has now become very vigilant with respect to the impact of Deferred Taxation on the Earnings Per Share (EPS). All leasing propositions are now evaluated on the yardstick of their respective influence on Depreciation Allowance admissible to PGL on the assets being leased. The effects, however, of some of those transactions handled in the previous years, with a more accommodative approach to this aspect, would take another couple of years to enable the Company to get over the high incidence of Deferred Taxation on our Income Statement, which for the year under review stood at Rs.22.468 million as compared to Rs.15.514 million for the year ended 30-06-2011. Despite this position, the directors feel glad to report that the EPS for the Company for FY-2012 stood at Rs.0.89 as compared to Rs.0.61 for the preceding year: an increase of 39.34%.

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, in line with the requirements of the Securities & Exchange Commission of Pakistan (SECP), the Regulatory Government Organization for all NBFIs it would be appropriate for your Company to retain its Net of Tax Profits for the year under review Consequently, no Dividend is proposed by the directors for your Company's Financial Year ended June 30, 2012.

Comparative Analysis of Profitability Performance For the year ended 30th June	2012	2011
	(Rupees in Million)	
Profit before taxation	**48.10**	33.90
Provision for taxation(including deferred tax)	**25.60**	18.37
Profit after taxation	**22.50**	15.53
Un-appropriated profit brought forward	**70.41**	55.38
Transferred from surplus on revaluation to Un-appropriated profit	**2.61**	2.61
Profit available for appropriation	**95.52**	73.52
Appropriations:		
Transfer to Statutory Reserve	**4.50**	3.10
Interim Cash Dividend	-	-
Total Appropriations	**4.50**	3.10
Un-appropriated Profit Carried Forward	**91.02**	70.42
Earning Per Share (In Rupees)	**0.89**	0.61

Economic Scenario

The State Bank, according to its latest Annual Report, exhibited the courage to openly classify the National economy to be in a state of deterioration.

Severe apprehensions have been cast by SBP, with respect to the government's ability to achieve its projected targets relating to the GDP, Inflation, in addition to Budgetary and Current Account Deficits.

The Report highlights the decline of Investments to the lowest ebb, over the past 35 years, reasoning it out to be on account of the unabated Power crisis, in addition to continuing lawlessness and a rapidly crumbling infrastructure.

Confirming the Judiciary's views SBP has reaffirmed that going for the Rental Power Projects (RPP) was an entirely ill thought out move, which time also proved to be a total failure for getting over the incessant electricity shortages in the country.

SBP has also criticized the handling of such mega Public Sector entities as PIA, Pakistan Railways and Pakistan Steel Mills, which are increasingly multiplying their losses, at the same time devouring precious funds of the Exchequer, at an alarming rate, just to stay afloat.
In the opinion of SBP, the non-chalance, on the part of the political leadership to rectify this situation is adding to the miseries of people at large and the economy in particular.

The FY-2011-12 Report of the State Bank also expresses its disappointment with the government's failure in attaining a number of self-created economic targets, which it had hoped to achieve during the last Fiscal. Some of those are described as follows:

- GDP Growth Rate. This stood between 3% -4%, as opposed to government's target of 4.2%.
- Inflation Rate: Assumed to be around 12.5%, as compared to the targeted 12%.
- Financial Deficit: This has gone up to the level of 5.5% - 6.5%, contrary to the targeted rate of 4%.
- Current Deficit: This was expected to come down to 0.6% as against the existing range of staying within 1.5%-2.5%.

The State Bank Report has also criticized the achievements, publicized for the preceding year i.e. FY-2010-11, to be equally disturbing. Examples:

- GDP remained 2.4% as opposed to government's projection at 4.5%.
- The agro-related growth remained at 1.2%, instead of the targeted 3.8%.
- Revenue generation from the Services Sector at 4.1% could not match the expected growth rate of 4.7%.
- Inflation stood as high as 13.9%.
- Realized Tax Revenue stayed at 9% of GDP, against the Projected Rate of 11% of GDP.

The Report further discloses that 20% of prime agricultural land was inundated in the floods witnessed in FY-2011-12, curtailing productivity and as a fall out hampering attraction of labor and badly needed funds for rejuvenation of the Agriculture Sector, as a whole. According to some estimates, more than 6.6 million of manpower remained unemployed for three months, while an investment stock of U$.2.6 billion (1.2% of GDP) was wasted, as a result of those floods.

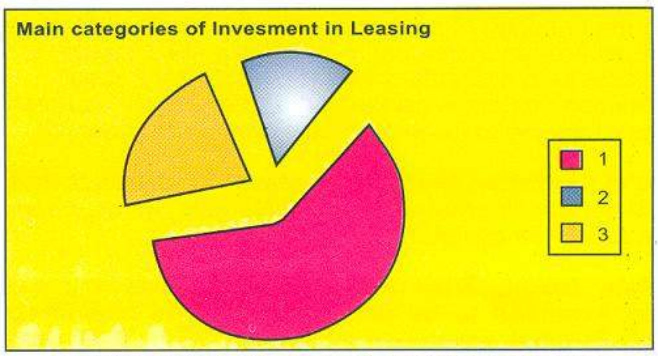
Leasing companies, which for years until 2007, had fueled the demands of the consumer and the industrial sectors, as members of the quasi-banking sector in the form of NBFIs, have been left high and dry, with respect to liquidity, by the rising capital adequacy requirements, enforced by the regulators, and the escalating interest rates scenario. The general down-turn 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 business by choosing voluntary liquidation.

Only ten (10) hard-core leasing companies, including your own Company, were left operating in the markets in Pakistan, by the end of 30th June, 2011, according to official data conveyed by the NBFIs & Modaraba Association of Pakistan. Only five (5), which fortunately included PGL, were showing a positive bottom line, as per the aforesaid information.

Pakistan's economy grew at an officially stated rate of 3.7%, in the current year, after witnessing a modest growth from 3.0% in 2010-11. The recovery, as already discussed in the preceding paragraphs, is highly questionable and fragile. It would need concerted efforts to arrive at a stabilization of the projected rate of growth to ensure that the gain attained, over the past year, no matter how modest, is not entirely lost.

Analysis of PGL's Performance in 2012
Investment in Leasing:

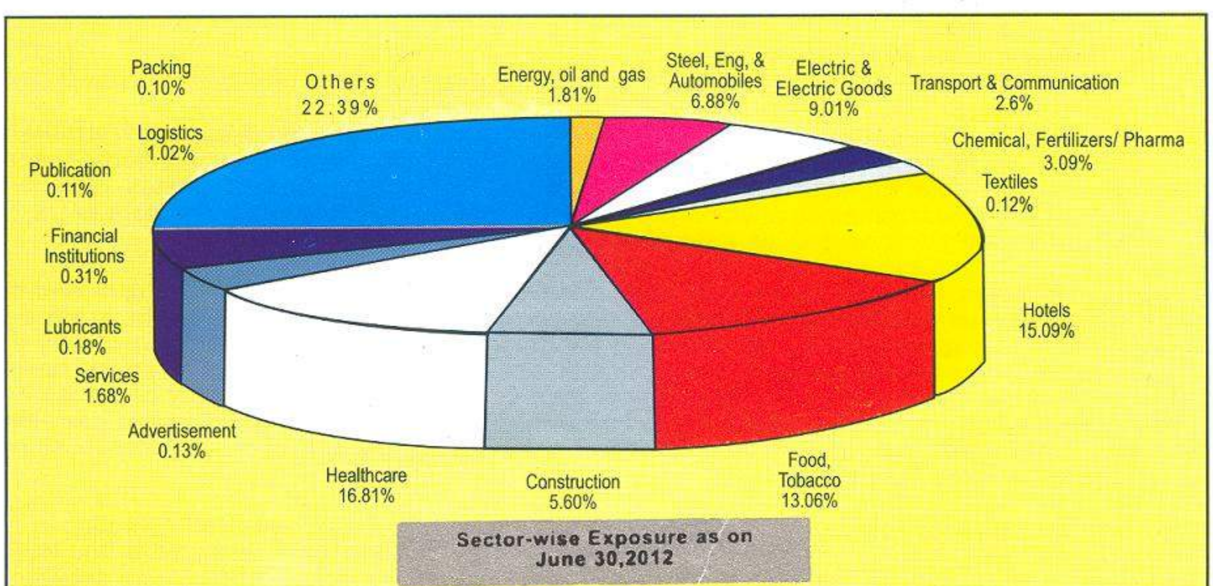
The assets-wise distribution of your Company's Investment in Leasing, during the year under review has been well diversified, keeping in view the available tax advantages and the security associated with the relative forced sale values of those assets, in the event of delinquencies or defaults. The following Chart gives a visual picture of the breakdown of PGL's Investment in Leasing, during FY 2011-12:



(1) Vehicles (11%) (2) Equipment (59%) (3) Others (30%)

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:



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 business 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 both the number and the financial demands of prospective lessees, but at the same time finding the commercial banks shy in supporting them with the required amount of liquidity for funding this increased demand. Moreover, using the increased returns on investment in Government securities, as the benchmark, the spread being demanded by commercial banks for lending to leasing companies is showing a steep rise. Leasing companies are, therefore, faced with the dilemma of having to raise funds on tougher terms and at higher interest 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 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.

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 making profit.

Year 2012-13 is an election year for Pakistan. It is hoped that new Government would take more positive steps to support the economy. Moreover, as conveyed through an e-mail dated September 19,2012, SECP is reviewing the overall regulatory regime including the minimum equity requirements for NBFCs. For the purpose, an NBFC Reform Committee had been constituted who had submitted its report to SECP. Final out come of the revised NBF sector model is expected by December 2012. It is expected that new Reforms will strengthen the NBFC Sector.

Minimum Equity Requirements, Auditors' Comments

As far as Auditors comments regarding minimum equity requirements are concerned, your Directors are fully aware of the fact that this was an issue of the whole leasing sector and in the prevailing economic conditions, where investors were reluctant to invest, PGL found it difficult to meet the equity requirement by the end of June 30,2012. As explained in above paragraph, your Directors are confident that decision of NBFC Reforms Committee would be favorable and a reasonable extension/deferment would be provided to meet the equity requirements. In case of any unfavorable decision from SECP, your Board is fully prepared to make alternate arrangements to meet the gap in minimum equity requirements.

Corporate Governance

The company has implemented the "The Code of Corporate Governance" (the 'Code') in letter and spirit. The Review Report of the External Auditors to the Members, on 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 order to meet the ever-changing requirements of business and to make PGL in compliant with the revised Code of Corporate Governors, your directors have reconstituted Human Resource and Remuneration Committee. Following members of the Board of Directors are the members of the said Committee:

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

This Committee has recently been constituted; therefore no meeting of the Committee has yet been convened

Audit Committee

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

Name of the Members	Designation	Meeting Attended
• Mr.Rizwan Humayun	Chairman	04
• Air Marshal (R) Syed Masood Hatif	Vice Chairman	04
• Mr. Pervez Inam	Member/Secretary	04
• Mr.Shaheed H.Gaylani	Member	01

Credit Rating

It should be a matter of great satisfaction for the Company's Shareholders to note, that JCR-VIS have, once again, upgraded your Company's Entity Rating to BBB+ (from BBB in the preceding year) for the Medium to Long-term, in addition to reaffirming the Short-term Rating at A-3. The Outlook for the Company has been revised to 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 the hard work and dedication by exhibiting a highly satisfactory performance, in a difficult year. 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. We are confident, that the management and the staff will continue to serve the customers of the Company with the same zeal, as demonstrated by them in all the previous years, enabling your Company to further improve its reputation in the financial services sector of Pakistan.

The Board also acknowledges the 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, 2012, is appended at the end of this Report.

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

Key Operating and Financial Data for the last six (6) years 2007 - 2012

	2012	2011	2010	2009	2008	2007
	Rupees					
Operational Results:						
Revenues	84,405,724	69,197,688	69,383,320	59,198,876	50,620,517	51,169,516
Lease revenue	77,359,593	64,474,169	64,157,818	53,666,448	49,767,447	49,243,427
Profit before taxation	48,102,092	33,900,240	32,272,693	23,022,809	12,163,778	500,389
Profit after taxation	22,504,643	15,528,757	21,249,408	16,055,008	10,848,668	2,660,483
Finance cost	10,633,657	5,548,263	9,650,487	9,621,569	9,591,157	20,719,037
Provision for potential lease losses	(2,592,026)	(1,792,732)	7,505,698	7,378,303	10,362,393	4,995,228
Dividend/(stock) %			5 %		-	8%
Balance Sheet						
Shareholders Equity	389,817,560	364,805,885	346,117,010	334,943,418	256,702,410	246,667,370
Surplus on revaluation of assets	38,596,264	41,205,380	43,814,496	46,423,612	24,871,032	24,562,394
Reserves	135,670,642	110,556,883	92,419,010	81,245,418	63,004,410	52,969,370
Working capital	208,856,017	166,683,772	179,305,685	135,443,949	77,929,799	115,509,916
Long- term liabilities	304,498,443	288,463,703	235,872,082	227,756,845	151,143,864	157,981,518
Long-term loans	25,000,000	58,333,332	25,000,000	71,666,667	8,581,857	54,020,456
Investments	4,592,869	4,676,315	4,444,271	1,457,955	2,842,605	3,347,595
Financial Ratios						
Income / expense ratio	2.17	1.86	2.34	2.05	1.80	1.12
Earning per share (In Rupees)	0.89	0.61	0.84	0.69	0.56	0.14
Debt / Equity ratio	6.02	14.28	6.02	15.81	0.02	0.17
Current ratio	2.78	2.37	3.41	2.39	1.59	1.82

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	1
2.	Shaikh Aftab Ahmad	3
3.	Mr.Shaheed H Gayalani	1
4.	Air Marshal® Syed Masood Hatif	4
5	Mr.Pervez Inam	4
6.	Mr.Shoaib Salim Malik	3
7.	Brig. Naveed Nasar Khan(R)	3
8.	Mr.Rizwan Humayun	4

No Statutory Payment on account of taxes, duties, levies and/or charges was outstanding against the Company as on June 30, 2012.

Value of investments of the Staff Provident Fund stood at Rs. 3,437,202 as at June 30, 2012. This represents funds placed with a rated commercial bank at special rates and investment in the Registered Units of the National Investment Trust.

Karachi: September 26, 2012

Chairman / Chief Executive

Director

STATEMENT OF COMPLIANCE WITH: THE CODE OF CORPORTE GOVERNANCE

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	Air Marshal (r) Syed MAsood Hatif Brig. Naveed Nasar Khan Mr. Rizwan Humayun
Executive Directors	Mr. Sohail Inam Ellahi
Non-Executive Directors	Mr. Shoaib Salim Malik Mr. Pervez Inam Mr. Sheikh Aftab Ahmed Mr. Shaheed H. Gaylani Air Marshal (r) Syed Masood Hatif Brig. Naveed Nasar Khan Mr. Rizwan Humayun

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 "Statement of Code of Conduct", and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures

6 The Board has developed a vision/mission statement overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including the appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors directors, 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 peocedures and provisions of Articles and Memorandum of Associations and are aware of their duties and responsibilities. However, in order to apprise them of material changes. If any, in relevant laws same were placed in Board meetings. Moreover, in accordance with criteria specified in clause (xi) of CCG the directors will be trained within specified time.

10. No new appointment of CFO and Company Secretary was made during the year.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises of four members, and all members of the Committee are non-executive directors.

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 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 ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.

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

23. We confirm that all other material principles enshrined in the CCG have been complied with.

Karachi: September 26, 2012

Chairman / Chief Executive　　　　　　　　Director

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

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

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 transaction 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 2012.

KPMG Taseer Hadi & Co.

Date: 26 September 2012

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

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

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Auditors' Report to the Members

We have audited the annexed balance sheet of **Pak-Gulf Leasing Company Limited** ("the Company") as at 30 June 2012 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 2012 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: 26 September 2012

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

Pak-Gulf Leasing Company Limited

BALANCE SHEET
AS AT JUNE 30, 2012

	NOTE	2012	2011
		---------- Rupees ----------	
ASSETS			
Current assets			
Cash and bank balances	4	42,903,724	2,236,955
Short term investments	5	1,643,118	1,745,202
Other receivables - net	6	9,110,962	14,892,949
Advances to employee		98,863	225,500
Accrued mark-up / return on investments		115,314	111,563
Prepayments		360,873	652,908
Current portion of net investment in lease finance	7	270,367,062	267,338,016
Taxation recoverable - net		1,422,687	1,040,133
Total current assets		326,022,603	288,243,226
Non-current assets			
Net investment in lease finance	7	449,234,894	450,676,078
Long-term investments	8	2,949,751	2,931,113
Long-term deposits		206,500	206,500
Operating fixed assets	9	71,665,105	73,977,505
Total non-current assets		524,056,250	527,791,196
Total assets		850,078,853	816,034,422
LIABILITIES			
Current liabilities			
Trade and other payables	10	5,451,338	11,488,010
Profit / mark-up accrued	11	3,698,067	2,022,827
Certificates of investment - unsecured	12	32,005,613	29,230,138
Current portion of long term financing - secured	13	25,000,000	33,333,340
Current portion of long term deposits	14	51,011,568	45,485,139
Total current liabilities		117,166,586	121,559,454
Non-current liabilities			
Long-term financing - secured	13	-	24,999,992
Long-term deposits	14	217,146,718	198,579,521
Deferred taxation - net	15	87,351,725	64,884,190
Total non-current liabilities		304,498,443	288,463,703
Total liabilities		421,665,029	410,023,157
NET ASSETS		428,413,824	406,011,265
Financed by			
Share capital	16	253,698,000	253,698,000
Reserves	17	135,670,642	110,556,883
		389,368,642	364,254,883
Surplus on revaluation of available for sale investments	5	448,918	551,002
Total equity		389,817,560	364,805,885
Surplus on revaluation of operating fixed assets net of tax	18	38,596,264	41,205,380
		428,413,824	406,011,265
Contingencies and commitments	19		

The annexed notes 1 to 33 form an integral part of these financial statements.

Chairman / Chief Executive

Director

Pak-Gulf Leasing Company Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2012

	NOTE	2012	2011
		---------- Rupees ----------	
INCOME			
Income from leasing operations	20	77,359,593	64,474,169
Other Operating Income			
Profit on bank accounts / return on investments	21	5,175,885	4,418,588
Other income	22	1,870,246	304,931
		7,046,131	4,723,519
		84,405,724	69,197,688
OPERATING EXPENSES			
Administrative and operating expenses	23	28,186,942	31,455,245
Finance cost	24	10,633,657	5,548,263
Other charges		75,059	86,672
		38,895,658	37,090,180
Operating Profit before provision		45,510,066	32,107,508
Provision for potential lease losses	7.2	(351,887)	(175,779)
Reversal against terminated leases - net	6.3	2,943,913	1,968,511
Profit before Taxation		48,102,092	33,900,240
Taxation	25	25,597,449	18,371,483
Profit after taxation		22,504,643	15,528,757
Earning per share-basic and diluted	26	0.89	0.61

The annexed notes 1 to 33 form an integral part of these financial statements.

Chairman / Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2012

	NOTE	2012	2011
		---------- Rupees ----------	
Profit for the year		22,504,643	15,528,757
Other Comprehensive Income			
(Deficit) / Surplus on revaluation of available for sale investments	5	(102,084)	215,571
Total comprehensive income for the year		22,402,559	15,744,328

The annexed notes 1 to 33 form an integral part of these financial statements.

Chairman / Chief Executive

Director

Pak-Gulf Leasing Company Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	NOTE	2012	2011
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		48,102,092	33,900,240
Adjustment for:			
Depreciation		4,792,812	4,789,141
Finance cost		10,633,657	5,548,263
Amortization income on PIB		(18,638)	(16,473)
Provision for potential lease losses		351,887	175,779
Reversal against terminated leases - net		(2,943,913)	(1,968,511)
Gain on disposal of fixed asset		-	(15,000)
		12,815,805	8,513,199
Operating profit before working capital changes		60,917,897	42,413,439
Movement in working capital			
(Increase) / decrease in current assets			
Loans and advances		126,637	514,942
Interest receivable		(3,751)	(502)
Other receivables		9,068,223	9,610,498
Prepayments		292,035	183,479
		9,483,144	10,308,417
(Decrease) / increase in current liabilities			
Trade and other payables		(6,036,672)	4,300,511
Cash generated from operations		64,364,369	57,022,367
Finance cost paid		(8,958,417)	(5,068,143)
Tax paid		(3,512,468)	(3,915,532)
Deposits received from lessees		24,093,626	34,436,050
Increase in net investment in finance lease		(2,282,072)	(130,725,101)
		9,340,669	(105,272,726)
Net cash inflow from / (outflow on) operating activities		73,705,038	(48,250,359)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(2,480,412)	(1,234,851)
Proceeds from disposal of asset		-	15,000
Net cash outflow on investing activities		(2,480,412)	(1,219,851)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from certificates of investment - net		2,775,475	12,140,489
(Repayment of) / proceeds from long-term financing - net		(33,333,332)	33,333,332
Net cash inflow from / (outflow on) financing activities		(30,557,857)	45,473,821
Net increase / (decrease) in cash and cash equivalents		40,666,769	(3,996,389)
Cash and cash equivalents at the beginning of the year		2,236,955	6,233,344
Cash and cash equivalents at the end of the year		42,903,724	2,236,955

The annexed notes 1 to 33 form an integral part of these financial statements.

Chairman / Chief Executive

Director

Pak-Gulf Leasing Company Limited

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2012

	Share capital	Reserves			Sub Total	(Deficit) / Surplus on revaluation of available for sale Investments	Total equity
		Capital		Revenue			
		Statutory reserve	Reserve for issue of bonus shares	Unappropriated profit			
	-------	-------	-------	Rupees	-------	-------	-------
Balance as at 30 June 2010	253,698,000	32,639,294	4,402,000	55,377,716	92,419,010	335,431	346,452,441
Total comprehensive income for the year ended 30 June 2011							
Profit after taxation	-	-	-	15,528,757	15,528,757	-	15,528,757
Other comprehensive income							
Surplus on revaluation of available for sale investments	-	-	-	-	-	215,571	215,571
	-	-	-	15,528,757	15,528,757	215,571	15,744,328
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	-	3,105,751	-	(3,105,751)	-	-	-
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	-	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

The annexed notes 1 to 33 form an integral part of these financial statements.

Chairman / 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. 500 million by 30 June 2012. The equity of the Company as at 30 June 2012 is Rs. 390 million which is Rs. 110 million short of the minimum capital requirement. In an email communication sent by SECP to NBFI & Modaraba Association of Pakistan it is mentioned that SECP is reviewing the overall regulatory regime including the minimum equity requirement for NBFCs. For this purpose, an NBFC Reform Committee has been constituted which has submitted its reports to SECP. Final outcome of revised NBF Sector model is expected by December 2012. Further, the management is also making efforts to generate additional equity to attain the minimum equity requirement.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the approved accountin 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.

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 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year During the year certain amendments to Standards and new interpretations became effective, however, they did not have any material effect on the financial statements 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 01 July 2012:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on 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 five 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.

- 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 amendment removes a perceived inconsistency between IAS 32 and IAS 12.

- 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.

- 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.

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 of the Company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. 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, 5 and 8).

ii) Provision for current and deferred taxation (notes 3.10 and 25).

iii) Recognition and measurement of deferred tax assets and liabilities (note 3.10 and 15).

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 9).

vi) Measurement of leasehold premises carried at revalued amount. (note 3.7, 9 and 18).

2.6 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the Company's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

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 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 include cash in hand, cheques in hand, deposits held at call with banks, short- term running finance facilities and other short-term highly liquid investments with original maturities of three months or less.

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

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

Such allowance is increased by provision charged to income and is decreased by charge offs, net of recoveries and related legal charges.

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.

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 identified.

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.

- Documentation charges 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.

4 CASH AND BANK BALANCES

	Note	2012	2011
		----------- Rupees -----------	
Cash in hand		1,286	4,944
Balance with banks:			
- in current accounts		8,266,232	2,223,959
- in saving accounts	4.1	34,636,206	8,052
		42,903,724	2,236,955

4.1 Return on these savings accounts is earned at rates ranging from 3.82% to 10 % (2011: 5 % to 12.40 %) per annum.

5 SHORT TERM INVESTMENT

Available for sale investments

	2012	2011
Cost		
54,300 units of National Investment Trust (2011: 54,300)	1,194,200	1,194,200
Revaluation surplus / (deficit)		
As at 1 July	551,002	335,431
(Deficit) / surplus for the year	(102,084)	215,571
As at 30 June	448,918	551,002
	1,643,118	1,745,202

6 OTHER RECEIVABLES - NET

	Note	2012	2011
		---------- Rupees ----------	
Lease receivable held under litigation	6.1	40,155,461	48,004,012
Insurance premium receivable	6.2	3,297,308	6,229,569
Others		2,197,589	485,000
		45,650,358	54,718,581
Provision against terminated leases	6.3	(32,202,027)	(35,025,146)
Mark-up held in suspense		(4,337,369)	(4,800,486)
		9,110,962	14,892,949

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

6.2 This represents 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

	Note	2012	2011
		---------- Rupees ----------	
Balance as at 1 July		35,025,146	35,876,448
Charge for the year		346,457	2,374,831
Reversal during the year		(3,290,370)	(4,343,342)
		(2,943,913)	(1,968,511)
Transfer from net investment in finance lease	7.2	120,794	1,117,209
Balance as at 30 June		32,202,027	35,025,146

7. NET INVESTMENT IN FINANCE LEASES

	Note	2012	2011
Net investment in finance leases	7.1	719,601,956	718,014,094
Current portion shown under current assets	7.1	(270,367,062)	(267,338,016)
		449,234,894	450,676,078

7.1 NET INVESTMENT IN FINANCE LEASE

	2012			2011		
	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	284,584,095	269,997,841	554,581,936	289,261,872	299,144,312	588,406,184
Residual value of leased assets	51,011,568	217,146,718	268,158,286	45,485,139	198,579,521	244,064,660
Gross investment in leases	335,595,663	487,144,559	822,740,222	334,747,011	497,723,833	832,470,844
Unearned lease income	(62,455,503)	(36,687,682)	(99,143,185)	(64,810,622)	(46,056,865)	(110,867,487)
Mark-up held in suspense	(2,773,098)	-	(2,773,098)	(2,598,373)	-	(2,598,373)
	(65,228,601)	(36,687,682)	(101,916,283)	(67,408,995)	(46,056,865)	(113,465,860)
	270,367,062	450,456,877	720,823,939	267,338,016	451,666,968	719,004,984
Provision for potential lease losses (note 7.2)	-	(1,221,983)	(1,221,983)	-	(990,890)	(990,890)
Net investment in finance leases	270,367,062	449,234,894	719,601,956	267,338,016	450,676,078	718,014,094

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 Provision for potential lease losses

	Note	2012	2011
		Rupees	
Balance at beginning of the year		990,890	2,484,900
Charge during the year		351,887	175,779
Written off during the year		-	(552,580)
Transfer of provision relating to lease receiveble held under litigation	6.3	(120,794)	(1,117,209)
Balance at end of the year		1,221,983	990,890

7.3 The net investment in finance lease portfolio includes Rs 27.226 million (2011: Rs 38.019 million) which has been placed under non-performing status.

7.4 The Company has entered into various lease agreements for periods ranging from two to five years (2011: two to five years). Security deposits ranging from 5 percent to 78.84 percent (2011: 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 % to 24.68 % (2011: 9 % to 24.69 %) per annum.

8. LONG TERM INVESTMENT - Held to maturity

Government Security

	2012	2011
Pakistan Investment Bonds	2,949,751	2,931,113

This investment has been made to comply with the requirements of Regulations 14(4)(i) of the Non Banking Finance Companies and Notified Entities Regulations, 2008 to maintain liquidity against certificates of investment. It carry's interest rate @ 11.5% per annum and is due to mature on 03 September 2014.

	Note	2012	2011
		Rupees	
9. Operating fixed assets			
Fixed assets	9.1	70,916,095	73,228,495
Capital work-in-progress	9.3	749,010	749,010
		71,665,105	73,977,505

9.1 Fixed Assets

2012

	COST / REVALUED AMOUNT				ACCUMULATED DEPRECIATION					
	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)	Reversal due to revaluation	As at 30 June 2012	Net book value as at 30 June 2012	Depreciation rate % per annum
	Rupees									
Owned										
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
	93,239,577	2,480,412	-	95,719,989	20,011,082	4,792,812	-	24,803,894	70,916,095	

2011

	COST / REVALUED AMOUNT				ACCUMULATED DEPRECIATION					
	As at 1 July 2010	Addition / (deletion)	Surplus on revaluation	As at 30 June 2011	As at 1 July 2010	Charge for the year / (accomulated depreciation on deletion)	Reversal due to revaluation	As at 30 June 2011	Net book value as at 30 June 2011	Depreciation rate % per annum
	Rupees									
Owned										
Leasehold premises	82,368,004	-	-	82,368,004	6,864,000	4,118,400	-	10,982,400	71,385,604	5
Leasehold improvements	670,981	-	-	670,981	670,981	-	-	670,981	-	33.33
Furniture & fittings	1,632,056	133,481	-	1,765,537	1,474,227	87,415	-	1,561,642	203,895	10
Office equipment	1,499,949	71,795	-	1,571,744	1,358,876	75,840	-	1,434,716	137,028	20
Vehicles	4,860,585	-	-	4,860,585	3,783,510	315,869	-	4,099,379	761,206	20
Computer equipment	2,392,011	892,075 (1,281,360)	-	2,002,726	2,351,707	191,617 (1,281,360)	-	1,261,964	740,762	33
	93,423,586	1,097,351 (1,281,360)	-	93,239,577	16,503,301	4,789,141 (1,281,360)	-	20,011,082	73,228,495	

9.2 The Company follows the revaluation model for its leasehold premises. The leasehold premises of the Company were revalued as at 1 November 2005 and 27 October 2008 by M/s. Akbani & Javed Associates, independent valuation consultants, based on factors such as need of the buyers, the overall prevailing market situation and other considerations associated with these. The revaluation resulted in a net surplus of Rs. 41.224 million and Rs. 39.057 million over the written down value of Rs. 9.731 million and Rs. 43.311 million respectively which was incorporated in the books of the Company during the year ended 30 June 2009. Out of the revaluation surplus, an amount of Rs. 59.379 million remains undepreciated as at 30 June 2012 (2011: Rs. 63.393 million). Had there been no revaluation, the book value of leasehold premises would have been Rs.7.888 million (2011: Rs.7.992 million).

9.3 Capital work-in-progress

	Note	2012	2011
		Rupees	
Balance as at 1 July	9.3.1	749,010	611,510
Additions			137,500
Balance as at 30 June		749,010	749,010

9.3.1 This amount represents payments made to a vendor for development of leasing software.

10. Trade and other payables

	2012	2011
	Rupees	
Accrued liabilities	2,083,729	1,102,137
Unclaimed Dividend	180,547	183,154
Insurance payable	2,517,460	9,133,385
Other liabilities	669,602	1,069,334
	5,451,338	11,488,010

11. Profit / Markup Accrued

Long-term financing	-	41,892
Certificates of investment	3,698,067	1,980,935
	3,698,067	2,022,827

12. Certificates of Investment - unsecured

Opening balance	29,230,138	17,089,649
Certificates issued during the year	26,505,613	27,230,138
Rolled over during the year	(20,205,138)	(13,000,000)
Payments made during the year	(3,525,000)	(2,089,649)
Closing balance	32,005,613	29,230,138

12.1 These represent certificates of investment issued by the Company with the permission of the SECP The term of these certificates range from 3 months to 12 months (2011: 3 months to 12 months) carrying mark-up 11% to 13% per annum (2011 12% to 14% per annum).

13. Long-term financing - secured

Long-term loans from banking companies	13 1	25,000,000	58,333,332
Current maturity shown under current liabilities	13 1	(25,000,000)	(33,333,340)
		-	24,999,992

13.1 Long-term financing from banking companies - secured

Name of Financier	Amount borrowed (Rupees)	No. of instalments/ repayment period	Rate of Mark up		Principal Outstanding 2012	2011
					-------Rupees---	---
National Bank of Pakistan	50,000,000	12 quarterly installments upto December 2011	3 months KIBOR ask rate + 1.65 percent		-	8,333 332
Bank Alfalah Limited	50,000,000	08 quarterly installments upto June 2013	6 months KIBOR ask rat + 1.5 percent	13.2	25,000,000	50,000,000
						58,333,332
Current portion shown under current liabilities					(25,000,000)	(33,333,340)
					-	24,999,992

13.2 The above facilities are secured by hypothecation charge over specific leased assets and related receivables of the company.

14. LONG TERM DEPOSITS

	Note	2012	2011
		---------- Rupees	----------
Long-term security deposits	14.1	**268,158,286**	244,064,660
Current portion shown under current liabilites	14.1	**(51,011,568)**	(45,485,139)
		217,146,718	198,579,521

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

15. DEFERRED TAXATION - Net

	2012	2011
Taxable temporary difference arising in respect of:		
Surplus on revaluation of fixed assets arising during the year	**20,782,603**	22,187,512
Excess of accounting WDV over Tax WDV	**988,524**	752,773
Investment in lease finance and tax book value of assets given on finance lease	**93,449,889**	71,515,908
Deductible temporary difference arising in respect of:		
Recognized tax losses	**(10,403,778)**	(14,083,045)
Provision for potential lease losses	**(427,694)**	(346,812)
Provision for doubtful receivable	**(11,270,709)**	(12,258,801)
Minimum tax	**(5,867,966)**	(2,738,052)
Provision for leave encashment	**(145,293)**	(145,293)
	87,105,576	64,884,190

16 SHARE CAPITAL

Authorised capital

2012	2011		2012	2011
(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

16.1 As at 30 June 2012, 8,911,899 shares (2011: 8,911,899 shares) of the Company were held by related parties.

17 RESERVES

	Note	2012	2011
Capital reserves			
Statutory reserve	17.1	40,245,974	35,745,045
Reserve for issue of bonus shares		4,402,000	4,402,000
Revenue reserves			
Unappropriated profit		91,022,668	70,409,838
		135,670,642	110,556,883

17.1 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 4.315 million (2011: Rs 2.532 million) to its statutory reserve.

18. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS - NET OF TAX

	2012	2011
	Rupees	
Surplus on revaluation of Operating Fixed Asset as at 1 July	63,392,892	67,406,917
Transferred to retained earnings in respect of incremental depreciation charged during the year -net of deferred tax	(2,609,116)	(2,609,116)
Related deferred tax liability	(1,404,909)	(1,404,909)
	(4,014,025)	(4,014,025)
Surplus on revaluation of Operating Fixed Asset as at 30 June	59,378,867	63,392,892
Related deferred tax liability on:		
-Revaluation at the beginning of the year	22,187,512	23,592,421
-Incremental depreciation charged during the year	(1,404,909)	(1,404,909)
	20,782,603	22,187,512
	38,596,264	41,205,380

19. CONTINGENCIES AND COMMITMENTS

19.1 Contingency

During the year, Federal Board of Revenue served a notice of demand to the Company for payment of FED amounted to Rs. 19,612,245 pertaining to a financial income earned by the company during 1 July 2007 to 30 June 2010. Similar notices were issued to other leasing Companies as well.

NBFI & Modaraba Association in Pakistan has discussed the legal merits of the order and notices with their legal advisors, who pointed out that the assessing officer has altogether misread and misunderstood relevant laws.

The Act states that "service provided by banking companies or non banking financial companies falling under HS code 98.13 of Pakistan Customs tariff are liable to pay FED at 16% of the charges". However, Rule 40(A) of the rules specifically exempted markup income from the purview of FED. In view of the above, the management of the Company is of the view that notwithstanding the demands / notice served to the Company, the Company is not liable to pay FED and no provision in respect of above need to be recognized.

19.2 Commitment

Leasing contracts committed but not executed at the balance sheet date amounted to Rs. 500,000 (2011: Rs 4,980,000).

20. INCOME FROM LEASING OPERATIONS

Income on lease contracts	75,165,768	61,301,583
Loss on lease termination	(1,849,293)	(4,001,812)
Late payment charges	922,881	4,438,949
Mark-up on termination of lease	2,927,287	1,792,195
Other income	192,950	943,254
	77,359,593	64,474,169

21. PROFIT ON BANK ACCOUNTS/RETURN ON INVESTMENT

Profit on Bank Accounts	4,595,047	3,934,439
Income from Pakistan Investment Bonds	363,638	361,974
Dividend Income - NIT Unit	217,200	122,175
	5,175,885	4,418,588

22. OTHER INCOME

	Note	2012	2011
		Rupees	
Income from financial assets			
Others		20,135	244,359
Income from non-financial assets			
Commission income		21,615	45,572
Gain on disposal of fixed assets		-	15,000
Others		1,828,496	-
		1,870,246	304,931

23. ADMINISTRATIVE AND OPERATING EXPENSES

	Note	2012	2011
Directors' fee	27	66,000	48,000
Salaries, allowances and benefits	23.1 & 23.2	13,915,876	17,911,224
Depreciation	9.1	4,792,812	4,789,141
Office rent and utilities		1,164,462	1,100,260
Legal and professional		2,527,377	2,052,921
Auditors' remuneration	23.4	500,000	475,000
Postage, subscription, printing and stationary		1,002,167	932,226
Vehicle running and maintenance		1,059,973	1,078,772
Office repair and general maintenance		646,539	627,624
Worker welfare fund		981,675	1,137,470
Insurance		293,949	201,107
Advertisement		74,030	132,600
Travelling and conveyance		152,520	142,543
General	23.5	1,009,562	826,357
		28,186,942	31,455,245

23.1 This includes salary of Rs.2.2 million (2011: Rs. 7.4 million pertains to prior years) paid to the Chief Executive.

23.2 Salaries and benefits include Rs. 242,856 (2011: Rs. 229,076) in respect of Company's contribution to provident fund.

23.3 The total number of employees at 30 June 2012 is 23 (2011: 22).

23.4 Auditors' remuneration

	Note	2012	2011
		Rupees	
Audit fee		315,000	300,000
Review report on the statement of compliance with the Code of Corporate Governance		50,000	50,000
Half yearly review fee		110,000	100,000
Out of pocket expenses		25,000	25,000
		500,000	475,000

23.5 It includes an amount of Rs. 600,000 (2011: Rs.408,104) paid to Pearl Soft on account of outsourced information technology .

24. FINANCE COST

	2012	2011
	Rupees	
Markup on:		
- Long term financing	6,402,439	2,773,042
- Certificate of investment - unsecured	4,169,353	2,659,883
Bank Charges	61,865	115,338
	10,633,657	5,548,263

25. TAXATION

	2012	2011
Current	3,129,914	2,857,841
Deferred	22,467,535	15,513,642
	25,597,449	18,371,483

25.1 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. 267 million (2011: Rs. 204 million).

25.2 The income tax assessments of the Company have deemed to be finalized up to and including Tax year 2011

26. EARNINGS PER SHARE - BASIC AND DILUTED

	2012	2011
	Rupees	
Profit after taxation attributable to ordinary shareholders	22,504,643	15,528,757
	(Number of shares)	
Weighted average number of outstanding ordinary shares	25,369,800	25,369,800
	(Rupees)	
Earning per share - basic	0.89	0.61

26.1 There were no convertible dilutive potential ordinary shares in issue as at 30 June 2012.

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2012			2011		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees					
Managerial remuneration	1,210,000	66,000	3,262,991	4,070,000	48,000	2,900,957
Housing and utilities	990,000	-	2,041,339	3,330,000	-	1,812,531
Provident Fund contribution	-	-	98,582	-	-	80,256
	2,200,000	66,000	5,402,912	7,400,000	48,000	4,793,744
Number of persons	1	7	3	1	7	3

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

27.2 The amount charged in the financial statements for the fee of directors for attending a Board of Directors meeting was Rs 3,000 (2011: Rs 2,000) per meeting.

27.3 During the year ended 30 June 2011, the Company paid Rs. 5 million to Chief Executive in respect of services rendered in previous year.

28. TRANSACTIONS WITH RELATED PARTIES

The Company has related party relationships with its associated companies, directors, senior executives and employee provident fund plan. Transactions with related parties essentially entail certificates of investment issued to a close relative of chairman and chief executive.

Transactions with related parties comprise of the following:

	2012	2011
	Rupees	
Other than leasing		
Certificate of investment issued to directors	5,500,000	5,500,000
Certificates of investment issued to close relative of chairman and chief executive	18,236,613	16,851,138
Profit paid on certificates of investment	3,197,545	2,135,528
Contribution to the employees provident fund	242,856	229,076
Lease to a Director		
Opening balance	1,114,787	1,914,023
Rental received	(787,341)	(799,236)
Closing balance	327,446	1,114.787

Particulars of remuneration to chief executive, directors and executives are disclosed in note 27 to these financial statements.

29. 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

29.1 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.

29.2 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

29.2.1 *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.

29.2.2 *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 2012 is as follows.

	30 June 2012		30 June 2011	
	Balance Sheet	Maximum exposure	Balance Sheet	Maximum exposure
	Rupees			
Bank balances	42,902,438	42,902,438	2,232,011	2,232,011
Investments	4,592,869	1,643,118	4,676,315	1,745,202
Loans and advances	98,863	98,863	225,500	225,500
Accrued markup / Return on investment	115,314	115,314	111,563	111,563
Net Investment in finance lease	719,601,956	451,443,670	718,014,094	473,949,434
Other receivable	9,110,962	9,110,962	14,892,949	14,892,949
Long term deposits	206,500	206,500	206,500	206,500
	776,628,902	505,520,865	740,358,932	493,363,159

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.2.9501million (2011: Rs.2.931 million) relates to investments in government securities and investment in finance lease include Rs. 268.158 million (2011: 244.065 million) relating to security deposit which are not considered to carry credit risk.

29.2.3 *Credit ratings and collaterals*

Details of the credit ratings of balances with the banks (including profit receivable) as at 30 June were as follows:

Ratings	2012	2011
AAA	0%	1%
AA	98%	63%
AA-	1%	5%
A	1%	31%
	100%	100%

29.2.4 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.

29.2.5 Aging analysis of net investment in finance lease

	2012			
	Carrying Amount	Amount on which no impairment recognised	Amount on which impairment recognised	Impairment rcognised
	Rupees			
Past due				
0 - 90 days	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

	2011			
	Carrying Amount	Amount on which no impairment recognised	Amount on which impairment recognised	Impairment rcognised
	Rupees			
Past due				
0 - 90 days	656,009,544	656,009,544	-	-
90 days-1 year	50,156,268	50,156,268	-	-
1 year- 2 years	5,874,429	-	5,874,429	399,326
2 years- 3 years	1,297,719	-	1,297,719	123,860
More than 3 years	866,538	-	866,538	467,704
	714,204,498	706,165,812	8,038,686	990,890

29.2.6 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:

	2012		2011	
	Rupees	Percentage	Rupees	Percentage
Energy, oil and gas	14,865,146	1.81	22,081,739	2.65
Steel, engineering and auto	56,621,303	6.88	79,295,841	9.53
Electrical goods	74,169,292	9.01	105,746,299	12.70
Transport and communication	4,857,705	0.59	6,198,260	0.74
Chemical, fertilizer and pharmaceuticals	25,414,510	3.09	49,460,266	5.94
Textile	982,667	0.12	9,833,663	1.18
Leather footwear	-	-	-	0.00
Food, tobacco and beverage	107,480,672	13.06	112,571,388	13.52
Hotels	124,149,277	15.09	100,700,293	12.10
Construction	46,066,404	5.60	87,112,079	10.46
Health care	138,324,841	16.81	108,671,322	13.05
Advertisement	1,087,575	0.13	3,830,222	0.46
Publication	865,871	0.11	1,538,503	0.18
Services	13,830,822	1.68	25,550,592	3.07
Packing	839,501	0.10	1,234,968	0.15
Banking and Financial Institutions	2,556,289	0.31	5,942,976	0.71
Communications	16,549,807	2.01	8,484,584	1.02
Logistics	8,378,804	1.02	9,473,975	1.14
Lubricants	1,452,401	0.18	3,901,776	0.47
Others	184,247,335	22.39	90,842,098	10.93
	822,740,222	100.00	832,470,844	100.00

29.3 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.

29.3.1 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.

29.3.2 Maturity analysis for financial liabilities

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

2012	Total	Contractual cash flow	Upto three months	More than three months and upto one year	More than One year	Over five years
	Rupees					
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	-

2011	Total	Contractual cash flow	Upto three months	More than three months and upto one year	More than One year	Over five years
	Rupees					
Liabilities						
Trade and other payables	11,488,010	11,488,010	11,488,010	-	-	-
Accrued mark-up	2,022,827	2,022,827	2,022,827	-	-	-
Certificates of investment - unsecured	29,230,138	31,106,065	17,407,432	13,698,633	-	-
Long-term financing - secured	58,333,332	70,746,362	13,437,764	29,123,181	28,185,417	-
Long-term deposits	244,064,660	244,064,660	11,371,285	34,113,854	198,579,521	-
	345,138,967	359,427,924	55,727,318	76,935,668	226,764,938	-

29.4 Market risk

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

29.4.1 *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.

29.4.2 *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	
	2012	2011
	---------- Rupees ----------	
Fixed rate instruments		
Financial assets	**161,262,574**	159,838,107
Financial liabilities	**32,005,613**	29,230,138
Variable rate instruments		
Financial assets	**595,925,732**	556,314,667
Financial liabilities	**(25,000,000)**	(58,333,340)

29.4.2.1 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.

29.4.2.2 Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points 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 2011

	Profit and loss	
	100 bp increase	100 bp decrease
	---------- Rupees ----------	
As at 30 June 2012		
Cash flow sensitivity - variable rate instruments	**5,709,257**	(5,709,257)
As at 30 June 2011		
Cash flow sensitivity - variable rate instruments	**4,979,813**	(4,979,813)

The sensitivity analysis prepared as of 30 June 2012 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.

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

2012

	Effective mark-up/ interest/ profit rate	Total	Exposed to mark-up / Interest / profit rate risk				Not 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	
	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	-	9,110,962	-	-	-	-	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
		776,630,189	100,270,589	204,732,679	452,184,645	-	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		442,316,885	77,165,451	170,832,204	452,184,645	-	(257,865,415)

2011

	Effective mark-up/ interest/ profit rate	Total	Exposed to mark-up / Interest / profit rate risk				Not 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	
	Percent	Rupees					
Financial assets							
Cash and bank balances	5 - 12.4	2,236,955	8,052	-	-	-	2,228,903
Short term investments	-	1,745,202	-	-	-	-	1,745,202
Other receivables - net	-	19,693,435	-	-	-	-	19,693,435
Loans and advances to employees - considered good	-	225,500	-	-	-	-	225,500
Accrued mark-up / return on investments	-	111,563	-	-	-	-	111,563
Net investment in finance lease	9 - 24.69	718,014,094	65,634,383	196,903,148	455,476,563	-	-
Long term Investments	11.5	2,931,113	-	-	2,931,113	-	
Long term deposits	-	206,500	-	-	-	-	206,500
		745,164,362	65,642,435	196,903,148	458,407,676	-	24,211,103
Financial liabilities							
Trade and other payables	-	11,488,010		-	-	-	11,488,010
Accrued mark-up	-	2,022,827	-	-	-	-	2,022,827
Certificates of investment - unsecured	11.5 - 13	29,230,138	16,855,138	12,375,000	-	-	-
Long-term financing - secured	13.94	58,333,340	8,333,335	25,000,005	25,000,000	-	-
Long-term deposits		244,064,660	-	-	-	-	244,064,660
		345,138,975	25,188,473	37,375,005	25,000,000	-	257,575,497
On balance sheet gap		400,025,387	40,453,962	159,528,143	433,407,676	-	(233,364,394)

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

29.5 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 2012.

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 2012, 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. 16,431 (2011: Rs. 17,452).

30. 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 has not been able to attain minimum capital requirement of Rs. 500 million as at 30 June 2012 as more fuly discussed 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:

	2012	2011
	Rupees	
Total debt	**57,005,613**	87,563,470
Total equity	**389,817,560**	364,805,885
Total capital employed	**446,823,173**	452,369,355
Gearing ratio	**12.76%**	19.36%

30.1 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.

31. 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 2012, all short term investments - available for sale were categorised in level 1.

32. GENERAL

32.1 Figures have been rounded off to the nearest Rupee.

33. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 26, 2012 by the Board of Directors of the Company.

Chairman / Chief Executive　　　　Director

PATTERN OF SHAREHOLDING AS OF JUNE 30, 2012

No. of Share Holders	Having Shares From	To	Share Held	Percentage %
31	1	100	397	0.0016
8	101	500	2781	0.0110
16	501	1000	9996	0.0394
19	1001	5000	48004	0.1892
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	50730	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	100.00

CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2012

Categories of shareholder	Number	Share Held	Total Share holding	Percentage
Associated companies, undertaking and related Parties				
Unibro Industries Ltd		1,499,785		
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				
Chief Executive Officer	1			
Mr. Sohail Inam Ellahi		2,451,090		
Directors	7			
Mr. Pervez Inam		2,585,840		
Mr. Shoaib Salim Malik		1,013,785		
Air Marshal(R) Syed Masood Hatif		4,047		
Brig. Naveed Nasar Khan (R)		500		
Mr. Shaheed H. Gaylani		24,845		
Mr. Shaikh Aftab Ahmed		24,845		
Mr. Rizwan Humayun		600		
Total	8		6,105,552	24.07
Executive	1	5,146	5,146	0.02
Public Sector Companies			-	-
Banks, DFIs, NBFCs, Insurance Companies, Modarba and Mutual Funds				
Bank of Punjab	1	799,899	799,899	3.15
Foreign Companies		4,223,584	-	
Kraftex Limited	1		4,223,584	16.65
Individual's	98	11,444,936	-	-
			11,444,936	45.11
Others	4	3,904		
			3,904	0.02
Total	**115**	**25,369,800**	**25,369,800**	**100**
Holding 5% or more				
Mr. Inam Ellahi Shaikh		4,801,764		18.93
Kraftex Limited		4,223,584		16.65
MID EAST AGENCIES (PVT) LTD.		1,286,994		5.07
HABIB INAM SHAIKH		1,367,554		5.39
UNIBRO INDUSTRIES LTD.,		1,499,785		5.91
J.TAYYAB		1,663,524		6.56
SOHAIL INAM		2,451,090		9.66
PERVEZ INAM		2,585,840		10.19
Total			**19,880,135**	78.36

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 19th Annual General Meeting

to be held on Tuesday, October 23, 2012 and at any adjournment thereof.

As witness my/our hand this day of ______________ 2012.

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.