

Annual Report 2013


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ORIX LEASING PAKISTAN LIMITED

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Maximizing Value

Vision



Vision

ORIX aims to maximize shareholders' value by drawing on its extensive array of specialized capabilities to continuously provide our customers with value added financial solutions.

Adding More, Producing More



Mission



Mission

ORIX seeks its development through domestic and international presence by constantly anticipating and monitoring emerging trends and offering new and innovative products that create real and lasting value for our customers.

ORIX pioneers, introduces and offers value-added products which are not only competitive in terms of desirability and price, but also fulfill the needs of our customers by consistently increasing our value to them as an efficient source of financial services.

ORIX makes all efforts in enhancing superior professional competencies by creating a culture that fosters openness and innovation, promotes individual growth and at the same time rewards initiative and performance.

ORIX contributes to society through participation in poverty alleviation programmes, provision of financial assistance at grassroots level and assistance to charitable causes.



The Focused Path to Success

Strategic Objectives



Strategic Objectives

- ◆ To make OLP an iconic brand with strong brand loyalty and maintain its position as an industry leader.
- ◆ To develop highest standards of corporate governance that exceed mandatory requirements of the Code of Corporate Governance.
- ◆ To take on challenges and create opportunities that contribute to society and meet expectations of shareholders.
- ◆ To maintain highest credit ratings in the non-banking financial sector of the Country.
- ◆ To have the best possible standards of customer services and satisfaction through our well-trained and experienced human resources.
- ◆ To be the catalyst in propelling SME growth and development across Pakistan and remain in close proximity of SME sector.
- ◆ To provide maximum security to retail depositors.
- ◆ To establish and adopt best practices in risk management, control and monitoring.
- ◆ To ensure proper and stringent compliance to all external and internal rules and regulations.
- ◆ To bring maximum transparency in all spheres of business by introducing well defined Corporate Governance policies.
- ◆ To invest in people and upgrade our staff's capabilities by investing in their training and development.
- ◆ To maximize return to stakeholders consistently year after year by steadily increasing ROE and ROA.

Code of Business Ethics

It is vital to the financial success of OLP that we conduct our business in compliance with the rules and regulations laid down by the Company. The code of conduct sets out the fundamental standards to be followed by employees in their everyday actions.

The Company has adopted the following code of conduct principles.

- ◆ Avoid any conflict of interest between the Directors/ Employees of the Company or its associated undertakings. Adhere to the highest standards of ethical business conduct.
- ◆ Comply with applicable governmental laws, rules and regulations in letter and spirit.
- ◆ Maintain the highest level of confidentiality within and outside OLP.
- ◆ Maintain proper and fair relationship with Government bodies, Stakeholders, Customers and Employees.
- ◆ Maintain transparent and sound management by providing full disclosure to the public.
- ◆ Encourage reporting of unethical conduct / violation.
- ◆ Treat employees with dignity and respect.

Company Profile

ORIX Leasing Pakistan Limited ("OLP") was established in July 1986 as a joint venture between ORIX Corporation, Japan and local investors. OLP commenced commercial operations in January 1987 and is listed on all three stock exchanges in Pakistan.

It is headquartered in Karachi and has 31 branches situated in 27 cities. OLP's major shareholder is ORIX Corporation of Japan (ORIX) having 49.6% shareholding.

Established in 1964, ORIX is one of Japan's leading integrated financial services groups with operations in 27 countries worldwide. About to complete its 50 years of operations, the group has total asset base of US\$89 billion and equity of US\$ 17.9 billion as at March 31, 2013.

OLP offers cost effective value-added financial products and innovative customized services to a wide array of customers throughout the Country. The blend of international experience and local expertise acquired over the last 27 years provides OLP a distinctive competitive edge. OLP takes pride in the fact that it has played a major role towards economic development of the Country by supporting the Small and Medium Enterprises (SME) Sector and creating thousands of jobs directly and indirectly. It has helped grow numerous small businesses into medium sized enterprises. Today, OLP is one of the most prominent Non-Banking Finance Companies in Pakistan with presence across the Country and a large network of individual and corporate customers.

OLP has strategic investments and board representations in five associated overseas joint venture leasing companies, and a real estate company in Pakistan. In addition to management support and technical assistance provided by OLP to these associated companies, four overseas associates are headed by Chief Executives on secondment from OLP.

Human Resource Development

OLP believes that our human resource is our most precious capital. The Company is proud to have a highly experienced, dedicated and professionally qualified team which has provided a strong foundation on which the Company has completed a quarter century of its operations. We provide an encouraging environment that welcomes innovative thinking, appreciates excellence, rewards achievements and empowers people to perform to the best of their abilities.

Being the "best" in our business means being able to attract, develop and retain the best talent in the business. Talent that has a burning desire to leverage skills and experience, an association that promises mutual growth and success. The Company is committed to inducting talented and high potential individuals through a transparent and competitive process while maintaining its resolve to be an equal opportunity employer.

Offshore Assignments and Job Enrichment Opportunities:

The Company is devoted towards the professional development of its high potential employees in an effort to encourage and retain these individuals. In order to enrich the job scope of high potential employees, OLP offers extensive overseas opportunities where they can advance their careers, explore new

business trends, develop multiple skills, bring professional expertise and broaden their horizons.

Training & Development:

Training & Development function at OLP supports Company's goal by nurturing and



enhancing capabilities of employees in order to build a motivated, engaged and high performing workforce. Learning & Development opportunities are offered to employees throughout the year from its well equipped Learning Centers at Karachi and Lahore where dispensing both technical and managerial skills is an ongoing activity. Both internal and external trainings are emphasized



Human Resource Development

based on training needs. These opportunities center around on-the-job training as well as programs conducted by various renowned trainers.

Senior Management Development

For Senior Management development, the Company offers international trainings. Every year we nominate Senior Management for global leaders program organized by ORIX Corporation, Japan. This forum helps individuals to understand the importance of effective leadership and decision making, identifying non conventional strategies for problem solving, managing diverse teams in unfamiliar situations & experience real world learning.



The Company has established good relationships with universities, business schools and other educational institutes. Attaining the Authorized Training Employer status from The Institute of Chartered Accountants of England & Wales - ICAEW is one of the initiatives taken to broaden career advancement prospects for the employees pursuing chartered accountancy qualification.

Orientation Program for Executives:

OLP's Marketing staff from various Zones and Branches are invited to attend an orientation program at Head Office, Karachi where they meet all the concerned Divisional Heads and other Executives. This not only improves internal communication, but also provides them with an opportunity to develop



confidence and gain first hand understanding of various functions performed at Head Office.

Internship Programs:

OLP's Internship programs are designed to support graduate and post-graduate students from diverse academic backgrounds to experience corporate environment. These programs are offered every year and provide an opportunity for students to enhance their educational knowledge through practical work assignments under professionals' supervision.

Human Resource Development

Employee Engagement and Recognition

To keep our employees motivated, an annual event is organized to acknowledge high performance individuals and also



Department/Zones with significant contribution. This initiative has helped a great deal in making employees feel appreciated and also facilitate them in achieving their personal and professional goals.



HR Department continually & consistently makes an effort to keep Company's employees engaged both amongst their own teams as well as with other departments. For this purpose events like Annual Lunch, Sports Gala and Eid get together are organized during the year.



Corporate Communication

Corporate Communication is an important element in imparting information within the organization. OLP's internal publication 'REACH' provides a means to stay connected with employees at all levels of corporate structure.

ORIX Corporation

ORIX Corporation is one of the largest non-bank financial services groups of Japan, providing innovative value added products and services to both corporate and retail customers. It is listed on Tokyo and New York Stock Exchanges, with operations in 27 countries and regions worldwide and diversified over a wide range of products.

ORIX has a record of sustained growth over last five decades by pursuing new profit earning opportunities through specialized capabilities and broadening operational scope. The Group's fundamental strength lies in its ability to keep one step ahead of the competition by identifying and developing new business opportunities.

ORIX CORPORATION, JAPAN - FINANCIAL HIGHLIGHTS

US Dollars (millions)

	March 31, 2013	March 31, 2012
Total Revenues	11,331	11,837
Profit before Income Taxes and Discontinued Operations	1,835	1,588
Total Equity	17,943	17,470
Total Assets	89,736	101,653

ORIX'S PRINCIPAL ACTIVITIES

- ◆ Equipment leasing and installment loans
- ◆ Asset management services for REITs
- ◆ Automobile leasing and rentals
- ◆ Life insurance
- ◆ Rental of testing, measuring & IT-related equipment
- ◆ Consumer card loans
- ◆ Real estate related financing
- ◆ Venture capital
- ◆ Real estate development and rental
- ◆ Securities brokerage
- ◆ Investment banking



Associated Companies

OVERSEAS ASSOCIATES

The Company's international activities started in 1993 with the establishment of a leasing company in Oman. Since then, associates have been established in Egypt, Saudi Arabia, UAE and Kazakhstan. ORIX Leasing Pakistan Limited's (OLP's) overseas associates are:

Associate	Established
Oman ORIX Leasing Company SAOG (OOLC)	1993
ORIX Leasing Egypt SAE (OLE)	1997
Saudi ORIX Leasing Company (SOLC)	2001
MAF ORIX Finance PJFC, UAE (MAFO)	2002
SK Leasing Kazakhstan (SKL)	2005

OLP has equity investment and board representation in all its associates. It provides them technical assistance and management support. Overseas associates provide lease financing for equipment and vehicles, focusing mainly on small and medium sized entities (SMEs) spread across a wide range of industries as well as consumers. Strong emphasis is placed on customer service, prudent operating policies and development of human resources.

OLP's shareholding in the companies and their financial highlights are summarized below:

Company	OLP's Holding %	LCY	Profit for the Year Dec 31, 2012		Total Assets as at Dec 31, 2012		Profit for the Half Year June 30, 2013	
			LCY in 000s	Rs. in Millions	LCY in 000s	Rs. in Millions	LCY in 000s	Rs. in Millions
OOLC	11.64%	RO	3,164	770,007	88,493	22,369,314	1,736	444,210
OLE	23.00%	LE	5,486	84,444	336,239	5,156,561	3,372	48,352
SOLC	2.50%	SR	88,437	2,210,864	1,628,472	42,235,887	47,981	1,259,682
MAFO	3.00%	AED	20,658	527,291	392,954	10,407,230	11,187	299,896
SKL	10.00%	KZT	(51,747)	(31,815)	2,083,001	1,346,639	26,128	16,605

ASSOCIATE IN PAKISTAN

OPP (Private) Limited (OPPL)

OPPL was established in January 2008 with a paid up capital of Rs. 300 million. The Company's sponsors are ORIX Corporation (45%), ORIX Leasing Pakistan Limited (45%) and local investors (10%). OPPL owns and operates service apartments in Lahore. The Company started commercial operations in January 2012.



Shades of Innovation

Product Portfolio



Product Portfolio

CORPORATE LEASE



Whether you are running a small family business or a huge industrial complex, we understand your needs. The needs of every small, medium and large business and industry to have a stable and dependable source of financial sustenance for stability and growth. Innovative and specially designed ORIX Corporate Lease Products are meant to ideally meet your business requirements with unmatched ease.

AUTO LEASE



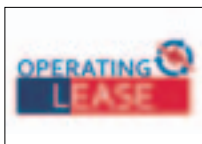
Get ORIX AUTO LEASE. Choose your dream car and drive away in style with no worries attached. A car financing scheme tailor-made for individuals to own the car of their desire with the convenience of easy processing and prompt service. Walk in to drive your very own car, it's easy and fast.

COMMERCIAL VEHICLE LEASE



ORIX COMMERCIAL VEHICLE LEASE is a dream come true for transporters. It's as simple and as smooth as any transporter would have ever wished to be. Trucks, prime movers, long vehicles, etc., we finance them all. Our documentation and procedures are simple and rental plans custom built for individual needs.

OPERATING LEASE



Life and business both need power to move on. Our specialized OPERATING LEASE DIVISION ensures your life and business receive uninterrupted power supply by providing the most competitive and reliable power generating packages with a wide range of equipment choices and complete maintenance and operation services. So enjoy and benefit from the comfort and advantage of uninterrupted power for your life and business to move on uninterrupted.

Product Portfolio

e-BUSINESS



Be it a debit or credit card transaction or be it any other loyalty, discount, prepaid or payment solution; ORIX e-Business Division provides state of the art, turn-key transaction processing solutions to financial institutions, banks and corporate entities enabling them to offer a host of creative and innovative services to their customers. The ORIX Network is Pakistan's first and largest third-party transaction processing network covering over 200 towns and cities across Pakistan with around 8,000 POS Terminals processing a million transactions monthly. Every day, every hour; transactions are being performed by users through the ORIX Network at grocery stores, retail shops, restaurants, hotels, fuel stations, hospitals, pharmacies and payment counters.

MICRO CREDIT




Unknown number of dreams and aspirations of people stuck at the weak end of prosperity fizzle out due to poverty, unknown number of promising entrepreneurs lose their way to success and prosperity due to lack of financial resources. We have been endeavoring to change this. We have been helping our compatriots to break free from the shackles of poverty by extending them easy financing to initiate their very own small scale businesses or expand their existing ones. Our micro financing enables them to buy machines/equipments ranging from sewing machines to rickshaws and/beyond, as well as raw material or miscellaneous supplies. We are particularly pleased of our efforts in assisting women entrepreneurs who usually find it more difficult to secure financing.

ISLAMIC FINANCE



Our Islamic Finance Division offers Ijarah and Diminishing Musharakah as its core products to the rapidly growing clientele of Shariah compliant financial products. Carefully developed with the sensitivities of the relevant customer segment in mind our Shariah compliant products meet the Islamic financing requirements of our customers to the satisfaction of their heart and soul.



Towering Strength of Trust and Security

Certificates of Deposit



Certificates of Deposit

For any business to operate in a competitive market, trustworthiness is the key to success. It is precisely this attribute that has enabled us to form a long lasting relationship with our retail deposit holders. We make it our business to enhance value for our customers and provide them highly competitive profit options on their investment.

Service, Security and Stability are the hallmarks of ORIX Certificates of Deposit (CODs). Competitive returns, reliable service and our commitment provide the investors peace of mind throughout their investment tenure with ORIX.

ORIX CODs offer flexible investment options with maturity terms ranging from 30 days to 10 years and profit payments can be periodic or accumulated till maturity. Innovation and value addition are regularly made to our deposit schemes to provide our investors best value for their money.

Our AA+ long term entity rating and A1+ short term entity rating from PACRA is an endorsement of our financial stability.



- ◆ Tenure ranges from 30 days to one year with profit paid monthly or on maturity
- ◆ Keep the funds liquid yet get good returns
- ◆ Encashable after 30 days of investment date without any penalty



- ◆ Tenure ranges from 1 year to 5 years
- ◆ Get monthly returns to cover your monthly expenses



- ◆ Tenure 5 years with profit rates increasing every year
- ◆ Incremental monthly return to curtail impact of inflation



- ◆ Tenure ranges from 1 to 5 years with monthly, semi-annual or quarterly returns
- ◆ Market based return plus a spread based on tenure



- ◆ Tenure ranges from 2 to 10 years, profit & principal to be paid on maturity
- ◆ Get the benefit of compounding



- ◆ Tenure 7 years with profit payments on a monthly basis
- ◆ Product specially designed for senior citizens and widows
- ◆ Monthly return over a long period of time

Innovation via Customization



OLP e-Business Division

SOME OF THE FIRST

- ◆ Pakistan's first private-label debit card solution
- ◆ Pakistan's first third-party network support for VISA/MasterCard transactions
- ◆ Pakistan's first loyalty card solution
- ◆ Pakistan's largest fuel card management system
- ◆ Pakistan's first electronic health card program
- ◆ Pakistan's first electronic insurance card program
- ◆ Innovative and unique inventory management and tracking solution
- ◆ Discount, Prepaid and Gift Card Solutions



OLP e-Business Division

SUCCESS STORIES

Smart Card based Fuel Management Solution

OLP has successfully deployed country's largest private label Smart Card based payment solution for Pakistan's largest oil marketing company. This solution caters to the fueling needs of organizations, their employees and their vehicle fleets.



Inventory Management Solution

OLP has received the Asia Pacific ICT Merit Award - recognizing its innovation in EMAN. This unique inventory management solution enables Pakistan's leading dairy based FMCG to manage its complex procurement chain by providing instant access to data, timely supplier payments and management reporting.



Rewards Solution

OLP has powered the loyalty engine of Pakistan's leading mobile service provider for its post-paid subscriber base. This rewards scheme has enabled the mobile service provider to add to its value proposition and maintain its position as a market leader in the post-paid segment. In addition to this, OLP's loyalty engine is also powering reward schemes of financial institutions, corporate entities and retail merchants.



Financial Transaction Processing Solution

OLP's unique multi-acquirer model enables usage of all debit and credit cards on a single POS terminal. This solution enabled introduction of Pakistan's first ever private-label debit card and enabled all credit card acquirers to gain access to OLP's vast merchant base without deploying additional POS Terminals.



Six Years' Financial Summary

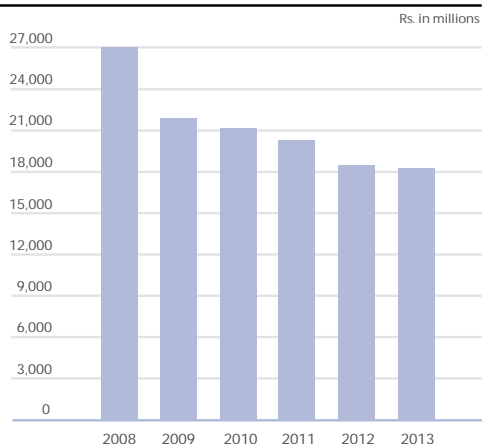
(Rupees in million)

	2013	2012	2011	2010	2009	2008
Operation at a Glance						
Total disbursements	9,056	7,844	8,058	8,428	6,251	10,789
Revenues	3,560	3,346	3,183	3,700	3,491	3,450
Lease revenue	2,750	2,731	2,758	2,699	2,983	2,955
Profit/(loss) before tax	414	275	227	126	(429)	352
Profit/(loss) after tax	337	202	145	104	(467)	267
Financial charges	1,654	1,868	1,796	2,064	2,570	2,133
Allowance for potential lease and loan losses and other provisions	257	199	213	523	324	105
Proposed Dividend	181	123	82	-	-	208*
Balance Sheet						
Gross lease receivables	18,199	18,368	19,802	20,906	22,229	26,815
Shareholders' equity	2,695	2,461	2,248	2,016	2,078	2,604
Fixed assets	1,560	1,357	1,268	1,091	1,138	832
Long term debts	8,578	6,484	6,563	8,827	12,991	14,676
Total borrowings	13,807	13,178	12,957	14,812	17,558	17,360
Investment in associated undertakings	1,711	1,567	1,283	1,221	1,644	1,378
Long term investments	14	18	200	205	194	23
PERFORMANCE INDICATORS						
Profitability						
Profit / (loss) before tax	11.63%	8.21%	7.10%	3.35%	-12.17%	10.18%
Gross spread	30.94%	22.13%	22.55%	11.60%	3.97%	21.59%
Return on equity	13.09%	8.57%	6.80%	5.10%	-20.00%	10.70%
Return on assets	1.95%	1.20%	0.80%	0.50%	-2.20%	1.30%
Income / expense ratio	1.23	1.17	1.16	1.23	0.98	1.14
Liquidity						
Current ratio	1.42	1.13	1.13	1.35	1.9	2.4
Cash to Current Liabilities	0.03	0.04	0.03	0.01	0.08	0.04
Investment / Market						
Price to book ratio	0.06	0.04	0.02	0.02	0.02	0.06
Dividend yield	12.05%	13.80%	17.90%	-	-	12.00%
Dividend payout	53.63%	60.90%	56.70%	-	-	78.10%
Earning / (Loss) per share (Rs.)	4.11	2.46	1.76	1.27	(5.85)	3.34
Price earning ratio	4.44	4.41	3.16	4.12	(1.37)	7.48
Market value per share (Rs.)	18.25	10.86	5.57	5.23	8.00	24.99
Proposed dividend	22.00%	15.00%	10.00%	-	-	30.00%*
Capital Structure						
Debt / Equity ratio	5.12	5.30	5.76	7.35	8.45	6.70
Book value per share (Rs.)	32.85	30.00	27.39	24.57	26.01	37.50
Interest cover ratio	1.41	1.20	1.25	1.34	0.97	1.22

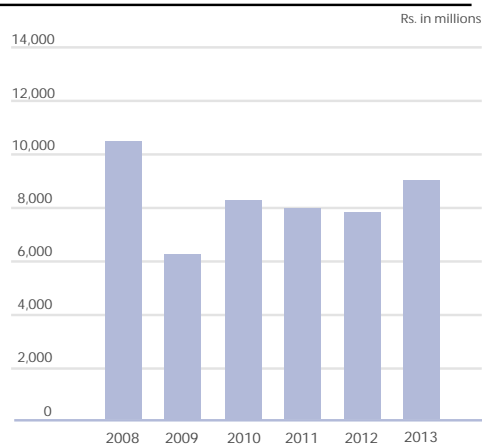
* Includes cash and bonus

Six Years' Financial Summary

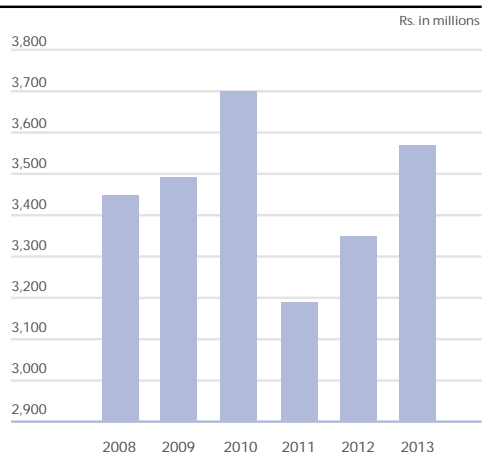
Gross Lease Receivables



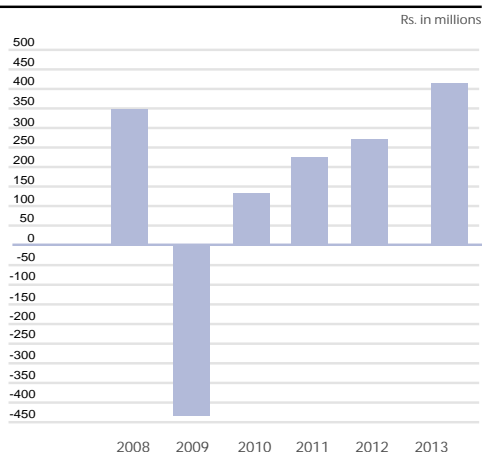
Disbursements



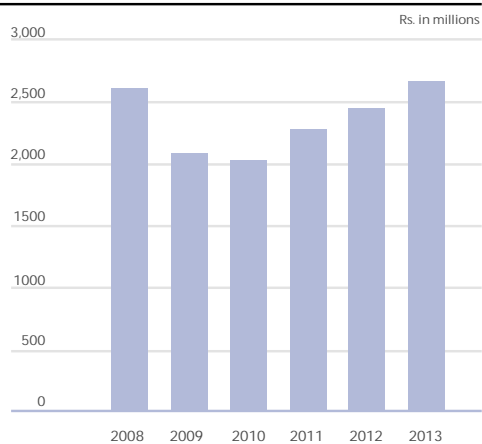
Revenues



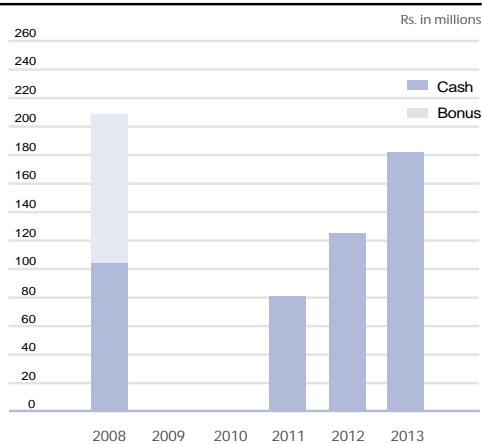
Profit/(Loss) Before Tax



Shareholders' Equity



Dividends



Six Years' Vertical Analysis

BALANCE SHEET	2013	2012	2011	2010	2009	2008
ASSETS						
Non-Current Assets						
Property, plant and equipment	6.75%	6.17%	5.82%	4.59%	4.16%	2.99%
Intangible assets	0.15%	0.40%	0.36%	0.27%	0.24%	0.00%
Net investment in finance lease	34.84%	35.64%	41.78%	38.40%	35.97%	47.35%
Investment in associated undertakings	7.41%	7.13%	5.89%	5.13%	6.02%	4.95%
Long term investments	0.06%	0.08%	0.92%	0.86%	0.71%	0.08%
Long term finances and loans	3.65%	3.44%	1.30%	0.82%	2.13%	1.65%
Long term deposits	0.06%	0.06%	0.07%	0.05%	0.06%	0.05%
	52.92%	52.92%	56.13%	50.12%	49.28%	57.08%
Current Assets						
Short term finances	1.05%	1.04%	1.12%	1.35%	1.68%	1.28%
Accrued return on investments and term finance	0.15%	0.07%	0.02%	0.06%	0.20%	0.10%
Current maturity of non-current assets	35.93%	38.09%	35.78%	37.90%	35.83%	36.84%
Short term investments	6.93%	3.35%	1.64%	5.12%	5.37%	0.94%
Advances and prepayments	0.22%	0.47%	0.31%	0.28%	0.27%	0.37%
Other receivables	1.36%	2.25%	3.67%	4.51%	4.46%	2.37%
Cash and bank balances	1.00%	1.53%	1.11%	0.55%	2.30%	0.75%
Taxation - net	0.38%	0.22%	0.15%	0.02%	0.39%	0.00%
Assets classified as held for sale	0.06%	0.06%	0.07%	0.10%	0.22%	0.27%
	47.08%	47.08%	43.87%	49.88%	50.72%	42.92%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
EQUITY AND LIABILITIES						
Equity						
Share capital and reserves	11.31%	10.80%	9.91%	8.48%	7.60%	9.36%
Surplus on revaluation of leasehold land and office building	0.36%	0.39%	0.40%	0.00%	0.00%	0.00%
Non-Current Liabilities						
Long term finances	14.39%	10.34%	14.52%	19.11%	29.65%	35.64%
Long term loans	3.96%	8.81%	9.96%	13.40%	14.14%	12.95%
Long term certificates of deposit	18.80%	10.33%	5.62%	4.62%	3.75%	4.17%
Long term deposits	16.56%	16.30%	19.76%	16.89%	16.83%	18.68%
Deferred taxation	1.53%	1.29%	1.02%	0.50%	0.80%	1.09%
	55.23%	47.07%	50.88%	54.52%	65.17%	72.53%
Current Liabilities						
Trade and other payables	1.66%	1.32%	1.17%	1.07%	0.94%	0.74%
Accrued interest on loans, finances and CODs	2.57%	2.47%	2.79%	3.01%	3.23%	2.26%
Short term borrowings	4.05%	4.30%	5.09%	2.62%	2.61%	0.02%
Short term certificates of deposit	4.63%	4.35%	3.38%	3.18%	2.14%	0.15%
Current maturity of non-current liabilities	20.19%	29.29%	26.38%	27.12%	18.31%	14.89%
Taxation - net	0.00%	0.00%	0.00%	0.00%	0.00%	0.05%
	33.10%	41.74%	38.81%	37.00%	27.22%	18.10%
Total Equity and Liabilities	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
PROFIT AND LOSS						
INCOME						
Income From Operations						
Finance lease	53.37%	60.11%	66.13%	55.18%	67.93%	70.05%
Operating lease	23.88%	21.41%	20.34%	16.66%	16.73%	15.50%
Mark-up on term / factoring finance	11.13%	6.98%	4.35%	3.82%	5.51%	4.36%
	88.38%	88.51%	90.82%	75.66%	90.18%	89.92%
Income From Other Activities						
Other income - net	6.98%	7.80%	5.92%	10.52%	7.20%	8.38%
Share of profit of equity accounted undertakings	4.64%	3.69%	3.26%	3.80%	2.62%	1.70%
Gain on sale of equity accounted undertaking	0.00%	0.00%	10.02%	0.00%	0.00%	0.00%
	11.62%	11.49%	9.18%	24.34%	9.82%	10.08%
	100%	100%	100%	100%	100%	100%
EXPENSES						
Finance cost	46.46%	55.77%	56.29%	54.94%	72.94%	61.77%
Administrative and general expenses	20.52%	17.48%	17.20%	15.96%	18.49%	14.96%
Direct cost of lease	14.17%	12.52%	12.53%	10.30%	10.62%	9.94%
	81.15%	85.77%	86.01%	81.21%	102.05%	86.67%
Profit / (Loss) Before Provisions, Impairment & Taxes	18.85%	14.23%	13.99%	18.79%	-2.05%	13.33%
Provisions and Impairment						
Allowance for potential leases and loan losses	5.83%	5.62%	6.43%	13.57%	9.08%	3.05%
Other provisions	1.39%	0.31%	0.24%	0.36%	0.11%	0.00%
Impairment	0.00%	0.09%	0.22%	1.51%	0.92%	0.10%
	7.22%	6.03%	6.89%	15.44%	10.11%	3.15%
Profit / (Loss) Before Tax	11.63%	8.21%	7.10%	3.35%	-12.17%	10.18%
Taxation	2.15%	2.18%	2.57%	0.57%	1.09%	2.46%
Profit / (Loss) For The Year	9.48%	6.03%	4.54%	2.78%	-13.26%	7.72%

Six Years' Horizontal Analysis

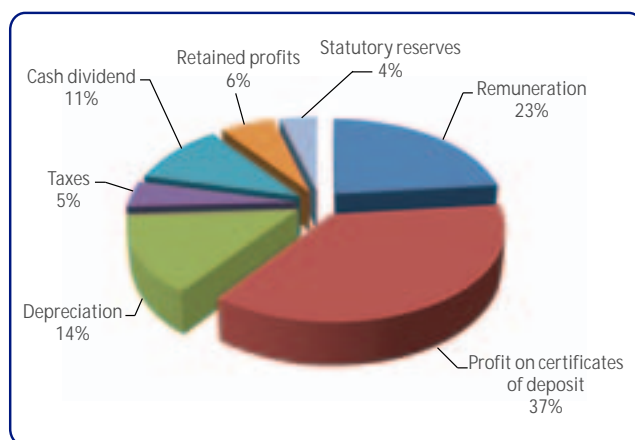
BALANCE SHEET	2013 vs 2012	2012 vs 2011	2011 vs 2010	2010 vs 2009	2009 vs 2008	2008 vs 2007
ASSETS						
Non-Current Assets						
Property, plant and equipment	14.96%	6.99%	16.24%	-4.09%	36.67%	10.80%
Intangible assets	-61.59%	10.93%	22.10%	0.00%	100.00%	-
Net investment in finance lease	2.63%	-13.94%	-0.23%	-7.10%	-25.37%	-3.42%
Investment in associated undertakings	9.10%	22.14%	5.16%	-25.76%	19.31%	33.91%
Long term investments	-22.40%	-91.16%	-2.66%	5.70%	754.70%	-70.67%
Long term finances and loans	11.45%	166.76%	46.29%	-66.64%	26.86%	10.18%
Long term deposits	4.38%	-2.90%	12.40%	-17.75%	5.05%	22.63%
	4.99%	-4.88%	2.68%	-11.49%	-15.18%	-0.29%
Current Assets						
Short term finances	6.59%	-6.38%	-23.81%	-30.39%	28.74%	-7.95%
Accrued return on investments and term finance	124.68%	287.80%	-72.67%	-72.69%	90.92%	116.66%
Current maturity of non-current assets	-0.94%	7.41%	-13.44%	-7.96%	-4.46%	8.68%
Short term investments	116.85%	105.89%	-70.55%	-17.10%	461.06%	137.29%
Advances and prepayments	-49.60%	54.15%	2.03%	-10.05%	-29.25%	35.07%
Other receivables	-36.70%	-38.12%	-25.39%	-11.94%	85.07%	604.88%
Cash and bank balances	-31.44%	38.84%	85.05%	-79.18%	202.99%	391.48%
Taxation - net	76.80%	48.35%	611.49%	-95.66%	100.00%	-
Assets classified as held for sale	-0.47%	-15.32%	-37.07%	-58.70%	-21.28%	22.31%
	4.99%	8.28%	-19.36%	-14.41%	16.07%	16.88%
Total Assets	4.99%	0.89%	-8.31%	-12.97%	-1.77%	6.42%
EQUITY AND LIABILITIES						
Equity						
Share capital and reserves	9.94%	9.97%	7.16%	-2.96%	-20.20%	9.46%
Surplus on revaluation of leasehold land and office building	-2.31%	-2.26%	100.00%	-	-	-
Non-Current Liabilities						
Long term finances	46.15%	-28.17%	-30.33%	-43.92%	-18.29%	27.67%
Long term loans	-52.85%	-10.79%	-31.81%	-17.56%	7.27%	250.19%
Long term certificates of deposit	91.04%	85.39%	11.67%	7.04%	-11.54%	109.18%
Long term deposits	6.64%	-16.77%	7.27%	-12.66%	-11.49%	4.99%
Deferred taxation	24.10%	28.14%	84.87%	-44.82%	-28.50%	9.74%
	23.19%	-6.66%	-14.42%	-27.20%	-11.74%	38.43%
Current Liabilities						
Trade and other payables	31.47%	14.33%	-0.20%	-0.88%	24.74%	10.44%
Accrued interest on loans, finances and CODs	9.21%	-10.87%	-15.02%	-18.74%	40.55%	80.33%
Short term borrowings	-1.14%	-14.61%	78.04%	-12.65%	12505.81%	-99.55%
Short term certificates of deposit	11.85%	29.68%	-2.36%	29.44%	1255.28%	-98.41%
Current maturity of non-current liabilities	-27.65%	12.05%	-10.83%	28.93%	20.82%	-11.41%
Taxation - net	-	-	-	-	-100.00%	137.53%
	-16.75%	8.51%	-3.85%	18.30%	47.70%	-45.17%
Total Equity And Liabilities	4.99%	0.89%	-8.31%	-12.97%	-1.77%	6.42%
PROFIT AND LOSS						
INCOME						
Income From Operations						
Finance lease	-5.62%	-4.56%	1.74%	-13.38%	-1.06%	8.70%
Operating lease	18.51%	10.55%	3.67%	6.14%	10.12%	6.97%
Mark-up on term / factoring finance	69.40%	68.46%	-3.22%	-26.13%	28.86%	58.75%
	6.14%	2.32%	1.92%	-10.53%	2.32%	10.08%
Income From Other Activities						
Other income - net	-4.84%	38.41%	-52.25%	55.75%	-12.28%	158.58%
Share of profit of equity accounted undertakings	33.60%	18.88%	-27.13%	54.76%	56.65%	-25.88%
Gain on sale of equity accounted undertaking	-	-	-100.00%	100.00%	-	-
	7.51%	31.47%	-67.98%	164.28%	-0.63%	82.01%
Total Income	6.30%	5.00%	-15.10%	6.64%	2.02%	14.65%
EXPENSES						
Finance cost	-11.45%	4.04%	-13.02%	-19.67%	20.47%	18.11%
Administrative and general expenses	24.79%	6.71%	-8.52%	-7.95%	26.06%	23.14%
Direct cost of lease	20.33%	4.92%	3.25%	3.37%	9.04%	0.94%
	0.57%	4.70%	-10.08%	-15.15%	20.12%	16.66%
Profit / (Loss) Before Provision, Impairment And Taxes	40.78%	6.82%	-36.80%	1075.50%	-115.73%	3.08%
Provisions and impairment						
Allowance for potential lease and loan losses	10.22%	-8.19%	-59.75%	59.33%	204.23%	140.77%
Other provisions	374.34%	37.12%	-44.02%	238.38%	100.00%	-100.00%
Impairment	-100.00%	-56.45%	-87.92%	75.56%	837.03%	100.00%
	27.39%	-8.13%	-62.14%	62.82%	228.04%	113.45%
Profit / (Loss) Before Tax	50.61%	21.31%	79.89%	129.38%	-221.93%	-11.12%
Taxation	4.79%	-10.88%	281.48%	-44.06%	-54.84%	38.21%
Profit / (Loss) For The Year	67.18%	39.53%	38.46%	122.37%	-275.20%	-20.20%

Statement of Value Addition

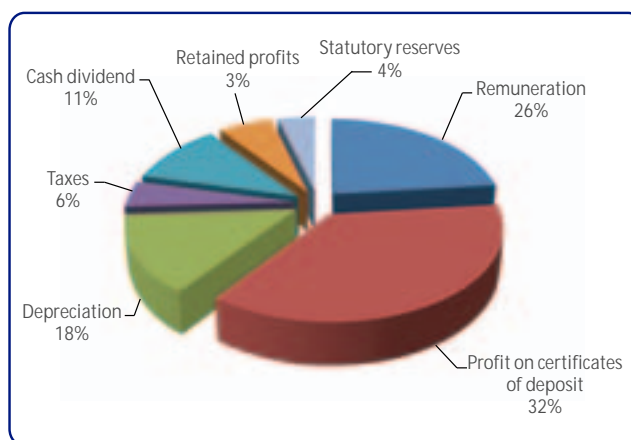
	2013	2012
Revenues from operations	2,889,400,009	2,765,661,503
Other income	248,673,066	258,323,834
Share of profit from associated undertakings	165,164,479	123,625,355
	3,303,237,554	3,147,610,692
Finance cost	1,053,343,076	1,494,970,285
Direct cost of leases and services	624,123,784	505,850,636
	1,677,466,860	2,000,820,921
Value Addition	1,625,770,694	1,146,789,771

Distribution of Value Addition	2013	%	2012	%
Remuneration	381,579,106	23	295,471,057	26
Profit on certificates of deposit	600,883,409	37	373,100,940	32
Depreciation	229,325,801	14	203,353,884	18
Taxes	76,500,000	5	73,000,000	6
Cash dividend	180,516,446	11	123,079,395	11
Profits retained	88,965,932	6	37,784,495	3
Statutory reserves	68,000,000	4	41,000,000	4
	1,625,770,694	100	1,146,789,771	100

Distribution of Value Addition 2013

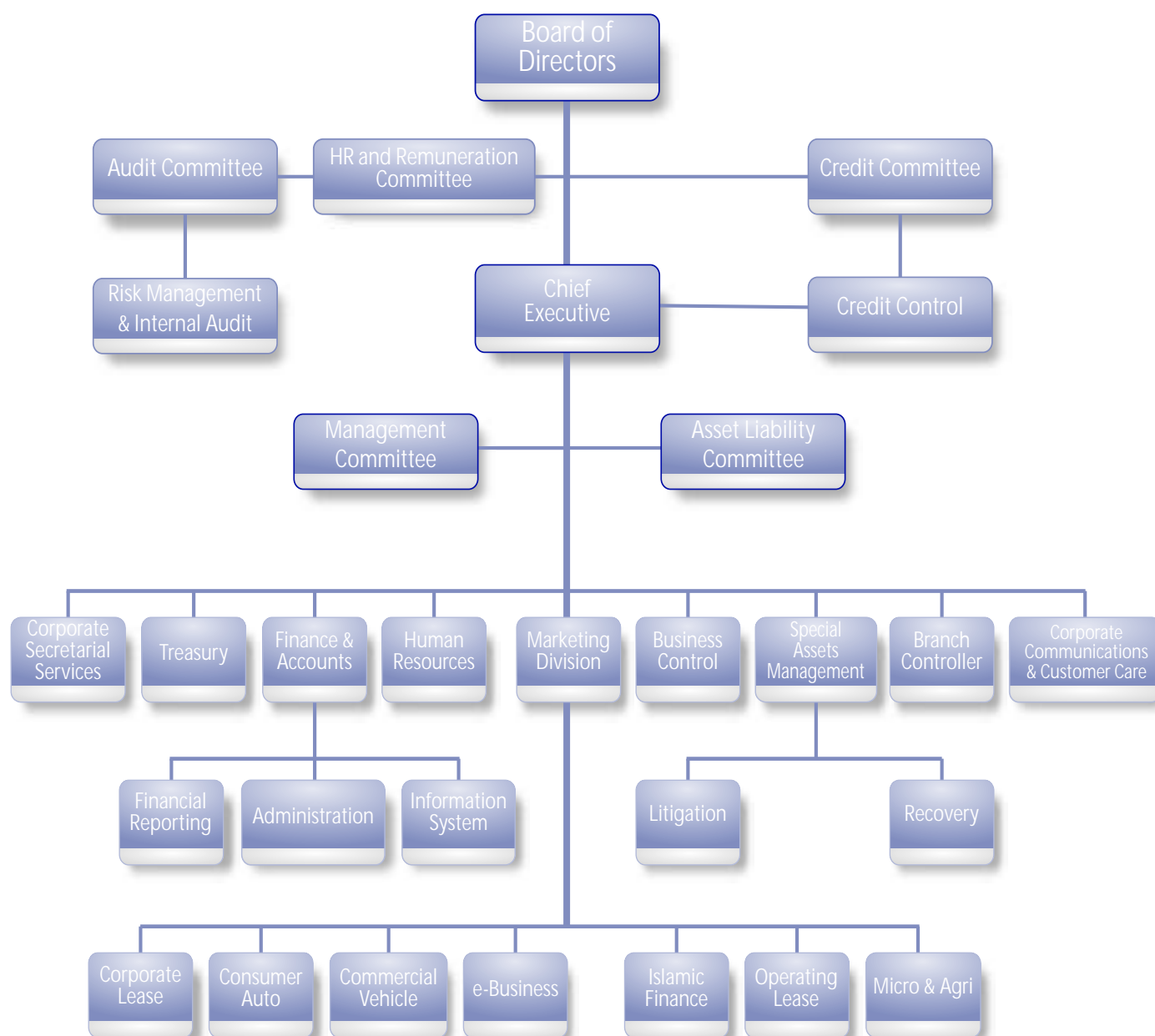


Distribution of Value Addition 2012



Organization Chart

ORIX Leasing Pakistan Limited





Board of Directors

Standing Left to Right:
Mr. Harukazu Yamaguchi
Mr. Shaheen Amin
Mr. Humayun Murad
Mr. Kunwar Idris
Mr. Shahid Aziz Siddiqui
Mr. Teizoon Kisat
Mr. Shahid Usman
Mr. Kazuhito Inoue

Non Executive Director
Non Executive Director
Non Executive Director
Chairman
Non Executive Director
Chief Executive
Non Executive Director
Non Executive Director



Directors' Profile

Mr. Kunwar Idris

Chairman



Mr. Idris holds a masters degree in Political Science from the Punjab University and a Diploma in Public Administration from Cambridge University, UK. He joined the Civil Services of Pakistan in 1957 and served in various capacities for 37 years among others, as Transport Secretary, Home Secretary and Chief Secretary of Sindh. Mr. Idris retired as Secretary, Federal Ministry of Petroleum & Natural Resources. He also served as Chief Executive of Pakistan Automobile Corporation and Bankers Equity. Mr. Idris presently serves on the boards of a number of companies.

Mr. Shahid Aziz Siddiqui*

Non Executive Director



Mr. Shahid Aziz Siddiqui holds a masters degree from Karachi University and a post graduate degree in Development Economics from the University of Cambridge UK. Mr. Siddiqui joined Civil Services of Pakistan in 1968 and has served in various senior positions in Federal and Provincial Governments which include Commissioner, Karachi Division and Deputy Commissioner of the Districts of Thatta, Sanghar and Larkana. He also held the positions of Managing Director, Rice Export Corporation of Pakistan, Chairman National Highways Authority, Director General Ports and Shipping and Director, Labour, Sindh. He recently retired as Chairman, State Life of Corporation of Pakistan and is presently Chairman, Sui Southern Gas Company Limited. Mr. Siddiqui is a Certified Board Director by Pakistan Institute of Corporate Governance/ IFC.

* Resigned on 25th September, 2013

Directors' Profile

Mr. Humayun Murad

Non Executive Director



Mr. Murad is an FCA from the Institute of Chartered Accountants of England and Wales. He carries professional experience of four decades in Pakistan and UK mainly in the financial sector. Mr. Murad joined OLP in 1986 as Deputy Managing Director and took over as Managing Director in 1989, a position he served until December 31, 2010. He has been awarded Sitara-e-Imtiaz by the Government of Pakistan for services to Pakistan's leasing industry. Mr. Murad is currently serving as CEO of ORIX Corporation's operations in Middle East, North Africa and CIS.

He is serving as a Director on the Board of OLP, OPP (Pvt.) Ltd. and ORIX Group company in UAE. He also serves as Director on the Boards of Samba Bank Limited and Pak Oman Asset Management Company Limited.

Mr. Harukazu Yamaguchi

Non Executive Director



Mr. Yamaguchi graduated from Hosei University, Japan in 1987 and joined ORIX Corporation in 1990. Mr. Yamaguchi has served in various senior positions within ORIX Corporation, Japan and abroad. Currently he is serving as Executive Vice President, Global Business and Alternative Investment Headquarter in Japan. He also serves as Director on the Boards of other overseas ORIX Group Companies.

Directors' Profile

Mr. Shahid Usman

Non Executive Director



A fellow member of the Institute of Cost & Management Accountants of Pakistan, Mr. Usman has held senior management positions in Pakistan and abroad. He has previously served as Director Operating Information, Port Qasim Authority and SEVP / Deputy General Manager & CFO, Pakistan Kuwait Investment Company. Mr. Usman has held Directorships in a variety of companies i.e. QICT, General Tyre, Pak-Kuwait Takaful Co., Al- Mal Securities Limited. He is currently serving as independent director on OLP's Board.

Mr. Shaheen Amin

Non Executive Director



Mr. Amin joined OLP in December 1986 and after serving in various capacities was appointed Deputy Managing Director in January, 1992. Mr. Amin was appointed the founding General Manager of Oman ORIX Leasing Company SAOG in 1993 and was appointed the founding General Manager of Saudi ORIX Leasing Company in the year 2000. Mr. Amin has an MBA from Booth School of Business, University of Chicago and an Executive MS in Risk Management from Stern School, New York University.

Mr. Amin also serves on the Board of ORIX Group companies in Oman and Egypt.

Directors' Profile

Mr. Kazuhito Inoue

Non Executive Director



A graduate of Waseda University, Mr. Inoue joined ORIX Corporation in 1989 and has served at various senior level positions in ORIX Group Companies in Japan, UK, USA and UAE. Mr. Inoue is currently serving as Deputy Representative, ORIX Corporation, Representative Office in Dubai, UAE. He also holds directorships in ORIX Group Companies in the Middle East, North Africa and CIS.

Mr. Teizoon Kisat

Chief Executive



Mr. Teizoon Kisat is a fellow member of the Institute of Chartered Accountants of Pakistan. After completing his education and professional training in 1983, he started his career in a premier accounting firm of Pakistan. Later he joined a reputed audit practice firm in Saudi Arabia. Mr. Kisat has been associated with the leasing sector since 1995. He served different leasing companies in Pakistan until 2000 when he joined ORIX Leasing Pakistan Limited. Mr. Kisat assumed the office of Managing Director and CEO of ORIX Leasing Pakistan Limited on 1st January, 2011. OLP has made a strong turnaround under the Leadership of Mr. Kisat despite various challenges. He has served on the Board of Oman ORIX Leasing Company SAOG. He is also on the Board of ORIX Leasing Egypt SAE and OPP (Private) Limited.

Corporate Information

Board of Directors



Mr. Kunwar Idris	Chairman
Mr. Shahid Aziz Siddiqui	Non Executive Director
Mr. Humayun Murad	Non Executive Director
Mr. Harukazu Yamaguchi	Non Executive Director
Mr. Shahid Usman	Non Executive Director
Mr. Shaheen Amin	Non Executive Director
Mr. Kazuhito Inoue	Non Executive Director
Mr. Teizoon Kisat	Chief Executive

Audit Committee

Mr. Shahid Usman	Chairman
Mr. Shahid Aziz Siddiqui	Member
Mr. Shaheen Amin	Member
Mr. Kazuhito Inoue	Member

Credit Committee

Mr. Shaheen Amin	Member
Mr. Teizoon Kisat	Member
Mr. Ramon Alfrey	Member
Mr. Amjad Iqbal	Member

Human Resource and Remuneration Committee

Mr. Shahid Aziz Siddiqui	Chairman
Mr. Kazuhito Inoue	Member
Mr. Teizoon Kisat	Member

Corporate Information



Chief Financial Officer

Mr. Ramon Alfrey

Company Secretary

Ms. Effat Assad

Head of Internal Audit & Secretary to Audit Committee

Ms. Maryam Aziz

Head of Credit

Mr. Amjad Iqbal

Senior Management

Mr. Arshad Abbas	General Manager - Commercial Vehicle Division
Mian Faisal Riaz	General Manager - Corporate Lease
Mr. Hiralal Bharvani	General Manager - Treasury
Mr. Ayub Khan	General Manager - Special Assets Management
Mr. Irfan Ahmed	General Manager & Branch Controller (Northern Region)
Mr. M. Ismail Khan	Head - Business Control
Ms. Aseya Qasim	Head - Micro Finance / Agri Lease
Mr. Asim Shafique	Head - Operating Lease
Mr. Mujahid Ali Mirza	Head - Islamic Finance
Mr. Abid Hameed	Senior Manager, e-Business
Mr. M. Moizuddin	Head - Information Systems
Ms. Iffat Hina	Head - Human Resource

Corporate Information

Banks and Lending Institutions

Allied Bank Limited	ING Bank Limited, Japan Branch
Askari Bank Limited	International Finance Corporation
Bank Alfalah Limited	JS Bank Limited
BankIslami Pakistan Limited	National Bank of Pakistan
Citibank Japan Limited	Pak Brunei Investment Company Limited
Citibank N. A.	Pak China Investment Company Limited
ECO Trade & Development Bank	PAIR Investment Company Limited
Faysal Bank Limited	Pakistan Poverty Alleviation Fund
Habib Bank Limited - Islamic Banking	Standard Chartered Bank (Pakistan) Limited
Habib Metropolitan Bank Limited	Standard Chartered Sadiq
HSBC Bank Middle East Limited	The Bank of Punjab
United Bank Limited	The Bank of Tokyo-Mitsubishi UFJ, Limited

Auditors

M/s A. F. Ferguson and Company, Chartered Accountants

Shariah Advisor

Mufti Ibrahim Essa

Legal Advisors

M/s Mansoor Ahmad Khan & Co.

M/s Walker Martineau & Saleem

Registrar and Share Transfer Office

M/s THK Associates (Private) Limited

Ground Floor, State Life Building No. 3,

Dr. Ziauddin Ahmed Road, Karachi.

Registered Office

Islamic Chamber of Commerce Building, Ground Floor,

ST - 2/A, Block 9, KDA Scheme No. 5, Clifton, Karachi - 75600

Head Office

ORIX Building, Plot No. 16, Sector No. 24,

Korangi Industrial Area, Karachi- 74900

Notice of the Annual General Meeting

Notice is hereby given that the Twenty-Seventh Annual General Meeting of ORIX Leasing Pakistan Limited will be held at the Beach Luxury Hotel M.T. Khan Road, Karachi, on Monday, October 28, 2013 at 2:30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited financial statements together with the Directors' and Auditors' Report for the year ended June 30, 2013.
2. To approve the payment of cash dividend to the shareholders at the rate of Rs. 2.2 per share of Rs. 10 each for the year ended June 30, 2013.
3. To appoint Auditors and fix their remuneration. The present Auditors, Messrs A.F.Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS (Statement Attached)

4. To approve changes in Memorandum and Articles of Association.
5. To approve remuneration of the Chief Executive.
6. To transact any other business with permission of the Chair.

Karachi: September 25, 2013

BY ORDER OF THE BOARD

Effat Assad

Company Secretary

Notes:

1. The Register of Members of the Company shall remain closed from October 19, 2013 to October 28, 2013 (both days inclusive). Transfers received in order at our registrars, Messrs. THK Associates (Private) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi at the close of business on October 18, 2013, will be treated in time for the purpose of attending the meeting and payment of dividend.
2. A Member entitled to attend and vote at the General Meeting of Members is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not be a Member of the Company.
3. The instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting. A form of proxy is enclosed. Shareholders are requested to notify any change of address immediately.
4. CDC account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

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.

Notice of the Annual General Meeting

- (ii) In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature of the nominees shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies:

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form accordingly.
 - (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - (iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - (iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.
 - (v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
5. In accordance with the notification of the Securities and Exchange Commission of Pakistan, SRO 779(I) 2011 dated August 18, 2011 and SRO 831(1)/2012 dated July 5, 2012 dividend warrants should bear CNIC numbers of the registered member or the authorized person, except in case of minor(s) and corporate members.

Accordingly, Members who have not yet submitted copy of their valid CNIC / NTN (in case of corporate entities) are requested to submit the same to the company, with Members, folio no. mentioned thereon, for updating record.

Statement under section 160 (1) (b) of the Companies Ordinance, 1984 in respect of special business and related draft resolutions

Material facts concerning the special business to be transacted at Annual General Meeting and the proposed resolution related thereto are given below.

ITEM No. 4 OF AGENDA – CHANGES IN MEMORANDUM AND ARTICLES OF ASSOCIATION

The Management of ORIX Leasing Pakistan Limited intends to alter the various clauses of Memorandum of Association to bring them in line with NBFC (Establishment and Regulation) Rules, 2003, NBFC and Notified Entities Regulations, 2008 and provisions of Companies Ordinance, 1984;

The management of ORIX Leasing Pakistan Limited further intends to amend the existing Articles of Association (AoA) of the Company with the objective of updating ORIX Leasing Pakistan Limited's existing AoA after taking into account amendments made in the Companies Ordinance 1984.

The proposed changes have been duly approved by Karachi Stock Exchange [KSE] vide their letter No.KSE/GEN-3589 dated June 28, 2013 and KSE/GEN-4472 dated August 22, 2013.

Shareholders' approval for the above amendments is recommended as per the attached comparative statement of existing and proposed amendments in the Memorandum and Articles of Association. The Members are requested to pass the following as a Special Resolution:

Notice of the Annual General Meeting

"Resolved

that subject to approval of Regulatory Authorities and in accordance with the requirements of Companies Ordinance 1984, the Memorandum and Articles of Association of ORIX Leasing Pakistan Limited be amended as per attached booklet regarding proposed comparative changes to be made in the Memorandum and Articles of Association of ORIX Leasing Pakistan Limited.

Further Resolved

that the Chief Executive and Company Secretary of the Company are hereby jointly and severally authorised to take such steps and actions deemed necessary to give effect to the aforesaid resolution including filing of petition under sections 21 and 28 of the Companies Ordinance, 1984 with the Securities and Exchange Commission of Pakistan".

ITEM No. 5 OF AGENDA – Remuneration of Chief Executive

Shareholders' approval is required for the holding of office for profit of the Chief Executive and his remuneration. It is, therefore, proposed to pass the following as an Ordinary Resolution:

"Resolved

that approval is hereby given for the holding of office of profit with the Company by the Chief Executive and for payment of remuneration not exceeding Rs. 26.7 million for the year ending June 30, 2014 (2013: Rs. 22.2 million), together with other benefits in accordance with rules of the Company."

The Chief Executive is interested to the extent of the remuneration payable to him.

Report of the Directors

The Directors of ORIX Leasing Pakistan Limited (OLP/ the Company) are pleased to present the Twenty Seventh Annual Report together with audited financial statements of the Company for the year ended June 30, 2013.

THE COMPANY

OLP, established 27 years ago in 1986 as a leasing company, is licensed to carry out leasing business as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 issued by the Securities and Exchange Commission of Pakistan (SECP).

OLP's traditional business is equipment and vehicle leasing. While that remains the core business, the Company has added several other products to diversify its business portfolio and spread risk. The Company has also spread geographically and is playing a key role in establishing joint ventures in the Middle East, North Africa and Central Asia. It also provides management personnel to its associate companies.

FINANCIAL INFORMATION

The financial results of the Company are summarized below:

	In Rupees	
	2013	2012
Profit before taxation	413,982,378	274,863,890
Less: Taxation	76,500,000	73,000,000
Profit after taxation	337,482,378	201,863,890
Earnings per share - basic and diluted	4.11	2.46
Appropriations:		
- Transfer to Statutory Reserves	68,000,000	41,000,000

DIVIDEND

The Directors are pleased to recommend a cash dividend of 22% for the year ended June 30, 2013 (2012: 15%)

OVERVIEW OF THE ECONOMY

Pakistan's economy achieved a GDP growth of 3.6% despite power and gas shortage, terrorism, disturbed law and order situation, floods, rains etc. Shortage of power has been the biggest constraint and is believed to have retarded GDP growth by 2%. The economy nevertheless, has shown growth in large scale manufacturing and agriculture.

Inflation has fallen to a single digit. The State Bank reduced its policy rate by 250 bps points which helped the economy. Stock markets showed robust growth mainly due to relatively stable political environment.

Foreign Direct Investment, which had fallen to an all time low of USD 820 million in 2012, recovered to rise to USD 1.4 billion. With limited external financing, the burden of financing the fiscal deficit of 8.8% fell on domestic resources with high Government borrowings leaving little room for private sector credit which actually declined. With IMF approving a new facility, the declining foreign currency reserves are expected to stabilise restoring the confidence of overseas investors and donors. The Government is also paying greater attention to circular debt, energy shortage and law and order which should help revive the economy.

FINANCIAL PERFORMANCE

Rising above many challenges, the Company's business grew more particularly in the small and medium enterprise (SME) sector which is backbone of the economy but underserved by the banking sector. The Company capitalised

Report of the Directors

on this niche market with prompt customer service. While overall non performing loans (NPLs) of the banking sector continue to rise, the Company controlled its overdues and brought down the non performing portfolio.

In order to maintain stable access to funding and to reduce finance cost, OLP focused on retail deposits resulting in improved liquidity levels and lower financial costs. Retail depositors showed confidence in the Company by increasing their investment to Rs. 5.6 billion from Rs. 3.4 billion last year, a growth of 65%.

Our profit oriented strategy and emphasis on risk management enabled us to increase the net profit after tax by 67% to Rs. 337 million from Rs. 202 million last year.

BUSINESS REVIEW

In a difficult economic situation, the Company recorded growth in business for the first time after the financial crisis of 2008. Overall disbursements in the year showed a 15.3% increase at Rs. 9.0 billion compared to Rs. 7.8 billion last year. Vehicles continued to be the major leased asset. The contribution of vehicles and machinery in total disbursements stood at 77% and 23%, respectively. The Company focused on sectoral diversification to minimise credit risk. Highest exposure of 18.8% was registered in Transport sector followed by the Services sector with an exposure of 10.7%.

REVENUE

Revenue from finance leases and installment loans at Rs. 1.9 billion (2012: Rs. 2.0 billion) was 5% lower on a slightly reduced lease portfolio of Rs. 15.9 billion (2012: Rs. 16.0 billion). This was due to reduction in lease rates after the State Bank reduced its policy rate.

Operating lease revenues showed an impressive increase of 18% at Rs. 850 million compared to Rs. 717 million in the previous year. Short-term generator rentals were the major contributor towards the Company's operating lease business.

Mark up on term finance revenue increased by 69% to Rs. 396.3 million compared to Rs. 233.9 million last year. The increase was mainly due to enhanced disbursement of vehicle finance during the year. The related portfolio of vehicle finance now stands at Rs. 1.8 billion (2012: Rs. 1.40 billion).

Other operating income was lower at Rs. 248.7 million (2012: Rs. 261.3 million) which was mainly due to decrease in returns on investments, deposits, and government securities owing to lower interest rates in the Country and reduction in average investments during the year.

Income from share of profit from associated companies improved to Rs. 165.2 million (2012: Rs. 123.6 million) showing an increase of 33.6%.

FINANCE COST

Finance cost at Rs. 1.65 billion was lower by 12% (2012: Rs. 1.87 billion) despite higher borrowings due to better cash management, tight control over liquidity and decrease in borrowing rates. The Company also renegotiated its existing credit lines to reduce its cost of borrowings as its credit rating went up. New long-term funding lines of around Rs. 3.3 billion were arranged at lower rates from financial institutions showing the trust the Company enjoyed in the market.

ADMINISTRATIVE & GENERAL EXPENSES

Administrative and general expenses increased to Rs. 730.6 million (2012: Rs. 585.5 million). The increase reflects both inflationary impact and expenses incurred in strengthening the operations in line with growth in the

Report of the Directors

Company's business. As the Company returned to profitability last year, staff salaries were reviewed to bring them closer to market. Advertising expense increased sharply as the Company carried out a successful campaign to boost its retail deposits. The related expenses were charged off during the year, although the Company will benefit from the campaign over a longer term.

DIRECT COST OF LEASE

Direct cost of leases which mainly represents maintenance, insurance and depreciation on operating lease assets was 20% higher at Rs. 504.4 million (2012: Rs. 419.2 million) due to additional investment of Rs. 430 million in operating lease/ Ijarah assets and expenditure on maintaining operating lease assets.

ALLOWANCE FOR POTENTIAL LOSSES

An amount of Rs. 207.6 million (2012: Rs. 188.4 million) has been provided during the year to meet potential future losses. The Company's prudent provisioning policy over the past few years has resulted in increasing its provisioning coverage ratio for accounts overdue by more than 90 days to 86.7% without accounting for forced sale value of underlying assets. All overdue accounts exceeding 90 days are not impaired.

ASSOCIATED COMPANIES

Operations of overseas associated companies in Egypt, Saudi Arabia, United Arab Emirates and Kazakhstan are managed by Chief Executives on secondment from OLP. Details of the Company's share in associates' profits are given in Note No. 33 to the financial statements.

Significant improvements in earnings were reported in Oman and Saudi Arabia with OLP's share in their profit increasing by 22.3% and 17.2%, respectively. The Company's UAE associate has also made a good recovery this year. ORIX Egypt's profits were 13.9% lower as the Egyptian economy remained under strain. Loss on account of SK Leasing in Kazakhstan remained at the same level as last year. The company has yet to restructure its operations. OLP's share in loss of OPP (Private) Limited, which operates serviced apartments in Lahore, reduced to Rs. 9.4 million for the year (2012: Rs. 22.5 million)

AWARDS & RECOGNITION

The NBFI and Modaraba Association of Pakistan recognized the performance and contribution of the Company through a Performance Award. OLP also received Brand of the Year Award for 2012.

RISK MANAGEMENT

The Company follows policies aimed at managing risks prudently. The processes and guidelines are overviewed by the Board of Directors and supervised on an ongoing basis by the Audit and Management Committees. The main risks facing the Company are summarized below:

Credit Risk

Credit risk refers to the failure of a borrower to fulfil its financial obligations as and when they fall due. This risk is inherent in the business of the Company. To mitigate it, the Company evaluates transactions under established procedures for credit approvals, collateral and guarantee requirements through an independent credit department which evaluates customers' credit worthiness and obtains adequate securities.

Liquidity Risk

Liquidity risk arises when the Company is unable to meet its financial obligations as they fall due. The Company ensures that sufficient funds are available over a range of market conditions and strives to match its lending and borrowing terms.

Report of the Directors

Interest Rate Risk

Interest rate risk arises when cash flows of a financial instrument fluctuate because of changes in market interest rates primarily in long-term debt obligations with floating interest rates and variable rate financial assets. To mitigate this risk the Company tries to maintain a balance between fixed and variable rate financial instruments. The Company also uses derivatives to hedge against interest rate risk.

Operational Risk

As the business expands, operational risk management has become a critical component of the risk management policy. To manage the risk, OLP continually reviews and strengthens internal controls.

The Company has introduced many initiatives towards this end and enhanced the role of Management Committee to supervise operational risk management more effectively.

CORPORATE GOVERNANCE

To achieve highest standards of Corporate Governance going beyond the Code of Corporate Governance, OLP has established a transparent corporate governance system. The Board is chaired by an independent Director of long-standing and two independent Directors head the Audit Committee and Human Resource and Remuneration Committee. The Credit Committee includes a Non Executive Director and three executives, each having over 20 years of leasing experience.

The Management Committee comprising of Divisional Heads is also involved in strategies, planning, and development of new products. Policy decisions relating to Investment, compensation and information technology are taken by Investment committee, Human resource review panel and Information technology steering committee.

INTERNAL CONTROL AND COMPLIANCE

The management has built and implements internal controls to ensure accuracy and reliability of financial reporting. Review and monitoring of internal controls is an on-going process. The Chief Internal Auditor, a Chartered Accountant with 11 years experience with ORIX group is reporting directly to the Audit Committee. Intra departmental audit, post disbursement credit audit and compliance reviews are carried out to ensure compliance with relevant rules and regulations.

FUNDING

The Company continues to maintain diversified funding sources to match long term assets with long term debt. In the current fiscal year, the Company generated Rs. 2.2 billion in incremental retail deposits with long term deposits comprising 80% of the total retail deposits. Loans from local and multilateral financial institutions comprised 57% of total borrowings. OLP also issues bonds (TFC's) to tap capital markets. The Company has sufficient financing in place to fund growth.

CORPORATE SOCIAL RESPONSIBILITY

OLP takes pride in being a responsible corporate citizen. It also supports many welfare schemes for the underprivileged. The Company and its staff actively participate in relief efforts whenever any unfortunate natural calamity hits the Country.

OLP's microfinance is also a step in this direction. With 9 branches across Punjab, we are providing credit to thousands of low-income individuals on group lending basis using the Grameen Bank model. OLP disburses an average of Rs. 30 million to hundreds of customers every month.

Report of the Directors

Donations are also made in the areas of health, education, poverty alleviation and disaster relief.

ENERGY CONSERVATION MEASURES

OLP has taken steps to conserve energy through energy savers and LED lights in its office building. It is also considering installing solar panels at its branches.

HUMAN RESOURCES

OLP's success is founded on the high quality and vast experience of its employees. The Human Resources Division arranges in-house as well as external training programmes covering diverse skills. The Company maintains well equipped Learning Centres for in-house training sessions. For staff stationed outside the main cities, the Company arranges orientation programmes at the main offices to improve internal communications and understanding of systems.

MARKET SHARE

OLP is the largest leasing Company in the Country and plays a significant role in the development of SME sector. The Company has disbursed over Rs.115 billion, mostly to SMEs, since its inception. According to the NBFIs and Modaraba Association of Pakistan's annual year book 2012, OLP's market share is as follows:

(Rs. in million)

	NBFIs	OLP	% of OLP share
Total Assets	69,616	21,997	31.6%
Total Equity	17,228	2,461	14.3%
Investment in lease finance *	35,710	15,285	43.0%

*The figures comprises of gross investment in lease finance net of allowance for potential lease losses.

BUSINESS ETHICS

OLP's Code of Conduct provides a clear framework within which employees must conduct themselves confirming with highest standards of ethics and compliance with laws, rules and regulations. It requires employees to work proficiently and maintain highest level of confidentiality and fairness and show due courtesy to customers and other stakeholders.

During the year, the Company introduced Whistle Blowing and Grievance Management Policies for transparency of operations.

CUSTOMER SERVICE

Service excellence is a forte of OLP. A well established after sales system is the major reason for customers to maintain a long standing relationship. Our service standards based on rapid response are acknowledged by OLP's customers and depositors.

FUTURE OUTLOOK

The Country's economy and financial market are showing improvement though Karachi's law and order remains a hindrance to growth. Security, of late, is however getting special attention of the federal government.

The foreign investment prospects in energy and infrastructure projects also look bright. The economic recovery will surely present business opportunities. Helped by a dedicated team of professionals, team work, a unique corporate culture, Countrywide branch network and a large customer base OLP expects to perform even better in the coming years.

Report of the Directors

DIRECTORS' DECLARATION

1. The financial statements prepared by the management of ORIX Leasing Pakistan Limited present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
2. Proper books of accounts of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Company's ability to continue as a going concern.
7. Details of significant deviations in the Company's operating results during the year ended June 30, 2013 are stated in the Directors' Report.
8. Key operating and financial data for the last six years in summarized form is given at page No. 22.
9. The value of investments of the recognized provident fund as at June 30, 2013 was Rs. 270.3 million (un-audited) and as at June 30, 2012 was Rs. 242.8 million (audited). The value of investments of the Company's recognized gratuity fund as at June 30, 2013 was Rs. 90.7 million (un-audited) and as at June 30, 2012 was Rs. 84.3 million (audited).
10. No trading in shares of the Company was carried out by the Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouses and minor children during the year.
11. A Director acquired certification of Directors Training Programme conducted by the Institute of Chartered Accountants of Pakistan. At the close of the financial year, 5 out of 8 Directors meet the requirements of the Code of Corporate Governance with respect to Directors training and the remaining Directors will complete the required training in the time allowed by the Code.
12. During the year, four meetings of the Board of Directors, six meetings of the Audit Committee and two meetings of the Human Resource and Remuneration Committee were held. The non resident Directors, who were unable to attend the meetings, constantly followed the progress of the Company and proceedings of the Board.

BOARD OF DIRECTORS MEETINGS

Name of Director	Meetings Attended	Name of Director	Meetings Attended
Mr. Kunwar Idris	3	* Mr. Yoshiaki Matsouka (Non resident)	0
Mr. Shahid Aziz Siddiqui	4	Mr. Shaheen Amin (Non Resident)	3
Mr. Humayun Murad (Non Resident)	3	Mr. Kazuhito Inoue (Non Resident)	4
Mr. Shahid Usman	4	Mr. Teizoon Kisat	4
** Mr. Harakazu Yamaguchi (Non Resident)	0		

* Resigned on December 10, 2012

** Appointed on December 11, 2012

Leave of absence was granted to Directors who could not attend the Board meetings

Report of the Directors

AUDIT COMMITTEE MEETINGS

Name of Director	Meetings Attended	Name of Director	Meetings Attended
Mr. Shahid Usman	6	Mr. Shaheen Amin (Non Resident)	5
Mr. Shahid Aziz Siddiqui	6	Mr. Kazuhito Inoue (Non Resident)	3

HUMAN RESOURCE AND REMUNERATION COMMITTEE MEETINGS

Name of Director	Meetings Attended	Name of Director	Meetings Attended
Mr. Shahid Aziz Siddiqui	2	Mr. Kazuhito Inoue (Non Resident)	2
Mr. Teizoon Kisat	2		

BOARD CHANGES

On December 10, 2012, consequent to his reassignment within ORIX Corporation, Mr. Yoshiaki Matsouka resigned as Director. To fill the vacancy, Mr. Harakazu Yamaguchi, Executive Vice President, Global Business Administrative Headquarters, ORIX Corporation, was appointed as Director on December 11, 2012.

Subsequent to the year end, on September 25, 2013 Mr. Shahid Aziz Siddiqui, nominee of State Life Insurance Corporation of Pakistan (SLIC) resigned as Director. SLIC has nominated Mr. Alamuddin Bullo, Chairman, SLIC, to fill the casual vacancy. Mr. Bullo's appointment is subject to approval of the Securities and Exchange Commission of Pakistan.

The Board wishes to place on record its appreciation for the valuable contribution made by Mr. Yoshiaki Matsuoka during the tenure of his directorship.

The Directors also place on record their deep appreciation and gratitude to Mr. Shahid Aziz Siddiqui for his valuable contribution as Director, Chairman Human Resource and Remuneration Committee and Member Audit Committee.

CREDIT RATING

The Pakistan Credit Rating Agency Limited (PACRA) has upgraded the Company's long term rating to AA+ (Double A plus) and maintained its short term rating of A1+ (A One plus). These are among the highest ratings in the Non-Banking Financial Sector denoting the lowest expectation of credit risk emanating from a strong capacity for timely repayment of financial commitments.

PARENT COMPANY

ORIX Corporation, Japan and its nominees hold 49.59% of the Company's equity.

AUDITORS

The present auditors M/s. A.F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Audit Committee has recommended appointment of retiring auditors for the year ending June 30, 2014.

PATTERN OF SHAREHOLDING

The pattern of shareholding as at June 30, 2013 is attached at page no. 111 .

Report of the Directors

ACKNOWLEDGEMENT

The Board greatly appreciates the support extended by the regulatory authorities, customers, lending institutions, business partners and will do whatever lies in its scope to keep their trust.

The Directors also place on record their appreciation to staff members at all levels for their dedication, hard work and commitment to quality and customer services. The success of the Company could not have been achieved without their contribution and high standards of professionalism.

We strongly value the support of shareholders and depositors who have maintained their confidence in the resilience of the Company.

On Behalf of the Board



Teizoon Kisan
Chief Executive

Dated: September 25, 2013

Statement of Compliance with the Code of Corporate Governance

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

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

1. The Company encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	1. Mr. Kunwar Idris
	2. Mr. Shahid Aziz Siddiqui
	3. Mr. Shahid Usman
Non-Executive Directors	1. Mr. Humayun Murad
	2. Mr. Harukazu Yamaguchi
	3. Mr. Shaheen Amin
	4. Mr. Kazuhito Inoue
Executive Director	Mr. Teizoon Kisat

The independent Directors meet the criteria of independence under clause i (b) of the CCG

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company, except one Director to whom relaxation has been granted by the Securities and Exchange Commission of Pakistan.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year one casual vacancy occurred on the Board which was duly filled.
5. 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.
6. The Board has developed vision and mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other Executive and Non-Executive Directors have been taken by the Board/Shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. A Director acquired certification of Directors Training Program conducted by the Institute of Chartered Accountants of Pakistan.

Statement of Compliance with the Code of Corporate Governance

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee, it comprises of four members, of whom two are non-executive Directors and the Chairman and one member of the Committee are independent Directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of three Members, of whom one is a Non-Executive Director, one is an Executive Director and the Chairman of the Committee is an independent Director.
18. The Board has set up an effective internal audit function. The Head of Internal Audit reports directly to the Audit Committee.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partner are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to Directors, employees and stock exchanges.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles enshrined in the CCG have been complied with.



Teizoon Kisat
Chief Executive

Dated: September 25, 2013

Shariah Advisor's Report

بسم الله الرحمن الرحيم

ORIX Leasing Pakistan Limited established Islamic Finance Division (IFD) on 1st April 2011. OLP-IFD, with the consultation of undersigned, developed and executed the following two Shariah Compliant products:

Ijarah and Diminishing Musharakah

By the grace of Allah, the year under review, was the second year of Islamic financing in ORIX Leasing Pakistan Limited. During this year OLP extended the Islamic finance network to its branches which is the evidence of sincerity of Management towards Islamic Finance. In this year OLP-IFD executed the transactions of Ijarah and Diminishing Musharakah amounting to Rs.154.0 Million.

In the capacity of Shariah Advisor, I have to report on the Shariah compliance in affairs of OLP-IFD as well as accessory factors which contribute to the former, like training etc.

Shariah Compliance:

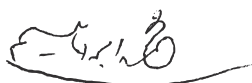
The two wings of OLP-IFD are funding arrangement and investments of these funds. Shariah compliance needs to be ensured at both ends. Based on my review of both the wings, I report that the business affairs of OLP-IFD have been carried out in accordance with rules and principles of Shariah and OLP-IFD get the approval of undersigned before the disbursement and execution of each and every transaction.

I certify that the treasury function and accounting treatment of the products are conforming to Shariah requirements.

Islamic Finance Training:

Human resource is the key determinant in success or failure of any product. By training and educating the employees' risk of non-compliance can be mitigated to a large extent. At OLP-IFD undersigned conducted various training sessions on the products in which the staff of every department of OLP participated. Further, the institution facilitated some employees for training of Islamic Finance in a recognized training institute i.e. Centre for Islamic Economics (C.I.E).

Alhamdulillah, OLP is working sincerely on the development and refinement of its Islamic products to make them more attractive to the clients. May Allah make us successful in this regard and accept our efforts. In addition to this, I would like to take this opportunity to offer praise to Almighty Allah and seek His Guidance and Blessing and to express my wishes for further progress, development, and prosperity of ORIX Leasing Pakistan Limited and Islamic Finance.



Mufti Ibrahim Essa
Shariah Advisor
ORIX Leasing Pakistan Limited





A. F. FERGUSON & CO.

Review Report to the Members

on the statement of compliance with the best practices of the code of corporate governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **ORIX Leasing Pakistan Limited** to comply with the Listing Regulation No. 35 of Chapter XI contained in the Listing Regulations issued by the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

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

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Sub-Regulation (x) of Listing Regulation No. 35 as notified by the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length prices recording proper justification for using such alternate pricing mechanism. All such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of the requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

Chartered Accountants
Dated: September 27, 2013
Karachi





A. F. FERGUSON & CO.

Auditors' Report to the Members

We have audited the annexed balance sheet of **ORIX Leasing Pakistan Limited** (the Company) as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2013 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

The financial statements of the Company for the year ended June 30, 2012 were audited by another firm of Chartered Accountants whose report dated September 20, 2012 expressed an unmodified opinion on those financial statements.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: October 2, 2013

Karachi





Financial Performance



Balance Sheet

as at
June 30, 2013

	Note	2013	2012
		Rupees	
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,559,985,177	1,356,922,314
Intangible assets	5	33,689,025	87,700,657
Net investment in finance lease	6	15,971,003,855	16,000,021,122
Current maturity	12	(7,158,500,149)	(7,445,530,037)
Allowance for potential lease losses	37	(766,942,528)	(714,915,974)
		(7,925,442,677)	(8,160,446,011)
		8,045,561,178	7,839,575,111
Investment in associated undertakings	7	1,710,670,971	1,567,993,170
Long term investments	8	13,685,902	17,635,570
Long term finances and loans	9	843,841,604	757,129,221
Long term deposits		14,370,914	13,767,914
		12,221,804,771	11,640,723,957
Current assets			
Short term finances	10	243,467,253	228,422,241
Accrued return on investments and term finance	11	34,893,304	15,530,539
Current maturity of non-current assets	12	8,298,580,090	8,377,662,787
Short term investments	13	1,599,527,840	737,619,471
Advances and prepayments	14	51,961,265	103,089,324
Other receivables	15	313,334,784	495,006,915
Cash and bank balances	16	230,606,639	336,372,619
Taxation - net		86,860,265	49,129,572
Assets classified as held for sale	17	13,034,272	13,096,354
		10,872,265,712	10,355,929,822
Total assets		23,094,070,483	21,996,653,779
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
350,000,000 (2012: 350,000,000) Ordinary shares of Rs. 10 each		3,500,000,000	3,500,000,000
Issued, subscribed and paid-up capital	18	820,529,300	820,529,300
Reserves		1,791,764,009	1,555,635,712
		2,612,293,309	2,376,165,012
Surplus on revaluation of leasehold land and office building	19	83,076,917	85,044,713
Non-current liabilities			
Long term finances	20	3,322,835,992	2,273,603,118
Long term loans	21	913,949,711	1,938,186,558
Long term certificates of deposit	22	4,341,478,968	2,272,541,812
Long term deposits	23	3,823,977,715	3,585,739,883
Deferred taxation	24	352,807,148	284,302,452
		12,755,049,534	10,354,373,823
Current liabilities			
Trade and other payables	25	382,617,881	291,026,309
Accrued interest / mark-up on loans, finances and certificates of deposit	26	592,840,572	542,826,711
Short term borrowings	27	935,948,593	946,741,568
Short term certificates of deposit	28	1,070,219,108	956,842,830
Current maturity of non-current liabilities	29	4,662,024,569	6,443,632,813
		7,643,650,723	9,181,070,231
Total equity and liabilities		23,094,070,483	21,996,653,779
Contingencies and commitments	30		

The annexed notes 1 to 51 form an integral part of these financial statements.


Teizoon Kisat
Chief Executive


Kunwar Idris
Chairman



Profit and Loss Account

for the year ended
June 30, 2013

	Note	2013	2012
		-----Rupees-----	
INCOME			
Income from operations			
Finance lease		1,900,146,644	2,013,279,124
Operating lease	31	850,049,101	717,272,847
Mark-up on term / factoring finance		396,283,507	233,933,548
		3,146,479,252	2,964,485,519
Income from other activities			
Other income - net	32	248,673,066	261,311,899
Share of profit of equity accounted undertakings	33	165,164,479	123,625,355
		413,837,545	384,937,254
		3,560,316,797	3,349,422,773
EXPENSES			
Finance cost	34	1,654,226,485	1,868,071,225
Administrative and general expenses	35	730,593,387	585,467,268
Direct cost of lease	36	504,435,304	419,208,309
		2,889,255,176	2,872,746,802
		671,061,621	476,675,971
Allowance for potential lease and other loan losses - net	37	207,655,934	188,404,673
Other provisions	38	49,423,309	10,419,343
Impairment on available for sale securities		-	2,988,065
		257,079,243	201,812,081
Profit before tax		413,982,378	274,863,890
Taxation	42	76,500,000	73,000,000
Profit for the year		337,482,378	201,863,890
Earnings per share - basic and diluted	48	4.11	2.46

The annexed notes 1 to 51 form an integral part of these financial statements.

Statement of Comprehensive Income

for the year ended
June 30, 2013

	2013	2012
	-----Rupees-----	
Profit for the year	337,482,378	201,863,890
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss		
Exchange difference arising on translation of foreign associates - net of deferred tax	29,929,992	44,380,678
Unrealised gain due to change in fair value of available for sale securities - net	3,414,584	3,047,400
Unrealised gain due to sale of available for sale securities transferred to profit and loss account	(3,651,381)	-
Impairment on available for sale securities transferred to profit and loss account	-	2,628,065
	(236,797)	5,675,465
Items that will not be reclassified to profit and loss	29,693,195	50,056,143
Net (loss) / gain on cash flow hedging instruments	(10,995,262)	42,583,951
Total comprehensive income for the year	356,180,311	294,503,984

The annexed notes 1 to 51 form an integral part of these financial statements.


Teizoon Kisat
Chief Executive


Kunwar Idris
Chairman



Cash Flow Statement

for the year ended
June 30, 2013

	Note	2013	2012
		-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit before working capital changes	43	2,243,620,022	2,269,168,146
(Increase) / decrease in operating assets			
Investment in finance lease - net		(79,670,803)	1,002,482,368
Long term finances and loans - net		(315,819,516)	(955,694,890)
Short term finances		(39,247,880)	4,051,377
Long term deposits		(603,000)	411,852
Advances and prepayments		51,128,059	(36,214,130)
Other receivables		10,775,349	301,089,349
		(373,437,791)	316,125,926
Increase / (decrease) in operating liabilities			
Deposits from lessees - net		24,012,333	(272,673,932)
Mark-up paid		(1,085,025,003)	(1,545,087,647)
Payment against staff retirement benefits		(11,809,803)	(8,771,600)
Profit paid on certificates of deposit		(477,877,430)	(335,449,933)
Trade and other payables		69,118,432	32,169,818
		(1,481,581,471)	(2,129,813,294)
Net cash from operating activities before income tax		388,600,760	455,480,778
Income tax paid		(55,730,693)	(48,013,172)
Net cash generated from operating activities		332,870,067	407,467,606
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred - own use and intangible assets		(55,606,189)	(69,676,907)
Proceeds from disposal of assets - own use		24,701,390	27,709,987
Capital expenditure incurred - operating lease assets		(304,579,177)	(205,838,414)
Capital expenditure incurred - Ijarah finance		(125,124,500)	(57,277,080)
Proceeds from sale of operating lease assets		60,831,000	17,850,000
Proceeds from sale of Ijarah finance assets		5,109,225	-
Purchase of right shares of equity accounted undertaking		-	(142,132,398)
Investments - net		(809,866,245)	(122,651,811)
Dividend received		71,873,506	103,587,255
Interest received		102,461,026	63,122,715
Net cash used in investing activities		(1,030,199,964)	(385,306,653)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term loans		3,322,149,646	4,087,590,000
Short term borrowings - net		(100,000,000)	-
Certificates of deposit issued - net		2,164,061,139	1,328,492,601
Repayment of long term loans and finances		(4,761,671,737)	(5,100,604,288)
Dividend paid		(122,182,156)	(81,609,931)
Net cash generated from financing activities		502,356,892	233,868,382
Net (decrease) / increase in cash and cash equivalents		(194,973,005)	256,029,335
Cash and cash equivalents at beginning of the year		139,631,051	(116,398,284)
Cash and cash equivalents at end of the year	44	(55,341,954)	139,631,051

The annexed notes 1 to 51 form an integral part of these financial statements.



Teizoon
Teizoon Kisat
Chief Executive

K. Idris
Kunwar Idris
Chairman

Statement of Changes in Equity

for the year ended
June 30, 2013

	Capital Reserves			Revenue Reserves					
	Issued, subscribed and paid-up capital	Share premium	Statutory reserve	General reserve	Unappropriated profit / (accumulated losses)	Unrealised (losses)/ gains on investment	Hedging reserve	Foreign currency translation reserve	Total shareholders equity
(Rupees)									
Balance as at July 1, 2011	820,529,300	448,603,499	653,900,000	210,000,000	(39,873,544)	2,218,268	(173,458,777)	238,767,830	2,160,686,576
Total comprehensive income for the year ended June 30, 2012									
Profit for the year	-	-	-	-	201,863,890	-	-	-	201,863,890
Other comprehensive income									
Exchange difference arising on translation of foreign associates - net of deferred tax	-	-	-	-	-	-	-	44,380,678	44,380,678
Unrealised gain due to change in fair value of available for sale securities - net	-	-	-	-	-	3,047,400	-	-	3,047,400
Impairment on available for sale securities transferred to profit and loss account	-	-	-	-	-	2,628,065	-	-	2,628,065
Net gain on hedging instruments	-	-	-	-	-	-	42,583,951	-	42,583,951
	-	-	-	-	-	5,675,465	42,583,951	44,380,678	92,640,094
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation	-	-	-	-	3,027,382	-	-	-	3,027,382
Transfer to statutory reserve	-	-	41,000,000	-	(41,000,000)	-	-	-	-
Transactions with owner recorded directly in equity-distribution									
Cash dividend @ Re.1.00 per ordinary share of Rs. 10.00 each declared on September 22, 2011	-	-	-	-	(82,052,930)	-	-	-	(82,052,930)
Balance as at July 1, 2012	820,529,300	448,603,499	694,900,000	210,000,000	41,964,798	7,893,733	(130,874,826)	283,148,508	2,376,165,012
Total comprehensive income for the year ended June 30, 2013									
Profit for the year	-	-	-	-	337,482,378	-	-	-	337,482,378
Other comprehensive income									
Exchange difference arising on translation of foreign associates - net of deferred tax	-	-	-	-	-	-	-	29,929,992	29,929,992
Unrealised gain due to change in fair value of available for sale securities - net	-	-	-	-	-	3,414,584	-	-	3,414,584
Unrealised gain due to sale of available for sale securities transferred to profit and loss account	-	-	-	-	-	(3,651,381)	-	-	(3,651,381)
Impairment on available for sale securities transferred to profit and loss account	-	-	-	-	-	-	-	-	-
Net loss on hedging instruments	-	-	-	-	-	-	(10,995,262)	-	(10,995,262)
	-	-	-	-	-	(236,797)	(10,995,262)	29,929,992	18,697,933
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation	-	-	-	-	3,027,381	-	-	-	3,027,381
Transfer to statutory reserve	-	-	68,000,000	-	(68,000,000)	-	-	-	-
Transfer to unappropriated profit	-	-	-	(210,000,000)	210,000,000	-	-	-	-
Transactions with owner recorded directly in equity-distribution									
Cash dividend @ Re.1.50 per ordinary share of Rs. 10.00 each declared on September 20, 2013	-	-	-	-	(123,079,395)	-	-	-	(123,079,395)
Balance as at June 30, 2013	820,529,300	448,603,499	762,900,000	-	401,395,162	7,656,936	(141,870,088)	313,078,500	2,612,293,309

The annexed notes 1 to 51 form an integral part of these financial statements.

Teizoon
Teizoon Kisat
Chief Executive

K. Idries
Kunwar Idries
Chairman



Notes to the Financial Statements for the year ended June 30, 2013

1 LEGAL STATUS AND OPERATIONS

ORIX Leasing Pakistan Limited ("the Company") was incorporated in Pakistan as a private limited company on July 1, 1986 under the Companies Ordinance, 1984 and was converted into a public limited company on December 23, 1987. The Company is listed on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Company is situated at Islamic Chamber of Commerce Building, Clifton, Karachi. The Company is licensed to carry out leasing business as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules) issued by the Securities and Exchange Commission of Pakistan (SECP).

- 1.1 Pakistan Credit Rating Agency Limited (PACRA) has assigned long term rating of AA+ and short term rating of A1+ to the Company as at January 30, 2013.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for the following:

- Leasehold land and office building are stated at revalued amounts.
- Derivative financial instruments are stated at fair value.
- Financial instruments at fair value through profit and loss are measured at fair value.
- Available for sale financial assets are valued at fair value.
- Obligation in respect of gratuity schemes are measured at present value.
- Financial assets classified as held to maturity are carried at amortised cost.

2.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pakistani Rupees which is the Company's functional and presentation currency. All financial information presented in Pakistani Rupees has been rounded to the nearest rupee.

Notes to the Financial Statements

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on going basis. Revision to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- (a) determining the residual values and useful lives of property, plant and equipment (Note 3.1);
- (b) allowance for potential lease and other loan losses (Note 3.4);
- (c) classification of financial assets (Note 3.6);
- (d) valuation of derivatives (Note 3.11);
- (e) provisions (Note 3.15);
- (f) recognition of taxation and deferred tax (Note 3.17);
- (g) accounting for post employment benefits (Note 3.20);
- (h) employees compensated absences (Note 3.21); and
- (i) impairment (Note 3.22).

2.5 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

The following amendments to existing standards have been published and are mandatory for the Company's accounting period beginning on or after July 01, 2012:

- (a) Presentation of Items of other comprehensive income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 01, 2012). The amendment requires that an entity present separately the items of other comprehensive income that would be reclassified to profit and loss in the future if certain conditions are met from those that would never be reclassified to profit and loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments do not have any significant impact on these financial statements other than a change in presentation of items reported under 'other comprehensive income'.

Notes to the Financial Statements

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 01, 2012 but are considered not to be relevant or do not have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

2.6 Amendments to published approved accounting standards that are not yet effective

The following are some amendments that have been published and are mandatory for the Company's accounting period beginning on or after July 01, 2013:

- (a) IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit and loss, which currently is allowed under IAS 19. Upon implementation of the said amendments, the liability of defined benefit obligation would be higher by Rs. 23.63 million while the amount of equity would be lower by the same amount as at June 30, 2013 .
- (b) Amendments to IFRS 7, 'Financial Instruments: Disclosures', (effective January 1, 2013). These contain new disclosure requirement for financial assets and liabilities that are offset in the balance sheet or are subject to master netting or similar arrangement. The amendments will not have any impact on the Company's financial statements.

There are other new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 1, 2013 but are considered not to be relevant or do not have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of these financial statements are set forth below. These accounting policies have been applied consistently to all years presented, unless otherwise specified.

3.1 Property, plant and equipment

Property, plant and equipment (except leasehold land and office buildings) are stated at cost less accumulated depreciation and impairment losses, if any. Leasehold land and office buildings are carried at revalued amounts less accumulated depreciation and subsequent impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Cost incurred to replace a component of an item of property, plant and equipment is capitalised and the asset so replaced is retired from use. All other repairs and maintenance expenditure are charged to the profit and loss account during the period in which they are incurred.

Depreciation is charged using the straight line method over its estimated useful life, at the rates specified in note 4.1, 4.2 and 4.3 to the financial statements, after taking into account residual value, except for diesel generators under operating lease assets which are depreciated on hourly usage basis. The carrying value of leasehold land is amortised over its lease term. Depreciation on additions is charged from the month the assets are available for use. No depreciation is charged in the month of disposal.

Notes to the Financial Statements

Surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains / losses on disposal of fixed assets, if any, are taken to the profit and loss account in the period in which they arise except that the related surplus on revaluation of fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

Assets having an indefinite useful life are stated at acquisition cost less accumulated impairment losses, if any.

The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Ijarah assets

Rental from Ijarah arrangements are recognised in the profit and loss account on an 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. The Ijarah assets are depreciated over the period of Ijarah on a straight line basis at the rates specified in note 4.3.

3.2 Intangible assets

Intangible assets having definite lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged as disclosed in note 5.2 applying the straight-line method over the useful lives of the assets. Amortisation is calculated so as to write-off the assets over their expected economic life at rates specified in note 5.2 to these financial statements. Amortisation is charged from the month in which the asset is available for use, while no amortisation is charged for the month in which the asset is disposed off. The residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and losses on disposals, if any, are taken to the profit and loss account in the period in which they arise.

3.3 Net investment in finance lease

Leases in which the Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. A receivable is recognised at an amount equal to the present value of the minimum lease payments, including any guaranteed residual value and unamortised initial direct cost which are included in the financial statements as "net investment in finance leases".

Notes to the Financial Statements

3.4 Allowance for potential lease and other loan losses

The allowance for potential lease and other loan losses is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on lease and other loan portfolio which can be reasonably anticipated. The allowance is increased by provisions charged to income and is decreased by charge offs, net of recoveries.

Calculating the allowance for potential lease and other loan losses is subject to numerous judgments and estimates. In evaluating the adequacy of allowance, management considers various factors, including the requirements of the NBFC Regulations, the nature and characteristics of the obligor, current economic conditions, credit concentrations or deterioration in pledged collateral, historical loss experience and delinquencies. Lease and other loan receivables are charged off, when in the opinion of management, the likelihood of any future collection is believed to be minimal.

3.5 Assets classified as held for sale

The Company classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised through the profit and loss account for any initial or subsequent write down of the non-current asset to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale.

3.6 Financial assets

The company classifies its financial assets into the following categories:

- at fair value through profit and loss
- loans and receivables
- held-to-maturity
- available-for-sale

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial asset at the time of initial recognition.

a) Financial assets at fair value through profit and loss

Investments are designated at fair value through profit and loss if the Company manages such investments and makes purchase and sale decisions based on their fair values. These are initially recognised at fair value and transaction costs associated with these investments are taken directly to the profit and loss account. Investments at fair value through profit and loss are marked to market using the closing market rates and are carried on the balance sheet at fair values. Net gains and losses arising on changes in the fair value of these investments are taken to the profit and loss account.

Notes to the Financial Statements

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables comprise of loans, advances, deposits, other receivables and cash and cash equivalents.

c) Held to maturity

Held to maturity investments are non-derivative financial instruments with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other investments that are intended to be held-to-maturity are recognised initially at cost plus attributable transaction costs. Subsequently, these are measured at amortised cost.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired. Premiums and discounts on held-to-maturity investments are amortised using the effective interest rate method and taken to income from investments.

d) Available for sale

Other financial assets not covered in any of the above categories are classified as being available for sale.

All financial assets classified as available-for-sale are initially recognised at cost, being the fair value of the consideration given including acquisition charges.

After initial recognition, financial assets which are classified as available-for-sale are remeasured at fair value. Gains or losses on available-for-sale investments are recognised directly in equity through other comprehensive income until the investment is sold, derecognised or is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included in the profit and loss account.

For financial assets that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

Unquoted financial assets, where the fair value cannot be reliably determined, are recognised at cost less impairment, if any. Provision for impairment in value, if any, is taken to income currently.

3.6.1 Impairment

The Company assesses at the end of each reporting period whether there is any objective evidence that its financial assets are impaired. When there is an objective evidence that an impairment loss has been incurred, the amount of loss is measured as follows:

a) Held to maturity

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the investment's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit and loss account.

Notes to the Financial Statements

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating) the reversal of the previously recognised impairment loss is recognised in the profit and loss account.

b) Available for sale

If any evidence for impairment exists, the cumulative loss (measured as the difference between the acquisition cost and current fair value, less any impairment loss on that investment previously recognised in the profit and loss account) that had been recognised in other comprehensive income shall be reclassified from equity to the profit and loss account as a reclassification adjustment even though the investment has not been derecognised.

3.7 Financial instruments

All financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently (for regular way purchases and sales of financial instruments refer to note 3.9).

3.8 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements only when the Company has a legally enforceable right to set off and the Company intends to either settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also offset and the net amount is reported in the financial statements only when permitted by the approved accounting standards as applicable in Pakistan.

3.9 Regular way Contracts

Regular way purchases or sales of financial assets are those, the contract which requires delivery of assets within the timeframe generally established by regulation or convention in the market. All "regular way" purchases and sales of financial assets are recognised on the settlement date, i.e. the date on which the asset is delivered to or by the Company.

3.10 Investment in associates - equity method

The Company's investment in its associates is accounted for under the equity method of accounting where an associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Company determines whether it is necessary to recognise any additional impairment loss with respect to the Company's net investment in the associate. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity.

Notes to the Financial Statements

Associates' accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

3.11 Derivative financial instruments and hedging activities

The Company uses derivative financial instruments to hedge its risks associated with interest rate and foreign currency fluctuations. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and the attributable transaction costs are recognised in profit and loss when incurred. Subsequent to initial recognition, derivatives are remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Any gains or losses arising from changes in fair values on derivatives during the year that do not qualify for hedge accounting are taken directly to profit and loss account.

The fair value of unquoted derivatives, if any, is determined by discounted cash flows using appropriate interest rates applicable to the underlying asset.

The Company designates certain derivatives as either:

- (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- (b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge)

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit and loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss attributable to the hedged risk is recognised in profit and loss and adjust the carrying amount of the hedged item.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit and loss account over the period to maturity.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedge is recognised in equity through other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and

Notes to the Financial Statements

is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that is reported in equity is immediately transferred to the profit and loss account.

3.12 Long term finances and loans

Long term finances and loans are initially recognised at cost being the fair value of consideration received together with the associated transaction costs. Subsequently, these are carried at amortised cost using the effective interest rate method.

Transaction costs relating to long term finance are being amortised over the period of agreement using the effective interest rate method.

3.13 Foreign currency transactions

Foreign currency transactions are translated into Pakistan rupees at exchange rates prevailing at the date of 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 except for difference arising on translation of equity accounted undertakings which are recognised directly in equity through other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

3.14 Certificates of deposit

Return on certificates of deposit (CODs) issued by the Company is recognised on a time proportionate basis taking into account the relevant CODs issue date and final maturity date.

3.15 Provisions

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

3.16 Proposed dividend and transfer between reserves

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the balance sheet date are considered as non-adjusting events and are recorded in the financial statements in accordance with the requirements of International Accounting Standard (IAS) 10, 'Events after the Balance Sheet Date' in the year in which they are approved / transfers are made.

3.17 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity through other comprehensive income.

Current

Provision for current taxation is based on taxable income for the year. Tax charge for the current year is determined in accordance with the prevailing laws for taxation. The charge for the current tax is calculated

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using tax rates enacted or substantively enacted at the balance sheet date. The charge for the current tax also includes adjustments relating to prior years, if necessary, arising from assessments finalised during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. In addition, the Company also records deferred tax asset on available tax losses. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

The Company also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities / fixed assets which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS-12) Income Taxes.

3.18 Revenue recognition

Finance leases

The Company follows the 'financing method' in accounting for recognition of finance lease. The total unearned finance income i.e. the excess of aggregate instalment contract receivables plus residual value over the cost of the leased asset is deferred and then amortised over the term of the lease, so as to produce a systematic return on the net investment in finance leases. Initial direct costs are deferred and amortised over the lease term as a yield adjustment.

Revenue from finance leases is not accrued when rent is past due by ninety days or more.

Front end fee and other lease related income is recognised as income on receipt basis.

Operating lease income

Rental income from assets classified as operating lease is recognised on an accrual basis.

Ijarah lease income

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

Return on investments

Return on debt securities is recognised using the effective interest rate method.

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

Gain / loss on sale of investments is taken to income in the period in which it arises.

Notes to the Financial Statements

Factoring income

Factoring income is recognised on an accrual basis for the number of days outstanding on invoices factored.

Loans and finances

Income on term loans and finances are recognised on a time proportion basis taking into account the principal/net investment outstanding and applicable rates of profit thereon except in case of loans classified under the NBFC Regulations on which income is recognised on receipt basis.

Interest/mark-up on rescheduled/restructured advances and investments is recognised in accordance with the NBFC Regulations.

Others

Income from reverse repurchase transactions is recognised on a time proportion basis.

3.19 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.20 Staff retirement benefits

(a) Defined contribution plan

The Company operates a recognised contributory Provident Fund Scheme (the Fund) for all its permanent employees who have completed the minimum qualifying period of six months service. The fund is administered by a Board of trustees. Equal monthly contributions to the Fund are made both by the Company and by the employees, at the rate of 10% of basic salary.

(b) Defined benefit plan

The Company operates an approved funded gratuity scheme covering all permanent employees who have completed the qualifying period under the scheme. The scheme is administered by the Board of trustees and contributions therein are made in accordance with the actuarial recommendations. The valuation in this regard is carried out at each balance sheet date, using the Projected Unit Credit Method for the valuation of the scheme. Actuarial gains and losses are recognised based on actuarial recommendations.

Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses at the end of the previous reporting period exceeds 10% of the higher of present value of defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

3.21 Employees compensated absences

The Company provides for unavailed compensated absences for all its permanent employees. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

3.22 Impairment

The carrying amount of assets is reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such

Notes to the Financial Statements

indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account.

3.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its business units separately for the purpose of making decisions regarding resources allocation and performance assessment. Segment results, assets and liabilities includes items directly attributable to segment as well as those that can be allocated on a reasonable basis.

4 PROPERTY, PLANT AND EQUIPMENT

	Note	2013	2012
		-----Rupees-----	
Fixed assets - own use	4.1	406,076,491	425,930,012
Fixed assets - on operating lease	4.2	1,023,414,404	882,631,721
Fixed assets - Ijarah finance	4.3	130,494,282	48,360,581
		1,559,985,177	1,356,922,314

4.1 Fixed assets - own use

Description	2013							
	Cost / Revalued Amount			Accumulated depreciation / impairment losses		Net book Value		
	As at July 1, 2012	Additions / (disposals) / transfer	As at June 30, 2013	As at July 1, 2012	Charge for the year / (on disposals) / transfer / impairment	As at June 30, 2013	As at June 30, 2013	Rate / Years
	-----Rupees-----							
Leasehold land	152,412,237	-	152,412,237	5,160,397	1,640,160	6,800,557	145,611,680	77 & 99 years
Office building	112,148,494	-	112,148,494	13,147,086	5,856,851	19,003,937	93,144,557	5%
Stock Exchange Rooms	15,700,000	-	15,700,000	-	7,700,000	7,700,000	8,000,000	Indefinite life
Leasehold improvements	113,767,898	1,747,961	115,515,859	67,368,569	12,555,790	79,924,359	35,591,500	15%
Furniture, fittings and office equipments	89,754,111	4,081,692 (27,057,869) 2,456,624 *	69,234,558	64,255,506	10,105,191 (25,301,831) 1,131,182 *	50,190,048	19,044,510	15% - 25%
Vehicles	140,233,596	41,472,005 (35,913,846) (829,000)**	144,962,755	50,307,649	18,449,169 (22,255,584) (151,552)**	46,349,682	98,613,073	20%
Computers and accessories	27,831,245	5,512,026 (3,136,904)	30,206,367	25,678,362	1,535,557 (3,078,723)	24,135,196	6,071,171	33%
	651,847,581	52,813,684 (66,108,619) 2,456,624 * (829,000)**	640,180,270	225,917,569	50,142,718 (50,636,138) 1,131,182 * (151,552)** 7,700,000	234,103,779	406,076,491	

* Represents assets transferred to own assets from operating lease assets.

** Represents assets transferred from own assets to finance lease.

Notes to the Financial Statements

Description	2012							
	Cost / Revalued Amount			Accumulated depreciation / impairment losses		Net book Value		Rate / Years
	As at July 1, 2011	Additions / (disposals) / (transfer)	As at June 30, 2012	As at July 1, 2011	Charge for the year / (on disposals) / (on transfer)	As at June 30, 2012	As at June 30, 2012	
-----Rupees-----								
Leasehold land	152,412,237	-	152,412,237	3,520,237	1,640,160	5,160,397	147,251,840	77 & 99 years
Office building	112,148,494	-	112,148,494	7,296,494	5,850,592	13,147,086	99,001,408	5%
Stock Exchange Rooms	15,700,000	-	15,700,000	-	-	-	15,700,000	Indefinite life
Leasehold improvements	105,905,541	7,862,357	113,767,898	55,207,965	12,160,604	67,368,569	46,399,329	15%
Furniture, fittings and office equipments	87,164,762	3,466,874 (877,525)	89,754,111	55,241,253	9,516,269 (502,016)	64,255,506	25,498,605	15% - 25%
Vehicles	144,616,277	51,591,000 (48,937,731) (7,035,950)*	140,233,596	68,175,492	16,756,380 (31,049,060) (3,575,163)*	50,307,649	89,925,947	20%
Computers and accessories	26,148,670	2,241,813 (559,238)	27,831,245	24,625,301	1,612,299 (559,238)	25,678,362	2,152,883	33%
	644,095,981	65,162,044 (50,374,494) (7,035,950)*	651,847,581	214,066,742	47,536,304 (32,110,314) (3,575,163)*	225,917,569	425,930,012	

* Represents assets transferred from own assets to finance lease.

4.1.1 The latest revaluation of leasehold land and office building was carried out under market value basis by an independent professional valuer on June 30, 2011. The revaluation was carried out by M/s. SURVAL, resulting in a surplus of Rs. 133.86 million over their book values. This has been carried to surplus on revaluation of leasehold land and office building.

Had the revaluation not been carried out, costs, accumulated depreciation and written down value of leasehold land and office building thereon would have been as follows:

	2013		
	Cost	Accumulated depreciation	Book Value
-----Rupees-----			
Leasehold land	54,399,300	4,747,932	49,651,368
Office building	76,296,030	14,995,500	61,300,530
	130,695,330	19,743,432	110,951,898

	2012		
	Cost	Accumulated depreciation	Book Value
-----Rupees-----			
Leasehold land	54,399,300	4,134,084	50,265,216
Office building	76,296,030	11,145,997	65,150,033
	130,695,330	15,280,081	115,415,249

Notes to the Financial Statements

4.1.2 Included in cost of fixed assets - own use are fully depreciated items which are still in use aggregating to Rs. 74.31 million (2012: Rs. 85.08 million).

4.1.3 An impairment loss of Rs. 7.7 million on the remeasurement of the stock exchange rooms to the lower of its carrying amount and its fair value less cost to sell has been recognised in other provisions (refer note 38). The fair valuation of stock exchange rooms was carried out by M/s Akbani and Javed Associates dated September 14, 2012.

4.1.4 Details of fixed assets - own use, disposed during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers
-----Rupees-----						
Furniture, fittings and office equipments						
	200,000	60,000	140,000	142,500	Company Policy	Mr.Giasuddin Khan , Executive
	200,000	110,000	90,000	90,000	Company Policy	Mr.Shakeb Murad , Executive
	125,000	46,875	78,125	78,125	Company Policy	Mr.Hamood Ahmed , Executive
Book value not exceeding Rs. 50,000 each	26,532,869	25,084,956	1,447,913	1,303,702	Various	Various
	27,057,869	25,301,831	1,756,038	1,614,327		
Vehicles						
	1,881,620	1,104,103	777,517	832,029	Company Policy	Mr.Giasuddin Khan , Executive
	1,525,687	991,697	533,990	751,055	Company Policy	Mr. Shakeb Murad , Executive
	1,520,950	993,850	527,100	929,175	Company Policy	Mr. Arshad Abbas , Executive
	1,520,950	993,850	527,100	951,030	Company Policy	Mr. Ayub Khan , Executive
	1,393,952	906,069	487,883	966,362	Company Policy	Mr. Shafiq ur Rehman , Executive
	1,370,500	890,825	479,675	897,490	Company Policy	Ms. Aseyah Qasim , Executive
	915,000	915,000	-	60,411	Company Policy	Mr. Junaid Wahab Zuberi , Executive
	905,950	598,300	307,650	711,551	Company Policy	Mr. Syed Muhammad Matin , Executive
	904,400	594,300	310,100	334,510	Company Policy	Mr. Muhammad Afzal , Executive
	660,950	451,000	209,950	408,600	Company Policy	Mr. Urooj Hassan , Executive
	660,950	451,000	209,950	453,703	Company Policy	Mr. Mirza Naeem Ahmed , Executive
	647,000	436,725	210,275	473,720	Company Policy	Mr. Muhammad Naveed Siddiqui , Executive
	646,000	449,050	196,950	424,513	Company Policy	Mr. Sarosh Khushbakht , Executive
	549,000	439,200	109,800	337,400	Company Policy	Mr. Nasrullah Khan , Executive
	484,980	387,984	96,996	96,996	Company Policy	Mr. Muhammad Rafiq , Executive
	519,000	415,200	103,800	131,668	Company Policy	Mr. Usman Naseem , Executive
	509,000	407,200	101,800	101,800	Company Policy	Mr. Mushtaq Ahmed , Executive
	819,000	259,350	559,650	780,000	Company Policy	Mr. Kamran Mirza , Employee
Balance c/f	17,434,889	11,684,703	5,750,186	9,642,013		

Notes to the Financial Statements

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers
-----Rupees-----						
Balance b/f	17,434,889	11,684,703	5,750,186	9,642,013		
	764,000	279,338	484,662	712,000	Company Policy	Mr. Muhammad Tahir Hameed , Employee
	683,950	550,150	133,800	136,791	Company Policy	Mr. Aamir Arif , Employee
	609,000	487,200	121,800	121,800	Company Policy	Mr. Muhammad Irfan , Employee
	588,950	474,150	114,800	119,712	Company Policy	Mr. Ali Afsar Khan , Employee
	544,000	435,200	108,800	108,800	Company Policy	Mr. Syed Sarfaraz Hussain , Employee
	519,000	415,200	103,800	111,080	Company Policy	Mr. Muhammad Anwer , Employee
	519,000	415,200	103,800	123,030	Company Policy	Mr. Tamheed Dastagir , Employee
	519,000	415,200	103,800	103,800	Company Policy	Mr. Nadeem Baig , Employee
	479,000	383,200	95,800	95,800	Company Policy	Mr. Muhammad Asim Butt , Employee
	479,000	383,200	95,800	323,840	Company Policy	Mr. Munir Hussain Dugal , Employee
	474,000	379,200	94,800	94,800	Company Policy	Mr. Rukhsar Khan , Employee
	1,799,000	272,848	1,526,152	1,550,786	Through tender	Mr. Ghulam Fareed
	1,391,707	904,610	487,097	878,500	Through tender	Ms. Sohaila Asim
	868,000	317,363	550,637	860,000	Through tender	Mr. Shafeeq Ahmed
	860,950	564,850	296,100	608,300	Through tender	Mr. Waqas Ahmed
	786,000	236,075	549,925	757,000	Through tender	Mr. Mohammad Usman
	775,000	298,492	476,508	690,786	Through tender	Mr. Ghulam Fareed
	709,000	354,500	354,500	700,000	Through tender	Mr. Saqib Nazir
	709,000	437,217	271,783	680,000	Through tender	Mr. M. Faizan Jawed
	685,000	411,000	274,000	526,000	Through tender	Mr. Saleem Aziz
	650,500	439,088	211,412	445,610	Through tender	Mr. Jahangir Akhtar
	619,400	83,755	535,645	549,888	Through tender	Mr. Kashif Zamir
	561,000	308,550	252,450	555,000	Through tender	Ms. Haleema Bibi
	395,000	316,000	79,000	325,000	Through tender	Mr. Sheikh Zaheer Ahmed
	395,000	316,000	79,000	310,000	Through tender	Mr. Rehan Afzal
	379,000	208,450	170,550	225,000	Through tender	Mr. Irfanullah Khan
	379,000	310,000	69,000	269,888	Through tender	Mr. Kashif Zamir
	259,100	142,505	116,595	230,000	Through tender	Mr. Mian Khalid Mehmood
Book value not exceeding Rs. 50,000 each	78,400	32,340	46,060	119,170	Various	Various
	35,913,846	22,255,584	13,658,262	21,974,394		
Vehicle						
	829,000	151,552	677,448	755,000	Finance lease	Transfer to lease finance
	829,000	151,552	677,448	755,000		
Computers and accessories						
Book value not exceeding Rs. 50,000 each	3,136,904	3,078,723	58,181	357,669	Various	Various
	66,937,619	50,787,690	16,149,929	24,701,390		

Notes to the Financial Statements

4.2 Fixed assets - on operating lease

Description	2013							Rate
	Cost			Accumulated depreciation		Net book Value		
	As at July 1, 2012	Additions / (disposals) / transfer	As at June 30, 2013	As at July 1, 2012	Charge	As at June 30, 2013	As at June 30, 2013	
					for the year / (on disposals) / (on transfer)			
-----Rupees-----								
Generators	1,279,313,039	265,917,512 17,500,000 * (111,982,833) (2,456,624)**	1,448,291,094	434,635,508	112,600,036 - (82,301,813) (1,131,182)**	463,802,549	984,488,545	number of hours / 16%
Compressors and machinery	8,033,534	- (8,033,534)	-	8,033,534	- (8,033,534)	-	-	15% - 20%
Communication equipment (Note 4.2.2)	430,372,029	14,318,665	444,690,694	392,527,841	19,223,120	411,750,961	32,939,733	15% - 20%
Vehicles	220,003	6,843,000 (220,003)	6,843,000	110,001	856,874 (110,001)	856,874	5,986,126	15 %
	1,717,938,605	287,079,177 17,500,000* (120,236,370) (2,456,624) **	1,899,824,788	835,306,884	132,680,030 (90,445,348) (1,131,182) **	876,410,384	1,023,414,404	

* Represents assets transferred to operating lease assets from finance lease.

** Represents assets transferred to own assets from operating lease assets.

Description	2012							Rate
	Cost			Accumulated depreciation		Net book Value		
	As at July 1, 2011	Additions / (disposals)	As at June 30, 2012	As at July 1, 2011	Charge for the year / (on disposals)	As at June 30, 2012	As at June 30, 2012	
	-----Rupees-----							
Generators	1,129,934,405	180,193,089 (30,814,455)	1,279,313,039	350,588,751	106,244,049 (22,197,292)	434,635,508	844,677,531	number of hours / 16%
Compressors and machinery	8,033,534	-	8,033,534	8,033,534	-	8,033,534	-	15% - 20%
Communication equipments	445,220,898	14,647,137 (29,496,006)	430,372,029	386,436,406	33,787,436 (27,696,001)	392,527,841	37,844,188	15% - 20%
Vehicles	220,003	-	220,003	110,001	-	110,001	110,002	15 %
	1,583,408,840	194,840,226 (60,310,461)	1,717,938,605	745,168,692	140,031,485 (49,893,293)	835,306,884	882,631,721	

Notes to the Financial Statements

4.2.1 Details of fixed assets - on operating lease, disposed during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers
----- Rupees -----						
Generators	23,675,248	18,844,959	4,830,289	12,213,613	Negotiation	Orient Energy System (Private) Limited
	22,290,569	17,648,714	4,641,855	11,499,283	Negotiation	Orient Energy System (Private) Limited
	19,929,273	15,287,423	4,641,850	10,281,135	Negotiation	Orient Energy System (Private) Limited
	6,000,000	2,604,940	3,395,060	2,510,000	Negotiation	RGS Engineering & Services
	5,755,305	4,928,268	827,037	3,040,233	Negotiation	RGS Engineering & Services
	3,025,000	1,213,963	1,811,037	1,597,953	Negotiation	RGS Engineering & Services
	2,900,000	1,985,630	914,370	1,531,921	Negotiation	RGS Engineering & Services
	2,900,000	2,610,000	290,000	1,531,921	Negotiation	RGS Engineering & Services
	2,900,000	2,610,000	290,000	2,090,504	Negotiation	Dot Care (Private) Limited
	2,900,000	1,927,630	972,370	2,008,031	Negotiation	Mr. Naseet Alam
	2,900,000	1,705,171	1,194,829	2,008,031	Negotiation	Mr. Naseet Alam
	2,900,000	1,309,132	1,590,868	2,008,031	Negotiation	Mr. Naseet Alam
	2,605,670	1,985,781	619,889	1,878,332	Negotiation	Dot Care (Private) Limited
	2,450,000	1,690,966	759,034	1,294,209	Negotiation	RGS Engineering & Services
	2,400,000	1,520,220	879,780	1,267,797	Negotiation	RGS Engineering & Services
	900,000	703,165	196,835	623,182	Negotiation	Mr. Naseet Alam
	850,000	223,321	626,679	449,011	Negotiation	RGS Engineering & Services
	650,000	650,000	-	335,323	Negotiation	Orient Energy System (Private) Limited
	650,000	650,000	-	335,323	Negotiation	Orient Energy System (Private) Limited
	650,000	650,000	-	335,323	Negotiation	Orient Energy System (Private) Limited
	319,735	192,507	127,228	168,900	Negotiation	RGS Engineering & Services
	285,000	117,088	167,912	150,551	Negotiation	RGS Engineering & Services
	247,500	99,928	147,572	130,742	Negotiation	RGS Engineering & Services
	247,500	103,434	144,066	171,375	Negotiation	Mr. Naseet Alam
	229,700	107,385	122,315	121,339	Negotiation	RGS Engineering & Services
	229,700	109,012	120,688	165,582	Negotiation	Dot Care (Private) Limited
	229,700	135,044	94,656	165,582	Negotiation	Dot Care (Private) Limited
	229,700	141,553	88,147	159,050	Negotiation	Mr. Naseet Alam
	176,624	125,109	51,515	122,299	Negotiation	Mr. Naseet Alam
	148,803	107,510	41,293	78,605	Negotiation	RGS Engineering & Services
	148,803	107,510	41,293	78,605	Negotiation	RGS Engineering & Services
	148,803	112,780	36,023	190,000	Negotiation	FFF Traders
	110,200	93,670	16,530	58,214	Negotiation	RGS Engineering & Services
	111,982,833	82,301,813	29,681,020	60,600,000		
Compressors and machinery	8,033,534	8,033,534	-	84,500	Scrap	Various
	8,033,534	8,033,534	-	84,500		
Vehicle	220,003	110,001	110,002	146,500	Insurance Claim	Jubilee General Insurance Company Limited
	220,003	110,001	110,002	146,500		
	120,236,370	90,445,348	29,791,022	60,831,000		

Notes to the Financial Statements

4.2.2 During the current year, the Company changed its estimate by reassessing the residual value of Communication Equipment by reducing the residual value from 3.5% to 0%. Had such estimate not been changed the profit for the year would have been higher by Rs. 7.7 million and carrying amount of the assets would have been higher by the same amount.

4.2.3 Included in cost of fixed assets-operating lease are fully depreciated items which are still in use aggregating to Rs. 470.1 million (2012: Rs. 510.5 million).

4.3 Fixed assets - Ijarah finance

Description	2013							Rate
	Cost			Accumulated depreciation		Net book value		
	As at July 1, 2012	Additions / (disposals)	As at June 30, 2013	As at July 1, 2012	Charge for the year / (on disposals)	As at June 30, 2013	As at June 30, 2013	
	-----Rupees-----							
Machinery & Generators	17,723,000	45,899,000	63,622,000	3,175,967	9,568,718	12,744,685	50,877,315	Underlying lease term
Vehicles	39,554,080	79,225,500 (6,234,000)	112,545,580	5,740,532	28,643,748 (1,455,667)	32,928,613	79,616,967	Underlying lease term
	57,277,080	125,124,500 (6,234,000)	176,167,580	8,916,499	38,212,466 (1,455,667)	45,673,298	130,494,282	

Description	2012							Rate
	Cost			Accumulated depreciation		Net book value		
	As at July 1, 2011	Additions	As at June 30, 2012	As at July 1, 2011	Charge for the year	As at June 30, 2012	As at June 30, 2012	
	-----Rupees-----							
Machinery & Generators	-	17,723,000	17,723,000	-	3,175,967	3,175,967	14,547,033	Underlying lease term
Vehicles	-	39,554,080	39,554,080	-	5,740,532	5,740,532	33,813,548	Underlying lease term
	-	57,277,080	57,277,080	-	8,916,499	8,916,499	48,360,581	

5 INTANGIBLE ASSETS

	Note	2013	2012
		-----Rupees-----	
Trading Right Entitlement Certificate (TREC) - KSEL	5.1	15,000,000	-
Trading Right Entitlement Certificate (TREC) - LSEL	5.1	1,236,430	-
Membership Cards - at cost		-	64,750,000
Computer software and license	5.2	17,452,595	22,950,657
		33,689,025	87,700,657

5.1 These represent Trading Right Entitlement Certificates (TREC) received from Karachi Stock Exchange Limited (KSEL) and Lahore Stock Exchange Limited (LSEL) in accordance with the requirements of the Stock Exchanges (Corporatisation, Demutualisation and Integration) Act, 2012 (The Act). The Company has also received shares of KSEL and LSEL after completion of demutualisation process (refer note 13.4) which have been recorded at face value of Rs. 10 each amounting to Rs. 48.51 million.

Notes to the Financial Statements

During the year, the KSEL has introduced a minimum capital regime for the brokers and for this purpose has valued TREC at Rs. 15 million, as per the decision of the Board of Directors of KSEL. In the absence of an active market of TREC, this assigned value of Rs. 15 million has been considered by the Company as the closest estimate of the fair value of the TREC received from KSEL.

The remaining carrying value of the membership cards amounting to Rs. 1.24 million has been allocated to TREC received from LSEL.

5.2 Computer software and license

Description	2013							
	Cost			Accumulated amortisation			Net book Value	
	As at July 1, 2012	Additions	As at June 30, 2013	As at July 1, 2012	Charge for the year	As at June 30, 2013	As at June 30, 2013	Rate
-----Rupees-----								
Computer software and license	79,558,275	2,792,505	82,350,780	56,607,598	8,290,587	64,898,185	17,452,595	36-80 months
	79,558,275	2,792,505	82,350,780	56,607,598	8,290,587	64,898,185	17,452,595	

Description	2012							
	Cost			Accumulated amortisation			Net book Value	
	As at July 1, 2011	Additions	As at June 30, 2012	As at July 1, 2011	Charge for the year	As at June 30, 2012	As at June 30, 2012	Rate
-----Rupees-----								
Computer software and license	64,045,224	15,513,051	79,558,275	49,738,002	6,869,596	56,607,598	22,950,657	36-80 months
	64,045,224	15,513,051	79,558,275	49,738,002	6,869,596	56,607,598	22,950,657	

5.3 The amortisation expense for the year has been allocated as follows:

	Note	2013	2012
		-----Rupees-----	
Administrative and general expenses	35	4,478,502	3,744,128
Direct cost of leases	36	3,812,085	3,125,468
		8,290,587	6,869,596

6 NET INVESTMENT IN FINANCE LEASE

	Note	2013	2012
		-----Rupees-----	
Instalment contract receivables		12,898,856,326	13,084,227,684
Residual value		5,291,044,053	5,260,964,143
Initial direct costs		9,284,305	23,195,270
	6.1	18,199,184,684	18,368,387,097
Less: Unearned finance income		2,228,180,829	2,368,365,975
		15,971,003,855	16,000,021,122

Notes to the Financial Statements

6.1 Details of investment in finance lease

	Gross investment in finance lease		Present value of investment in finance lease	
	2013	2012	2013	2012
	Rupees			
Less than one year	8,488,768,976	8,858,697,905	7,158,500,149	7,445,530,037
One to five years	9,710,415,708	9,509,689,192	8,812,503,706	8,554,491,085
	18,199,184,684	18,368,387,097	15,971,003,855	16,000,021,122

6.2 There are no installment contract receivables over five years. The Company's implicit rate of return on leases ranges between 14.00% and 26.00% (2012: 16.00% and 22.00%) per annum. These are secured against leased assets and security deposits generally upto 20.00% (2012: upto 20.00%) of the cost of leased asset, in case of finance leases and hypothecation of assets in case of installment contracts.

6.3 Based on the NBFC Regulations, the aggregate net exposures in finance leases against which income suspension is required amounted to Rs. 894 million (2012: Rs. 1,030 million).

6.4 Lease rentals received during the year aggregate to Rs. 7,269 million (2012: Rs. 7,242 million).

7 INVESTMENT IN ASSOCIATED UNDERTAKINGS

	Note	2013	2012
		Rupees	
Related parties			
Investment in equity accounted undertakings	7.1	1,710,670,971	1,567,993,170

7.1 The breakup of carrying value of investments in equity accounted undertakings is as follows:

2013 (Number of shares)	2012		Note	2013	2012
				-----Rupees-----	
		Quoted			
25,982,382	25,348,666	Oman ORIX Leasing Company SAOG	7.1.3	834,418,590	756,575,283
				834,418,590	756,575,283
		Unquoted			
850,000	850,000	Saudi ORIX Leasing Company		324,173,770	266,700,608
45,000	45,000	MAF ORIX Finance PJSC		176,949,554	149,920,855
8,750	8,750	SK Leasing JSC		37,420,566	42,877,838
920,000	920,000	ORIX Leasing Egypt SAE		245,257,707	250,026,841
13,500,000	13,500,000	OPP (Private) Limited		92,450,784	101,891,745
				876,252,381	811,417,887
				1,710,670,971	1,567,993,170

Notes to the Financial Statements

7.1.1 Oman ORIX Leasing Company SAOG, Saudi ORIX Leasing Company, MAF ORIX Finance PJSC, SK Leasing JSC, ORIX Leasing Egypt SAE and OPP (Private) Limited are accounted for as equity accounted undertakings due to the significant influence of the Company.

7.1.2 Market value of quoted investment in equity accounted undertaking is as follows:

	2013	2012
	-----Rupees-----	
Oman ORIX Leasing Company SAOG	1,007,262,290	709,520,386

7.1.3 Includes 1,270 shares at Riyal Omani (R.O.) 0.1/- each (2012: 1,239 shares at R.O.0.1/- each) held in the name of a Director in the investee company. The aggregate carrying value of these shares is Rs. 0.041 million (2012: Rs. 0.035 million).

7.1.4 Summarised un-audited financial statements of equity accounted undertakings are as follows:

Name	Date of financial year end	Total assets	Total liabilities	Revenues	Profit/(loss)	Interest held
2013		As at June 30		For the period from July 01 to June 30		
		----- (Rupees) -----				
Quoted						
Oman ORIX Leasing Company SAOG	31 December	26,528,415,744	19,362,326,127	2,474,517,320	848,157,413	11.64%
Unquoted						
Saudi ORIX Leasing Company	31 December	46,582,818,067	33,560,638,222	4,369,155,939	2,410,716,550	2.50%
MAF ORIX Finance PJSC	31 December	12,963,706,265	7,068,138,577	1,316,676,754	622,279,127	3.00%
SK Leasing JSC	31 December	1,183,968,486	259,957,094	187,454,074	(77,152,975)	10.00%
ORIX Leasing Egypt SAE	31 December	7,677,838,129	6,611,669,759	875,166,092	82,899,790	23.00%
OPP (Private) Limited	30 June	365,495,023	160,048,835	81,253,319	(20,979,797)	45.00%
2012						
Quoted						
Oman ORIX Leasing Company SAOG	31 December	19,150,320,690	12,651,493,788	1,933,607,557	693,426,894	11.64%
Unquoted						
Saudi ORIX Leasing Company	31 December	36,286,955,604	25,485,059,437	3,789,232,406	1,955,630,227	2.50%
MAF ORIX Finance PJSC	31 December	7,927,710,620	2,933,100,760	831,907,229	367,688,295	3.00%
SK Leasing JSC	31 December	1,174,275,026	378,468,980	125,831,735	(68,028,382)	10.00%
ORIX Leasing Egypt SAE	31 December	7,292,588,673	6,205,684,554	715,021,620	96,287,028	23.00%
OPP (Private) Limited	30 June	378,663,379	148,879,698	16,095,332	(50,195,010)	45.00%

7.1.5 The Company has board representation in all associated companies. It also provides them technical assistance.

Notes to the Financial Statements

8 LONG TERM INVESTMENTS

	Note	2013	2012
		-----Rupees-----	
Held-to-maturity investments			
Pakistan investment bonds (PIBs)	8.1	13,685,902	13,465,570
Term finance certificates (TFCs)			
- Unlisted	8.2	3,265,627	4,170,000
		16,951,529	17,635,570
Less: Provision for potential losses on investments	37.2	3,265,627	-
		13,685,902	17,635,570

8.1 This investment has been made as required under Regulation 14(4)(i) of the Non Banking Finance Companies and Notified Entities Regulations, 2008 to maintain liquidity against certificates of deposit. This is redeemable within a period of 4 years (2012: 5 years) from the balance sheet date, carrying profit rate of 9.60% (2012: 9.60%) per annum due half yearly from the date of issue.

8.2 This represents investment made by the Company in unlisted Term Finance Certificates (TFCs). The exposure against these TFCs amounting to Rs. 3.27 million has been fully provided.

9 LONG TERM FINANCES AND LOANS

	Note	2013	2012
		-----Rupees-----	
Considered good			
Related parties - secured			
Executives	9.1 & 9.3	59,996,481	63,789,686
Others			
Agri finance - secured	9.2	17,501,583	7,834,271
Employees - secured	9.3	36,956,235	35,414,344
Micro finance	9.4	10,370,094	16,257,944
Musharakah finance - secured	9.5	35,427,509	9,582,612
Term finance - secured	9.6	23,474,925	63,891,956
Vehicle finance - secured	9.7	1,775,329,270	1,394,027,322
		1,899,059,616	1,527,008,449
Considered doubtful		1,959,056,097	1,590,798,135
Others			
Agri finance - secured		29,481,727	34,236,086
Micro finance		1,705,349	2,666,433
Term finance - secured		260,462,551	385,138,513
Vehicle finance - secured		9,850,451	8,787,705
		301,500,078	430,828,737
Less: Allowance for potential loan losses	37.1	276,634,630	332,364,901
		24,865,448	98,463,836
Less: Current maturity			
Related parties		21,321,193	19,289,770
Others		1,118,758,748	912,842,980
	12	1,140,079,941	932,132,750
		843,841,604	757,129,221

Notes to the Financial Statements

9.1 Reconciliation of outstanding amount of loans to Executives

	2013	2012
	-----Rupees-----	
Opening balance	63,789,686	61,902,691
Disbursements	2,700,000	13,495,000
Repayments	(6,493,205)	(11,608,005)
	59,996,481	63,789,686

9.2 This represents long term finance offered to farmers on mark-up basis. The rate of return on these loans ranges between 12.00% and 28.00% (2012: 12.00% and 26.00%) per annum. These loans are repayable within a period of 1 year to 3 years (2012: 1 year to 5 years) and are secured against title documents of immovable property and hypothecation of personal assets.

9.3 This includes housing loans given in accordance with terms of the Company's employment policy and are repayable within a period of 20 years or retirement date whichever is earlier. Housing loans are secured against equitable mortgage on the property by deposit of title documents of the property with the Company and carry mark-up at 5.00% (2012: 5.00%) per annum. Loans to Executives and other employees carry mark-up at rates ranging between 5.00% to 14.00% (2012: 5.00% to 14.00%) per annum, secured against their retirement benefits and are repayable within a period of five years.

Maximum amount outstanding at the end of any month during the year against loans to Executives was Rs. 66.49 million (2012: Rs. 76.45 million).

9.4 This represents long term micro loans offered to individuals and women entrepreneurs on mark-up basis. The rate of return on these loans ranges between 18.00% and 37.00% (2012: 18.00% and 36.00%) per annum. These are secured against personal guarantees of community organisations and are repayable within a period of 1.5 years (2012: 1.5 years).

9.5 This represents musharakah facilities provided to customers. The rate of return on these finances ranges between 19.00% and 21.00% (2012: 20.00% and 22.00%) per annum. The facilities have a repayment term of 3 years (2012: 3 years) and are secured by assets subject to musharakah agreement.

9.6 This represents term finance facility provided to customers on mark-up basis. The mark-up on these finances ranges between 15.00% and 21.00% (2012: 15.00% and 21.00%) per annum. These finances are repayable within a period of 1 year to 5 years (2012: 1 year to 5 years) and are secured against charge over fixed assets, trade receivables, lien on certificate of investments, personal guarantees of directors and hypothecation of stocks.

9.7 This represents vehicle financing facility provided to customers on mark-up basis. The mark-up on these finances ranges between 14.00% and 26.00% (2012: 17% and 26%) per annum. These finances are repayable within a period of 2 years to 5 years (2012: 2 years to 5 years) and are secured against charge over vehicles and personal guarantee of individuals.

Notes to the Financial Statements

10 SHORT TERM FINANCES

	Note	2013	2012
		-----Rupees-----	
Considered good			
Agri finance - secured	10.1	1,579,892	3,097,527
Factoring finance		-	2,859,319
Micro finance	10.2	207,105,411	147,573,279
Term finance - secured	10.3	4,923,773	2,195,525
		213,609,076	155,725,650
Considered doubtful			
Agri finance - secured		20,214,377	21,657,519
Factoring finance		9,925,107	9,925,107
Micro finance		14,534,387	24,207,046
Term finance - secured		137,352,869	144,872,614
		182,026,740	200,662,286
Less: Allowance for potential losses	37.1	152,168,563	127,965,695
		29,858,177	72,696,591
		243,467,253	228,422,241

10.1 This represents short term finance offered to farmers on mark-up basis. The mark-up on these loans ranges between 13.00% and 28.00% (2012: 13.00% and 26.00%) per annum. These are secured against title documents of immovable property and hypothecation of personal assets and are recoverable within twelve months.

10.2 This represents short term micro loans offered to individuals and women entrepreneurs on mark-up basis. The mark-up on these loans ranges between 18.00% and 38.00% (2012: 18.00% and 38.00%) per annum. These are secured against personal guarantees of community organisations and are recoverable within twelve months.

10.3 This represents term finance facilities provided to customers on mark-up basis in the normal course of business. The mark-up on these finances ranges between 14.00% and 23.00% (2012: 14.00% and 23.00%) per annum. These finances are recoverable between one and twelve months and are secured against charge over fixed assets, trade receivables and hypothecation of stocks.

11 ACCRUED RETURN ON INVESTMENTS AND TERM FINANCE

	Note	2013	2012
		-----Rupees-----	
Investments		3,443,646	3,241,910
Term finance		31,449,658	12,288,629
		34,893,304	15,530,539

12 CURRENT MATURITY OF NON-CURRENT ASSETS

	Note	2013	2012
		-----Rupees-----	
Current maturity of:			
Net investment in finance lease	6.1	7,158,500,149	7,445,530,037
Long term finances and loans	9	1,140,079,941	932,132,750
		8,298,580,090	8,377,662,787

Notes to the Financial Statements

13 SHORT TERM INVESTMENTS

	Note	2013	2012
		Rupees	
Held-to-maturity investments			
Treasury bills	13.1	829,035,024	627,239,324
Certificates of deposit	13.2	3,562,610	5,006,602
At fair value through profit and loss			
Ordinary shares		-	2,475,975
Term finance certificates	13.3	41,619,843	28,325,333
Units of closed end mutual funds		61,424,240	48,776,351
		103,044,083	79,577,659
Available-for-sale			
Ordinary shares	13.4	58,306,359	18,773,539
Units of closed end mutual funds		15,046,747	12,028,949
		73,353,106	30,802,488
Others			
Term Deposit Receipts	13.5	600,000,000	-
Fund placements	13.6	1,680,175	2,361,184
Allowance for potential losses	37.2	(11,147,158)	(7,367,786)
		1,599,527,840	737,619,471

13.1 This represents investments made as required under Regulation 14(4)(i) of the NBFC Regulations to maintain liquidity against certificates of deposit. These are redeemable within a period of 6 months (2012: 6 months) from the balance sheet date, carrying profit rate upto 9.35% (2012: 12.50%) per annum due at maturity.

13.2 This represents investments in short term certificates of deposit for a period of 1 year (2012: 1 year) which has been fully provided by the Company.

13.3 This represents investments made by the Company in Term Finance Certificates (TFCs). These investments carry mark-up upto 6 months KIBOR + 2.4% (2012: upto 6 months KIBOR + 1.9%) per annum.

13.4 These include shares of Karachi Stock Exchange Limited (KSEL) and Lahore Stock Exchange Limited (LSEL) received by the Company in pursuance of Stock Exchanges (Corporatisation, Demutualisation and Integration) Act 2012 (The Act). The total number of shares received by the Company are 4,851,357 with a face value of Rs. 10 each. These include 2,910,814 (60% shares) which are required to be held in separate Central Depository Company (CDC) blocked account to restrict the sale of these shares by the members, whereas, stock exchanges will dispose of these shares under the Act. However, the proceeds of these shares and right to dividend / bonus is vested with members while the voting rights attached to these shares are suspended.

In the absence of an active market, these shares have been carried at face value of Rs. 10 each.

13.5 This represents term deposit receipts of Rs. 600 million (2012: nil) with commercial banks carrying mark-up at rates ranging between 8.60% to 8.80% (2012: nil) per annum and are redeemable in 5 to 12 days (2012: nil) from the balance sheet date.

13.6 This represents placement of Rs. 1.6 million (2012: Rs. 2.36 million) which has been fully provided.

Notes to the Financial Statements

14 ADVANCES AND PREPAYMENTS

	Note	2013	2012
		-----Rupees-----	
Advances - unsecured		30,717,113	77,808,257
Prepayments			
Insurance			
- leased assets		2,984,122	11,094,728
- own assets		335,571	404,018
Rent		10,690,180	5,866,130
Others		7,234,279	7,916,191
		21,244,152	25,281,067
		51,961,265	103,089,324

15 OTHER RECEIVABLES

	Note	2013	2012
		-----Rupees-----	
Considered good			
Operating lease rentals receivable		85,632,352	112,305,870
Fair value of hedging instrument		214,568,679	351,486,468
Receivable from equity brokerage customers		-	20,103,197
Receivable from customers		-	2,010,310
Others		634,018	9,101,070
		300,835,049	495,006,915
Considered doubtful			
Operating lease rentals receivable		9,553,758	2,495,231
Receivable from equity brokerage customers		52,125,867	32,006,349
		61,679,625	34,501,580
Less: Allowance for potential losses	37.2	49,179,890	34,501,580
		313,334,784	495,006,915

16 CASH AND BANK BALANCES

	Note	2013	2012
		-----Rupees-----	
Cash in hand		1,542,808	1,493,231
With banks on:			
- Current accounts		56,311,265	90,895,977
- Deposit accounts	16.1	172,752,566	243,983,411
		229,063,831	334,879,388
		230,606,639	336,372,619

16.1 These carry mark-up rates ranging from 6.00 % to 9.00 % (2012: 6.00% to 12.00%).

17 ASSETS CLASSIFIED AS HELD FOR SALE

	Note	2013	2012
		-----Rupees-----	
Reposessed assets	17.1	13,034,272	13,096,354

17.1 This represents reposessed leased assets consisting of vehicles, machinery and other equipment, previously leased out to customers. The Company intends to dispose of these assets to recover the balance amount outstanding against such leases.

Notes to the Financial Statements

18 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2013	2012		2013	2012
(Number of Shares)			-----Rupees-----	
		Ordinary shares of Rs. 10/- each		
49,355,892	49,355,892	Fully paid in cash	493,558,920	493,558,920
30,544,364	30,544,364	Fully paid bonus shares	305,443,640	305,443,640
2,152,674	2,152,674	Fully paid shares against amalgamation	21,526,740	21,526,740
82,052,930	82,052,930		820,529,300	820,529,300

18.1 As at June 30, 2013, ORIX Corporation, Japan and its nominees held 40,693,564 (2012: 40,693,564) ordinary shares equivalent to 49.59% (2012 : 49.59%) of the total shareholding.

19 SURPLUS ON REVALUATION OF LEASEHOLD LAND AND OFFICE BUILDING

	2013	2012
	-----Rupees-----	
Opening balance	130,838,019	133,865,401
Adjustment in respect of incremental depreciation transferred to retained earnings	(3,027,381)	(3,027,382)
	127,810,638	130,838,019
Opening balance of deferred tax liability	(45,793,306)	(46,852,890)
Adjustment on transfer of incremental depreciation to retained earnings	1,059,585	1,059,584
	(44,733,721)	(45,793,306)
	83,076,917	85,044,713

20 LONG TERM FINANCES - secured

	Note	2013	2012
		-----Rupees-----	
Long term finances utilised under mark-up arrangements - financial institutions	20.1	4,693,289,651	3,137,500,002
Term finance certificates - listed	20.2	400,000,000	800,000,000
Term finance certificates - unlisted		-	1,666,666,662
		5,093,289,651	5,604,166,664
Less: Unamortised transaction cost in respect of			
Long term finances utilised under mark-up arrangements		15,064,026	20,684,134
Term finance certificates		1,222,966	5,712,751
		16,286,992	26,396,885
Less: Current maturity			
Long term finances utilised under mark-up arrangements		1,354,166,667	1,237,499,999
Term finance certificates		400,000,000	2,066,666,662
	29	1,754,166,667	3,304,166,661
		1,770,453,659	3,330,563,546
		3,322,835,992	2,273,603,118

Notes to the Financial Statements

- 20.1** These finances have been obtained for financing of lease operations and are secured by hypothecation of leased assets, related lease receivables and operating lease assets. The mark-up rate thereon ranges between 10.33% to 14.10% (2012: 13.27% to 14.49%) per annum. These finances are repayable within a period of 36 to 48 months (2012: 36 to 48 months).
- 20.2** This represents registered and listed TFCs issued by the Company to financial institutions, trusts and general public. These are secured by first exclusive and specific charge, along with a 25% margin over specific movable assets and receivables. Profit on these TFCs is payable on a quarterly basis at the rate of KIBOR + 2.15% without any floor or cap. The principal portion of these TFCs is structured to redeem in ten (10) equal quarterly installments starting from March 30, 2012.

21 LONG TERM LOANS

Name of lending institution	Note	Commencement of repayment	Mode of loan repayment	Rate (%)	2013	2012
					Rupees	
Secured						
International Finance Corporation	21.1	Jul 15, 2008	11 equal semi annual instalments after 24 months grace period	US\$ six month LIBOR+1.5%	153,696,655	438,043,672
Citibank Japan Limited, Syndicated loan	21.2	Jan 31, 2008	14 equal semi annual instalments	US\$ six month LIBOR+0.675%	1,065,544,271	1,687,142,871
Pakistan Poverty Alleviation Fund (PPAF)	21.3	Mar 18, 2010	12 quarterly instalments	10%	-	25,510,748
Pakistan Poverty Alleviation Fund (PPAF)	21.3	Mar 28, 2012	8 quarterly instalments	KIBOR-2.0%	24,348,348	168,016,512
Pakistan Poverty Alleviation Fund (PPAF)	21.3	Jun 28, 2013	11 quarterly instalments	KIBOR+1.50%	123,701,500	-
Unsecured						
ECO Trade & Development Bank	21.4	Jan 7, 2013	7 equal semi annual instalments	US\$ six month LIBOR+1.50%	852,435,428	944,800,000
Total long term loans					2,219,726,202	3,263,513,803
Less: Unamortised transaction cost					9,521,997	29,942,295
Less: Current maturity					1,296,254,494	1,295,384,950
					913,949,711	1,938,186,558

- 21.1** This is a foreign currency facility of US\$ 17 million. It is secured against first specific fixed charge over leased assets and lease receivables and is hedged by a cross currency interest rate swap with a financial institution.
- 21.2** This represents a syndicated foreign currency facility of US\$ 50 million obtained by the Company from Citibank Japan Limited and ING Bank N.V. Tokyo. The loan is supported by an Overseas United Loan Insurance issued by Nippon Export and Investment Insurance (NEXI). This loan is secured against first specific fixed charge over leased assets and lease receivable and is hedged by a cross currency interest rate swap with a financial institution.
- 21.3** Loans from PPAF have been obtained to finance small scale and micro enterprises. These loans are secured against hypothecation of book debts and receivable created out of PPAF financing.
- 21.4** This is a foreign currency facility of US\$ 10 million and is hedged by a cross currency interest rate swap with a financial institution.

Notes to the Financial Statements

22 LONG TERM CERTIFICATES OF DEPOSIT - unsecured

	Note	2013	2012
		-----Rupees-----	
Certificates of deposit	22.1	4,513,771,450	2,463,086,589
Less: Current maturity	29	172,292,482	190,544,777
		4,341,478,968	2,272,541,812

22.1 These represent long term certificates of deposit, issued at expected rates of profit, ranging between 10.00% and 16.00% (2012: 10.00% and 16.00%) per annum. These certificates of deposit have been issued for terms ranging between 2 years and 10 years (2012: 2 years and 10 years).

23 LONG TERM DEPOSITS

	Note	2013	2012
		-----Rupees-----	
Security deposit on finance lease	23.1	5,262,263,641	5,238,251,308
Less: Repayable / adjustable within 12 months	29	1,439,310,926	1,653,536,425
		3,822,952,715	3,584,714,883
Others		1,025,000	1,025,000
		3,823,977,715	3,585,739,883

23.1 These represent deposits received from lessees under finance lease contracts, adjustable at the expiry of the lease periods.

24 DEFERRED TAXATION

	Note	2013	2012
		-----Rupees-----	
The deferred tax liability is attributable to the following items:			
- Accelerated tax depreciation		1,252,749,035	1,291,645,073
- Surplus on revaluation of leasehold land and office building	19	44,733,721	45,793,307
- Unamortised transaction costs relating to long term finances and loans		9,033,146	19,718,713
- Unrealised gain on investment		6,162,898	-
- Share of profit of associates		261,254,389	223,801,467
- Allowance for potential loan losses		(177,241,210)	(161,115,709)
- Tax losses		(984,441,136)	(1,071,900,254)
- Capital loss		(59,443,695)	(63,640,145)
		352,807,148	284,302,452

Notes to the Financial Statements

25 TRADE AND OTHER PAYABLES

	Note	2013	2012
		-----Rupees-----	
Creditors		256,520,934	214,655,001
Accrued liabilities		60,423,898	22,882,087
Other liabilities			
Advance from customers against finance lease and Ijarah finance		29,208,880	41,185,405
Unclaimed dividend		4,698,549	3,801,310
Payable to defined benefit plan	35.1.2	5,451,902	5,454,501
Grant from donors	25.1	1,295,498	1,504,848
Worker's Welfare Fund	38	20,000,000	-
Others		5,018,220	1,543,157
		65,673,049	53,489,221
		382,617,881	291,026,309

25.1 This grant was received from Pakistan Poverty Alleviation Fund (PPAF) as assistance towards expenses incurred in developing and sustaining the micro finance program.

	2013	2012
	-----Rupees-----	
Opening balance	1,504,848	4,853,941
Amount charged during the year	(209,350)	(3,349,093)
Closing balance	1,295,498	1,504,848

26 ACCRUED INTEREST / MARK-UP ON LOANS, FINANCES AND CERTIFICATES OF DEPOSIT

	2013	2012
	-----Rupees-----	
Interest / mark-up / profit on		
Long term finances	140,288,748	135,118,842
Long term loans	90,796,862	152,781,886
Short term borrowings	4,523,266	20,700,266
Certificates of deposit	357,231,696	234,225,717
	592,840,572	542,826,711

27 SHORT TERM BORROWINGS

	Note	2013	2012
		-----Rupees-----	
From Banking Companies			
Under mark-up arrangements - secured	27.1	285,948,593	196,741,568
Short term loans - secured	27.2	650,000,000	750,000,000
		935,948,593	946,741,568

Notes to the Financial Statements

27.1 The short term running finance facilities available from commercial banks amounted to Rs. 1,175 million at June 30, 2013 (2012: Rs. 850 million). The rate of mark-up ranges between 10.79% and 11.41% (2012: 13.41% and 13.54%) per annum on a daily product basis. These are secured by hypothecation of leased assets and related lease receivables.

27.2 This represents amounts drawn against a short term facility of Rs. 1 billion from a financial institution. The facility is available to the Company for periods ranging between 1 month to 3 months on roll-over basis for a period of one year and carries mark-up at the rate of KIBOR + 1.25% (2012: KIBOR + 1.5%) per annum. The loan is secured by hypothecation of specific leased assets.

28 SHORT TERM CERTIFICATES OF DEPOSIT - unsecured

	Note	2013	2012
		-----Rupees-----	
Certificates of deposit - unsecured	28.1	1,070,219,108	956,842,830

28.1 These represent short term certificates of deposit issued at expected rates of profit, ranging between 8.75% and 11.00% (2012: 11.00% and 13.25%) per annum for terms of 1 to 12 months (2012: 1 to 12 months).

29 CURRENT MATURITY OF NON-CURRENT LIABILITIES

	Note	2013	2012
		-----Rupees-----	
Current maturity of			
Long term finances	20	1,754,166,667	3,304,166,661
Long term loans	21	1,296,254,494	1,295,384,950
Long term certificates of deposit	22	172,292,482	190,544,777
Long term deposits	23	1,439,310,926	1,653,536,425
		4,662,024,569	6,443,632,813

30 CONTINGENCIES AND COMMITMENTS

30.1 In November 2011, the Company received a show cause notice from Large Taxpayers Unit of the Federal Board of Revenue (FBR) Karachi as to why Federal Excise Duty (FED) on mark-up and other income for the years ended June 30, 2008, 2009 and 2010 amounting to Rs. 1,126 million along with applicable penalty and default surcharge should not be recovered from the Company. The Company's legal advisor is of the opinion that charging of FED on mark-up based income is unlawful and the Company has filed a suit before the Honourable High Court of Sindh challenging levy of FED on mark-up income. The Honourable High Court of Sindh has passed an order suspending the operation of the said notice until the next hearing and no hearing has taken place since then. Management, based on the merit of the case, considers that decision will be in the Company's favour hence no provision has been made in this regard.

30.2 The Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Income Tax Ordinance, 2001 dated July 25, 2013 for the tax year 2010 and created a demand of Rs.313 million. Certain discrepancies were found in the amended order and the Company has requested the ACIR to rectify these mistakes under section 221 of the Ordinance. After rectification the additional tax liability would be of Rs. 70 million.

Notes to the Financial Statements

The Company has paid minimum tax of Rs. 45.48 million and Rs. 50.78 million for the tax year 2007 and 2008 respectively under section 113 of the Ordinance. These amounts have been recognised as current tax expense for the respective financial years. In the opinion of the Company and its tax advisor, the Company is entitled to carry forward the above minimum tax adjustment against the income tax demand for the tax year under consideration and the sum of minimum tax of Rs. 96.26 million paid for the above said tax years would be utilised to adjust the additional tax liability of Rs. 70 million mentioned above.

The Company has preferred an appeal against the order of the ACIR before the Commissioner Inland Revenue (Appeal). Based on the merit of the case, management is confident that the decision will be in the Company's favour.

- 30.3** Leasing contracts committed but not executed at the balance sheet date amounted to Rs. 31.2 million (2012: Rs. 61.05 million).

31 INCOME FROM OPERATING LEASE

	2013	2012
	-----Rupees-----	
Communication Equipments	239,852,817	218,598,153
Generators and Vehicles	554,683,384	484,983,477
Islamic Finance	55,512,900	13,691,217
	850,049,101	717,272,847

32 OTHER INCOME - NET

	Note	2013	2012
		-----Rupees-----	
From financial assets			
Return on investments and deposits		21,445,744	72,164,853
Interest income on government securities		68,579,503	55,553,872
Dividend income		4,099,428	5,621,625
Capital gain on sale of investment		8,653,228	10,322,870
Unrealised gain on remeasurement of financial assets			
at fair value through profit or loss		12,430,878	2,923,988
Gain on fair value hedging instruments	32.1	125,933,028	234,169,623
Exchange loss on long term borrowings	32.2	(125,933,028)	(234,169,623)
		115,208,781	146,587,208
From assets other than financial assets			
Other fees and income		43,879,871	52,103,653
Exchange gain on dividend received		2,379,714	1,797,401
Documentation fee		23,087,571	20,864,678
Gain on disposal of fixed assets		39,922,331	18,388,352
Gain on sale of leased assets		24,069,013	21,348,468
Other exchange gain - net		125,785	222,139
		133,464,285	114,724,691
		248,673,066	261,311,899

- 32.1** This represents unrealised gains on cross currency swap transactions entered with commercial banks (note 21.1, 21.2 and 21.4).

- 32.2** This represents unrealised loss on account of revaluation of long term foreign currency loans (note 21.1, 21.2 and 21.4) which have been hedged by the Company through cross currency swaps.

Notes to the Financial Statements

33 SHARE OF PROFIT OF EQUITY ACCOUNTED UNDERTAKINGS

Name of associates	2013		2012	
	Associates' profit/(loss) after tax	Share of associates' profit/(loss) after tax	Associates' profit/(loss) after tax	Share of associates' profit/(loss) after tax
-----Rupees-----				
Quoted				
Oman ORIX Leasing Company SAOG	848,157,413	98,739,942	693,426,894	80,726,680
Un-Quoted				
Saudi ORIX Leasing Company	2,410,716,550	45,845,475	1,955,630,227	39,112,605
MAF ORIX Finance PJSC	622,279,127	18,668,374	367,688,295	11,030,649
SK Leasing JSC	(77,152,975)	(7,715,298)	(68,028,382)	(6,802,839)
ORIX Leasing Egypt SAE	82,899,790	19,066,947	96,287,028	22,146,016
OPP (Private) Limited	(20,979,797)	(9,440,961)	(50,195,010)	(22,587,756)
	3,017,762,695	66,424,537	2,301,382,158	42,898,675
	3,865,920,108	165,164,479	2,994,809,052	123,625,355

34 FINANCE COST

	2013	2012
	-----Rupees-----	
Interest / mark-up on		
- Long term finances	609,344,464	939,907,075
- Long term loans	265,688,347	341,526,472
- Short term borrowings	122,632,949	133,098,597
- Certificate of deposits	600,883,409	373,100,940
Amortisation of transaction costs	41,310,191	53,705,072
Bank charges and commission	14,367,125	26,733,069
	1,654,226,485	1,868,071,225

35 ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2013	2012
		-----Rupees-----	
Salaries, allowances, welfare and training	35.1	426,428,054	317,437,545
Rent and utilities		78,683,873	65,983,738
Travelling		10,535,437	7,575,800
Vehicle running and maintenance		40,074,748	35,590,222
Insurance on operating assets		8,105,916	8,843,138
Legal and professional charges		26,786,686	23,979,923
Communication		21,373,122	21,050,373
Subscriptions		1,852,388	1,987,458
Auditors' remuneration	35.2	1,500,000	1,437,074
Advertising		23,074,359	17,099,335
Printing and stationery		7,190,699	6,801,679
Depreciation	4.1	50,142,718	47,536,304
Amortisation	5.3	4,478,502	3,744,128
Office repairs and maintenance of equipment		22,364,341	19,883,005
Donations	35.3	1,673,000	789,468
Office general expenses		6,329,544	5,728,078
		730,593,387	585,467,268

Notes to the Financial Statements

35.1 Includes following employee benefits

	Note	2013	2012
		-----Rupees-----	
Defined benefit plan - gratuity fund	35.1.3	11,807,205	11,687,521
Defined contributory plan - provident fund		17,060,357	15,328,533
Compensated absences		3,650,000	2,580,000
		32,517,562	29,596,054

35.1.1 The actuarial valuation has been conducted in accordance with IAS-19 "Employee Benefits" as at June 30, 2013. The Projected Unit Credit method using the following significant assumptions has been used for the actuarial valuation:

	2013	2012
- Discount rate	12%	12.50%
- Expected rate of increase in salary	12%	12.50%
- Expected rate of return on plan assets	12%	12.50%
- Average working life of employees	36 years	36 years

35.1.2 The amounts recognised in the balance sheet are as follows:

	Note	2013	2012
		-----Rupees-----	
Present value of defined benefit obligation	35.1.4	119,719,825	107,274,477
Fair value of any plan assets	35.1.5	(90,634,056)	(88,283,364)
Unrecognised actuarial losses		(23,633,867)	(13,536,612)
		5,451,902	5,454,501

35.1.3 The following amount have been charged in the profit and loss account in respect of these benefits:

	2013	2012
	-----Rupees-----	
Current service cost	10,563,557	9,473,044
Interest cost	12,548,987	12,657,034
Expected return on plan assets	(11,773,533)	(10,442,557)
Actuarial losses recognised	468,194	-
	11,807,205	11,687,521
	Unaudited	Audited
Actual return on plan assets	4,306,050	6,654,284

Notes to the Financial Statements

35.1.4 Movement in the present value of defined benefit obligation:

	2013	2012
	-----Rupees-----	
Present value of obligation as at 1 July	107,274,477	93,040,813
Current service cost	10,563,557	9,473,044
Interest cost	12,548,987	12,657,034
Benefit paid	(13,765,161)	(5,266,861)
Actuarial loss / (gain) on obligation	3,097,965	(2,629,553)
Present value of obligation as at 30 June	119,719,825	107,274,477

35.1.5 Movement in the fair value of plan assets:

	2013	2012
	-----Rupees-----	
Total assets as at 1 July	88,283,364	98,896,827
Return on plan assets	11,773,533	10,442,557
Contributions	11,809,803	8,771,600
Benefit paid	(13,765,161)	(5,266,861)
Actuarial loss on assets	(7,467,483)	(24,560,759)
Total assets as at 30 June	90,634,056	88,283,364

35.1.6 The plan assets include:

	2013	2012
	%	%
Government Securities	78.59%	63.24%
Debt Securities - Listed	14.59%	20.23%
Mutual Funds	1.99%	9.73%
Shares of listed companies	0.35%	0.48%
Term deposits and cash and bank balances	4.48%	6.32%
	100.00%	100.00%

35.1.7 Comparison for five years

	2013	2012	2011	2010	2009
	----- (Rupees) -----				
Present value of defined benefit obligation	119,719,825	107,274,477	93,040,813	99,154,854	97,855,183
Fair value of any plan assets	(90,634,056)	(88,283,364)	(98,896,827)	(97,997,895)	(79,587,909)
Deficit / (surplus)	29,085,769	18,991,113	(5,856,014)	1,156,959	18,267,274
Experience adjustments					
Actuarial loss / (gain) on obligation	3,097,965	(2,629,553)	2,663,731	(12,486,216)	10,635,297
Actuarial (loss) / gain on assets	(7,467,483)	(24,560,759)	15,653,129	34,245	(2,460,479)

35.2 Auditors' remuneration

	2013	2012
	-----Rupees-----	
Audit fee	910,000	910,000
Fee for special certification including half yearly review fee	490,000	490,000
Out of pocket expenses	100,000	37,074
	1,500,000	1,437,074

Notes to the Financial Statements

35.3 Directors or their spouse have no interest in any of the donee other than Marie Adelaide Leprocy Centre where a Director of the Company, Mr. Humayun Murad, is acting as a board member. The amount of donation made to the Centre is Rs. 250,000 (2012: nil).

36 DIRECT COST OF LEASE

	Note	2013	2012
		-----Rupees-----	
Court fee, stamp duty and others		9,521,791	12,164,673
Operating lease			
Maintenance and insurance		320,208,932	254,970,184
Depreciation - operating lease assets	4.2	132,680,030	140,031,485
Depreciation - Ijarah Finance	4.3	38,212,466	8,916,499
Amortisation of intangible assets	5.3	3,812,085	3,125,468
		494,913,513	407,043,636
		504,435,304	419,208,309

37 ALLOWANCE FOR POTENTIAL LEASE AND OTHER LOAN LOSSES

	2013				
	Finance leases	Finances and loans	Sub Total	Operating lease, investments and other receivables	Total
	-----Rupees-----				
Balance at beginning of the year	714,915,974	460,330,596	1,175,246,570	41,869,366	1,217,115,936
Provision made during the year	162,293,124	45,362,810	207,655,934	21,723,309	229,379,243
Write offs	(110,266,570)	(76,890,213)	(187,156,783)	-	(187,156,783)
	766,942,528	428,803,193	1,195,745,721	63,592,675	1,259,338,396

	2012				
	Finance leases	Finances and loans	Sub Total	Operating lease, investments and other receivables	Total
	-----Rupees-----				
Balance at beginning of the year	652,192,305	456,708,734	1,108,901,039	32,688,464	1,141,589,503
Provision made during the year	153,420,695	34,983,978	188,404,673	10,419,343	198,824,016
Write offs	(90,697,026)	(31,362,116)	(122,059,142)	(1,238,441)	(123,297,583)
	714,915,974	460,330,596	1,175,246,570	41,869,366	1,217,115,936

37.1 Provision against finances and loans

	Note	2013	2012
		-----Rupees-----	
Long term finances and loans	9	276,634,630	332,364,901
Short term finances and loans	10	152,168,563	127,965,695
		428,803,193	460,330,596

Notes to the Financial Statements

37.2 Provision against other receivables

	Note	2013	2012
		-----Rupees-----	
Other receivables	15	49,179,890	34,501,580
Short term investments	13	11,147,158	7,367,786
Long term investments	8	3,265,627	-
		63,592,675	41,869,366

37.3 In June 2010, the Securities and Exchange Commission of Pakistan (SECP) amended the time based criteria for calculating the provision against non-performing leases / loans through introduction of schedule XI to the Non-Banking Finance Companies and Notified Entities' Regulations, 2008 and further through SRO 414 of 2012 dated April 26, 2012 which became applicable from July 1, 2012.

The details of the previous and the revised criteria are as follows:

Description	Previous (Short term)		Previous (Long term)		Revised	
	Past due days	Provision required	Past due days	Provision required	Past due days	Provision required
Other Assets Especially Mentioned (OAEM)	90	-	90	-	-	-
Substandard	180	20%	365 / 1 year	20%	180	25%
Doubtful	365 / 1 year	50%	730 / 2 years	50%	365 / 1 year	50%
Loss	730 / 2 years	100%	1095 / 3 years	100%	730 / 2 years	100%

Had the provision against non-performing leases/loans been determined in accordance with the previously laid down requirement of the SECP, the allowance for potential lease and other loan losses would have been lower by Rs. 105.60 million and consequently profit before taxation for the year would have been higher by Rs. 105.60 million and net investment in finance lease and term loans and finances as at June 30, 2013 would have been higher by Rs. 101.07 million and 4.53 million respectively.

38 OTHER PROVISIONS

	Note	2013	2012
		-----Rupees-----	
Operating lease, investments and other receivables			
Provision for other receivables		14,678,310	3,051,557
Provision for potential losses on investments		7,044,999	7,367,786
		21,723,309	10,419,343
Others			
Provision for workers welfare fund	25	20,000,000	-
Impairment on stock exchange rooms	4.1.3	7,700,000	-
		49,423,309	10,419,343

Notes to the Financial Statements

39 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year in respect of the remuneration and benefits to the Chief Executive, Directors and Executives are as follows:

	2013		
	Chief Executive	Executives	Total
	----- Rupees -----		
Managerial remuneration and allowances	14,340,000	133,846,135	148,186,135
House rent and utilities	4,560,000	38,522,377	43,082,377
Retirement benefits	3,375,592	24,532,337	27,907,929
	22,275,592	196,900,849	219,176,441
Number of persons	1	75	76

	2012		
	Chief Executive	Executives	Total
	----- Rupees -----		
Managerial remuneration and allowances	9,556,800	90,083,710	99,640,510
House rent and utilities	3,187,200	31,997,351	35,184,551
Retirement benefits	3,290,143	14,962,961	18,253,103
	16,034,143	137,044,022	153,078,164
Number of persons	1	61	62

- 39.1** Executives mean employees, other than the Chief executive and Directors, whose basic salary exceeds five hundred thousand rupees in a financial year.
- 39.2** The Chief Executive and certain Executives are also provided with Company owned and maintained cars and other benefits in accordance with their entitlement as per rules of the Company.
- 39.3** Aggregate amount charged in these financial statements includes meeting fees paid to 3 non-executive directors amounting to Rs.1,450,000 (2012: 3 non-executive Directors Rs.765,000).
- 39.4** Aggregate amount charged in these financial statements includes fee paid to Chairman of the Board of Directors amounting to Rs. 1.2 million (2012: Rs.1.2 million). The Chairman is also provided with a Company owned car.

40 SEGMENT INFORMATION

The Company has two primary reporting segments namely, 'Finance lease' and 'Operating lease', based on the nature of business and the related risks and returns associated with these segments. The finance lease operations are primarily for long term leases of movable assets to corporate entities and individuals, while under operating lease, the Company provides assets on short term rentals. Investment Financial Services represents ORIX Investment Bank Limited's assets and liabilities and related profit and loss expenses after amalgamation with ORIX Leasing Pakistan Limited. Other operations, which are not deemed by management to be sufficiently significant to disclose as separate items and do not fall in to the above segment categories, are reported under "Investment in associates, loans and others".

Notes to the Financial Statements

Segment analysis for the year ended June 30, 2013

Description	Finance Lease	Operating Lease	Investment in associates, loans and others	Leasing Business Total	Investment Financial Services	Total
Rupees						
Segment revenues	1,900,146,644	850,049,101	626,294,235	3,376,489,980	18,662,338	3,395,152,318
Share of profit of equity accounted undertakings	-	-	165,164,479	165,164,479	-	165,164,479
Total segment revenue	1,900,146,644	850,049,101	791,458,714	3,541,654,459	18,662,338	3,560,316,797
Administrative and general expenses	219,695,416	71,204,431	34,827,572	325,727,419	3,731,705	329,459,124
Direct cost of leases	9,521,791	494,913,513	-	504,435,304	-	504,435,304
Allowance for potential lease, installment and other loan losses - net	162,293,124	-	43,966,661	206,259,785	1,396,149	207,655,934
Other Provisions - net	-	500,000	2,044,999	2,544,999	26,878,310	29,423,309
Segment result	1,508,636,313	283,431,157	710,619,482	2,502,686,952	(13,343,826)	2,489,343,126
Provision for workers welfare fund				(20,000,000)	-	(20,000,000)
Unallocated expenses				(401,134,263)	-	(401,134,263)
Result from operating activities				2,081,552,689	(13,343,826)	2,068,208,863
Finance cost				(1,623,526,185)	(30,700,300)	(1,654,226,485)
Provision for taxation				(76,500,000)	-	(76,500,000)
Profit for the year				381,526,504	(44,044,126)	337,482,378
Other information						
Segment assets	15,201,487,109	1,153,908,686	3,736,134,415	20,091,530,210	186,334,985	20,277,865,195
Investment in equity accounted undertakings			1,710,670,971	1,710,670,971	-	1,710,670,971
Unallocated assets				1,105,534,317	-	1,105,534,317
Total assets				22,907,735,498	186,334,985	23,094,070,483
Segment liabilities	5,262,263,641	-	-	5,262,263,641	186,334,985	5,448,598,626
Unallocated liabilities				14,950,101,631	-	14,950,101,631
Total liabilities				20,212,365,272	186,334,985	20,398,700,257
Capital expenditure	-	429,703,677	55,606,189	485,309,866	-	485,309,866
Depreciation	-	174,704,581	54,621,220	229,325,801	-	229,325,801

Notes to the Financial Statements

Segment analysis for the year ended June 30, 2012

Description	Finance lease	Operating lease	Investment in associates, loans and others	Leasing Business Total	Investment Financial Services	Total
Rupees						
Segment revenues	2,012,627,143	703,581,627	492,617,497	3,208,826,267	16,971,151	3,225,797,418
Share of profit of equity accounted undertakings	-	-	123,625,355	123,625,355	-	123,625,355
Total segment revenue	2,012,627,143	703,581,627	616,242,852	3,332,451,622	16,971,151	3,349,422,773
Administrative and general expenses	207,118,635	58,400,809	41,675,869	307,195,313	3,712,234	310,907,547
Direct cost of leases	12,164,673	407,043,636	-	419,208,309	-	419,208,309
Allowance for potential lease, installment and other loan losses - net	153,420,695	1,051,558	24,351,763	178,824,016	20,000,000	198,824,016
Other Provisions - net	-	-	2,628,065	2,628,065	360,000	2,988,065
Segment result	1,639,923,140	237,085,624	547,587,155	2,424,595,919	(7,101,083)	2,417,494,836
Unallocated expenses				(274,559,721)	-	(274,559,721)
Result from operating activities				2,150,036,198	(7,101,083)	2,142,935,115
Finance cost				(1,816,275,814)	(51,795,411)	(1,868,071,225)
Provision for taxation				(73,000,000)	-	(73,000,000)
Profit for the year				260,760,384	(58,896,494)	201,863,890
Other information						
Segment assets	15,256,809,876	1,010,959,779	2,503,114,840	18,770,884,495	301,507,786	19,072,392,281
Investment in equity accounted undertakings			1,567,993,170	1,567,993,170	-	1,567,993,170
Unallocated assets			-	1,356,268,328	-	1,356,268,328
Total assets				21,695,145,993	301,507,786	21,996,653,779
Segment liabilities	5,238,251,308	-	-	5,238,251,308	301,507,786	5,539,759,094
Unallocated liabilities				13,995,684,960	-	13,995,684,960
Total liabilities				19,233,936,268	301,507,786	19,535,444,054
Capital expenditure	-	205,838,414	126,953,987	332,792,401	-	332,792,401
Depreciation	-	143,156,953	60,196,931	203,353,884	-	203,353,884

Notes to the Financial Statements

41 TRANSACTIONS WITH RELATED PARTIES

The Company has related party relationships with its parent company, related group companies, associated companies, staff provident fund, staff gratuity fund, Directors and key management personnel and entities over which the directors or key management personnel are able to exercise significant influence.

The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are disclosed in the relevant notes.

41.1 Terms and conditions of transactions with related parties

The transactions with the related parties are executed substantially on the same terms, as those prevailing at the time of comparable transactions with unrelated parties and do not involve more than a normal risk. Outstanding balances, if any, are disclosed in the respective notes. Other material transactions with related parties are given below:

	2013	2012
	-----Rupees-----	
ORIX Corporation, Japan		
Parent Company		
Dividend paid	61,037,759	40,691,839
ORIX Leasing Egypt SAE		
Associate / common directorship		
Dividend received	-	20,744,296
Oman ORIX Leasing Company SAOG		
Associate / common directorship		
Investment made during the year	-	142,132,398
Dividend received	64,484,816	57,026,436
Consultancy fee received	15,120,946	-
BOD attendance fee	3,032,404	2,066,632
MAF ORIX Finance PJSC		
Associate / common directorship		
Dividend received	-	14,824,192
Saudi ORIX Leasing Company		
Associate / common directorship		
Dividend received	3,289,262	5,370,706
Consultancy fee received	1,082,058	-
BOD attendance fee	3,734,403	3,571,232
OPP (Private) Limited		
Associate / common directorship		
Rent paid for service apartment	370,190	130,134
ORIX Indonesia Finance		
Related Group Company		
Consultancy fee received	-	1,548,329

Notes to the Financial Statements

	2013	2012
	-----Rupees-----	
Hino Pak Motors Limited		
Common directorship		
Purchases made	481,516,138	496,218,460
State Life Insurance Corporation of Pakistan		
Common directorship		
Rent and premium payment	17,545,592	16,393,786
National Bank of Pakistan		
Common directorship		
Loan principal repayment	187,500,000	187,500,000
Loan interest paid	54,076,439	90,609,966
Sui Southern Gas Company Limited		
Common directorship		
Utilities bills payment	4,220	1,919,160
Sui Northern Gas Company Limited		
Common directorship		
Utilities bills payment	80,710	54,140
Related parties		
Issuance of certificates of deposit	15,608,592	4,500,000
Redemption of certificates of deposit	3,550,000	7,330,000
Amount of profit paid	1,378,696	1,086,465
ORIX Leasing Pakistan Limited - Employees Provident Fund (OLP-EPF)		
TFC principal repayment	22,308,573	19,906,666
TFC interest paid	2,974,038	6,686,331
Contribution made	17,060,357	15,335,553
ORIX Leasing Pakistan Limited - Staff Gratuity Fund (OLP-SGF)		
TFC principal repayment	3,280,000	1,640,000
TFC interest paid	668,472	1,186,487
Contribution made	11,809,803	8,771,600
Balances		
Certificates of deposit held - Related Parties	24,588,592	12,530,000
Accrued profit on certificates of deposit - Related Parties	1,609,540	1,021,154
Loan outstanding - National Bank of Pakistan	281,250,000	468,750,000
Accrued mark-up - National Bank of Pakistan	3,384,856	6,633,388

Notes to the Financial Statements

	2013	2012
	-----Rupees-----	
ORIX Leasing Pakistan Limited - Employee Provident Fund investment in OLP's Term Finance Certificate	6,480,000	29,626,668
ORIX Leasing Pakistan Limited - Employee Provident Fund accrued mark-up on OLP's Term Finance Certificate	5,981	10,041
ORIX Leasing Pakistan Limited - Staff Gratuity Fund investment in OLP's Term Finance Certificate	3,280,000	6,560,000
ORIX Leasing Pakistan Limited - Staff Gratuity Fund accrued mark-up on OLP's Term Finance Certificate	3,081	-
Defined benefit payable to ORIX Leasing Pakistan Limited - Staff Gratuity Fund	5,451,902	5,454,501

41.2 The Company is a party to Technical Assistance Agreements with its foreign associates, under which the Company renders certain technical services to these foreign associates.

41.3 Compensation of key management personnel

	2013	2012
	-----Rupees-----	
Short term employee benefits	33,417,600	25,174,850
Retirement benefits	5,457,359	5,877,629
Total compensation to key management personnel	38,874,959	31,052,479

42 TAXATION

	2013	2012
	-----Rupees-----	
Current tax charge for the year	18,000,000	32,000,000
Deferred	58,500,000	41,000,000
	76,500,000	73,000,000

42.1 Effective tax rate reconciliation

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

42.2 Current status of pending tax assessments

Tax Year 2007 to 2012

Under Section 114 of the Income Tax Ordinance 2001, (Ordinance), the Company has filed the returns of income for tax years 2007 to 2012. The said returns were taken to be assessment orders passed by the Commissioner Inland Revenue (CIR) on the day the said returns were filed.

Tax Year 1999-2000

In the assessment year 1999-2000 the Officer Inland Revenue (O.I.R) had revised the income tax assessment order of the Company under Section 221 of the Ordinance. The Company had preferred an appeal against

Notes to the Financial Statements

the order of the O.I.R before the Commissioner Inland Revenue [CIR(A)] who confirmed the treatment of the O.I.R. The Company then filed an appeal before the Appellate Tribunal Inland Revenue (ATIR). The ATIR while deciding the appeal filed by the Company, has remanded back the appellate order dated December 12, 2005 to the CIR(A) to pass speaking order after considering all the relevant facts of the case. The case is still pending for adjudication. However, as a matter of prudence, the Company has made adequate provision in respect of the disallowances.

Tax Year 2009-2010

Details of the assessment made by the Additional Commissioner Inland Revenue are provided in note 30.2.

43 OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES

	Note	2013	2012
		-----Rupees-----	
Profit before taxation		413,982,378	274,863,890
Adjustments for:			
Depreciation	4.1, 4.2 & 4.3	221,035,214	196,484,288
Amortisation	5.2	8,290,587	6,869,596
Amortisation of transaction cost	34	41,310,191	53,705,072
Provision for potential lease and other loan losses - net	37	207,655,934	188,404,673
Impairment on stock exchange rooms	4.1.3	7,700,000	-
Provision for potential losses on investments	38	7,044,999	7,367,786
Provision for workers welfare fund	38	20,000,000	-
Provision for other receivable	38	14,678,310	3,051,557
Share of profit of equity accounted undertakings	33	(165,164,479)	(123,625,355)
Gain on hedging instruments	32	(125,933,028)	(234,169,623)
Exchange loss on long term borrowings	32	125,933,028	234,169,623
Other exchange gain - net	32	(125,785)	(222,139)
Provision for staff retirement benefits	35.1.3	11,807,205	11,687,521
Unrealised gain on remeasurement of financial assets at fair value through profit and loss account	32	(12,430,878)	(2,923,988)
Finance cost	34	1,012,032,885	1,441,265,213
Impairment on available for sale securities		-	2,988,065
Profit on certificates of deposit	34	600,883,409	373,100,940
Dividend income	32	(4,099,428)	(5,621,625)
Exchange gain on dividend received	32	(2,379,714)	(1,797,401)
Capital gain on sale of investments	32	(8,653,228)	(10,322,870)
Return on investments and deposits	32	(21,445,744)	(72,164,853)
Interest income on government securities	32	(68,579,503)	(55,553,872)
Gain on disposal of fixed assets	32	(39,922,331)	(18,388,352)
		1,829,637,644	1,994,304,256
		2,243,620,022	2,269,168,146

44 CASH AND CASH EQUIVALENTS

	Note	2013	2012
		-----Rupees-----	
Cash at bank	16	229,063,831	334,879,388
Cash in hand	16	1,542,808	1,493,231
Short - term running finance facilities	27	(285,948,593)	(196,741,568)
		(55,341,954)	139,631,051

Notes to the Financial Statements

45 STAFF STRENGTH

	2013	2012
	-----Number of staff-----	
Company's staff strength at the end of the year	437	438
Average number of employees*	434	435

* Represents the average taken of the number of employees at the end of each month in the year.

46 PROVIDENT FUND RELATED DISCLOSURES

The Company operates a Staff provident fund for its employees. The following information is based on financial statements of the Fund as at June 30, 2013 (unaudited) and 2012 (audited):

	2013	2012
	Unaudited	Audited
	-----Rupees-----	
Size of the Fund - Total assets	270,664,738	243,313,753
Fair value of investments	270,288,856	242,876,253
	----- (Percentage) -----	
Percentage of investments made	100%	100%

The cost of the above investments amounted to Rs. 263.91 million (2012: Rs 233.65 million).

The break-up of fair value of investments is as follows:

	2013	2012	2013	2012
	Unaudited	Audited	Unaudited	Audited
	-----Percentage-----		-----Rupees-----	
Cash and Bank deposits	2.95%	3.97%	7,961,489	9,643,721
Government securities				
- Treasury Bills	78.51%	78.74%	212,209,108	191,251,880
- National Savings Certificate	12.21%	0.00%	33,000,000	-
Debt securities - listed	4.46%	15.31%	12,069,509	37,178,052
Mutual funds - listed	1.87%	1.98%	5,048,750	4,802,600
	100.00%	100.00%	270,288,856	242,876,253

The investments of the provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

47 FINANCIAL RISK MANAGEMENT

The Company's activities are exposed to a variety of financial risks which mainly include market risk, credit risk and liquidity risk. The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

Notes to the Financial Statements

47.1 Market Risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

47.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company incurs currency risk on borrowing in foreign currency and investment in overseas associates that are entered in a currency other than Pak Rupees. The Company uses cross currency swaps to hedge its currency risk on its foreign currency borrowings. The Company's exposure to foreign currency transactions are as follows:

	2013	2012
	Rupees-----	
Long term loans	2,071,676,354	3,069,986,543
Foreign currency bank account	2,684,901	2,065,307
Investment in associated undertakings	1,618,220,187	1,466,101,425
Accrued interest on long term financing	89,793,442	148,628,690

The Company has hedged interest rate risk and foreign currency risk on long term loans with financial institutions. Had there been no hedge arrangements, profit for the year would have been lower by Rs. 136 million (2012: Rs. 246 million).

Sensitivity analysis

The Company has major currency risk in US Dollar, at reporting date, if the PKR had strengthened / weakened by 10% against the US Dollar with all other variables held constant, post-tax profit for the year, in the absence of an effective hedge on its foreign currency loans, would have been higher / lower by the amount of Rs. 54 million (2012: Rs. 175 million) mainly as a result of net foreign exchange gain / loss on translation of foreign currency bank account, investment in associated undertakings and foreign creditors.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

47.1.2 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates and variable financial assets. Financial assets and financial liabilities includes balances of Rs. 5,864 million (2012 : Rs. 4,832 million) and Rs. 5,543 million (2012: Rs. 8,578 million) respectively, which are subject to interest rate risks. Applicable interest rates for the same have been disclosed in their respective notes.

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Sensitivity analysis for variable rate financial instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. But the Company does designate derivatives (cross currency interest rate swap) as a hedging instrument under a fair value hedge accounting model. Therefore a change in interest rate at the reporting date would not affect profit and loss account.

A change of 100 basis points in interest rate would have increased or decreased profit by Rs. 3.2 million (2012: Rs. 37.4 million).

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and financial assets / liabilities of the Company.

47.1.3 Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market.

Other price risk arises from the Company's investment in units of mutual funds and ordinary shares of listed companies. To manage its price risk arising from aforesaid investments, the Company diversifies its portfolio and continuously monitors developments in equity markets. In addition the Company actively monitors the key factors that affect stock price movement.

A 10% increase / decrease in redemption and share prices at year end would have decreased / increased the Company's profit in case of investments classified as at fair value through profit and loss and increase / decrease surplus / (deficit) on re-measurement of investments in case of 'available for sale' investments as follows:

	2013	2012
	-----Rupees-----	
Effect on profit	6,431,914	5,125,233
Effect on equity	1,454,790	2,140,649
Effect on investments	7,886,704	7,265,882

The sensitivity analysis prepared is not necessarily indicative of the effects on loss / equity and assets of the Company.

47.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The risk is generally limited to principal amounts and accrued profit thereon if any. The Company has established procedures to manage credit exposure including credit approvals, credit limits, collateral and guarantee requirements. These procedures incorporate both internal guidelines and requirements of the NBFC Rules and the NBFC Regulations. The Company also manages risk through an independent credit department which evaluates customers' credit worthiness and obtains adequate securities where applicable.

Notes to the Financial Statements

All investing transactions are settled / paid for upon delivery. The Company's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location. Out of the total assets of Rs. 23,094 million (2012: Rs. 21,997 million) the assets which were subject to credit risk amounted to Rs. 20,053 million (2012: Rs. 19,394 million). Significant concentrations of the Company's risk assets by industry sector and geographical region are set out in notes 47.2.1 to 47.2.3.

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

	2013	2012
	-----Rupees-----	
Net investment in finance lease	15,971,003,855	16,000,021,122
Long term finances and loans	2,260,556,175	2,021,626,872
Short term finances	395,635,816	356,387,936
Long term investments	3,265,627	4,170,000
Accrued return on investments and term finance	34,893,304	15,530,539
Short term investments	781,639,974	117,747,933
Other receivables	362,514,674	529,508,495
Long term deposits	14,370,914	13,767,914
Bank balances	229,063,831	334,879,388
	20,052,944,170	19,393,640,199

The Company monitors the credit quality of receivables through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments. For such purpose, the Company has established exposure limits for single lessees and industrial sectors. The Company has an effective rental monitoring system which allows it to evaluate customers' credit worthiness and identify potential problem accounts. An allowance for potential lease, instalment and other loan losses is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on lease, instalment and other loan portfolio that can be reasonably anticipated. The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history.

Notes to the Financial Statements

The carrying value of receivables which are past due are as under:

2013				
	Finance Lease (Net of Security Deposit)	Finance & Loan	Investment & Other Receivables	Total
	Rupees			
90 - 180 days	55,081,319	-	6,682,485	61,763,804
181 - 365 days	62,880,997	5,582,691	1,511,241	69,974,929
Over 1 Year	776,439,639	477,944,147	66,228,684	1,320,612,470
	894,401,955	483,526,838	74,422,410	1,452,351,203
Less: Provision	766,942,528	428,803,193	63,592,675	1,259,338,396
Net of Provision	127,459,427	54,723,645	10,829,735	193,012,807
Coverage Ratio	85.7%	88.7%	85.4%	86.7%

2012				
	Finance Lease (Net of Security Deposit)	Finance & Loan	Investment & Other Receivables	Total
	Rupees			
90 - 180 days	58,487,431	3,463,864	723,463	62,674,758
181 - 365 days	55,211,035	18,978,991	930,633	75,120,659
Over 1 Year	916,196,104	609,048,168	47,715,270	1,572,959,542
	1,029,894,570	631,491,023	49,369,366	1,710,754,959
Less: Provision	714,915,974	460,330,596	41,869,366	1,217,115,936
Net of Provision	314,978,596	171,160,427	7,500,000	493,639,023
Coverage Ratio	69.4%	72.9%	84.8%	71.1%

The Company has made appropriate provisions in respect of these past due. These are secured against leased assets, in case of finance lease and various securities in other cases.

The credit quality of Company's bank balances and investments portfolio are assessed with reference to external credit ratings which are mostly above investment grade rating.

The Company has adequate provision of Rs. 1,259 million (2012: Rs. 1,217 million) against these past dues. In addition, finance lease receivables are secured against leased assets. The forced sale value of lease collateral has not been considered in calculating the above stated coverage ratio.

The analysis below summarises the credit rating quality of the Company's net financial assets as at June 30, 2013:

	2013	2012
	Rupees	
Bank balances		
AAA	43,294,208	144,604,828
AA+	53,185,124	52,478,282
AA	122,299	964,396
AA-	83,317	502,486
A+	127,857,583	288,462
A	3,795,752	135,233,558
A-	313,299	368,323
A2	776	4,926
A3	411,473	434,127
	229,063,831	334,879,388

Notes to the Financial Statements

	2013	2012
	-----Rupees-----	
Term Deposit Receipt		
A1+	400,000,000	-
A1	200,000,000	-
Term Finance Certificates - listed		
AA+	25,993,170	-
AA	7,563,329	10,069,009
AA-	-	1,000,255
A+	-	2,491,840
Unrated	2,158,971	12,381,977
Mutual Funds		
AM2	19,281,121	15,243,621
AM2-	25,003,678	14,037,500
AM3-	32,186,188	31,524,179

47.2.1 Segment by class of business

An analysis by class of business of the Company's net investment in finance leases and other advances is given below:

	2013		2012	
Sectors	(Rupees)	%	(Rupees)	%
Individuals (auto lease)	4,362,750,489	23.54	4,110,394,572	22.50
Transport and communication	3,487,268,997	18.82	3,070,196,328	16.81
Services	1,974,761,497	10.66	1,964,244,120	10.75
Miscellaneous	1,890,301,773	10.20	2,079,258,460	11.38
Textile and allied	1,525,362,620	8.23	1,534,254,901	8.40
Fuel and energy	930,955,758	5.02	925,721,333	5.07
Food and allied	662,425,563	3.58	662,760,158	3.63
Trading	823,509,074	4.44	788,053,607	4.31
Steel and engineering	779,465,679	4.21	741,547,316	4.06
Construction	428,542,803	2.31	491,730,079	2.69
Chemical and pharmaceutical	607,159,774	3.28	681,835,740	3.73
Paper, board and printing	474,739,441	2.56	517,509,737	2.83
Cement	107,822,433	0.58	132,417,248	0.72
Sugar	349,525,046	1.89	403,050,685	2.21
Manufacturers of consumer goods	125,652,183	0.68	166,549,880	0.91
	18,530,243,130	100.00	18,269,524,164	100.00

	2013	2012
	-----Rupees-----	
Net investment in finance leases	15,971,003,855	16,000,021,122
Other advances	2,559,239,275	2,269,503,042
	18,530,243,130	18,269,524,164

Notes to the Financial Statements

47.2.2 Segment by sector

The Company's net investment in finance lease includes exposure to Government / Public sector amounted to Rs. 37.7 million (2012: Rs. 8.04 million) and the balance Rs. 15,933 million (2012: Rs.15,992 million) represents exposure to private sector.

47.2.3 Geographical segment analysis

The Company's operations are restricted to Pakistan only.

47.3 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 will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below summarises the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

			2013		
	Carrying amount	Contractual cash flows	Upto three months	More than three months and upto one year	More than one year
	----- (Rupees) -----				
Long term finances	5,093,289,651	5,827,781,071	465,134,344	1,659,894,039	3,702,752,688
Long term loans	2,219,726,202	2,316,610,025	741,836,248	643,002,202	931,771,575
Certificates of deposit	5,583,990,558	7,474,729,122	189,237,591	1,126,111,450	6,159,380,081
Trade and other payables	332,113,503	332,113,503	332,113,503	-	-
Accrued interest / mark-up /profit on loans, finances and certificates of deposit	592,840,572	592,840,572	234,618,906	358,221,666	-
Short term borrowings	935,948,593	947,306,093	947,306,093	-	-
	14,757,909,079	17,491,380,386	2,910,246,685	3,787,229,357	10,793,904,344

	2012				
	Carrying amount	Contractual cash flows	Upto three months	More than three months and upto one year	More than one year
	----- (Rupees) -----				
Long term finances	5,604,166,664	6,063,988,521	1,265,420,797	2,482,426,682	2,316,141,042
Long term loans	3,263,513,803	3,569,485,527	612,276,274	894,580,680	2,062,628,573
Certificates of deposit	3,419,929,419	4,940,017,214	262,085,830	1,327,832,982	3,350,098,402
Trade and other payables	248,336,056	248,336,056	248,336,056	-	-
Accrued interest / mark-up /profit on loans, finances and certificates of deposit	542,826,711	542,826,711	278,280,632	264,546,079	-
Short term borrowings	946,741,568	975,345,735	710,970,735	264,375,000	-
	14,025,514,221	16,339,999,764	3,377,370,324	5,233,761,423	7,728,868,017

Notes to the Financial Statements

47.4 Fair values of financial assets and liabilities

The table below analyses financial instruments carried at fair value, by valuation method. The different levels (methods) have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
At fair value through profit and loss	64,062,314	38,981,769	-	103,044,083
Available for sale investments	14,535,117	704,419	58,113,570	73,353,106
Total	78,597,431	39,686,188	58,113,570	176,397,189

The reconciliation of items classified in Level 3 is as follows:

	2013 (Rupees)
Opening balance as at 1 July	9,396,000
Addition: Shares of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited	48,513,570
Unrealised gain	204,000
Closing balance as at 30 June	58,113,570

The carrying amounts of all other financial assets and liabilities reflected in the financial statements approximate their fair values.

47.5 Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to its shareholders or issue new shares.

48 EARNINGS PER SHARE - basic and diluted

	2013	2012
	----- Rupees -----	
Profit for the year	337,482,378	201,863,890
Weighted average number of ordinary shares	82,052,930	82,052,930
Earnings per share - basic and diluted	4.11	2.46

Notes to the Financial Statements

48.1 Diluted earnings per share has not been presented separately as the Company does not have any convertible instruments in issue at June 30, 2013 and June 30, 2012 which would have any effect on the earnings per share if the option to convert is exercised.

49 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 25, 2013 proposed a final dividend of Rs. 2.2 per share (2012: Rs. 1.5 per share) for the year ended June 30, 2013, amounting to Rs. 180,516,446 (2012: Rs. 123,079,395) for approval of members at the Annual General Meeting to be held on October 28, 2013. These financial do not reflect the impact of this proposed dividend.

50 GENERAL

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant reclassifications were made during the year except for the following:

Description	Reclassified from	Classified to	Amount
Ijarah Income reclassified from other income to operating leases	Mark-up on term / factoring finance	Operating lease	13,691,220
Payable against finance lease and Ijarah finance reclassified to creditors	Advance from customers against finance lease and Ijarah finance	Creditors	19,866,595
Karachi and Lahore Stock Exchange Rooms reclassified from Intangible assets to property, plant and equipment	Intangibles assets	Property, plant and equipment	15,700,000

51 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 25, 2013 by the Board of Directors of the Company.

Pattern of Shareholdings

as at
June 30, 2013

No. of Shareholders	Shareholding From	to	Total Shares Held	Percentage %
1,937	1	100	58,764	0.0716
852	101	500	206,434	0.2516
285	501	1,000	216,609	0.2640
462	1,001	5,000	1,062,494	1.2949
103	5,001	10,000	745,056	0.9080
59	10,001	15,000	724,041	0.8824
24	15,001	20,000	434,623	0.5297
17	20,001	25,000	381,887	0.4654
10	25,001	30,000	291,699	0.3555
6	30,001	35,000	203,752	0.2483
9	35,001	40,000	339,467	0.4137
3	40,001	45,000	130,823	0.1594
5	45,001	50,000	250,000	0.3047
5	50,001	55,000	258,446	0.3150
3	55,001	60,000	177,000	0.2157
1	60,001	65,000	62,835	0.0766
1	65,001	70,000	66,210	0.0807
1	70,001	75,000	70,681	0.0861
3	75,001	80,000	234,529	0.2858
1	80,001	85,000	83,241	0.1014
2	95,001	100,000	200,000	0.2437
3	100,001	105,000	305,179	0.3719
2	105,001	110,000	216,156	0.2634
1	110,001	115,000	112,500	0.1371
1	115,001	120,000	119,000	0.1450
1	150,001	155,000	150,084	0.1829
2	155,001	160,000	311,272	0.3794
1	160,001	165,000	164,125	0.2000
1	170,001	175,000	173,500	0.2114
2	190,001	195,000	383,977	0.4680
2	195,001	200,000	398,375	0.4855
1	200,001	205,000	201,100	0.2451
1	245,001	250,000	250,000	0.3047
1	265,001	270,000	265,457	0.3235
2	295,001	300,000	600,000	0.7312
1	360,001	365,000	362,323	0.4416
1	375,001	380,000	377,000	0.4595
1	390,001	395,000	391,790	0.4775
1	405,001	410,000	407,562	0.4967
1	435,001	440,000	439,367	0.5355
1	505,001	510,000	506,747	0.6176
1	595,001	600,000	595,547	0.7258
1	1,020,001	1,025,000	1,021,000	1.2443
1	1,295,001	1,300,000	1,300,000	1.5843
1	1,340,001	1,345,000	1,340,022	1.6331
1	1,685,001	1,690,000	1,689,793	2.0594
1	2,780,001	2,785,000	2,781,580	3.3900
1	4,095,001	4,100,000	4,100,000	4.9968
1	4,235,001	4,240,000	4,237,290	5.1641
1	4,310,001	4,315,000	4,310,902	5.2538
1	7,650,001	7,655,000	7,650,852	9.3243
1	40,690,001	40,695,000	40,691,839	49.5922
3,827			82,052,930	100.0000

Pattern of Shareholdings as at June 30, 2013

Categories of Shareholders	Number of Shares held	Category wise no. of Shareholders	Category wise shares held	Percentage %
Individuals		3,691	16,679,077	20.33
Investment Companies		4	381	0.00
Joint Stock Companies		33	162,174	0.20
Directors, Chief Executive Officer and their Spouse and Minor Children				
Mr. Kunwar Idris	2,771			
Mr. Harukazu Yamaguchi	575			
Mr. Humayun Murad	155,109			
Mr. Shahid Usman	20,500			
Mr. Shaheen Amin	575			
Mr. Kazuhito Inoue	575			
Mr. Teizoon Kisat	66,210			
Mrs. Khalida Idris w/o Mr. Kunwar Idris	8,302			
		8	254,617	0.31
Executives		29	90,434	0.11
Associated Companies, Undertakings and Related Parties:				
ORIX Corporation		1	40,691,839	49.59
Public Sector Companies and Corporations		-	-	0.00
Banks, DFIs, NBFCs, Insurance Companies Takaful, Modarabas and Pension Funds		11	7,301,930	8.90
Mutual Funds				
National Bank of Pakistan-Trustee Department		1	2,781,580	3.39
Foreign Investors		41	14,069,563	17.15
Others		8	21,335	0.03
Total		3,827	82,052,930	100
Additional Information				
Shareholders holding five percent or more voting rights				
Shanila Sajid			4,100,000	5.00
Aberdeen Asian Smaller Companies Investment Trust PLC			4,237,290	5.16
State Life Insurance Corporation of Pakistan			4,310,902	5.25
Majid Al Futtaim Trust LLC			7,650,852	9.32
Orix Corporation			40,691,839	49.59
			60,990,883	74.33

ORIX CORPORATION

Tokyo Headquarters
World Trade Center Building.,
2-4-1 Hamamatsu-cho,
Minato-ku, Tokyo, 105-6135, Japan
Phone: (81)-3-3435-3145
Fax: (81)-3-3435-3163
www.orix.co.jp

ORIX LEASING PAKISTAN LIMITED

ASSOCIATED COMPANIES

Overseas Joint Ventures

Oman ORIX Leasing Company SAOG

2nd & 3rd Floor, Rumaila 106, Watayah,
P. O. Box 106
Postal Code 118, Muscat
Sultanate of Oman
Tel: (968) 24661900
Fax: (968) 24565610, 24567940
www.omanorix.com

ORIX Leasing Egypt SAE

5th Floor, Cairo Center Building
2, Abd El Kader Hamza Street
Garden City, Cairo 11461, Egypt
Tel: (202) 27922757-9
Fax: (202) 27922760
www.orix-egypt.com

Saudi ORIX Leasing Company

P.O. Box 22890, Riyadh 11416
343 Al Ma'ather Street, Riyadh
Kingdom of Saudi Arabia.
Tel: (9661) 2997777
Fax: (9661) 2997770
www.saudiorix.com.sa

MAF ORIX Finance PJSC

Office Nos. 101-104, First Floor
City Avenue Building, Deira Dubai
P.O. Box 22600, Dubai
United Arab Emirates
Tel: (009714) 2364343
Fax: (009714) 2364455
www.maforix.ae

SK Leasing JSC

136 Dostyk Ave,
Almaty, 050051, ("RFCA" BC, 8th Floor)
Republic of Kazakhstan
Tel: 8(727) 3130757, 7(727) 2507979
Fax: 7(727) 3130748
www.leasing.kz

Joint Venture in Pakistan

OPP (Private) Limited

42, E/1, Gulberg III
Lahore
Tel: (042) 35777820-1, 35777820-21
Fax: (042) 35777819
www.orixproperties.com

ORIX Leasing Pakistan Limited

Offices in Pakistan

Korangi Office

Head Office
Plot No 16, Sector 24,
Korangi Industrial Area, Karachi
Tel: 021-35144028-40
Fax: 021-35144002, 35144020
UAN: 111-24-24-24
E-mail: olp@orixpakistan.com
Website: www.orixpakistan.com

Islamic Chamber Building

Registered Office
Plot No ST-2/A,
Block 9, KDA Scheme No 5,
Clifton, Karachi.
Tel: 021-35303560-64
Fax: 021-35303571

Consumer Auto Division

First Floor, Plot # 151-C, 35-P/1 Block-2,
P.E.C.H.S, Khalid Bin Waleed Road,
Karachi.
Tel: 021 334397491-2
Fax: 021-3439740

e-Business Division

49 D, P.E.C.H.S Block 6, Karachi
UAN: 111-767-657
Fax: 021-34376911

Hyderabad

1st Floor, State Life Building
Thandi Sarak, Hyderabad
Tel: 022-2784143, 2720397
Fax: 022-2785338

Lahore Zone

4-J, Gulberg-III
Near Firdous Market, Lahore
Tel: 042-35842560-1, 35842171, 35842964
Fax: 042-35845974, 35845975

Shad Bagh

27-Shad Bagh, Gol Bag, Near Gourmet Bakery,
Lahore.
Tel: 042-37613511
Cell: 0323-4063018

Sharaqpur

Main Lahore Jaranwala Road,
Opposite Government Pilot High School
Sharaqpur Sharif, District Sheikhupura
0321-4838659

Batapapur / Jallo More

Main G.T. Road, Batapur,
Opposite Bata Factory
Lahore
Tel: 042-36584511

Chunian

W-1 370/26, Shop RH,
Cantt Road, Chunian
Tel: 049-4311132

Kot Abdul Malik

11 Kilometers, Lahore-Sheikhupura Road
Kot Abdul Malik, Distt. Sheikhupura
Tel: 042-7919722

Renala Khurd

Ghalla Mandi, Opp. Zaka Hospital
Renala Khurd, Distt. Okara
Tel: 0442-635185

District Kasur / Pattoki

Al Rehman Center, Near Sarwar Sajid Hospital
Main Multan Road, Pattoki
Tel: 049-4422064

Manga Mandi

Main Multan Road, Madina Market,
Near Dawood Islamic Bank,
Managa Mandi Bypass
Kalma Chowk
Tel: 0423-5383864

Bhalwal

1st Floor, Rehmat Plaza, Mandir Road,
Block No. 3, Bhalwal. District Sargodha
Ph:048-6644448

Faisalabad Zone

3rd Floor, Sitara Towers
Bilal Chowk, Civil Lines, Faisalabad
Tel: 041-2633926, 2633811-3
Fax: 041-2633927

Sargodha

A. R. Tower, Adjacent Q's International Hotel
University Road, Sargodha
Tel: 048-3729521, 048-3740091
Fax: 048-3729522

Sahiwal

Near Five Ways Hotel, Five Ways Chowk
Stadium Road, Sahiwal
Tel: 040-4227613-4
Fax: 040-4227615

Jhang

Church Road,
Near Girls College Chowk, Jhang Sadar
Tel: 047-7650421-2
Fax: 047-7650423

Sialkot Zone

1st Floor, Ghoolam Kadir Arcade
Aziz Shaheed Road, Sialkot Cantt
Tel: 052-4260616, 4260877
Fax: 052-4269548

Gujrat

Office No.1, 1st Floor, Empire Centre,
Opp. Small Industrial Estate Gate No.1,
G. T. Road, Gujrat.
Tel.No.053-3515282, 3536953
Fax No.053-3536854

Gujranwala

76-ABC, Block-P, Trust Plaza
G.T. Road, Gujranwala
Tel: 055-3731021-22
Fax: 055-3250599

Islamabad Zone

Ground Floor, Phase 1
State Life Building No. 5
Nizamuddin Road
Blue Area, Islamabad
Tel: 051- 2822800-1, 2821706, 2821748,
2821960
Fax: 051-2821917

Rawalpindi

Plot No. 7-D 55 & 55-A
2nd Floor, Green Building, Haider Road
Saddar, Rawalpindi
Tel: 051-5120070, 5562855, 5895364
Fax: 051-5120071

Mirpur A. K.

1st Floor, Jarral Plaza, 63/F, Sector F-1
Kotli Road, Mirpur A. K
Tel: 05827-434368, 451219
Fax: 05827-432216

Chakwal

Ground Floor, Opp. Saddar Police Station
Talagang Road, Chakwal
Tel: 0543-543523-4, 602049
Fax: 0543-602048

Multan Zone

Ground Floor, Trust Plaza, LMQ Road, Multan
Tel: 061-4518431-3, 4518435-6
Fax: 061-4580321

Rahim Yar Khan

20-21, Ground Floor, City Centre Plaza
Shahi Road, Rahim Yar Khan
Tel: 068-588565, 5887617-8
Fax: 068-587610

Bahawalpur

Ground Floor, Near Cantonment Office Board,
Ahmed Pur East Road, Bahawalpur
Tel: 062-9255494, 9255382

Peshawar Zone

Ground Floor, State Life Building
The Mall, Peshawar
Tel: 091-5279789, 5278647, 5285541, 5285520
Fax: 091-5273389

Abbottabad

Yousaf Jamal Plaza near HBL
Mansehra Road, Abbotabad
Tel: 0992-343888, 343188
Fax: 0992-340370

Mingora

Shop No. 7, Ground Floor, Shahzad Plaza
Saidu Road, Maken Bagh
Mingora Swat
Cell: 0300-5749249

Proxy Form



I/We _____

of (full address) _____

being a Member of ORIX Leasing Pakistan Limited hereby appoint _____

of (full address) _____

or failing him / her _____

of (full address) _____

as my/our Proxy to attend and vote for me and on my behalf at the Twenty Seventh Annual General Meeting of the Company to be held on October 28, 2013 and at any adjournment thereof.

Signature this _____ Year 2013

(day)

(date, month)

Signature of Member : _____

Folio Number : _____

Number of shares held : _____

Please affix
revenue stamp

Signatures and addresses of witnesses

Signature and Company seal

1. _____

2. _____

1. A Member entitled to attend and vote at the General Meeting is entitled to appoint a Proxy to attend and vote instead of him / her. A Proxy need not be a Member of the Company.
2. The instrument appointing a Proxy shall be in writing under the hand of the appointer or of his / her attorney duly authorized in writing, if the appointer is a corporation, under its common seal or the hand of an officer or attorney duly authorized.
3. The instrument appointing a Proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting.
4. An individual Beneficial Owner of the Central Depository Company, entitled to attend and vote at this meeting must bring his / her original Computerised National Identity Card (CNIC) or Passport with him / her to prove his / her identity, and in case of Proxy, must enclose an attested copy of his / her CNIC or Passport. The representative of corporate entity, shall submit Board of Directors' resolution / power of attorney with specimen signature (unless it has been provided earlier) alongwith proxy form to the Company.

