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**AL HABIB CAPITAL MARKET (PRIVATE) LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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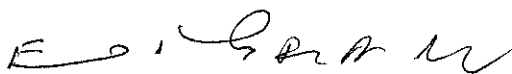
## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AL Habib Capital Markets (Private) Limited (the Company) as at 30 June 2014 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 account 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 except for the changes as stated in note 4.1 to the financial statements with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2014 and of the profit, comprehensive loss, cash flows and changes in equity for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.



Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Date: 09 October 2014

Karachi

**AL HABIB CAPITAL MARKETS (PRIVATE) LIMITED**  
**BALANCE SHEET**  
**AS AT 30 JUNE 2014**

| <u>ASSETS</u>  | Note | 2014<br>-----Rupees-----  | 2013                      |
|--|------|---------------------------|---------------------------|
| <b>NON-CURRENT ASSETS</b>  |      |                           |                           |
| Property and equipment   | 7    | 10,380,239                | 11,712,347                |
| Intangible assets  | 8    | 15,604,320                | 15,000,000                |
| Long term investments  | 9    | 40,378,391                | 45,841,215                |
| Long term loans, advances and deposits                           | 10   | 9,667,351                 | 9,381,075                 |
| Deferred tax asset   | 11   | 12,140,100                | 4,419,643                 |
|  |      | <u>88,170,401</u>         | <u>86,354,280</u>         |
| <b>CURRENT ASSETS</b>  |      |                           |                           |
| Trade debts  | 12   | 22,682,027                | 28,474,351                |
| Loans and advances   | 10   | 112,913                   | 318,134                   |
| Deposits, advances, prepayments and other receivables            | 13   | 60,475,531                | 1,523,074                 |
| Short term investments   | 14   | 7,665,570                 | 228,055,994               |
| Taxation- net  |      | 16,952,652                | 14,859,568                |
| Cash and bank balances   | 15   | 207,431,304               | 124,238,100               |
|  |      | <u>315,319,997</u>        | <u>397,469,221</u>        |
| <b>TOTAL ASSETS</b>  |      | <u><u>403,490,398</u></u> | <u><u>483,823,501</u></u> |
| <b><u>EQUITY AND LIABILITIES</u></b>                             |      |                           |                           |
| <b>SHARE CAPITAL AND RESERVES</b>                                |      |                           |                           |
| Share capital  | 16   | 300,000,000               | 300,000,000               |
| Unappropriated profit  |      | 37,410,985                | 34,411,019                |
| Unrealised gain on revaluation of available-for-sale investments |      | 154,809                   | 7,937,818                 |
| <b>Total equity</b>  |      | <u>337,565,794</u>        | <u>342,348,837</u>        |
| <b>CURRENT LIABILITIES</b>                                       |      |                           |                           |
| Short term borrowing   | 17   | -                         | 12,629,242                |
| Creditors, accrued expenses and other liabilities                | 18   | 65,924,604                | 128,845,422               |
|  |      | <u>65,924,604</u>         | <u>141,474,664</u>        |
| <b>CONTINGENCIES AND COMMITMENTS</b>                             |      |                           |                           |
|  | 19   |                           |                           |
| <b>TOTAL EQUITY AND LIABILITIES</b>                              |      | <u><u>403,490,398</u></u> | <u><u>483,823,501</u></u> |

The annexed notes from 1 to 30 form an integral part of these financial statements.

  
 CHAIRMAN

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 CHIEF EXECUTIVE

**AL HABIB CAPITAL MARKETS (PRIVATE) LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 JUNE 2014**

|  | 2014                | 2013                |
|--|---------------------|---------------------|
| Note   | -----Rupees-----    |                     |
| <b>Income</b>                                      |                     |                     |
| Brokerage income                                   | 25,104,742          | 19,153,404          |
| Share subscription income                          | 655,602             | 14,960              |
| Distribution commission                            | -                   | 705                 |
| Dividend income                                    | 2,622,283           | 1,727,356           |
| Profit on saving and deposit accounts              | 880,231             | 688,707             |
| Net gain on sale of available-for-sale investments | 23,048,716          | 22,298,202          |
| Other income                                       | 1,541,411           | 6,405,098           |
|  | <u>53,852,985</u>   | <u>50,288,432</u>   |
| <br>   |                     |                     |
| Administrative expenses                            | (51,655,718)        | (43,883,139)        |
| Provision for impairment                           | (5,462,824)         | (2,158,785)         |
|  | <u>(57,118,542)</u> | <u>(46,041,924)</u> |
| <br>   |                     |                     |
| <b>Operating (loss) / profit</b>                   | <u>(3,265,557)</u>  | 4,246,508           |
| <br>   |                     |                     |
| <b>Finance cost</b>                                | <u>(899,087)</u>    | (833,940)           |
| <br>   |                     |                     |
| <b>(Loss) / profit before taxation</b>             | (4,164,644)         | 3,412,568           |
| <br>   |                     |                     |
| Taxation   | 7,164,610           | 4,158,578           |
| <br>   |                     |                     |
| <b>Profit after taxation</b>                       | <u>2,999,966</u>    | <u>7,571,146</u>    |
| <br>   |                     |                     |
| Earning per share - basic                          | <u>0.10</u>         | <u>0.25</u>         |

The annexed notes from 1 to 30 form an integral part of these financial statements.

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**AL HABIB CAPITAL MARKETS (PRIVATE) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2014**

|   | 2014               | 2013             |
|---|--------------------|------------------|
|   | -----Rupees-----   |                  |
| Net profit for the year   | 2,999,966          | 7,571,146        |
| <b>Other comprehensive income/ (loss)</b>   |                    |                  |
| Net unrealised gain on revaluation of investments classified as available for sale  | 15,265,707         | 23,101,384       |
| Reclassification adjustment on revaluation of investments classified as available-for-sale transferred to profit and loss account on sale | (23,048,716)       | (22,298,202)     |
|   | (7,783,009)        | 803,182          |
| <b>Total comprehensive (loss) / income for the year</b>   | <b>(4,783,043)</b> | <b>8,374,328</b> |

The annexed notes from 1 to 30 form an integral part of these financial statements.

  
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 CHAIRMAN

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 CHIEF EXECUTIVE

**AL HABIB CAPITAL MARKETS (PRIVATE) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2014**

|   | 2014             | 2013          |
|---|------------------|---------------|
|   | -----Rupees----- |               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                 |                  |               |
| (Loss) / Profit before taxation   | (4,164,644)      | 3,412,568     |
| <b>Non-cash adjustments to reconcile loss before tax to net cash flows:</b> |                  |               |
| Depreciation  | 1,874,610        | 1,895,915     |
| Amortisation  | 179,529          | -             |
| Provision for impairment  | 5,462,824        | 2,158,785     |
| Finance cost  | 899,087          | 833,940       |
| Gain on sale of investments   | (23,048,716)     | (22,298,202)  |
| Gain on disposal of property and equipment                                  | (973,500)        | (4,363,025)   |
|   | (15,606,166)     | (21,772,587)  |
| <b>Working capital adjustments:</b>   |                  |               |
| <b>(Increase) / decrease in current assets</b>                              |                  |               |
| Trade debts   | 5,792,324        | (23,834,701)  |
| Loans and advances  | 205,221          | 9,542         |
| Deposits, prepayments and other receivables                                 | (58,952,457)     | 3,009,825     |
|   | (52,954,912)     | (20,815,334)  |
| <b>Increase / (decrease) in current liabilities</b>                         |                  |               |
| Creditors, accrued expenses and other liabilities                           | (62,908,013)     | 119,280,034   |
|   | (135,633,735)    | 80,104,681    |
| Long term loans, advances and deposits                                      | (286,276)        | (1,185,223)   |
| Purchase of investments   | (7,510,761)      | (549,515,752) |
| Sale of investments   | 243,166,890      | 564,412,273   |
| Finance cost paid   | (911,893)        | (703,179)     |
| Income tax paid - net   | (2,648,929)      | (2,485,827)   |
| <b>Net cashflows from operating activities</b>                              | 96,175,296       | 90,626,973    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                 |                  |               |
| Purchase of property and equipment  | (542,501)        | (452,465)     |
| Purchase of intangible asset  | (783,849)        | -             |
| Proceeds from disposal of property and equipment                            | 973,500          | 4,363,025     |
| <b>Net cashflows from investing activities</b>                              | (352,850)        | 3,910,560     |
| <b>Net increase in cash and cash equivalents</b>                            | 95,822,446       | 94,537,533    |
| <b>Cash and cash equivalents at beginning of the year</b>                   | 111,608,858      | 17,071,325    |
| <b>Cash and cash equivalents at end of the year</b>                         | 207,431,304      | 111,608,858   |

The annexed notes from 1 to 30 form an integral part of these financial statements.

  
**CHAIRMAN**

  
**CHIEF EXECUTIVE**

**AL HABIB CAPITAL MARKETS (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2014**

|  | Issued,<br>subscribed<br>and paid up<br>capital | Unappropriated<br>profit | Unrealised<br>gain on<br>revaluation of<br>available-for-sale<br>investments | Total              |
|--|---|--------------------------|--|--------------------|
|  | ----- Rupees -----                              |                          |  |                    |
| Balance as at 01 July 2012                       | 300,000,000                                     | 26,839,873               | 7,134,636  | 333,974,509        |
| Net loss for the year                            | -   | 7,571,146                | -  | 7,571,146          |
| Other comprehensive income for the year          | -   | -                        | 803,182  | 803,182            |
| Total comprehensive income for the year          | -   | 7,571,146                | 803,182  | 8,374,328          |
| <b>Balance as at 30 June 2013</b>                | <b>300,000,000</b>                              | <b>34,411,019</b>        | <b>7,937,818</b>   | <b>342,348,837</b> |
| Balance as at 01 July 2013                       | 300,000,000                                     | 34,411,019               | 7,937,818  | 342,348,837        |
| Net Income for the year                          | -   | 2,999,966                | -  | 2,999,966          |
| Other comprehensive loss for the year            | -   | -                        | (7,783,009)  | (7,783,009)        |
| Total comprehensive income / (loss) for the year | -   | 2,999,966                | (7,783,009)  | (4,783,043)        |
| <b>Balance as at 30 June 2014</b>                | <b>300,000,000</b>                              | <b>37,410,985</b>        | <b>154,809</b>   | <b>337,565,794</b> |

The annexed notes from 1 to 30 form an integral part of these financial statements.

  
 CHAIRMAN

  
 CHIEF EXECUTIVE

**AL HABIB CAPITAL MARKETS (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

AL Habib Capital Markets (Private) Limited (the Company) was incorporated in Pakistan as a private limited company on 23 August 2005 under the Companies Ordinance 1984, and started operations from 14 December 2005. The registered office of the Company is situated at Technocity, Hasrat Mohani Road, Karachi.

The Company is a subsidiary of Bank AL Habib Limited (the Holding company) which holds 66.67% of the shares of the Company.

The Company is a corporate member of Karachi Stock Exchange Limited (KSE) and is principally engaged in the business of stocks broking. Other activities include investment in a mix of listed and unlisted equity securities, economic research and advisory services.

**2. BASIS OF PREPARATION**

These financial statements have been prepared under the historical cost convention except for investments which are carried at fair value as referred to in note 4.6 below.

**3. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

4.1 The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below:

**New and amended standards and interpretations**

The Company has adopted the following amendments to IFRSs which became effective for the current year:

IAS 19 – Employee Benefits –(Revised)

IFRS 7 – Financial Instruments : Disclosures – (Amendments)

-Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

**Improvements to Accounting Standards issued by the IASB**

IAS 1 – Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 16 –Property, Plant and Equipment – Clarification of Servicing Equipment

IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 – Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the financial statements.

**4.2 Property and equipment**

These are stated at cost less accumulated depreciation and impairment, if any. Such costs include the cost of replacing parts of fixed assets when that cost is incurred. Maintenance and normal repairs are charged to income as and when incurred. Depreciation is charged to income over the useful life of the asset on a systematic basis applying the straight line method at the rates specified in note 7 to the financial statements.

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The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount. Depreciation is charged from the day of purchase and no depreciation is charged from the day of disposal.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate at each financial year end.

Gains and losses on disposals, if any, of assets are included in income currently.

#### 4.3 Operating leases / Ijarah agreements

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating lease. Payments made under operating leases (net of any incentives received from the lessor) / ijarah agreements are charged to the profit and loss account on a straight line basis over the lease / ijarah term.

#### 4.4 Intangible assets

These are stated at cost less accumulated amortisation and impairment, if any. Amortisation is charged over the useful life of the asset on a systematic basis to income applying the straight line method at the rate specified in note 8 to the financial statements.

Intangible assets with indefinite useful lives are not amortised instead they are systematically tested for impairment at each balance sheet date. Intangible assets includes Trading right entitlement certificate, the carrying amount of which is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount, and where the carrying amount exceeds the estimated recoverable amount, it is written down to its estimated recoverable amount.

Cost associated with maintaining assets are recognized as an expense in a period in which it is incurred.

Gains and losses on disposals, if any, of assets are included in income currently.

#### 4.5 Trade debts and other receivables

These are stated net of provision for doubtful debts. Full provision is made against the debts considered doubtful.

#### 4.6 Investments

Investments are classified as either 'investments at fair value through profit or loss', 'held-to-maturity' investments or 'available-for-sale' investments, as appropriate.

When investments are recognised initially, these are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction cost.

All regular way purchases / sales of investments are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Company. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of securities within the time frame generally established by regulation or convention in the market place.

##### Investment at fair value through profit or loss

Investment classified as 'investment at fair value through profit or loss' are carried at fair value. Gain / loss on remeasurement of such investments to fair value is recognised in the profit and loss account.

##### Held-to-maturity

Investment securities with fixed maturities and fixed or determinable payments are classified as held-to-maturity investments when management has both the intention and ability to hold to maturity. After initial measurement, such investments are carried at amortised cost less any provision for impairment.

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### Available-for-sale

Investments which are not classified in the above category are classified as available-for-sale investments. After initial measurement, such investments are measured at fair value with unrealised gain or loss recognised directly in the statement of comprehensive income until the investment is sold, derecognised or is determined to be impaired, at which time the cumulative gain or loss previously recognized in the statement of comprehensive income is taken to the profit and loss account.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Company as fair value through profit or loss or available for sale. These are carried at amortised cost using effective yield method, less impairment losses, if any.

#### 4.7 Impairment of assets

An assessment is made at each reporting date whether there is any objective evidence of impairment (or reversal of previous impairments), in tangible fixed assets and investments. In the event that an asset's carrying amount exceeds its recoverable amount, an impairment loss is recognised in profit and loss account equal to the difference and the carrying amount is reduced to the recoverable amount.

A previously recognized impairment loss is reversed only if there has been change in the assumption use to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount. Such reversal is recognised in profit and loss account.

#### 4.8 Financial instruments

All the 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 expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

#### 4.9 Off-setting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also accordingly offset.

#### 4.10 Revenue recognition

- Brokerage, commission, consultancy and advisory fee are recognised as and when such services are rendered.
- Income from placements of funds is recognised on time proportion basis.
- Capital gains and losses on sale of securities is recognised as and when realised.
- Markup income, return on bank deposits and balances are recognised on accrual basis.
- Dividend income is recorded when the right to receive the dividend is establish.

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#### 4.11 Taxation

##### **Current**

Provision for taxation is based on taxable income at the current rate of tax after taking into account applicable tax credits, rebates and exemptions available, if any, in accordance with Income Tax Ordinance, 2001.

##### **Deferred**

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. 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 utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss account.

Deferred tax, if any, on revaluation of investments is recognised as an adjustment to surplus / deficit arising on revaluation.

#### 4.12 Dividends distributions and appropriations

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

#### 4.13 Staff retirement benefits

##### 4.13.1 Defined contribution plan

The Company operates a contributory provident fund for all its permanent employees and contributions are made monthly in accordance with the fund rules.

##### 4.13.2 Employee compensated absences

Employee entitlements to annual leaves are recognised when they accrue to employees. A provision is made for the estimated liability for annual leaves as a result of services rendered by employees upto the balance sheet date.

#### 4.14 Cash and cash equivalents

Cash in hand and at banks is carried at cost. For the purposes of cash flow statement, cash and cash equivalents consist of cash in hand and bank balances. And are presented net of short term borrowings which are repayable on demand or in the short term and form an integral part of the Company's cash management.

#### 4.15 Foreign currency transactions

##### 4.15.1 Functional and presentation currency

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

##### 4.15.2 Foreign currency translations

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

#### 4.16 Provisions

Provisions are recognised when the Company has the legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

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#### 4.17 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost.

### 5. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The estimates, judgments and assumptions that have significant effect on the financial statements are as follows:

|   | <u>Note</u>          |
|---|----------------------|
| Useful lives of assets and methods of depreciation and impairment | 4.2, 4.3, 4.4, 7 & 8 |
| Provision for doubtful debts                                      | 4.5 & 12             |
| Classification of investments                                     | 4.6 & 14             |
| Deferred taxation   | 4.11 & 11            |

### 6. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following revised standards, interpretations and amendments with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards, interpretations:

| <b>Standard or Interpretation</b>   | <b>Effective date(accounting periods beginning on or after)</b> |
|---|---|
| IFRS 10 – Consolidated Financial Statements   | 01 January 2015   |
| IFRS 11 – Joint Arrangements  | 01 January 2015   |
| IFRS 12 – Disclosure of Interests in Other Entities                                 | 01 January 2015   |
| IFRS 13 – Fair Value Measurement  | 01 January 2015   |
| IAS 16 & 38 – Clarification of Acceptable Method of Depreciation and Amortization   | 01 January 2016   |
| IAS 16 & 40 – Agriculture: Bearer Plants  | 01 January 2016   |
| IAS 19 - Employee Contributions   | 01 July 2014  |
| IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)        | 01 January 2014   |
| IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)                  | 01 January 2014   |
| IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting – (Amendment) |   |
| IFRIC 21 – Levies   | 01 January 2014   |

The Company is currently evaluating the impact of the above standards and interpretation on the Company's financial statements in the period of initial application

In addition to the above standards and interpretations, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 July 2014 The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| <b>Standards</b>   | <b>IASB Effective date (annual periods Beginning on or after)</b> |
|--|---|
| IFRS 9 – Financial Instruments: Classification and Measurement | 01 January 2015   |
| IFRS 14 – Regulatory Deferral Accounts                         | 01 January 2016   |
| IFRS 15 – Revenue from Contracts with Customers                | 01 January 2017   |

## 7. PROPERTY AND EQUIPMENT

|                       | 2014               |                                |                    |                             |                                   |                    |                                       | Rate of depreciation per annum % |
|-----------------------|--------------------|--------------------------------|--------------------|-----------------------------|-----------------------------------|--------------------|---------------------------------------|----------------------------------|
|                       | Cost               |                                |                    | Accumulated Depreciation    |                                   |                    | Written down value as at 30 June 2014 |                                  |
|                       | As at 01 July 2013 | Additions / (disposals)        | As at 30 June 2014 | As at 01 July 2013 (Rupees) | Charge for the year / (disposals) | As at 30 June 2014 |                                       |                                  |
| Room and booths       | 14,500,000         | -                              | 14,500,000         | 5,437,500                   | 725,000                           | 6,162,500          | 8,337,500                             | 5                                |
| Motor vehicles        | 1,479,650          | (1,319,650)                    | 160,000            | 1,373,510                   | 32,000<br>(1,319,650)             | 85,860             | 74,140                                | 20                               |
| Furniture and fixture | 1,916,467          | -                              | 1,916,467          | 1,006,710                   | 191,702                           | 1,198,412          | 718,056                               | 10                               |
| Office equipment      | 6,457,177          | 68,901<br>(37,500)             | 6,488,578          | 5,249,769                   | 638,062<br>(37,500)               | 5,850,331          | 638,247                               | 20                               |
| Computer equipment    | 6,226,538          | 473,600<br>(1,316,409)         | 5,383,729          | 5,799,996                   | 287,846<br>(1,316,409)            | 4,771,433          | 612,296                               | 20                               |
| <b>30 June 2014</b>   | <b>30,579,832</b>  | <b>542,501<br/>(2,673,559)</b> | <b>28,448,774</b>  | <b>18,867,485</b>           | <b>1,874,610<br/>(2,673,559)</b>  | <b>18,068,536</b>  | <b>10,380,239</b>                     |                                  |

|                       | 2013               |                                |                    |                             |                                   |                    |                                       | Rate of Depreciation per annum % |
|-----------------------|--------------------|--------------------------------|--------------------|-----------------------------|-----------------------------------|--------------------|---------------------------------------|----------------------------------|
|                       | Cost               |                                |                    | Accumulated Depreciation    |                                   |                    | Written down value as at 30 June 2013 |                                  |
|                       | As at 01 July 2012 | Additions / (disposals)        | As at 30 June 2013 | As at 01 July 2012 (Rupees) | Charge for the year / (disposals) | As at 30 June 2013 |                                       |                                  |
| Room and booths       | 14,500,000         | -                              | 14,500,000         | 4,712,500                   | 725,000                           | 5,437,500          | 9,062,500                             | 5                                |
| Motor vehicles        | 6,536,985          | (5,057,335)                    | 1,479,650          | 6,398,845                   | 32,000<br>(5,057,335)             | 1,373,510          | 106,140                               | 20                               |
| Furniture and fixture | 1,916,467          | -                              | 1,916,467          | 815,019                     | 191,691                           | 1,006,710          | 909,757                               | 10                               |
| Office equipment      | 6,067,112          | 398,065<br>(8,000)             | 6,457,177          | 4,602,451                   | 655,318<br>(8,000)                | 5,249,769          | 1,207,408                             | 20                               |
| Computer equipment    | 6,172,138          | 54,400                         | 6,226,538          | 5,508,090                   | 291,906                           | 5,799,996          | 426,542                               | 20                               |
| <b>30 June 2013</b>   | <b>35,192,702</b>  | <b>452,465<br/>(5,065,335)</b> | <b>30,579,832</b>  | <b>22,036,905</b>           | <b>1,895,915<br/>(5,065,335)</b>  | <b>18,867,485</b>  | <b>11,712,347</b>                     |                                  |

## Disposal of property and equipment

|                    | 2014             |                          |                    |                |                | Particular of buyer | Mode of disposal |
|--------------------|------------------|--------------------------|--------------------|----------------|----------------|---------------------|------------------|
|                    | Cost             | Accumulated depreciation | Written down value | Sale proceeds  | Gain           |                     |                  |
|                    | (Rupees)         |                          |                    |                |                |                     |                  |
| Office Equipment   | 37,500           | 37,500                   | -                  | 512            | 512            | Unique IT Solutions | Negotiation      |
| Computer Equipment | 1,316,409        | 1,316,409                | -                  | 17,988         | 17,988         | Unique IT Solutions | Negotiation      |
| Motor Vehicle      | 1,319,650        | 1,319,650                | -                  | 955,000        | 955,000        | Mr. Muhammad Waleed | Negotiation      |
|                    | <b>2,673,559</b> | <b>2,673,559</b>         | <b>-</b>           | <b>973,500</b> | <b>973,500</b> |                     |                  |

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## 8. INTANGIBLE ASSETS

|                                       |                    | 2014           |                    |                    |                                       |                    |                                       |                            |  |
|---------------------------------------|--------------------|----------------|--------------------|--------------------|---------------------------------------|--------------------|---------------------------------------|----------------------------|--|
|                                       |                    | Cost           |                    |                    | Accumulated Amortisation / Impairment |                    |                                       |                            |  |
| Note                                  | As at 01 July 2013 | Additions      | As at 30 June 2014 | As at 01 July 2013 | Charge for the year/ Impairment       | As at 30 June 2014 | Written down value as at 30 June 2014 | Rate of Amortisation per % |  |
| (Rupees)                              |                    |                |                    |                    |                                       |                    |                                       |                            |  |
|                                       | 125,000            | -              | 125,000            | 125,000            | -                                     | 125,000            | -                                     | 50                         |  |
|                                       | 175,000            | 783,849        | 958,849            | 175,000            | 179,529                               | 354,529            | 604,320                               | 50                         |  |
| Trading right entitlement certificate | 17,158,785         |                | 17,158,785         | 2,158,785          |                                       | 2,158,785          | 15,000,000                            | -                          |  |
| <b>30 June 2014</b>                   | <b>17,458,785</b>  | <b>783,849</b> | <b>18,242,634</b>  | <b>2,458,785</b>   | <b>179,529</b>                        | <b>2,638,314</b>   | <b>15,604,320</b>                     |                            |  |

|                                       |                    | 2013                    |                    |                    |                                       |                    |                                       |                            |  |
|---------------------------------------|--------------------|-------------------------|--------------------|--------------------|---------------------------------------|--------------------|---------------------------------------|----------------------------|--|
|                                       |                    | Cost                    |                    |                    | Accumulated Amortisation / Impairment |                    |                                       |                            |  |
|                                       | As at 01 July 2012 | Additions / (Transfers) | As at 30 June 2013 | As at 01 July 2012 | Charge for the year/ Impairment       | As at 30 June 2013 | Written down value as at 30 June 2013 | Rate of Amortisation per % |  |
| (Rupees)                              |                    |                         |                    |                    |                                       |                    |                                       |                            |  |
|                                       | 125,000            | -                       | 125,000            | 125,000            | -                                     | 125,000            | -                                     | 50                         |  |
|                                       | 175,000            | -                       | 175,000            | 175,000            | -                                     | 175,000            | -                                     | 50                         |  |
| Trading right entitlement certificate | 63,000,000         | (45,841,215)            | 17,158,785         | -                  | 2,158,785                             | 2,158,785          | 15,000,000                            | -                          |  |
| <b>30 June 2013</b>                   | <b>63,300,000</b>  | <b>(45,841,215)</b>     | <b>17,458,785</b>  | <b>300,000</b>     | <b>2,158,785</b>                      | <b>2,458,785</b>   | <b>15,000,000</b>                     |                            |  |

8.1 Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act), the ownership in a stock exchange has been segregated from the right to trade on the exchange. Accordingly, the Company has received equity shares of KSE (the Exchange) and a Trading Right Entitlement Certificate (TREC) in lieu of the membership card of the Exchange. The Company's entitlement in respect of the Exchanges' shares is determined on the basis of valuation of assets and liabilities of the Exchange as approved by the SECP and the Company has been allotted 4,007,383 shares of KSE of the face value of Rs 10/- each out of which 2,404,430 shares are kept in the blocked account and the divestment of the same will be made in accordance with the requirements of the Act.

The cost / book value of the KSE membership card amounts to Rs. 63 million as at June 30, 2013. In the absence of an active market of the shares of KSE and TREC, the allocation of the carrying value of the membership card between the shares (financial asset) and TREC (an intangible asset) has been made by the Company on the basis of the breakup value of ordinary shares and the estimated TREC value.

8.2 During the year, the management has carried out annual impairment tests in respect of intangible assets having indefinite useful lives as required by IAS - 36 "Impairments of Assets". Based on the impairment testing, the management estimated that no additional provision is required in respect of intangible assets in the financial statements.

In addition, the management has used various business assumptions for estimating future cash flows of the company which are based on industry data, historical performance and trends for the growth rates, market share etc

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|     |   | 2014                 | 2013              |
|-----|---|----------------------|-------------------|
|     |   | ----- (Rupees) ----- |                   |
| 13. | DEPOSITS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES | Note                 |                   |
|     | Exposure deposit with Karachi Stock Exchange Limited  |                      | 40,200,000        |
|     | Advance against subscription of shares                | 13.1                 | 19,710,000        |
|     | <b>Prepayments</b>                                    |                      |                   |
|     | Insurance   |                      | 509,870           |
|     | Others  |                      | 51,190            |
|     |   |                      | <u>60,471,060</u> |
|     | <b>Other receivable</b>                               |                      |                   |
|     | Distribution commission                               |                      | 4,471             |
|     | Others  |                      | -                 |
|     |   |                      | <u>4,471</u>      |
|     |   |                      | <u>584,591</u>    |
|     |   |                      | <u>60,475,531</u> |
|     |   |                      | <u>934,012</u>    |
|     |   |                      | <u>1,523,074</u>  |

13.1 This represents advance against subscription of shares of Pakistan Petroleum Limited (PPL) through IPO.

#### 14. INVESTMENTS

##### Available-for-sale

|                   |      |                  |                    |
|-------------------|------|------------------|--------------------|
| Listed shares     | 14.1 | 7,665,570        | 16,688,662         |
| Mutual fund units | 14.2 | -                | 211,367,332        |
|                   |      | <u>7,665,570</u> | <u>228,055,994</u> |

##### 14.1 Listed shares

| 2014            |         | 2013  |        | 2014             |                      |                   | 2013         |
|-----------------|---------|---|--------|------------------|----------------------|-------------------|--------------|
| (No. of shares) |         |   |        |                  | Cost                 | Market Value      | Market Value |
|                 |         |   |        |                  | ----- (Rupees) ----- |                   |              |
|                 |         |   |        | Note             |                      |                   |              |
|                 |         | <b>Electricity</b>                            |        |                  |                      |                   |              |
| 130,500         | 251,000 | The Hub Power Company Limited                 | 14.1.1 | 7,510,761        | 7,665,570            | 15,474,150        |              |
|                 |         | <b>Chemicals</b>                              |        |                  |                      |                   |              |
| -               | 9,806   | Fatima Fertilizer Company Limited             |        | -                | -                    | 243,458           |              |
|                 |         | <b>Financial Services</b>                     |        |                  |                      |                   |              |
| -               | 39,549  | Arif Habib Corporation Limited                | 14.1.2 | -                | -                    | 876,406           |              |
| -               | 5,061   | Jahangir Siddiqui & Company Limited           |        | -                | -                    | 58,505            |              |
| -               | 532     | JS Investment Limited                         |        | -                | -                    | 3,644             |              |
|                 |         | <b>Industrial Metals</b>                      |        |                  |                      |                   |              |
| -               | 3,595   | Aisha Steel Mills Limited (Preference shares) |        | -                | -                    | 32,499            |              |
|                 |         |   |        | <u>7,510,761</u> | <u>7,665,570</u>     | <u>16,688,662</u> |              |

14.1.1 These shares 108,000 (2013: 251,000) are deposited against the exposure margin with the KSE.

14.1.2 This includes Nil (2013: 32,000) shares, deposited against the exposure margin with the KSE.

##### 14.2 Mutual fund units

| 2014           |         | 2013                          |        | 2014     |                      |                    | 2013         |
|----------------|---------|-------------------------------|--------|----------|----------------------|--------------------|--------------|
| (No. of units) |         |                               |        |          | Cost                 | Market Value       | Market Value |
|                |         |                               |        |          | ----- (Rupees) ----- |                    |              |
| -              | 368,588 | ABL Cash Fund                 | 14.2.1 | -        | -                    | 3,687,211          |              |
| -              | 1,058   | Askari Sovereign Cash Fund    |        | -        | -                    | 106,399            |              |
| -              | 55,995  | Atlas Money Market Fund       | 14.2.2 | -        | -                    | 28,119,948         |              |
| -              | 699,149 | HBL Money Market Fund         | 14.2.3 | -        | -                    | 70,784,871         |              |
| -              | 522,129 | MCB Cash Management Optimizer | 14.2.4 | -        | -                    | 52,750,827         |              |
| -              | 42,455  | Pakistan Cash Management Fund | 14.2.5 | -        | -                    | 2,142,539          |              |
| -              | 537,346 | UBL Liquidity Plus Fund       | 14.2.6 | -        | -                    | 53,775,537         |              |
|                |         |                               |        | <u>-</u> | <u>-</u>             | <u>211,367,332</u> |              |

## 9. LONG TERM INVESTMENTS

## Available for sale investments (unquoted) - at cost

| 2014  | 2013      | Note  | 2014<br>----- (Rupees) ----- | 2013<br>-----     |
|---|-----------|---|------------------------------|-------------------|
| <u>Number of shares<br/>of Rs 10/- each</u> |           |   |                              |                   |
| 4,007,383                                   | 4,007,383 | Karachi Stock Exchange Limited<br>(Break up value Rs. 40,378,391) | 45,841,215                   | 45,841,215        |
|   |           | Less : Provision for diminishing in value                         | <u>(5,462,824)</u>           | -                 |
|   |           |   | <u>40,378,391</u>            | <u>45,841,215</u> |

9.1 This include 1,602,953 shares deposited against the exposure margin with the KSE

## 10. LONG TERM LOANS, ADVANCES AND DEPOSITS

## Loans and advances to:

- Employees
- Executives
- Others

|                  |                  |
|------------------|------------------|
| 116,277          | 276,746          |
| -                | 62,500           |
| -                | 9,000            |
| 116,277          | 348,246          |
| <u>(112,913)</u> | <u>(318,134)</u> |
| 3,364            | 30,112           |

Less: Current maturity shown in current assets

## Advance against Dubai Gold Commodity Exchange membership

10.2 7,618,587 7,305,563

## Deposits with:

- National Clearing Company of Pakistan Limited
- Karachi Stock Exchange Limited
- First Habib Modaraba
- Others

|                  |                  |
|------------------|------------------|
| 200,000          | 200,000          |
| 700,000          | 700,000          |
| 1,133,900        | 1,133,900        |
| 11,500           | 11,500           |
| <u>2,045,400</u> | <u>2,045,400</u> |
| <u>9,667,351</u> | <u>9,381,075</u> |

10.1 This includes interest bearing loan to employees and executives amounting to Rs. 65,740 (2013: Rs 177,416). These are recoverable over a period of three years and are secured against retirement benefit payable to respective employees and executives.

10.2 This represents amount paid in respect of Dubai Gold Commodity Exchange (DGCX) membership.

## 11. DEFERRED TAX ASSET

## Deductible temporary differences arising in respect of:

- Provision for compensated absences
- Provision against intangible assets
- Provision against Investment
- Tax losses

|                   |                  |
|-------------------|------------------|
| 259,338           | 204,300          |
| 639,747           | 755,575          |
| 613,214           | -                |
| 12,154,398        | 5,275,821        |
| <u>13,666,696</u> | <u>6,235,696</u> |

## Taxable temporary differences arising in respect of:

- Accelerated tax depreciation

|                   |                  |
|-------------------|------------------|
| (1,526,597)       | (1,816,053)      |
| <u>12,140,100</u> | <u>4,419,643</u> |

11.1 The deferred tax asset recognized in the financial statements represents the management's best estimate of the tax benefit which is expected to be realized in future years as the Company expects to set off the profits earned in these years against tax losses carried forward from prior years.

## 12. TRADE DEBTS

## Considered good - secured

12.1 22,682,027 28,474,351

12.1 The value of marketable securities held against trade debts by the Company amounted to Rs.1,916,401,019 (2013: Rs. 1,685,133,055).

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- 14.2.1 This includes Nil (2013: 363,311) units, deposited against the exposure margin with the KSE.
- 14.2.2 This includes Nil (2013: 55,005) units, deposited against the exposure margin with the KSE.
- 14.2.3 This includes Nil (2013: 650,000) units, pledged to Bank AL Habib Limited for running finance facility.
- 14.2.4 This includes Nil (2013: 516,479) units, deposited against the exposure margin with the KSE.
- 14.2.5 This includes Nil (2013: 32,382) units, deposited against the exposure margin with the KSE.
- 14.2.6 This includes Nil (2013: 530,063) units, deposited against the exposure margin with the KSE.

|  | Note | 2014<br>----- (Rupees) -----                      | 2013<br>----- (Rupees) ----- |
|--|------|---|------------------------------|
| <b>14.3 Reconciliation of Cost and market value of available-for-sale investments</b>  |      |   |                              |
| Total cost of available-for-sale investments   |      | 7,510,761   | 221,005,020                  |
| Unrealized gain on revaluation of investments  |      | 154,809   | 7,937,818                    |
| Provision for impairment in the value of investments   |      | -   | (886,844)                    |
|  |      | <u>7,665,570</u>                                  | <u>228,055,994</u>           |
| <b>15. CASH AND BANK BALANCES</b>  |      |   |                              |
| Cash in hand   |      | 2,186   | 15,960                       |
| Cash with banks in:  |      |   |                              |
| - Current accounts   | 15.1 | 55,788,156  | 114,866,820                  |
| - Saving accounts  |      | 216,985   | 9,355,320                    |
| - Call treasury deposit account  | 15.2 | 151,423,977                                       | -                            |
|  |      | <u>207,429,118</u>                                | <u>124,222,140</u>           |
|  |      | <u>207,431,304</u>                                | <u>124,238,100</u>           |
| 15.1 These carry interest at the rate of 6% to 7.5% (2013: 5.00% to 7.00%) per annum.  |      |   |                              |
| 15.2 This carry interest at the rate of 7.50% to 9% (2013: 7.50% to 9.5%) per annum.   |      |   |                              |
| <b>16. SHARE CAPITAL</b>   |      |   |                              |
| <b>16.1 Authorised Capital</b>   |      |   |                              |
|  |      | 2014  | 2013                         |
|  |      | (Number of Shares)                                | (Rupees)                     |
|  |      | <u>50,000,000</u>                                 | <u>50,000,000</u>            |
|  |      | Ordinary shares of Rs. 10 each fully paid in cash | <u>500,000,000</u>           |
| <b>16.2 Issued, subscribed and paid-up share capital</b>   |      |   |                              |
|  |      | <u>30,000,000</u>                                 | <u>30,000,000</u>            |
|  |      | Ordinary shares of Rs. 10 each fully paid in cash | <u>300,000,000</u>           |
|  |      | (see note 1)                                      | <u>300,000,000</u>           |
| <b>17. SHORT TERM BORROWING</b>  |      |   |                              |
| Short Term Running Finance - Secured   | 17.1 | -   | <u>12,629,242</u>            |
| 17.1 The running finance facilities available to the Company at year end amounts to Rs. 500 million from a related party (Bank AL Habib Limited). The facilities carry mark-up rate at 3 month Avg KIBOR Ask +1 %. |      |   |                              |
| <b>18. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES</b>   |      |   |                              |
| Payable against sale of marketable securities on behalf of customers   |      | 62,661,948  | 125,371,304                  |
| Accrued expenses   |      | 2,316,868   | 2,684,400                    |
| Other liabilities  |      | 945,788   | 789,718                      |
|  |      | <u>65,924,604</u>                                 | <u>128,845,422</u>           |

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## 19. CONTINGENCIES AND COMMITMENTS

## Commitments

|  |      |                  |                   |
|--|------|------------------|-------------------|
| Commitments for rentals under Ijarah finance |      |                  |                   |
| With in one year                             |      | 4,016,280        | 3,991,260         |
| After one year but not later than five years |      | 3,346,900        | 7,317,310         |
| More than five years                         |      | -                | -                 |
|  | 19.1 | <u>7,363,180</u> | <u>11,308,570</u> |

19.1 Represent Ijarah Finance Facility entered into with First Habib Modarba in respect of vehicles. Total Ijarah payments due under the agreement is Rs. 7.363 million and are payable in monthly instalments latest by April 2016. These commitments are secured by on-demand promissory notes of Rs. 13.108 million.

## 20. OTHER INCOME

|  |     |                  |                  |
|--|-----|------------------|------------------|
| Research advisory fee                      |     | 462,857          | 1,420,000        |
| Profit on KSE future exposure              |     | 71,387           | 48,484           |
| Gain on disposal of property and equipment | 7.1 | 973,500          | 4,363,025        |
| Late payment charges from trade debtors    |     | -                | 538,679          |
| Interest on loans to employees             |     | 33,564           | 32,207           |
| Others                                     |     | 103              | 2,703            |
|  |     | <u>1,541,411</u> | <u>6,405,098</u> |

## 21. ADMINISTRATIVE EXPENSES

|   | Note        | 2014                 | 2013              |
|---|-------------|----------------------|-------------------|
|   |             | ----- (Rupees) ----- |                   |
| Salaries, allowances and other benefits | 21.1 & 21.2 | 28,170,360           | 25,534,147        |
| Printing and stationery                 |             | 371,664              | 329,839           |
| Auditors' remuneration                  | 21.3        | 287,814              | 268,850           |
| Rent, rates and taxes                   |             | 2,616,953            | 3,124,464         |
| Vehicle running expense                 |             | 2,083,246            | 1,792,755         |
| Utilities                               |             | 1,674,870            | 1,167,901         |
| Legal and professional charges          |             | 875,630              | 985,961           |
| Insurance                               |             | 1,547,218            | 1,617,311         |
| Newspaper and periodicals               |             | 64,206               | 61,125            |
| Entertainment                           |             | 72,804               | 28,230            |
| Advertisement & business promotion      |             | 179,115              | 169,976           |
| Computer expenses                       |             | 760,936              | 667,355           |
| Clearing house charges                  |             | 2,594,717            | 716,748           |
| Office security                         |             | 814,935              | 756,000           |
| Depreciation                            | 7           | 1,874,610            | 1,895,915         |
| Amortization                            | 8           | 179,529              | -                 |
| Repairs and maintenance                 |             | 699,941              | 1,596,577         |
| Conveyance and travelling               |             | 46,830               | 52,223            |
| Communication                           |             | 643,537              | 647,039           |
| Fee and subscription                    |             | 1,809,188            | 1,499,627         |
| Lease rentals of vehicle                |             | 4,019,434            | 665,210           |
| Office supplies                         |             | 200,314              | 200,341           |
| Workers' Welfare Fund                   |             | -                    | 69,644            |
| Miscellaneous                           |             | 67,865               | 35,901            |
|   |             | <u>51,655,718</u>    | <u>43,883,139</u> |

21.1 Salaries, allowances and other benefits include Company's contribution to provident fund amounting to Rs.1,599,475 (2013: Rs 1,494,956 ).

## 21.2 Remuneration of Chief Executive and Executives

The aggregate amounts charged in the financial statements for the remuneration, including all benefits to the Chief Executive and Executives of the Company are as follows:

|                         | 2014                 |                   | 2013             |                  |
|-------------------------|----------------------|-------------------|------------------|------------------|
|                         | Chief Executive      | Executives        | Chief Executive  | Executives       |
|                         | ----- (Rupees) ----- |                   |                  |                  |
| Managerial remuneration | 6,400,000            | 6,183,490         | 6,000,000        | 5,691,583        |
| Housing and Utilities   | 3,200,000            | 3,091,745         | 3,000,000        | 2,845,791        |
| Medical                 | 25,000               | 125,000           | 25,000           | 125,000          |
| Retirement benefits     | 640,000              | 618,349           | 600,000          | 569,158          |
| Commission              | -                    | 777,793           | -                | 314,224          |
|                         | <u>10,265,000</u>    | <u>10,796,377</u> | <u>9,625,000</u> | <u>9,545,756</u> |
| Number of persons       | <u>1</u>             | <u>5</u>          | <u>1</u>         | <u>5</u>         |

In addition to the above, Chief Executive and Executives have been provided with free use of Company maintained vehicles under the service contracts.

|   | Note  | 2014<br>----- (Rupees) ----- | 2013<br>----- (Rupees) ----- |
|---|---|------------------------------|------------------------------|
| <b>21.3 Auditors' remuneration</b>  |   |                              |                              |
| Statutory audit fee   |   | 156,000                      | 150,000                      |
| Half yearly review fee  |   | 52,000                       | 50,000                       |
| Other certifications  |   | 15,000                       | 15,000                       |
| Out of pocket expenses  |   | 64,814                       | 53,850                       |
|   |   | <u>287,814</u>               | <u>268,850</u>               |
| <b>22. FINANCE COST</b>   |   |                              |                              |
| Mark-up on short term running finance   |   | 784,335                      | 692,240                      |
| Bank charges  |   | 114,752                      | 141,700                      |
|   |   | <u>899,087</u>               | <u>833,940</u>               |
| <b>23. TAXATION</b>   |   |                              |                              |
| Current   |   | (555,847)                    | (406,600)                    |
| Deferred  |   | 7,720,457                    | 4,565,178                    |
|   |   | <u>7,164,610</u>             | <u>4,158,578</u>             |
| <b>23.1</b>   | Income tax assessments of the Company have been finalised upto 2013, under section 120 of the Income Tax Ordinance, 2001 unless amended.  |                              |                              |
| <b>24. EARNING PER SHARE - BASIC</b>  |   |                              |                              |
| Profit for the year after taxation  |   | <u>2,999,966</u>             | <u>7,571,146</u>             |
|   |   | ----- (Number) -----         |                              |
| Weighted average ordinary shares in issue during the year   |   | <u>30,000,000</u>            | <u>30,000,000</u>            |
|   |   | ----- (Rupees) -----         |                              |
| Profit per share - basic  |   | <u>0.10</u>                  | <u>0.25</u>                  |
| <b>24.1</b>   | Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 30 June 2014 and 2013 which would have any effect on the earning per share. |                              |                              |
| <b>25. PROVIDENT FUND</b>   |   |                              |                              |
| Details of investments held by the provident fund of the Company for its employees is as follows: |   |                              |                              |
| Size of the fund  |   | 35,852,370                   | 31,085,960                   |
| Cost of investments made  |   | 34,220,514                   | 29,234,956                   |
| Percentage of investments made  |   | 95%                          | 94%                          |
| Fair value of investments   |   | 34,665,915                   | 31,030,257                   |

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25.1.1 Breakup of investments in terms of amount and percentage of the size of the provident fund are as follows:

|                       | 2014                       |  | 2013                     |  |
|-----------------------|----------------------------|--|--------------------------|--|
|                       | Investments<br>(Unaudited) | % of<br>investments as<br>size of the fund<br>(Rupees) | Investments<br>(Audited) | % of<br>investments as<br>size of the fund |
| Government securities | 22,934,587                 | 64%  | 15,315,760               | 49%  |
| Mutual Fund Units     | 1,254,344                  | 3%   | 12,800,000               | 41%  |
| Listed securities     | 10,031,583                 | 28%  | 1,119,196                | 4%   |
|                       | <b>34,220,514</b>          | <b>95%</b>   | <b>29,234,956</b>        | <b>94%</b>                                 |

25.1.2 Investments out of provident fund have been made in accordance with the provisions of the section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

## 26. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise Holding company, related group companies, staff retirement funds, directors and key management personnel. Transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

|   | 2014          | 2013        |
|---|---------------|-------------|
|   | (Rupees)      |             |
| <b><u>Transactions during the year</u></b>                                  |               |             |
| <b>Bank AL Habib Limited (Holding company)</b>                              |               |             |
| Equity brokerage commission   | 661,135       | 611,411     |
| Mark-up income on bank balances   | 754,490       | 618,749     |
| Mark-up expense on running finance  | (784,335)     | (692,240)   |
| Office rent   | 2,616,953     | 3,111,467   |
| Bank charges  | 88,130        | 193,842     |
| Research Advisory Fee   | 462,857       | 720,000     |
| Information Technology services   | 500,000       | 500,000     |
| <b>Habib Insurance Company Limited (associate of the Holding company)</b>   |               |             |
| Equity brokerage commission   | 1,079,671     | 771,163     |
| Insurance premium paid  | 1,532,215     | 1,958,971   |
| Insurance claim received  | -             | 316,730     |
| <b>First Habib Stock Fund (associate of the Holding company)</b>            |               |             |
| Equity brokerage commission   | 175,454       | 179,592     |
| <b>First Habib Islamic Balanced Fund (associate of the holding company)</b> |               |             |
| Equity brokerage commission   | 168,011       | 51,696      |
| <b>Key management personnel</b>   |               |             |
| Contribution to provident fund  | 1,258,349     | 1,169,158   |
| <b>Others</b>   | <b>25,537</b> |             |
| <b><u>Balances at the year end</u></b>                                      |               |             |
| <b>Bank AL Habib Limited (Holding company)</b>                              |               |             |
| Bank balances   | 205,254,119   | 102,197,597 |

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## 27. FINANCIAL RISK MANAGEMENT

### 27.1 Market risk

Market risk is the risk that the fair value or future cash of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

#### (i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. As of the balance sheet date, the Company is exposed to such risk mainly in respect of bank balances and investment in income based mutual fund units. Effective interest rates on such instruments are disclosed in respective notes to the financial statements.

Management of the Company estimates that 1% increase in the market interest rate, with all other factors remaining constant, would increase the Company's total comprehensive income by Rs. 1,516,410 and a 1% decrease would result in decrease in the Company's total comprehensive income by the same amount. However, in practice, the actual results may differ from the sensitivity analysis.

#### (ii) Foreign currency risk

Foreign 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 does not have any financial instruments in foreign currencies and hence is not exposed to such risk at the year end.

#### (iii) Equity price risk

Equity price risk is the risk of volatility in share prices resulting from their dependence on market sentiments, speculative activities, supply and demand for shares and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business of the company in which the investment is made, change in business circumstances of the company, its business sector, industry and / or the economy in general. Management of the Company estimates that a 10% increase or decrease in the overall equity prices in the market with all other factors remaining constant would result in decrease or increase of Company's total comprehensive income by Rs. 766,557. However, in practice, the actual results may differ from the sensitivity analysis.

### 27.2 Liquidity risk

Liquidity risk is the risk that an enterprise may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by following internal guidelines of the group executive committee such as monitoring maturities of financial assets and financial liabilities and investing in liquid financial assets.

The table below summarise the maturity profile of the Company's financial liabilities:

|   | 2014        |                   |  |                    | Total       |
|---|-------------|-------------------|--|--------------------|-------------|
|   | On Demand   | Upto three months | More than three months and upto one year | More than one year |             |
| Creditors, accrued expenses and other liabilities | 62,661,948  | 3,262,656         | -  | -                  | 65,924,604  |
|   | (Rupees)    |                   |  |                    |             |
|   | 2013        |                   |  |                    | Total       |
|   | On Demand   | Upto three months | More than three months and upto one year | More than one year |             |
| Creditors, accrued expenses and other liabilities | 125,371,304 | 3,474,118         | -  | -                  | 128,845,422 |
| Short Term Borrowing                              | 12,629,242  | -                 | -  | -                  | 12,629,242  |
|   | 138,000,546 | 3,474,118         | -  | -                  | 141,474,664 |

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### 27.3 Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continuously assessing the creditworthiness of counter parties.

The Company seeks to minimise the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The credit risk exposure of the Company as of 30 June 2014 in respect of trade debts amounts to Rs.22,682,027 (2013: Rs.28,474,351 ) and in respect of bank balances amounts to Rs. 207,431,304 (2013: Rs. 124,481,395)

27.3.1 The analysis below summarises the credit quality of the Company's bank balances:

|                          | 2014                 | 2013               |
|--------------------------|----------------------|--------------------|
|                          | ----- (Rupees) ----- |                    |
| <b>Ratings of Banks*</b> |                      |                    |
| AA+                      | 205,396,549          | 114,950,322        |
| AAA                      | 450,923              | 306,361            |
| AA                       | 1,440,882            | 9,171,054          |
| A                        | 18,857               | 53,658             |
| AA-                      | 121,907              | (259,255)          |
|                          | <u>207,429,118</u>   | <u>124,222,140</u> |

\*Rating of banks performed by PACRA & JCR-VIS.

27.3.2 The table below shows analysis of the financial assets that are past due or impaired:

|                                     |                   |                   |
|-------------------------------------|-------------------|-------------------|
| Debts neither impaired nor past due | 22,551,331        | 28,287,394        |
| Debts past due but not impaired     | 130,696           | 186,957           |
| Debts impaired                      | -                 | -                 |
|                                     | <u>22,682,027</u> | <u>28,474,351</u> |

### 27.4 Capital Management

Net capital requirements of the Company are set and regulated by KSE. These requirements are put in place to ensure sufficient solvency margins and are based on excess of current assets over current liabilities. The Company manages its net capital requirements by assessing its capital structure against required capital level on a regular basis.

### 27.5 Financial Assets Fair Value Hierarchy

All financial instruments carried at fair value are categorised in three categories defined as follows:

- Level 1 - Quoted market prices / Net Asset Value of mutual funds
- Level 2 - Valuation techniques (market observable)
- Level 3 - Valuation techniques (non-market observable)

As at 30 June 2014 the Company held the following financial instruments measured at fair value:

|                                | 2014                 |                    |          |          |
|--------------------------------|----------------------|--------------------|----------|----------|
|                                | Total                | Level 1            | Level 2  | Level 3  |
|                                | ----- (Rupees) ----- |                    |          |          |
| Available-for-sale investments | <u>7,665,570</u>     | <u>7,665,570</u>   | <u>-</u> | <u>-</u> |
|                                |                      |                    |          |          |
|                                | 2013                 |                    |          |          |
|                                | Total                | Level 1            | Level 2  | Level 3  |
|                                | ----- (Rupees) ----- |                    |          |          |
| Available-for-sale investments | <u>228,055,994</u>   | <u>228,055,994</u> | <u>-</u> | <u>-</u> |

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**28. NUMBER OF EMPLOYEES**

The number of employees as at 30 June 2014 were 20 (2013: 23).

**29. DATE OF AUTHORISATION**

These financial statements were authorised for issue in the meeting of the Board of Directors of the Company in their meeting held on 09 OCT 2014

**30. GENERAL**

30.1 Figures have been rounded off to the nearest rupee.

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CHAIRMAN

  
CHIEF EXECUTIVE