



HLB **JAZ TABUSSUM & CO.,**
CHARTERED ACCOUNTANTS

COUNTRY REPORT 2009



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FOREWORD

This booklet has been prepared for the use of clients, partners and staff of HLB International member firms.

It is designed to give some general information to those contemplating doing business in Pakistan and is not intended to be a comprehensive document.

You should consult us therefore, before taking further action. HLB Ijaz Tabussum & Co., Chartered Accountants and HLB International cannot be held liable for any action or business decision taken on the basis of information in this booklet.

The information contained in this booklet is believed to be correct at the time of going to print in May 2009.

BRIEF ABOUT PAKISTAN:

Pakistan – located at the crossroads of Central Asia and the Middle East, is one of the top growing economies of the developing countries in the World in recent years. Pakistan extends along either side of the historic Indus River, following its course from the mountain valleys of the Himalayas down to the Arabian Sea. Bordering on India, China, Afghanistan and Iran, it is strategically located astride the ancient trade routes between Asia and Europe. Pakistan's around 800,000 square kilometers of territory include a wide variety of landscapes, from arid deserts to lush, green valleys to stark mountain peaks.

OUR ECONOMY:

Pakistan used to be heavily dependent on the agriculture sector, but industrial and services sectors have gradually increased their contribution towards the GDP and their share is approximately three-fourth of the GDP.

With population of around 176 million, the GDP growth rate 5.8%, inflation around 22.67%, increased FDI levels in recent years, buoyant stock markets, deregulated industries, free capital movement; Pakistan is poised for take-off.

The investment performance of the Country has significantly reduced in the last 2 years; as Foreign Direct Investment reduced from US\$ 5.1 billion in 2007 to US\$ 3.04 (Jul-08 to Mar-2009), whereas imports increased to US\$ 28.58 billion (Jul-08 to Mar-2009). During the year under progress Forex reserves also decreased to 11.23 Billion (Apr-2009) whereas, the same were US\$ 15.2 billion at the close of last fiscal year.

Stock Market shown a bearish trend during the period under consideration, however, after development of better understanding with the IMF and stable political situation of the country the stability has been seen in the stock market operations during last quarter.

Our exports have risen significantly over recent years to touch the level of \$20.62 billion, and offer a lot of room to be filled especially in the value-addition oriented sectors of agriculture, textiles, sports goods, and IT – enabled back office services. Each of the aforesaid sectors has the great potential and suitable environment is also available for the investment in these sectors.

The current global economic recession has also left impact on economy, but is not so significant so far. However, decrease in oil prices and strong surge in aggregate demand, sustained external account improvement, sound macroeconomic foundations, and increased remittances from overseas Pakistanis has played a vital role for our economic stability.

Main Industries: *Oil & Gas, Power, Textiles, Telecommunications, Cement, Power, Commercial & Investment Banking, Agro-based Produce, Sports Goods, Surgical Goods, Leather and Leather Goods, Cutlery.*

Main Exports: *Textiles, Agro-based Produce, Sports Goods, Cutlery, Surgical Goods, Leather, Leather Goods and IT – Enabled Back Office Services.*

Key Business Centers: *Karachi, Lahore, Islamabad, Faisalabad, Gujranwala, Sialkot*

INVESTMENT OPPORTUNITIES:

After the establishment of Board of Investment (BOI), revolutionary changes have been made in investment policies in the year 1999. The salient features of these policies are given as under:

- Permission to initiate business with 100% foreign equity in the Telecom, IT, Construction, manufacturing and many other sectors. The investors are allowed to repatriate not only their capital but also the profits to the extent of 100%.
- A very relaxed visa policy has been introduced both for businessmen and workers.
- The rates of the withholding taxes on income of the non resident technical staff now ranges from 6% - 15%, whereas earlier the same were 15%-45%
- The Government of Pakistan has entered into agreements with 52 nations of world for avoidance of double taxation. These agreements are highly practicable are very well supported by local tax laws.

We believe that, age-old red tape of requiring government permissions for entering of foreign investment has been done away with. Now the investors in only specified industries of Arms, radioactive substances, liquor and currency are required to obtain prior government permissions before establishing their set-ups.

Foreign Exchange Restrictions: *No*

Practically, there are no foreign exchange restrictions. However, approval of Board of Investment, Government of Pakistan is required for capital and profit repatriation by foreign businesses).

Major Foreign Investments: *Power, Telecommunications, Oil & gas, Banking, Fast Moving Consumer Goods (FMCG)*

Restrictions on Foreign Companies: *No restrictions except in specified security-oriented sectors*

Government Incentives for Foreign Investment: *No NOC required from government, No limit restrictions on foreign ownership or transfer of funds, 100% foreign equity ownership, IT exports exempted from income tax, Specialised tax-free industrial zones,*

PUBLIC PRACTICE HORIZON

The public practice in the accounting and business advisory sector has nearly been turned upside down in the last decade or so. Traditionally, the audit practice used to revolve around a cursory examination of the client records alongside obtaining certain representations and then issuing all kinds of different audit-cum-review-cum-accounting reports in whatsoever manner. This had happened in the eyes of dormant regulators and lack of public interest. Consultancy and advisory services were truly non-existent, in that obtaining financing arrangements and preparing so-called project feasibilities in imaginary scenarios used to be the mainstay of the practice.

Times have changed considerably – because of a host of factors, including International Financial Institutions induced regulatory awakening and oversight, rejuvenation of stock exchanges and a plethora of Initial Public Offers, worldwide accounting scandals, and easing of monetary policies and private sector credit restrictions by the governments.

Currently, the Country requires entire financial reporting by the corporate sector in accordance with the requirements of the International Financial Reporting Standards (IFRS), and audits are conducted in compliance with the International Standards on Auditing (ISAs). Pakistan is full member of the International Accounting Standards Board (IASB) as well as the International Federation of Accountants (IFAC). Strong Quality Control Review programme of the Institute of Chartered Accountants of Pakistan alongwith strict public companies monitoring by the Securities & Exchange

Commission of Pakistan (SECP) are major players that practitioners have to live with.

The advisory business is currently enjoying greater upsurge mainly because of large-scale restructuring exercises at the public sector entities and corporate reorientation by the private corporate sector in the face of opening of local markets, and lessening of protectionism and subsidies by the government to local industries. Again, the business is being driven more by the needs of globalization rather than any pushes and pulling of the vested interests. This underscores that the force of change is irreversible and outlook is only going to get better no matter what.

What exactly are the potential avenues where the knowledge-sharing and complementing each other by the HLB Network member firms would yield dividends for all the stakeholders. We are providing hereunder a list of these avenues:

1. The Government of Pakistan has introduced a new local government structure in the Country. Currently, the financial capacity building of the system alongside the establishment of practices of financial management and financial reporting mechanism is undergoing. Much of this work is being outsourced to consultancy firms. There are tremendous opportunities for collaboration with other HLB firms for sharing their experiences relevant to the work;
2. In the wake global accounting shakeup in recent years, the corporate governance has assumed the status of a favourite pastime for regulators of

corporate sector. The increased emphasis has geared the corporate sector to reform itself – by increased participation of non-executive directors, strengthening of audit committees, rotation of auditors, related parties/transfer pricing disclosures, development of internal controls and above all, increased transparency in financial reporting;

3. Our financial & telecommunication sectors have been experiencing significant upsurge in investments – both local and foreign. The growth in banks and other consumer lending institutions has been phenomenal during recent years. Stock exchanges have touched heights yet unknown. Restructurings/mergers of the financial institutions provide another opportunity for consultants to prove their mettle and advise clients keeping in view global focus. Pakistan is currently largest growing telecommunications markets in the World and offers immense opportunities for consulting collaboration with our peers elsewhere.

ABOUT THE FIRM

HLB Ijaz Tabussum & Co., is a well-established firm of Chartered Accountants based in Pakistan and operating from Islamabad, Lahore, and Gujranwala. We are one of the few firms, who went across the Boarder and have opened office in Kabul (Afghanistan). The Firm can trace its roots to 1970s when Mr. Muhammad Aslam Tabussum started his practice in Lahore. Mr. Ijaz Akber joined him in 1996 and turned the Firm from local to national and then International levels. Currently, the Firm is an acknowledged quality service benchmark in the top circles of profession in the Country. Comprising of four partners, qualified managerial hierarchy, skilled workforce around 200, and reach across all corners of Pakistan and across the Boarder, it stands to strive for ever greener pastures, while remaining committed to highest standards of profession.

The Firm specialises in all kinds of audits, management & financial consulting, taxation management & planning, and corporate advisory services. While keeping pace with the changing demands of time, the firm is currently venturing into Human Resource Management, IT and IT enabled services and Back Office Services as well. It is one of the few firms in Pakistan specializing in 'performance audits'.

We serve clients from diverse backgrounds, as we have a strong foothold in industries such as Financial Services, Construction & Housing, Textiles, Telecommunications, Information Technology, Glass manufacturing, Heavy Engineering & Ordnance. Besides, our reach to the Non Profit Organisations of World repute and other voluntary services sector is our another hallmark. We also have conducted extensive work for the Government institutions and departments.

**LOCATIONS AND PERSONNEL**

Office locations	Partners	Professional Staff	Support Staff	Total Staff	Total
Pakistan					
Islamabad	1	70	20	90	91
Lahore	1	20	10	30	31
Gujranwala	1	16	5	21	22
Afghanistan					
Kabul	1	20	5	25	26
Total	4	126	40	166	170

ANNUAL FEES

2007-08: US\$ 506,329/- (Pak Rs. 40,000,000/- converted @ Rs. 79/- per US\$)

2008-09: US\$ 556,962/- (Pak Rs. 44,000,000/- converted @ Rs. 79/- per US\$)

Percentage increase: 10 %

Service provided (as % of annual fees)

Audit:	20%
Accounting Compilation:	10%
Business Advisory:	20%
Corporate Finances:	05%
Taxation:	22%
Miscellaneous:	23%

KEY CLIENTS:

- A. Financial Institutions
- B. Multinational concerns
- C. Public Sector organisations
- D. International Non Governmental Organisations
- E. Local large-scale Industries

A list of some important clients is attached as **Annex – A**.

SIGNIFICANT CHANGES IN THE FIRM:

The firm has continued internal restructuring/reorganization during the year, and has elevated to quality professional services providers in the country. We have put more emphasis on the management/financial advisory sectors, because they offer sufficient growth opportunities and large operating margins. The Firm has developed expertise in Performance Audits, System Audits, due Diligence and Merger & Acquisitions in the recent years. The Firm has already acquired **Caseware Audit programme** and the next audits shall be conducted using this programme.

HLB IJAZ TABUSSUM & CO is the fifth Pakistani Firm going International and has opened its office in Kabul Afghanistan. With that HLB International is the third network having office in Afghanistan after PWC and KPMG.

REFERRALS MADE AND RECEIVED INVOLVING HLB FIRMS

HLB Ijaz Tabussum & Co has referred assignment to Bangla Desh and Sri Lanka. Both assignments are on continuing bases. Due diligence assignment referred by Eide Bailly LLP U.S.A was successfully completed during last year. One assignment was referred by M/S S.S. Kothari Mehta & Co. New Delhi, India which also was completed within time.

At present we are in process of referring assignments to Dubai and Philippines.

OTHER CONTACTS WITH HLB FIRMS

The firm is looking forward to develop strong ties with other HLB member firms in handling national and international assignments. Any opportunity identified by the firm is immediately disseminated to the HLB network.

SIGNIFICANT CHANGES IN THE PROFESSION

The trend in the profession has been shifting from contemporary accounting practices to risk – oriented practices. With strong regulatory, corporate and financial reporting regimes in the wake of numerous accounting and reporting scandals have made accounting professionals more vigilant.

ANY ADDITIONAL COMMENTS

The firm is looking forward to HLB network in terms of human resource sharing not only to broaden the horizon and exposure of its staff members but also to explore more avenues of growth.

Lately, the firm has been making efforts towards opening new avenues in respect of securing international business. The firm is ever ready to join hands with other HLB members in this respect.



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Annex - A

OUR MAJOR CLIENTS

The list of our clients includes very respectable names, such as:

International Financial Institutions

United Nations Office for Project Services
World Bank (South Asia Region)
Asian Development Bank

International NGOs

Novib – A Dutch donor organization
Islamic Relief – Afghanistan & Pakistan
Oxfam GB – Pakistan Office
Save The Children – Japan
Terre Des Hommes – Afghanistan
International Rescue Committee
CHF International

Insurance Companies (specialised audits)

Pakistan General Insurance Company Limited
Asia Insurance Company Limited
Indus International Insurance Company Limited
Credit Insurance Company Limited
Co-operative insurance Society of Pakistan Limited

Multi-national Companies

Touchstone Communications, Inc. USA (TCI)
Liebherr A. G. Zurich
Nopawong Construction Company Limited.
(Thailand)
Abacus
LeBlanc Pakistan (PVT) Ltd.

Financial Institutions

SME Bank Limited/SBFC
Asset Investment Bank Limited (AIBL)

Federal Bank for Cooperatives
Regional Development Finance Corporation
Industrial Capital Modaraba (ICM)
Natover Leasing & Refinance Limited
Regional Development Finance Corporation
National Development Finance Corporation,
Karachi
National Bank of Pakistan
ABN Amro Bank B.V.
Invest Capital Investment Bank Limited

Government, Semi Government and Not-for-profit organizations

Pakistan Television Corporation Limited
Pakistan Broadcasting Corporation
Board of Investment, Government of Pakistan
Privatization Commission, Government of Pakistan
NEPRA (National Electric Power Regulatory Authority)
Pakistan Ordnance Factories
Islamabad Stock Exchange
Gujranwala Chamber of Commerce & Industries
Pakistan Sports Board
Pakistan Atomic Energy Commission – Foundation
National Police Foundation
Pakistan Science Foundation
Pakistan Foreign Services Foundation
Hamdard Foundation
Mianwali Education Trust
Awan Foundation
Bahria University & its Constituents
Hamdard University
Ibadat Foundation
Foundation University
International Islamic University

Manufacturing Concerns

Askari Cement Limited
Awan National Cement Company Limited
Gammon Pakistan Limited
Syed Match Company Limited
Heavy Electrical Complex
Associated Industries Limited
Tariq Glass Industries Limited
Grays of Cambridge (Pakistan) Limited
Faisal Sanitary Fittings (Pvt.) Limited
Azad Kashmir Industrial & Mineral Development Corporation
Sachal Softech (Pvt.) Limited
Sachal Telecom (Pvt.) Limited
Gunj Glass Limited
Ali Glass Limited

Fauji Foundation

Fauji Motorway Company Limited. (a project of Fauji Foundation)
Fauji Cement Company Limited. (a project of Fauji Foundation)
Fauji Cards systems (Pvt.) Limited. (a project of Fauji Foundation)
Foundation Trading Corporation (Pvt.) Limited. (a project of Fauji Foundation)
Fauji Software Company (Pvt.) Limited
Fauji Petroleum Company (Pvt.) Limited
Fauji Electric Power Company Limited

NOTE: These are major clients and the list is not exhaustive. A complete list along with details of services availed by them can be provided, if desired.