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Board of Directors

Mr. Sohail Inam Ellahi	Chairman
Mr. Pervez Inam	Director
Mr. Fawad Salim Malik	Director
Brig. Naveed Nasar Khan (Retd.)	Director
Mr. Ismail H. Ahmed	Director
Mr. Jan Ali Khan Junejo	Director
Mr. Naeem Ali Muhammad Munshi	Director
Ms. Naeen Ahmed	Director
Mr. Mahfuz-ur-Rehman Pasha	Chief Executive Officer

Company Secretary

Mr. Suleman Chhagla

Audit Committee

Mr. Ismail H. Ahmed	Chairman
Mr. Naeem Ali Mohammad Munshi	Member
Mr. Pervez Inam	Member
Brig. Naveed Nasar Khan (Retd.)	Member
Ms. Farah Farooq	Secretary

Human Resource & Remuneration Committee

Mr. Jan Ali Khan Junejo	Chairman
Mr. Sohail Inam Ellahi	Member
Mr. Pervez Inam	Member
Mr. Ismail H. Ahmed	Member
Ms. Naeen Ahmed	Member
Mr. Mahfuz-ur-Rahman Pasha	Member
Mr. Suleman Chhagla	Secretary

Senior Management

Mr. Mahfuz-ur-Rahman Pasha	Chief Executive Officer
Lt. Col. Saleem Ahmed Zafar (Retd.)	Chief Operating Officer
Lt. Col. Farhat Pervez Kayani (Retd.)	General Manager Punjab
Mr. Suleman Chhagla	Chief Financial Officer
Ms. Farah Farooq	Head of Audit
Major Arifullah Lodhi (Retd.)	Manager HR & Administration

Credit Rating Agency

VIS Credit Rating Company Limited

Entity Rating

- A- (Single A Minus) for Medium to Long term
- A-2 (A-Two) for Short term
- Outlook: Negative

Auditors

M/s. Grant Thornton Anjum Rahman
Chartered Accountants
1st & 3rd Floor, Modern Motors House
Beaumont Road, Karachi 75530
Tel # : (92-21) 35672951-56
Fax # : (92-21) 35688834

Legal Advisors

M/s. Mohsin Tayebaly & Company
2nd Floor, Dime Centre,
BC-4, Block # 9, Kehkashan, Clifton,
Karachi.
Tel # : (92-21) 111-682-529
Fax # : (92-21) 35870240

Shariah Advisor

M/s. Alhamd Shariah Advisory Services (Pvt) Ltd.

Bankers
Islamic Banks

Albaraka Bank (Pakistan) Limited
MCB Islamic Bank

Conventional Banks

Allied Bank Limited
Askari Commercial Bank Limited
Bank Al-Falah Limited
Bank Al Habib Limited
Bank of Punjab
Habib Bank Limited
JS Bank Limited
MCB Bank Limited
National Bank of Pakistan
Silk bank Limited
Soneri Bank Limited

Registered Office

UNIBRO HOUSE
Ground and Mezzanine Floor,
Plot No. 114, 9th East Street, Phase I, DHA
Karachi, P.O.Box # 12215, Karachi-75600.
Tel #: (92-21) 35820301, 35820965-6
35824401, 35375986-7
Fax #: (92-21) 35820302, 35375985
E-mail: pgl@pakgulfleasing.com
Website: www.pakgulfleasing.com

Branch Office

202, 2nd Floor, Divine Mega II,
Opp. Honda Point, New Airport Road, Lahore.
Tel #: (92-42) 35700010
Fax #: (92-42) 35700011

Registrar / Share Transfer Office

THK Associates (Pvt) Limited
Plot No. C-32 Jami Commercial Street 2
DHA, Phase-VII, Karachi.
Tel # : (92-21) 111-000-322
Fax # : (92-21) 35310190

Mission Statement

The Company will:

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

Notice is hereby given that the 28th Annual General Meeting of Pak-Gulf Leasing Company Limited will be held at the Company's Registered Office/Video link, UNIBRO House, Ground and Mezzanine Floor, Plot No. 114, 9th East Street, Phase-I DHA, Karachi-75500, on Friday, November 26, 2021 at 11:00 a.m. to transact the following business:

A. Ordinary Business:

1. To read and confirm the minutes of the 27th Annual General Meeting held on October 27, 2020;
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2021 together with Directors' and Auditors' Report thereon;
3. To appoint Auditors for the year ending June 30, 2022 and fix their remuneration.

B. Any Other Business

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

By Order of the Board

Company Secretary

Karachi: November 05, 2021

Notes:

1. The Register of Members of the Company shall remain closed from November 20, 2021 to November 26, 2021 (both days inclusive).
2. In pursuance of SECP Circular No.4 of 2021 dated February 15, 2021 respectively regarding Regulatory Relief to dilute impact of Corona Virus (COVID-19) for Corporate Sector, the shareholders interested to participate in the AGM through video link are requested to share below information at companysecretary@pakgulfleasing.com for their appointment and proxy's verification at least 48 hours before the time of AGM.

Name of Shareholder	CNIC No.	Folio No./CDC Account No.	Cell No.	Email Address

Video link for the meeting will be sent to members at their provided email addresses enabling them to attend the meeting on the given date and time.

Login facility will open thirty (30) minutes before the meeting time to enable the participants to join the meeting after the identification process. Shareholders will be able to login and participate in the AGM proceedings through their devices after completing all the formalities required for the identification and verification of the shareholders.

3. A Member entitled to attend and vote at the Annual General Meeting of Members is entitled to appoint a proxy to attend and vote on his/her behalf.
4. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting. A form of proxy is enclosed.
5. CDC account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan (SECP).

A. For attending the meeting:

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

B. For appointing proxies:

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

Availability of Annual Audited Financial Statements on the Company's website

- 6. In accordance with the provisions of Section 223(7) of the Companies Act, 2017, the Audited Financial Statements of the Company for the year ended June 30, 2021 are available on the Company's website <http://www.pakgulfleasing.com/Financials.html>, in addition to the annual and quarterly financial Statements for the prior years.

7. Deposit of Physical Share in CDC Account

As per Section 72 of the Companies Act, 2017 every listed company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of this Act, i.e., May 30, 2017.

The Shareholders having physical shareholding are encouraged to open CDC sub-account with any of the brokers or Investor Account directly with CDC to place their physical shares into scrip-less form.

8. Unclaimed Dividend and/or Bonus Shares

Shareholders, who by any reason, could not claim their dividend and/or bonus shares, if any, are advised to contact our Share Registrar to collect/enquire about their unclaimed dividend and/or bonus shares, if any.

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

Dear Shareholders,

It is my pleasure to present to you a review of the general performance of the Board of Directors of the Company and the efficacy of the role played by it, in accomplishing the Company's objectives for the financial year ended June 30, 2021.

At the beginning of the year we saw the COVID-19 pandemic in full swing, which affected both the global economy and the local economy as well. Fortunately, the social and economic impact of the pandemic has not been as intense in the country as in other parts of the world, however, it has affected certain sectors more than the others. At present, with the continued governmental health, economic, and financial interventions, not only the threat has reduced, there is an economic revival in play which will have a positive impact on your company's business.

During the year, in line with the SECP's various guidelines and notification, your Company supported its loyal customers and rescheduled and deferred payments of facilities where the Board considered it appropriate and necessary. The concessionary strategy resulted for select customers to be able to make timely payments at a later stage, which was mutually beneficial for both the Company and the customers.

I am pleased to state the due to the efforts of Board and management, our profit before taxation has increased by 30% and 125% in net profit after taxation, despite a reduction in net investment in finance lease and total assets. The Company's strong governance structure, a clear guidance and direction to management by the Board and thorough review,, discussion and approval of business strategies, corporate policies and objectives, financial reports, plans and proposals, have contributed to the above.

My profound thanks to our loyal customers, members of the Board, stakeholders, and shareholder for their belief and trust in the Company. I would like to appreciate the untiring effort, hard work, and dedication shown by the employees in carrying out the guidance and direction of the Board. I would also thank SECP our regulators for their support during the year.

Chairman**November 3, 2021****Karachi**

مجھے خوشی ہے کہ میں 30 جون 2021 کو ختم ہونے والے مالی سال کے لئے کمپنی کے مقاصد کو پورا کرنے میں، کمپنی کے بورڈ آف ڈائریکٹرز کی عمومی کارکردگی اور اس اُن کے ادا کردہ کردار کی افادیت کا جائزہ آپ کے سامنے پیش کروں گا سال کے آغاز میں ہم نے COVID-19 کے وبائی مرض کو زوروں پر دیکھا، جس نے عالمی معیشت اور مقامی معیشت دونوں کو بھی متاثر کیا۔ خوش قسمتی سے، وبائی مرض کا معاشرتی اور معاشی اثر ہمارا ملک میں اتنا شدید نہیں رہا جتنا دنیا کے دوسرے حصوں میں ہے، تاہم، اس نے دوسرے شعبوں بے کے مقابلے میں کچھ شعبوں کو زیادہ متاثر کیا ہے۔، سرکاری صحت، معاشی، اور مالی مداخلتوں کے باعث، نہ صرف خطرہ کم ہوا ہے، بلکہ معاشی بحالی بھی ہدوہی ہے۔ جس کا آپ کی کمپنی کے کاروبار پر مثبت اثر پڑے گا۔

سال کے دوران، SECP کے مختلف رہنما خطوط اور نوٹیفیکیشن کے مطابق، آپ کی کمپنی نے اپنے وفادار صارفین کی حمایت کی اور ان کی سہولت کیلئے جہاں بورڈ نے مناسب اور ضروری سمجھا کچھ عرصے تک مارک اپ کی ادائیگی تک محدود رکھا کیا۔ ان مراعات کی حکمت عملی کے نتیجے میں صارفین کو بعد کے مرحلے پر بروقت ادائیگی کرنے کے قابل بنایا گیا۔ جو کمپنی اور صارفین دونوں کے لئے باہمی فائدہ مند ثابت۔

مجھے بورڈ اور انتظامیہ کی کوششوں کی وجہ سے یہ بتاتے ہوئے خوشی ہو رہی ہے کہ ٹیکس پچھلے سال کے مقابلے میں دینے سے پہلے ہمارے منافع میں 30 فیصد اور 125 ٹیکس دینے کے بعد فیصد تک اضافہ ہوا ہے، باوجود اس کے فنانس لیز اور مجموعی اثاثوں میں خالص سرمایہ کاری میں کمی واقع ہوئی ہے۔ کمپنی کا مضبوط حکمرانی ڈھانچہ، بورڈ کے ذریعہ انتظامیہ کے لئے ایک واضح رہنمائی اور ہدایت اور کاروباری حکمت عملیوں، کارپوریٹ پالیسیوں اور مقاصد، مالی رپورٹس، منصوبوں اور تجاویز کی مکمل جائزہ، بحث اور منظوری، نے مذکورہ بالا میں حصہ لیا ہے۔

کمپنی میں ان کے بھروسے اور اعتماد کے لئے ہمارے وفادار صارفین، بورڈ کے ممبران، اسٹیک ہولڈرز اور شیئرز ہولڈرز کا میرا گہرا شکریہ ہے۔ میں بورڈ کی رہنمائی اور ہدایت پر عمل پیرا ہونے میں ملازمین کی طرف سے دکھائی جانے والی انتھک محنت، محنت اور لگن کی تعریف کرنا چاہتا ہوں۔ میں سال کے دوران ہمارے ریگولیٹرز کی حمایت کے لئے ایس ای سی پی کا بھی شکریہ ادا کروں گا۔

چیسر مین

3 نومبر 2021

کراچی

Dear Shareholders,

OPERATIONAL OVERVIEW

Your directors are pleased to present the 28th Annual Report of Pak-Gulf Leasing Company Limited (PGL), including Financial Statements and the Auditors' Report, for the year ended June 30, 2021.

OPERATIONAL OVERVIEW

The year commenced with COVID-19 pandemic affecting various business sectors, resulting in lower growth in manufacturing, consumer, and services compared to previous year. As the year progressed with the intensity of pandemic waning, lifting of lockdown, the economy witnessed growth in all sectors. Considering such factors, the business and profitability numbers achieved during the year has been highly satisfactory.

The Company continued with the time-tested policy of writing repeat leases for some of the Company's most consistently performing and well-established Customers. In addition, efforts were made for marketing fresh client relationships with credit worthy businesses and entrepreneurs enjoying good market credentials. The Company's has prudently instituted credit policy of securing itself against high exposure by obtaining collateral securities, wherever considered necessary for mitigating risk, in addition to the assets being leased. As opposed to other leasing companies, which usually rely on leased assets to cover their default risk, your Company, as a consequence of adopting this unique policy has, to a great extent covered itself, against volatile economic conditions leading to delinquencies and defaults relating to leasing exposure.

New business relationships were undertaken by the Company, after taking into account the historical financials of the prospective lessees, their respective market reputation and business track record, in addition to applying other standard risk evaluation techniques for arriving at the viability, both in terms of risk and reward, of the financing proposition offered to the Company. All credit approvals, as a matter of Policy and the established Standard Operating Procedure of the Company, are subject to an independent survey and valuation of the assets to be leased, and/or provided by a lessee as a collateral security, to secure the Company against the relative credit exposure. It is also ensured that all leased and collateral assets are comprehensively insured, for the entire lease term and until its full settlement, by at least a AA-rated insurance company, with the Company's name appearing on the relative Policy as a Loss Payee.

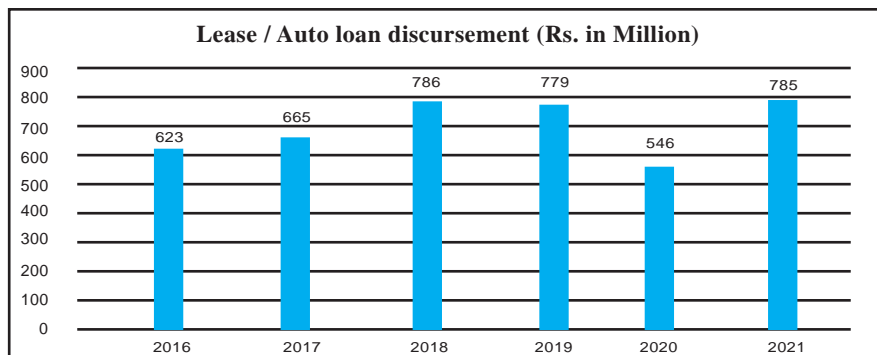
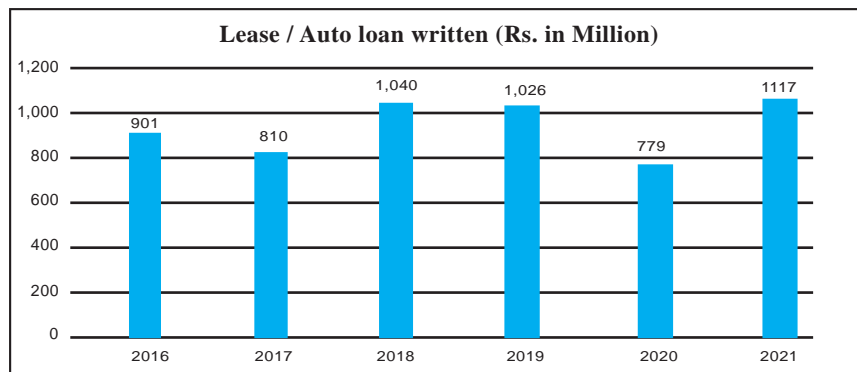
The declining growth rate of the economy witnessed coupled with COVID-19 in early 2020, impaired cash flow / liquidity of some clients of the Company to an extent that they were not in a position to pay their monthly lease rentals on time. In the previous year, such customers requested to either defer the payment of the principal component of the relative agreed lease rentals, or the entire lease rental amount, for a specified period, which were accorded on after examining each such request on its individual merits. Not all, but some customers were allowed further relaxation in line with Circular 9 of 2020 dated March 31, 2020 issued by the SECP. Despite the aforesaid conditions occurring during the year, the recovery rate improved from 85% in the previous year to 90% for the current year.

ANALYSIS OF THE COMPANY'S OPERATIONAL AND FINANCIAL PERFORMANCE IN FY-2020-21

Lease written and disbursed:

During the year, 55 new leases and 16 Auto-finance Loans of Rs. 1,117 million were written, as compared to 49 leases and 7 Auto-finance Loan of Rs. 778.86 million written in FY-2019-20. The total lease disbursement amount during FY-2020-21 was Rs. 785 million, which was higher than the corresponding amount of Rs. 545.82 million for FY-2019-20.

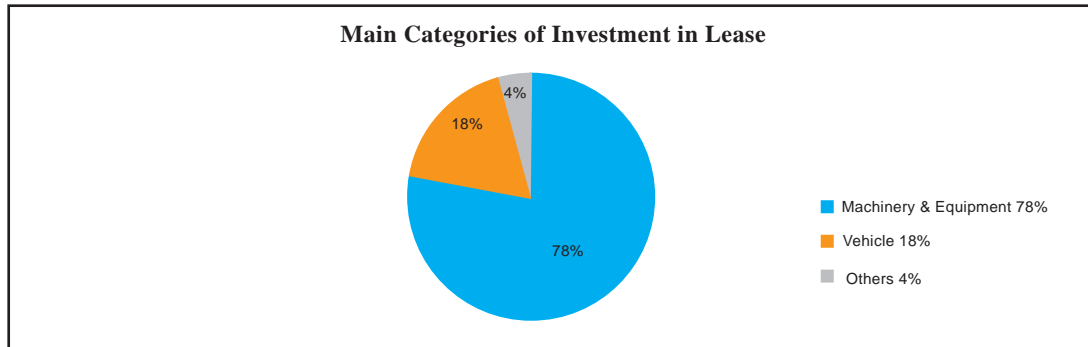
The growth in Financing facilities written and the amount disbursed by your Company, over the past 6 years, is illustrated in the following Chart:



Note: W.E.F. 20 April 2016 Ijarah financing has been discounted

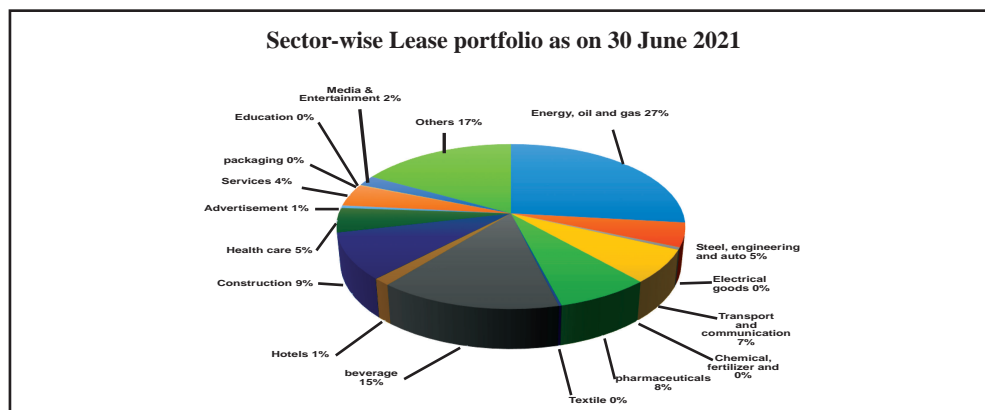
Categories of Investment in Leases

Your Company's core business activity is assets-based financing, as permissible under the various modes prescribed by SECP. With the ultimate recourse for recovery of the Company's exposure being the assets it finances. The quality of such assets leased is well evaluated and a prudent assets diversification policy is adopted to minimize correlation risk. Keeping in mind the prevailing economic and business conditions affecting the forced sale values of the cumulative Assets Portfolio, over the average life of a financing transaction, a diligent assessment is also made of the marketability of the relative assets in the event of any delinquency. Collateral securities offered by the customers are also evaluated on the same standards. While doing so, the Company's also assesses tax benefits accruing from financing a particular category of assets. The Chart below pictures the breakdown of the Company's Assets-wise Investment in Leasing, during FY-2020-21:



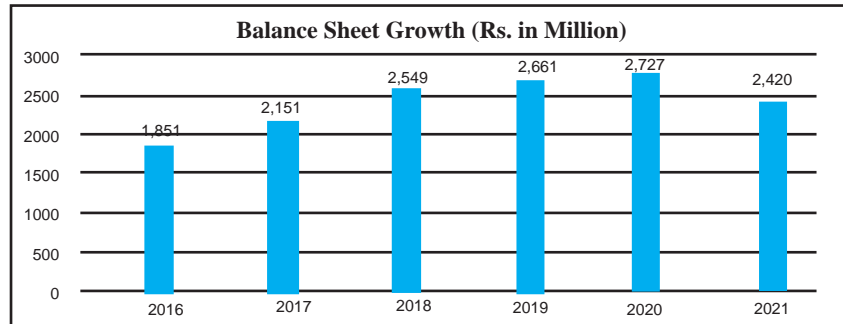
Sector-wise Composition of the Lease Portfolio

Notwithstanding the consideration of the present and the anticipated value of the Assets Portfolio, a prudent Risk Management Policy further demands that the Sector-wise Distribution of the Company's financing transactions is also well-diversified in the light of the contemporary business environment prevailing in the Country. A Chart illustrating, in graphical details, the manner in which the Sector-wise composition of the Company's Lease Portfolio stood as at end of FY 2020-21, is as under:

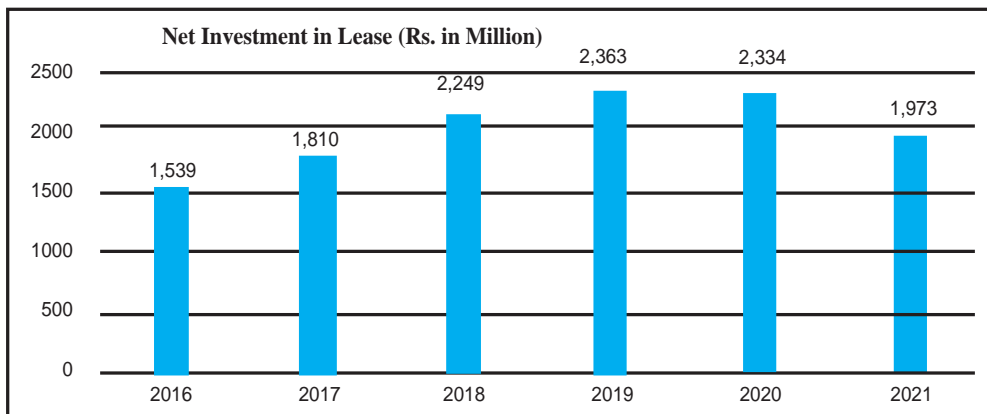


Financial Achievements

The Balance Sheet footings, which stood at Rs. 2,727.33 million as at June 30, 2020 decreased to Rs. 2,420 million as at June 30, 2021 which is a decrease of 12.7%, in the total assets of your Company, and appears reasonable in light of the dampened economic conditions of the year. The Balance Sheet growth of the Company is illustrated in the following Chart:



Gross Investment in Leases stood at Rs. 2,249 million as on June 30, 2021, which was lower than the figure as at June 30, 2020 amounting to Rs. 2,723 million. **Net Investment in Leases**, after deduction of Unearned Income (Rs. 233.54 million), Mark-up held in Suspense (Rs. 12.63 million) and a Provision for Potential Lease Losses (Rs. 2,333.69 million), amounted to Rs. 2,333.69 million at the end of FY-2020-21, as compared to the corresponding figure of Rs. 2,363.312 million as at June 30, 2020. The growth in Net Investment in Leases of the Company, over the past six (6) years, is shown in the Chart below:



Profitability Performance

After-tax Profit which, for the Financial Year 2020-21 has been recorded at Rs. 24.56 million, as compared to Rs. 10.89 million during FY-2019-20, despite the constraints already cited above.

EPS for FY-2020-21, due to lowering of KIBOR and decrease in finance cost on borrowings from commercial banks and administrative expenses during the year, has increased to Rs. 0.97, as compared to Rs. 0.43 for FY-2019-20, despite higher provisioning during the year.

Gross Revenue for the period under review (FY-2020-21), is 22.36% lower at Rs. 206.09 million, as compared to Rs. 265.44 million, for the corresponding period in FY-2019-20, due to reduction in benchmark rate of KIBOR.

Leases Written during FY 2020-21 stood at Rs. 1,117 million, as compared to leases written in FY-2019-20 for Rs. 779 million, due to proactive efforts of management and the Board

Lease Amount Disbursed during FY-2020-21 was Rs. 785 million was higher than the corresponding amount of Rs. 545.82 million during FY-2019-20, Prudence was exercised by the Company in undertaking new exposures, given the prevailing economic and business environment, however the upturn in economy in the later half of the year provided opportunities for new lease writing.

Equity of your Company, as per NBFC Regulations, as at June 30, 2021 amounted to Rs. 675 million, which is Rs. 175 million in excess of the Minimum Equity Requirement of Rs. 500 million.

Comparative Analysis of Profitability Performance For the year ended 30th June	2021	2020	Change %
	(Rupees in Million)		
Income	206.09	265.44	-22.36%
Administrative Expenses	60.98	68.01	-10.34%
Financial Charges	42.06	114.03	-63.11%
Profit before Taxation	28.02	21.62	29.60%
Provision for Taxation (including Deferred Tax)	3.44	10.72	-67.91%
Profit after Taxation	24.57	10.89	125.62%
Un-appropriated Profit Brought Forward	291.06	302.37	-3.74%
Profit Available for Appropriation	315.62	312.26	1.08%
Appropriations			
Transfer to Statutory Reserve	4.913	2.18	127.37%
Dividend	6.34	19.03	-66.68%
Total Appropriations	11.26	21.21	-46.91%
Un-appropriated Profit Carried Forward	304.37	291.06	4.57%
Earnings Per Share (In Rupees)	0.97	0.43	125.58%

ECONOMIC SCENARIO

Despite a pandemic driven slowdown, growth prospects during FY21 remained encouraging with GDP recording a growth at 3.9% (vs. target of 2.1% and -0.47% in FY20) driven by pick-up in consumer spending and manufacturing activities post easing of covid related restrictions. Headline inflation averaged 8.9% in FY21, close to the upper end target of SBP's range of 7-9%. The external account has also remained manageable with the current account deficit (CAD) registering at US\$1,852mn (-0.6% of GDP) during FY21. The 58%YoY improvement in CAD during FY21 was driven by robust growth in inward remittances and foreign inflows. Consequently, SBP FX reserves rose by ~US\$5.2bnYoY to close FY21 at ~US\$17.3bn (highest since 2017) leading to ~7% currency appreciation during FY21. With demand-side inflationary pressures relatively contained coupled with a stable external account outlook, the SBP kept its key policy rate unchanged at 7.0% during the year.

FUTURE OUTLOOK

Going forward the threat of COVID-19 have been contained to a significant degree, though with a degree of cautious optimism is recommended. Both globally and domestically, the economic revival is in place. The third budget of the current government has a clear focus on growth, incentives to industry, stock market, and aggressive revenue targets without additional tax measures, higher spending and improved social sector allocations support the GoP's emphasis on growth. From a policy perspective, the GoP is focusing on its COVID-19 inoculation program and at the same time boost growth to 5.0% in FY22 through higher development spending.

Regulatory and Taxation

Already faced with the adverse measures taken by the Federal Board of Revenue (FBR), in the previous years of halving Initial Depreciation Allowance from 50% to 25%, and introduction of Alternate Corporate Tax in 2014, in the current year, the Initial Depreciate Allowance of 90% for plant and machinery in rural

sector under Section 23(A) was also withdrawn. In addition, the maximum depreciation allowance on passenger cars continues to be limited to Rs 2.5 million, despite the continued inflationary trend and increase in car prices of the past years this threshold need to be reviewed and revised.

SECP restrictive fund raising policy instituted in the last year of keeping the certificated of deposits non-redeemable to maturity is not helping the industry, and despite several representations to the regulator directly and through the NBF and Modaraba Association, no relief has been provided to date.

CORPORATE GOVERNANCE

Your Company is complying with the requirements of "The Listed Companies (Code of Corporate Governance) Regulations, 2019" (the 'Code') as and where applicable in both letter and spirit. The Review Report of the External Auditors to the Members, represented by the Statements in Compliance with the Best Practices of the Code of Corporate Governance, is appended to this Report.

Board of Directors

The Board of your Company comprises of the following members and retire on April 22, 2022 on completion of their tenure:

S.No.	Name of Member
1	Mr. Sohail Inam Ellahi
2	Mr. Pervez Inam
3	Mr. Fawad Salim Malik
4	Mr. Brig.Naveed Nasar Khan (Retd.)
5	Mr. Ismail H.Ahmed
6	Mr. Jan Ali Khan Junejo
7	Mr. Naeem Ali Muhammad Munshi
8	Ms. Naeen Ahmed
9	Mr. Mahfuz-ur-Rehman Pasha *

*Chief Executive Officer and deemed director completing the 3 year tenure on 19 July, 2022.

Of a total number of Nine (09) Directors, presently comprising the Board of the Company, Eight (8) directors are male and One (1) is female. The Board has Three (03) Independent and Five (05) non-executive directors, and One (01) Executive Director represented by the Chief Executive Officer of the Company.

Till June 30, 2021 Four (04) directors of the Company have acquired the required Certificate of Directors Training Course, while One (01) is exempted from this requirement.

It is to be noted that changes taking place, from time to time, in the domestic and international business environment, along with regulatory changes, were regularly discussed between the Directors in the BOD Meetings held during the year.

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 (04) meetings of the Audit Committee were held. The meeting-wise attendance details of are given below:

S.No.	Name of Member	Designation	No. of Meetings Attended
1.	Mr. Ismail H. Ahmed	Chairman	4
2.	Mr. Pervez Inam	Member	3
3.	Brigadier (R) Naveed Nasar Khan	Member	4
4.	Mr. Naeem Ali Muhammad Munshi	Member	2

Human Resource and Remuneration Committee (HR & RC)

In line with the requirements of the Code of Corporate Governance, the Human Resource and Remuneration Committee (HR & RC) of the Board of Directors of your Company comprises of the following members:

S.No.	Name of Member	Designation
1.	Mr. Jan Ali Khan Junejo	Chairman
2.	Mr. Pervez Inam	Member
3.	Mr. Sohail Inam Ellahi	Member
4.	Mr. Ismail H. Ahmed	Member
5.	Ms. Naueen Ahmed	Member
6.	Mr. Mahfuz-ur-Rehman Pasha	Member

During the FY 2020-21 two (2) meetings of the HR & RC were held.

Directors' Remuneration

The Company has a policy in place that ensures formal and transparent procedures for fixing the remuneration of Directors. The remuneration payable to the Directors for attending Board meetings is duly fixed and approved by the Board.

Corporate Social Responsibility

Due to COVID-19 no active CSR was conducted, however PCR testing and vaccination to all employees was ensured.

Credit Rating

It should be a matter of great satisfaction for the Company's Shareholders to note that VIS, following a detailed analysis and evaluation of your Company's performance, on June 30, 2021, re-affirmed the Company's Entity Ratings as under:

- Medium to Long-term Rating: A-;
- Short-term Rating: A-2; and
- Outlook: Negative.

Auditors

For FY 2020-21, Messers Grant Thornton Anjum Rahman were re-appointed as statutory auditors of the Company. The retiring auditors being eligible for re-appointment have given their consent to act as statutory auditors of the Company for FY 2021-22.

The Board of Directors wishes to place, on record, its appreciation for the high standards of professionalism, integrity and ethics maintained by Messers Grant Thornton Anjum Rahman, during their tenure as Auditors of the Company.

As recommended by the Audit Committee, the Board has approved the proposal to re-appoint the retiring auditors, Messers Grant Thornton Anjum Rahman as the statutory auditors of the Company for FY 2021-22, subject to fixing of remuneration and the approval of the shareholders in the forthcoming Annual General Meeting of the Company.

Acknowledgements

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

The Board also acknowledges the cooperation and guidance extended to the Company by the Securities and Exchange Commission of Pakistan (SECP), the State Bank of Pakistan (SBP) and other regulatory authorities. Their role is critical in developing the Financial Services Sector and we hope that their actions will continue to strengthen this sector. The Board would also like to praise the NBFIs & Modaraba Association of Pakistan for its assistance and support in professionally safe-guarding your Company's interest.

At the end, we would like to thank our valued Shareholders, Customers, Bankers, Investors and other Stakeholders for their valuable support during the year. We look forward to reinforcing and building this relationship further, in the years to come.

Statements in Compliance with the Code of Corporate Governance

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

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

Pattern of Shareholding

Pattern of Shareholdings, as required by the Code of Corporate Governance, as at June 30, 2021, is appended at the end of this Report.

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

Key Operating and Financial Data for the last six (6) years 2016 – 2021

Year ended 30th June	2021	2020	2019	2018	2017	2016
Operational Results:	----- Rupees -----					
Revenues	206,094,628	265,444,647	243,892,047	200,380,195	172,211,411	151,671,360
Lease Revenue	191,485,801	245,567,212	218,862,571	178,154,663	153,030,380	142,475,688
Profit before Taxation	28,015,220	21,619,234	71,185,355	80,602,379	65,501,467	51,186,129
Profit after Taxation	24,566,337	10,894,248	64,378,140	69,368,392	47,076,209	40,714,397
Finance Cost	42,062,089	114,025,954	78,012,463	47,682,251	30,121,776	28,093,726
Provision for Potential Lease Losses	3,625,701	-30,838,117	-1,307,173	-442,820	-	-
Proposed dividend %	Nil	2.50%	7.50%	12.50%	7.50%	5%
Statement of Financial Position:						
Shareholders' Equity	675,435,528	655,727,867	664,814,384	632,104,936	581,720,337	545,305,956
Surplus on Revaluation of Assets	90,504,204	90,504,204	90,504,204	90,504,204	89,229,496	79,356,037
Other Reserves	424,678,818	405,412,115	414,443,364	382,833,609	329,676,712	293,197,975
Working Capital	186,123,903	381,076,282	208,524,942	10,454,214	(102,605,219)	9,289,967
Non-current Liabilities	1,016,256,185	1,262,394,151	1,286,555,078	986,792,933	755,442,822	657,223,195
Long-term Loans	95,833,329	291,666,665	49,999,996	20,833,331	37,499,999	-
Investments	34,002,899	64,508,233	63,465,086	62,555,748	66,467,011	43,458,506
Financial Ratios:						
Income / Expense Ratio	2.00	1.46	1.55	1.66	1.61	1.51
Earning per Share (in Rs)	0.97	0.43	2.54	2.73	1.86	1.60
Debt / Equity Ratio	0.42	0.68	0.67	0.31	0.06	NIL
Current Ratio	1.29	1.53	1.34	1.01	0.86	1.02

Board Meetings

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

S. No.	Name of Director	No. of Meetings Attended
1	Mr. Sohail Inam Ellahi	3
2	Mr. Pervez Inam	4
3	Mr. Fawad Salim Malik	2
4	Brig. Naveed Nasar Khan (Retd.)	4
5	Mr. Ismail H. Ahmed	4
6	Mr. Jan Ali Khan Junejo	4
7	Mr. Naeem Ali Muhammad Munshi	4
8	Ms. Naueen Ahmed	4
9	Mr. Mahfuz-ur-Rehman Pasha	4

Statutory Payment of Rs. 1,563,945 on account of taxes, duties, levies and/or charges was outstanding against the Company as on June 30, 2021.

Value of Investments of the Staff Provident Fund stood at Rs. 5,339,900 as at June 30, 2021. This represents funds placed with a rated commercial bank and investment in the registered units of the National Investment Trust.

Chairman
November 3, 2021
Karachi

Chief Executive Officer

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are nine (9) as per the following categories, and includes Chief Executive who is a deemed director under Section 188 of the Companies Act 2017:
 - a. Male: Eight (8)
 - b. Female: One (1)

2. The composition of the Board of Directors (the Board) as on June 30, 2021 was as follows:

Category	Names
Independent Directors	Mr. Ismail H. Ahmed Mr. Jan Ali Khan Junejo Ms. Naeen Ahmed
Other Non-Executive Directors	Mr. Sohail Inam Ellahi Mr. Fawad Salim Malik Mr. Pervez Inam Brig. Naveed Nasar Khan (Retd) Mr. Naeem Ali Muhammad Munshi
Executive Director	Mr. Mahfuz-ur-Rahman Pasha *

*Chief Executive and deemed director

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
4. The Company has prepared a 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.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and the Regulations;
7. 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. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations.
9. Till June 30, 2021, following five (5) directors of the Company have acquired the required certificate of Directors Training Program while one (1) is exempt from this requirement:

Directors

 - i. Mahfuz-ur-Rahman Pasha
 - ii. Pervez Inam
 - iii. Ismail H. Ahmed
 - iv. Fawad Salim Malik
 - v. Mr. Jan Ali Khan Junejo
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:
- a) Audit Committee
- | | |
|--------------------------------|----------|
| Mr. Ismail H Ahmed | Chairman |
| Mr. Naeem Ali Muhammad Munshi | Member |
| Mr. Pervez Inam | Member |
| Brig. Naveed Nasar Khan (Retd) | Member |
- b) HR and Remuneration Committee
- | | |
|----------------------------|----------|
| Mr. Jan Ali Khan Junejo | Chairman |
| Mr. Sohail Inam Ellahi | Member |
| Mr. Pervez Inam | Member |
| Mr. Ismail H Ahmed | Member |
| Ms. Naeen Ahmed | Member |
| Mr. Mahfuz-ur-Rehman Pasha | Member |
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as per following:
- a) Audit Committee: (four quarterly meetings)
b) HR and Remuneration Committee: (two meetings)
15. The Board has set up an effective internal audit function comprising of people who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Company.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC \ guidelines in this regard.
18. We confirm that all the requirements of the Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and
19. With regard to the Regulation 24, it is stated that the Chief Financial Officer is also working as the Company Secretary of the Company. The arrangement is in the best interest of the Company as it is cost effective. Moreover, the workload of the Company Secretary is not much as to justify a full time Company Secretary.

On behalf of the Board of Directors

SOHAIL INAM ELLAHI
Chairman of the Board

Karachi
Dated: November 3, 2021

**Grant Thornton Anjum
Rahman**

 1st & 3rd Floor,
 Modern Motors House,
 Beaumont Road,
 Karachi, Pakistan.

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**TO THE MEMBERS OF PAK-GULF LEASING COMPANY LIMITED
 REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN
 LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Pak-Gulf Leasing Company Limited (the Company) for the year ended June 30, 2021 in accordance with the requirements of regulation 36 of the Regulations.

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

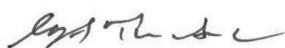
As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

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 requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2021.

Further, we highlight below instance of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where this is stated in the Statement of Compliance:

S.No	Regulation reference	Description
1	24	The position of Chief Financial Officer and Company Secretary are being held by the same person.



 Chartered Accountants
 Place: Karachi
 Date: 03 November 2021



ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

Shariah Review Report

for the year ended June 2021

Pak Gulf Leasing Company Limited (PGL) established an Islamic Finance Division on 1st March 2013. PGL developed and executed Shariah-complaint *Ijarah* and *Diminishing Musharakah* products.

The year under review was the ninth year of Islamic financing at PGL. In this year, PGL also followed rules and regulations of Shariah in the implementation of *Ijarah* and *Diminishing Musharakah*.

I certify that the treasury function and accounting treatment of *Ijarah* and *Diminishing Musharakah* transactions are in conformity to Shariah requirements.

I would like to take this opportunity to offer praise to Almighty and seek His Guidance and Blessings and to express my best wishes for further progress, development and prosperity of Pak Gulf Leasing Company Limited and Islamic Finance.

Mufti Muhammad Ibrahim Essa

For and on behalf of

Alhamd Shariah Advisory Services (Pvt.) Limited

16th October 2021



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ALHAMD SHARIAH ADVISORY SERVICES

(PVT) LIMITED

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

نحمدہ ونصلی علی رسولہ الکریم

شریعت ریویو رپورٹ

جون ۲۰۲۱

پاک گلف لیزنگ کمپنی لمیٹڈ نے یکم مارچ ۲۰۱۳ کو اپنا اسلامی مالیاتی ڈویژن قائم کیا۔ تحریری دستاویزات اور مشاورت کے بعد پاک گلف لیزنگ کمپنی لمیٹڈ نے اجارہ اور شرکت تناقصہ کی پراڈکس کا اجرا کیا۔

پاک گلف لیزنگ کمپنی لمیٹڈ میں اسلامک فنانس شروع کیے ہوئے نو سال کا عرصہ گزر چکا ہے۔ سال ۲۰۲۱ میں پاک گلف لیزنگ کمپنی لمیٹڈ نے اجارہ اور شرکت تناقصہ کو شریعت کی رہنمائی کے مطابق انجام دیا ہے۔

میں اس بات کی تصدیق کرتا ہوں کہ پاک گلف لیزنگ کمپنی لمیٹڈ کی طرف سے عملدرآمد ہونے والے اجارہ اور شرکت تناقصہ کا ٹریڈری فنکشن اور اکاؤنٹنگ ٹریسٹ، شریعت کے اصولوں کے مطابق ہے۔

میں اس موقع پر اللہ تعالیٰ کا شکر بھی ادا کرتا ہوں اور اس سے مزید رہنمائی اور نعمتوں کا بھی طلبگار ہوں، ساتھ ہی ساتھ میں پاک گلف لیزنگ کمپنی لمیٹڈ اور اسلامک فنانس کی مزید ترقی اور خوشحالی کے لیے اپنی نیک تمناؤں کا بھی اظہار کرتا ہوں۔ والسلام

محمد ابراہیم

ملفوظ محمد ابراہیم سیٹھی

چیف ایگزیکٹو آفیسر

الحمد شریعت ایڈوائزی سروسز (پرائیوٹ) لمیٹڈ



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Rahman**

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INDEPENDENT AUDITOR'S REPORT

**To the members of Pak-Gulf Leasing Company Limited
Report on the Audit of the Financial Statements**

Opinion

We have audited the annexed financial statements of Pak-Gulf Leasing Company Limited (the Company), which comprise the statement of financial position as at June 30, 2021, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2021 and of the profit and other comprehensive income, its cash flows and the changes in equity for the year then ended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Following is the key audit matter:

Key audit matters	How the matter was addressed in our audit
<p>Existence and valuation of Net Investment in Finance Lease (NIFL)</p> <p>As disclosed in note 9 to the financial statements, NIFL amounts to Rs. 1,973.077 million representing 81% of the total assets of the Company as at year end.</p> <p>As NIFL represents a significant element of the financial statements, a discrepancy in the valuation or existence of NIFL could cause the financial statements to be materially misstated which would also impact the Company's reported performance as the valuation of NIFL is the main driver of the performance of the Company.</p> <p>In view of the significance of NIFL in relation to the total assets and the financial statements as a whole, we have considered the existence and valuation of NIFL as a key audit matter.</p>	<p>Our audit work included assessing and testing the design and operations of key controls over the recognition, valuation and existence of NIFL.</p> <p>We performed detailed assessment of the credit approval procedures of the leases sanctioned in accordance with Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and performed credit review on sampled leases for identification of subjective provisioning. In addition, we have circulated confirmations to sampled lessees and checked repayment received from the same.</p> <p>We tested controls over addition, termination and periodic valuation of the lease portfolio and performed other substantive audit procedures on the year-end balances of the portfolio including review of the documentation required in the lease files of the parties, verification of the minimum lease payments and NIFL as at the year-end by recalculation of the balances through lease amortization schedules on sample basis as per the standards.</p> <p>We also evaluated the adequacy of the overall disclosures in the financial statements in respect of NIFL in accordance with the requirements of the NBFC Regulations and whether the Company's disclosures in relation to NIFL are compliant with the relevant accounting standards.</p>

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Khurram Jameel.

A handwritten signature in black ink, appearing to read "Khurram Jameel".

Chartered Accountants

Karachi

Date: 03 November 2021

**STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2021**

	Note	2021	2020
		----- Rupees -----	
ASSETS			
Current assets			
Cash and bank balances	5	35,972,488	114,805,586
Short term investments	6	34,002,899	64,508,233
Other receivables	7	90,727,035	8,385,830
Ijarah rental receivables		278,062	278,062
Advance to employees		84,669	11,500
Prepayments		862,378	2,444,677
Taxation - net	8	-	3,107,203
Current portion of net investment in finance lease	9	623,493,104	887,042,453
Current portion of long-term loans	10	36,309,466	15,815,393
		821,730,101	1,096,398,937
Non-current assets			
Net investment in finance lease	9	1,349,584,136	1,446,647,811
Long-term loans	10	81,892,476	7,661,554
Long-term security deposits		118,500	118,500
Diminishing musharakah receivable	11	-	-
Investment property	12	154,440,000	154,440,000
Property, plant and equipment	13	4,256,389	7,630,654
Right of use assets	14	8,676,875	12,909,967
Intangible assets	15	39,928	1,523,702
		1,599,008,304	1,630,932,188
Total assets		2,420,738,405	2,727,331,125
LIABILITIES			
Current liabilities			
Trade and other payables	16	29,875,067	39,649,330
Taxation - net	8	16,647,758	-
Unclaimed dividend		1,474,330	2,960,408
Accrued mark-up	17	16,403,208	60,215,191
Short term borrowings	18	353,831,937	344,585,560
Current portion of certificates of investment	19	23,297,675	12,000,000
Current portion of long-term loan	20	45,833,325	16,666,668
Current portion lease liabilities	21	4,357,851	3,833,364
Current portion of long-term deposits	22	143,885,047	234,778,192
Current portion of advance rental against Ijarah leasing		-	633,942
		635,606,198	715,322,655
Non-current liabilities			
Certificates of investment	19	167,826,029	392,171,853
Long-term loan	20	50,000,004	12,499,997
Lease liabilities	21	7,434,418	11,405,762
Long-term deposits	22	610,638,604	647,766,213
Deferred taxation	23	180,357,130	198,550,326
		1,016,256,185	1,262,394,151
Total liabilities		1,651,862,383	1,977,716,806
NET ASSETS		768,876,022	749,614,319
Financed by:			
Share capital	24	253,698,000	253,698,000
<i>Capital Reserves</i>			
Statutory reserve	25	113,002,637	108,089,370
Reserve for issue of bonus shares	25	4,402,000	4,402,000
Surplus on revaluation of property, plant and equipment - net	25	90,504,204	90,504,204
Surplus on revaluation of available for sale investments	25	2,896,362	1,858,546
		210,805,203	204,854,120
<i>Revenue reserve</i>			
Unappropriated profit	25	304,372,819	291,062,199
		768,876,022	749,614,319
Contingencies and commitments	26		

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Director

**STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021	2020
		----- Rupees -----	
INCOME			
Income from financing operations	27	191,485,801	245,567,212
Other operating Income			
Return on investments	28	4,459,989	9,542,449
Other income	29	10,148,838	10,334,986
		14,608,827	19,877,435
		206,094,628	265,444,647
OPERATING EXPENSES			
Administrative and operating expenses	30	60,980,271	68,014,860
Finance cost	31	42,062,089	114,025,954
Other charges		-	65,299
		103,042,360	182,106,113
Operating profit before provision		103,052,268	83,338,534
Provision for lease receivables held under litigation	7.3	(78,549,749)	(20,437,925)
Provision against insurance premium and other receivables	7.4	(113,000)	(1,048,759)
Reversal/(provision) for potential lease losses	9.3	3,625,701	(30,838,117)
Provision for diminishing musharakah receivable		-	(9,394,499)
Profit before taxation		28,015,220	21,619,234
Taxation	32	3,448,883	10,724,986
Profit for the year		24,566,337	10,894,248
Earning per share-basic and diluted	33	0.97	0.43

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Director

**STATEMENT OF
COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021	2020
		----- Rupees -----	
Profit for the year		24,566,337	10,894,248
Other comprehensive income for the year			
<i>Items that may be reclassified to statement of profit or loss in subsequent periods:</i>			
Surplus / (deficit) on revaluation of available for sale investments 6		1,037,816	98,826
Total comprehensive income for the year		<u>25,604,153</u>	<u>10,993,074</u>

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Director

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

	Note	2021	2020
----- Rupees -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		28,015,220	21,619,234
Adjustment for:			
Depreciation and amortisation		7,905,846	16,407,229
Intangible written off		1,440,217	-
Finance cost		42,062,089	114,025,954
Amortisation of (discount) / premium on PIBs		-	31,925
(Reversal) / Provision for potential lease losses		(3,625,701)	30,838,117
Provision for diminishing musharakah receivable		-	9,394,499
Provision against insurance premium and other receivables		113,000	1,048,759
Provision for lease receivables held under litigation		78,549,749	20,437,925
Gain on disposal of fixed assets		(15,000)	(39,500)
		<u>126,430,200</u>	<u>192,144,908</u>
Operating profit before working capital changes		154,445,420	213,764,142
<i>Movement in working capital</i>			
Decrease / (increase) in current assets			
Advance to employees		(73,169)	45,990
Accrued mark-up / return on investments		-	202,301
Other receivables		(161,003,954)	(4,036,824)
Ijarah rental receivables		-	258,718
Prepayments		1,582,299	128,328
		<u>(159,494,824)</u>	<u>(3,401,487)</u>
Increase in current liabilities			
Trade and other payables		(9,774,263)	803,239
Unclaimed dividend		(1,486,078)	963,431
		<u>(11,260,341)</u>	<u>1,766,670</u>
Cash (used in) generated from operations		(16,309,745)	212,129,325
Finance cost paid		(85,874,072)	(76,667,964)
Tax paid - net		(1,887,122)	(2,670,208)
Long-term deposits - net		(128,020,754)	94,584,852
Long-term loans		(94,724,995)	(23,476,947)
Advance against Ijarah leasing		(633,942)	(2,552,021)
Net investment in finance lease - net		364,238,725	(1,215,987)
		<u>53,097,840</u>	<u>(11,998,275)</u>
Net cash generated from operating activities		36,788,095	200,131,050
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions in property, plant and equipment		(254,995)	(119,950)
Proceeds from disposal of fixed assets		15,000	39,500
Investments made during the year		-	(6,976,246)
Investments matured during the year		31,543,150	6,000,000
Net cash generated from / (used in) investing activities		31,303,155	(1,056,696)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Redemption of) / proceeds from certificates of investment		(213,048,149)	11,859,178
Dividend paid		(6,342,450)	(19,027,350)
Lease payments		(3,446,790)	(2,921,950)
Proceeds from / (repayment of) long-term loan		66,666,664	(20,833,331)
Net cash used in financing activities		<u>(156,170,725)</u>	<u>(30,923,453)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(88,079,475)</u>	<u>168,150,901</u>
Cash and cash equivalents at the beginning of the year		<u>(229,779,974)</u>	<u>(397,930,875)</u>
Cash and cash equivalents at the end of the year	34	<u>(317,859,449)</u>	<u>(229,779,974)</u>

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2021

	Reserves					Revenue	Total reserves	Total equity
	Share capital	Capital						
		Statutory reserve	Reserve for issue of bonus shares	Surplus on revaluation of property, plant and equipment	Surplus on revaluation of available for sale investments			
----- (Rupees) -----								
Balance as at July 01, 2019	253,698,000	105,910,520	4,402,000	90,504,204	1,759,720	302,371,124	504,947,568	758,645,568
Impact of initial application of IFRS 16								
Final dividend for the year ended June 30, 2019 @ Rs. 0.75 per share	-	-	-	-	-	(996,973)	(996,973)	(996,973)
Net profit for the year	-	-	-	-	-	10,894,248	10,894,248	10,894,248
Other comprehensive income	-	-	-	-	98,826	-	98,826	98,826
Total comprehensive income for the year	-	-	-	-	98,826	10,894,248	10,993,074	10,993,074
Transfer to statutory reserves	-	2,178,850	-	-	-	(2,178,850)	-	-
Balance as at June 30, 2020	253,698,000	108,089,370	4,402,000	90,504,204	1,858,546	291,062,199	495,916,319	749,614,319
Final dividend for the year ended June 30, 2020 @ Rs.0.25 per share	-	-	-	-	-	(6,342,450)	(6,342,450)	(6,342,450)
Net profit for the year	-	-	-	-	-	24,566,337	24,566,337	24,566,337
Other comprehensive income	-	-	-	-	1,037,816	-	1,037,816	1,037,816
Total comprehensive income for the year	-	-	-	-	1,037,816	24,566,337	25,604,153	25,604,153
Transfer to statutory reserve	-	4,913,267	-	-	-	(4,913,267)	-	-
Balance as at June 30, 2021	253,698,000	113,002,637	4,402,000	90,504,204	2,896,362	304,372,819	515,178,022	768,876,022

The annexed notes 1 to 44 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

Director

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pak-Gulf Leasing Company Limited ("the Company") was incorporated in Pakistan on December 27, 1994 as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and commenced its operations on September 16, 1996. The Company is principally engaged in the business of leasing and is listed on Pakistan Stock Exchange Limited.

The registered office of the Company is located at UNIBRO House, Ground and Mezzanine Floor, Plot No. 114, 9th East Street, Phase-1, Defence Housing Authority, Karachi and a branch office is located at Office No. 202, 2nd Floor, Divine Mega II, Opp Honda Point, New Airport Road, Lahore.

VIS Credit Rating Company Limited (VIS) has re-affirmed A- and A-2 ratings to the Company for long term and short term, respectively on September 1, 2021.

- 1.2 Regulation 4 of Non-Banking Finance Companies and Notified Entities Regulations, 2008 vide SRO 1002(I)/2015 dated October 15, 2015, requires an existing deposit taking leasing company to maintain, at all times, minimum equity of Rs. 500 million by November 25, 2016. The equity of the Company as at June 30, 2021 is Rs. 675.435 million which is Rs. 175.435 million in excess of the minimum equity requirement.

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

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprising of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with Part VIII A of the repealed Companies Ordinance, 1984;
- Islamic Financial Accounting Standard - 2 Ijarah (IFAS-2) issued by the Institute of Chartered Accountants of Pakistan; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

Where provisions of and directives issued under the Companies Act, 2017, Part VIII A of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations differ from the IFRS Standards and IFAS-2, the provisions of and directives issued under the Companies Act, 2017, Part VIII A of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that investment property is stated at fair value and certain investments which have been classified as 'available for sale' are marked to market and carried at fair value.

2.3 Functional and presentation currency

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

3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO APPROVED ACCOUNTING STANDARDS
3.1 Standards, amendments and interpretations adopted during the current year

There are certain other new standards, interpretations and amendments that are mandatory for the Company's accounting period beginning on July 1, 2020, but are considered either to be not relevant or to not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

3.2 Standards not yet effective

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation	Effective date (Annual periods beginning on or after)
IAS 1 - 'Presentation of financial statements' (amendment)	January 1, 2023
IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment)	January 1, 2023
IAS 12 - 'Income taxes' (amendment)	January 1, 2019
IFRS 16 - 'Leases' (amendment)	April 1, 2021

The above amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
4.1 Financial instruments

During the year the Securities and Exchange Commission of Pakistan (SECP) modified the effective date for application of IFRS 09 - Financial Instruments for Non-Banking Finance Companies through SRO 800 (I)/2021 dated June 22, 2021 as 'reporting period / year ending on or after June 30, 2022'. Accordingly, the Company is applying IAS 39 for classification, recognition and measurement of financial instruments in these financial statements.

4.1.1 Financial assets
Classification

The Company classifies its financial assets in the following categories:

- Loans and receivables

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

- 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.

- 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.

Initial recognition and subsequent measurement

Financial assets are initially recognised at fair value plus any related transaction costs directly attributable to the acquisition. Subsequent to initial recognition, financial assets classified as loans and receivables and held to maturity are carried at amortized cost, whereas; available for sale financial assets are remeasured at fair value. Surplus or deficit arising on changes in fair value of these assets are taken to equity through statement of comprehensive income until these are derecognised or impaired at which time, the cumulative surplus or deficit previously recognised in equity is transferred to the statement of profit or loss.

Impairment

The carrying value of the Company's financial assets are reviewed at each statement of financial position 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 statement of profit or loss.

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. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in the statement of profit or loss.

4.1.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Gain or loss on derecognition is recognised in the statement of profit or loss.

Off-setting of financial assets and liabilities

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

4.2 Cash and cash equivalents

Cash in hand and at banks are carried at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and at bank and short term investments that are highly liquid in nature and are readily convertible into known amounts of cash, which are subject to insignificant risks of changes in value and short term running finance repayable on demand.

4.3 Net investment in finance lease

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

The leased asset is derecognised and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognised on the statement of financial position. 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 the statement of profit or loss 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 the statement of profit or loss over the lease term on the same basis as the finance lease income.

4.4 Provision for potential lease losses and provision for terminated leases

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

4.5 Long-term loans

Long-term loans are initially recognized at cost being the fair value of consideration. Subsequently, these are carried at amortized cost using the effective interest rate method.

4.6 Other receivables

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

4.7 Property, plant and equipment

Owned assets

These are stated at cost less accumulated depreciation and impairment losses, if any.

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 the statement of profit or loss 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 13.1 after taking into account residual value, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each statement of financial position 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.

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

Ijarah assets

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

out are depreciated over the period of lease term on straight line basis and at the end of the lease term the leased assets are transferred to the lessee.

4.8 Right of used assets and related liabilities

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options

Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Company.

Right-of-use assets are initially measured based on the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use assets are depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The carrying amount of the right-of-use asset is reduced by impairment losses, if any. At transition, the Company recognised right to use assets equal to the present value of lease payments.

The lease liabilities are initially measured at the present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payment includes fixed payments with annual increments. The lease liabilities are subsequently measured at amortised cost using the effective interest rate. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of profit or loss.

4.9 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. These are amortised using the straight line method reflecting the pattern in which the economic benefits of the asset are consumed by the Company as mentioned in note 15.

4.10 Investment property

Investment property is stated at fair value, which reflects market conditions at the reporting date. Gain or loss on remeasurement of investment property at fair value is recognised in statement of profit or loss. Fair value is evaluated annually by an independent professional valuer. Investment property is derecognised when either it has been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised as income in the period of derecognition. Maintenance and normal repairs are charged to the statement of profit or loss as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains or losses on disposal of investment property, if any, are included in income currently.

4.11 Surplus on revaluation of property, plant and equipment

Any revaluation increase arising on the revaluation of property, plant and equipment is recognised in other comprehensive income and presented as a separate component of equity as "Surplus on revaluation of property, plant and equipment", except to the extent that it reverses a revaluation decrease for the same asset previously recognised in statement of profit or loss, in which case the increase is credited to statement of profit or loss to the extent of the decrease previously charged. Any decrease in carrying amount arising on the revaluation is charged to statement of profit or loss to the extent that it exceeds the balance, if any, held in the surplus on

revaluation to the extent of incremental depreciation charged (net of deferred tax) is transferred to unappropriated profit.

4.12 Borrowings

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

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

4.13 Trade and other payables

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

4.14 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 statement of financial position date and are adjusted to reflect the current best estimate.

4.15 Taxation**Current**

Provision for current taxation is based on taxable income at current rates of taxation after taking into account all tax credits and tax rebates available, if any. The tax charge as calculated above is compared with turnover tax under Section 113 and Alternate Corporate Tax under Section 113C of the Income Tax Ordinance, 2001, and whichever is higher is provided for in the financial statements.

Deferred

Deferred tax is recognised, using the statement of financial position 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 statement of financial position 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.

4.16 Staff retirement benefits

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.

4.17 Employees' compensated absences

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

4.18 Foreign currency transactions

Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

In accordance with the requirements of IFAS 2 - Ijarah, rental from Ijarah arrangements are recognised in the statement of profit or loss on accrual basis as and when rentals become due.

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

Return on investments, bank deposits and long-term loans is recognised on time proportion basis using the effective interest method.

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

4.20 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 shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares, if any.

4.21 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.

4.22 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are

reviewed regularly by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company has two primary business segments, namely, conventional finance and Islamic finance operations. Conventional finance operations comprise of lease finance and auto-finance operations. Islamic finance operations comprise of Ijarah and Diminishing Musharakah transactions.

Financing, revenue, expenses and income taxes that are managed on an overall basis are not allocated to any segment.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them. Those assets and liabilities, which cannot be allocated to a particular segment on a reasonable basis, are reported as unallocated corporate assets and liabilities.

4.23 Accounting estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

The estimates and judgments that have a significant effect on the financial statements are in respect of the following:

- i) Classification and valuation of investments (notes 4.1 and 6).
- ii) Provision for current and deferred taxation (notes 4.15, 8 and 32).
- iii) Classification and provision of net investment in finance lease (notes 4.3, 4.4 and 9).
- v) Measurement of investment property. (note 4.10 and 12).
- vi) Determination and measurement of right of use assets and lease liabilities (4.8, 14 and 21)

5. CASH AND BANK BALANCES	Note	2021	2020
----- Rupees -----			
Cash in hand		100,633	106,254
<i>Balance with banks:</i>			
- in current accounts		21,348,338	108,673,212
- in saving accounts	5.1	14,523,517	6,026,120
		<u>35,972,488</u>	<u>114,805,586</u>

5.1 These carry mark-up rates ranging from 5.5% to 6.5% (2020: 5.25% to 5.75%) per annum.

6. SHORT TERM INVESTMENTS

Available for sale

54,300 units of National Investment (Unit) Trust (2020: 54,300 units)		3,052,746	2,953,920
Surplus for the year		<u>1,037,816</u>	<u>98,826</u>
		4,090,562	3,052,746

Held to maturity

Government Securities	6.1	<u>29,912,337</u>	<u>61,455,487</u>
		<u>34,002,899</u>	<u>64,508,233</u>

6.1 These represent Market Treasury Bills having cost of Rs. 29.544 (2020: Rs.61.038) million and interest accrued thereon of Rs.0.368 (2020: Rs.0.417) million. The effective rate of return 7.22% (2020: 7.9%) per annum. These will mature on July 15, 2021.

6.2 As per the requirements of Regulation 14 (4) (i) of the NBFC Regulations, the Company is required to invest at least 15% of its outstanding funds raised through issue of Certificates of Investments in Government Securities. As at June 30, 2021, the Company had 15.65% of its funds raised through Certificates of Investments invested in Market Treasury Bills.

7. OTHER RECEIVABLES - NET	Note	2021	2020
		----- Rupees -----	
<i>Considered good</i>			
Insurance premium and other receivables		6,986,834	3,135,830
<i>Considered doubtful</i>			
Lease receivable held under litigation	7.1	214,454,564	60,483,652
Insurance premium and other receivables	7.2	2,592,451	2,479,451
Provision against lease receivable held under litigation	7.3	(106,353,921)	(49,636,528)
Provision against insurance premium and other receivables	7.4	(2,592,451)	(2,479,451)
Mark-up held in suspense against lease receivable held under litigation		(24,360,442)	(5,597,124)
		83,740,201	5,250,000
		90,727,035	8,385,830

7.1 These include net investment in finance lease terminated by the Company and where litigation has commenced.

7.2 These include 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.

	Note	2021	2020
		----- Rupees -----	
7.3	Provision against lease receivable held under litigation		
	Balance as at July 01	49,636,528	29,198,603
	Charge for the year	78,549,749	20,437,925
	Write off for the year	<u>(21,832,356)</u>	-
	Balance as at June 30	<u>106,353,921</u>	<u>49,636,528</u>
	7.3.1		
7.3.1	The provision is net of forced sale value benefit amounting to Rs. 83.75 (2020: Rs. 5.25) million.		
7.4	Provision against insurance premium and other receivables		
	Balance as at July 01	2,479,451	1,430,692
	Charge for the year	<u>113,000</u>	<u>1,048,759</u>
	Balance as at June 30	<u>2,592,451</u>	<u>2,479,451</u>
8.	TAXATION-net		
	Balance as at July 01	3,107,203	4,264,832
	Advance tax paid	1,887,118	2,670,208
	Charge for the year	<u>(21,642,079)</u>	<u>(3,827,837)</u>
	Balance as at June 30	<u>(16,647,758)</u>	<u>3,107,203</u>
	32		
9.	NET INVESTMENT IN FINANCE LEASE-secured		
	Net investment in finance lease	1,973,077,240	2,333,690,264
	Current portion shown under current assets	<u>(623,493,104)</u>	<u>(887,042,453)</u>
		<u>1,349,584,136</u>	<u>1,446,647,811</u>
	9.1		

9.1 Net investment in finance lease

Note	2021			2020			
	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	651,033,449	843,535,926	1,494,569,375	880,957,218	959,494,570	1,840,451,788	
Residual value of leased assets	9.2	143,885,047	610,638,604	754,523,651	234,778,192	647,766,213	882,544,405
Gross investment in finance lease		794,918,496	1,454,174,530	2,249,093,026	1,115,735,410	1,607,260,783	2,722,996,193
Unearned lease income		(128,950,546)	(104,590,394)	(233,540,940)	(170,705,159)	(160,612,972)	(331,318,131)
Mark-up held in suspense		(12,634,388)	-	(12,634,388)	(24,521,639)	-	(24,521,639)
		(141,584,934)	(104,590,394)	(246,175,328)	(195,226,798)	(160,612,972)	(355,839,770)
		653,333,562	1,349,584,136	2,002,917,698	920,508,612	1,446,647,811	2,367,156,423
Provision for potential lease losses	9.3	(29,840,458)	-	(29,840,458)	(33,466,159)	-	(33,466,159)
Net investment in finance lease		623,493,104	1,349,584,136	1,973,077,240	887,042,453	1,446,647,811	2,333,690,264

9.2 These represent interest free security deposits received against lease contracts and are refundable / adjustable at the expiry / termination of the respective leases. The amount is net of security deposit held against matured leases amounting to Rs. 264.401 (2020: Rs. 184.411) million. In certain leases, the Company has security, in addition to leased assets, in the form of mortgages / corporate / personal guarantees of associated companies / directors.

9.3 Provision for potential lease losses	Note	2021	2020
		----- Rupees -----	
Balance as at July 01		33,466,159	2,628,042
Charge for the year		-	30,838,117
Reversal for the year		(3,625,701)	-
Balance as at June 30		29,840,458	33,466,159

9.4 The Company has entered into various lease agreements for periods ranging from one to seven years. The rate of return implicit in the leases ranges from 9.31% to 31.46% (2020: 9.31% to 31.46%) per annum. Net investment in finance lease includes Rs. 74.992 (2020: Rs. 227.53) million which has been placed under non-performing status.

9.5 Lease rentals received / receivable during the year aggregate to Rs. 717.570 (2020: Rs. 839.583) million.

10. LONG-TERM LOANS- secured

Auto-finance loan	10.1	118,201,942	23,476,947
Current portion shown under current assets		(36,309,466)	15,815,393
		81,892,476	7,661,554

10.1 Represents auto-finance loan provided to various customers. The mark-up on these loans ranging from 11.57% to 20.54% per annum. These loans are repayable within a period of 1 to 5 years and are secured against lien of the vehicles.

11.	DIMINISHING MUSHARAKAH RECEIVABLE	Note	2021	2020
	- secured		----- Rupees -----	
	Considered doubtful	11.1	18,788,999	18,788,999
	Provision for doubtful receivables	11.2	(18,788,999)	(18,788,999)
			<u> -</u>	<u> -</u>
11.1	During the year ended June 30, 2019, the Company filed litigation for claim of receivable due under the diminishing musharakah arrangement from Muhandaseen (Pvt) Limited. However, as a matter of prudence, full provision has been made against the receivable.			
12.	INVESTMENT PROPERTY			
	Office premises	12.1	<u>154,440,000</u>	<u>154,440,000</u>
12.1	The Company has rented out its office premises located at The Forum Mall, Karachi. The latest fair value of this property was carried out by M/s. Akbani and Javed Associates as on June 30, 2021. This resulted in no material change in the fair value of investment property as at the year end as compared to the previous fair value of investment property as at June 30, 2020. The rental income during the year from the investment property amounted to Rs. 10.134 (2020: Rs. 10.256) million. Forced sale value of investment property as at June 30, 2021 amounted to Rs. 131.274 million.			
13.	PROPERTY, PLANT AND EQUIPMENT			
	Fixed assets - own use	13.1	4,256,389	5,493,474
	Fixed assets - Ijarah finance	13.2	<u> -</u>	<u>2,137,180</u>
			<u>4,256,389</u>	<u>7,630,654</u>

13.1 Fixed Assets - own use

Description	Leasehold improvements	Furniture and fittings	Office equipment	Vehicles	Computer equipment	Total
	----- Rupees -----					
Year ended June 30, 2021						
Net carrying value basis						
Opening - net book value (NBV)	-	1,131,427	622,099	3,586,330	153,618	5,493,474
Additions	-	-	-	-	254,995	254,995
Disposals	-	-	-	-	(138,400)	(138,400)
Depreciation charge	-	(173,287)	(504,003)	(671,559)	(143,231)	(1,492,080)
Closing - NBV		958,140	118,096	2,914,771	126,982	4,117,989
Gross carrying value basis						
Cost	1,168,197	3,201,031	3,680,658	11,260,933	5,210,799	24,521,618
Accumulated depreciation	(1,168,197)	(2,242,891)	(3,562,562)	(8,346,162)	(4,945,417)	(20,265,229)
NBV		958,140	118,096	2,914,771	265,382	4,256,389
Year ended June 30, 2020						
Opening - NBV	-	1,261,128	1,226,422	4,257,888	301,154	7,046,592
Additions	-	56,000	-	-	63,950	119,950
Depreciation charge	-	(185,701)	(604,323)	(671,558)	(211,486)	(1,673,068)
Closing NBV		1,131,427	622,099	3,586,330	153,618	5,493,474
Gross carrying value basis						
Cost	1,168,197	3,201,031	3,680,658	11,260,933	4,955,804	24,266,623
Accumulated depreciation	(1,168,197)	(2,069,604)	(3,058,559)	(7,674,603)	(4,802,186)	(18,773,149)
NBV		1,131,427	622,099	3,586,330	153,618	5,493,474
Depreciation rate % per annum		10	20	20	33.33	

13.2 Fixed Assets - Ijarah finance (Machinery)

Description	Total
	----- Rupees -----
Year ended June 30, 2021	
Net carrying value basis	
Opening - NBV	2,137,180
Depreciation charge	(2,137,180)
Closing - NBV	-
Gross carrying value basis	
Cost	57,889,662
Accumulated depreciation	(57,889,662)
NBV	-
Year ended June 30, 2020	
Net carrying value basis	
Opening - NBV	12,573,647
Disposals - NBV	-
Depreciation charge	(10,436,467)
Closing-NBV	2,137,180
Gross carrying value basis	
Cost	57,889,662
Accumulated depreciation	(55,752,482)
NBV	2,137,180
Depreciation rate % per annum	20 to 50

13.3 The cost of fully depreciated assets which are still in use as at June 30, 2021 is Rs. 14.08 million and written down value is Rs. 0.93 million (2020: Rs. 14.11 million and written down value is Rs. 0.93 million).

14. RIGHT OF USE ASSETS	Note	2021	2020
----- Rupees -----			
Opening NBV			
Additions		12,909,967	-
Depreciation charged during the year		-	17,164,103
Closing NBV		<u>(4,233,092)</u>	<u>(4,254,136)</u>
		<u>8,676,875</u>	<u>12,909,967</u>

14.1 This represent registered office located in Phase-1, DHA, Karachi and branch office located at New Airport Road, Lahore.

15. INTANGIBLE ASSETS			
Computer software	15.1	39,928	83,485
Computer software under development	15.2	-	1,440,217
		<u>39,928</u>	<u>1,523,702</u>

15.1 Computer software

Cost of the asset		966,798	966,798
<i>Amortisation</i>			
Opening		883,313	839,755
Charge for the year		43,557	43,558
		<u>(926,870)</u>	<u>(883,313)</u>
Closing NBV		<u>39,928</u>	<u>83,485</u>
Amortisation rate % per annum		<u>20</u>	<u>20</u>

15.2 Computer software under development

During the year, computer software under development was written off due to termination of development.

16. TRADE AND OTHER PAYABLES

Accrued liabilities	3,043,736	4,474,497
Sundry creditors - Lease	20,252,921	24,824,361
Security deposit	2,393,820	3,980,039
Payable to provident fund	-	51,814
Other liabilities	4,184,590	6,318,619
	<u>29,875,067</u>	<u>39,649,330</u>

17. ACCRUED MARK-UP

Certificates of investment	12,882,374	9,702,879
Short term borrowings	2,586,792	50,090,834
Long-term loan	934,042	421,478
	<u>16,403,208</u>	<u>60,215,191</u>

	Note	2021	2020
		----- Rupees -----	
18. SHORT TERM BORROWINGS - secured			
Running finances facilities		<u><u>353,831,937</u></u>	<u><u>344,585,560</u></u>
18.1			
The Company has availed short-term running finance facilities from various commercial banks having sanctioned limit amounting to Rs. 550 million (2020: Rs. 550 million). The facilities carry mark-up at the rate ranging from 3 months KIBOR plus 1% per annum to 3 months KIBOR plus 2.5% per annum. The facilities are secured by hypothecation charge over leased assets and lease rentals receivable.			
19. CERTIFICATES OF INVESTMENT- unsecured			
Certificates of Investment	19.1	191,123,704	404,171,853
Current portion shown under current liabilities		<u><u>(23,297,675)</u></u>	<u><u>(12,000,000)</u></u>
		<u><u>167,826,029</u></u>	<u><u>392,171,853</u></u>
19.1			
These represent certificates of investment issued by the Company for periods ranging from 12 to 36 (2020:12 to 36) months and carry mark-up rates ranging from 7.25% to 9% (2020: 8% to 14%) per annum.			
20. LONG-TERM LOAN- secured			
Long-term loan	20.1	95,833,329	29,166,665
Current portion shown under current liabilities		<u><u>(45,833,325)</u></u>	<u><u>(16,666,668)</u></u>
		<u><u>50,000,004</u></u>	<u><u>12,499,997</u></u>
20.1			
The Company has arranged long term finance facilities from Allied Bank Limited amounting to Rs.150 million (2020: Rs.50 million) for a tenure of three years which is repayable in quarterly instalments. The final maturity date of the facilities is on December 29, 2023. The facility carries mark-up at the rate of 3 month KIBOR plus 1% to 1.5% per annum and is secured by hypothecation charge over specific leased assets and lease rentals receivable.			
21. LEASE LIABILITIES			
Opening balance	21.1	15,239,126	18,161,076
Finance cost incurred during the year		1,313,015	1,737,768
Lease payments during the year		<u><u>(4,759,872)</u></u>	<u><u>(4,659,718)</u></u>
		11,792,269	15,239,126
Closing balance		<u><u>(4,357,851)</u></u>	<u><u>(3,833,364)</u></u>
Current portion shown under current liabilities		<u><u>7,434,418</u></u>	<u><u>11,405,762</u></u>
21.1			
These liabilities are computed at incremental borrowing rates of the Company and over a term of 5 years.			
22. LONG-TERM DEPOSITS			
Long-term deposits	22.1	754,523,651	882,544,405
Current portion shown under current liabilities		<u><u>(143,885,047)</u></u>	<u><u>(234,778,192)</u></u>
		<u><u>610,638,604</u></u>	<u><u>647,766,213</u></u>
22.1			
These represent interest free security deposits received against lease contracts and are refundable / adjustable at the expiry / termination of the respective leases. Security deposits ranging from 2% to 89% (2020: 2% to 89%) of the lease amount and are obtained at the time of entering into the lease arrangement.			

23. DEFERRED TAXATION	2021	2020
	----- Rupees -----	
Taxable temporary difference arising in respect of:		
Surplus on revaluation of property, plant and equipment	36,966,506	36,966,506
Unrealised gain on revaluation of investment property	5,971,680	5,971,680
Net investment in finance lease	183,657,734	192,344,766
	226,595,920	235,282,952
Deductible temporary difference arising in respect of:		
Provision against potential lease losses	(8,653,733)	(9,705,186)
Provision against diminishing musharakah receivable	(5,448,810)	(5,448,810)
Provision against other receivables	(31,594,448)	(15,113,634)
Accelerated tax depreciation	877,723	(5,234,278)
RoU assets and lease liabilities- net	(903,464)	(675,456)
Provision for leave encashment	(516,058)	(555,262)
	(46,238,790)	(36,732,626)
	180,357,130	198,550,326

23.1 Movement in temporary differences is as follows:

	Balance as at July 1, 2020	Recognised in profit and loss account	Balance as at June 30, 2021
	----- Rupees -----		
Surplus on revaluation of property, plant & equipment	36,966,506	-	36,966,506
Unrealised gain on revaluation of investment property	5,971,680	-	5,971,680
Accelerated tax depreciation	(5,234,278)	6,112,001	877,723
Net investments in finance lease	192,344,766	(8,687,032)	183,657,734
RoU assets and lease liabilities - net	(675,456)	(228,008)	(903,464)
Provision against potential lease losses	(9,705,186)	1,051,453	(8,653,733)
Provision against diminishing musharakah receivable	(5,448,810)	-	(5,448,810)
Provision against other receivables	(15,113,634)	(16,480,814)	(31,594,448)
Provision for leave encashment	(555,262)	39,204	(516,058)
	<u>198,550,326</u>	<u>(18,193,196)</u>	<u>180,357,130</u>

24. SHARE CAPITAL

2021	2020		2021	2020
----- Number of shares -----			----- Rupees -----	
		Authorised capital		
<u>50,000,000</u>	<u>50,000,000</u>	Ordinary shares of Rs. 10 each	<u>500,000,000</u>	<u>500,000,000</u>

Issued, Subscribed and paid-up share capital			2021	2020
2021	2020		----- Rupees -----	
----- Number of shares -----				
10,000,000	10,000,000	Ordinary shares of Rs.10 each fully paid in cash	100,000,000	100,000,000
2,369,800	2,369,800	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	23,698,000	23,698,000
13,000,000	13,000,000	Ordinary shares of Rs. 10 each issued as fully paid Right shares	130,000,000	130,000,000
<u>25,369,800</u>	<u>25,369,800</u>		<u>253,698,000</u>	<u>253,698,000</u>

24.1 As at June 30, 2021, 10,617,438 (2020: 10,617,438) shares of the Company were held by related parties.

25. RESERVES

Capital reserve

Statutory reserve	25.1	113,002,637	108,089,370
Reserve for issue of bonus shares		4,402,000	4,402,000
Surplus on revaluation of property, plant and equipment - net	25.2 & 25.3	90,504,204	90,504,204
Surplus on revaluation of available for sale investments	6 & 25.2	2,896,362	1,858,546
		210,805,203	204,854,120

Revenue reserve

Unappropriated profit		304,372,819	291,062,199
		515,178,022	495,916,319

25.1 In accordance with the requirements of 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. 4.913 (2020: Rs. 2.179) million to its statutory reserve.

25.2 In accordance with the requirements of NBFC Rules, surplus on revaluation of property, plant and equipment and surplus on revaluation of available for sale investments shall not be included in equity, therefore, the amount of equity shown in note 1.2 to these financial statements does not include the said surplus.

25.3 Represents surplus on revaluation in respect of office premises at The Forum Mall, Karachi as disclosed in note 12.1. The said property was transferred from property, plant and equipment to investment property during the year ended June 30, 2017.

26. CONTINGENCIES AND COMMITMENTS

26.1 Contingencies

26.1.1 Alternate Corporate Tax charge (ACT) for the tax years 2020, 2019, 2018, 2017, 2016, 2015 and 2014 amounted to Rs 3.675 million, Rs. 12.101 million, Rs. 13.702 million, Rs. 11.135 million, Rs. 8.702 million, Rs. 9.233 million and Rs. 8.100 million respectively, which is Rs. 0.357 million, Rs 9.265 million, Rs. 11.411 million, Rs. 9.464 million, Rs. 7.127 million, Rs. 8.005 million and Rs. 7.140 in excess of the minimum tax payable under section 113 of the Income Tax Ordinance, 2001 against each year.

The Company had filed a Civil Suit against the levy and payment of ACT on its accounting income in the Honorable High Court of Sindh. The Court on December 29, 2014 had issued an order restraining the Federal Board of Revenue (FBR) from taking any coercive action against the Company. Later on, on the basis of directions given by the Honorable Supreme Court of Pakistan vide its order dated June 27, 2018 in another case to the effect that civil suits shall only be entertained by the High Courts if 50% of the tax calculated by the tax authorities is deposited upfront by the filers of the civil suit, Management was advised by its legal advisor to withdraw the civil suit and to file a constitution petition instead as and when a notice for the recovery of the tax demand is received from the FBR. Accepting the legal advice of the legal advisor, the Company has withdrawn the civil suit and is waiting to be served by a recovery notice by the FBR. As soon as the notice is received the management will file a Constitutional Petition in the Court. Since, in view of the legal advice, the management is confident that it will get the desired relief from the Court, no provisioning for the disputed tax demand has been made in these financial statements amounting to Rs. 52.769 (2020: 52.412) million.

26.1.2 On June 15, 2016, Order-in-original No.551 of 2016 was passed by the Assistant Commissioner of Sindh Revenue Board (SRB) under section 23, 43(2)(3)(6d) of the Sindh Sales Tax on Services Act, 2011(the Act) whereby sales tax demand of Rs. 3.199 million was created against the Company for tax years 2012 to 2015. This demand included sum of Rs. 2.353 million being sales tax charged on income from gross Ijarah operations. An appeal was filed against the said Order before the Commissioner (Appeals) of the SRB by the Company under section 57 of the Act which was not allowed by the Commissioner (Appeals) vide his Order-in-Appeal No. 20 of 2017 dated March 01, 2017. An appeal against the order of Assistant Commissioner of SRB and Order-in-Appeal of Commissioner (Appeals) was also filed by the Company in the Appellate Tribunal (AT) of SRB under section 61 of the Act which has also been dismissed by the AT of SRB vide its Order in Appeal No. AT-18/2017 dated April 30, 2020 on the ground that Ijarah transactions being undertaken by the Company are similar to an operating lease arrangement in which sales tax is chargeable on gross Ijarah rental amount. The Company has filed a reference against the order of the AT of SRB in the Court and on June 10, 2019 has been granted a stay against the recovery of the disputed tax demand by the SRB. The Management, based on legal advise, is confident that the outcome of the appeal will be in the Company's favor. Accordingly, no provision has been recorded in respect of the matter.

26.1.2 The cumulative financial impact of income tax related contingencies is estimated to be Rs. 55.968 (2020: Rs. 55.611) million.

	2021	2020
	----- Rupees -----	
26.2 Commitments		
26.2.1 Commitments for finance lease	<u><u>30,892,550</u></u>	<u><u>5,865,000</u></u>
26.2.2 Commitments for auto-finance loan	<u><u>-</u></u>	<u><u>22,500,000</u></u>
	Note	
	2021	2020
	----- Rupees -----	
27. INCOME FROM FINANCING OPERATIONS		
Finance Income	164,271,192	217,929,564
Gain on lease termination	9,995,170	2,290,844
Late payment charges	4,260,283	8,602,874
Processing fee	1,771,100	1,489,588
Documentation charges	814,800	593,550
Income from Ijarah operations	2,538,830	13,060,883
Mark-up on auto-finance loan	7,834,426	1,599,909
	<u><u>191,485,801</u></u>	<u><u>245,567,212</u></u>

	Note	2021	2020
		----- Rupees -----	
27.1	Income from Ijarah Operations		
	Ijarah rental income	2,538,830	10,508,862
	Advance rental amortisation	-	2,552,021
		<u>2,538,830</u>	<u>13,060,883</u>
28.	RETURN ON INVESTMENTS		
	Profit on bank accounts	28.1 1,963,883	3,313,080
	Interest on Government Securities	2,426,059	6,229,369
	Dividend income	70,047	-
		<u>4,459,989</u>	<u>9,542,449</u>
28.1	This amount includes Rs. 727 (2020: Rs. 1,125) which represents profit on bank accounts maintained with Islamic banks.		
29.	OTHER INCOME		
	Gain on disposal of fixed assets	15,000	39,500
	Rental income on investment property	10,133,838	10,255,541
	Others	-	39,945
		<u>10,148,838</u>	<u>10,334,986</u>
30.	ADMINISTRATIVE AND OPERATING EXPENSES		
	Salaries, allowances and benefits	30.1 & 30.2 36,224,725	37,167,862
	Depreciation and ammortisation	13.1, 13.2 & 14 7,905,846	16,407,229
	Intangible written off	1,440,217	-
	Legal and professional charges	2,943,722	2,781,050
	Postage, subscription, printing and stationary	2,230,926	1,886,612
	Vehicle running and maintenance	1,751,820	2,193,390
	Office utilities	1,709,364	1,577,936
	Insurance	1,492,753	1,494,468
	Office repair and general maintenance	1,045,407	995,459
	Workers' Welfare Fund	725,000	440,000
	Auditors' remuneration	30.3 525,000	525,000
	Advertisement	207,240	230,830
	Travelling and conveyance	94,715	84,000
	General	2,683,536	2,231,024
		<u>60,980,271</u>	<u>68,014,860</u>
30.1	Salaries and benefits include Rs. 0.653 (2020: Rs. 0.828) million in respect of staff provident fund.		
30.2	Total number of employees at as June 30, 2021 is 39 (2020: 36) and the average number of employees during the year was 39 (2020: 39).		

30.3 Auditors' remuneration	Note	2021	2020
		----- Rupees -----	
Audit fee		335,000	335,000
Review report on the statement of compliance with the Code of Corporate Governance		50,000	50,000
Half yearly review fee		115,000	115,000
Out of pocket expenses		25,000	25,000
		<u>525,000</u>	<u>525,000</u>
31. FINANCE COST			
<i>Mark-up / interest on:</i>			
Short term borrowings		11,972,089	53,542,311
Certificates of investment		22,057,377	53,110,601
Long-term loan		6,576,799	5,324,658
Lease liabilities		1,313,015	1,737,768
Bank charges		142,809	310,616
		<u>42,062,089</u>	<u>114,025,954</u>
32. TAXATION			
Current	32.1	21,642,079	3,827,837
Deferred	23.1	(18,193,196)	6,897,149
		<u>3,448,883</u>	<u>10,724,986</u>
32.1. Effective tax rate reconciliation	Effective tax rate (%)	June 30, 2021	
			Rupees
Profit before taxation			<u>28,015,220</u>
Tax at current rate	29%		8,124,414
Tax effect of income subject to FTR	0%		(11,558)
Tax effect of rebates / credits	-25%		(6,919,146)
Others	8%		2,255,173
		<u>12%</u>	<u>3,448,883</u>
Numerical reconciliation between the average tax rate and the applicable tax rate was not presented in 2020, as the Company was subject to the provisions of taxation under Section 113 of the Income Tax Ordinance, 2001.			
33. EARNINGS PER SHARE - BASIC AND DILUTED		2021	2020
		----- Rupees -----	
Profit after taxation attributable to ordinary shareholders		<u>24,566,337</u>	<u>10,894,248</u>
		-----Number of shares-----	
Weighted average number of outstanding ordinary shares		<u>25,369,800</u>	<u>25,369,800</u>
		-----Rupees-----	
Earning per share - basic and diluted		<u>0.97</u>	<u>0.43</u>

33.1 There were no convertible dilutive potential ordinary shares in issue as at June 30, 2021.

	Note	2021	2020
		----- Rupees -----	
34. CASH AND CASH EQUIVALENTS			
Cash and bank balances		35,972,488	114,805,586
Short term borrowings		(353,831,937)	(344,585,560)
		<u>(317,859,449)</u>	<u>(229,779,974)</u>

34.1 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

Description	Liabilities		Total
	Long-term loan	Certificates of investments	
	----- Rupees -----		
Balance as at July 1, 2020	29,166,665	404,171,853	433,338,518
Repayment of long term loan	100,000,000	-	100,000,000
Repayment of long term loan Issued and rolled forward during the year	(33,333,336)	-	(33,333,336)
Payments made during the year	-	181,123,704	181,123,704
	-	(394,171,853)	(394,171,853)
	<u>66,666,664</u>	<u>(213,048,149)</u>	<u>(146,381,485)</u>
Balance as at June 30, 2021	<u>95,833,329</u>	<u>191,123,704</u>	<u>286,957,033</u>

35. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	2021			2020		
	Chief Executive Officer	Non Executive directors	Executives	Chief Executive Officer	Non Executive directors	Executives
	----- Rupees -----					
Managerial remuneration	1,749,683	-	7,107,502	1,765,167	-	6,579,193
Housing and utilities	962,317	-	4,181,363	962,317	-	3,870,557
Reimbursable expenses	101,118	-	531,737	101,118	-	659,930
Provident Fund contribution	-	-	214,928	-	-	129,081
Directors' meeting fees	-	1,560,000	-	-	1,629,997	-
	<u>2,813,118</u>	<u>1,560,000</u>	<u>12,035,530</u>	<u>2,828,602</u>	<u>1,629,997</u>	<u>11,238,761</u>
Number of persons	<u>1</u>	<u>8</u>	<u>4</u>	<u>1</u>	<u>8</u>	<u>4</u>

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

36. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

36.1 Transactions during the year

Nature of transaction	Nature of relationship	2021	2020
		----- Rupees -----	
<u>Certificates of investment</u>			
<i>Issued during the year</i>	Board of Directors and their relatives	-	10,000,000
<i>Rolled over during the year</i>	Board of Directors and their relatives	167,100,000	372,171,853
<i>Repaid during the year</i>	Board of Directors and their relatives	382,174,853	-
<i>Financial Charges</i>	Board of Directors and their relatives	16,217,728	50,361,675
<u>Net investment in finance lease</u>			
<i>Rental received</i>			
Saira Industries (Private) Limited	Associated undertaking (Common Directorship)	-	620,847
MACPAC Films Limited	Associated undertaking (Common Directorship)	22,733,019	22,186,080
<u>Office rent</u>			
<i>Rent paid during the year</i>			
Unibro House	Associated undertaking (Common Directorship)	4,519,684	3,945,755
<u>Dividend</u>			
<i>Dividend Paid during the year</i>			
Board members	Board of Directors and their relatives	3,773,475	11,320,425
Unibro Industries Limited	Associated undertaking (Common Directorship)	374,946	1,124,839
Mid-East Agencies (Private) Limited	Associated undertaking (Common Directorship)	321,749	965,246
<u>Staff Retirement Benefit Plan</u>			
<i>Contribution for the year</i>			
	Provident fund	652,953	828,236

36.2 Year ended balances

Certificates of investment (COI)	Board of Directors and their relatives	167,100,000	363,937,581
Accrued mark-up	Board of Directors and their relatives	9,951,390	48,483,205
Net investment in finance lease	Associated undertaking (Common Directorship) and Board of Directors and their relatives	20,207,128	-
Security deposit	Associated undertaking (Common Directorship) and Board of Directors and their relatives	10,075,000	10,075,000

37. PROVIDENT FUND DISCLOSURE

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

	2021 (Un-audited)	2020 (Audited)
	----- Rupees -----	
Size of the fund - net assets	<u>4,724,529</u>	<u>6,052,348</u>
Cost of investments made	<u>252,000</u>	<u>252,000</u>
Percentage of the investments made	<u>5%</u>	<u>4%</u>
Fair value of the investments made	<u>615,371</u>	<u>444,394</u>

The breakup of the fair value of the investments is:

	2021		2020	
	Rupees	%	Rupees	%
Mutual Funds	<u>615,371</u>	<u>100</u>	<u>444,394</u>	<u>100</u>

The management, based on the un-audited financial statements of the Fund, is of the view that the investments out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and Rules formulated for this purpose.

38. FINANCIAL INSTRUMENTS BY CATEGORY

Particulars	2021			
	Loans and receivables	Held to maturity	Available for sale	Total
	----- Rupees -----			
Financial assets				
Cash and bank balances	35,972,488	-	-	35,972,488
Short term investments	-	29,912,337	4,090,592	34,002,899
Other receivables	90,727,035	-	-	90,727,035
Ijarah rental receivables	278,062	-	-	278,062
Advance to employees	84,669	-	-	84,669
Net investment in finance lease (net of security deposit)	1,218,553,589	-	-	1,218,553,589
Long-term loans	118,201,942	-	-	118,201,942
Long-term security deposits	118,500	-	-	118,500
	<u>1,463,936,285</u>	<u>29,912,337</u>	<u>4,090,592</u>	<u>1,497,939,184</u>

Particulars	2021	
	Other financial liabilities	Total
----- Rupees -----		
Financial liabilities		
Trade and other payables	5,483,379	5,483,379
Unclaimed dividend	1,474,330	1,474,330
Accrued mark-up	16,403,208	16,403,208
Short term borrowings	353,831,937	353,831,937
Certificate of investment	191,123,704	191,123,704
Long-term loan	95,833,329	95,833,329
Lease liabilities	11,792,269	11,792,269
	<u>675,942,156</u>	<u>675,942,156</u>

Particulars	2020			
	Loans and receivables	Held to maturity	Available for sale	Total
----- Rupees -----				
Financial assets				
Cash and bank balances	114,805,586	-	-	114,805,586
Short term investments	-	61,455,487	3,052,746	64,508,233
Other receivables	8,076,830	-	-	8,076,830
Ijarah rental receivables	278,062	-	-	278,062
Advance to employees	11,500	-	-	11,500
Net investment in finance lease (net of security deposit)	1,451,145,869	-	-	1,451,145,859
Long-term loans	23,476,947	-	-	23,476,947
Long-term security deposits	118,500	-	-	118,500
	<u>1,597,913,284</u>	<u>61,455,487</u>	<u>3,052,746</u>	<u>1,662,421,517</u>

Particulars	2020	
	Other financial liabilities	Total
----- Rupees -----		
Financial liabilities		
Trade and other payables	7,608,672	7,608,672
Unclaimed dividend	2,960,408	2,960,408
Accrued mark-up	60,215,191	60,215,191
Short term borrowings	344,585,560	344,585,560
Certificate of investment	404,171,853	404,171,853
Long-term loan	29,166,665	29,166,665
Lease liabilities	15,239,126	15,239,126
	<u>863,947,475</u>	<u>863,947,475</u>

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to following risks:

39.1 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. The Company manages the market risk by monitoring exposure on marketable securities by following internal risk management policies and regulations laid down by SECP. As of June 30, 2021, the Company is mainly exposed to interest rate risk only.

39.1.1 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. The Company's exposure to risk of changes in market interest rates relates primarily to the Company's fixed and floating rates financial assets and financial liabilities, Fixed rates financial assets as at June 30, 2021 aggregate to Rs. 67.482 (2020: Rs. 64.545) million and financial liabilities Rs. 404.172 (2020: Rs. 392.313) million. Floating rates financial assets as at June 30, 2021 aggregate to Rs. 2,357.445 (2020: Rs. 2,373.244) million and financial liabilities Rs. 388.991 (2020: Rs. 464.341) million. The maturity analysis and risk rate profile of the Company's significant interest bearing financial instruments are as follows:

		2021				
		Exposed to mark-up / interest / profit rate risk			Not exposed to mark-up / interest / profit rate risk	
Effective mark-up / interest / profit rate	Total	Upto three months	More than three months and upto one year	More than one year and upto five years		
Percent (%)	Rupees					
Financial assets						
Cash and bank balances	5.50-6.5	35,871,855	14,523,517	-	-	21,348,338
Short term investments	7.22	34,002,899	29,912,337	-	-	4,090,552
Other receivables - net	-	90,727,034	-	-	-	90,727,034
Ijarah rentals receivables	-	278,062	-	-	-	278,062
Advance to employees	-	84,559	-	-	-	84,669
Net investment in finance lease (net of security deposit)	9.31-31.46	1,218,553,591	108,821,324	370,786,735	738,945,532	-
Long-term loans	11.57-20.54	118,201,942	5,392,441	28,836,644	83,971,557	-
Long-term security deposits	-	118,500	-	-	-	118,500
		1,504,548,595	164,867,080	387,459,972	823,905,085	128,314,459
Financial liabilities						
Trade and other payables	-	5,483,379	-	-	-	5,483,379
Unclaimed dividend	-	1,474,330	-	-	-	1,474,330
Accrued mark-up	-	16,403,208	-	-	-	16,403,208
Short term borrowings	7.25-9.00	191,123,704	-	23,297,675	167,826,029	-
Certificates of investment	8.45-9.95	353,326,819	353,326,819	-	-	-
Long-term loan	12.51-13.15	7,434,418	-	-	7,434,418	-
Lease liabilities	9.59	95,833,337	12,500,000	33,333,333	50,000,004	-
		662,345,018	357,493,486	27,208,772	258,290,365	19,352,395
On statement of financial position gap		842,201,578	(192,626,405)	360,251,200	565,614,720	108,962,064

	Effective mark-up/ interest/ profit rate	2020				Not exposed to mark-up/ interest/ profit rate risk
		Total	Exposed to mark-up / interest / profit rate risk			
			Upto three months	More than three months and upto one year	More than one year and upto five years	
Percent (%)		Rupees				
Financial assets						
Cash and bank balances	5.25-5.75	114,805,586	6,026,120	-	-	108,779,466
Short term investments	7.90-7.95	64,508,233	61,455,487	-	-	3,052,746
Other receivables - net	-	8,076,830	-	-	-	8,076,830
Ijarah rentals receivables	12.01	278,062	278,062	-	-	-
Advance to employees	-	11,500	-	-	-	11,500
Net investment in finance lease (net of security deposit)	9.31-31.46	1,451,145,859	99,684,831	552,579,430	798,881,598	-
Long-term loans	13.37-20.54	23,476,947	4,821,274	10,994,119	7,661,554	-
Long-term security deposits	-	118,500	-	-	-	118,500
		1,662,421,517	172,265,774	563,573,549	806,543,152	120,039,042
Financial liabilities						
Trade and other payables	-	7,608,672	-	-	-	7,608,672
Unclaimed dividend	-	2,960,408	-	-	-	2,960,408
Accrued mark-up	-	60,215,191	-	-	-	60,215,191
Short term borrowings	10.33-13.69	344,585,560	341,876,789	2,708,771	-	-
Certificates of investment	8.00-14.00	404,171,853	-	12,000,000	392,171,853	-
Long-term loan	9.59	29,166,665	4,166,667	12,500,001	12,499,997	-
Lease liabilities	12.51-13.15	15,239,126	958,341	2,875,023	11,405,762	-
		863,947,475	347,001,797	30,083,795	416,077,612	70,784,271
On statement of financial position gap		798,474,042	(174,736,023)	533,489,754	390,465,540	49,254,771

a) Sensitivity analysis for variable rate instruments

In case of increase / decrease in KIBOR by 100 basis points on the last pricing date with all other variables held constant, the profit before tax for the year ended June 30, 2021 would have been lower/higher by Rs. 16.347 (2020: 19.685) million.

39.2 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. 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.

The maximum exposure to credit risk at the reporting date is:

	2021	2020
	----- Rupees -----	
Cash and bank balances	35,972,488	114,805,586
Other receivables	90,727,035	8,385,830
Ijarah rental receivables	278,062	278,062
Investments	4,090,562	3,052,746
Advance to employees	84,669	11,500
Net investment in finance lease	1,218,553,589	1,451,145,859
Long-term loans	118,201,942	23,476,947
Long-term security deposits	118,500	118,500
	<u>1,468,026,847</u>	<u>1,601,275,030</u>

Aging analysis of net investment in finance lease

	2021			
	Carrying Amount	Amount on which no impairment recognised	Amount on which impairment recognised	Impairment recognised
	----- Rupees -----			
Past due				
Neither over due nor impaired	1,926,055,296	1,926,055,296	-	-
1 - 89 days *	1,870,731	1,870,731	-	-
90 days - 1 year	1,003,057	-	1,003,057	250,764
1 year - 2 years	56,247,842	4,800,000	51,447,844	23,323,922
2 years - 3 years	16,862,721	11,475,000	5,387,721	5,387,721
More than 3 years	878,051	-	878,051	878,051
	<u>2,002,917,698</u>	<u>1,944,201,027</u>	<u>58,716,673</u>	<u>29,840,458</u>
	2020			
	Carrying Amount	Amount on which no impairment recognised	Amount on which impairment recognised	Impairment recognised
	----- Rupees -----			
Past due				
Neither over due nor impaired	2,084,934,775	2,084,934,775	-	-
1 - 89 days *	22,832,397	22,832,397	-	-
90 days - 1 year	257,969,802	79,725,172	178,244,630	32,317,408
1 year - 2 years	541,396	-	541,396	270,698
2 years - 3 years	-	-	-	-
More than 3 years	878,053	-	878,053	878,053
	<u>2,367,156,423</u>	<u>2,187,492,344</u>	<u>179,664,079</u>	<u>33,466,159</u>

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

* No impairment loss has been recorded on these finance leases in accordance with the requirements of the NBFC Regulations.

The analysis below summarises the credit rating quality of Company's banks balances as at June 30, 2021:

Credit ratings and Collaterals

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

Ratings	2021	2020
AAA	57.37%	5.41%
AA+	34.20%	91.94%
AA	0.00%	0.10%
AA-	6.03%	0.23%
A+	0.00%	0.00%
A	2.32%	2.29%
A-	0.08%	0.03%
	<u>100.00%</u>	<u>100.00%</u>

39.2.1 Concentration of credit risk - gross investment in finance lease

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

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

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

	2021		2020	
	Rupees	Percentage	Rupees	Percentage
Energy, oil and gas	673,057,502	27	472,823,593	16.26
Steel, engineering and auto	117,730,414	5	122,838,299	4.22
Electrical goods	12,269,343	0	19,386,018	0.67
Transport and communication	163,627,850	7	22,330,483	0.77
Chemical, fertilizer and pharmaceuticals	189,195,146	8	212,314,980	7.30
Textile	5,497,376	0	95,215,685	3.27
Food, tobacco and beverage	367,108,140	15	226,740,048	7.80
Hotels	34,999,269	1	172,816,032	5.94
Construction	229,456,436	9	143,987,159	4.95
Health care	119,793,865	5	265,232,995	9.12
Advertisement	13,114,534	1	46,714,623	1.61
Services	110,044,112	4	320,370,985	11.02
Packaging	1,231,912	0	1,625,992	0.06
Education	1,860,868	-	-	-
Media & Entertainment	51,392,772	2	219,014,028	7.53
Others	423,114,545	17	566,026,722	19.47
	2,513,494,083	100	2,907,437,642	100.00

39.3 Liquidity risk

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

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

Maturity analysis for financial liabilities

	2021				
	Total	Contractual cash flow	Upto three months	More than three months and upto one year	More than one year and upto five years
	----- Rupees -----				
Trade and other payable	5,483,379	5,483,379	5,483,379	-	-
Unclaimed dividend	1,479,330	1,474,330	1,474,330	-	-
Accrued mark-up	16,403,208	16,403,208	3,520,834	2,887,495	9,994,879
Certificates of investment	191,123,704	240,313,476	-	27,242,588	213,070,888
Short term borrowing	353,831,937	353,831,937	353,831,937	-	-
Long-term loan	11,792,269	11,792,269	1,229,901	3,689,702	6,872,666
Lease liabilities	95,833,329	95,833,329	12,500,000	33,333,325	50,000,004
	675,942,156	725,131,928	378,040,381	67,153,110	279,938,437

	2020				
	Total	Contractual cash flow	Upto three months	More than three months and upto one year	More than one year and upto five years
	Rupees				
Trade and other payable	7,608,672	7,608,672	7,608,672	-	-
Unclaimed dividend	2,960,408	2,960,408	2,960,408	-	-
Accrued mark-up	60,215,191	60,215,191	10,124,357	73,644	50,017,190
Certificates of investment	404,171,853	519,137,921	-	12,886,356	506,251,565
Short term borrowing	344,585,560	344,585,560	341,876,789	-	-
Long-term loan	29,166,665	31,986,742	4,871,685	14,010,754	13,104,303
Lease liabilities	15,239,126	15,239,126	1,200,993	2,875,023	11,163,110
	<u>863,947,475</u>	<u>981,733,620</u>	<u>368,642,904</u>	<u>29,845,777</u>	<u>580,536,168</u>

40. 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.

The Company's accounting policy on fair value measurements is discussed in note 4.

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

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

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

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

As at June 30, 2021, available for sale investments were valued using level 1 inputs.

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting year during which the changes have occurred. However, there were no transfers between levels of fair value hierarchy during the year.

41. CAPITAL RISK MANAGEMENT

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

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio (total liabilities/total equity). 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.

	2021`	2020
	----- Rupees -----	
Total debt	652,581,239	793,163,204
Total equity	768,876,022	749,614,319
Total capital employed	<u>1,421,457,261</u>	<u>1,542,777,523</u>
Gearing ratio	<u>45.91%</u>	<u>51.41%</u>

42. SEGMENT INFORMATION

The Company has two primary reporting segments namely, "Conventional finance" and "Islamic finance". Other operations, which are not deemed by management to be sufficiently significant to disclose as separate items and do not fall into the above segment categories, are reported under "Others".

	2021			
	Conventional finance	Islamic finance	Others	Total
	----- Rupees -----			
Segment revenue	188,946,971	2,539,557	14,608,100	206,094,628
Administrative and operating expenses	108,134,773	2,696,551	6,800,657	117,631,982
Segment result	80,812,198	(156,994)	7,807,443	88,462,646
Provision for Workers' Welfare Fund				(725,000)
Unallocated expenses				(17,660,337)
Result from operating activities				70,077,309
Finance cost				(42,062,089)
Provision for taxation				(3,448,883)
Profit for the year				<u>24,566,337</u>
Other Information				
Segment assets	<u>2,181,761,217</u>	<u>659,339</u>	<u>232,955,985</u>	2,415,376,541
Unallocated assets				5,361,864
Total assets				<u>2,420,738,405</u>
Segment liabilities	<u>774,776,572</u>	<u>-</u>	<u>14,186,089</u>	788,962,661
Unallocated liabilities				862,899,722
Total liabilities				<u>1,651,862,722</u>
Capital expenditure	<u>-</u>	<u>-</u>	<u>-</u>	-
Depreciation	<u>-</u>	<u>2,137,180</u>	<u>4,233,029</u>	<u>6,370,209</u>
Unallocated Capital expenditure				254,995
Unallocated Depreciation				<u>1,492,080</u>

	2020			Total
	Conventional finance	Islamic finance	Others	
----- Rupees -----				
Segment revenue	232,053,034	13,594,748	19,796,865	265,444,647
Administrative and operating expenses	86,607,658	20,555,148	6,056,029	113,218,835
Segment result	145,445,376	(6,960,400)	13,740,836	152,225,812
Provision for Workers' Welfare Fund				(440,000)
Unallocated expenses				(16,075,325)
Result from operating activities				135,710,487
Finance cost				(114,091,253)
Provision for taxation				(10,724,986)
Profit for the year				10,894,248
<u>Other Information</u>				
Segment assets	<u>2,364,869,166</u>	<u>4,492,099</u>	<u>239,205,435</u>	2,608,566,700
Unallocated assets				118,764,425
Total assets				<u>2,727,331,125</u>
Segment liabilities	<u>911,348,805</u>	<u>1,212,190</u>	<u>19,219,165</u>	931,780,160
Unallocated liabilities				1,045,936,646
Total liabilities				<u>1,977,716,806</u>
Depreciation	<u>-</u>	<u>10,436,467</u>	<u>4,254,136</u>	14,690,603
Unallocated Capital expenditure				119,950
Unallocated Depreciation				<u>1,673,068</u>

43. NON-ADJUSTING EVENT AFTER THE STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors in its meeting held on November 3, 2021 proposed a final dividend of Rs. Nil per share for the year ended June 30, 2021, amounting to Rs. Nil for approval of members at the Annual General Meeting to be held on November 26, 2021.

44. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on November 3, 2021 by the Board of Directors of the Company.

Chief Executive Officer
Chief Financial Officer
Director

No. of Share Holders	Having Shares		Shares Held	Percentage
	From	To		
55	1	100	713	0.00
34	101	500	15,701	0.06
24	501	1000	18,828	0.07
35	1001	5000	79,231	0.31
3	5001	10000	23,788	0.09
3	10001	15000	40,686	0.16
3	15001	20000	53,475	0.21
2	20001	25000	45,345	0.18
3	25001	30000	79,736	0.31
1	45001	50000	49,950	0.20
4	55001	60000	229,241	0.90
1	90001	95000	94,080	0.37
1	95001	100000	95,500	0.38
1	100001	105000	100,831	0.40
1	115000	120000	116,787	0.46
1	120001	130000	128,560	0.51
2	195001	200000	399,800	1.58
3	340001	345000	1,030,563	4.06
1	495001	500000	500,000	1.97
1	685001	690000	687,042	2.71
1	700001	705000	702,542	2.77
1	795001	800000	799,899	3.15
1	810001	815000	813,885	3.21
1	1145001	1150000	1,148,770	4.53
1	1285001	1290000	1,286,994	5.07
1	1495001	1500000	1,499,785	5.91
1	1685001	1690000	1,689,434	6.66
1	2450001	2455000	2,451,090	9.66
2	3615001	3620000	7,234,150	28.51
1	3950001	3955000	3,953,394	15.58
190	Company Total		25,369,800	100.00

**CATEGORIES OF SHAREHOLDERS
AS AT JUNE 30, 2021**

	Category of shareholder	Number	Share Held	Total Share holding	Percentage %
	Associated companies, undertaking and related parties				
1	Unibro Industries Ltd		1,499,785		
2	Mid East Agencies (Pvt) Ltd		1,286,994		
	Total	2		2,786,779	10.98
	NIT and ICP	-		-	-
	Director, chief executive & their spouse and minor children				
1	Mr. Sohail Inam Ellahi		2,451,090		
2	Mr. Pervez Inam		3,953,394		
3	Mr. Fawad S. Malik		1,348,670		
4	Mrs. Atteqa Fawad		58,505		
5	Mr. Ismail H. Ahmed		500		
6	Brig. Naveed Nasar Khan (Retd.)		500		
7	Mr. Naeem Ali Muhammad Munshi		500		
8	Mr. Jan Ali Khan Junejo		500		
9	Ms. Naueen Ahmed		500		
	Total	9		7,814,159	30.87
	Executives	1	-	-	0.10
	Public Sector Companies	-	-	-	0.00
	Banks, DFIs, NBFCs, Insurance Companies, Modaraba and Mutual Funds				
	Bank of Punjab	1	799,899	799,899	3.15
	Foreign Companies	-	-	-	-
	Individuals	154	13,966,725	13,966,725	55.05
	Others	6	2,238	2,238	0.01
	Total	172	25,369,800	25,369,800	100
	Holding 5% or more				
1	Mr. Pervez Inam		3,953,394		15.58%
2	Mr. Muhammad Ali Pervez		3,617,075		14.26%
3	Mr. Hassan Sohail		3,617,075		14.26%
4	Mr. Sohail Inam Ellahi		2,451,090		9.66%
5	Mr. Javed Inam Ellahi		1,689,434		6.66%
6	Unibro Industries Ltd		1,499,785		5.91%
7	Mr. Fawad S. Malik		1,348,670		5.32%
8	Mid East Agencies (Pvt.) Ltd		1,286,994		5.07%
	Total			19,463,517	76.72%



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 28th Annual General Meeting
to be held on Friday, November 26, 2021 at 11:00 a.m. and at any adjournment thereof.
As witness my/our hand this day of _____ 2021.
Signed by _____ in presence of _____

Please affix
Rs. 5/- Revenue
Stamp

Signature and address of witnesses

Signature of Member(s)

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.

میں / ہم _____ ساکن _____

بحیثیت شراکت دار پاک - گلف لیزنگ کمپنی لمیٹڈ اور بوسیدہ ملکیت _____ عمومی حصص مندرجہ
رجسٹرڈ فوئیو نمبر _____ سی ڈی سی اکاؤنٹ نمبر _____ (ان شراکت داران کے لئے
جن کے عمومی حصص کا اندراج سی ڈی سی میں ہے) بذریعہ دستاویز ہذا مسمیٰ / مسماۃ _____

یا انکی / انکی غیر موجودگی میں مسمیٰ / مسماۃ _____ اپنا متبادل (پراکسی) مقرر کرتا / کرتی ہوں اور یہ
حقوق تفویض کرتا / کرتی ہوں جس کے تحت وہ میری / ہماری جگہ مندرجہ بالا کمپنی کے شراکت داران کے 28 ویں سالانہ اجلاس میں
شرکت اور ووٹ ڈالنے کے مجاز ہوں، جبکہ انعقاد بوقت 11:00 بجے بروز _____ مورخہ 26 نومبر 2021 طلب و مقرر کیا گیا ہے
جمع اس اجلاس یا اس کے کسی مؤخر کردہ اجلاس کے۔

اس دستاویز کی تصدیق بقلم خود کرتا / کرتی ہوں بتاریخ _____ 2021
_____ کا دستخط شدہ بمعیت و موجودگی

براہ مہربانی یہاں 5 روپے کا
ریونیوٹا سٹامپ چسپال کریں

گواہان کے دستخط بمع پتے

میرے دستخط بمع حصص فوئیو نمبر

کمپنی کا کوئی بھی شراکت دار جو کمپنی کے شراکت داران کے کسی بھی اجلاس میں موجود ہونے، بولنے، حصہ لینے اور ووٹ دینے کے قانونی
حقوق رکھتا ہو وہ یہ تمام حقوق اپنے کسی متبادل اور مقرر کردہ شخص کو بحیثیت اپنی پراکسی اور اختیار کے تفویض کر سکتا ہے بشرطیکہ مقرر کردہ
شخص بھی کمپنی کا شراکت دار اور حصص دار ہو۔

پراکسی دستاویز ہمیشہ تحریر شدہ ہوگی اور اس پر پراکسی دینے والے کے دستخط ہونے لازم ہیں۔ اگر پراکسی دینے والا حصص دار / شراکت دار
کوئی کارپوریشن یا ایسی قسم کا کوئی اور رجسٹرڈ ادارہ ہے جسکی ملکیت ایک سے زیادہ اشخاص کے نام پر ہے تو ایسے حصص دار یا شراکت دار کے
لئے ضروری ہوگا کہ وہ اپنے قانونی طور پر مجاز دستخط کنندگان سے دستخط شدہ ایک باضابطہ تصدیق شدہ مختار نامہ جس پر نوٹری پبلک کی مہر اور
کارپوریشن کی کامن سیل بھی ہوا ہے پراکسی فارم کے ساتھ منسلک کرے۔

یہ تمام دستاویزات مجوزہ اجلاس کے مقرر کردہ وقت اور تاریخ سے کم از کم اڑتالیس 48 گھنٹے قبل پاک - گلف لیزنگ کمپنی لمیٹڈ کے
رجسٹرڈ دفتر میں جمع کرانا اور انکی رسید وصول کرنا ضروری ہے۔