Jahangir Siddiqui & Co. Ltd.

# Annual Report 2013

# Contents

# VISION

To be recognized as the
premier and best
performing investment
company in Pakistan.

# MISSION

To build value for our shareholders by providing competitive returns on a sustainable basis through prudent investment decisions by employing best practices of Corporate Governance and Risk Management and conducting our business in accordance with the highest standards of ethics and legal compliance.

# Code of Conduct

**The success of our Company depends on adopting high ethical standards and business practices in conducting business Every member of JSCL family is expected to review and strictly abide by the following code of conduct:**

1. Transparency in conducting business and appropriate public disclosures.
2. Fairness in conducting business while striving for highest returns.
3. Protecting and preserving clients' interests.
4. Adopting principle of good corporate citizenship and striving to fulfill corporate social responsibilities.
5. Financial statements should reflect fair view of business operation and should not conceal any fact.
6. Exhibit integrity, dignity and honesty in business conduct and upholding loyalty.
7. Endeavor to hire the best people, motivate them, reward them and encourage them to innovate. We are a meritocracy and an equal opportunity employer.
8. Professional communication and open environment where everyone has right to speak.
9. We value quality of work and employees' best contribution in achieving clients' and shareholder's financial goals.
10. Maintain highest level of confidentiality and privacy of data during and after employment at JSCL.
11. Avoid any business or professional activities or any beneficial interests that may result in a conflict with or be competitive with the interests of the Company.
12. Employees should not hold any position in other organization without prior approval.
13. Insider trading is strictly prohibited.
14. Avoid workplace harassment and report unethical practices immediately.
15. Treating employees equally and avoiding authority misuse.
16. Company's assets should be used effectively and proprietary information should be kept confidential.
17. Gifts and Bribery should neither be offered nor accepted except for nominal gifts with appropriate disclosure and permission.
18. Striving to provide healthy and secure environment and avoid wasting natural resources.

# Company Information

## Board of Directors

| | | |
|---|---|---|
| Chief Justice (R) Mahboob Ahmed | Chairman | Non-Executive |
| Suleman Lalani | Chief Executive Officer | |
| Asad Ahmed | Director - Independent | Non-Executive |
| Ali Hussain | Director | Non-Executive |
| Ali J. Siddiqui | Director | Non-Executive |
| Asif Reza Sana | Director - Independent | Non-Executive |
| Munawar Alam Siddiqui | Director | Non-Executive |
| Stephen Christopher Smith | Director | Non-Executive |

## Chief Financial Officer & Company Secretary

Hasan Shahid

## Audit Committee

| | |
|---|---|
| Asif Reza Sana | Chairman |
| Munawar Alam Siddiqui | Member |
| Stephen Christopher Smith | Member |

## Human Resource & Remuneration Committee

| | |
|---|---|
| Chief Justice (R) Mahboob Ahmed | Chairman |
| Munawar Alam Siddiqui | Member |
| Suleman Lalani | Member |

## Executive Committee

| | |
|---|---|
| Ali J. Siddiqui | Member |
| Munawar Alam Siddiqui | Member |
| Suleman Lalani | Member |

## External Auditors

M. Yousuf Adil Saleem & Co
Chartered Accountants

## Internal Auditors

Anjum Asim Shahid Rahman
Chartered Accountants

## Legal Advisor

Bawaney & Partners

## Registered Office

6th Floor, Faysal House
Main Shahra-e-Faisal
Karachi - 75530, Pakistan
UAN: (+92-21) 111 574 111
Phone: (+92-21) 32799005
Fax: (+92-21) 32800090

## Share Registrar

Technology Trade (Private) Limited
241-C, Block-2, P.E.C.H.S., Karachi, Pakistan

## Website

www.js.com

## Chief Justice (R) Mahboob Ahmed | Chairman | Non-Executive

Chief Justice (R) Mahboob Ahmed is an eminent and well respected lawyer and practiced as an advocate of the High Court and the Supreme Court of Pakistan for over 20 years. He was the counsel to all statutory corporations, a number of Insurance Companies as well as large foreign and domestic companies. He graduated from the University of Punjab and completed his Bar in 1957. He then practiced at the Bar of Lahore High Court and the Supreme Court of Pakistan for 19 years and particularly deliberated on constitutional and commercial issues.

Mr. Mahboob Ahmed was then appointed as a Judge of the Lahore High Court in 1978 and became its Chief Justice in 1990 - 1991. He was Chairman of the Provincial Election Authority of Punjab for eleven years and also Chairman of Insurance Reforms Commission of Pakistan. Mr. Mahboob Ahmed was Banking Judge of the Lahore High Court and the company Judge of spurious companies. The task force setup by SECP for framing Rules for establishment of Takaful Insurance Companies was also headed by him as its Chairman.

He served as the Chief Justice of the Federal Shariyat Court in 1997 to 2000. He also acted as Governor of Punjab province number of times.

He is an active philanthropist and is President of the Muslim Education Conference, a Member of the Managing Committee of Gulab Devi Chest Hospital, a Member of Governing Body and Executive Committee of Liaquat National Hospital, Karachi, Chairman of the Board of Management Fatima Jinnah Medical College and the Sir Ganga Ram Hospital, Lahore, Patron in Chief of Bu-Ali Seena Hospital, Lahore Chairman Kulli Khan Waqf an Educational Foundation for welfare of Industrial workers, a founding member of Heart Association of Lahore and the Pakistan Society for Cancer Control. He has also been the Chairman of the Pakistan Red Crescent Society.

**Other Directorships:**

- East West Insurance Co. Limited
- East West Life Assurance Co. Limited

## Suleman Lalani | Chief Executive Officer

Mr. Suleman Lalani joined Jahangir Siddiqui & Co. Ltd. ("JSCL") on March 1, 2012 as Chief Executive Officer. Prior to joining JSCL he was Executive Director Finance & Operations and Company Secretary of JS Investments Limited where he served as CFO and Company Secretary for seven years.

Mr. Lalani started his career with JSCL in 1992 where he worked for over eight years. In year 2000 he was promoted to the position of Chief Operating Officer of Jahangir Siddiqui Investment Bank Limited, a subsidiary of JSCL. In January 2002, he joined The First MicroFinance Bank Limited as its Chief Financial Officer and Company Secretary.

Mr. Lalani is a Fellow member of the Institute of Chartered Accountants of Pakistan and has 20 years of experience in the financial services sector. He has also completed the Board Development Series Certificate Program conducted by the Pakistan Institute of Corporate Governance.

**Other Directorships:**

- JS Investments Limited
- Al-Abbas Sugar Mills Limited

**Asad Ahmed** | **Independent Director** | **Non-Executive**

Mr. Asad Ahmed holds B Sc in Information Technology - Focusing on Ubiquitous Computing and Human Computer Interaction from the Rochester Institute of Technology, Rochester New York. Currently, he is one of the business leads at Microsoft's Office Division managing the Gulf region. Previously, he has served as Marketing, Operation and Programs Director Qatar at Microsoft and as Enterprise Marketing Lead at Microsoft Gulf. Previously Asad has held various marketing lead roles in Symantec and CDW Canada.

**Ali J. Siddiqui** | **Director** | **Non-Executive**

Mr. Ali J. Siddiqui is the Managing Partner of JS Private Equity, Pakistan's largest private equity firm. From 2002-2003 he was an Executive Director of JS Investments Ltd. a private sector mutual fund manager. Before joining JS Group, Mr. Siddiqui was a Director with Crosby, a private equity firm, and was based in Hong Kong. Prior to Crosby, he was an Associate with Tech Pacific Capital where he was part of a team that managed over US $ 400 million in private equity and venture funds investing in Asia-Pacific.

Recognized recently as the Young Global Leader for the influential World Economic Forum based in Switzerland, Mr. Siddiqui is a member of the Corporate Advisory Council of the National University of Science and Technology (NUST) and a member of the Community Development Board of the Government of Sindh.

Mr. Siddiqui supports a number of charitable and sustainable development organizations and is a board member of Acumen Fund, a social enterprise fund headquartered in New York that invests in Africa and Asia in businesses that serve the poor. He is also the CEO for the Mahvash and Jahangir Siddiqui Foundation which engages in philanthropic work across Pakistan.

He graduated from Cornell University with a BA in Economics and has also attended executive education programs at MIT and University of Cambridge.

**Other Directorships:**

- Mahvash & Jahangir Siddiqui Foundation
- Agrow Limited
- AirBlue Limited
- Acumen Fund Pakistan
- Ghani Glass Limited
- Al-Abbas Sugar Mills Limited
- AJS Holding (Private) Limited

## Ali Hussain | Director | Non-Executive

Mr. Ali Hussain brings more than thirty years of managerial and entrepreneurial experience in both corporate and private entities. Mr. Hussain has invested, owned and managed multiple technology and financial investment companies in the international arena with global operations. Prior to starting his own business, Mr. Hussain has managed operations for Hewlett Packard, in California and Singapore. He holds a Masters degree in Engineering from Stanford University. Mr. Hussain also founded Sajjad Foundation; a private charitable foundation primarily devoted to educational health care and humanitarian projects in Singapore, Pakistan and other disadvantaged countries.

**Other Directorship:**

- BankIslami Pakistan Limited

## Asif Reza Sana | Independent Director | Non-Executive

Mr. Asif R. Sana is a senior banker. He has previously worked with world-leader multinationals in the fields of Finance, General Management and Marketing. He remained posted in Switzerland, Europe, US and the Middle East in various executive positions during his 22 years multinational career. He holds an MBA and has been trained at the Institute of Management Development in Lausanne, Switzerland and INSEAD, France.

In 2000, he returned to Pakistan and was appointed as the Advisor to the Board of Directors of Union Bank. He conceived, negotiated and closed the acquisition of Emirates Bank in Pakistan and Meshraq Bank in Sri Lanka. These acquisitions resulted in a two-fold increase in the bank's earning assets and doubled its balance sheet footing to US$ 2.2 billion. He was then appointed SEVP and elected to the Board of Directors to assume the crucial role of Executive Director of the bank, having fiduciary and management roles simultaneously. He was a member of the management committee and ALCO as well a director of the Union Leasing Ltd.

He was one of the key leaders in making Union Bank a premium financial services brand, ranked as the 6th largest bank, by profitability, in 2005. The majority shareholders then gave him the mandate to develop and implement an exit strategy. He conceived, negotiated and closed the sale of Union Bank to Standard Chartered at a landmark price of PKR 29 billion (US $ 485 million) - the highest multiple in the Pakistani banking industry.

**Other Directorship:**

- Askari Bank Limited
- JS Investments Limited

## Stephen Christopher Smith | Director | Non-Executive

Mr. Smith joined JS Group in 2004 and is responsible for JSCL's international activities. Prior to JS, Mr. Smith qualified as a Chartered Accountant at Ernst & Young, London before joining European Capital, a UK-based project and corporate finance company. He then moved to Techpacific Capital, a Hong Kong-listed finance company where he rose to become Group CFO and Company Secretary. Mr. Smith holds a Joint Honours degree in Economics and Mathematics from the University of Bristol.

**Other Directorships:**

- JS International Companies
- Credit Chex (Private) Limited

## Munawar Alam Siddiqui | Director | Non-Executive

Mr. Munawar Alam Siddiqui retired as an Air Commodore from the Pakistan Air Force in 2003. His last post was Assistant Chief of Air Staff (Administration) at Pakistan Air Force Headquarters. For his meritorious services to the PAF, he was awarded Tamgha-e-Imtiaz (Military) and Sitara-e-Imtiaz (Military).

He was commissioned in the GD (P) Branch of the Pakistan Air Force in 1974. He is a qualified flying instructor and has flown over 8000 hours on different aircrafts including C-130, Boeing-707 and Dassault Falcon 20. He has served as a VVIP and Presidential pilot during his tenure of service and has held various key Command and Staff appointments in the PAF. He served as Director of Air Transport at Air Headquarters from 1996 to 1998 and commanded an operational air force base with over 8,500 personnel from 2000 to 2002.

Mr. Siddiqui holds an M Sc in Defence and Strategic Studies from Quaid-e-Azam University, an M. Sc. in Strategic Studies from Karachi University, a B Sc (Hons) in War Studies from Karachi University and B Sc. Avionics from Peshawar University. He is also an alumna of the National Defence College.

**Other Directorships:**

- Peregrine Aviation (Private) Limited
- Hum Network Limited
- Mahvash & Jahangir Siddiqui Foundation
- Karachi Education Initiative
- Karigar Training Institute

## AUDIT COMMITTEE

| Members | |
|---|---|
| Mr. Asif R. Sana | Chairman |
| Mr. Munawar Alam Siddiqui | Member |
| Mr. Stephen Christopher Smith | Member |

The attendance of Directors at Audit Committee meetings held during the period from January 01, 2013 to December 31, 2013 were as follows:

| Name of Directors | Meetings Eligibility | Meeting Attended |
|---|---|---|
| Chief Justice (R) Mahboob Ahmed | Four | Four |
| Mr. Ali J. Siddiqui | Four | One |
| Mr. Ali Hussain | Four | Four |
| Mr. Asif R. Sana * | - | - |
| Mr. Munawar Alam Siddiqui * | - | - |
| Mr. Stephen Christopher Smith * | - | - |

** Audit Committee reconstituted on December 05, 2013.*

**Terms of Reference**

The Board of Directors of JSCL has determined the terms of reference of the Audit Committee. The Audit Committee shall, among other things, be responsible for recommending to the Board of Directors the appointment of external auditors by Company's shareholders and shall consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board of Directors shall act in accordance with the recommendations of the Audit Committee in all these matters.

The terms of reference of the Audit Committee of JSCL shall also include the following:

(a) Determination of appropriate measures to safeguard the Company's assets.

(b) Review of preliminary announcements of results prior to publication;

(c) Review of quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors, focusing on:

- Major judgmental areas;
- Significant adjustments resulting from the audit;
- The going-concern assumption;
- Any changes in accounting policies and practices;
- Compliance with applicable accounting standards; and
- Compliance with listing regulations and other statutory and regulatory requirements.

(d) Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight;

(e) Review of management letter issued by external auditors and management's response thereto;

(f) Ensuring coordination between the internal and external auditors of the Company;

(g) Review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;

(h) Consideration of major findings of internal investigations and management's response thereto;

(i) Ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;

(j) Review of the Company's statement on internal control systems prior to endorsement by the Board of Directors;

(k) Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive Officer and to consider remittance of any matter to the external auditors or to any other external body;

(l) Determination of compliance with relevant statutory requirements;

(m) Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and

(n) Consideration of any other issue or matter as may be assigned by the Board of Directors.

## HUMAN RESOURCE & REMUNERATION COMMITTEE

| Members | |
|---|---|
| Chief Justice (R) Mahboob Ahmed | Chairman |
| Mr. Munawar Alam Siddiqui | Member |
| Mr. Suleman Lalani | Member |

## Terms of Reference

### Purpose

The Human Resource & Remuneration Committee (the "Committee") shall discharge the Board's responsibilities relating to the human resource functions of the Company's executives. The Committee shall be responsible for recommending human resource policy to the Board. The Committee shall have overall responsibility for recommending selection, evaluation  compensation (including retirement benefits) and succession planning of CEO, CFO and Company Secretary. The Committee shall also be responsible for consideration and approval on recommendations on such matters for key management positions who report directly to CEO.

### Compensation Policy

The JSCL executive compensation program is designed to attract, motivate, reward and retain superior management talent.

The Executive Compensation Committee places heavy emphasis on pay for performance. The Committee believes substantial portions of total compensation should be at risk. Likewise, outstanding performance should lead to substantial increase in compensation.

## Committee Duties and Responsibilities

### Compensation of Chief Executive Officer (CEO)

The Committee shall annually review and approve corporate goals and objectives relevant to CEO's compensation, evaluate the CEO's performance in light of those goals and objectives, and approve the CEO's compensation level based on this evaluation, subject to any employment contract that may be in effect. In determining the long-term incentive component of CEO's compensation, the Committee should consider the Company's performance and relative shareholder return, the value of similar incentive awards to CEO's at comparable companies, the awards given to the CEO in past years, and such other factors as the Committee may consider relevant.

### Compensation of Senior Executives

The Committee shall periodically review and make recommendations to the Board with respect to equity-based compensation, and such other forms of compensation as the Committee may consider appropriate. The Committee shall annually review and approve for the senior executives of the Company (a) the annual base salary, (b) the annual incentive bonus, (c) the long-term incentive award, (d) employment agreements, severance arrangements, and change in control agreements or provisions, in each case as, when and if appropriate, and (e) any supplemental or special benefits. The structure of management compensation should link the interests of management, both individually and as a team, to the interests of shareholders and management compensation packages should be designed to create a commensurate level of risk and opportunity based on business and individual performance. The Committee shall make recommendations to the Board concerning incentive compensation plans and equity-based plans.

### Overall Compensation Structure

In addition to reviewing and setting compensation for management, the Committee should, from time to time, review broadly the overall compensation structure for employees. In doing so, the Committee should bear in mind that incentives are industry dependent and are different for different categories of employees.

### Sub - Committees

The Committee may form, and delegate authority to, subcommittees when appropriate.

### Reporting to the Board

The Committee shall make regular reports to the Board.

### Annual Evaluation

The Committee shall conduct an annual evaluation of the Committee's performance as compared to the requirements of its Charter.

### The Committee Charter

The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

## EXECUTIVE COMMITTEE

| Members |
|---|
| Mr. Munawar Alam Siddiqui |
| Mr. Ali J. Siddiqui |
| Mr. Suleman Lalani |

### Terms of reference

The Executive Committee is appointed by the Board of Directors and includes the Chief Executive Officer as a member.

(a) The Executive Committee shall convene whenever required to evaluate and recommend to management and the Board the approval of new lines of business, underwriting, major additions/deletions in trading portfolio, changes in investment portfolio, and new transactions in accordance with the Risk Management Guidelines, the Statement of Investment and Operating Policy (SIOP) and other internal guidelines.

(b) The Executive Committee will review the Company's adherence to the Policy Statement and, if needed, make recommendations to the Board of Directors for changes as a result of new developments.

(c) The Executive Committee will regularly review the Company's operations based on monthly operating reports (to include a summary of the Company's net capital position based on market value) prepared and submitted by the Chief Financial Officer or other person nominated by the Board of Directors in comparison with the annual budget, and present to the Board for its review at its next regularly scheduled meeting any shortfalls or significant changes in the conditions (financial or otherwise), operations, prospects or business plan of the Company.

The Executive Committee will implement, or as appropriate, will delegate to the Chief Executive Officer to implement the Company's quarterly capital expenditures budget as reviewed and approved by the Board of Directors.

Jahangir Siddiqui Company Limited (JSCL) is deeply committed to Corporate Social Responsibility (CSR) in Pakistan. JSCL contributes resources, both financial and human, towards supporting the Mahvash & Jahangir Siddiqui Foundation (MJSF).

Founded in 2003, MJSF was established by Mr. Jahangir Siddiqui and his wife Mrs. Mahvash Siddiqui, a retired civil servant and a university professor. MJSF is a leading charitable, non-profit, non-partisan organization primarily focusing on healthcare, education, sustainable development through social enterprise and humanitarian relief. MJSF targets the root causes of poverty in Pakistan and is a major donor to numerous philanthropic endeavors nationwide. The Foundation is registered with Pakistan Centre for Philanthropy and Pakistan Red Crescent Society and is audited annually by KPMG Taseer Hadi & Co.

Through its various initiatives, MJSF aims to build an educated, healthy and prosperous society with dignity and honor for people by providing healthcare, education and promoting the economic and social development of underprivileged members of our society. In achieving its mission, the Foundation has also partnered with internationally acknowledged organizations including The United Nations (UN), Provincial Disaster Management Authority Sindh (PDMA), World Food Program (WFP), UN Habitat for Humanity, National University of Singapore (NUS), Weill Cornell Medical College Qatar, International Organization for Migration (IOM) and various international and local academies and foundations for education, disability and healthcare.

## EDUCATION

MJSF's education programs focus on:

- Higher education through university grants
- Mainstream education and schools for disabled children
- Vocational Training
- Specialized programs such as the development of schools in rural areas

The Foundation has extended grants to prominent institutions in Pakistan including Lahore University of Management Sciences (LUMS), Karachi Education Initiative (KEI) for the Karachi School for Business and Leadership (KSBL) and Institute of Business Administration (IBA). It also offers subsidized and full scholarship education for children through JS Academy for the Deaf, Fakhr-e-Imdad Foundation (FIF) schools and intermediate college and various other schools near villages or factories where JS Group has a business interest.

MJSF is also supporting IBA Sukkur in the creation of an Endowment Fund for sustainable financial support programs at the Institute and the Progressive Education Network (PEN) to extend its educational support in Punjab. MJSF has also set up a vocational center, Karigar Training Institute in Karachi and hopes to replicate the model nationwide to maximize its impact.

## HEALTHCARE

The Foundation has a deep commitment to public health and supports existing hospitals and medical facilities. This includes:

- Upgrading and adding specialist wards
- Developing healthcare facilities in rural areas
- Providing mobile healthcare in hard-to- reach areas
- Medical camps in rural areas
- Distribution of wheelchairs

MJSF is linked with numerous projects and organizations in health care including; Sindh Institute of Urology and Transplantation (SIUT), Karachi National Hospital, National Institute of Cardiovascular Diseases (NICVD), Indus Hospital and other notable social enterprises. In partnership with the Allianz Direct Help Foundation, MJSF has initiated a project to construct a healthcare facility in the city of Sehwan Sharif. The facility will have full imaging and pathology services. It also specializes in trauma services along with the development of a mother and child care centre.

## SOCIAL ENTERPRISES & SUSTAINABLE DEVELOPMENT (SESD)

The Social Enterprise and Sustainable Development (SESD) program aims to fund projects that are economically productive, sustainable and that remove the need for constant grants by allowing the underprivileged to establish businesses, earn a living and contribute productively to their communities.

The Foundation has a long-established partnership with Acumen Fund. Through this partnership, MJSF to date has contributed US$ 2,000,000 to their causes. Acumen Fund has actively invested in Pakistan since 2001 in social programs and businesses. MJSF is also the pioneer sponsor of Acumen Fund - Pakistan Fellows Program, a program designed for people from different regions, sectors and socio-economic backgrounds dedicated to addressing Pakistan's most critical social problems, through social change initiatives.

MJSF has also been the pioneer of another sustainable project 'Rs100 per day per family'- a project launched in 2013 that aims to create livelihood opportunities for 200 flood affected families across three villages in the Matiari region of Southern Sindh through the distribution of 30 poultry birds to each family. With an estimated productive yield of 60% (supported by technical knowledge workshops), the objective of this project is to enable families to sustainably earn a stable income.

## EMERGENCY & DISASTER RELIEF

MJSF activities have a strong focus on immediate disaster relief.

MJSF contributed immensely at the time of:

- 2005 earthquake in Azad-Jammu, Kashmir (AJK) and Khyber-Pakhtooonkhwa Province in Pakistan
- 2008 Swat Conflict, Internally Displaced Persons (IDP) Crisis
- 2010 Super Floods
- Disaster Response

The Foundation has always provided quick disaster relief during times of natural emergencies by mobilizing all of its resources to provide immediate aid to those impacted and providing large-scale support in the form of both Food Aid and Non-Food Aid.

The Foundation, recently in partnership with IOM, has also initiated a Public Private Partnership project constructing 250 - one room shelters in three flood-affected districts in Sindh. As part of the 1st phase, 150 shelters will be constructed in Southern Sindh.

# Corporate Calendar

| Meetings | Date |
|---|---|
| Audit Committee and Board of Directors' Meeting to consider Financial Statements of the Company for the eighteen month period ended December 31, 2012 | March 04, 2013 |
| Board of Directors' Meeting | April 02, 2013 |
| Board of Directors' Meeting (Adjourned) | April 03, 2013 |
| Annual General Meeting of the Company | April 05, 2013 |
| Audit Committee and Board of Directors' Meeting to consider Financial Statements of the Company for the quarter ended March 31, 2013 | April 29, 2013 |
| Audit Committee and Board of Directors' Meeting to consider Financial Statements of the Company for the Half Yearly June 30, 2013 | August 29, 2013 |
| Audit Committee and Board of Directors' Meeting to consider Financial Statements of the Company for the nine month period ended September 30, 2013 | October 29, 2013 |
| Extraordinary General Meeting | November 25, 2013 |
| Board of Directors' Meeting | December 05, 2013 |

# Notice of 22nd Annual General Meeting

Notice is hereby given that the Twenty Second Annual General Meeting of Jahangir Siddiqui & Co. Ltd. (the "Company") will be held at Defence Authority Creek Club, Zulfiqar Street No. 1, Phase VIII, Defence Housing Authority, Karachi on Wednesday, April 09, 2014 at 9:30 a.m., to transact the following businesses:

**Ordinary Business**

1. To receive, consider and adopt the audited separate and consolidated financial statements of the Company for the year ended December 31, 2013 together with the Directors' and Auditors' Reports thereon.

2. To appoint Company's Auditors and fix their remuneration. Messrs M. Yousuf Adil Saleem & Co, Chartered Accountants retire and being eligible have offered themselves for re-appointment.

**Special Business**

3. To consider and if deemed fit, pass the following resolution as Special Resolution under Section 208 of the Companies Ordinance, 1984, with or without any modification(s), addition(s)or deletion(s):

   "**RESOLVED** by way of Special Resolution that consent and approval be and is hereby accorded pursuant to the requirements of Section 208 of the Companies Ordinance, 1984 for the long term equity investments of up to PKR 121,322,299.20 by Jahangir Siddiqui & Co. Ltd. ("Company") as follows:

   a) PKR 84,290,058.45 for subscription of 13,315,965 ordinary shares of par value of PKR 10/- each of BankIslami Pakistan Limited ("BIPL") an associated company to be offered as Right Shares at PKR 6.33 per shares (i.e. at a discount of PKR 3.67 per share) on existing 111,256,116 ordinary shares of BIPL held by the Company;

   b) PKR 37,032,240.75 for subscribing upto 5,850,275 unsubscribed Right Shares of BankIslami Pakistan Limited at PKR 6.33 per shares (i.e. at a discount of PKR 3.67 per share) that may be offered to the Company by the Board of Directors of BIPL under Section 86 (7) of the Companies Ordinance, 1984 or required to be subscribed by the Company in case the Company enter into an underwriting commitment in respect of the Right Issue of BIPL.

   **FURTHER RESOLVED** that if any of the terms and conditions of the aforesaid Rights Issue are modified by the Securities and Exchange Commission of Pakistan or the State Bank of Pakistan, such modified terms and conditions shall be deemed to be part of the terms and conditions for investments without the need to obtain further approval of the shareholders.

   **FURTHER RESOLVED** that this special resolution in terms of Section 208 of the Companies Ordinance, 1984 shall be valid for investments within a period of 2 years from the date of passing of the special resolution thereof.

   **FURTHER RESOLVED** that the Chief Executive Officer, the Company Secretary and/or the Chief Financial Officer of the Company be and are hereby jointly and severally authorised to take and do and/or cause to be taken or done any/all necessary actions, deeds and things which are or may be necessary for giving effect to the spirit and intent of aforesaid resolutions and to do and fulfill all acts, matters, deeds, formalities and things which are necessary, incidental and/or consequential to the proposed investment of the Company's funds as above."

4. To consider and if deemed fit, approve and ratify the advisory fee payment to a Director of the Company during the eighteen month period ended December 31, 2012.

By Order of the Board

**Hasan Shahid**
CFO & Company Secretary
Karachi: March 18, 2014

**NOTES**

(i) The Share Transfer Books of the Company shall remain closed from April 03, 2014 to April 09, 2014 (both days inclusive) for determining the entitlement of shareholders for attending the Annual General Meeting.

(ii) Physical transfers and deposit requests under Central Depository System received at the close of business on April 02, 2014 by the Company's Registrar i.e. Technology Trade (Pvt.) Ltd., Dagia House, 241-C, Block-2, P.E.C.H.S., Karachi will be treated as being in time for the purpose of attending the meeting.

(iii) A member of the Company entitled to attend and vote may appoint another member as his/her proxy to attend and vote instead of him/her. A proxy must be a member of the Company.

(iv) Proxies must be received at the Registered Office of the Company not less than 48 hours before the time of the meeting.

(v) Beneficial owners of the shares registered in the name of Central Depository Company of Pakistan Limited (CDC) and/or their proxies will have to follow the following guidelines as laid down by the Securities and Exchange Commission of Pakistan:

**A. For Attending the Meeting**

a. In case of Individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or original Passport along with Participant ID number and the account number at the time of attending the Meeting.

b. In case of corporate entity, the Board's resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

**B. For Appointing Proxies**

a. In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.

b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.

c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.

d. The proxy shall produce his original CNIC or original passport as may be applicable at the time of the meeting.

e. In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

(vi) Shareholders are requested to notify immediately of any change in their address to the Company's Registrar.

## STATEMENT UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on April 09, 2014.

### Investment in BankIslami Pakistan Limited

(a) BIPL is an associated company of the Company by virtue of one common director with an existing investment of 111,256,116 Ordinary Shares representing 21.07% of the total paid-up capital of the BIPL.

(b) In pursuance of the instructions of the State Bank of Pakistan (SBP) vide BSD Circular No. 07 of 2009 dated April 15, 2009, BIPL has received an in-principal approval of the State Bank of Pakistan (SBP) pursuant to its letter bearing No. BPRD/CA&PD/618/17147/2013 dated November 20, 2013 to issue Ordinary Shares of PKR 10/- at an offer price of PKR 6.33 per share (i.e. at a discount of PKR 3.67 per share) by way of rights to its members to raise paid up capital of BIPL by PKR 400 million. The Company intends to subscribe for such right shares as may be offered by BIPL pursuant to the approval of BIPL's shareholders in its Extraordinary General Meeting held on February 22, 2014 and regulatory approvals received from the Securities and Exchange Commission of Pakistan and SBP at offer price of PKR 6.33 per share. The Company's entitlement to Right Shares of BIPL would be 13,315,965 ordinary right shares for an amount of PKR 84,290,058.45.

(c) In order to facilitate 100% subscription of such Rights Issue, the Company also intends to underwrite the Rights Issue of BIPL. In case there is no underwriting commitment, the Board of Directors of BIPL may offer unsubscribed Right Shares to the Company in terms of Section 86 (7) of the Companies Ordinance, 1984. The Company's obligation in any case will be to the extent of 5,850,275 Right Shares of BIPL at an offer price of PKR 6.33 per share (i.e. at a discount of PKR 3.67 per share) amounting in aggregate to PKR 37,032,240.75 in case of under subscription.

(d) Hence, shareholders' approval is required for making such investments in BIPL by way of subscription of 13,315,965 Right Shares intended to be offered by BIPL at an offer price of PKR 6.33 per share (i.e. at a discount of PKR 3.67 per share) of an aggregate amount of PKR 84,290,058.45 and for subscription of upto 5,850,275 unsubscribed Right Shares, if any, of upto the aggregate amount of PKR 37,032,240.75 that may have to be taken by the Company pursuant to underwriting commitment or otherwise. The maximum investment in subscribing the Right Shares on Company's existing holding and taking up the unsubscribed Right Shares, if any, shall not exceed PKR 121,322,299.20.

(e) The Directors, sponsors, majority shareholders of JSCL and their relatives have no vested interest in BIPL and the proposed investment except to the extent of their/Spouses' shareholdings and directorship in the investee company.

**Undertaking pursuant to Regulation 3(3) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012**

The Directors submit that they have carried out necessary due diligence for the proposed investment in BIPL. Duly signed recommendations of the due diligence report shall be made available to the members for inspection in the Annual General Meeting along with latest audited and reviewed accounts of BIPL.

**Interest of Associated Company and its Sponsors and Directors in the Investing Company pursuant to Regulation 4(1) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012**

BIPL and its sponsors/directors /major shareholders have no interest in JSCL except that JSCL is an associated company by virtue of common directorship of Mr. Ali Hussain. The sponsors and directors of BIPL have no interest in JSCL except for their respective shareholdings in JSCL.

**Information Required under Clause (a) of sub-regulation (1) of Regulation 3 of the Companies (Associated Companies or Associated Undertakings) Regulations, 2012**

| S. No | Description | Information Required |
|---|---|---|
| 1 | Name of associated company | BankIslami Pakistan Limited |
| 2 | Criteria for Associated relationship | Common directorship |
| 3 | Purpose, benefit and period of Investment | Right Shares are being offered by BIPL to meet its minimum capital requirement. The Company's proposed long-term investment by way of subscription of right shares and by way of underwriting commitment would be for the benefit of the Company, to avoid dilution in holding and to earn better returns in the long run on strategic investment. |
| 4 | Maximum amount of Investment | Up to PKR 84,290,058.45 for subscription of Right Shares and upto PKR 37,032,240.75 for subscription of unsubscribed Right Shares pursuant to the Company's underwriting commitment or otherwise i.e. an aggregate investment of PKR 121,322,299.20. |
| 5 | Maximum price at which securities to be acquired | PKR 6.33 per share. |
| 6 | Maximum number of securities to be acquired | Up to 13,315,965 Ordinary Shares of Rs. 10/- each as Right Shares and upto 5,850,275 Ordinary Shares as unsubscribed Right Shares, if any as per underwriting commitment or otherwise. |
| 7 | Maximum number of securities and percentage held before and after the proposed investment | **Present shareholding**<br>Ordinary Shares: 111,256,116 (21.07%)<br><br>**After the proposed investment**<br>Ordinary Shares: 130,422,356 (22.06%) |
| 8 | Average of the preceding 12 weekly average price of the security intended to be acquired (From November 18, 2013 to February 7, 2014) | Rs. 6.97 per share |
| 9 | Break-up value of securities intended to be acquired on the basis of the latest audited financial statements | Rs. 10.52 per share<br>As of December 31, 2012 |
| 10 | Earnings/(Loss) per share of the associated company for the last 3 years: | December 31, 2012 PKR 0.7782<br>December 31, 2011 PKR 0.7757<br>December 31, 2010 PKR 0.0890 |
| 11 | Sources of funds from which securities will be acquired: | Internally generated funds and borrowings. |

| S. No | Description | Information Required |
| --- | --- | --- |
| | (a) Justification for investment through borrowings | - As per the requirements of the State Bank of Pakistan, BankIslami Pakistan Limited (BIPL) has to raise its paid up capital (net of losses) to gradually to meet minimum capital requirement, therefore, being sponsor, JSCL will be required to subscribe 13,315,965 Right Shares<br>- In case of under-subscription, JSCL may be required to subscribe upto 5,850,275 unsubscribed Right Shares in terms of underwriting commitment or otherwise.<br>- The strategic investment would be beneficial for the Company in the long term. |
| | (b) Details of guarantees & assets pledged for obtaining such funds | Pledge of marketable equity securities. |
| 12 | Salient features of all agreements entered into with the associated company or associated undertaking with regards to proposed investment | **Underwriting Agreement for Right Issue:**<br>- To underwrite up to PKR 37.04 million;<br>- Take-up commitment for upto 5,850,275 unsubscribed Right Shares.<br>No other Agreement is required for right shares, as the shares will be received as right offer on the Company's existing shareholding. |
| 13 | Direct or indirect interest of directors, sponsors, majority shareholders and their relatives in the associated company or the transaction under consideration | The Directors, sponsors, majority shareholders of JSCL and their relatives have no interest, directly or indirectly, in the proposed investment or BIPL except to the extent of their shareholding in the Company or BIPL, if any.<br>Mr. Ali Hussain's interest is that of being a Director of the Company as well as Director of BIPL and to the extent of his shareholdings in these companies. |

## Advisory payments to a Director of the Company

During the period ended December 31, 2012, the Company paid an amount of PKR. 424.944 million in addition to the normal advisory fee of PKR 9.0 million to Mr. Ali Jehangir Siddiqui (Mr. AJS), a Non-Executive Director of the Company, in terms of Advisory Agreement executed on May 02, 2005 between the Company and Mr. AJS.

Mr. AJS, in his capacity under the advisory agreement, has been instrumental in advising the Company on the matter of sale transaction of Pakistan International Container Terminal Limited ("PICT"). As a result of this sale of shares, the Company entered into Share Purchase Agreements with the buyer to sell 23,000,000 shares of PICT for a sum of PKR 3,630.85 million which resulted in capital gain aggregating to PKR 2,453.50 million. Prior to the sale of these shares, the Company also received from PICT one-off cash dividend of PKR 287.50 million in addition to a cash dividend of PKR 92 million and an in-specie dividend of PKR 115 million in the form of 11,500,000 ordinary voting shares of Pakistan International Bulk Terminal Limited (having current value of PKR 623.64 million on the basis of market price of PIBT share as of March 05, 2014). As a result, the Company earned a total gain of PKR 2,948 million from its investment in PICT during the period.

As Mr. AJS has been instrumental in this transaction, therefore, in terms of the advisory agreement dated May 02, 2005, the Board of Directors of the Company approved a bonus of PKR 424.944 million other than his normal advisory fee of PKR 9 million during the eighteen month period ended December 31, 2012. The above payment is made at arm's length for extraordinary services provided to the Company in respect of sale of the above said shares. Advisory fee and bonus was paid to Mr. AJS in terms of Advisory Agreement resulting into sale proceeds of PKR 3,630,405,633.85 (net of transaction cost) for 23,000,000 shares. Mr. AJS was also instrumental in advising the Company on transfer of shares of JS Global Capital Limited and JS Investments Limited to JS Bank Limited to meet the Bank's Minimum Capital Requirement. As a result of these share swaps the Company managed to save cash outflow of PKR 1,686 million.It is added that Mr. AJS has been instrumental in the development, growth and diversification of the Company's business thereby greatly benefitting the Company and its shareholders. He has identified, negotiated and finalized various strategic investments (including the original investment into PICT) and has planned, motivated and implemented new projects. These investments and projects have enhanced the profitability of the Company besides strengthening and enhancing the size of the Company.

The Company believes that it has made payments strictly in accordance with the requirements of law and in this regard all the legal formalities were duly fulfilled. Furthermore, as directed by SECP in 2013, the shareholders were duly briefed on the above payments as a separate matter in the annual general meeting held on April 05, 2013 and the shareholders unanimously approved the audited accounts for the period ended December 31, 2012 which included the above payments under the Advisory Agreement. The Company, however, without prejudice to its legal position in the above matter and as a show of good faith on its part is presenting the above payment for the specific approval of shareholders in the Annual General Meeting to be held on April 09, 2014.

The following resolution is proposed to be passed as an ordinary resolution:

**"RESOLVED** that advisory payment in pursuance of the advisory agreement to Mr. Ali Jehangir Siddiqui amounting to PKR 424.944 million in addition to the normal advisory fee of PKR 9.0 million for the eighteen months period ended December 31, 2012 on account of bonus for his extra efforts and services for earning a total gain of PKR 2,948.0 million for the Company in Sale of shares of Pakistan International Container Terminal Limited be and is hereby approved and ratified.**"**

Mr. Ali Jehangir Siddiqui is a director of the Company and is interested in the above business. Other directors have no interest in the above resolution or the payment, directly or indirectly.

## STATEMENT UNDER REGULATION 4(2) OF THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATION, 2012

The Company in its Extraordinary General Meetings held on November 25, 2013 had approved the investment in 150,000,000 Un-listed, non-voting, convertible, irredeemable, perpetual, non-cumulative preference shares of par value of PKR 10/- each of JS Bank Ltd. ("JSBL") to be offered as right shares and otherwise by way of underwriting the Preference Shares as may be offered by JSBL under Section 208 of the Companies Ordinance, 1984. Following investment has been made against the said approvals.

**PKR in Million**

| S. No. | Name of Company | Amount of Investments approved | Amount of Investment made to date | Reasons for not making investment |
|---|---|---|---|---|
| 1 | JS Bank Limited | 1,500 | 1,454 | The issue was fully subscribed. No further investment is to be made. |

There is no change in the financial position of JS Bank Limited except that its EPS for the year ended 31 December 2013 was PKR 0.33 as against EPS of PKR 0.27 as of 30 September 2013.

## Financial Highlights (Based on Unconsolidated Financial Statements)

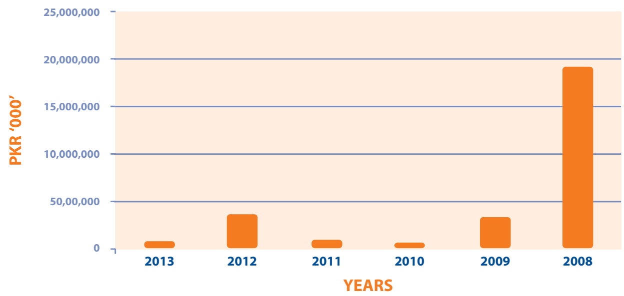
| | 2013 | 2012* | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|
| | (Rupees in '000) | | | | | |
| **Operating Results** | | | | | | |
| Total revenue | 636,214 | 3,489,687 | 985,535 | 609,076 | 3,149,203 | 19,086,013 |
| Operating and administrative expenses | 112,357 | 623,195 | 150,485 | 201,566 | 228,297 | 846,392 |
| Finance Cost | 183,359 | 519,427 | 528,591 | 846,211 | 571,954 | 942,534 |
| (Reversal of Provision)/provision for impairment | 63,162 | (12,889) | 1,584,325 | 8,537,198 | 16,761,423 | 95,905 |
| Profit/(loss) before tax and impairment losses | 280,307 | 2,347,065 | 306,459 | (438,701) | 2,348,952 | 17,297,087 |
| Profit/(loss) before tax from continuing operations | 217,145 | 2,359,954 | (1,277,866) | (8,975,899) | (14,412,471) | 17,201,182 |
| Profit/(loss) after tax from continuing operations | 180,831 | 2,362,563 | (1,276,523) | (8,983,826) | (14,413,384) | 17,201,702 |
| **Financial Position** | | | | | | |
| Share Capital | | | | | | |
| - Ordinary Shares | 7,632,853 | 7,632,853 | 7,632,853 | 7,632,853 | 7,632,853 | 2,220,200 |
| Reserves | 6,136,099 | 5,989,508 | 1,508,139 | 2,494,877 | 11,646,141 | 28,807,693 |
| Outstanding Ordinary Shares (Number in '000') | 763,285 | 763,285 | 763,285 | 763,285 | 763,285 | 222,020 |
| **Liabilities** | | | | | | |
| Financings | 1,029,250 | 2,607,104 | 2,841,552 | 3,214,957 | 3,524,665 | 3,833,553 |
| Current Liabilities | 170,166 | 189,305 | 205,300 | 2,041,006 | 380,831 | 2,632,977 |
| (Excluding Current portion of financing) | | | | | | |
| **Assets** | | | | | | |
| Property and Equipment | 7,345 | 8,756 | 10,407 | 17,482 | 28,591 | 46,654 |
| Investments | 12,638,960 | 13,298,260 | 9,257,029 | 15,108,421 | 22,760,883 | 32,582,396 |
| Other non-current assets | 407,793 | 18,294 | 17,064 | 17,667 | 18,691 | 22,801 |
| Current Assets | 2,783,813 | 4,939,824 | 2,903,344 | 1,833,275 | 2,524,994 | 9,112,360 |
| **Cash Flows** | | | | | | |
| Net Cash flows from operating activities | 141,634 | (391,710) | 1,309,955 | (1,368,686) | 2,873,767 | 18,916,626 |
| Net Cash flows from investing activities | 355,161 | 1,921,884 | 2,107,644 | (24,090) | (5,887,315) | (25,376,228) |
| Net Cash flows from financing activities | (1,584,034) | (238,364) | (375,765) | (313,178) | (309,276) | 10,308,510 |
| Changes in cash and cash equivalents | (1,087,239) | 1,291,810 | 3,041,834 | (1,705,954) | (3,322,824) | 3,848,908 |
| Cash and cash equivalents - year end | 1,541,814 | 2,629,053 | 1,337,243 | (1,704,591) | 1,363 | 3,324,187 |

## Financial Performance (Based on Unconsolidated Financial Statements)

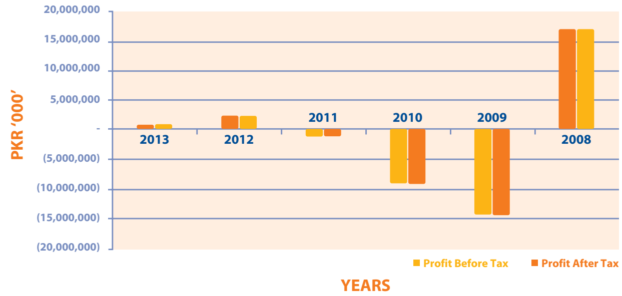
| | 2013 | 2012* | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|
| **PROFITABILITY** | | | | | | |
| Gross Yield on Earning Assets % | 4% | 21% | 9% | 3% | 13% | 51% |
| Cost/Income ratio % | 50% | 34% | 71% | 87% | 23% | 9% |
| Return on Capital employed % | 2% | 20% | -6% | -45% | -48% | 77% |
| **LIQUIDITY** | | | | | | |
| Current Ratio | 5.15 | 2.54 | 2.23 | 0.76 | 3.64 | 3.09 |
| Quick / Acid test ratio | 4.46 | 2.36 | 2.00 | 0.66 | 3.40 | 3.06 |
| Cash to Current Liabilities | 2.85 | 1.35 | 1.03 | (0.71) | 0.00 | 1.13 |
| **INVESTMENT MARKET RATIOS** | | | | | | |
| Basic and Diluted Earnings per Share | 0.24 | 3.10 | (1.67) | (11.77) | (18.88) | 86.37 |
| Price to Book ratio | 47% | 75% | 41% | 63% | 76% | 314% |
| Dividend Yield ratio | 0% | 5% | 0% | 8% | 0% | 0% |
| Dividend Payout ratio | 0% | 24% | 0% | 0% | 0% | 0% |
| Cash Dividend per share | - | 0.75 | - | 1.00 | - | - |
| Stock Dividend per share | - | - | - | - | 244% | 160% |
| Market value per share at the end of the year (Rupees) | 9.19 | 16.14 | 6.48 | 12.64 | 23.19 | 530.15 |
| **Average Market Price during the Year/ Period** | 12.12 | 11.35 | 10.03 | 25.56 | 139.47 | 713.19 |
| **Average KSE 100 index during the Year/ Period** | 21,025 | 13,462 | 11,277 | 9,347 | 8,012 | 13,899 |
| **CAPITAL STRUCTURE** | | | | | | |
| Earning assets to total assets ratio | 97% | 98% | 87% | 98% | 99% | 100% |
| Break up Value per Share | 18.04 | 17.85 | 11.98 | 13.27 | 25.26 | 139.75 |
| Financial Leverage Ratio | 9% | 21% | 33% | 52% | 20% | 21% |
| Weighted Average cost of Debt | 10% | 19% | 14% | 20% | 14% | 18% |
| Debt to Equity | 7% | 19% | 31% | 32% | 18% | 12% |

* Eighteen Month period ended December 31, 2012

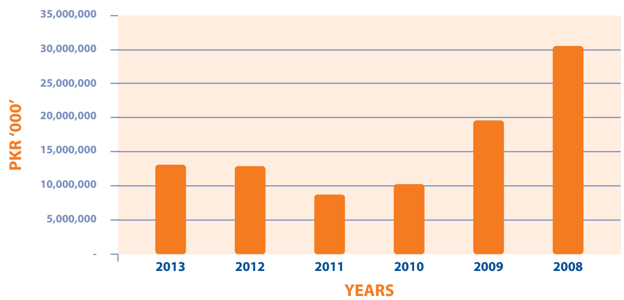
TOTAL REVENUE



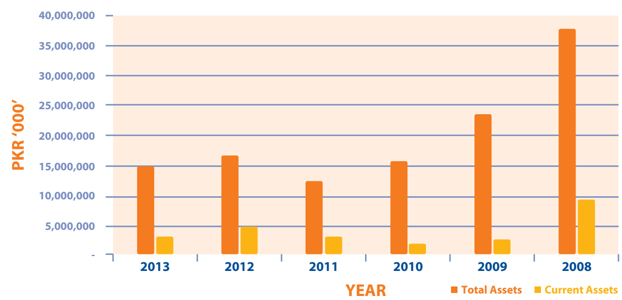

PROFIT BEFORE TAXATION AND
PROFIT AFTER TAXATION (PKR '000')



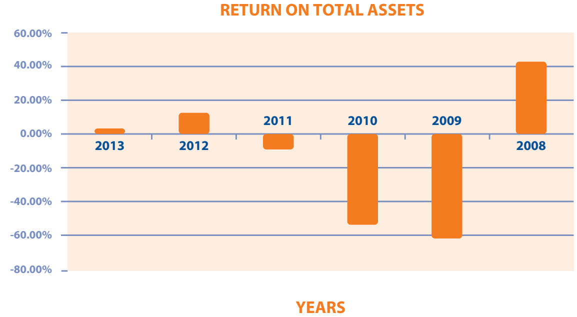

SHAREHOLDERS'EQUITY



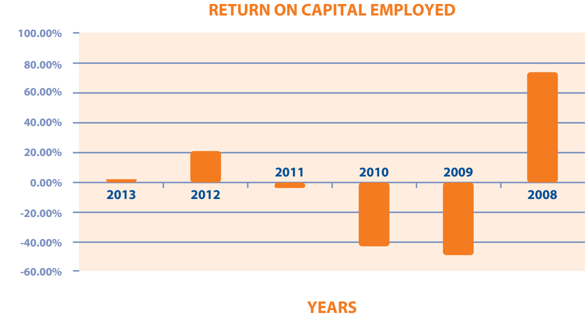

TOTAL ASSETS AND CURRENT ASSETS (PKR '000')



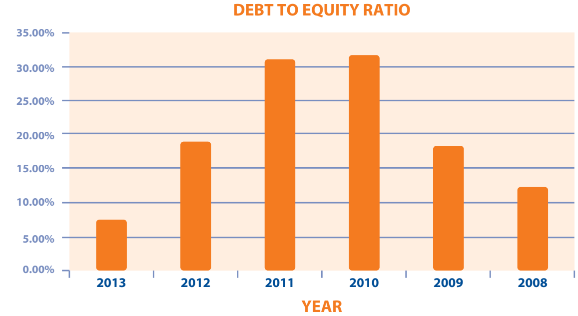

RETURN ON TOTAL ASSETS




RETURN ON CAPITAL EMPLOYED




DEBT TO EQUITY RATIO



# Horizontal Analysis of Financial Statements

| | 2013 VS 2012* | | 2012* VS 2011 | | 2011 Vs 2010 | | 2010 Vs 2009 | | 2009 Vs 2008 | | 2008 Vs 2007 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| **Non Current Assets** | | | | | | | | | | | | |
| Property and Equipment | 7,345 | (16) | 8,756 | (16) | 10,407 | (40) | 17,482 | (39) | 28,591 | (39) | 46,654 | (20) |
| Investment properties | 2,471 | (23) | 3,191 | 80 | 1,770 | (27) | 2,411 | (21) | 3,052 | (17) | 3,692 | (15) |
| Intangible assets | 28 | | | | - | | - | | - | | - | |
| Stock Exchange Membership Cards and room | - | (100) | 11,201 | (8) | 12,201 | - | 12,201 | - | 12,201 | - | 12,201 | - |
| Long term investments | 11,769,417 | 3 | 11,451,896 | 24 | 9,257,029 | (32) | 13,515,269 | (34) | 20,612,214 | (27) | 28,312,608 | 359 |
| Long term loan and advance | 404,590 | 18,059 | 2,228 | 40 | 1,594 | 2 | 1,562 | (20) | 1,945 | (56) | 4,379 | 68 |
| Long term security deposits | 704 | (58) | 1,674 | 12 | 1,499 | 0 | 1,493 | - | 1,493 | (41) | 2,529 | 1 |
| | 12,184,555 | 6 | 11,478,946 | 24 | 9,284,500 | (31) | 13,550,418 | (34) | 20,659,496 | (27) | 28,382,063 | 354 |
| **Current Assets** | | | | | | | | | | | | |
| Trade debts | - | - | - | - | - | - | - | (100) | 21,781 | 100 | - | (100) |
| Loans and Advances | 876 | (99) | 100,463 | 18,608 | 537 | (68) | 1,668 | (98) | 81,593 | (47) | 153,026 | (53) |
| Prepayment, Accrued mark up and other recievable | 14,858 | (9) | 16,274 | (22) | 20,817 | 407 | 4,108 | (75) | 16,300 | (9) | 17,858 | (91) |
| Short Term Investments | 869,543 | - | 1,846,364 | - | - | (100) | 1,593,152 | (26) | 2,148,669 | (50) | 4,269,788 | (44) |
| Fund Placements | - | - | - | - | - | - | - | - | - | (100) | 325,411 | 100 |
| Taxation | 356,722 | 3 | 347,670 | 27 | 274,108 | 23 | 222,720 | 44 | 154,777 | 102 | 76,513 | 100 |
| Cash and Bank Balance | 1,541,814 | (41) | 2,629,053 | 97 | 1,337,243 | 11,401 | 11,627 | (89) | 101,874 | (98) | 4,269,764 | 268 |
| | 2,783,813 | (44) | 4,939,824 | 203 | 1,632,705 | (11) | 1,833,275 | (27) | 2,524,994 | (72) | 9,112,360 | (3) |
| Non Current asset held for sale | - | - | - | (100) | 1,270,639 | 100 | - | - | - | - | - | - |
| **Total Assets** | **14,968,368** | **(9)** | **16,418,770** | **35** | **12,187,844** | **(21)** | **15,383,693** | **(34)** | **23,184,490** | **(38)** | **37,494,423** | **140** |
| **EQUITY AND LIABILITIES** | | | | | | | | | | | | |
| **Share Capital and Reserves** | | | | | | | | | | | | |
| Share Capital - Ordinary Shares | 7,632,853 | - | 7,632,853 | - | 7,632,853 | - | 7,632,853 | - | 7,632,853 | 244 | 2,220,200 | 534 |
| Preference Shares | - | - | - | - | - | - | - | - | - | - | - | (100) |
| Reserves | 6,136,099 | 2 | 5,989,508 | 297 | 1,508,139 | (40) | 2,494,877 | (79) | 11,646,141 | (60) | 28,807,693 | 299 |
| | 13,768,952 | 1 | 13,622,361 | 49 | 9,140,992 | (10) | 10,127,730 | (47) | 19,278,994 | (38) | 31,027,893 | 275 |
| **Non Current Liabilities** | | | | | | | | | | | | |
| Long term financing | 658,932 | (23) | 855,370 | (51) | 1,743,858 | (39) | 2,839,287 | (12) | 3,212,313 | (9) | 3,520,275 | (6) |
| **Current Liabilities** | | | | | | | | | | | | |
| Trade and Other Payable | 151,792 | 91 | 79,577 | (4) | 82,764 | (13) | 95,328 | (25) | 127,240 | (92) | 1,573,858 | 0 |
| Accrued interest / markup on borrowing | 18,374 | (83) | 109,728 | (10) | 122,536 | (47) | 229,460 | 50 | 153,080 | 35 | 113,542 | 29 |
| Short Term Borrowings | - | - | - | - | - | (100) | 1,716,218 | 1,607 | 100,511 | (89) | 945,577 | (44) |
| Current portion of long term financing | 370,318 | (79) | 1,751,734 | 60 | 1,097,694 | 192 | 375,670 | 20 | 312,352 | (0) | 313,278 | 25 |
| Taxation - net | - | - | - | - | - | - | - | - | - | - | - | (100) |
| | 540,484 | (72) | 1,941,039 | 49 | 1,302,994 | (46) | 2,416,676 | 249 | 693,183 | (76) | 2,946,255 | (18) |
| **Total Equity and Liabilities** | **14,968,368** | **(9)** | **16,418,770** | **35** | **12,187,844** | **(21)** | **15,383,693** | **(34)** | **23,184,490** | **(38)** | **37,494,423** | **140** |
| **PROFIT AND LOSS** | | | | | | | | | | | | |
| **Income** | | | | | | | | | | | | |
| Return on Investments | 445,325 | (48) | 850,844 | 107 | 410,466 | (46) | 758,595 | 37 | 553,810 | (12) | 629,775 | 74 |
| Gain on sale of investments | 9,229 | (100) | 2,453,867 | 398 | 493,088 | 11 | 444,066 | (83) | 2,574,898 | (87) | 19,255,036 | 943 |
| Income from long term loans and funds Placements | 142,408 | 66 | 85,622 | 68 | 51,105 | 1,820 | 2,662 | (99) | 288,628 | 4,338 | 6,504 | (14) |
| Commission | 5,546 | 100 | - | - | - | - | - | - | - | - | - | - |
| Other Income | 33,706 | (66) | 99,354 | 222 | 30,876 | (63) | 83,521 | (32) | 122,911 | 65 | 74,525 | (24) |
| Revaluation of investment at FV through PL | - | - | - | - | - | (100) | (679,768) | 74 | (391,044) | (56) | (879,827) | (185) |
| | 636,214 | (82) | 3,489,687 | 254 | 985,535 | 62 | 609,076 | (81) | 3,149,203 | (83) | 19,086,013 | 469 |
| **Expenditures** | | | | | | | | | | | | |
| Operating and administrative expenses | 112,357 | (82) | 623,195 | 314 | 150,485 | (25) | 201,566 | (12) | 228,297 | (73) | 846,392 | 62 |
| Finance Cost | 183,359 | (65) | 519,427 | (2) | 528,591 | (38) | 846,211 | 48 | 571,954 | (39) | 942,534 | 61 |
| Provision for Workers' Welfare Fund | 60,191 | | | | | | | | | | | |
| (Reversal of Provision)/provision for impairment against investment - net | 63,162 | (590) | (12,889) | (101) | 1,584,325 | (81) | 8,537,198 | (49) | 16,761,423 | 17,377 | 95,905 | (754) |
| | 419,069 | (63) | 1,129,733 | (50) | 2,263,401 | (76) | 9,584,975 | (45) | 17,561,674 | 832 | 1,884,831 | 72 |
| **Profit before taxation** | 217,145 | (91) | 2,359,954 | 285 | (1,277,866) | (86) | (8,975,899) | (38) | (14,412,471) | (184) | 17,201,182 | 662 |
| Taxation | | | | | | | | | | | | |
| Current | 36,256 | 100 | - | (100) | 2,609 | (65) | 7,393 | 710 | 913 | (46) | 1,702 | (91) |
| Prior | 58 | (102) | (2,609) | (34) | (3,952) | (840) | 534 | 100 | - | (100) | (2,222) | 3,868 |
| | 36,314 | (1,492) | (2,609) | 94 | (1,343) | (117) | 7,927 | 768 | 913 | (276) | (520) | (103) |
| **Profit from Continuing operations** | 180,831 | (92) | 2,362,563 | 285 | (1,276,523) | (86) | (8,983,826) | (38) | (14,413,384) | (184) | 17,201,702 | 668 |
| Discontinued Operations | | | | | | | | | | | | |
| Loss from discontinued operations | - | - | - | - | - | - | - | - | - | - | - | (100) |
| **Net profit / (Loss) for the year** | **180,831** | **(92)** | **2,362,563** | **285** | **(1,276,523)** | **(86)** | **(8,983,826)** | **(38)** | **(14,413,384)** | **(184)** | **17,201,702** | **670** |

* Eighteen Month period ended December 31, 2012

# Vertical Analysis

| | 2013 | | 2012* | | 2011 | | 2010 | | 2009 | | 2008 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| **Non Current Assets** | | | | | | | | | | | | |
| Property and Equipment | 7,345 | 0.05 | 8,756 | 0.05 | 10,407 | 0.09 | 17,482 | 0.11 | 28,591 | 0.12 | 46,654 | 0.12 |
| Investment properties | 2,471 | 0.02 | 3,191 | 0.02 | 1,770 | 0.01 | 2,411 | 0.02 | 3,052 | 0.01 | 3,692 | 0.01 |
| Intangible assets | 28 | 0.00 | - | - | - | - | - | - | - | - | - | - |
| Stock Exchange Membership Cards and room | - | - | 11,201 | 0.07 | 12,201 | 0.10 | 12,201 | 0.08 | 12,201 | 0.05 | 12,201 | 0.03 |
| Long term investments | 11,769,417 | 78.63 | 11,451,896 | 69.75 | 9,257,029 | 75.95 | 13,515,269 | 87.85 | 20,612,214 | 88.91 | 28,312,608 | 75.51 |
| Long term loan and advance | 404,590 | 2.70 | 2,228 | 0.01 | 1,594 | 0.01 | 1,562 | 0.01 | 1,945 | 0.01 | 4,379 | 0.01 |
| Long term security deposits | 704 | 0.00 | 1,674 | 0.01 | 1,499 | 0.01 | 1,493 | 0.01 | 1,493 | 0.01 | 2,529 | 0.01 |
| | 12,184,555 | 81.40 | 11,478,946 | 69.91 | 9,284,500 | 76.18 | 13,550,418 | 88.08 | 20,659,496 | 89.11 | 28,382,063 | 75.70 |
| **Current Assets** | | | | | | | | | | | | |
| Trade debts | - | - | - | - | - | - | - | - | 21,781 | 0.09 | - | - |
| Loans and Advances | 876 | 0.01 | 100,463 | 0.61 | 537 | 0.00 | 1,668 | 0.01 | 81,593 | 0.35 | 153,026 | 0.41 |
| Prepayment, Accrued mark up and other recievable | 14,858 | 0.10 | 16,274 | 0.10 | 20,817 | 0.17 | 4,108 | 0.03 | 16,300 | 0.07 | 17,858 | 0.05 |
| Short Term Investments | 869,543 | 5.81 | 1,846,364 | 11.25 | - | - | 1,593,152 | 10.36 | 2,148,669 | 9.27 | 4,269,788 | 11.39 |
| Fund Placements | - | - | - | - | - | - | - | - | - | - | 325,411 | 0.87 |
| Taxation | 356,722 | 2.38 | 347,670 | 2.12 | 274,108 | 2.25 | 222,720 | 1.45 | 154,777 | 0.67 | 76,513 | 0.20 |
| Cash and Bank Balance | 1,541,814 | 10.30 | 2,629,053 | 16.01 | 1,337,243 | 10.97 | 11,627 | 0.08 | 101,874 | 0.44 | 4,269,764 | 11.39 |
| | 2,783,813 | 18.60 | 4,939,824 | 30.09 | 1,632,705 | 13.40 | 1,833,275 | 11.92 | 2,524,994 | 10.89 | 9,112,360 | 24.30 |
| Non Current asset held for sale | - | - | - | - | 1,270,639 | 10.43 | - | - | - | - | - | - |
| **Total Assets** | **14,968,368** | **100.00** | **16,418,770** | **100.00** | **12,187,844** | **100.00** | **15,383,693** | **100.00** | **23,184,490** | **100.00** | **37,494,423** | **100.00** |
| **EQUITY AND LIABILITIES** | | | | | | | | | | | | |
| Share Capital and Reserves | | | | | | | | | | | | |
| Share Capital - ordinary Shares | 7,632,853 | 50.99 | 7,632,853 | 46.49 | 7,632,853 | 62.63 | 7,632,853 | 49.62 | 7,632,853 | 32.92 | 2,220,200 | 5.92 |
| preference Shares | - | - | - | - | - | - | - | - | - | - | - | - |
| Reserves | 6,136,099 | 40.99 | 5,989,508 | 36.48 | 1,508,139 | 12.37 | 2,494,877 | 16.22 | 11,646,141 | 50.23 | 28,807,693 | 76.83 |
| | 13,768,952 | 91.99 | 13,622,361 | 82.97 | 9,140,992 | 75.00 | 10,127,730 | 65.83 | 19,278,994 | 83.15 | 31,027,893 | 82.75 |
| **Non Current Liabilities** | | | | | | | | | | | | |
| Long term financing | 658,932 | 4.40 | 855,370 | 5.21 | 1,743,858 | 14.31 | 2,839,287 | 18.46 | 3,212,313 | 13.86 | 3,520,275 | 9.39 |
| **Current Liabilities** | | | | | | | | | | | | |
| Trade and Other Payable | 151,792 | 1.01 | 79,577 | 0.48 | 82,764 | 0.68 | 95,328 | 0.62 | 127,240 | 0.55 | 1,573,858 | 4.20 |
| Accrued interest/ markup on borrowing | 18,374 | 0.12 | 109,728 | 0.67 | 122,536 | 1.01 | 229,460 | 1.49 | 153,080 | 0.66 | 113,542 | 0.30 |
| short term borrowings | - | - | - | - | - | - | 1,716,218 | 11.16 | 100,511 | 0.43 | 945,577 | 2.52 |
| Current portion of long term financing | 370,318 | 2.47 | 1,751,734 | 10.67 | 1,097,694 | 9.01 | 375,670 | 2.44 | 312,352 | 1.35 | 313,278 | 0.84 |
| Taxation - net | - | - | - | - | - | - | - | - | - | - | - | - |
| | 540,484 | 3.61 | 1,941,039 | 11.82 | 1,302,994 | 10.69 | 2,416,676 | 15.71 | 693,183 | 2.99 | 2,946,255 | 7.86 |
| **Total Equity and Liabilities** | **14,968,368** | **100.00** | **16,418,770** | **100.00** | **12,187,844** | **100.00** | **15,383,693** | **100.00** | **23,184,490** | **100.00** | **37,494,423** | **100.00** |
| **PROFIT AND LOSS** | | | | | | | | | | | | |
| **Income** | | | | | | | | | | | | |
| Return on Investments | 445,325 | 70.00 | 850,844 | 24.38 | 410,466 | 41.65 | 758,595 | 124.55 | 553,810 | 17.59 | 629,775 | 3.30 |
| Gain on sale of investments | 9,229 | 1.45 | 2,453,867 | 70.32 | 493,088 | 50.03 | 444,066 | 72.91 | 2,574,898 | 81.76 | 19,255,036 | 100.89 |
| Income from long term loans and funds Placements | 142,408 | 22.38 | 85,622 | 2.45 | 51,105 | 5.19 | 2,662 | 0.44 | 288,628 | 9.17 | 6,504 | 0.03 |
| Commission | 5,546 | 0.87 | - | - | - | - | - | - | - | - | - | - |
| Other Income | 33,706 | 5.30 | 99,354 | 2.85 | 30,876 | 3.13 | 83,521 | 13.71 | 122,911 | 3.90 | 74,525 | 0.39 |
| Revaluation of investments at FV through PL | - | - | - | - | - | - | (679,768) | (111.61) | (391,044) | (12.42) | (879,827) | (4.61) |
| **Total Income** | **636,214** | **100.00** | **3,489,687** | **100.00** | **985,535** | **100.00** | **609,076** | **100.00** | **3,149,203** | **100.00** | **19,086,013** | **100.00** |
| **Expenditures** | | | | | | | | | | | | |
| Operating and administrative expenses | 112,357 | 17.66 | 623,195 | 17.86 | 150,485 | 15.27 | 201,566 | 33.09 | 228,297 | 7.25 | 846,392 | 4.43 |
| Finance Cost | 183,359 | 28.82 | 519,427 | 14.88 | 528,591 | 53.63 | 846,211 | 138.93 | 571,954 | 18.16 | 942,534 | 4.94 |
| Provision for Workers' Welfare Fund | 60,191 | 9.46 | - | - | - | - | - | - | - | - | - | - |
| Reversal of Provision)/provision for impairment against investment in subsidiaries, associate and Joint Venture - net | 63,162 | 9.93 | (12,889) | (0.37) | 1,584,325 | 160.76 | 8,537,198 | 1,401.66 | 16,761,423 | 532.24 | 95,905 | 0.50 |
| | 419,069 | 12.01 | 1,129,733 | 32.37 | 2,263,401 | 229.66 | 9,584,975 | 1,573.69 | 17,561,674 | 557.65 | 1,884,831 | 9.88 |
| **Profit before taxation** | 217,145 | 6.22 | 2,359,954 | 67.63 | (1,277,866) | (129.66) | (8,975,899) | (1,473.69) | (14,412,471) | (457.65) | 17,201,182 | 90.12 |
| **Taxation** | | | | | | | | | | | | |
| Current | 36,256 | 5.70 | - | - | 2,609 | 0.26 | 7,393 | 1.21 | 913 | 0.03 | 1,702 | 0.01 |
| Prior | 58 | 0.01 | (2,609) | (0.07) | (3,952) | (0.40) | 534 | 0.09 | - | - | (2,222) | (0.01) |
| | 36,314 | 1.04 | (2,609) | (0.07) | (1,343) | (0.14) | 7,927 | 1.30 | 913 | 0.03 | (520) | (0.00) |
| **Profit from Continuing operations** | **180,831** | **28.42** | **2,362,563** | **67.70** | **(1,276,523)** | **(129.53)** | **(8,983,826)** | **(1,474.99)** | **(14,413,384)** | **(457.68)** | **17,201,702** | **90.13** |

* Eighteen Month period ended December 31, 2012

## Dear Shareholders,

It gives me immense pleasure to present you the annual report of Jahangir Siddiqui & Co. Ltd. ("JSCL" or the "Company") along with the audited unconsolidated financial statements of the Company and Auditors' report for the year ended December 31, 2013.

## Overview of Economy

Pakistan's economy went through a two divergent periods in 2013. 1H2013 was defined by a moderation in inflation as January-June 2013 average inflation stood at 6.5%. The same resulted in a continuation of the State Bank of Pakistan's monetary easing stance where the Discount Rate was reduced by 50bp to 9.0% in June 2013. However, in 2H2013 the economic policy was driven by conditionalities related to the US$ 6.64 billion IMF Extended Fund Facility program. Resultantly, two interest rates hikes (+100bp cumulatively to 10.0% Discount Rate) were undertaken in 2H2013. In addition power tariffs were also significantly raised in order to reduce government subsidies.

The weakest link on the macro front in 2013 was the external account, primarily due to large loan repayments to the IMF. Overall, 2013 bore witness to a steep decline in foreign exchange (FX) reserves to US$ 8.52 billion as at end-December 2013 vs end-December 2012 and a sharp 8.5% devaluation of the Pak Rupee vs the US Dollar over the year. Inflation too started heading up in 2H2013, with CPI inflation rising from 5.9% in June 2013 to 9.2% in December 2013 due to higher food prices and power tariffs as well as Rupee depreciation. That said, 1HFY14 average CPI inflation managed to clock in at 8.9% vis-à-vis State Bank of Pakistan's (SBP's) FY14 full-year inflation outlook of 10.5-11.0%.

## Equity Capital Market

The Karachi Stock Exchange continued its upwards trajectory in 2013 and closed 2013 at the 25,261 level, delivering a strong 49.6% return for the year. In US Dollar terms, the Rupee devaluation trimmed KSE-100 return to 37.6% in 2013; this was the highest market return amongst Asian peers.

Robust equity market returns in 2013 were led by the 'Democracy dividend' post May 2013 General Elections. With the new government's pro-business stance finding support amongst corporates and investors alike, the KSE-100 cheered election results. Also, lowered risk of a Balance of Payments (BoP) crisis post entry into a fresh 3-year, US$ 6.64 billion IMF program in September 2013 paved the way for anticipated flows from other IFIs and lenders and introduced much needed structural reforms. Growing foreign portfolio investment inflows, where Net Foreign Portfolio Investment (FIPI) at the KSE came in at US$ 395.3 million in 2013 compared to US$ 196.5 million in 2012.

Going forward, 2014 market performance is likely to be dictated by progress on the government's privatization program, implementation of IMF's revised structural targets and potential trading of T-Bills & PIB's at the KSE which could give equities some competition.

## Financial Results

The Company has reported an after tax profit of PKR 181 million for the year ended December 31, 2013 as against a profit after tax of PKR 2,363 million for the eighteen month period ended December 31, 2012. Overall revenues for the year under review amounted to PKR 636 million as compared to PKR 3,490 million for the eighteen month period ended December 31, 2012.

| | | |
|---|---|---|
| | | **(PKR in '000')** |
| Profit before taxation | | 217,145 |
| Less: Taxation | | |
| - Current | 36,256 | |
| - Prior | 58 | |
| | | 36,314 |
| Profit after taxation | | **180,831** |

The Earnings Per Share (EPS) of the Company for 2013 is PKR 0.24.

The Board has not considered any distribution to shareholders for the year ended December 31, 2013 on account of long term investments in right shares of JS Bank Limited, BankIslami Pakistan Limited and other strategic investments and committed principal redemptions of outstanding term finance certificates of the Company in 2014.

The auditors have drawn attention to note 10.1.2 to the accompanying financial statements which describes the uncertainty related to the outcome of the lawsuit filed by a joint venture of one of the subsidiaries. Based on the legal advice obtained, the management believes that likelihood of any adverse outcome in respect of said lawsuit is remote.

## Liquidity Position

We are pleased to inform you that, as at the close of the year, your Company has liquidity of PKR 2,245 million comprising of bank balances of PKR 1,542 million, PKR 491 million in Government Treasury Bills and PKR 212 million in Money Market Funds.

During the year, your Company has redeemed PKR 1,748 million on account of repayments of outstanding term finance certificates.

## Investing and Financing activities during the period

### Approval of Investment in unlisted, convertible, non-voting, redeemable, non-cumulative Preference Shares of JS Bank Limited (JSBL)

The members of the Company in their extraordinary general meeting held on November 25, 2013 have approved an investment of up to PKR 1,500 million in JSBL by way of subscribing to right preference shares including unsubscribed portion, if any, and underwriting of the same. Subsequent to the year end, on January 6, 2014, JSBL announced book closure for entitlement of right preference shares. Your Company has invested PKR 1,454 million in right preference shares of JSBL including subscription of underwritten preference shares aggregating to PKR 397 million. The aforesaid right issue will enable JSBL to meet minimum capital requirement prescribed by the State Bank of Pakistan and to announce any distributions to its shareholders including preference shareholders in the year 2015.

### Investment in right shares of BankIslami Pakistan Limited

The shareholders of BankIslami Pakistan Limited (BIPL) in their meeting held on February 22, 2014 have approved the issuance of 63,191,153 right shares of PKR 6.33 per share (at a discount of PKR 3.67 per share) subject to the sanction of the Securities and Exchange Commission of Pakistan and the final approval from the State Bank of Pakistan. Your Company holds 21.07% equity stake in BIPL and is accordingly entitled to 13,315,965 ordinary shares of PKR 10/- each at an offered price of PKR 6.33 per share aggregating to PKR 84 million. Further, the Company also intends to subscribe the unsubscribed rights to the extent of PKR 37 million that may be offered to the Company by BIPL or required to be subscribed by the Company in case the Company entered into an underwriting commitment in respect of the aforesaid right issue.

### Investment in future right shares of Pakistan International Bulk Terminal Limited

In October 2011, the Company had received 11,500,000 ordinary shares of Pakistan International Bulk Terminal Limited (PIBT) as specie dividend from PakistanInternational Container Terminal Limited. The above holding represents 21.07% of the paid-up capital of PIBT.

PIBT is in start-up phase and is expected to issue right shares in due course. Being one of the major shareholders, the Company has paid Rs. 400 million as advance against future rights call which will be adjusted against rights issue call as and when announced by PIBT.

### Debt Instruments (TFCs) Issued / Redeemed by the Company

JSCL, to date, has issued seven TFCs out of these five have been fully redeemed in a timely manner. During the year, the Company has fully settled its 6th issue of TFC of PKR 1,250 million which was issued in July, 2007. Further, the 2nd issue of TFC of PKR 500 million issued on May 20, 2004 will be completely redeemed in May 2014.

## Performance of Key Investments

The performance of key investments of the Company is given in the Directors' Report to the shareholders on the Consolidated Financial Statements of Jahangir Siddiqui & Co. Ltd. and its Subsidiaries annexed to this annual report.

## Corporate Financial Reporting Framework

The Directors of your Company are committed to good corporate governance and confirm compliance with the corporate and financial reporting framework of the Code of Corporate Governance promulgated by the Securities and Exchange Commission of Pakistan (SECP) and contained in the Listing Regulation of Karachi Stock Exchange Limited (KSE) for the following:

- These financial statements present fairly the state of affairs of the Company, the results of its operations, cash flows and changes in equity;
- Proper books of accounts of the Company have been maintained;
- Appropriate accounting policies as stated in the notes to the accounts have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement;
- International Financial Reporting Standards as applicable in Pakistan and the Companies Ordinance, 1984 as stated in the notes attached with the accounts, have been followed in preparation of the financial statements;
- The system of internal control is sound in design and has been effectively implemented and monitored. The internal audit has been outsourced to M/s. Anjum Asim Shahid Rahman, Chartered Accountants (a member firm of Grant Thornton International).
- The Company is financially sound and is a going concern;
- There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations;
- No material payment is outstanding on account of taxes, duties, levies and charges;
- The statement of summarized key operating and financial data of the last six years appears on Page No. 23; and,
- The Company operates an approved contributory provident fund for all its employees eligible to the scheme. The audited financial statements for year ended June 30, 2013 indicate that the value of investments of the fund is PKR 10.32 million.

## Management's Disclosure of Financial Responsibility

The Company's management is responsible for preparing the financial statements and related notes contained in the Annual Report.

These financial statements and notes are prepared in accordance with generally accepted accounting principles in Pakistan. Other financial data included in the Annual Report are consistent with the data in the financial statements.

The Company's accounting policies are integral to understand the results reported. Accounting policies are described in detail in the notes to the financial statements. The Company's most complex accounting policies require management's judgement to ascertain the valuation of assets and liabilities. The Company has established detailed policies and control procedures that are intended to ensure that valuation methods are fair, well controlled and applied consistently.

The Audit Committee of the Board of Directors is responsible for monitoring the integrity of the Company's financial statements, control system and the independence and performance of its internal and independent auditors. The Audit Committee is comprised of three Directors and operates under terms of reference approved by the Board.

## Corporate Affairs

### Election of Directors

The Election of Directors of your Company was held in an Extraordinary General Meeting (EOGM) of the members on November 25, 2013. The following persons were elected as Directors at the aforesaid EOGM:

| | | | |
|---|---|---|---|
| 1 | Mr. Ali Hussain | Director | Non- Executive |
| 2 | Mr. Ali J. Siddiqui | Director | Non- Executive |
| 3 | Mr. Asad Ahmed | Director - Independent | Non- Executive |
| 4 | Mr. Asif R. Sana | Director - Independent | Non- Executive |
| 5 | Chief Justice (R) Mahboob Ahmed | Director | Non- Executive |
| 6 | Mr. Munawar Alam Siddiqui | Director | Non- Executive |
| 7 | Mr. Stephen Christopher Smith | Director | Non- Executive |

Further, the newly elected Board of Directors of the Company in their meeting held on December 05, 2013 elected Chief Justice (R) Mahboob Ahmed as the Chairman of the Board of JSCL for a term of three years beginning from December 05, 2013.

### Appointment of Chief Executive Officer

The Board re-appointed Mr. Suleman Lalani as the Company's Chief Executive Officer for a term of three years beginning from December 05, 2013. He is a Fellow member of the Institute of Chartered Accountants of Pakistan (ICAP) and has over 21 years of experience in the financial services sector.

### Board Meetings

Six meetings of the Board of Directors were held during the year.

The attendance of Directors at Board meetings were as follows:

| Name of Directors | Meetings Eligibility | Meetings Attended |
|---|---|---|
| Chief Justice (R) Mahboob Ahmed * | Six | Six |
| Mr. Mazharul Haq Siddiqui | Five | Five |
| Mr. Ali J. Siddiqui * | Six | Four |
| Mr. Ali Hussain * | Six | Six |
| Mr. Munawar Alam Siddiqui * | Six | Four |
| Mr. Stephen Christopher Smith * | Six | Five |
| Mr. Munaf Ibrahim | Five | Four |
| Mr. Suleman Lalani | Six | Six |
| Mr. Asad Ahmed ** | One | One |
| Mr. Asif R. Sana ** | One | - |

** Re-elected on November 25, 2013.*
*** Elected on November 25, 2013.*

**Director training program**

Mr. Suleman Lalani and Mr. Munawar Alam Siddiqui have completed their training of Corporate Governance from the Pakistan Institute of Corporate Governance (PICG). In addition to that, the Company has circulated the revised Code of Corporate Governance, 2012 to the Board of Directors for their review and understanding.

Besides, during the year, the former Chairman, Mr. Mazharul Haq Siddiqui and the Chief Financial Officer and Company Secretary, Mr. Hasan Shahid have attended Conference on "Corporate Governance Implications for Companies with Concentrated Ownership" organised by PICG. Moreover, Mr. Suleman Lalani has also attended Executive Development Program on "Leadership and Governance" organised by the Executive Development Institute of the National School of Public Policy.

**Disclosure of interest by Directors etc.**

The Board of Directors has set the threshold for executives as Manager and higher grades for the purpose of disclosure of trades in the shares of the Company.

No trades have been carried out by Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary, executives and their spouses and minor children during the period from January 01, 2013 to December 31, 2013 except as mentioned below:

| Name of Person | Relation | No of Shares Purchased | Purchase Consideration |
|---|---|---|---|
| Mr. Ali Hussain | Director | 500 | PKR 9.07 per share |
| Mr. Hasan Shahid | Executive | 100 | PKR 14.10 per share |
| Mr. Raza Tabish Farooqui | Executive | 100 | PKR 14.18 per share |
| Mr. Naveed Khimani | Ex-Company Secretary | 100 | PKR 14.20 per share |

## Corporate Social Responsibility

Your Company being a responsible corporate citizen, regularly contributes towards the wellbeing of the under-privileged. The Company has made a provision of PKR 3.62 million in these financial statements to be donated to Mahvash & Jahangir Siddiqui Foundation (MJSF).

MJSF makes charitable grants in the areas of healthcare, education and social enterprise. MJSF also works nationally to provide immediate humanitarian relief during periods of crisis by delivering medical services, clean water, nutrition, housing and sanitation to individuals.

JSCL's directors namely Mr. Munawar Alam Siddiqui and Mr. Ali J. Siddiqui are also directors in MJSF.

## Credit Rating

The Directors are pleased to inform you that the Company has a long term rating of AA (Double A) and short term rating of A1+ (A one plus) assigned to it by PACRA. Further, the rating of the Company's 7th issue of TFC of PKR 1,000 million is also maintained at AA+ (Double A plus). These rating denote a very low expectation of credit risk, the strong capacity for timely payment of financial commitments and strong risk absorption capacity.

## Auditors

The current auditors, M. Yousuf Adil Saleem & Co Chartered Accountants (a member firm of Deloitte Touche Tohmatsu), being retired offered themselves for reappointment.

They have also confirmed that the firm is fully compliant with the International Federation of Accountants' (IFAC) Guidelines of Code of Ethics, as adopted by Institute of Chartered Accountants of Pakistan (ICAP) and have satisfactory rating under Quality Control Review Program of the ICAP.

On the recommendation of the Board Audit Committee, the Board of Directors recommends the re-appointment of M. Yousuf Adil Saleem & Co Chartered Accountants for the year ending December 31, 2014 at the upcoming Annual General Meeting of the Company.

## Pattern of Shareholding

The Statement of Pattern of Shareholding of the Company as on December 31, 2013 is annexed to this report.

## Future Outlook

With improvement in financial markets and performance of investee companies we expect the Company to continue its positive performance in 2014.

## Acknowledgement

Your Directors greatly value the efforts, continued support and patronage of clients and business partners. We also wish to appreciate our employees and management for their dedication and hard work and to regulators for their efforts to strengthen the financial markets, guidance on good corporate governance and other measures to safeguard investor rights.

For and on behalf of the
Board of Directors

**Chief Justice (R) Mahboob Ahmed**
Chairman
Karachi: February 28, 2014

# Statement of Compliance with the Code of Corporate Governance

For the Year Ended December 31, 2013

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

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

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

| Category | Names |
|---|---|
| Independent Directors | Asif R. Sana<br>Asad Ahmed |
| Executive Director | Suleman Lalani, CEO |
| Non-Executive Directors | Chief Justice (R) Mahboob Ahmed<br>Ali J. Siddiqui<br>Munawar Alam Siddiqui<br>Ali Hussain<br>Stephen Christopher Smith |

   Mr. Asif Reza Sana is also an independent director in JS Investments Limited which is a sub-subsidiary of the Company. In accordance with the opinions from legal advisor Mr. Sana qualifies to be appointed as an independent director on the Board of the Company.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy occurred on the Board during the period.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board has been provided with the Code along with briefings on various stages in order for them to properly manage the affairs of the Company as representatives of members of the Company. Mr. Suleman Lalani and Mr. Munawar Alam Siddiqui are certified from Pakistan Institute of Corporate Governance (PICG). In addition, arrangements are in process for other Directors for acquiring certification under Director Training Program offered by Institutions (local or foreign) that meet the criteria specified by Securities and Exchange Commission of Pakistan.

Besides, during the year, the former Chairman, Mr. Mazharul Haq Siddiqui and the Chief Financial Officer and Company Secretary, Mr. Hasan Shahid have attended Conference on "Corporate Governance Implications for Companies with Concentrated Ownership" organised by PICG. Moreover, Mr. Suleman Lalani has also attended Executive Development Program on "Leadership and Governance" organised by the Executive Development Institute of the National School of Public Policy.

10. The Board has approved appointment of Mr. Hasan Shahid, Chief Financial Officer and Company Secretary and Mr. Raza Tabish Farooqui, Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The Directors' Report for this period has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

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

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

15. The Board has formed an Audit Committee. It comprises of 3 members, of whom all are non-executive directors and the Chairman of the Committee is an independent director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the Committee for compliance.

17. The Board has formed a Human Resource and Remuneration Committee. It comprises of 3 members, of whom 2 are non-executive directors and the Chairman of the Committee is a non-executive director.

18. The Board has outsourced the internal audit function to M/s Anjum Asim Shahid Rahman, Chartered Accountants (a member firm of Grant Thornton International) who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

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

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

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

23. We confirm that all other material principles enshrined in the Code have been complied with except those that are not yet applicable.

For and on behalf of the
Board of Directors

**Chief Justice (R) Mahboob Ahmed**
Chairman

Karachi: February 28, 2014

# Review Report to the Members on Statement of Compliance with Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of the Jahangir Siddiqui & Co. Ltd. ("the Company") to comply with the Listing Regulations of the Karachi Stock Exchange Limited where the Company is listed.

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

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

Further, the listing regulations of Karachi Stock Exchange requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the twelve month period ended December 31, 2013.

We draw attention to the paragraph 1 and 15 - where management has explained that based on the legal opinions obtained Mr. Asif Reza Sana is also independent director in the Company in accordance with clause i (b) of the Code and therefore has been nominated as Chairman of the Audit Committee.

**M. Yousuf Adil Saleem & Co**
Chartered Accountants

Karachi
Date: February 28, 2014

# Auditors' Report to the Members

We have audited the annexed unconsolidated balance sheet of Jahangir Siddiqui & Co. Ltd.(the Company) as at December 31, 2013, and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income,unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof,(here-in-after referred to as the 'financial statements') 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 financial statements. An audit also includes examining 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 unconsolidated balance sheet and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 (XLVII of 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 with which we concur;

- **ii.** the expenditure incurred during the year was for the purpose of 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, unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated 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 (XLVII of 1984), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2013 and of the profit, comprehensive income, its changes in equity and cash flows for the year then ended; and

**(d)** in our opinion, Zakat deductible at source under Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

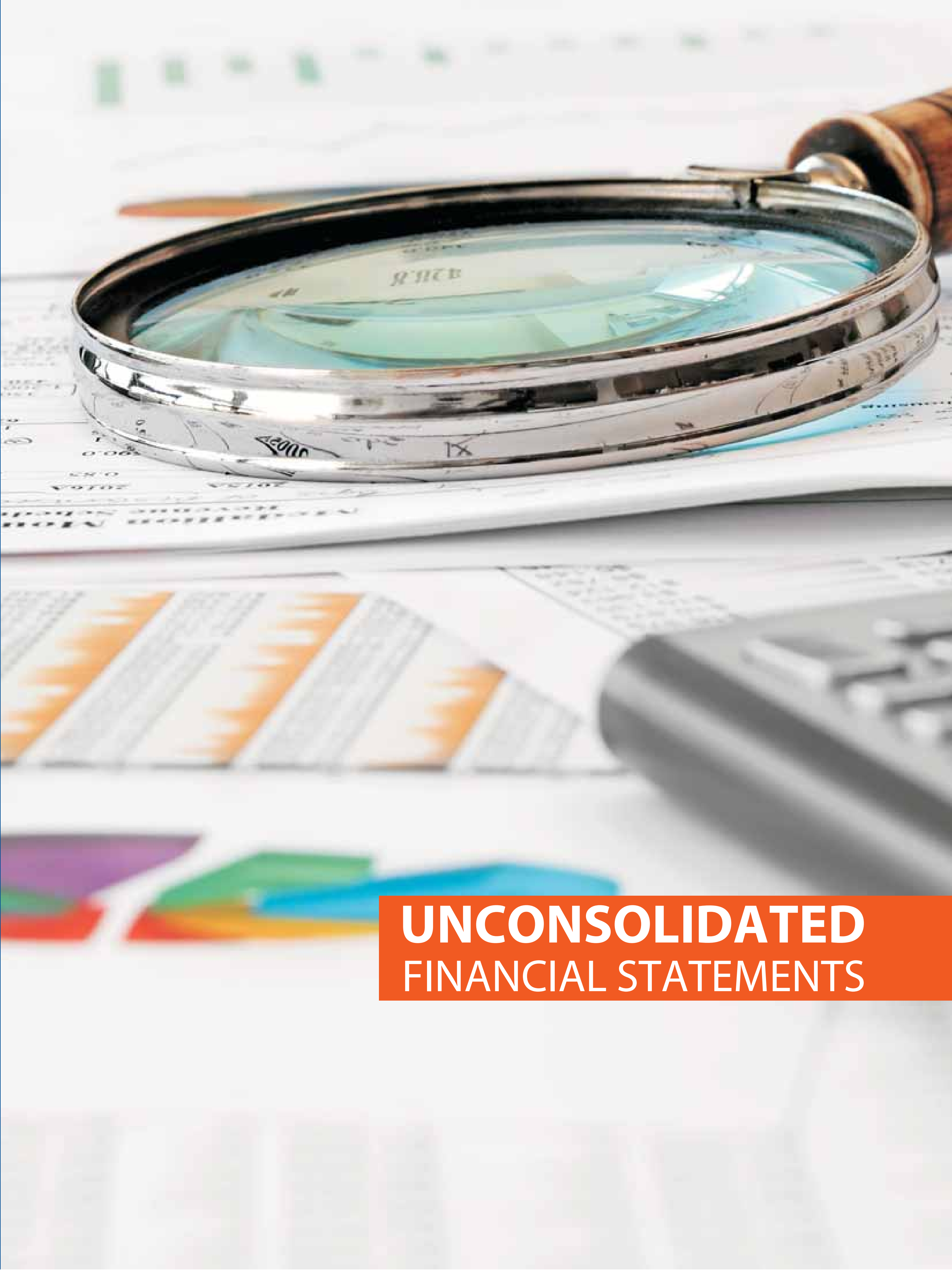
We draw attention to note 10.1.2 to the accompanying financial statements which describes the uncertainty related to outcome of the lawsuit filed by a joint venture of one of the subsidiary namely Energy Infrastructure Holding (Private) Limited. Our opinion is not qualified in respect of this matter.

The financial statements of the Company for the period ended December 31, 2012 were audited by another firm of chartered accountants, who in their audit report dated March 04, 2013, expressed an unqualified opinion.

**M. Yousuf Adil Saleem & Co**
Chartered Accountants

**Engagement Partner:**
Nadeem Yousuf Adil

**Date:** February 28, 2014
**Place:** Karachi



# UNCONSOLIDATED FINANCIAL STATEMENTS

# Unconsolidated Balance Sheet

As At December 31, 2013

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Fixed assets | | | |
| - Property and equipment | 7 | 7,345 | 8,756 |
| - Investment property | 8 | 2,471 | 3,191 |
| - Intangible assets | 9 | 28 | 11,201 |
| Long term investments | 10 | 11,769,417 | 11,451,896 |
| Long term loans and advances | 11 | 404,590 | 2,228 |
| Long term security deposits | | 704 | 1,674 |
| | | 12,184,555 | 11,478,946 |
| **Current Assets** | | | |
| Short term loans and advances | 12 | 876 | 100,463 |
| Short term prepayments and other receivables | | 2,476 | 2,785 |
| Interest accrued | 13 | 12,382 | 13,489 |
| Financial assets - Short term investments | 14 | 869,543 | 1,846,364 |
| Taxation - net | | 356,722 | 347,670 |
| Cash and bank balances | 15 | 1,541,814 | 2,629,053 |
| | | 2,783,813 | 4,939,824 |
| Non-current assets held for sale | 16 | - | - |
| | | 2,783,813 | 4,939,824 |
| | | 14,968,368 | 16,418,770 |
| **EQUITY AND LIABILITIES** | | | |
| **Share Capital and Reserves** | | | |
| **Share Capital** | | | |
| Authorised capital | 17 | 65,000,000 | 65,000,000 |
| Issued, subscribed and paid-up share capital | | 7,632,853 | 7,632,853 |
| Reserves | | 6,136,099 | 5,989,508 |
| | | 13,768,952 | 13,622,361 |
| **Non-Current Liability** | | | |
| Long term financing | 18 | 658,932 | 855,370 |
| **Current Liabilities** | | | |
| Trade and other payables | 19 | 151,792 | 79,577 |
| Accrued interest on long term borrowings | | 18,374 | 109,728 |
| Current portion of long term financing | 18 | 370,318 | 1,751,734 |
| | | 540,484 | 1,941,039 |
| **Contingencies and Commitment** | 20 | | |
| | | 14,968,368 | 16,418,770 |

The annexed notes 1 to 39 form an integral part of these financial statements.

**Chief Justice (R) Mahboob Ahmed**
Chairman

**Suleman Lalani**
Chief Executive

# Unconsolidated Profit and Loss Account

For the year ended December 31, 2013

| | Note | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **INCOME** | | | |
| Return on investments | 21 | 445,325 | 850,844 |
| Gain on sale of investments - net | 22 | 9,229 | 2,453,867 |
| Income from long term loans and fund placements | 23 | 142,408 | 85,622 |
| Commission | | 5,546 | - |
| Other income | 24 | 33,706 | 99,354 |
| | | 636,214 | 3,489,687 |
| **EXPENDITURE** | | | |
| Operating and administrative expenses | 25 | 112,357 | 623,195 |
| Finance cost | 26 | 183,359 | 519,427 |
| Provision for Workers' Welfare Fund | 27 | 60,191 | - |
| Provision / (reversal of provision) for impairment on investments - net | 28 | 63,162 | (12,889) |
| | | 419,069 | 1,129,733 |
| **PROFIT BEFORE TAXATION** | | 217,145 | 2,359,954 |
| **Taxation** | 29 | | |
| Current | | 36,256 | - |
| Prior | | 58 | (2,609) |
| | | 36,314 | (2,609) |
| **NET PROFIT FOR THE YEAR / PERIOD** | | 180,831 | 2,362,563 |
| | | .......... (Rupees) .......... | |
| **EARNINGS PER SHARE** - Basic and diluted | 30 | 0.24 | 3.10 |

The annexed notes 1 to 39 form an integral part of these financial statements.

**Chief Justice (R) Mahboob Ahmed**
Chairman

**Suleman Lalani**
Chief Executive

# Statement of Comprehensive Income

For the year ended December 31, 2013

| | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|
| | (Rupees in '000) | |
| **NET PROFIT FOR THE YEAR / PERIOD** | **180,831** | **2,362,563** |
| **OTHER COMPREHENSIVE INCOME:** | | |
| **Items that will not be reclassified to profit and loss account** | - | - |
| **Items that may be reclassified subsequently to profit and loss** | | |
| Net gain on revaluation of available for sale investments during the year / period | 547,198 | 4,572,363 |
| Reclassification adjustments included in profit and loss account for disposal of investments - net | (8,974) | (2,453,557) |
| **Total items that may be reclassified subsequently to profit and loss** | **538,224** | **2,118,806** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR / PERIOD** | **719,055** | **4,481,369** |

The annexed notes 1 to 39 form an integral part of these financial statements.

**Chief Justice (R) Mahboob Ahmed**
Chairman

**Suleman Lalani**
Chief Executive

# Unconsolidated Cash Flow Statement

For the year ended December 31, 2013

| | Note | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before taxation for the year / period | | 217,145 | 2,359,954 |
| **Adjustment for non cash charges and other items:** | | | |
| Depreciation | | 3,285 | 4,888 |
| Gain on sale of property and equipment | | (735) | (3,918) |
| Amortisation of transaction costs on term finance certificates | | 6,180 | 3,916 |
| Provision / (reversal of provision) for impairment against investments - net | | 63,162 | (12,889) |
| Dividend income | | (355,580) | (715,874) |
| Liability written back | | - | (50,000) |
| Finance cost | | 177,179 | 515,511 |
| | | (106,509) | (258,366) |
| **Operating profit before working capital changes** | | 110,636 | 2,101,588 |
| **Decrease / (increase) in operating assets:** | | | |
| Loans and advances | | (413) | (99,926) |
| Prepayments, accrued mark-up and other receivables | | 1,416 | 4,543 |
| Short term investments | | 1,245,534 | (1,844,647) |
| Long term loans, advances and security deposits | | (401,392) | (809) |
| | | 845,145 | (1,940,839) |
| **Increase in trade and other payables** | | 65,124 | 46,897 |
| **Net cash generated from operations** | | 1,020,905 | 207,646 |
| Mark-up paid | | (268,533) | (528,319) |
| Taxes paid- net | | (45,365) | (70,953) |
| Dividend paid | | (565,373) | (84) |
| **Net cash generated from / (used in) operating activities** | | 141,634 | (391,710) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Capital expenditure incurred | | (1,154) | (4,051) |
| Proceeds from sale of property and equipment | | 735 | 4,311 |
| Dividend received | | 355,580 | 600,874 |
| Investments sold- net of acquired | | - | 1,320,750 |
| **Net cash generated from investing activities** | | 355,161 | 1,921,884 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Redemption of term finance certificates - net | | (1,584,034) | (238,364) |
| **NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS** | | (1,087,239) | 1,291,810 |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR / PERIOD** | | 2,629,053 | 1,337,243 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR / PERIOD** | 31 | 1,541,814 | 2,629,053 |

The annexed notes 1 to 39 form an integral part of these financial statements.

**Chief Justice (R) Mahboob Ahmed**
Chairman

**Suleman Lalani**
Chief Executive

# Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2013

| | Issued, subscribed and paid-up capital | Reserves | | | | | |
|---|---|---|---|---|---|---|---|
| | | Capital | Revenue | | | | |
| | Ordinary share capital | Ordinary share premium | General | Accumulated loss | Unrealised gain on revaluation of available for sale investments - net | Sub-total | Total |
| | (Rupees in '000) | | | | | | |
| **Balance as at July 1, 2011** | 7,632,853 | 4,497,894 | 10,000,000 | (13,851,007) | 861,252 | 1,508,139 | 9,140,992 |
| Net profit for the period | - | | - | 2,362,563 | - | 2,362,563 | 2,362,563 |
| Other comprehensive income | - | - | - | - | 2,118,806 | 2,118,806 | 2,118,806 |
| Total comprehensive income | - | - | - | 2,362,563 | 2,118,806 | 4,481,369 | 4,481,369 |
| Appropriation during the period: Transfer from general reserve | - | - | (10,000,000) | 10,000,000 | - | - | - |
| **Balance as at December 31, 2012** | 7,632,853 | 4,497,894 | - | (1,488,444) | 2,980,058 | 5,989,508 | 13,622,361 |
| **Balance as at January 1, 2013** | 7,632,853 | 4,497,894 | - | (1,488,444) | 2,980,058 | 5,989,508 | 13,622,361 |
| Net profit for the year | - | - | - | 180,831 | - | 180,831 | 180,831 |
| Other comprehensive income | - | - | - | - | 538,224 | 538,224 | 538,224 |
| Total comprehensive income | - | - | - | 180,831 | 538,224 | 719,055 | 719,055 |
| Transaction with owners: | | | | | | | |
| Final Dividend for the eighteen month period ended December 31, 2012 @ 0.75/- per share | - | - | - | (572,464) | - | (572,464) | (572,464) |
| **Balance as at December 31, 2013** | 7,632,853 | 4,497,894 | - | (1,880,077) | 3,518,282 | 6,136,099 | 13,768,952 |

The annexed notes 1 to 39 form an integral part of these financial statements.

**Chief Justice (R) Mahboob Ahmed**
Chairman

**Suleman Lalani**
Chief Executive

## 1. THE COMPANY AND ITS OPERATIONS

Jahangir Siddiqui & Co. Ltd. (the Company) was incorporated under the Companies Ordinance, 1984 (the Ordinance) on May 4, 1991 as a public unquoted company. The Company is presently listed on Karachi Stock Exchange Limited. The Company is also a Trading Right Entitlement Certificate holder of Karachi Stock Exchange Limited and Islamabad Stock Exchange Limited. The registered office of the Company is situated at 6th Floor, Faysal House, Main Shahra-e-Faisal, Karachi. The principal activities of the Company are trading of securities, managing strategic investments, consultancy services, underwriting, etc.

### 1.1 Change in accounting year

The financial year of the Company was changed from June 30 to December 31 during the prior period ended December 31, 2012. Accordingly, the comparative financial statements cover the period of eighteen months from July 01, 2011 to December 31, 2012. The change was made to bring the financial year of the Company in line with the financial year followed by its major investee companies.

The corresponding figures shown in these financial statements pertain to the audited financial statements for the eighteen month period ended December 31, 2012 and therefore, are not entirely comparable in respect of profit and loss account / statement of comprehensive income, cash flow statement and statement of changes in equity.

## 2. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and available for sale investments which are stated at fair value.

## 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 (IFRSs) issued by the International Accounting Standards Board 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.

These financial statements are unconsolidated financial statements of the Company in which investments in subsidiaries and associates are stated at cost less impairment if any, and have not been accounted for on the basis of reported results and net assets of the investees.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 New and amended IFRSs

The following standards, amendments and interpretations are effective for the year ended December 31, 2013. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

| | |
|---|---|
| - Amendments to IAS 1 - Presentation of Financial Statements | Effective from accounting period beginnig on or after January 01, 2013 |
| – Clarification of Requirements for Comparative information | Effective from accounting period beginning on or afterJanuary 01, 2013 |
| - Amendments to IAS 16 - Property, Plant and Equipment | Effective from accounting period beginning on or after January 01, 2013 |
| – Classification of servicing equipment | Effective from accounting period beginning on or after January 01, 2013 |
| - Amendments to IAS 32 - Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction | Effective from accounting period beginning on or after January 01, 2013 |
| - Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities | Effective from accounting period beginning on or after January 01, 2013 |
| - Amendments to IFRS 7 - Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities | Effective from accounting period beginning on or after January 01, 2013 |
| - IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine | Effective from accounting period beginning on or after January 01, 2013 |

**4.1.1** The amendments to IAS 1 - Presentation of Financial Statements – Presentation of items of Other Comprehensive Income are effective from accounting period beginning on or after January 01, 2013 and has impact on the Company's financial statements for the year as discussed in the pursing paragraph. This change is considered as change in accounting policy of the Company.

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). Income tax on items of other comprehensive income is required to be allocated on the same basis i.e. the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments require retrospective application.

As a result of amendments in IAS 1, the Company modified the presentation of the item of OCI in its statements of Profit and Loss and Other Comprehensive Income, to present items that would be reclassified to profit and loss in the future separately from those that would never be. Comparative information has been re-presented on the same basis.

## 4.2 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment, if any. Cost comprises acquisition and other directly attributable costs. Depreciation is charged to the profit and loss account by applying the straight-line method whereby the cost of an asset is written-off over its estimated useful life at the rates specified in note 7 to the financial statements. Depreciation is charged on additions from the month in which asset is put to use and on disposals up to the month immediately preceding the disposal.

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

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year the asset is derecognised.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be reliably measured. Cost incurred to replace an item of property and equipment is capitalized and the asset so replaced is retired from use and its carrying amount is derecognized.

Gains and losses on disposal of fixed assets, if any, are taken to profit and loss account currently.

## 4.3 Investment properties

These are stated at cost including transaction costs less accumulated depreciation and accumulated impairment, if any. Depreciation is charged to profit and loss account by applying the straight-line method whereby the cost of an asset is written-off over its estimated useful life. Depreciation is charged from the month in which the asset is put to use and on disposals up to the month immediately preceding the disposal.

Investment properties are derecognised when either they are disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement or disposal of an investment property are recognised in the profit and loss account in the year of retirement or disposal.

Transfers are made to/from investment property when, and only when, there is change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party.

## 4.4 Intangible assets and Trading rights entitlement certificate

These are stated at cost less impairment in value, if any. 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 value exceeds estimated recoverable amount, these are written down to their estimated recoverable amount.

## 4.5 Investments

The management of the Company determines the appropriate classification of its investments at the time of purchase or increase in holding and classifies / reclassifies its investment as subsidiaries, associates and joint ventures, at fair value through profit or loss, available for sale and held to maturity.

All investments are initially recognised at cost, being the fair value of the consideration given including transaction costs associated with the investment except in the case of at fair value through profit or loss investments where transaction costs are charged to profit and loss account when incurred.

Unquoted investments, for which active market does not exist and fair value cannot be reasonably calculated, are carried at cost. Impairment in value, if any, is taken to profit and loss account currently.

**Subsidiaries, associates and joint ventures**

Subsidiary companies are the entities in which the Company directly or indirectly controls, beneficially owns or holds more than fifty percent of the voting securities or otherwise has power to elect and appoint more than fifty percent of the directors.

A joint venture is a contractual arrangement where the Company has joint control over the economic activities undertaken with the other venturers.

Associates are entities in which the Company has significant influence and which are neither a subsidiary nor a joint venture. The Company determines the significant influence by reference to its extent of voting interest in the investee company and other relevant factors which indicate the Company's ability to participate in the financial and operating policy decisions of the investee company.

Investments in subsidiaries, associates and joint ventures, other than those classified as held for sale, are accounted for under the cost method. Such investments are carried in the balance sheet at cost less any impairment in value. Impairment is charged to the profit and loss account.

Investments in subsidiaries, associates and joint ventures classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss when the conditions prescribed in IAS 39 are met.

Investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin are classified as held for trading. After initial recognition, these are stated at fair values with any resulting gains or losses recognised directly in the profit and loss account. Transaction costs are charged to profit and loss account when incurred.

**Available for sale**

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale. After initial recognition, these are stated at fair values (except for unquoted investments for which active market does not exist) with any resulting gains or losses being taken directly to statement of comprehensive income until the investment is disposed or impaired. At the time of disposal, the respective surplus or deficit is transferred to profit and loss account.

**Held to maturity**

Investments with fixed or determinable payments and fixed maturity where management has both the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortised cost. Impairment in value, if any, is taken to profit and loss account.

Premiums and discounts on investments are amortised using the effective interest rate method and taken to profit and loss account from investments.

**4.6 Derivative financial instruments**

Derivative instruments held by the Company generally comprise future contracts in the capital markets. These are stated at fair value at the balance sheet date. The fair value of the derivative is equivalent to the unrealised gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses are recognised in the profit and loss account.

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

**4.7 Securities sold under repurchase / purchased under resale agreements**

The Company enters into transactions of repurchase and reverse repurchase at contracted rates for a specified period of time as under:

**(a) Repurchase agreement borrowings**

Investments sold subject to a repurchase agreement at a specified future date (repos) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for investment securities. Amounts received under these agreements are recorded as securities sold under repurchase agreements. The difference between sale and repurchase price is treated as mark-up/return/interest expense and accrued over the period of the repo agreement using the effective yield method.

**(b) Repurchase agreement lendings**

Investments purchased under agreement to resell at a specified future date (reverse repos) are not recognised in the balance sheet. Amounts paid under these agreements are included in fund placements. The difference between purchase and resale price is treated as mark-up/return/interest earned and accrued over the period of the reverse repo agreement using the effective yield method.

**4.8 Provisions**

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

### 4.9 Taxation

**Current**

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any.

**Deferred**

Deferred tax is calculated using the balance sheet liability method on all temporary differences at the balance sheet date, between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that the deductible temporary differences will reverse in the future and sufficient taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

### 4.10 Revenue recognition

(a) Return on Defence Saving Certificates (DSCs) and Special Saving Certificates (SSCs) are accounted for using the effective interest rate method.

(b) Income from Term Finance Certificates (TFCs), government securities, reverse repurchase transactions and loans and advances are recognised at rate of return implicit in the instrument / arrangement on a time proportion basis.

(c) Profit on bank deposits and rental income is recognised at effective yield on time proportionate basis.

(d) Dividend income on equity investments is recognised when the right to receive the same is established.

(e) Capital gains or losses on sale of investments are recognised in the period in which they arise.

(f) Underwriting commission is recognised when the agreement is executed. Take-up commission is recognised at the time the commitment is fulfilled.

**4.11 Long term finances and loans**

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

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

**4.12 Trade debts and other receivables**

These are stated net of provision for impairment, if any. Provision is made against the debts considered doubtful.

**4.13 Trade and other payables**

Trade and other payables are stated at their costs which is fair value of consideration received, except derivatives, which are stated at fair value

**4.14 Cash and cash equivalents**

Cash and cash equivalents comprise of cash on hand, demand deposits and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, cheques in hand, bank balances, net of bank overdrafts repayable on demand, if any.

**4.15 Staff retirement benefits**

**Defined contribution plan**

The Company operates an approved funded contributory provident fund scheme for all its employees eligible to the scheme. Equal monthly contributions are made by the Company and the employees to the fund at the rate of 10% per annum of basic pay.

**Compensated absences**

Accrual is made for employees compensated absences on the basis of accumulated leaves and the last drawn pay.

**4.16 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 at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of financial assets and financial liabilities are taken to profit and loss account currently (for regular way purchases and sales of financial instruments refer to note 4.18).

**4.17 Offsetting of financial assets and financial liabilities**

A financial asset and a financial liability is only offset and the net amount is reported in the balance sheet when there is a legal enforceable right to set off the recognised amount and the Company 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 offset accordingly.

**4.18 Trade date accounting**

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date on which the Company commits to purchase or sell an asset. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market.

**4.19 Foreign currency translations**

The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency. Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to profit and loss account 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.

**4.20 Dividend and appropriation to reserves**

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

**4.21 Impairment**

**Financial assets**

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of asset (an incurred loss event) and that loss event (or events) has impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. In case of quoted equity securities, impairment is assessed based on significant or prolonged decline in market prices of securities.

If, in a subsequent period, the fair value of an impaired available for sale equity security increases and the increase can be objectively related to and the increase can be objectively related to an event occurring after the impairment loss recognised in profit and loss, the impairment loss is reversed, with the amount of reversal recognised in other comprehensive income.

**Non-financial assets and investments in subsidiaries and associates**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs to sell and value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset in considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of the money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate valuation method is used.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in assumptions used to determine the assets 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 carrying recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit and loss account.

## 5. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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

(a) determining the residual values and useful lives of property and equipment (Note 4.2 and 7);
(b) classification of investments (Note 4.5, 10 and 14);
(c) recognition of taxation and deferred tax (Note 4.9 and 29)
(d) accounting for post employment benefits (Note 4.15)
(e) impairment of financial assets (Note 4.21 and 28); and
(f) non-current assets held for sale (Note 4.5 and 16)

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

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

| | |
|---|---|
| **Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities** | **Effective from accounting period beginning on or after January 01, 2014** |

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the entity by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default.

| | |
|---|---|
| **IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets** | **Effective from accounting period beginning on or after January 01, 2014** |

**The amendments:**

- remove the requirement to disclose the recoverable amount of a cash-generating unit (or group of cash-generating units) to which a significant amount of goodwill or intangible assets with indefinite useful lives has been allocated in periods when no impairment or reversal has been recognized (this requirement having been inadvertently introduced as part of consequential amendments on the introduction of IFRS 13; and

- introduces additional disclosure requirements in respect of assets for which an impairment has been recognized or reversed and for which the recoverable amount is determined using fair value less costs of disposal.

| | |
|---|---|
| **IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting** | **Effective from accounting period beginning on or after January 01, 2014** |

The amendment allows the continuation of hedge accounting (under IAS 30 and IFRS 9 chapter on hedge accounting) when a derivative is novated to a clearing counterparty and certain conditions are met.

| | |
|---|---|
| **IFRIC 21 - Levies** | **Effective from accounting period beginning on or after January 01, 2014** |

IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognised when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

## 7. PROPERTY AND EQUIPMENT

### 7.1 Operating assets - owned

| | COST | | | | ACCUMULATED DEPRECIATION | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|
| | As at January 1, 2013 | Additions / (disposals) | As at December 31, 2013 | Rate % | As at January 1, 2013 | For the year / (on disposals) | As at December 31, 2013 | As at December 31, 2013 |
| | (Rupees in '000) | | | | (Rupees in '000) | | | |
| Office premises - leasehold | 1,041 | - | 1,041 | 5 | 492 | 52 | 544 | 497 |
| Leasehold improvements | 18,372 | - | 18,372 | 33 | 18,345 | 27 | 18,372 | - |
| Office equipment | 27,597 | 164<br>(1,310) | 26,451 | 25 | 27,343 | 148<br>(1,310) | 26,181 | 270 |
| Office furniture and fixtures | 15,743 | - | 15,743 | 10 | 10,976 | 1,297 | 12,273 | 3,470 |
| Motor vehicles | 5,981 | 990<br>(879) | 6,092 | 20 | 2,822 | 1,041<br>(879) | 2,984 | 3,108 |
| | 68,734 | 1,154<br>(2,189) | 67,699 | | 59,978 | 2,565<br>(2,189) | 60,354 | 7,345 |

| | COST | | | | ACCUMULATED DEPRECIATION | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|
| | As at July 1, 2011 | Additions / (disposals) | As at December 31, 2012 | Rate % | As at July 1, 2011 | For the period (on disposals) | As at December 31, 2012 | As at December 31, 2012 |
| | (Rupees in '000) | | | | (Rupees in '000) | | | |
| Office premises - leasehold | 1,041 | - | 1,041 | 5 | 414 | 78 | 492 | 549 |
| Leasehold improvements | 18,372 | - | 18,372 | 33 | 18,234 | 111 | 18,345 | 27 |
| Office equipment | 28,195 | 200<br>(798) | 27,597 | 25 | 27,399 | 593<br>(649) | 27,343 | 254 |
| Office furniture and fixtures | 15,743 | - | 15,743 | 10 | 9,030 | 1,946 | 10,976 | 4,767 |
| Motor vehicles | 15,345 | 2,451<br>(11,815) | 5,981 | 20 | 13,212 | 1,181<br>(11,571) | 2,822 | 3,159 |
| | 78,696 | 2,651<br>(12,613) | 68,734 | | 68,289 | 3,909<br>(12,220) | 59,978 | 8,756 |

**7.2** No disposal of fixed assets having written down value exceeding Rs. 50,000 were made during the year.

## 8. INVESTMENT PROPERTY

| | | COST | | | | ACCUMULATED DEPRECIATION | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|---|
| | Note | As at January 1, 2013 | Additions / (disposals) | As at December 31, 2013 | Rate % | As at January 1, 2013 | For the year | As at December 31, 2013 | As at December 31, 2013 |
| | | (Rupees in '000) | | | | (Rupees in '000) | | | |
| Office premises | 8.1 | 14,999 | - | 14,999 | 5 | 11,808 | 720 | 12,528 | 2,471 |

| | | COST | | | | ACCUMULATED DEPRECIATION | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|---|
| | | As at July 1, 2011 | Additions / (disposals) | As at December 31, 2012 | Rate % | As at July 1, 2011 | For the period | As at December 31, 2012 | As at December 31, 2012 |
| | | (Rupees in '000) | | | | (Rupees in '000) | | | |
| Office premises | 8.1 | 12,599 | 2,400 | 14,999 | 5 | 10,829 | 979 | 11,808 | 3,191 |

**8.1** The fair value of the investment property aggregating to Rs. 115.838 million (December 31, 2012: Rs. 88.84 million) was arrived at on the basis of the valuation carried out by M/s. Consultancy Support and Services, an independent valuer on February 22, 2013, but was not incorporated in the books of accounts as the Company applies cost model for accounting for investments properties. The valuation was arrived at by reference to market values and realizable values, which are determined on the basis of market intelligence, year of construction and present physical condition and location.

| | Note | 2013 (Rupees in '000) | 2012 (Rupees in '000) |
|---|---|---|---|

## 9. INTANGIBLE ASSETS

| | Note | 2013 | 2012 |
|---|---|---|---|
| **Trading rights entitlement certificates:** | | | |
| -Karachi Stock Exchange Limited (KSE) | 9.1 | 27 | 100 |
| -Islamabad Stock Exchange Limited (ISE) | 9.1 | 1 | 11,101 |
| | | 28 | 11,201 |

9.1 These represent Trading Right Entitlement Certificates (TRECs) received from Karachi Stock Exchange Limited (KSE) and Islamabad Stock Exchange Limited (ISE) in accordance with the requirements of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act). The Company has also received shares of KSE and ISE after completion of the demutualisation process. The TRECs have been recorded at Rs. 28,000 (for details refer note 10.4.2 and 10.4.3)

## 10. LONG TERM INVESTMENTS

| | Note | 2013 (Rupees in '000) | 2012 (Rupees in '000) |
|---|---|---|---|
| **Investments in related parties** | | | |
| Investment in subsidiaries | 10.1 | 5,536,615 | 5,634,194 |
| Investment in associate | 10.2 | - | 101,150 |
| Other related parties - Available for sale | 10.3 | 6,034,055 | 5,563,621 |
| | | 11,570,670 | 11,298,965 |
| **Other investments** | 10.4 | 198,747 | 152,931 |
| | | 11,769,417 | 11,451,896 |

### 10.1 Investment in subsidiaries - at cost

These shares are Ordinary shares of Rs.10/- each, unless stated otherwise.

| Number of shares 2013 | Number of shares 2012 | | Note | Activity | Holding 2013 % | Holding 2012 % | 2013 (Rupees in '000) | 2012 (Rupees in '000) |
|---|---|---|---|---|---|---|---|---|
| | | **Quoted** | | | | | | |
| 755,245,007 * | 755,245,007 | **JS Bank Limited**<br>Market value Rs.3,398.60 (December 31, 2012: Rs. 4,433.40) million | 10.1.1 | Commercial Banking | 70.42 | 70.42 | 4,673,400 | 4,673,400 |
| | | **Un-quoted** | | | | | | |
| 73,736,250 | 73,736,250 | **JS Infocom Limited**<br>Net assets value Rs. 372.53 (December 31, 2012: Rs. 468.86) million based on audited financial statements for the year ended December 31, 2013 | | Telecom Media & Technology | 100.00 | 100.00 | 708,490 | 708,490 |
| | | Less: Impairment | | | | | (337,673) | (246,037) |
| | | | | | | | 370,817 | 462,453 |
| 10,000 | 10,000 | **JS International Limited**<br>Ordinary Shares of US$ 1/- each having net assets value Rs. 31.74 (September 30, 2012: Rs. 24.78) million based on audited financial statements for the year ended September 30, 2013 | | Investment services | 100.00 | 100.00 | 294,882 | 294,882 |
| | | Less: Impairment | | | | | (294,882) | (294,882) |
| | | | | | | | - | - |
| | | **Balance carried forward** | | | | | 5,044,217 | 5,135,853 |

| Number of shares 2013 | Number of shares 2012 | | Note | Activity | Holding 2013 % | Holding 2012 % | 2013 (Rupees in '000) | 2012 (Rupees in '000) |
|---|---|---|---|---|---|---|---|---|
| | | **Balance brought forward** | | | | | **5,044,217** | 5,135,853 |
| **63,000,000** | 63,000,000 | **Energy Infrastructure Holding (Private) Limited** Net assets value Rs. 511.92 (December 31, 2012: Rs.498.34) million based on audited financial statements for the year ended December 31, 2013 | 10.1.2 | Power Generation & Distribution | **100.00** | 100.00 | **630,000** | 630,000 |
| | | Less: Impairment | | | | | **(137,602)** | (131,659) |
| | | | | | | | **492,398** | 498,341 |
| | | | | | | | **5,536,615** | 5,634,194 |

* These represent sponsor shares which are blocked for trading as per the requirements of the State Bank of Pakistan.

10.1.1 Subsequent to the year end, JS Bank Limited has made a right issue of 150 million unlisted, convertible, irredeemable, perpetual, non-cumulative, non-voting preference shares of Rs. 10 each amounting to Rs. 1,500 million pursuant to the final approval of the State Bank of Pakistan to meet its minimum capital requirement of Rs. 10 billion of paid up capital (free of losses). The Company has subscribed 145 .38 million preference shares of the said right issue amounting to Rs.1,453.75 million.

10.1.2 Net assets of the subsidiary includes,investment in shares of carrying value Rs. 334,976,800 (2012: Rs. 349,562,905) which are pledged with a bank as collateral against guarantees issued on behalf of Gujranwala Energy Limited (GEL), a joint venture (JV). During the year ended June 30, 2010, the JV was not able to meet the financial close mandated with National Bank of Pakistan and was not allowed to make amendments in the power purchase agreement by Private Power and Infrastructure Board (PPIB). Accordingly, operations of the JV were ceased. Further, it was not able to raise the requisite funds and deposit initial mobilization advance with Wartsila Finland. In the meantime, the JV filed petition in the Honorable High Court of Sindh to protect the subsidiary company from the encashment of performance guarantees. The High Court of Sindh ordered to keep the guarantees alive and restricted PPIB and Wartsila Finland from encashing the same till the adjudication of the above petition. Further, subsequent to the year end, the JV has filed a civil suit in Civil Court Lahore, wherein the Preliminary Agreement with Wartsila Finland has been challenged on the grounds that no legal and binding contract has been concluded as the Preliminary Agreement was merely an understanding to enter into contract at some future date and upon happening of certain events, therefore, the question of encashment of above guarantees does not arise. The stay order is still valid and the case is pending for adjudication. The management, based on legal advice, believes that the ultimate outcome of the case will be in favour of the subsidiary company as well as JV.

## 10.2 Investment in associate - at cost

These shares are Ordinary shares of Rs.10/- each.

| Number of shares 2013 | Number of shares 2012 | | Note | Activity | Holding 2013 % | Holding 2012 % | 2013 (Rupees in '000) | 2012 (Rupees in '000) |
|---|---|---|---|---|---|---|---|---|
| | | **Quoted** | | | | | | |
| - | 11,238,812 | **JS Value Fund Limited** Market value Rs. Nil (December 31, 2012: Rs. 61.814) million | 14.1 | Closed end mutual fund | - | 9.48 | - | 135,566 |
| | | Less: Impairment | | | | | - | (34,416) |
| | | | | | | | - | 101,150 |
| | | | | | | | - | 101,150 |

## 10.3 Other related parties

### Available for sale

These shares are Ordinary shares of Rs.10/- each.

| Number of shares 2013 | Number of shares 2012 | | Note | Activity | Holding 2013 % | Holding 2012 % | 2013 (Rupees in '000) | 2012 (Rupees in '000) |
|---|---|---|---|---|---|---|---|---|
| | | **Quoted - at fair value** | | | | | | |
| **9,800,000** | 7,000,000 | **Hum Network Limited** | 10.3.1 | Television Network | **14.00** | 14.00 | **734,902** | 184,800 |
| **111,256,116*** | 111,256,116 | **BankIslami Pakistan Limited** | 10.3.1 | Islamic Banking | **21.07** | 21.07 | **772,117** | 1,024,669 |
| **20,299,455** | 20,299,455 | **EFU General Insurance Limited** | | General Insurance | **16.24** | 16.24 | **1,865,926** | 1,735,604 |
| | | Balance carried forward | | | | | 3,372,945 | 2,945,073 |

| Number of shares 2013 | Number of shares 2012 | | Note | Activity | Holding 2013 % | Holding 2012 % | 2013 (Rupees in '000) | 2012 (Rupees in '000) |
|---|---|---|---|---|---|---|---|---|
| | | Balance brought forward | | | | | 3,372,945 | 2,945,073 |
| | | **Quoted** | | | | | | |
| 20,047,708 | 17,040,552 | **EFU Life Assurance Limited** | | Life Assurance | 20.05 | 20.05 | 1,638,098 | 1,588,691 |
| 112,157,863 | 112,157,863 | **Azgard Nine Limited** | | Textile Composite | 24.96 | 24.96 | 800,807 | 907,357 |
| 11,500,000 | - | **Pakistan International Bulk Terminal Limited** | 10.3.2 | Bulk Terminal | 21.07 | - | 214,705 | - |
| | | **Un-quoted - at cost** | | | | | | |
| 750,000 | 750,000 | **EFU Services (Private) Limited** | | Investment company | 37.50 | 37.50 | 7,500 | 7,500 |
| - | 11,500,000 | **Pakistan International Bulk Terminal Limited** | | Bulk Terminal | - | 21.07 | - | 115,000 |
| | | | | | | | 6,034,055 | 5,563,621 |

* These represents sponsor shares which are blocked for trading as per the requirements of the State Bank of Pakistan.

**10.3.1** Investments in Hum Network Limited and BankIslami Pakistan Limited represent investment in 'associated companies' by virtue of common directorship in terms of provisions of Companies Ordinance, 1984. However, the company has not accounted for them under equity method, as management has concluded that the Company does not have significant influence in these associates.

**10.3.2** This represents investments in shares which have been listed on The Karachi Stock Exchange Limited with effect from December 23, 2013. Consequently, the shares have been classified at fair value at the year end.

**10.3.3** Included herein are equity securities acquired for Rs. 10,637.69 million (December 31, 2012: Rs. 13,352.04 million) and having market value of Rs. 2,789.60 million (December 31, 2012: Rs. 3,040.66 million) as at December 31, 2013 pledged with various financial institutions against borrowings.

**10.3.4** The original cost of investments in related parties amounts to Rs. 19,565.42 million (December 31, 2012: Rs. 19,565.42 million).

## 10.4 Other investments

### Available for sale

These shares are ordinary shares of Rs.10/- each.

| Number of shares 2013 | Number of shares 2012 | | Note | 2013 (Rupees in '000) | 2012 (Rupees in '000) |
|---|---|---|---|---|---|
| | | **Quoted - at fair value** | | | |
| 7,897,860 | 7,179,873 | Singer Pakistan Limited | 10.4.1 | 187,574 | 152,931 |
| | | **Un-quoted - at cost** | | | |
| 4,007,383 | - | Karachi Stock Exchange Limited | 10.4.2 | 73 | - |
| 3,034,603 | - | Islamabad Stock Exchange Limited | 10.4.3 | 11,100 | - |
| | | | | 11,173 | - |
| | | | | 198,747 | 152,931 |

**10.4.1** **Included herein are equity securities acquired for Rs. 59.95 million (December 31, 2012: Rs. 161.80 million) and having market value of Rs. 110.44 million (December 31, 2012:Rs. 99.04 million) as at December 31, 2013 pledged with various financial institutions against borrowings.**

**10.4.2** **Pursuant to demutualization of the Karachi Stock Exchange (KSE), the ownership rightsin a Stock Exchange were segregated from the right to trade on an exchange. As aresult of such demutualization, the Company received shares and TREC from the KSE against its membership card which was carried at Rs. 100,000 in the books of the Company.**

**The above arrangement has resulted in allocation of 4,007,383 shares at Rs. 10 each with a total face value of Rs. 40 million and TREC to the Company by the KSE. Out of total shares issued by the KSE, the Company has received 40% equity shares i.e. 1,602,953 shares in its CDC account. The remaining 60% shares have been transferred to CDC sub-account in the Company's name under the KSE's participant IDs with the CDC which will remain blocked until these are divested/sold to strategic investor(s), general public and financial institutions and proceeds are paid to the Company.**

The Institute of Chartered Accountants of Pakistan in its technical guide dated May 29, 2013 concluded that the demutualization, in substance, had not resulted in exchange of dissimilar assets, and therefore no gain or loss should be recognized and the segregation of ownership rights and the trading rights should be accounted for by allocating the cost/carrying value of the membership card between the two distinct assets on a reasonable basis.

The above mentioned face value (Rs. 40 million) of the shares issued by the KSE to its members including the Company has been determined on the basis of the fair valuation of the underlying assets and liabilities of the Stock Exchange in accordance with the requirements of the Demutualization Act. In other words, shares worth Rs. 40 million received by the Company represent its share in the fair value of the net assets of the KSE. Under the current circumstances where active market is not available for such shares, this net asset value based valuation has been considered as the closest estimate of the fair value of the shares.

Further recently, the KSE has introduced a minimum capital regime for the brokers, and for this purpose have valued TREC at Rs. 15 million as per the decision of the BOD of the KSE. This fact indicates an acceptable level of value for TREC which is also used by the Stock Exchange for risk management and to safeguard the investor's interest. In the absence of an active market for TREC, this assigned value of Rs. 15 million has been considered as the closest estimate of the fair value of the TREC.

Therefore, based on the above estimates of fair values of KSE shares (Rs. 40 million) and TREC (Rs. 15 million), the Company has allocated its carrying value of the membership card in the ratio of 0.73 to shares and 0.27 to TREC. Consequently, the investments have been recognized at Rs. 73,000 and TREC at Rs. 27,000.

**10.4.3** These represent shares received from Islamabad Stock Exchange (ISE) pursuant to similar demutualization process as mentioned in note 10.4.1 relating to KSE because no reasonable basis has yet been finalized, the management has recorded TREC at token value of Rs. 1,000 whereas the remaining amount (Rs. 11.099 million) has been allocated to shares.

**10.5** The investments in subsidiaries are in Companies which are incorporated in Pakistan, except for JS International Limited which is incorporated in Cayman Islands B.W.I .

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 11. LONG TERM LOANS & ADVANCES

| | Note | 2013 | 2012 |
|---|---|---|---|
| **Loans - secured & considered good** | | | |
| **Due from:** | | | |
| Executives | 11.1 | 2,121 | 2,402 |
| Other employees | | 508 | 197 |
| | 11.2 | 2,629 | 2,599 |
| **Advances - unsecured & considered good** | | | |
| against issue of right share | 11.3 | 400,000 | - |
| against capital expenditure | 11.4 | 2,565 | - |
| | | 402,565 | - |
| Current maturity of long term loans | | (604) | (371) |
| | | 404,590 | 2,228 |

**11.1 Reconciliation of the carrying amount of loan to executives**

| | 2013 | 2012 |
|---|---|---|
| Opening balance | 2,402 | 1,592 |
| Disbursements | 500 | 2,500 |
| Repayments | (781) | (1,690) |
| | 2,121 | 2,402 |

**11.2** This represents loans provided to executives and employees of the Company for purchase of property and home appliances at mark-up rates ranging between 8.00% and 11.94% (December 31, 2012: 8% and 15.00%) per annum in accordance with the Company's employee loan policy. Repayment is made monthly. These loans are secured against mortgage of property and salaries of the employees and are repayable over a period of two to seven years. The maximum aggregate amount due from executives at the end of any month during the year was Rs. 2.841 million (December 31, 2012: Rs. 2.50) million.

**11.3** This represents advance paid to Pakistan International Bulk Terminal against future issue of rights shares.

**11.4** This represents advance paid to supplier for purchase of vehicle.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 12. SHORT TERM LOANS AND ADVANCES

| | Note | 2013 | 2012 |
|---|---|---|---|
| **Current maturity of long term loans** | 11 | 604 | 371 |
| **Advances - unsecured and considered good** | | | |
| against subscription of mutual fund - open end | | - | 100,000 |
| to employees | | 272 | 92 |
| | | 272 | 100,092 |
| | | 876 | 100,463 |

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **13. INTEREST ACCRUED** | | | |
| **Interest accrued:** | | | |
| Bank deposits | | 12,382 | 10,414 |
| Term deposit receipts | | - | 3,075 |
| | | 12,382 | 13,489 |
| **14. SHORT TERM INVESTMENTS** | | | |
| **Available for sale - at fair value** | | | |
| Government securities | | 491,300 | 1,644,314 |
| Equity securities - quoted | | 7,436 | - |
| Mutual funds - open end | | | |
| - Related party | 14.1 | 158,978 | 202,050 |
| - Other | | 211,829 | - |
| | | 370,807 | 202,050 |
| | | 869,543 | 1,846,364 |

**14.1** This represents investment in 1,123,881.20 units having fair value amounting to Rs. 158.98 million (December 31, 2012: Rs. 202.05 million) of JS Value Fund (JSVF), an open end fund managed by JS Investments Limited (a sub-subsidiary of the Company). The investment is JSVF was previously classified as investment in associates, however, subsequent to the conversion of the fund to an open ended fund on June 28, 2013, the investment was classified to available-for-sale category.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **15. CASH AND BANK BALANCES** | | | |
| **Cash in hand** | | 38 | 38 |
| **Balances with banks:** | | | |
| **Current accounts** | | | |
| local currency | 15.1 | 323 | 340 |
| foreign currency | | 2,452 | 2,297 |
| | | 2,775 | 2,637 |
| **Savings accounts** | | | |
| local currency | 15.2 | 1,539,001 | 1,996,378 |
| **Term deposit receipts** | 15.3 | - | 630,000 |
| | | 1,541,814 | 2,629,053 |

**15.1** Included herein is a sum of Rs. 0.02 million (December 31, 2012: Rs. 0.06 million) representing amount placed with JS Bank Limited, a subsidiary company.

15.2 Included herein is a sum of Rs. 1,538.60 million (December 31, 2012: Rs. 1,984.84 million) representing amount placed with JS Bank Limited, a subsidiary company.These carry mark-up ranging between 7.00% and 9.50% (December 31, 2012: 6.00% and 9.50%) per annum.

15.3 These term deposit receipts have been matured during the year.

## 16. NON-CURRENT ASSETS HELD FOR SALE

| | Note | 2013 (Rupees in '000) | 2012 (Rupees in '000) |
|---|---|---|---|
| **Investment in subsidiary:** | | | |
| Credit Chex (Private) Limited | 16.1 | **189,500** | 189,500 |
| Less: Impairment | | **(189,500)** | (189,500) |
| | | **-** | - |

16.1 The Board of Directors of the Company in their meeting held on August 30, 2012 approved to dispose of entire investment in Credit Chex (Private) Limited - a subsidiary of the Company. Accordingly, the Company has entered into a share purchase agreement with LoanLink International (BVI) Limited to sell 1,895,000 shares of Credit Chex (Private) Limited subject to completion of necessary regulatory formalities. The approval of the State Bank of Pakistan has been obtained and the Company is in the phase of completing other formalities.

## 17. SHARE CAPITAL

### 17.1 Authorised capital

| 2013 Number of shares | 2012 Number of shares | | 2013 (Rupees in '000) | 2012 (Rupees in '000) |
|---|---|---|---|---|
| **6,000,000,000** | 6,000,000,000 | Ordinary shares of Rs.10/- each | **60,000,000** | 60,000,000 |
| **500,000,000** | 500,000,000 | Preference shares of Rs. 10/- each | **5,000,000** | 5,000,000 |
| **6,500,000,000** | 6,500,000,000 | | **65,000,000** | 65,000,000 |

### 17.2 Issued, subscribed and paid-up capital

| 2013 Number of shares | 2012 Number of shares | | 2013 (Rupees in '000) | 2012 (Rupees in '000) |
|---|---|---|---|---|
| | | **Ordinary shares of Rs.10/- each:** | | |
| **52,415,925** | 52,415,925 | Fully paid in cash | **524,159** | 524,159 |
| **710,869,398** | 710,869,398 | Fully paid bonus shares | **7,108,694** | 7,108,694 |
| **763,285,323** | 763,285,323 | | **7,632,853** | 7,632,853 |

## 18. LONG TERM FINANCING

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Term Finance Certificates (TFCs)** | | | |
| **Secured:** | | | |
| Second issue | 18.1 | 124,600 | 373,800 |
| Sixth issue | | - | 1,246,927 |
| Seventh Issue | 18.2 | 741,885 | 986,377 |
| Advance against Eighth issue - net of transaction cost | 18.3 | 162,765 | - |
| | | 1,029,250 | 2,607,104 |
| Less: Current portion shown under current liability | | 370,318 | 1,751,734 |
| | | 658,932 | 855,370 |

**18.1** The profit on these TFCs is payable semi-annually, based on the six month KIBOR average rate plus 150 basis points per annum for first 5 years, and thereafter, an increase of 0.10% per annum for next 3 years and a further 0.10% per annum for the last 2 years. These TFCs have a tenor of ten years i.e. 2004-2014 with a call option exercisable by the Company at any time during the tenor of the TFCs after the first 2 years by giving a 3 months notice. These TFCs are secured against lien over a designated account with the Central Depository Company of Pakistan Limited. The account contains marketable securities having a market value of Rs. 265.81 million (December 31, 2012: Rs. 1,082.27 ) million to secure the outstanding principal with the regulatory margin as prescribed by the State Bank of Pakistan's Prudential Regulations. In the event of any sale and repurchase of marketable securities, the lead arranger will have a hypothecation charge on the ensuing receivable and a lien over subsequent cash which is to be maintained in a specified bank account.

**18.2** The profit on these TFCs is payable semi-annually, based on the six month KIBOR average rate plus 240 basis points per annum. These TFCs have a tenor of four years i.e. 2012-2016 with a call option exercisable by the Company at any time on a coupon date during the tenor of the TFCs by giving a 30 days notice. The Instrument is structured to redeem the principal in eight (8) equal semi-annual instalments starting from the 6th month of the Issue Date. These TFCs are secured against lien over a designated account with the Central Depository Company of Pakistan Limited. The account contains marketable securities having a market value of Rs. 1,342.18 million (December 31, 2012: 2,057.44 million) to secure the outstanding principal with 35% margin. In the event of any sale and repurchase of marketable securities, the trustee will have a hypothecation charge on the ensuing receivable and a lien over subsequent cash which is to be maintained in a specified bank account.

**18.3** Represents advance received against issue of term finance certificate of Rs. 750 million (inclusive of green shoe option of Rs. 250 million). The profit on these TFCs will be payable semi-annually, based on the six month KIBOR average rate plus 175 basis points per annum. These TFCs will have a tenor of five years.

| | Note | 2013 | 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 19. TRADE AND OTHER PAYABLES

| | Note | 2013 | 2012 |
|---|---|---|---|
| Accrued liabilities | | 78,461 | 72,969 |
| Unclaimed dividend | | 11,567 | 4,476 |
| Provision for Worker's Welfare Fund | | 60,191 | - |
| Other liabilities | | 1,573 | 2,132 |
| | 19.1 | 151,792 | 79,577 |

**19.1** Includes payable to various related parties amounting to Rs. 48.24 million (December 31, 2012: Rs. 0.01 million).

| | 2013 | 2012 |
|---|---|---|
| | Number of shares | |

## 20. CONTINGENCIES AND COMMITMENT

### 20.1 Commitments

| | 2013 | 2012 |
|---|---|---|
| Underwriting of preference shares of JS Bank Limited | 44,367,808 | - |

### 20.2 Contingencies

**20.2.1** The Additional Commissioner of Inland Revenue – Audit Division (ACIR) issued orders under section 122 (5A) of the Income Tax Ordinance, 2001 (the Ordinance) in respect of the tax years 2008 and 2009. According to the orders, the ACIR raised tax liability of Rs. 217.14 million in respect of the above mentioned tax years. Such additions were made mainly because income was classified under different heads instead of treating income from all sources as business income. Accordingly, expenses were apportioned under section 67 of the Ordinance read with Rule 13 of Income Tax Rules, 2002. The Company filed appeals against the above orders before the Commissioner Inland Revenue – Appeals (CIR-Appeals). Further, the Company has also filed Constitutional petition on point of jurisdiction for Tax year 2009 and obtained stay order against recovery of tax demand.

The CIR-Appeals eliminating the tax liability restored the return versions for the above tax years. The tax department filed appeals to the Appellate Tribunal Inland Revenue (ATIR) against the orders of CIR-Appeals. The ATIR also decided the subject matter in respect of tax years 2008 and 2009 in favour of the Company. However, appeal effect orders passed by the department in respect of aforesaid tax years resulted in income tax refund of Rs. 11.02 million. Rectification applications have been filed with ACIR to allow appeal effect in accordance with the order passed by the ATIR.

The management, based on its discussions with its tax advisors, is confident that the rectifications applied for in respect of appeal effect orders for tax years 2008 and 2009 will eventually be allowed in favour of the Company. Hence, no provision for liability has been made in these financial statements.

**20.2.2** The Additional Commissioner of Inland Revenue – Audit Division (ACIR) has issued another order under section 122 (5A) of the Ordinance in respect of the tax year 2008 and raised an undue demand of Rs. 96.476 million by unlawfully charging minimum tax @ 0.5% u/s 113 of the Ordinance on capital gain of Rs. 19,255.036 million and despite the fact that capital gains are treated under separate head of income as 'Capital Gains' and not as part of 'Income fromBusiness'. Further, capital gains are not covered under the exclusive definition of 'turnover' stipulated in section 113 of the Ordinance. Subsequent to the period end, the Company has filed appeal against the above order before the Commissioner Inland Revenue – Appeals (CIR-Appeals).

The management, based on its discussions with its tax advisors, is confident that the subject matter in respect of tax year 2008 will eventually be decided in favour of the Company. Hence, no provision for liability has been made in these financial statements.

**20.2.3** The Additional Commissioner of Inland Revenue – Audit Division (ACIR) has issued order under section 122 (5A) of the Income Tax Ordinance, 2001 (the Ordinance) in respect of the tax year 2010. According to the order, the ACIR has raised tax liability of Rs. 63.49 million in respect of the above mentioned tax year. The Company filed application for rectification in the order on various grounds including credit for tax of Rs. 54.10 million not allowed by the ACIR against which rectification order under section 221 of the Ordinance was issued according to which the tax demand was reduced to Rs. 9.64 million after accounting for the tax credit. Further, the Company has also filed appeal against the above order before the Commissioner Inland Revenue – Appeals (CIR-Appeals). The CIR-Appeals has confirmed the order of ACIR. As a result of the aforesaid order of CIR-Appeals, the Company has filed an Appeal before the Appellate Tribunal Inland Revenue (ATIR).

The management, based on its discussions with its tax advisors, is confident that the subject matter in respect of tax year 2010 will eventually be decided in favour of the Company. Hence, no provision for liability has been made in these financial statements.

**20.2.4** Citibank Overseas Investment Corporation (COIC) had on February 1, 1999 entered into an agreement to sell 6.00 million shares of Jahangir Siddiqui Investment Bank Limited, now merged into JS Bank Limited, (JSBL) [formerly Citicorp Investment Bank Limited] to the Company. In that agreement it was agreed by the parties that the purchase consideration of Rs.123.90 million (representing 6.00 million shares at the rate of Rs. 20.65 per share) would be adjusted to the extent of 70.00% if there is any subsequent reduction in total disputed tax liability as of December 31, 1998 amounting to Rs.68.65 million as confirmed by a Chartered Accountant firm. Therefore as and when this disputed tax liability is resolved in favour of JSIBL, the Company would pay to the COIC the above amount to the extent of 70.00% which would be adjusted against the purchase consideration for the investment in JSIBL. It should be noted that even if the matter is decided in favour of JSBL, the matter is most likely to be referred to a higher forum.

| | Note | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 21. RETURN ON INVESTMENTS

| | Note | 2013 | 2012 |
|---|---|---|---|
| **Mark-up / interest income from:** | | | |
| **Available for sale** | | | |
| Government securities | | 89,745 | 91,581 |
| **Held-to-maturity** | | | |
| Government securities | | - | 43,389 |
| | | 89,745 | 134,970 |
| **Dividend income on:** | | | |
| Investments in subsidiaries and associate | 21.1 | 95,584 | 13,487 |
| Financial assets at fair value through profit or loss account | | 2,518 | - |
| Available for sale investments | 21.1 | 257,478 | 702,387 |
| | | 355,580 | 715,874 |
| | | 445,325 | 850,844 |

**21.1** Includes dividend income from various related parties amounting to Rs. 352.02 million (December 31, 2012: Rs. 207.89 million).

| | Note | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 22. GAIN ON SALE OF INVESTMENTS - net

| | Note | 2013 | 2012 |
|---|---|---|---|
| Financial assets at fair value through profit or loss account | | 255 | - |
| Available for sale | 22.1 | 8,974 | 2,453,557 |
| Held to maturity | | - | 310 |
| | | 9,229 | 2,453,867 |

**22.1** This includes net gain on sale on investments in related parties amounting to Rs. 9.09 million (December 31, 2012: Nil).

| | Note | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 23. INCOME FROM LONG TERM LOANS AND FUND PLACEMENTS

| | Note | 2013 | 2012 |
|---|---|---|---|
| Interest on loan to employees | | 313 | 348 |
| Return on term deposit receipts | | 12,421 | 4,418 |
| Return on bank deposits | | 129,674 | 80,856 |
| | 23.1 | 142,408 | 85,622 |

**23.1** This includes transactions with related parties amounting to Rs. 132.77 million (December 31, 2012:Rs. 62.13 million).

| | Note | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 24. OTHER INCOME

| | Note | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|---|
| Gain on sale of property and equipment | | 735 | 3,918 |
| Rental income | 24.1 | 32,779 | 45,174 |
| Liability written back | | - | 50,000 |
| Exchange gain | | 192 | 262 |
| | | 33,706 | 99,354 |

**24.1** This represents rent received from related parties in respect of lease and sub lease agreements.

## 25. OPERATING AND ADMINISTRATIVE EXPENSES

| | Note | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Salaries and benefits | 25.1 - 25.3 | 20,602 | 42,333 |
| Telephone, fax, telegram and postage | | 2,022 | 1,365 |
| Vehicle running | | 1,648 | 3,249 |
| Fee for directors / committee meetings | | 1,263 | 1,800 |
| Utilities | | 1,133 | 760 |
| Newspapers and periodicals | | 21 | 41 |
| Conveyance and travelling | | 2,135 | 4,296 |
| Repairs and maintenance | | 2,711 | 3,553 |
| Computer expenses | | 1,674 | 995 |
| Auditors' remuneration | 25.4 | 2,000 | 2,000 |
| Royalty fee | 25.5 | 9,900 | 14,850 |
| Consultancy fee | | 1,800 | 2,805 |
| Advisory fee | 25.6 | 12,000 | 442,944 |
| Legal and professional charges | | 10,611 | 6,891 |
| Printing and stationery | | 3,221 | 4,026 |
| Rent, rates and taxes | | 20,327 | 25,954 |
| Insurance | | 1,131 | 1,841 |
| Entertainment | | 147 | 104 |
| Advertisement | | 2,113 | 687 |
| Office supplies | | 33 | 71 |
| Depreciation | 25.7 | 3,285 | 4,888 |
| Fees and subscription | | 8,111 | 6,347 |
| Donations | 25.8 | 3,617 | 47,251 |
| Brokerage and commission expense | | 350 | 801 |
| Clearing fees | | 502 | 2,113 |
| Office security | | - | 1,230 |
| | | 112,357 | 623,195 |

**25.1** Salaries and benefits include Rs. 1.48 million (December 31, 2012: Rs. 2.45 million) in respect of employee retirement benefits.

| | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|
| | (Rupees in '000) | |
| **25.2** Number of employees at the end of the year/period | 22 | 22 |
| Average number of employees during the year/period | 22 | 22 |

**25.3** The Company's staff retirement benefits includes provident fund - a defined contribution plan. The Company has established a separate provident fund. The information related to the provident fund as at 30 June, 2013 (which is the accounting year of the fund) based on financial statements audited by another firm of chartered accountants is as follows:

| | June 30, 2013 | June 30, 2012 |
|---|---|---|
| | (Rupees in '000) | |
| Number of employees | 21 | 22 |
| Size of provident fund (Rupees in '000) | 22,598 | 24,622 |
| Cost of investment made (Rupees in '000) | 9,940 | 22,906 |
| Percentage of investment made | 44% | 93% |
| Fair value of investment (Rupees in '000) | 10,322 | 24,190 |
| **Breakup of investment - at cost:** | | |
| - Treasury bills | | |
| Amount of investment (Rupees in '000) | - | 22,906 |
| Percentage of size of investment | 0% | 93% |
| - Term finance certificates | | |
| Amount of investment (Rupees in '000) | 4,375 | - |
| Percentage of size of investment | 19% | 0% |
| - Listed equity securities | | |
| Amount of investment (Rupees in '000) | 448 | - |
| Percentage of size of investment | 2% | 0% |
| - Investment in Mutual Funds | | |
| Amount of investment (Rupees in '000) | 5,117 | - |
| Percentage of size of investment | 23% | 0% |

| | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|
| | (Rupees in '000) | |

**25.4 Auditors' remuneration**

| | | |
|---|---|---|
| Annual audit fee | 1,500 | 1,500 |
| Half-yearly and 12 months review fee | 200 | 400 |
| Certifications and other services | 65 | 65 |
| Out of pocket expenses | 35 | 35 |
| Others | 200 | - |
| | 2,000 | 2,000 |

**25.5** This represents royalty on account of use of part of Company's name under an agreement dated April 21, 2004.

**25.6** Represents amount paid to an individual and a director for advisory services rendered in terms of their respective advisory agreements duly approved by the Board of Directors.

| | Note | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **25.7 Depreciation** | | | |
| Operating assets | 7 | 2,565 | 3,909 |
| Investment property | 8 | 720 | 979 |
| | | 3,285 | 4,888 |

**25.8** This represents donation to Mahvash and Jahangir Siddiqui Foundation in which Mr. Munawar Alam Siddiqui, Mr. Ali Jehangir Siddiqui and his spouse are directors. No other directors or their spouses have any interest in any other donee's fund to which donation was made.

| | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|
| | (Rupees in '000) | |

## 26. FINANCE COST

| | | |
|---|---|---|
| Mark-up on long term financing | 177,125 | 515,476 |
| Amortization of transaction costs on term finance certificates | 6,180 | 3,916 |
| Bank charges | 54 | 35 |
| | 183,359 | 519,427 |

## 27. WORKERS' WELFARE FUND

Prior to certain amendments made through the Finance Acts of 2006 & 2008, Worker Welfare Fund (WWF) was levied at 2% of the total income assessable under the Income Tax Ordinance, 2001 excluding incomes falling under the Final Tax Regime (FTR). Through Finance Act, 2008, an amendment was made in Section 4(5) of the WWF Ordinance, 1971 (the Ordinance) whereby WWF liability is applicable at 2% of the higher of the profit before taxation as per the accounts or declared income as per the return.

Aggrieved by the amendments made through the Finance Act, certain stakeholders filed petition against the changes in the Lahore High Court which struck down the aforementioned amendments to the WWF Ordinance in 2011. However, some stakeholders also filed the petition in the Sindh High Court which, in 2013, decided the petition against stakeholders. The Company has recognized aggregate provision amounting to Rs. 60.19 million for the period from 1 July, 2011 to 31 December, 2013.

| | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|
| | (Rupees in '000) | |
| **28. IMPAIRMENT ON INVESTMENTS - NET** | | |
| Subsidiaries | 97,579 | (306,393) |
| Associate | (34,417) | (5,957) |
| Other related parties - Available for sale | - | 299,461 |
| | 63,162 | (12,889) |
| **29. TAXATION** | | |
| **29.1 Reconciliation of tax charge for the year / period** | | |
| Profit before taxation | 217,145 | 2,362,563 |
| Tax at the applicable tax rate of 34% (December 31, 2012: 35%) | 73,829 | 826,897 |
| Tax effect on separate block of income (taxable at reduced rate) | (46,992) | - |
| Tax effect of amount relating to prior year | 58 | (2,609) |
| Tax charge on permanent differences | 41,940 | - |
| Tax losses utilised | (32,374) | (826,897) |
| Others | (147) | - |
| | 36,314 | (2,609) |

### 29.2 Current status of tax assessments

The income tax assessments of the Company have been finalized up to assessment year 2002-2003 corresponding to accounting year ended June 30, 2002. Income tax returns for the tax years 2003 to 2013 have been filed on self-assessment basis and are deemed to be assessed under Section 120 of the Income Tax Ordinance, 2001.

### 29.3 Deferred taxation

The Company has not recorded deferred tax assets in view of uncertainty about the availability of taxable profits in the future against which such losses can be utilized. Further, the Company has assessed and un-assessed carry forward tax losses amounting to Rs. 48.78 million (December 31, 2012 : Rs. 1,154.66 million). The amount of deferred tax asset not recognized in these financial statements amounts to Rs. 13.17 million (December 31, 2012 : Rs. 405.67 million).

| | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|
| | (Rupees in '000) | |

## 30. BASIC AND DILUTED EARNINGS PER SHARE

| | | |
|---|---|---|
| Profit after taxation attributable to Ordinary shareholders | **180,831** | 2,362,563 |
| | (Numbers in '000) | |
| Weighted average number of Ordinary shares outstanding during the year / period. | **763,285** | 763,285 |
| **Earnings per share:** | (Rupees) | |
| Basic and diluted | **0.24** | 3.10 |

| | 2013 | 2012 |
|---|---|---|
| | (Rupees in '000) | |

## 31. CASH AND CASH EQUIVALENTS

| | | |
|---|---|---|
| Cash and bank balances | **1,541,814** | 2,629,053 |
| | **1,541,814** | 2,629,053 |

## 32. RELATED PARTY TRANSACTIONS

Related parties comprise of subsidiaries, associates, joint ventures, companies under common directorship,directors and key management personnel. The Company carries out transactions with related parties at agreed terms. Amount due from and to these related parties are shown under receivables and payables and the remuneration of Directors, Chief Executive and Executives are disclosed in note 33. The names and relationship with subsidiaries, associates, jointly controlled entities and others are given below:

| | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|
| | (Rupees in '000) | |
| **TRANSACTIONS** | | |
| **Subsidiary and Sub-subsidiary Companies:** | | |
| Brokerage expense | **331** | 280 |
| Bank charges paid | **5** | 14 |
| Dividend received | **66,363** | - |
| Sale of government securities | **-** | 597,478 |
| Advisory and arrangement fee paid by the Company | **-** | 11,087 |
| Mark-up paid on TFCs issued by the Company | **6,948** | - |
| Market maker fee paid | **450** | - |
| Purchase of government securities | **2,484,725** | - |
| Rent income | **33,528** | 32,437 |

| | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|
| | (Rupees in '000) | |
| Profit received on fund placements and deposit accounts | **126,041** | 51,696 |
| Investment in TFCs issued by the Company | **-** | 92,000 |
| Redemption of TFCs issued by the Company | **14,688** | - |
| Reimbursement of expenses by the Company | **293** | 624 |
| Reimbursement of expenses to the Company | **22,778** | 20,195 |
| Underwriting commission received | **5,546** | - |
| Shares received other than right issue (No. of shares: 229,678,815) | **-** | 1,686,133 |
| Transfer of shares of a subsidiary (No. of shares: 52,023,617) | **-** | 558,900 |
| Exchange of shares of a associate (No. of shares: 21,734,826) | **-** | 1,127,233 |
| **Associate:** | | |
| Dividend income | **29,221** | 13,487 |
| Brokerage expense | **-** | 127 |
| Investment in units of open end fund | **-** | 200,000 |
| Purchase of government securities | **-** | 194,982 |
| Rental income | **-** | 14,856 |
| Reimbursement of expenses by the Company | **-** | 113 |
| Reimbursement of expenses to the Company | **-** | 3,544 |
| Units received against investment (No. of units) | **-** | 1,931,061 |
| Bonus units received (No. of units) | **-** | 47,302 |
| Units issued on conversion to open end fund (No. of units) | **1,123,881** | - |
| **Common Directorship:** | | |
| Dividend income | **56,700** | 21,000 |
| Reimbursement of expenses to the Company | **548** | - |
| Donation Payable | **51,361** | 47,251 |
| Bonus shares received during the period (No. of Shares) | **2,800,000** | - |
| **Other Related Parties:** | | |
| Dividend paid | **346,197** | - |
| Investment during the period | **100,000** | - |
| Disinvestments during the period | **309,086** | - |
| Advance against future rights call | **400,000** | - |
| Insurance refund / cancellation | **15** | - |
| Insurance claim received | **361** | - |
| Reimbursement of expenses to the Company | **560** | - |
| Dividend income | **199,731** | 186,887 |
| Contributions to Staff Provident Fund | **2,964** | 5,414 |
| Interest / markup paid | **15,922** | 21,868 |
| Principal redemptions made against TFCs | **69,164** | 91,151 |
| Investment in TFCs issued by the Company | **-** | 75,000 |
| Insurance premium paid | **1,234** | 1,916 |
| Proceeds against insurance claim / cancellation | **-** | 66 |
| Royalty paid | **9,900** | 14,850 |
| Advisory fee paid | **6,000** | 9,000 |
| Bonus shares received during the period (No. of Shares) | **3,007,156** | - |
| Bonus units received during the period (No. of Units) | **65,013** | - |
| Units purchased during the period (No. of Units) | **975,277** | - |
| Redemption of units (No. of Units) | **3,018,653** | - |
| **Key management personnel:** | | |
| Interest on long term loans to executives | **283** | 306 |
| Loans and advances disbursed during the year / period | **960** | 2,500 |
| Loan and advances repaid from executives | **844** | 1,673 |
| Proceeds from sale of vehicles | **176** | 1,643 |
| Dividend Paid | **3,742** | - |

| | Note | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **BALANCES** | | | |
| **Subsidiary and Sub-Subsidiary Companies** | | | |
| Receivable against expenses incurred on their behalf | | 782 | 291 |
| Cash at bank accounts | | 1,538,625 | 1,984,899 |
| Profit receivable on deposit accounts | | 12,380 | - |
| Markup payable on TFC issued by the company | | 163 | - |
| Principal outstanding of TFC's issued by the company | | 7,875 | - |
| **Common directorship** | | | |
| Receivable against expenses incurred on its behalf | | - | 140 |
| **Other Related Parties** | | | |
| Principal outstanding of TFCs issued by the company | | 78,750 | - |
| Markup payable on TFCs issued by the company | | 1,627 | - |
| **Key management personnel** | | | |
| Loans and advances | | 2,328 | 2,402 |

## 33. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including certain benefits to directors, chief executive and executives of the Company is as follows:

| | Directors | | Chief Executive | | Executives | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | (Rupees in '000) | | | | | |
| Managerial remuneration | - | - | 7,278 | 11,334 | 4,807 | 10,000 |
| House rent allowance | - | - | - | 2,133 | 1,923 | 4,000 |
| Utilities allowance | - | - | - | 533 | 321 | 1,000 |
| Advisory fee | 6,000 | 430,944 | - | - | - | - |
| Contribution to provident fund | - | - | 728 | 1,133 | 488 | 964 |
| Medical | - | - | 728 | 655 | 214 | 103 |
| Reimbursable expenses | - | - | 354 | 625 | 947 | 1,424 |
| | 6,000 | 430,944 | 9,088 | 16,413 | 8,700 | 17,491 |
| Number of persons | 1 | 1 | 1 | 2 | 6 | 7 |

**33.1 The Company also provides certain executives with Company maintained cars.**

33.2 The Company has paid Rs. Nil (December 31, 2012: Rs. 2.4 million) to directors as fee fordirectors meeting.

## 34. FINANCIAL INSTRUMENTS BY CATEGORY

| | December 31, 2013 | | |
|---|---|---|---|
| | Loans and receivables | Available for sale | Total |
| | (Rupees in '000) | | |
| **Assets** | | | |
| **Non-current assets** | | | |
| Long term investments | - | 6,232,802 | 6,232,802 |
| Long-term loans - considered good | 405,466 | - | 405,466 |
| Long term security deposits | 704 | - | 704 |
| | 406,170 | 6,232,802 | 6,638,972 |
| **Current assets** | | | |
| Short term loans and advances | 876 | - | 876 |
| Other receivables | 1,202 | - | 1,202 |
| Interest accrued | 12,382 | - | 12,382 |
| Financial asset - Short term Investments | - | 869,543 | 869,543 |
| Cash and bank balances | 1,541,814 | - | 1,541,814 |
| | 1,556,274 | 869,543 | 2,425,817 |
| | 1,962,444 | 7,102,345 | 9,064,789 |

| | December 31, 2013 | | |
|---|---|---|---|
| | Fair value through profit or loss | At Amortized Cost | Total |
| | (Rupees in '000) | | |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Long term financing | - | 658,932 | 658,932 |
| | - | 658,932 | 658,932 |
| **Current Liabilities** | | | |
| Trade and other payables | - | 91,601 | 91,601 |
| Accrued interest on long term borrowings | - | 18,374 | 18,374 |
| Current portion of long term financing | - | 370,318 | 370,318 |
| | - | 480,293 | 480,293 |
| | - | 1,139,225 | 1,139,225 |

| | December 31,2012 | | |
|---|---|---|---|
| | Loans and receivables | Available for sale | Total |
| | ----------------------------- (Rupees in '000) | | ---------------- |
| **Assets** | | | |
| **Non-current assets** | | | |
| Long term investments | - | 5,716,552 | 5,716,552 |
| Long-term loans - considered good | 102,691 | - | 102,691 |
| Long term security deposits | 1,674 | - | 1,674 |
| | 104,365 | 5,716,552 | 5,820,917 |
| **Current assets** | | | |
| Short term loans and advances | 100,463 | - | 100,463 |
| Other receivables | 703 | - | 703 |
| nterest accrued | 13,489 | - | 13,489 |
| Financial asset - Short term Investments | - | 1,846,364 | 1,846,364 |
| Cash and bank balances | 2,629,053 | - | 2,629,053 |
| | 2,743,708 | 1,846,364 | 4,590,072 |
| | 2,848,073 | 7,562,916 | 10,410,989 |

| | December 31, 2012 | | |
|---|---|---|---|
| | Fair value through profit or loss | At Amortized Cost | Total |
| | ----------------------------- (Rupees in '000) | | ---------------- |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Long term financing | | 855,370 | 855,370 |
| | - | 855,370 | 855,370 |
| **Current Liabilities** | | | |
| Trade and other payables | - | 79,577 | 79,577 |
| Accrued interest on long term borrowings | | 109,728 | 109,728 |
| Current portion of long term financing | - | 1,751,734 | 1,751,734 |
| | - | 1,941,039 | 1,941,039 |
| | - | 2,796,409 | 2,796,409 |

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks: market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk and credit risk that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Executive Risk Committee, ultimately responsible for the management of risk associated with the Company's activities, have established Statement of Investment and Operating Policy (SIOP), risk management guidelines and other internal guidelines for the management and assessment of the aforesaid financial risks.

### 35.1 Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments, and derivative financial instruments.

The following discussion includes sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable. Financial instruments affected by market risk include bank overdrafts, term finance certificates, investments and cash and bank balances.

The sensitivity has been prepared for periods ended December 31, 2013 and December 31, 2012 using the amounts of financial assets and liabilities held as at those balance sheet dates.

#### 35.1.1 Interest rate risk exposure

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Company has financial instruments with both fixed and floating interest rates as specifically disclosed in the respective notes. The Company while dealing in financial instruments negotiates attractive interest rates, which reduces the interest rate price risk.

The Company's interest rate exposure on financial instruments is disclosed as follows;

| | Carrying amount | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| | (Rupees) | |
| Fixed rate investments | 491,300 | 1,644,314 |
| Variable rate investments | 1,539,001 | 2,626,378 |

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit after tax and equity;

| | Increase / (decrease) in basis points | Effect on profit after tax | Effect on other components of equity |
|---|---|---|---|
| | | (Rupees in '000) | |
| **December 31, 2013** | **100** | **(13,994)** | **241** |
| | **(100)** | **13,994** | **(241)** |
| **December 31, 2012** | 100 | (31,757) | 1,978 |
| | (100) | 31,757 | (1,978) |

**35.1.2 Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's net investments in foreign subsidiaries and to foreign exchange bank accounts.

Financial assets exposed to foreign exchange rate risk amounts to Rs. 2.45 million equivalent to USD 23,302 (December 31, 2012 : Rs. 2.3 million equivalent to USD 23,704) at the year end.

The following table demonstrates the sensitivity to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Company's equity.

| | Change in US$ rate basis points | Effect on profit after tax | Effect on other components of equity |
|---|---|---|---|
| | | (Rupees in '000) | |
| **December 31, 2013** | **2.50** | **58** | **-** |
| | **(2.50)** | **(58)** | **-** |
| **December 31, 2012** | 2.50 | 59 | - |
| | (2.50) | (59) | - |

**35.1.3 Equity price risk**

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

The Company's quoted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification. Reports on the equity portfolio are submitted to the Company's Board of Directors on a regular basis. The Board of Directors review and approve all equity investment decisions.

**Fair value sensitivity analysis for fixed rate instruments**

The following table summarizes the Company's equity price risk as of December 31, 2013 and December 31, 2012. It shows the effects of an estimated increase of 10% in the equity market prices as on those dates. A decrease of 10% in the fair values of the quoted securities would effect profit and equity of the Company in a similar but opposite manner.

| | Fair Value (Rs. in million) | Price change | Effect on profit for the period | Effect on shareholders' equity |
|---|---|---|---|---|
| | | | .........(Rs. in million)......... | |
| **December 31, 2013** | **6,592.37** | **10% increase** | **-** | **655.61** |
| December 31, 2012 | 5,594.05 | 10% increase | - | 559.35 |

### 35.2 Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due under normal circumstances. To guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the Company's financial liabilities. The contractual maturities of these liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. Financial liabilities not having a contractual maturity are assumed to mature on the expected date on which the liabilities will be realised / settled.

| | December 31, 2013 | | | |
|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Up to one year | Over one year to five years |
| | ....................(Rupees in '000).................... | | | |
| **Financial liabilities** | | | | |
| Long term financing | **1,029,250** | **1,029,250** | **370,318** | **658,932** |
| Trade and other payables | **91,601** | **91,601** | **91,601** | **-** |
| Accrued interest / mark-up on borrowings | **18,374** | **18,374** | **18,374** | **-** |
| | **1,139,225** | **1,139,225** | **480,293** | **658,932** |

| | December 31, 2012 | | | |
|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Up to one year | Over one year to five years |
| | ....................(Rupees in '000).................... | | | |
| **Financial liabilities** | | | | |
| Long term financing | 2,607,104 | 2,607,104 | 1,751,734 | 855,370 |
| Trade and other payables | 79,577 | 79,577 | 79,577 | - |
| Accrued interest / mark-up on borrowings | 109,728 | 109,728 | 109,728 | - |
| | 2,796,409 | 2,796,409 | 1,941,039 | 855,370 |

### 35.3 Credit Risk

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

**Concentration of credit risk and credit exposure of the financial instruments**

Concentration of credit risk arises when a number of counterparties are engaged in similar businessactivities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit riskindicate the relative sensitivity of a Company's performance to developments affecting a particular industry.

The Company is exposed to credit risk on trade debts, loans, funds placements and certain advances. The Company seeks to minimise its credit risk exposure through having exposures only to customers considered creditworthy by obtaining adequate collateral. The following analyses the Company's maximum exposure to credit risk:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | (Rupees in '000) | |
| Loans and advances | **405,466** | 102,691 |
| Long term security deposits | **704** | 1,674 |
| Interest accrued and other receivables | **13,584** | 14,192 |
| Cash and bank balances | **1,541,776** | 2,629,053 |

The analysis below summarises the credit quality of the Company's liquid portfolio as on December 31, 2013:

**Bank balances and term deposits rating by Rating Category**

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | (Rupees in '000) | |
| AAA | **-** | 0.09% |
| AA- to AA+ | **-** | 13.33% |
| A- to A+ | **-** | 86.58% |
| A1 to A+ | **99.80%** | - |
| A1 to A | **0.20%** | - |
| Total | **100.00%** | 100.00% |

**Investment in units of mutual funds**

The Company has investments in units of mutual funds have rating ranging from AAA to A+ at reporting date.

### 35.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's operations either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Company's activities.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibility;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

## 36. CAPITAL RISK MANAGEMENT

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, trade and other payables,less cash and bank balances and fund placements. Capital signifies equity as shown in the balance sheet plus net debt.

During the year ended December 31, 2013, the Company's strategy was to reduce its leveraged gearing. The gearing ratios as at December 31, 2013 and December 31, 2012 were as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | (Rupees in '000) | |
| Long term financing | 1,029,250 | 2,607,104 |
| Trade and other payables | 151,792 | 79,577 |
| Accrued interest / mark-up on borrowings | 18,374 | 109,728 |
| **Total debt** | 1,199,416 | 2,796,409 |
| Cash and bank balances | 1,541,814 | 2,629,053 |
| **Net (surplus) / debt** | (342,398) | 167,356 |
| Share Capital | 7,632,853 | 7,632,853 |
| Reserves | 6,136,099 | 5,989,508 |
| **Equity** | 13,768,952 | 13,622,361 |
| **Capital** | 13,426,554 | 13,789,717 |
| **Gearing ratio** | 0% | 1% |

The Company finances its investment portfolio through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk. A significant decrease in the gearing ratio during the period ended December 31, 2012 resulted primarily from the fact that the Company sold its entire stake in Pakistan International Container Terminal Limited against a sum of Rs. 3,630.84 million which resulted in surplus liquidity for planned long term investments. Further, the Company is no longer availing the short term borrowing facilities as at period end and the complete redemption of the sixth issue of term finance certificates.

## 37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeablewilling parties in an arm's length transaction. Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

For investments in government securities, fair value is determined by reference to quotations obtained from PKRV Reuters page. In respect of investments in quoted equity securities, fair value is determined by reference to stock exchange quoted market price at the close of business day. For term finance certificates, fair value is determined by reference to average broker rates.

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

**Level 1:** Quoted prices in active markets for identical assets or liabilities.

**Level 2:** Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and;

**Level 3:** Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | December 31, 2013 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | ....................(Rupees in '000)..................... | | | |
| **Available for sale investments** | | | | |
| Equity Securities | 6,214,129 | - | 18,673 | 6,232,802 |
| Government securities | - | 491,300 | - | 491,300 |
| Mutual fund - open end | - | 370,807 | - | 370,807 |
| | **6,214,129** | **862,107** | **18,673** | **7,094,909** |

| | December 31, 2012 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | ....................(Rupees in '000)..................... | | | |
| **Available for sale investments** | | | | |
| Equity Securities | 5,594,052 | - | 122,500 | 5,716,552 |
| Government securities | - | 1,644,314 | - | 1,644,314 |
| Mutual fund - open end | - | 202,050 | - | 202,050 |
| | 5,594,052 | 1,846,364 | 122,500 | 7,562,916 |

## 38. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 28, 2014 by the Board of Directors of the Company.

## 39. GENERAL

Figures have been rounded off to the nearest thousand rupees.

**Chief Justice (R) Mahboob Ahmed**
Chairman

**Suleman Lalani**
Chief Executive

# Directors' Report to the Shareholders on Consolidated Financial Statements

It gives me immense pleasure to present to you the report on the audited consolidated financial statements of Jahangir Siddiqui & Co. Ltd. (the "Holding Company") and its subsidiaries and Auditor's report thereon for year ended December 31, 2013.

**Management's Disclosure of Financial Responsibility**

The Company's management is responsible for preparing the consolidated financial statements and related notes contained in the Annual Report.

These consolidated financial statements and notes are prepared in accordance with generally accepted accounting principles in Pakistan. Other financial data included in the Annual Report are consistent with the data in the financial statements.

The Company's accounting policies are integral to understanding the results reported. Accounting policies are described in detail in the notes to the financial statements. The company's most complex accounting policies require management's judgment to ascertain the valuation of assets and liabilities. The Company has established detailed policies and control procedures that are intended to ensure that valuation methods are fair, well controlled and applied consistently.

The Audit Committee of the Board of Directors is responsible for monitoring the integrity of the Company's financial statements, control system and the independence and performance of its internal and independent auditors. The Audit Committee is comprised of three Directors and operates under the terms of reference approved by the Board.

**Performance of Key Investments**

**JS Bank Ltd.**

During the year, JS Bank's branch network grew to 211 branches and the Bank plans to grow its network further.

The Bank has earned a profit after tax of PKR 351 million for the period from January 01, 2013 to December 31, 2013 as compared to a profit after tax of PKR 709 million (restated), a decrease of 50.49% over the corresponding period last year mainly due to increase in administrative cost by PKR 486 million.

The deposit base of the Bank grew by 29.37% to PKR 81 billion as at December 31, 2013 from PKR 62 billion as at December 31, 2012. On the assets side advances grew by 68.35% for the period mentioned above.

The paid up capital (free of losses) of the Bank as at December 31, 2013 stood at PKR 8.62 billion. The State Bank of Pakistan (SBP) has granted extension to the Bank till February 28, 2014 in respect of complying with the minimum capital requirement of PKR 10 billion of paid up capital (free of losses) by the end of financial year 2013.

Subsequent to the period end, on February 19, 2014, the Bank completed the issue of PKR 1.50 billion unlisted, convertible, irredeemable, perpetual, non-cumulative, non-voting preference shares pursuant to the final approval of the SBP dated December 30, 2013. As a result, the paid up capital of the Bank has increased by PKR 1.50 billion and it is compliant with SBP's minimum capital requirements as at that date.

**JS Investments Ltd. (Sub-Subsidiary)**

The Company witnessed strong growth in profit after tax of PKR 598 million during the year ended December 31, 2013 as compared to profit after tax of PKR 203 million for the eighteen month period ended December 31, 2012.

Further, the assets under management were PKR 12.85 billion as on December 31, 2013 compared to PKR 12.33 billion as on December 31, 2012 depicting an increase of 4.22% during the year under review.

This financial performance resulted in enhancing the shareholders equity of the Company to PKR 1,798 million as on December 31, 2013 from PKR 1,230 million as on December 31, 2012, which translated an increase of shareholders wealth by 46.18% on YTD basis. The breakup value per share as of the year end also increased to PKR 17.97 per share from PKR 12.30 per share over the comparative period.

### JS Global Capital Ltd. (Sub-Subsidiary)

Profit after tax during the year ended December 31, 2013 was PKR 150 million as compared to PKR 290 million during the eighteen month period ended December 31, 2012. The operating revenue of JSGCL was PKR 257 million, capital gain on sale of investments was PKR 18 million and other income was PKR 255 million. Further, JSGCL has reported PKR 296 million for the year under review in respect of administrative and operating expenses. JSGCL has taken several steps for rationalizing its cost base whilst striving for revenue optimization from treasury management, core brokerage and fee-based operations to reap the maximum benefits for its shareholders.

### Consolidated Financial Statements

The Company has reported a net profit of PKR 463 million for the year ended December 31, 2013 as compared to a net profit of PKR 3,481 million for the eighteen month period ended December 31, 2012.

| | (PKR in '000) |
|---|---|
| **Profit before taxation from continuing operations** | 745,954 |
| Less: Taxation | |
| - Current | 262,006 |
| - Prior | 1,508 |
| - Deferred | 15,850 |
| | 279,364 |
| **Profit after taxation from continuing operations** | **466,590** |
| Loss after taxation from discontinued operations | (3,887) |
| **Net profit for the year** | **462,703** |
| Profit attributable to non-controlling interests | 199,408 |
| **Profit for the year attributable to ordinary shareholders** | **263,295** |

Basic earnings per share from continuing operations is PKR 0.35.

The total income from continuing operations has declined by 35% over the last period, i.e. eighteen month period ended December 31, 2012, mainly on account of decrease in return on investments, gain on sale of investments and income on fund placements made during the period under review.

Impairment in value of investments has reduced by PKR 418 million to PKR 95 million over last period. Furthermore, the carrying value of management rights of PKR 585 million in the consolidated financial statements pertaining to the funds managed by JS Investments Limited, a sub-subsidiary of the Company, have been completely charged to impairment in line with the treatment adopted by JS Investments Limited on account of conversion of closed end funds to open end scheme which resulted in negative impact on the results for the current year over last period.

The auditors have drawn attention to note 10.1.2 to the accompanying financial statements which describes the uncertainty related to the outcome of the lawsuit filed by a joint venture of one of the subsidiaries. Based on the legal advice obtained, the management believes that likelihood of any adverse outcome in respect of said lawsuit is remote.

**Pattern of Shareholding**

The Statement of Pattern of Shareholding as on December 31st, 2013 is annexed to this report.

For and on behalf of the
Board of Directors

**Chief Justice (R) Mahboob Ahmed**
Chairman
Karachi: February 28, 2014

# Auditors' Report On The Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Jahangir Siddiqui & Co. Ltd. (the Holding Company) and its subsidiary companies (together, the Group) as at December 31, 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary companies except JS Infocom Limited, JS International Limited, JS International LLP and Energy Infrastructure Holding (Private) Limited which were audited by other firms of auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such companies, is based solely on the reports of such auditors. The financial statements of Credit Chex (Private) Limited are unaudited.

These consolidated financial statements are responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly includes such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary companies as at December 31, 2013 and the results of their operations for the year then ended.

We draw attention to note 10.2.1 to the accompanying consolidated financial statements which describes the uncertainty related to outcome of the lawsuit filed by a joint venture of a subsidiary company namely Energy Infrastructure Holdings (Private) Limited. Our opinion is not qualified in respect of this matter.

The consolidated financial statements for the period ended December 31, 2012 were audited by another firm of Chartered Accountants who through their report dated March 04, 2013 expressed an unqualified opinion thereon.

**M. Yousuf Adil Saleem & Co**
Chartered Accountants

**Engagement Partner:**
Nadeem Yousuf Adil

**Date:** February 28, 2014

**Place:** Karachi


# CONSOLIDATED
# FINANCIAL STATEMENTS

# Consolidated Balance Sheet

As at December 31, 2013

| | Note | December 31, 2013 | December 31, 2012 * (Restated) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Fixed assets: | | | |
| - Property and equipment | 7 | 2,205,868 | 1,798,330 |
| - Intangible assets | 8 | 185,068 | 1,306,424 |
| - Investment property | 9 | 2,471 | 3,191 |
| Long term investments | 10 | 6,540,018 | 6,267,619 |
| Long term loans, advances and other receivables | 11 | 2,987,007 | 737,368 |
| Long term deposits | | 9,227 | 16,513 |
| Deferred taxation | 12 | 1,052,958 | 869,588 |
| | | 12,982,617 | 10,999,033 |
| **Current assets** | | | |
| Short term investments | 13 | 45,250,138 | 50,118,587 |
| Trade debts | 14 | 303,760 | 564,756 |
| Loans and advances | 15 | 31,203,878 | 19,190,916 |
| Accrued mark-up | 16 | 1,334,807 | 720,352 |
| Short-term prepayments, deposits and other receivables | 17 | 657,305 | 603,981 |
| Other financial assets - fund placements | 18 | 21,585,799 | 3,940,958 |
| Taxation - net | | 440,072 | 525,620 |
| Cash and bank balances | 19 | 8,413,827 | 6,934,808 |
| | | 109,189,586 | 82,599,978 |
| Assets classified as held for sale | 20 | 3,536 | 3,788 |
| | | 122,175,739 | 93,602,799 |
| **EQUITY AND LIABILITIES** | | | |
| **Share capital and reserves** | | | |
| Share capital | 21 | 7,632,853 | 7,632,853 |
| Reserves | 22 | 7,190,933 | 7,099,631 |
| Equity attributable to equity holders of the parent | | 14,823,786 | 14,732,484 |
| Non-controlling interest | | 4,277,080 | 4,893,334 |
| **Total equity** | | 19,100,866 | 19,625,818 |
| **Non-current liabilities** | | | |
| Long term financing | 23 | 651,056 | 827,908 |
| Long-term deposits and other accounts | 24 | 142,667 | 28,521 |
| Deferred liability - employee benefit | 43 | 1,289 | 11,358 |
| | | 795,012 | 867,787 |
| **Current liabilities** | | | |
| Trade and other payables | 25 | 2,729,410 | 1,871,850 |
| Accrued interest / mark-up on borrowings | 26 | 568,310 | 574,995 |
| Short term borrowings | 27 | 20,150,846 | 8,811,882 |
| Current portion of non-current liabilities | 28 | 78,751,025 | 61,775,288 |
| | | 102,199,591 | 73,034,015 |
| Liabilities directly associated with assets classified as held for sale | 20 | 80,270 | 75,179 |
| **Contingencies and commitments** | 29 | | |
| | | 122,175,739 | 93,602,799 |

* Change in accounting policy as disclosed in note 5.1

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

**Chief Justice (R) Mahboob Ahmed**
Chairman

**Suleman Lalani**
Chief Executive

# Consolidated Profit and Loss Account

For the year ended December 31, 2013

| | Note | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 * (Restated) |
|---|---|---|---|
| | | (Rupees in '000) | |
| **CONTINUING OPERATIONS** | | | |
| **Income** | | | |
| Return on investments | 30 | 4,579,513 | 5,815,351 |
| Gain on sale of investments - net | 31 | 774,685 | 3,870,755 |
| Income from long term loans and fund placements | 32 | 3,073,537 | 3,853,036 |
| Fee, commission and brokerage | 33 | 1,160,698 | 1,496,600 |
| Other Income | 34 | 408,499 | 539,792 |
| Gain on revaluation of investments carried at fair value through profit or loss - held for trading - net | | 169,050 | 127,417 |
| | | 10,165,982 | 15,702,951 |
| **Expenditure** | | | |
| Administrative and other expenses | 35 | 4,145,894 | 5,538,294 |
| Finance cost | 36 | 4,573,266 | 5,745,451 |
| Workers' Welfare Fund | 25.1 | 126,271 | - |
| Provision for: | | | |
| - Impairment on investments | 37 | 95,171 | 513,054 |
| - Impairment of intangibles | 8 | 585,197 | 40,215 |
| | | 9,525,799 | 11,837,014 |
| | | 640,183 | 3,865,937 |
| **Share of profit / (loss) from:** | 38 | | |
| Associate | | 107,771 | 149,608 |
| Joint venture | | (2,000) | (3,609) |
| | | 105,771 | 145,999 |
| **Profit before tax from continuing operations** | | 745,954 | 4,011,936 |
| **Taxation** | 39 | | |
| - Current | | 262,006 | 189,277 |
| - Prior | | 1,508 | (66,215) |
| - Deferred | | 15,850 | 370,927 |
| | | 279,364 | 493,989 |
| **Profit after tax from continuing operations** | | 466,590 | 3,517,947 |
| **DISCONTINUED OPERATIONS** | | | |
| Loss after taxation for the year from discontinued operations | 20 | (3,887) | (36,075) |
| **PROFIT FOR THE YEAR / PERIOD** | | 462,703 | 3,481,872 |
| **Attributable to:** | | | |
| Equity holders of the parent | | 263,295 | 2,966,626 |
| Non-controlling interests | | 199,408 | 515,246 |
| | | 462,703 | 3,481,872 |
| **EARNINGS / (LOSS) PER SHARE** | | ................... (Rupees) | ................ |
| **Basic and diluted** | | | |
| Continuing operations | | 0.35 | 3.85 |
| Discontinued operations | | (0.01) | (0.04) |
| | 40 | 0.34 | 3.81 |

* Change in accounting policy as disclosed in note 5.1

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

**Chief Justice (R) Mahboob Ahmed**
Chairman

**Suleman Lalani**
Chief Executive

# Consolidated Statement of Comprehensive Income

For the year ended December 31, 2013

| | Note | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 * (Restated) |
|---|---|---|---|
| | | (Rupees in '000) | |
| **PROFIT AFTER TAX FOR THE YEAR / PERIOD** | | 462,703 | 3,481,872 |
| **OTHER COMPREHENSIVE INCOME:** | | | |
| **Items that will not be classified subsequently to profit and loss account** | | | |
| Actuarial gains on defined benefit plan - net of tax | 43.5 | 1,668 | (3,396) |
| Total items that will not be classified subsequently to profit and loss account | | 1,668 | (3,396) |
| **Items that may be classified subsequently to profit and loss account:** | | | |
| Net gain on revaluation of available for sale investments during the year / period | | 851,516 | 5,886,622 |
| Reclassification adjustments included in profit and loss account for disposal of investments - net | | (669,619) | (3,761,389) |
| Impairment on investments - net | | 133,333 | 448,663 |
| | | 315,230 | 2,573,896 |
| Exchange difference on translation of net assets of foreign subsidiaries | | 72,574 | 26,989 |
| Share of other comprehensive loss of associates | 41 | - | (3,021) |
| Total items that may be classified subsequently to profit and loss account - net of tax | | 387,804 | 2,597,864 |
| Total other comprehensive income for the year / period | | 389,472 | 2,594,468 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR / PERIOD** | | 852,175 | 6,076,340 |
| **Attributable to:** | | | |
| Equity holders of the parent | | 663,766 | 5,381,622 |
| Non-controlling interest | | 188,409 | 694,718 |
| | | 852,175 | 6,076,340 |

* Change in accounting policy as disclosed in note 5.1

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

**Chief Justice (R) Mahboob Ahmed**
Chairman

**Suleman Lalani**
Chief Executive

# Consolidated Cash Flow Statement

For the year ended December 31, 2013

| | Note | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 * (Restated) |
|---|---|---|---|
| | | (Rupees in '000) | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit / (Loss) before taxation from continuing operations | | 745,954 | 4,011,936 |
| (Loss) / Profit before taxation from discontinued operations | 20 | (3,888) | (35,919) |
| | | 742,066 | 3,976,017 |
| **Non-cash adjustments to reconcile profit before tax to net cash flows** | | | |
| Depreciation | | 299,805 | 397,045 |
| Amortisation of intangible assets | | 21,844 | 30,457 |
| Amortisation of transaction cost on term finance certificates | | 6,180 | 3,916 |
| Gain on sale of property and equipment | | (47,275) | (60,583) |
| Liability no longer payable written back | | - | (50,000) |
| Specie dividend income | | - | (115,000) |
| Charge for defined benefit plan | | 14,566 | (55,417) |
| (Gain) / loss on revaluation of investments carried at fair value through profit and loss account - net | | (169,050) | (127,417) |
| Provision for doubtful debts | | 431,231 | - |
| Impairment on investments | | 95,171 | 508,500 |
| Impairment of intangibles | | 585,197 | 40,215 |
| Share of profit in associates and joint ventures | | (105,771) | (145,999) |
| Finance cost | | 4,567,086 | 5,741,906 |
| | | 5,698,984 | 6,167,623 |
| **Operating profit before working capital changes** | | 6,441,050 | 10,143,640 |
| **(Increase) / decrease in operating assets:** | | | |
| Loans and advances | | (12,442,894) | (6,312,879) |
| Short term investments | | 4,811,461 | (27,992,817) |
| Trade debts | | 259,697 | (413,053) |
| Long term loans, advances and other receivables | | (2,242,353) | 2,713,030 |
| Fund placements - net | | (17,644,841) | (2,277,044) |
| Deposits, prepayments, accrued mark-up and other receivables | | (667,779) | (324,106) |
| | | (27,926,709) | (34,606,869) |
| **Increase/(decrease) in operating liabilities:** | | | |
| Trade and other payables | | 864,878 | 598,443 |
| Deposits and other accounts | | 18,574,419 | 26,998,342 |
| **Net cash generated from / (used in) operations** | | (2,046,362) | 3,133,556 |
| Interest / mark-up paid | | (4,573,758) | (5,544,715) |
| Taxes paid | | (177,907) | (235,760) |
| Dividend paid (including non-controlling interest) | | (828,248) | (77,664) |
| **Net cash (used in) / generated from operations** | | (7,626,275) | (2,724,583) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Capital expenditure incurred | | (724,949) | (494,176) |
| Intangible assets acquired | | (74,313) | (19,271) |
| Proceeds from sale of property and equipment | | 65,601 | 84,256 |
| Acquisition of a subsidiary - net of cash acquired | | - | 481,033 |
| Long-term investments made - net of sale | | (2,000) | 1,076,201 |
| **Net cash generated from investing activities** | | (735,661) | 1,128,043 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of Ordinary shares | | - | - |
| Redemption of Term Finance Certificates - net | | (1,498,009) | (496,682) |
| Long term loans - net of repayments | | - | (14,529) |
| Securities sold under repurchase agreements - net | | 9,699,325 | 5,075,134 |
| **Net cash generated from financing activities** | | 8,201,316 | 4,563,923 |
| **NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS** | | (160,620) | 2,967,383 |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD** | | 5,604,204 | 2,636,821 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | 42 | 5,443,584 | 5,604,204 |

* Change in accounting policy as disclosed in note 5.1

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements

**Chief Justice (R) Mahboob Ahmed**
Chairman

**Suleman Lalani**
Chief Executive

# JAHANGIR SIDDIQUI & CO. LTD.

## Consolidated Statement Of Changes In Equity

For the year ended December 31, 2013

| | Note | Attributable to ordinary equity holders of the parent | | | | | | | | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Reserves | | | | | | | | |
| | | | Capital reserves | | | | Revenue | | | | |
| | | Issued, subscribed and paid-up share capital | "Ordinary share premium" | "Foreign exchange translation reserve | Unrealised gain on revaluation of available for sale investments - net | Statutory | General | Unappropriated profit / (accumulated loss) | Sub-total | | |
| | | (Rupees in '000) | | | | | | | | | |
| **Balance as at July 1, 2011** | | 7,632,853 | 5,284,746 | 28,028 | 1,046,103 | 18,160 | 10,000,000 | (14,546,402) | 9,463,488 | 2,758,829 | 12,222,317 |
| Effect of change in accounting policy as disclosed in note 5.1 | | - | - | - | - | (270) | - | 10,091 | 9,821 | 4,125 | 13,946 |
| **Balance as at July 1, 2011 (restated)** | | 7,632,853 | 5,284,746 | 28,028 | 1,046,103 | 17,890 | 10,000,000 | (14,536,311) | 9,473,309 | 2,762,954 | 12,236,263 |
| **Total comprehensive income for the period** | | | | | | | | | | | |
| Profit for the eighteen months period ended December 31, 2012 (restated) | | - | - | - | - | - | | 2,966,626 | 2,966,626 | 515,246 | 3,481,872 |
| Other comprehensive income - as restated | | - | (786,852) | 26,989 | 2,390,907 | - | - | 784,643 | 2,415,687 | 178,781 | 2,594,468 |
| Total comprehensive income for the eighteen months period ended December 31, 2012 | | - | (786,852) | 26,989 | 2,390,907 | - | - | 3,751,269 | 5,382,313 | 694,027 | 6,076,340 |
| Transfer to statutory reserve - as restated | | - | - | - | - | 150,547 | - | (150,547) | - | - | - |
| Transfer from general reserve | | - | - | - | - | - | (10,000,000) | 10,000,000 | - | - | - |
| Adjustment to non-controlling interest on group reorganisation | 6.1 & 6.2 | - | - | - | - | (10,091) | - | (113,047) | (123,138) | 1,436,353 | 1,313,215 |
| **Balance as at December 31, 2012 - restated** | | **7,632,853** | **4,497,894** | **55,017** | **3,437,010** | **158,346** | **-** | **(1,048,636)** | **14,732,484** | **4,893,334** | **19,625,818** |
| **Balance as at January 1, 2013 - restated** | | 7,632,853 | 4,497,894 | 55,017 | 3,437,010 | 158,346 | - | (1,048,636) | 14,732,484 | 4,893,334 | 19,625,818 |
| **Total comprehensive income for the year** | | | | | | | | | | | |
| Profit for the year ended December 31, 2013 | | - | - | - | - | - | - | 263,295 | 263,295 | 199,408 | 462,703 |
| Other comprehensive income | | - | - | 72,574 | 326,722 | - | - | 1,175 | 400,471 | (10,999) | 389,472 |
| Total comprehensive income for the year ended December 31, 2013 | | - | - | 72,574 | 326,722 | - | - | 264,470 | 663,766 | 188,409 | 852,175 |
| Transfer to statutory reserve | | - | - | - | - | 49,475 | - | (49,475) | - | - | - |
| **Transaction with owners recognized directly in equity** | | | | | | | | | | | |
| Dividend paid to non-controlling interest | | - | - | - | - | - | - | - | - | (254,612) | (254,612) |
| Final Dividend for the eighteen months period ended December 31, 2012 | | - | - | - | - | - | - | (572,464) | (572,464) | - | (572,464) |
| Adjustment related to goodwill | | - | - | - | - | - | - | - | - | (550,051) | (550,051) |
| **Balance as at December 31, 2013** | | **7,632,853** | **4,497,894** | **127,591** | **3,763,732** | **207,821** | **-** | **(1,406,105)** | **14,823,786** | **4,277,080** | **19,100,866** |

* Change in accounting policy as disclosed in note 5.1

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

**Chief Justice (R) Mahboob Ahmed**
Chairman

**Suleman Lalani**
Chief Executive

## 1. THE GROUP AND ITS OPERATIONS

**1.1** Jahangir Siddiqui & Co. Ltd. (the Holding Company) and its subsidiary companies (together the Group) are involved in trading of securities, managing strategic investments, investment advisory, asset management, agency telecommunication, commercial banking and other business. The Group is mainly operating in Pakistan but also provides services in United Kingdom and Cayman Islands.

The Holding Company was incorporated under the Companies Ordinance, 1984 on May 04, 1991 as a public unquoted company. The Holding Company is presently listed on Karachi Stock Exchange Limited. The Holding Company is also a Trading Right Entitlement Certificate (TREC) holder of Karachi Stock Exchange Limited and Islamabad Stock Exchange Limited. The registered office of the Holding Company is situated at 6th Floor, Faysal House, Main Shahra-e-Faisal, Karachi. The principal activities of the Holding Company are trading of securities, maintaining strategic investments, consultancy services, underwriting, etc.

**1.2** The Group comprises of the Holding Company and the following subsidiary companies that have been consolidated in these financial statements on a line by line basis. All material inter company balances, transactions and resulting unrealised profits / losses have been eliminated:

| Subsidiary Companies | Note | Holding (including indirect holding) | |
|---|---|---|---|
| | | December 31, 2013 % | December 31, 2012 % |
| **JS Bank Limited (JSBL)** | 1.2.1 | **70.42** | 70.42 |
| **JS Investments Limited (JSIL)** (Sub-subsidiary) | 1.2.2 | **36.79** | 36.79 |
| **JS Global Capital Limited (JSGCL)** (Sub-subsidiary) | 1.2.3 | **35.95** | 35.95 |
| **JS Infocom Limited** | 1.2.4 | **100.00** | 100.00 |
| **JS International Limited** | 1.2.5 | **100.00** | 100.00 |
| **JS International LLP** (Sub-subsidiary) | 1.2.6 | **100.00** | 100.00 |
| **Credit Chex (Private) Limited (held for sale)** | 1.2.7 | **82.84** | 82.84 |
| **JS ABAMCO Commodities Limited** (Sub-subsidiary) | 1.2.8 | **36.79** | 36.79 |
| **Energy Infrastructure Holding (Private) Limited** | 1.2.9 | **100.00** | 100.00 |

### 1.2.1 JS Bank Limited

JS Bank Limited (JSBL) was incorporated on March 15, 2006 as a public limited company under the Companies Ordinance, 1984. The bank is engaged in conducting banking business and related services permissible under the Banking Companies Ordinance, 1962. Its shares are listed on the Karachi Stock Exchange Limited. The registered office of JSBL is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi and it operates with two hundred and eleven branches in Pakistan.

**1.2.1.1 Compliance with Minimum Capital Requirement**

The State Bank of Pakistan (SBP) through its BSD Circular No. 7 dated April 15, 2009 has prescribed that the minimum paid up capital (net of losses) for Banks / Development Finance Institutions (DFIs) be raised to Rs.10 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs.10 billion paid-up capital (free of losses) by the end of the financial year 2013. To meet the shortfall in the Minimum Capital Requirement (MCR) of the SBP, JS Bank Limited (JSBL) on February 20, 2014 has issued PKR 1.5 billion un-listed, convertible, irredeemable, perpetual, non-cumulative, non-voting preference shares which qualifies for Additional Tier I Capital under Basel III requirement to meet the shortfall in the Minimum Capital Requirement (MCR). As a result of this transaction the paid up capital of the Bank has increased by PKR 1.5 billion. The paid-up capital (free of losses) of the Bank as at December 31, 2013 stood at PKR 8.619 billion.

In the meantime, the SBP has granted extension to the Bank from complying with the requirements of MCR for December 31, 2013 till February 28, 2014.

**1.2.2 JS Investments Limited**

JS Investments Limited (JSIL) is a public listed company incorporated in Pakistan on February 22, 1995 under the Companies Ordinance, 1984. The Company was listed on Karachi Stock Exchange Limited on April 24, 2007. The registered office of the Company is situated at 7th floor, 'The Forum', Khayaban-e-Jami, Clifton, Karachi.

The Company has obtained the license of an "Investment Adviser" and "Asset Management Company" (AMC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). JSIL also acts as Pension Fund Manager under the Voluntary Pension System Rules, 2005.

JSIL is an asset management company and pension fund manager for the following:

**Open end:**

- JS Growth Fund
- JS Value Fund
- Unit Trust of Pakistan
- JS Income Fund
- JS Islamic Fund
- JS Aggressive Asset Allocation Fund
- JS Fund of Funds
- JS KSE-30 Index Fund
- JS Islamic Government Securities Fund
- JS Cash Fund
- JS Large Cap Fund

**Pension funds:**

- JS Pension Savings Fund
- JS Islamic Pension Savings Fund

In compliance with the Regulation 65 of NBFC & Notified Entities Regulations, 2008, the Investment Company has been converted into an Open end scheme with effective from June 28, 2013. Accordingly the shares having par value of Rs.10 each of JS Value fund Limited were converted in units of par value of Rs. 100 each (i.e. in the ratio of 10:1)

In compliance with the Regulation 65 of NBFC & NE Regulations, 2008, JS Growth Fund has been converted into an Open end scheme with effective from July 20, 2013. Accordingly the certificates having par value of Rs.10 each of JS Growth Fund were converted in units of par value of Rs. 100 each (i.e. in the ratio of 10:1)

**1.2.3 JS Global Capital Limited (JSGCL)**

JS Global Capital Limited (JSGCL) was incorporated as a private limited company on June 28, 2000. Subsequently, JSGCL obtained listing on Karachi Stock Exchange Limited and Islamabad Stock Exchange Limited on February 7, 2005. JSGCL is a TREC holder of Karachi Stock Exchange Limited and member of Pakistan Mercantile Exchange Limited (formerly National Commodity Exchange Limited). The principal activities of JSGCL are share brokerage, money market, forex and commodity brokerage, advisory and consultancy services. Other activities include investment in a mix of listed and unlisted equity and debt securities and reverse repurchase transactions. The registered office of JSGCL is situated at 6th floor, Faysal House, Shahra-e-Faisal, Karachi, Pakistan.

**1.2.4 JS Infocom Limited**

JS Infocom Limited (JS Infocom) was incorporated on August 25, 2003 as a public limited unlisted company under the Companies Ordinance, 1984. The registered office of JS Infocom is situated at 6th Floor, Faysal House, Main Shahra-e-Faisal, Karachi. JS Infocom was established to undertake telecommunication business or invest in companies engaged in providing telecommunication services. JS Infocom is presently seeking business ventures in the telecommunication sector.

**1.2.5 JS International Limited**

JS International Limited was incorporated in Cayman Islands B.W.I. on July 14, 2005. The primary objective for which the company has been established includes inward investment from non-resident Pakistanis and international institutional investors, financial advisory services to Pakistani companies expanding overseas and to foreign companies interested in investing or setting up joint ventures in Pakistan. The holding company have remitted US $ 4.90 million to JS International Limited (wholly owned subsidiary) as equity investment after obtaining permission from the State Bank of Pakistan. The Holding Company holds 10,000 shares of US $ 1/- each and paid US $ 489/- per share as a share premium.

**1.2.6 JS International LLP**

JS International LLP was incorporated as limited liability partnership in the United Kingdom on April 11, 2006 as a wholly owned subsidiary of JS International Limited (Cayman Islands, B.W.I.) i.e. a sub-subsidiary of the Holding Company . The purpose of setting up JS International LLP is to develop international strategic alliances and joint ventures, developing business and JS brands awareness internationally and providing administrative and operational support to the Group for its international activities

### 1.2.7 Credit Chex (Private) Limited

Credit Chex (Private) Limited (CCPL) was incorporated in Pakistan as a private limited company on May 16, 2006 under the Companies Ordinance, 1984. The purpose of setting up of CCPL is to provide credit information and credit rating services. The registered office of the Company is situated at 9th floor, Executive Tower, Dolmen City, Block-4, Clifton, Karachi.

The Board of Directors of the Holding Company in their meeting held on August 30, 2012 have approved to dispose of entire investment in CCPL. Accordingly, on December 24, 2012, the Holding Company entered into a share purchase agreement with LoanLink International (BVI) Limited to sell 1,895,000 shares of CCPL subject to completion of necessary regulatory formalities.

### 1.2.8 JS ABAMCO Commodities Limited

JS ABAMCO Commodities Limited (JSACL) was incorporated on September 25, 2007 as a public unlisted company under the Companies Ordinance, 1984 and is a subsidiary company of JSIL (sub-subsidiary of the Holding Company). The principal activities of JSACL are to deal and effectuate commodity contracts; to become member of commodity exchange including National Commodity Exchange Limited. (NCEL) and to carry on the business as brokers, dealers and representatives of all kinds of commodity contracts and commodity backed securities. The registered office of the JSACL is situated at 7th floor, The Forum, Block-9, Clifton, Karachi. JSACL has not commenced its commercial operations up to the balance sheet date.

### 1.2.9 Energy Infrastructure Holding (Private) Limited

Energy Infrastructure Holding (Private) Limited (EIHPL) was incorporated under the Companies Ordinance, 1984 on April 15, 2008 as a private limited company. The registered office of EIHPL is situated at 7th Floor, The Forum, Khayaban-e-Jami, Clifton, Block-9, Karachi. The principal activities of EIHPL, after commencement of operations, will be to design, construct, acquire, own, operate and maintain power generation complexes and to carry on the business of electricity generation, power transmission and distribution services, over hauling and re-powering of power plants etc. EIHPL is in start-up phase and has not yet commenced commercial operations.

### 1.3 Change in accounting year

The financial year of the Group was changed from June 30 to December 31 during the prior period ended December 31, 2012. Accordingly, the comparative consolidated financial statements cover the period of eighteen months from July 01, 2011 to December 31, 2012. The change was made to bring the financial year of the Group in line with the financial year followed by its major investee companies.

The corresponding figures shown in these consolidated financial statements pertain to the audited financial statements for the eighteen month period ended December 31, 2012 and therefore, are not entirely comparable in respect of profit and loss account / statement of comprehensive income, cash flow statement and statement of changes in equity.

## 2. BASIS OF PREPERATION

These consolidated financial statements have been prepared on a historical cost basis, except for certain investments and derivative financial instruments that have been measured at fair value as described in notes 5.5 and 5.6 below.

### 2.1 Statement of compliance

These consolidated 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 (IFRSs) issued by the International Accounting Standards Board 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.

### 2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2013.

The following standards, amendments and interpretations are effective for the year ended December 31, 2013. These standards, interpretations and the amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain additional disclosures.

| Standards / Amendments / Interpretations | Effective date (accounting periods beginning on or after) |
|---|---|
| - Amendments to IAS 1 - Presentation of Financial Statements – Clarification of Requirements for Comparative information | January 1, 2013 |
| - Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment | January 1, 2013 |
| - Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction | January 1, 2013 |
| - Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities | January 1, 2013 |

| tandards / Amendments / Interpretations | Effective date (accounting periods beginning on or after) |
|---|---|
| - Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities | January 1, 2013 |
| - IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine | January 1, 2013 |

**2.3 Standards, Interpretations and Amendments to approved accounting standards that are not yet effective:**

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

| Standards / Amendments / Interpretations | Effective date (accounting periods beginning on or after) |
|---|---|
| Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities | January 1, 2014 |
| IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets | January 1, 2014 |
| IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting | January 1, 2014 |
| IFRIC 21 - Levies | January 1, 2014 |

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

**3. BASIS OF CONSOLIDATION**

- The consolidated financial statements include the financial statements of the Holding Company and its subsidiary companies together - "the Group".

- Subsidiary companies are fully consolidated from the date on which more than 50% of voting rights are transferred to the Group or power to control the company is established and excluded from consolidation from the date of disposal or when the control is lost.

- The financial statements of the subsidiary companies are prepared for the same reporting year (except for JS International Limited and JS International LLP whose audited financial statements as at September 30 have been considered) as the holding company for the purpose of consolidation, using consistent accounting policies.

- The assets, liabilities, income and expenses of subsidiary companies have been consolidated on a line by line basis.

- Non-Controlling Interest in equity of the subsidiary companies is measured at proportionate share of net assets of the acquiree as of the acquisition date.

- Material intra-group balances and transactions have been eliminated.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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

(a) determining the residual values and useful lives of property and equipment (Note 5.2);

(b) classification of investments (Note 5.5);

(c) recognition of taxation and deferred tax (Note 5.13);

(d) accounting for post-employment benefits (Note 5.20);

(e) impairment of financial assets (Note 5.24); and

(f) non-currents assets held for sale (Note 5.23 & 20)

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Effects of change in accounting policy

#### 5.1.1 Staff retirement benefits (Defined benefit plan)

In the current year, JS Bank Limited (a subsidiary company) has adopted IAS 19 Employees Benefits (as revised in 2011) and the related consequential amendments for the first time.

The International Accounting Standard -19 (IAS 19) 'Employee Benefits', as revised in 2011, changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require immediate recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the 'corridor approach' permitted under the previous version of IAS 19 and accelerates the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net gratuity asset or liability recognised in the balance sheet to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or assets. These changes have had an impact on the amounts recognised in the profit and loss and other comprehensive income in prior years. In addition, IAS 19 (as revised in 2011) introduced certain changes in the presentation of the defined benefit cost including more extensive disclosures.

"

Specific transitional provisions are applicable to first-time application of IAS 19 (as revised in 2011). The Group has applied the relevant transitional provisions and restated the comparatives on the retrospective basis in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The Group has not presented third year balance sheet due to above changes as the impact on third year is immaterial. The effect of retrospective application of change in accounting policy is as follows:

| | December 31, 2012 | | |
|---|---|---|---|
| | As previously reported | Effect of Restatement | As Restated |
| | ................. (Rupees in '000) ................. | | |
| **Effect on balance Sheet** | | | |
| Decrease in defined benefit plan | 22,967 | (11,609) | 11,358 |
| Net decrease in accumulated losses | (1,056,929) | (8,293) | (1,048,636) |
| Net increase in statutory reserves | 158,467 | 121 | 158,346 |
| Net decrease in non-controlling interest | 4,889,900 | (3,434) | 4,893,334 |

| | Prior to January 01, 2012 | | |
|---|---|---|---|
| | As previously reported | Effect of Restatement | As Restated |
| | ................. (Rupees in '000) ................. | | |
| Decrease in defined benefit plan | 78,946 | 13,946 | 65,000 |
| Net decrease in accumulated losses | (14,546,402) | (10,091) | (14,536,311) |
| Net increase in statutory reserves | 18,160 | 270 | 17,890 |
| Net decrease in non-controlling interest | 2,758,829 | (4,125) | 2,762,954 |

| | | December 31, 2012 (Audited) | | |
|---|---|---|---|---|
| | | As previously reported | Effect of Restatement | As Restated |
| | | (Rupees in '000) | | |
| **b) Effect on profit and loss account** | | | | |
| - Decrease in operating and administrative expenses( | b)(i) | 5,539,350 | 1,056 | 5,538,294 |
| **c) Effect on other comprehensive income** | | | | |
| - Decrease in other comprehensive income | (c)(i) | 2,597,864 | 3,396 | 2,594,468 |
| **d) Effect on cash flow statement** | | | | |
| - Profit before tax | | 3,480,816 | 1,056 | 3,481,872 |
| - Charged for defined benefit plan | | 22,622 | 1,056 | 23,678 |

**e) Effect on current and deferred taxation**

In view of tax losses of the Bank, tax provision has been made for minimum taxation hence there is no impact on tax expense for the year.

| | December 31, 2012 | Prior to January 01, 2012 |
|---|---|---|
| | Rupees in (000) | |
| **(b)(i) Effect on profit and loss account - Operating and administrative expenses** | | |
| Net decrease in profit after tax due to amortisation of actuarial gains and losses recognised in other comprehensive income | **(667)** | (354) |
| Decrease in profit after tax due to curtailment gain in other comprehensive income | **(524)** | (1,563) |
| Decrease in profit after tax due to recognition of negative past service cost in other comprehensive income | **(378)** | - |
| Increase in profit due to expected return on plan assets | **2,625** | - |
| | **1,056** | (1,917) |
| **(c)(i) Effect on other comprehensive income** | | |
| Net income recognised in other comprehensive income | **-** | 1,917 |
| Actuarial (loss) /gains reclassified to other comprehensive income | **(3,393)** | 12,814 |
| Non vested negative past service cost reclassified to other comprehensive income | **-** | 1,132 |
| | **(3,393)** | 15,863 |

**5.1.2** The amendments to IAS 1 - Presentation of Financial Statements – Presentation of items of Other Comprehensive Income is effective from accounting period beginning on or after January 01, 2013 and has impact on the Company's financial statements for the year as discussed in the preceding paragraph. This change is considered as change in accounting policy of the Company.

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). Income tax on items of other comprehensive income is required to be allocated on the same basis i.e. the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments require retrospective application.

As a result of amendments in IAS 1, the Company modified the presentation of the item of OCI in its statements of Profit and Loss and Other Comprehensive Income, to present items that would be reclassified to profit and loss in the future separately from those that would never be. Comparative information has been re-presented on the same basis.

## 5.2 Property and equipment

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises acquisition and other directly attributable costs. Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written-off over its estimated useful life at the rates specified in note 7 to the financial statements. In respect of additions depreciation is charged from the month in which asset is put to use and on disposal up to the month immediately preceding the deletion.

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 value exceeds estimated recoverable amount, assets are written down to their estimated recoverable amount.

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

An item of fixed assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on dereocgnition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the year the asset is derecognised.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and its cost can be reliably measured. Cost incurred to replace an item of property and equipment is capitalized and the asset so replaced is retired from use and its carrying amount is derecognized.

Gains and losses on disposal of fixed assets, if any, are taken to income currently.

### 5.3 Intangible assets

Intangible assets having definite life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged to income applying the straight-line method whereby the cost of an asset is written-off over its estimated useful life. In respect of additions and deletions during the year, amortisation is charged from the month of acquisition and upto the month preceding the deletion, respectively.

Intangible assets having indefinite life are stated at cost. However, these are tested for impairment / recoverable amount annually and more frequently when indication of impairment exist.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the fair values of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the acquiree's cash-generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any. 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 value exceeds estimated recoverable amount, these are written down to their estimated recoverable amount.

### 5.4 Investment properties

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written-off over its estimated useful life. In respect of additions and deletions of property during the year, depreciation is charged from the month of acquisition and upto the month preceding the deletion respectively.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

### 5.5 Investments

The management of the Group determines the appropriate classification of its investments at the time of purchase or increase in holding and classifies / reclassifies its investment as subsidiaries, associates and joint ventures, at fair value through profit or loss, available for sale and held to maturity.

When investments are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

For investments in government securities, fair value is determined by reference to quotations obtained from PKRV Reuters page. In respect of investments in quoted equity securities, fair value is determined by reference to stock exchange quoted market prices at the close of business day. For term finance certificates, fair value is determined by reference to rates issued by the Financial Market Association through Reuters.

Unquoted investments, where active market does not exist and fair value cannot be reasonably calculated, are carried at cost. Provision for impairment in value, if any, is taken to income currently.

**Associates and joint ventures**

Associates are entities in which the Group has significant influence and which are neither a subsidiary nor a joint venture. The Group determines the significant influence by reference to its extent of voting interest in the investee company and other relevant factors which indicate the Group's ability to participate in the financial and operating policy decisions of the investee company.

A joint venture is a contractual arrangement where the Company has joint control over the economic activities undertaken with the other venturers.

Investments in associates and joint ventures that are not held exclusively with a view to its disposal in near future are accounted for under the equity method, less accumulated impairment losses, if any. Such investments are carried in the balance sheet at cost, plus post – acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The profit and loss account reflects the Group's share of the results of its associates and joint ventures.

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss after meeting conditions as stated in IAS 39.

Investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin are classified as held for trading. After initial recognition, these are stated at fair values with any resulting gains or losses recognised directly in the profit and loss account.

**Available for sale**

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale. After initial recognition, these are stated at fair values (except for unquoted investments where active market does not exist are stated at cost less impairment, if any) with any unrealized gains or losses being taken directly to equity until the investment is disposed or determined to be impaired. At the time of disposal, the cumulative gain or loss previously recorded in equity is recognized in the profit and loss account. Impairment loss, if any, on Avialable for Sale investments is charged to profit and loss account in accordance with the requirements of IAS - 39 "Financial Instruments: Recognition and measurement".

**Held to maturity**

Investments with fixed or determinable payments and fixed maturity where management has both the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortised cost. Provision for impairment in value, if any, is taken to income currently.

Premiums and discounts on investments are amortised using the effective interest rate method and taken to income from investments.

**5.6 Derivative financial instruments**

Derivative instruments held by the Group generally comprise future and forward contracts in the capital and money markets. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. The fair value of the derivative is equivalent to the unrealised gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses are recognised in the profit and loss account.

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

**5.7 Securities sold under repurchase / purchased under resale agreements**

The Group enters into transactions of repos and reverse repos at contracted rates for a specified period of time as under:

**(a) Repurchase agreement borrowings**

Investments sold with a simultaneous commitment to repurchase at a specified future date (Repo) continue to be recognised in the balance sheet and are measured in accordance with the accounting policies for investments. Amounts received under these agreements are recorded as securities sold under repurchase agreements. The difference between sale and repurchase price is treated as mark-up / interest expense using the effective yield method.

**(b) Repurchase agreement lendings**

Investments purchased under agreement to resell at a specified future date (reverse repos) are not recognised in the balance sheet. Amounts paid under these agreements are included in fund placements. The difference between purchase and realise price is treated as mark-up/return/interest earned and accrued over the period of the reverse repo agreement using effective yield method.

**5.8 Financial instruments**

All the financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Group 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 (for regular way purchases and sales of financial instruments refer to note 5.10).

### 5.9 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is only offset and the net amount is reported in the balance sheet, when there is a legal enforceable right to set off the recognised amount and the Group 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.

### 5.10 Trade date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date on which the Group commits to purchase or sell an asset. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market.

### 5.11 Foreign currency translations

Transactions in foreign currencies are translated into rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date. Forward foreign exchange contracts are valued at forward rates applicable to their respective maturities.

Translation gains and losses are included in the consolidated profit and loss account.

Commitments for outstanding forward foreign exchange contracts disclosed in these consolidated financial statements are translated at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the consolidated statement of financial position date.

### 5.12 Provisions

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

### 5.13 Taxation

**Current**

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any.

**Deferred**

Deferred tax is recognized using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

### 5.14 Revenue recognition

(a) Return on investments in National Saving Schemes have been accounted for using the effective interest rate method.

(b) Income / return on Term Finance Certificates (TFCs), government securities, reverse repurchase transactions, certificate of deposits and loans and advances is recognised at rate of return implicit in the instrument / arrangement on a time proportion basis.

(c) Dividend income on equity investments is recognised, when the Company's right to receive the same is established.

d) Capital gains or losses on sale of investments are recognised in the period in which they arise.

(e) Underwriting commission is recognised when the agreement is executed. Take-up commission is recognised at the time commitment is fulfilled.

(f) Brokerage, consultancy and advisory fee, commission on foreign exchange dealings and government securities, etc. are recognised as and when earned.

(g) Rental income from investment properties, commission on portfolio trading services and return on bank deposits is recognised as services are rendered.

(h) Trusteeship fee is recognized on an accrual basis in proportion to the provision of service.

### 5.15 Long term finances, loans and advances

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

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

Loans, term finance and advances originated by the Group are stated at cost less any amount written off and provision for impairment, if any.

### 5.16 Trade debts and other receivables

Trade debts and other receivable are recognized at cost. A provision for impairment of trade and other receivable is established where there is objective evidence that the group will not be able to collect the amount due according to the original terms of receivable.

**5.17 Trade and other payables**

Trade and other payables are recognized at cost, which is the fair value of the consideration received.

**5.18 Cash and cash equivalents**

Cash and cash equivalents comprise of cash in hand, demand deposits and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, cheques in hand, bank balances and balances with SBP, net of bank overdrafts repayable on demand and short term running finance, if any.

**5.19 Segment reporting**

Segment results are reported to Board of Directors of the Holding Company (being chief operating decision making authority) and include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, tax assets and liabilities and common Holding Company's expenses.

The Group's geographical segments are based on location of Group's assets.

**5.20 Staff retirement benefits**

**Defined contribution plan**

The Holding Company and its certain subsidiaries operate an approved funded contributory provident fund scheme for all its employees eligible to the scheme. Equal monthly contributions are made by the group and the employees to the fund at the rates defined below of basic salary. Contribution by the Group is charged to profit and loss account.

| | | |
|---|---|---|
| - | The Holding Company | 10% |
| - | JS Bank Limited (subsidiary) | 10% |
| - | JS Global Capital Limited (sub-subsidiary) | 10% |
| - | JS Investments Limited (sub-subsidiary) | 8% |

**Defined benefit plan**

JS Bank Limited (a subsidiary company) operates an approved funded gratuity scheme covering all its eligible employees who have completed minimum qualifying period. An actuarial valuation of defined benefit scheme is conducted at the end of every year or on occurance of any significant change. The most recent valuation in this regard was carried out as at December 31, 2013, using the projected unit credit actuarial valuation method. Under this method cost of providing for gratuity is charged to profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. Past-service costs are recognised immediately in profit and loss account and actuarial gains and losses are recognised immediately in other comprehensive income.

### 5.21 Compensated absences

Accrual is made for employees compensated absences on the basis of accumulated leaves and the last drawn pay.

### 5.22 Dividend and other appropriations to reserves

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

### 5.23 Non-current assets held for sale / discountinued operations

Non-current assets held for sale that are expected to be sold within a period of one year from the balance sheet date are classified as 'held for sale' and are measured at lower of carrying amount and fair value less cost to sell. Non-current assets held for sale and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### 5.24 Impairment

**Financial assets**

The Group assesses at each balance sheet date whether there is any objective evidence that financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of asset (an incurred loss event) and that loss event (or events) has impact on the estimated future cashflows of the financial asset or the group of financial assets that can be reliably estimated. With respect to equity securities, impairment is assessed based on significant or prolonged decline in fair value of the securities.

If, in a subsequent period, the fair value of an impaired available for sale equity security increases and the increase can be objectively related to an event occuring after the impairment loss recognised in profit and loss, the impairment loss is reversed, with the amount of reversal recognised in other comprehensive income.

**Non-financial assets and investments in associates and joint ventures**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs to sell and value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of the money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate valuation method is used.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in assumptions used to determine the assets recoverable amount since the last imparment loss was recognised. The reversal is limited so that the carrying amout of the asset does not exceed its carrying recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit and loss account.

### 5.25 Business combination

**Acquisition of business not under common control**

Acquisitions of businesses not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the bank, liabilities incurred by the bank to the former owners of the acquiree and the equity interests issued by the bank in exchange for control of the acquiree. Acquisition-related costs are recognised in profit and loss account as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill on acquisition after July 1, 2009 is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill acquired in a business combination before July 1, 2009 is initially measured at cost, being the excess of the cost of business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

**Acquisition of business under common control**

Acquisition of business under common control is accounted for under 'pooling of interest method'. The assets and liabilities of the combining businesses for the period in which the combination occurs are merged on the date of combination at their respective book values. Appropriate adjustments are made to the book values to reflect application of consistent accounting policies in the combining businesses. Any difference between the amount of net assets merged and consideration transferred in form of cash or other assets are adjusted against equity.

## 6. BUSINESS COMBINATION AND GROUP REORGANIZATION

### 6.1 Acquisition of additional interest in JS Bank Limited

During the prior period, the Holding Company transferred its shareholding in JS Investments Limited (JSIL), a subsidiary company to JS Bank Limited (JSBL), another subsidiary of the Holding Company. As a result of this transaction JSIL is now controlled by the Group through JSBL, whereas previously the Holding Company had direct controlling interest in JSIL. This Group re-organization did not have any effect on the overall assets and liabilities of the Group as it was a inter-group transaction. However, the adjustments were made in the Consolidated Statement of Changes in Equity to account for the changes in respect of JSBL.

The transactions mentioned in 6.1 above, increased the Holding Company's interest in JS Bank Limited to 70.42%

**6.2 Disposal of subsidiary**

During the prior period on January 13, 2012 the Group disposed off its entire equity interest in its subsidiary Network Microfinance Bank Limited. The carrying amount of net assets held immediately prior to date of disposal were as follows:

| | Rupees in '000 |
|---|---|
| **Assets** | |
| Fixed assets | |
| Operating fixed assets | 4,485 |
| Investments | 201,335 |
| Long term deposits | 1,563 |
| Advances and other receivables | 3,092 |
| Cash and bank balances | 5,158 |
| | 215,633 |
| **Liabilities** | |
| Deposits and other accounts | 11,428 |
| Accrued and other liabilities | 1,713 |
| | 13,141 |
| **Net assets** | 202,492 |
| Share of net assets disposed off | 143,405 |
| Consideration received | (143,405) |
| **Loss on disposal** | - |

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 7. PROPERTY AND EQUIPMENT

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| Operating fixed assets | 7.1 | **1,927,864** | 1,737,978 |
| Capital work-in-progress | 7.2 | **278,004** | 60,352 |
| | | **2,205,868** | 1,798,330 |

### 7.1 Operating fixed assets

| | COST | | | | ACCUMULATED DEPRECIATION | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|
| | As at January 1, 2013 | Additions / (Disposals)/ Transfers* | As at December 31, 2013 | Depreciation Rate Per-annum | As at January 1, 2013 | For the year / (on disposals) / transfers* | As at December 31, 2013 | As at December 31, 2013 |
| | (Rupees in '000) | | | % | (Rupees in '000) | | | |
| **Owned:** | | | | | | | | |
| Office premises - freehold | 798,776 | 1,400 | 800,176 | 1.0 - 20 | 126,922 | 23,301 | 150,223 | **649,953** |
| | | - | | | | - | | |
| | | - | | | | - | | |
| Leasehold improvements | 509,481 | 69,971 | 577,167 | 10 - 33 | 204,206 | 51,095 | 254,910 | **322,257** |
| | | (2,285) | | | | (391) | | |
| | | - * | | | | - * | | |
| Office equipment | 1,077,218 | 259,821 | 1,323,326 | 12.5 - 33 | 694,916 | 117,087 | 798,642 | **524,684** |
| | | (13,713) | | | | (13,361) | | |
| | | - * | | | | - * | | |
| Office furniture and fixtures | 270,126 | 35,119 | 301,907 | 10 - 20 | 119,027 | 30,934 | 147,999 | **153,908** |
| | | (3,338) | | | | (1,962) | | |
| | | - * | | | | - * | | |
| Motor vehicles | 371,755 | 140,986 | 440,653 | 20 | 144,307 | 76,668 | 163,591 | **277,062** |
| | | (72,088) | | | | (57,384) | | |
| | | - * | | | | - * | | |
| | **3,027,356** | **507,297** | **3,443,229** | | **1,289,378** | **299,085** | **1,515,365** | **1,927,864** |
| | | **(91,424)** | | | | **(73,098)** | | |
| | | **- *** | | | | **- *** | | |

| | COST | | | | ACCUMULATED DEPRECIATION | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|
| | As at July 1, 2011 | Additions / (Disposals)/ Transfers* | As at December 31, 2012 | Depreciation Rate Per-annum | As at July 1, 11 | For the period / (on disposals) / transfers* | As at December 31, 2012 | As at December 31, 2012 |
| | (Rupees in '000) | | | % | (Rupees in '000) | | | |
| **Owned:** | | | | | | | | |
| Office premises - leasehold | 786,485 | 12,341 | 798,776 | 1.0 - 20 | 97,388 | 29,584 | 126,922 | 671,854 |
| | | (50) | | | | (50) | | |
| | | - | | | | - | | |
| Leasehold improvements | 488,475 | 22,578 | 509,481 | 10 - 33 | 132,708 | 81,615 | 204,206 | 305,275 |
| | | (174) | | | | (9,978) | | |
| | | (1,398) | | | | (139) | | |
| Office equipment | 862,911 | 184,768 | 1,077,218 | 12.5 - 33 | 497,836 | 163,319 | 694,916 | 382,302 |
| | | (9,231) | | | | (3,868) | | |
| | | 38,770 | | | | 37,629 | | |
| Office furniture and fixtures | 210,302 | 47,438 | 270,126 | 10 - 20 | 76,373 | 38,480 | 119,027 | 151,099 |
| | | (698) | | | | (103) | | |
| | | 13,084 | | | | 4,277 | | |
| Motor vehicles | 239,757 | 207,304 | 371,755 | 20 | 119,711 | 79,402 | 144,307 | 227,448 |
| | | (95,892) | | | | (68,373) | | |
| | | 20,586 | | | | 13,567 | | |
| | **2,587,930** | **474,429** | **3,027,356** | | **924,016** | **392,400** | **1,289,378** | **1,737,978** |
| | | **(106,045)** | | | | **(82,372)** | | |
| | | **71,042** | | | | **55,334** | | |

**7.1.1** Details of disposal of fixed assets having written down value exceeding Rs.50,000 each are given in Annexure I to these consolidated financial statements.

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | (Rupees in '000) | |

### 7.2 Capital work-in-progress

**Advances to suppliers against:**

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Civil works | 15,913 | 8,033 |
| Purchase of building | 200,823 | - |
| Furniture and fixture | 2,402 | 1,870 |
| Acquisition of software and equipment | 51,227 | 26,737 |
| Vehicles | 7,639 | 23,712 |
| | 278,004 | 60,352 |

## 8. INTANGIBLE ASSETS

| | Note | COST<br>As at January 1, 2013 | Additions / (Disposal/ adjustments) | As at December 31, 2013 | Rate | ACCUMULATED AMORTIZATION / IMPAIRMENT<br>As at January 1, 2013 | For the year / Impairment / (adjustments) | As at December 31, 2013 | WRITTEN DOWN VALUE<br>As at December 31, 2013 |
|---|---|---|---|---|---|---|---|---|---|
| | | (Rupees in '000) | | | % | (Rupees in '000) | | | |
| Software | | 242,579 | 74,313<br>- | 316,892 | 20 - 33.33 | 119,604 | 21,475<br>- | 141,079 | 175,813 |
| Managements rights | 8.1 | 3,050,865 | -<br>- | 3,050,865 | - | 2,465,668 | -<br>585,197 | 3,050,865 | - |
| Goodwill | 8.2 | 2,664,147 | - | 2,664,147 | - | 2,114,096 | -<br>550,051 | 2,664,147 | - |
| Non-compete fee | | 126,683 | - | 126,683 | 33.33 | 126,683 | - | 126,683 | - |
| Technical know how | | 150,000 | - | 150,000 | 100 | 150,000 | - | 150,000 | - |
| Trading Right Entitlement Certificate (TREC) | 8.3 | 43,201 | -<br>(37,446) | 5,755 | - | - | -<br>- | - | 5,755 |
| Membership card - Pakistan Mercantile Exchange Limited | | 5,000 | -<br>(1,500) | 3,500 | - | - | -<br>- | - | 3,500 |
| | | **6,282,475** | **74,313**<br>**-**<br>**(38,946)** | **6,317,842** | | **4,976,051** | **21,475**<br>**585,197**<br>**550,051** | **6,132,774** | **185,068** |

| | Note | COST<br>As at July 1, 2011 | Additions / (Disposal/ adjustments) | As at December 31, 2012 | Rate | ACCUMULATED AMORTIZATION / IMPAIRMENT<br>As at July 1, 2011 | For the period / Impairment / (adjustments) | As at December 31, 2012 | WRITTEN DOWN VALUE<br>As at December 31, 2012 |
|---|---|---|---|---|---|---|---|---|---|
| | | (Rupees in '000) | | | % | (Rupees in '000) | | | |
| Software | | 225,401 | 19,271<br>-<br>(2,093) * | 242,579 | 20 - 33.33 | 91,240 | 30,088<br>-<br>(1,724)* | 119,604 | 122,975 |
| Managements rights | | 3,050,865 | -<br>- | 3,050,865 | - | 2,425,453 | -<br>40,215 | 2,465,668 | 585,197 |
| Goodwill | | 2,664,147 | - | 2,664,147 | - | 2,114,096 | - | 2,114,096 | 550,051 |
| Non-compete fee | | 126,683 | - | 126,683 | 33.33 | 126,683 | - | 126,683 | - |
| Technical know how | | 150,000 | - | 150,000 | 100 | 150,000 | - | 150,000 | - |
| Trading right entitilement certificate (TREC) | | 32,201 | 11,000 | 43,201 | - | - | - | - | 43,201 |
| Membership card - Pakistan Mercantile Exchange Limited | | 2,500 | 2,500 | 5,000 | - | - | - | - | 5,000 |
| | | **6,251,797** | **32,771**<br>**-**<br>**(2,093)** | **6,282,475** | | **4,907,472** | **30,088**<br>**40,215**<br>**(1,724)** | **4,976,051** | **1,306,424** |

* Represents assets acquired on acquisition of sub-subsidiary and transfer of assets classified as held for sale during the year. (Refer note 6 & 21)

**8.1** During the current year, in pursuance of Regulation 65 of the Non-Banking Finance Companies and Notified Entities Regulations 2008, JS Growth Fund (a fund managed by a subsidiary company, JS Investments Limited) has been converted from a closed end scheme to an open end fund with effect from July 20, 2013. Due to change in legal status of the Fund, the management rights could not be directly or indirectly associated with the economic benefits derived from the Fund. Therefore, the outstanding balance of the rights has been fully impaired and charged to profit and loss account.

**8.2** Considering the increase in shareholding of the Company in Bank in previous year and also further purchase of preference shares subsequent to year end which will result in further increase in share of the Company in the Bank, the Company has decided to account for goodwill related to non-controlling interest in line with policy of the Group.

**8.3** These represent Trading Right Entitlement Certificates (TRECs) received from Karachi Stock Exchange Limited (KSE) and Islamabad Stock Exchange Limited (ISE) in accordance with the requirements of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act). The Company has also received shares of KSE and ISE after completion of the demutualisation process. The TRECs have been recorded at Rs. 5.75 million (for details refer note 10.4.2 and 10.4.3)

## 9. INVESTMENT PROPERTY

| | | C O S T | | | | ACCUMULATED DEPRECIATION | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|---|
| | Note | As at January 1, 2013 | Additions / (disposal) | As at December 31, 2013 | Rate | As at January 1, 2013 | For the year | As at December 31, 2013 | As at December 31, 2013 |
| | | (Rupees in '000) | | | % | (Rupees in '000) | | | |
| Office premises - leasehold | 9.1 | 14,999 | - | 14,999 | 5 | 11,808 | 720 | 12,528 | 2,471 |

| | | C O S T | | | | ACCUMULATED DEPRECIATION | | | WRITTEN DOWN VALUE |
|---|---|---|---|---|---|---|---|---|---|
| | Note | As at July 1, 2011 | Additions / (disposal) | As at December 31, 2012 | Rate | As at July 1, 2011 | For the period | As at December 31, 2012 | As at December 31, 2012 |
| | | (Rupees in '000) | | | % | (Rupees in '000) | | | |
| Office premises - leasehold | 9.1 | 12,599 | 2,400 | 14,999 | 5 | 10,829 | 979 | 11,808 | 3,191 |

**9.1** The fair value of the investment property aggregating to Rs. 115.838 million (June 2011: Rs. 88.84 million) was arrived at on the basis of the valuation carried out by M/s. Consultancy Support and Services, an independent valuer on February 22, 2013 but was not incorporated in the books of accounts as the company applies cost model for accounting investments properties. The valuation was arrived at by reference to market values and realizable values, which are determined on the basis of market intelligence, year of construction and present physical condition and location.

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 10. LONG TERM INVESTMENTS

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| **Related parties** | | | |
| Investment in associates | 10.1 | - | 241,124 |
| Investment in joint venture | 10.2 | - | - |
| Other related parties - Available for sale | 10.3 | 6,034,055 | 5,563,621 |
| | | 6,034,055 | 5,804,745 |
| **Other investments** | 10.4 | 505,963 | 462,874 |
| | | 6,540,018 | 6,267,619 |

### 10.1 Investment in associates - Quoted

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| JS Value Fund Limited | 10.1.1 | - | 241,124 |
| | | - | 241,124 |

**10.1.1** The investment is JS Value Fund was previously classified as investment in associates, however, subsequent to the conversion of the fund to an open end scheme on June 28, 2013, the investment was classified to available-for-sale category.

### 10.2 Investment in joint venture

Summarised financial information of the joint venture of the Group along with their respective share is as follows:

| Name of joint venture | Country of incorporation | Accumulated losses | Total assets | Total liabilities | Net assets | Share of net assets 2013 | Share of net assets 2012 | Interest held % |
|---|---|---|---|---|---|---|---|---|
| | | ----------Rupees in '000---------- | | | | | | |
| **Un-quoted** | | | | | | | | |
| Gujranwala Energy Limited | Pakistan | (63,801) | 116,850 | 20,651 | 96,199 | - | - | 50 |
| | | (63,801) | 116,850 | 20,651 | 96,199 | - | - | |

**10.2.1** Investments held by Energy Infrastructure Holdings (Private) Limited (the subsidiary company) includes investment in shares of carrying value Rs. 334,976,800 (2012: Rs. 349,562,905) which are pledged with a bank as collateral against guarantees issued on behalf of Gujrawala Energy Limited (GEL), a joint venture (JV). During the year ended June 30, 2010, the JV was not able to meet the financial close mandated with National Bank of Pakistan and was not allowed to make amendments in the power purchase agreement by Private Power and Infrastructure Board (PPIB). Accordingly, operations of the JV were ceased. Further, it was not able to raise the requisite funds and deposit initial mobilization advance with Wartsila Finland. In the meantime, the JV filed petition in the Honorable High Court of Sindh to protect the subsidiary company from the encashment of performance guarantees. The High Court of Sindh ordered to keep the guarantees alive and restricted PPIB and Wartsila Finland from encashing the same till the adjudication of the above petition. Further, subsequent to the year end, GEL has filed a civil suit in Civil Court Lahore, wherein the Preliminary Agreement with Wartsila Finland has been challenged on the grounds that no legal and binding contract has been concluded as the Preliminary Agreement was merely an understanding to enter into contract at some future date and upon happening of certain events, therefore, the question of encashment of above guarantees does not arise. The stay order is still valid and the case is pending for adjudication. The management, based on legal advice, believes that the ultimate outcome of the case will be in favour of the subsidiary company as well as the JV.

### 10.3 Other related parties - Available for sale

These shares are ordinary shares of Rs.10/- each unless stated otherwise.

| Number of shares December 31, 2013 | Number of shares December 31, 2012 | | Note | Business Activity | Holding December 31, 2013 % | Holding December 31, 2012 % | Market Value December 31, 2013 (Rupees in '000) | Market Value December 31, 2012 (Rupees in '000) |
|---|---|---|---|---|---|---|---|---|
| | | **Quoted at fair value** | | | | | | |
| 9,800,000 | 7,000,000 | **Hum Network Limited** | | Television Network | 14 | 14 | 734,902 | 184,800 |
| 111,256,116* | 111,256,116 | **BankIslami Pakistan Limited** | | Islamic Banking | 21.07 | 21.07 | 772,117 | 1,024,669 |
| 20,299,455 | 20,299,455 | **EFU General Insurance Limited** | | General Insurance | 16.24 | 16.24 | 1,865,926 | 1,735,604 |
| 20,047,708 | 17,040,552 | **EFU Life Assurance Limited** | | Life Insurance | 20.05 | 20.05 | 1,638,098 | 1,588,691 |
| 112,157,863 | 112,157,863 | **Azgard Nine Limited** | | Textile Composite | 24.96 | 24.96 | 800,807 | 907,357 |
| 11,500,000 | - | **Pakistan International Bulk Terminal Limited** | 10.3.4 | Bulk Terminal | 21.07 | - | 214,705 | - |
| | | **Un-quoted at cost** | | | | | | |
| 750,000 | 750,000 | **EFU Services (Private) Limited** | | Investment Company | 37.5 | 37.5 | 7,500 | 7,500 |
| - | 11,500,000 | **Pakistan International Bulk Terminal Limited** | | Bulk Terminal | - | 21.07 | - | 115,000 |
| | | | | | | | 6,034,055 | 5,563,621 |

* These represent sponsor shares which are blocked for trading as per the requirements of the State Bank of Pakistan.

**10.3.1** Included herein are equity securities acquired for Rs. 10,637.69 million (December 31, 2012:Rs. 13,352.04 million) and having market value of Rs. 2,789.60 million (December 31, 2012: Rs.3,040.66 million) as at December 31, 2013 pledged with various financial institutions against borrowings.

**10.3.2** The original cost of investments in related parties amounts to Rs. 19,565.42 million (December 31,2012: Rs. 19,680.42 million).

**10.3.3** Investments in Hum Network Limited and BankIslami Pakistan Limited represent investment in 'associated companies' by virtue of common directorship in terms of provisions of Companies Ordinance, 1984. However, the company has not accounted for them under equity method, as management has concluded that the Holding Company does not have significant influence in these associates.`

**10.3.4** This represents investments in shares which have been listed on the Karachi Stock Exchange Limited with effect from December 23, 2013. Consequently, the shares have been classified as quoted security at year end.

### 10.4 Other investments

**Available for sale**

| (Number of shares) 2013 | 2012 | | Note | December 31, 2013 (Rupees in '000) | December 31, 2012 (Rupees in '000) |
|---|---|---|---|---|---|
| | | **Equity securities** | | | |
| | | **Quoted - at fair value** | | | |
| 7,897,860 | 7,179,873 | Singer Pakistan Limited | 10.4.1 | 187,574 | 152,931 |
| | | **Un-quoted - at cost** | | | |
| 4,007,383 | - | Karachi Stock Exchange Limited | 10.4.2 | 15,346 | - |
| 3,034,603 | - | Islamabad Stock Exchange Limited | 10.4.3 | 22,100 | - |
| | | | | 37,446 | - |
| | | | | 225,020 | 152,931 |
| | | **Privately placed term finance certificates (PPTFC)** | | | |
| | | **Un-quoted - at cost** | | | |
| | | Agritech Limited | | | |
| | | PPTFC - 3rd Issue | 10.4.4 | 89,928 | 89,928 |
| | | PPTFC - 5th Issue | 10.4.5 | 509,875 | 509,875 |
| | | Provision for impairment | | (318,860) | (289,860) |
| | | | | 280,943 | 309,943 |
| | | | 10.4.6 | 505,963 | 462,874 |

**10.4.1** Included herein are equity securities acquired for Rs. 59.95 million (December 31, 2012: Rs. 161.80 million) and having market value of Rs. 110.44 million (December 31, 2012: Rs. 99.04 million) as at December 31, 2013 pledged with various financial institutions against borrowings.

**10.4.2** Pursuant to demutualization of the Karachi Stock Exchange (KSE), the ownership rights in a Stock Exchange were segregated from the right to trade on an exchange. As a result of such demutualization, the Company received shares and TREC from the KSE against its membership card which was carried at Rs. 100,000 in the books of the Company.

The above arrangement has resulted in allocation of 4,007,383 shares at Rs. 10 each with a total face value of Rs. 40 million and TREC to the Company by the KSE. Out of total shares issued by the KSE, the Company has received 40% equity shares i.e. 1,602,953 shares in its CDC account. The remaining 60% shares have been transferred to CDC sub-account in the Company's name under the KSE's participant IDs with the CDC which will remain blocked until these are divested/sold to strategic investor(s), general public and financial institutions and proceeds are paid to the Company.

The Institute of Chartered Accountants of Pakistan in its technical guide dated May 29, 2013, concluded that the demutualization, in substance, had not resulted in exchange of dissimilar assets, and therefore no gain or loss should be recognized and the segregation of ownership rights and the trading rights should be accounted for by allocating the cost/carrying value of the membership card between the two distinct assets on a reasonable basis.

The above mentioned face value (Rs. 40 million) of the shares issued by the KSE to its members including the Company has been determined on the basis of the fair valuation of the underlying assets and liabilities of the Stock Exchange in accordance with the requirements of the Demutualization Act. In other words, shares worth Rs. 40 million received by the Company represent its share in the fair value of the net assets of the KSE. Under the current circumstances where active market is not available for such shares, this net asset value based valuation has been considered as the closest estimate of the fair value of the shares.

Further recently, the KSE has introduced a minimum capital regime for the brokers, and for this purpose have valued TREC at Rs. 15 million as per the decision of the BOD of the KSE. This fact indicates an acceptable level of value for TREC which is also used by the Stock Exchange for risk management and to safeguard the investor's interest. In the absence of an active market for TREC, this assigned value of Rs. 15 million has been considered as the closest estimate of the fair value of the TREC.

Therefore, based on the above estimates of fair values of KSE shares (Rs. 40 million) and TREC (Rs. 15 million), the Company has allocated its carrying value of the membership card in the ratio of 0.73 to shares and 0.27 to TREC. Consequently, the investments have been recognized at Rs. 15.35 million and TREC at Rs. 5.75 million.

**10.4.3** These represent shares received from Islamabad Stock Exchange (ISE) pursuant to similar demutualization process as mentioned in note 10.4.1 relating to KSE because no reasonable basis has yet been finalized, the management has recorded TREC at token value of Rs. 1,000 whereas the remaining amount (Rs. 22.1 million) has been allocated to shares.

**10.4.4** This represents investment in term finance certificates (TFC) issued by Agritech Limited, having a tenure of five years i.e. FY 2009- FY 2014. The profit on these TFCs is payable quarterly, based on the three months KIBOR average rate plus 325 basis points per annum.

Agritech Limited and its holding company Azgard Nine Limited, failed to meet their financial obligations last year and is currently undergoing corporate debt restructuring. In this context, on October 26, 2011, the over due mark-up of Rs. 21.56 million worked out as of May 31, 2011 is being converted into zero coupon TFCs of 3.5 years. The principal redemption was to be started from July 1, 2012 in 6 semi-annual installments. However, AGL has committed default. Pursuant to their adverse financial conditions, it is least probable that economic benefits, in form of interest or profit on loan, associated with the transactions will flow to the company, therefore, no interest or profit has been accrued during the year.

**10.4.5** JS Infocom Limited, has received these privately placed term finance certificate (PPTFCs) as settlement for its subordinated loan to Agritech Limited (AGL). The Settlement Agreement between the Company and the Agritech stipulates that the entire outstanding amount inclusive of interest up to June 30, 2012 and other charges due from Agritech Limited will be converted into PPTFCs with a tenor of 8.5 years (inclusive of 2 years grace period) carrying markup at the rate of 6 months KIBOR (ask side) plus 1.95% per annum. These certificates are redeemable in 12 equal semi annual installments with first such redemption due on December 31, 2014 and its interest falling due on October 22, 2012 and December 31, 2012 respectively. However, AGL has committed default in payment of interest up to December 31, 2012.

**10.4.6** During the year 2012, Azgard Nine Limited (ANL) transferred its shareholding in Agritech Limited (AGL) to its lenders (Banks / Financial Institutions) under a debt to asset swap arrangement whereby ANL's existing debt was partially swapped with the company's entire shareholding in AGL. In this regard, the Share Transfer and Debt Swap Agreement was signed on 11 November 2012 amongst the lenders and ANL. By virtue of this transaction, AGL major shareholding is now owned by Banks and Financial Institutions. As a result of the Share Transfer and Debt Swap Agreement, the new shareholders (comprising of Banks, Financial Institutions and Strategic Investor), through their representatives, formed the new board of directors of AGL on March 11, 2013.

AGL, at present is unable to meet its financial obligations due to liquidity constraints as a result of gas curtailment, and its debt burden has significantly enhanced in the form of Principal and overdue mark up repayment. In this backdrop, the management of AGL decided that AGL would be incurring unsustainable negative cash flows in the absence of a rehabilitation plan and approved capital restructuring by conversion of entire debt of AGL into preference shares due to the flexible features offered by Preference shares such as Redeemable, and Cumulative features.

Accordingly, the shareholders of Agritech Limited (AGL) in their Extra-ordinary General meeting held on December 10, 2013 approved the issuance of Preference Shares to settle outstanding debt and mark-up payment obligations of AGL towards its lenders including debt to equity swap other than by way of issuance of right shares subject to approval of the Securities and Exchange Commission of Pakistan, the management of AGL is currently obtaining approvals from its lenders for conversion of all debts including outstanding markup to implement the aforesaid scheme.

On successful completion of the aforesaid transaction, the Company is expected to receive Rs. 33 million approximately against redemption of outstanding principal with remaining debt converted into cumulative, redeemable "Class A preference shares of Rs. 10/- each of AGL with limited voting rights. In view of the above rehabilitation plan of AGL, the Company has not further increased the provision for doubtful debts against the outstanding PPTFCs of AGL.

## 11. LONG TERM LOANS, ADVANCES AND OTHER RECEIVABLES

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Long-term loans - considered good** | | | |
| **Secured** | | | |
| **Due from:** | | | |
| Executives | 11.1 & 11.3 | 874,960 | 95,556 |
| Employees | | 3,006 | 4,169 |
| | | 877,966 | 99,725 |
| **Loans advanced by JS Bank Limited** | | 1,318,260 | 358,665 |
| **Net Investment in Finance Lease by JS Bank Limited** | 11.2 | 582,682 | 388,725 |
| **Long-term advances - considered good, unsecured** | | | |
| **Advances - unsecured & considered good** | | | |
| against issue of right shares | | 400,000 | - |
| against capital expenditure | | 2,564 | - |
| against a room at National Commodity Exchange Limited | | 2,500 | 2,500 |
| | | 3,183,972 | 849,615 |
| **Current maturity of long term loans and receivables** | | (196,965) | (112,247) |
| | | 2,987,007 | 737,368 |

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | (Rupees in '000) | |

**11.1 Reconciliation of the carrying amount of loans to executives**

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Balance at the beginning of the year | 95,556 | 3,384 |
| Disbursements | 929,158 | 111,946 |
| Repayments | (149,754) | (19,774) |
| Balance at the end of the year | 874,960 | 95,556 |

**11.2 Particulars of net investment in finance lease**

| | 2013 | | |
|---|---|---|---|
| | Not later than one year | Later than one and less than five years | Total |
| | Rupees in '000 | | |
| Lease rentals receivable | 232,614 | 323,363 | 555,977 |
| Guaranteed residual value | 11,452 | 103,598 | 115,050 |
| Minimum lease payments | 244,066 | 426,961 | 671,027 |
| Finance charges for future periods | (49,354) | (38,991) | (88,345) |
| Present value of minimum lease payments | 194,712 | 387,970 | 582,682 |

| | 2012 | | |
|---|---|---|---|
| | Not later than one year | Later than one and less than five years | Total |
| | Rupees in '000 | | |
| Lease rentals receivable | 146,028 | 265,521 | 411,549 |
| Guaranteed residual value | - | 50,202 | 50,202 |
| Minimum lease payments | 146,028 | 315,723 | 461,751 |
| Finance charges for future periods | (36,102) | (36,924) | (73,026) |
| Present value of minimum lease payments | 109,926 | 278,799 | 388,725 |

**11.3** Represents loans to executives and employees of the Group given for housing and for purchase of home appliances and motor vehicles at rates ranging from 5.42% to 11.90% (December 31, 2012: 7.01% to 15.00%) per annum in accordance with the Group's employee loan policy and their terms of employment. These loans are secured against salaries of the employees, title documents of vehicles, equitable mortgage and personal guarantees and are repayable over a period of one to five years. The maximum aggregate amount due from executives at the end of any month during the year was Rs. 4.38 million (December 31, 2012: Rs. 3.55 million) .

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 12. DEFERRED TAXATION

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| **Taxable temporary differences** | | | |
| Differences in accounting and tax bases of: | | | |
| - Property and equipment | | (182,950) | (140,484) |
| - Intangible assets | | (358,586) | (307,359) |
| - Surplus on revaluation of investments | | (44,567) | (97,964) |
| **Deductible temporary differences** | | | |
| Unused tax losses | 12.2 | 1,019,506 | 1,020,292 |
| Provision against investments and loans | | 317,368 | 318,520 |
| Deferred cost | | - | 818 |
| Deficit on revaluation of investments | | 110,464 | (6,203) |
| Minimum Tax | 12.3 | 160,075 | 81,968 |
| Provision for workers' welfare fund | | 31,648 | - |
| | | 1,052,958 | 869,588 |

**12.1** The Holding Company has not recognized its own deferred tax assets in view of uncertainty about the availability of taxable profits in the future against which such losses can be utilized. Further, the Company has assessed and un-assessed carry forward tax losses amounting to Rs. 48.78 million (December 31, 2012 : Rs. 1,154.66 million). The amount of deferred tax asset not recognized in these financial statements amounts to Rs. 13.17 million (December 31, 2012 : Rs. 405.67 million).

**12.2** The management of JSBL has prepared a five year projections which has been approved by the Board of Directors of JSBL. The projections involves certain key assumptions underlying the estimation of future taxable profits projected in the plan. The determination of future taxable profits is most sensitive to certain key assumptions such as cost to income ratio of JSBL, deposit composition, growth of deposits and advances, investment returns, potential provision against assets, branch expansion plan, etc. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset. The management believes that it is probable that JSBL will be able to achieve the profits projected in the projections and consequently the deferred tax asset will be fully realised in the future.

**12.3** Adjustability of minimum tax (in future years) is provided under section 113(2)(C) of the Income Tax Ordinance, 2001 (the Ordinance), The said provision provides that the excess of minimum tax over 'actual carried forward for adjustment against tax liability (up to five years). However, during the current year the Sindh High Court (SHC) passed an order against the issue which has arisen where 'actual tax payable for the year is Nil, and whole amount of minimum tax was considered for adjustment in future. The SHC passed an order that 'actual tax payable should be an absolute amount, and cannot be zero or Nil; therefore minimum tax paid in such a situation is not eligible for adjustment in future, in terms of section 113(2)(C) of the Ordinance. Currently, aforesaid decision of the SHC has been further appealed, and issue is now subjudiced before the Supreme Court of Pakistan (SCP). Tax advisor is of the opinion that, based on valid legal grounds, favourable outcome is expected. Accordingly, till the finalization of matter at the SCP, JS Bank will continue to carry forward the tax paid.

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 13. SHORT TERM INVESTMENTS

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| **Assets at fair value through profit or loss - held for trading:** | | | |
| Listed equity securities | | | |
| - Related parties | 13.2 | - | 63,396 |
| - Others | | 1,157,368 | 314,801 |
| Government securities | | 22,717,448 | 2,871,926 |
| Term Finance Certificates - Quoted | | 121,726 | 72,298 |
| Term Finance Certificates - Unlisted / Sukuk | | 33,336 | 209,871 |
| Units of mutual fund | | 650,802 | 940,616 |
| | | 24,680,680 | 4,472,908 |
| **Available for sale:** | | | |
| Equity securities | | | |
| - quoted | 13.2 | 1,473,272 | 2,233,967 |
| - unquoted - stated at cost | | 20,056 | 17,998 |
| Term Finance / Sukuk Certificates | | | |
| - quoted | | 811,318 | 1,518,778 |
| - unquoted - stated at cost | | 1,002,448 | 766,087 |
| US Dollar Bonds | | 1,650,106 | 794,641 |
| Government securities | | 13,398,487 | 39,441,664 |
| Units of Mutual Fund | 13.2 | 2,213,771 | 872,544 |
| | | 20,569,458 | 45,645,679 |
| | 13.3 | 45,250,138 | 50,118,587 |

**13.1** The above investments are carried at market value except where mentioned specifically. The cost of the above investments amounts to Rs. 44,498 million (December 31, 2012: Rs. 43,130 million).

**13.2** This includes investments in equity securities of related parties having Rs. 1,604.43 million (December 31, 2012: Rs. 2,446.82 million) market value.

**13.3** This includes investments pledged with various financial institutions having Nil (December 31, 2012: Rs. 8,411.25 million) market value costing Nil (December 31, 2012: Rs. 8,578.35 million).

## 14. TRADE DEBTS -Unsecured considered good

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Receivables against margin finance (purchase of shares) | | 162,295 | - |
| Debtors for purchase of shares on behalf of clients | | 87,608 | - |
| Receivable against sale of shares | | - | 501,955 |
| Trade debts for advisory and other services | | - | 62,801 |
| Forex and fixed income commission receivable | | 16,207 | - |
| Commodity | | 37,650 | - |
| | | 303,760 | 564,756 |
| Considered doubtful or bad | | 397,673 | 396,374 |
| | | 701,433 | 961,130 |
| Provision for doubtful debts | 14.1 | (397,673) | (396,374) |
| | | 303,760 | 564,756 |

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **14.1 Provision for doubtful debts** | | | |
| Opening balance as at January / July 01, | | 396,374 | 421,801 |
| Charged during the year / period | | 1,300 | - |
| Reversed during the year / period | | - | (25,427) |
| | | 1,300 | (25,427) |
| Closing Balance as at December 31 | | 397,674 | 396,374 |

## 15. LOANS AND ADVANCES

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| **Current maturity of long term loans** | 11 | 196,965 | 112,247 |
| Term loans advanced by JSBL - considered good | 15.1 | 32,396,630 | 19,937,152 |
| Provision against non-performing loans | 15.2 | (1,401,185) | (971,253) |
| | | 30,995,445 | 18,965,899 |
| **Advances - considered good** | | | |
| **Unsecured** | | | |
| Against subscription of mutual fund - open end | | - | 100,000 |
| Contractor and suppliers | | 7,574 | 6,384 |
| Staff | 15.3 | 3,894 | 6,386 |
| | | 11,468 | 112,770 |
| | | 31,203,878 | 19,190,916 |

**15.1** These carry mark-up ranging from 2.5% to 23% (December 31, 2012: 8.46% to 10.39%) per annum and are secured by pledge of shares of listed companies, property of the borrowers and hypothecation of assets.

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **15.2 Particulars of provision for non-performing loans** | | | |
| Opening balance | | 971,253 | 434,776 |
| Charge for the year - net of reversals | | 429,932 | 536,477 |
| Closing balance | | 1,401,185 | 971,253 |

**15.3** The advances are provided to executives and other employees to meet personal expenses. In addition, advances are also given to executives against their salaries. These advances are recovered through deduction from salaries.

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 16. ACCRUED MARK-UP

| | | | |
|---|---|---|---|
| Loans and advances | | 1,287,097 | 693,691 |
| Bank deposits | | 44,197 | 12,379 |
| Government securities | | 1,207 | 10,233 |
| Term Finance Certificates | | 2,306 | 4,049 |
| | | 1,334,807 | 720,352 |

## 17. SHORT - TERM PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | | | |
|---|---|---|---|
| Deposits | | 43,013 | 37,607 |
| Prepayments | | 246,513 | 196,940 |
| Other receivables | | | |
| - Remuneration from related parties | 17.1 | 37,008 | 20,666 |
| - Others | 17.2 | 330,771 | 348,768 |
| | | 367,779 | 369,434 |
| | | 657,305 | 603,981 |

**17.1** This includes remuneration receivable from various Funds for services rendered as an asset management company. Remuneration for the period ended December 31, 2013 has been calculated from 0.75 % to 2.00% ( December 31, 2012: 1.00% to 2.00%) of the net asset value of these Funds.

**17.2** Included herein is a sum of Rs. 11.813 million (December 31, 2012: Rs. 10.69 million) receivable from related parties.

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 18. OTHER FINANCIAL ASSETS - FUND PLACEMENTS

**Securities purchased under resale agreement:**

**Secured and considered good**

| | | | |
|---|---|---|---|
| Government securities | 18.1 | 16,356,380 | 3,340,958 |
| Call money lending - unsecured, considered good | 18.2 | 5,229,419 | 600,000 |
| | | 21,585,799 | 3,940,958 |

**18.1** These are secured short-term lendings to various financial institutions, carrying mark-up rates ranging from 9.40% to 9.90% (2012: 8.00% to 11.25%) These are due to mature between January 03, 2014 to January 27, 2014.

**18.2** Included herein is a sum of Rs.3,529 million and Rs.1,700 million representing unsecured call money lendings to financial institutions and secured lendings to financial institutions respectively, carrying interest at the rates ranging between 9.65% and 10.50% (2012: 7.50% and 9.75%) per annum and 10.44% and 13.56% (2012: 1.50% and 14.03%) per annum respectively .

## 19. CASH AND BANK BALANCES

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Cash in hand | | 177 | 183 |
| Balances with banks on: | | | |
| Current accounts | | | |
| local currency | | 6,292,416 | 4,142,662 |
| foreign currency | | 1,972,828 | 1,458,735 |
| | | 8,265,244 | 5,601,397 |
| Deposit accounts | | | |
| local currency | | 21,262 | 21,933 |
| foreign currency | | 73,144 | 627,295 |
| | 19.1 | 94,406 | 649,228 |
| Term Deposit Receipts | 19.2 | 54,000 | 684,000 |
| | | 8,413,827 | 6,934,808 |

**19.1** These carry mark-up ranging from 5% to 9.75% (December 31, 2012: 5% to 11.90% ) per annum.

**19.2** These carry mark-up at the rate of 9.51% (December 31, 2012: 9.45% to 9.6% ) per annum.

## 20. DISCONTINUED OPERATION

The Board of Directors of the Company in their meeting held on August 30, 2012 have approved to dispose of entire investment in Credit Chex (Private) Limited (CCPL) . Accordingly, on December 24, 2012, the Company entered into a share purchase agreement with LoanLink International (BVI) Limited to sell 1,895,000 shares of CCPL subject to completion of necessary regulatory formalities. The approval of the State Bank of Pakistan has been obtained and the Company is in the phase of completing other formalities.

The results of the discontinued operation for the year/period end is presented below:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | (Rupees in '000) | |
| **Income** | | |
| Fee, commision and brokerage | 45 | 2,926 |
| Other income | 5 | 115 |
| | 50 | 3,041 |
| **Expenditure** | | |
| Operating and administrative expenses | 3,928 | 37,211 |
| Financial charges | 10 | 19 |
| | 3,938 | 37,230 |
| **Loss before tax from discontinued operation** | (3,888) | (34,189) |
| Taxation-current | 1 | (15) |
| **Loss for the year / Period from discontinued operation** | (3,887) | (34,204) |

The major classes of assets and liabilities of Credit Chex (Private) Limited classified as held for sale as at the year/ period end are as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | (Rupees in '000) | |
| **Assets** | | |
| Property and equipment | **606** | 956 |
| Loans, advances, security deposits and other receivables | **705** | 449 |
| Deposits, acrued markup, advance taxation, prepayments and other receivables | **1,786** | 855 |
| Cash and bank balances | **439** | 1,528 |
| Assets classified as held for sale | **3,536** | 3,788 |
| **Liabilities** | | |
| Long term loans | **25,498** | 25,498 |
| Accrued markup, trade and other payables | **18,782** | 49,681 |
| Deposits and other accounts | **35,990** | - |
| Liabilities directly associated with assets classified as held for sale | **80,270** | 75,179 |
| Net assets directly associated with disposal group | **(76,734)** | (71,391) |
| **Loss per share:** | | |
| Basic and diluted from discontinued operation | **(0.01)** | (0.04) |

## 21. SHARE CAPITAL

### 21.1 Authorised capital

| December 31, 2013 | December 31, 2012 | | December 31, 2013 | December 31, 2012 |
|---|---|---|---|---|
| Number of shares | | | (Rupees in '000) | |
| **6,000,000,000** | 6,000,000,000 | Ordinary shares of Rs. 10/- each | **60,000,000** | 60,000,000 |
| **500,000,000** | 500,000,000 | Preference shares of Rs. 10/- each | **5,000,000** | 5,000,000 |
| **6,500,000,000** | 6,500,000,000 | - | **65,000,000** | 65,000,000 |

### 21.2 Issued, subscribed and paid-up capital

| December 31, 2013 | December 31, 2012 | | December 31, 2013 | December 31, 2012 |
|---|---|---|---|---|
| Number of shares | | | (Rupees in '000) | |
| | | Ordinary shares of Rs.10/- each: | | |
| **52,415,925** | 52,415,925 | Fully paid in cash | **524,159** | 524,159 |
| **710,869,398** | 710,869,398 | Fully paid bonus shares | **7,108,694** | 7,108,694 |
| **763,285,323** | 763,285,323 | | **7,632,853** | 7,632,853 |

## 22. RESERVES

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Capital reserve** | | | |
| Premium on the issue of ordinary shares | | **4,497,894** | 4,497,894 |
| **Revenue reserves** | | | |
| Foreign exchange translation reserve | | **127,591** | 55,017 |
| Accumulated loss | | **(1,406,105)** | (1,048,636) |
| | | **(1,278,514)** | (993,619) |
| **Other** | | | |
| Unrealised gain on revaluation of available for sale investments -net | 22.1 | **3,763,732** | 3,437,010 |
| Statutory reserve | | **207,821** | 158,346 |
| | | **7,190,933** | 7,099,631 |

**22.1** The amounts above reflect the effect of deferred taxation wherever applicable. Refer note 12.

## 23. LONG TERM FINANCING

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Term Finance Certificates | 23.1 | **651,056** | 761,470 |
| Liability against Class A, B & C TFCs | 23.2 | **-** | 66,438 |
| | | **651,056** | 827,908 |

### 23.1 Term Finance Certificates (TFCs)

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Secured** | | | |
| Second issue | 23.1.1 | **124,600** | 373,800 |
| Sixth issue | | **-** | 1,246,927 |
| Seventh issue | 23.1.2 | **734,011** | 892,477 |
| Advance against Eighth issue - net of transaction cost | 23.1.3 | **162,764** | - |
| | | **1,021,375** | 2,513,204 |
| **Less:** | | | |
| Current portion shown under current liability | | **370,318** | 1,751,734 |
| | | **651,057** | 761,470 |

**23.1.1** The profit on these TFCs is payable semi-annually, based on the six month KIBOR average rate plus 150 basis points per annum for first 5 years, and thereafter, an increase of 0.10% per annum for next 3 years and a further 0.10% per annum year for the last 2 years. These TFCs have a tenor of ten years i.e. 2004-2014 with a call option exercisable by the Company at any time during the tenor of the TFCs after the first 2 years by giving a 3 months notice. These TFCs are secured against lien over a designated account with the Central Depository Company of Pakistan Limited. The account contains marketable securities having a market value of Rs. 265.81 million (December 31, 2012: Rs. 1,082.27 ) million to secure the outstanding principal with the regulatory margin as prescribed by the State Bank of Pakistan's Prudential Regulations. In the event of any sale and repurchase of marketable securities, the lead arranger will have a hypothecation charge on the ensuing receivable and a lien over subsequent cash which is to be maintained in a specified bank account.

**23.1.2** The profit on these TFCs is payable semi-annually, based on the six month KIBOR average rate plus 240 basis points per annum. These TFCs have a tenor of four years i.e. 2012-2016 with a call option exercisable by the Company at any time on a coupon date during the tenor of the TFCs by giving a 30 days notice. The Instrument is structured to redeem the principal in eight (8) equal semi-annual instalments starting from the 6th month of the Issue Date. These TFCs are secured against lien over a designated account with the Central Depository Company of Pakistan Limited. The account contains marketable securities having a market value of Rs. 1,342.18 million (December 31, 2012: 2,057.44 ) to secure the outstanding principal with 35% margin. In the event of any sale and repurchase of marketable securities, the trustee will have a hypothecation charge on the ensuing receivable and a lien over subsequent cash which is to be maintained in a specified bank account.

**23.1.3** Represents advance received against issue of privately placed term finance certificate of Rs. 750 million. The profit on these TFCs is payable semi-annually, based on the six month KIBOR average rate plus 175 basis points per annum. These TFCs have a tenor of five years i.e. 2014-2019.

**23.2 Liability against Class A, B & C TFCs**

JSIL has sold and assigned Rs. 702.5 million of its present and future management fee from few funds (listed below) under its management to Financial Receivables Securitization Company Limited (FRSCL), a special purpose vehicle, incorporated for this purpose in accordance with Companies ( Asset Backed Securitisation) Rules, 1999.

Unit Trust of Pakistan
JS Income Fund
JS Islamic Fund
JS Growth Fund
JS Large Cap Fund
JS Value Fund Limited

The sale of receivables has been treated as debt under EITF 88-18 " Sales of Future Revenue" and is being amortised under the interest method.

As per the terms of agreement between FRSCL and the Group, FRSCL raised finances by issuing TFCs to various investors with the following features.

| | |
|---|---|
| Total Issue Size | Rs. 702.5 million |
| Private Placement / Pre-IPO | Rs. 502.5 million |
| Initial Public Offering (IPO) | Rs. 200 million |
| Tenor | 7 year |
| Rate | 6 month KIBOR plus 200 bps (payable semi-annually) |
| Floor | 8.00% |
| Ceiling | 16.00% |

The Term Finance Certificates issued by FRSCL are due to mature on January 17, 2014 and upon discharge of all its obligations, the Trust managing these TFCs will terminate. The operations of FRSCL will then only continue to the extent necessary for regulatory compliance. During the year, the JSIL has received an intimation from trustees vide letter dated December 30, 2013 whereby the JSIL has been informed that sufficient funds are available with the FRSCL to discharge its obligations i.e. the last redemption to be paid on January 17, 2014. Accordingly, the JSIL has reversed excess liability amounting to Rs. 30.043 million.

## 24. LONG-TERM DEPOSITS AND OTHER ACCOUNTS

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Customers** | | | |
| Fixed deposits | | 25,729,940 | 20,771,890 |
| Savings deposits | | 21,689,752 | 15,369,962 |
| Current accounts - Non-remunerative | | 22,146,983 | 16,845,870 |
| Margin accounts | | 484,583 | 317,491 |
| | | 70,051,258 | 53,305,213 |
| **Financial Institutions** | | | |
| Remunerative deposits | | 8,375,651 | 6,420,235 |
| Non-Remunerative deposits | | 96,465 | 223,507 |
| | | 8,472,116 | 6,643,742 |
| | | 78,523,374 | 59,948,955 |
| Current maturity | 28 | (78,380,707) | (59,920,434) |
| | | 142,667 | 28,521 |

## 25. TRADE AND OTHER PAYABLES

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| Payable against purchase of shares | | - | 265,843 |
| Creditor for sale of shares on behalf of clients | | 250,825 | - |
| Accrued expenses | | 394,967 | 381,014 |
| Bills payable | | 1,421,657 | 713,747 |
| | | 2,067,449 | 1,360,604 |
| **Other liabilities** | | | |
| Security deposits | | 116,787 | 58,997 |
| Unclaimed dividend | | 26,119 | 12,739 |
| Unrealised loss on forward foreign exchange contracts - net | | - | 2,337 |
| Provision for Worker's Welfare Fund | 25.1 | 114,958 | - |
| Others | 25.2 | 404,097 | 437,173 |
| | | 661,961 | 511,246 |
| | | 2,729,410 | 1,871,850 |

**25.1** Prior to certain amendments made through the Finance Acts of 2006 & 2008, Worker Welfare Fund (WWF) was levied at 2% of the total income assessable under the Income Tax Ordinance, 2001 excluding incomes falling under the Final Tax Regime (FTR). Through Finance Act, 2008, an amendment was made in Section 4(5) of the WWF Ordinance, 1971 (the Ordinance) whereby WWF liability is applicable at 2% of the higher of the profit before taxation as per the accounts or declared income as per the return.

Aggrieved by the amendments made through the Finance Act, certain stakeholders filed petition against the changes in the Lahore High Court which struck down the aforementioned amendments to the WWF Ordinance in 2011. However, some stakeholders also filed the petition in the Sindh High Court which in 2013, decided the petition against stakeholders. Group companies has decided to file the petition under the High Court against the changes. On prudent basis, the Group has recognized aggregate provision amounting to Rs. 114.96 million for the years from 2012 to 2013.

**25.2** Included herein is an amount of Rs. 49.293 (December 31, 2012: Rs. 49.293) million pertaining to disputed tax liability. Citibank Overseas Investment Corporation (COIC) had on February 1, 1999 entered into an agreement to sell 6.00 million shares of Jahangir Siddiqui Investment Bank Limited (JSIBL) (formerly Citicorp Investment Bank Limited) to the holding company and in that agreement it was agreed by the parties that the purchase consideration of Rs.123.90 million (representing 6.00 million shares at the rate of Rs.20.65 per share) would be adjusted to the extent of 70.00% if there is any subsequent reduction in total disputed tax liability as of December 31, 1998 amounting to Rs.68.65 million as confirmed by a Chartered Accountant firm. Therefore as and when this disputed tax liability is resolved in favour of JSIBL, the holding company would pay to the COIC the above mentioned amount to the extent of 70.00% which would be adjusted against the purchase consideration for the investment in JSIBL. It should be noted that even if the matter is decided in favour of JSIBL, the matter is most likely to be referred to a higher forum.

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **26. ACCRUED INTEREST / MARK-UP ON BORROWINGS** | | | |
| Long term financing | | 18,211 | 109,728 |
| Deposits | | 549,975 | 448,902 |
| Short term borrowings | | 124 | 16,365 |
| | | 568,310 | 574,995 |
| **27. SHORT TERM BORROWINGS** | | | |
| Securities sold under repurchase agreements secured against: | | | |
| Government securities | 27.1 | 17,180,603 | 7,481,278 |
| Borrowing from banks/ NBFCs - unsecured | 27.2 | 2,970,243 | 1,172,183 |
| Short term running finance under mark-up arrangements | | - | 158,421 |
| | | 20,150,846 | 8,811,882 |

**27.1** This represents collateralised borrowing from SBP and other financial institutions against Market Treasury Bills carrying mark-up at the rate ranging between 10.00% to 10.50% (2012: 8.80% to 8.86%) per annum and would mature up to January 03, 2014 (2012: January 04, 2013).

**27.2** Included herein a sum of Rs. 990 million representing call money borrowings from financial institutions, carrying interest at the rate of 9.00% (2012: 8.5%) per annum.The rest of the sum is payable to SBP under export refinancing scheme. These borrowings are repayable on a quarterly basis and carry mark-up at the rate ranging between 8.50% to 10% (2012: 8.50% to 10%) per annum.

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 28. CURRENT PORTION OF NON-CURRENT LIABILITIES

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| Long term financing | | | |
| Term finance certificates | 23.1 | 370,318 | 1,751,734 |
| Liability against Class A, B & C TFCs | 23.2 | - | 103,120 |
| Deposits and other accounts | 24 | 78,380,707 | 59,920,434 |
| | | 78,751,025 | 61,775,288 |

## 29. CONTINGENCIES AND COMMITMENTS

### 29.1 Contingencies

**- In respect of Holding company**

a) The Additional Commissioner of Inland Revenue – Audit Division (ACIR) issued orders under section 122 (5A) of the Income Tax Ordinance, 2001 (the Ordinance) in respect of the tax years 2008 and 2009. According to the orders, the ACIR raised tax liability of Rs. 217.14 million in respect of the above mentioned tax years. Such additions were made mainly because income was classified under different heads instead of treating income from all sources as business income. Accordingly, expenses were apportioned under section 67 of the Ordinance read with Rule 13 of Income Tax Rules, 2002. The Company filed appeals against the above orders before the Commissioner Inland Revenue – Appeals (CIR-Appeals). Further, the Company has also filed Constitutional petition on point of jurisdiction for Tax year 2009 and obtained stay order against recovery of tax demand.

The CIR-Appeals eliminating the tax liability restored the return versions for the above tax years. The tax department filed appeals to the Appellate Tribunal Inland Revenue (ATIR) against the orders of CIR-Appeals. The ATIR also decided the subject matter in respect of tax years 2008 and 2009 in favour of the Company. However, appeal effect orders passed by the department in respect of aforesaid tax years resulted in income tax refund of Rs. 11.02 million. Rectification applications have been filed with ACIR to allow appeal effect in accordance with the order passed by the ATIR.

The management, based on its discussions with its tax advisors, is confident that the rectifications applied for in respect of appeal effect orders for tax years 2008 and 2009 will eventually be allowed in favour of the Company. Hence, no provision for liability has been made in these financial statements.

b) The Additional Commissioner of Inland Revenue – Audit Division (ACIR) has issued another order under section 122 (5A) of the Ordinance in respect of the tax year 2008 and raised an undue demand of Rs. 96.476 million by unlawfully charging minimum tax @ 0.5% u/s 113 of the Ordinance on capital gain of Rs. 19,255.036 million and despite the fact that capital gains are treated under separate head of income as 'Capital Gains' and not as part of 'Income from Business'. Further, capital gains are not covered under the exclusive definition of 'turnover' stipulated in section 113 of the Ordinance. Subsequent to the period end, the Company has filed appeal against the above order before the Commissioner Inland Revenue – Appeals (CIR-Appeals).

The management, based on its discussions with its tax advisors, is confident that the subject matter in respect of tax year 2008 will eventually be decided in favour of the Company. Hence, no provision for liability has been made in these financial statements.

c) The Additional Commissioner of Inland Revenue – Audit Division (ACIR) has issued order under section 122 (5A) of the Income Tax Ordinance, 2001 (the Ordinance) in respect of the tax year 2010. According to the order, the ACIR has raised tax liability of Rs. 63.49 million in respect of the above mentioned tax year. The Company filed application for rectification in the order on various grounds including credit for tax of Rs. 54.10 million not allowed by the ACIR against which rectification order under section 221 of the Ordinance was issued according to which the tax demand was reduced to Rs. 9.64 million after accounting for the tax credit. Further, the Company has also filed appeal against the above order before the Commissioner Inland Revenue – Appeals (CIR-Appeals). The CIR-Appeals has confirmed the order of ACIR. As a result of the aforesaid order of CIR-Appeals, the Company has filed an Appeal before the Appellate Tribunal Inland Revenue (ATIR).

The management, based on its discussions with its tax advisors, is confident that the subject matter in respect of tax year 2010 will eventually be decided in favour of the Company. Hence, no provision for liability has been made in these financial statements.

**- In respect of JSIL**

In respect of the appeals filed by the JSIL against orders passed for tax year 2006 and 2009 against demand of Rs 162 million and 66 million respectively, the Commisioner of Inland Revenue has not accepted the basis of addition and set aside both the orders in respect of allocation of expenses between various source of income for devono proceedings with the directions to apportion common expenditure according to actual incurrence of expenditure to the various sources of income.

JSIL has filed second appeal in Appellate Tribunal Inland Revenue in respect of disallowances.

Appeal effect of the CIR (Appeals) order in both the years received as a result the demand were reduced at Rs. 77.33 and Rs. 59.93 million respectively however, the direction of apportionment of expenditure according to actual incurrence of expenditure to the various sources of income was not followed. JSIL again filed appeals before the CIR (Appeals) against the above orders.

The CIR (Appeals) also rectified the order passed by his predecessor for the Tax Year 2006, whereby the addition regarding the portion of capital gain included in dividend received from mutual funds was held deleted. Resulted appeal effect order reflects refund of Rs. 29 million. The CIR, Zone-IV has filed appeal in Appellate Tribunal Inland Revenue in respect of deletion of addition regarding the portion of capital gain included in dividend.

Management and tax advisors of JSIL are confident that good grounds exist to contest these disallowances and other points at appellate forums and these additions cannot be maintainable and eventually outcome will come in its favor. Hence no provisions have been made in these financial statements.

**- In respect of JSBL**

Under Section 114 of the Income Tax Ordinance, 2001, the Bank has filed the tax returns for the tax years 2006 through 2013. The said returns are deemed to be assessed under the provisions of prevailing income tax laws as applicable in Pakistan. However, tax authorities have issued notices for the amendment of assessments for the tax year 2008 to 2012. Since such proceedings have not yet been concluded by the authorities, therefore any estimate of tax exposure cannot be determined at this stage.

During the year, the Deputy Commissioner Inland Revenue ("the DCIR") has passed the combined Assessment Order claiming short payment of the Federal Excise Duty (FED) on services categorized under the head 'brokerage services / commission / fee' for the periods from January 01, 2007 to December 31, 2010 ignoring the fact that the periods from January 2007 to August 2008 is already time-barred under section 14 of the Federal Excise Act, 2005 since the respective SCN was issued on August 29, 2013. Management and tax advisor believe that amounts and periods considered in adjudication / assessment were erroneous which were neither based on the amounts and period given in the show-cause notice nor based on the respective financial statements. However, an appeal was filed against the order and subsequently the CIR Appeals has remanded back the order.

Tax department has initiated monitoring of withholding taxes in respect of short deduction of tax on salaries under section 149. Thereafter ex-party orders have been passed whereby tax demands of Rs.1.503 million and Rs.1.641 million for the tax years 2011 and 2012 have been raised. The Bank has applied for rectification of the orders, contending no tax withholding default, and further has also filed appeal to the CIR - Appeals. Management and tax advisor believes that demands raised would not be sustained, and are hopeful that the same would be held annulled in the decision of appeal.

Furthermore, monitoring of withholding taxes under section 153, 155 and 156(2) for the tax year 2010 have been initiated which are still under process.

With regard to the Bank's AJK operations, the Commissioner has issued notice to select the return filed for the Tax Year 2011. Proceedings are under progress and ultimate liability cannot be ascertained reasonably at this point of time.

**- In respect of Credit Chex (Pvt) Limited (CCPL) – a subsidiary**

CCPL entered into an agreement with a foreign supplier in respect of software license, maintenance and royalty fee in the year 2009. The total amount of liability against the services obtained by CCPL as at 30 June 2010 was Rs.13,696,000 (after the renegotiation agreement entered into between the CCPL and the foreign supplier and certain payments made to the foreign supplier subsequent to the renegotiation agreement. However, during the yea/peried, CCPL considers that the foreign supplier has breached certain terms of the agreement and accordingly, CCPL believes that no amount is payable as a fee and charges and therefore, CCPL has extinguished all its liabilities towards the foreign supplier. However, during the yeaa/periedr, director of CCPL has received a notice for the payment of outstanding dues amounting to GBP 239,422 (approximately Rs. 33,520,000) from the legal advisor of the foreign supplier (i.e. outstanding debt plus interest thereon in relation to unpaid invoices relating to the support, licensing and maintenance of software for CCPL). The aforementioned notice is considered to be the final demand for repayment by the foreign supplier, and failure for repayment could lead to debt recovery action against the CCPL. However, the CCPL based on the opinion of its legal advisor believes that no amount is payable to the foreign suppliers under the aforesaid agreement and accordingly, no provision has been made for any claim by the foreign supplier in these financial statements.

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **- Transaction-related contingent liabilities** | | | |
| **Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions.** | | | |
| **i) Government** | | **2,520,803** | **1,950,045** |
| **ii) Banking companies and other financial institutions** | | **210,521** | **588,099** |
| **iii) Others** | | **333,832** | **293,522** |
| | | **3,065,156** | **2,831,666** |

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | (Rupees in '000) | |
| **- Other contingencies** | | |
| Claims not acknowledged as debts | **66,896** | 66,718 |
| Trade related contingent Liabilities documentary credits | **4,882,691** | 4,992,746 |

**29.2 Commitments**

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| **Commitments in respect of forward exchange contracts:** | | |
| Purchase | **6,988,325** | 2,292,630 |
| Sale | **6,485,184** | 2,450,968 |
| Forward commitments to extend credit | **675,700** | 604,511 |
| **Other commitments** | | |
| Forward commitments in respect of purchase | **394,964** | - |
| Forward commitments in respect of sale | **10,000** | - |
| Commitments in respect of capital expenditure | **75,320** | 33,149 |
| Bank Guarantees | **-** | 400,000 |
| Assets acquired under operating lease | **1,209** | 3,720 |

## 30. RETURN ON INVESTMENTS

| | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|
| | (Rupees in '000) | |
| **Mark-up / interest income from:** | | |
| Government securities | **1,642,202** | 1,353,932 |
| Term Finance Certificates | **34,834** | 159,437 |
| | **1,677,036** | 1,513,369 |
| **Available for sale** | | |
| Term Finance / Sukuk Certificates | **2,330,509** | 3,163,121 |
| Government securities | **2,755** | 91,581 |
| | **2,333,264** | 3,254,702 |
| **Held to maturity** | | |
| Defence and Special Saving Certificates | **-** | 43,389 |
| **Dividend income on:** | | |
| At fair value through profit or loss | **35,659** | 32,363 |
| Available for sale investments | **533,554** | 971,528 |
| | **569,213** | 1,003,891 |
| | **4,579,513** | 5,815,351 |

| | Note | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 31. GAIN / (LOSS) ON SALE OF INVESTMENTS - net

| | | | |
|---|---|---|---|
| **At fair value through profit or loss - held for trading** | | **18,249** | 108,817 |
| **Available for sale** | | | |
| Listed equity securities | | **756,436** | 3,761,389 |
| Unlisted equity securities | | **-** | 239 |
| **Held to maturity** | | **-** | 310 |
| | | **774,685** | 3,870,755 |

## 32. INCOME FROM LONG TERM LOANS AND FUND PLACEMENTS

| | | | |
|---|---|---|---|
| Interest on loans to staff | | **313** | 763 |
| Interest on loans and advances | | **2,781,301** | 3,518,755 |
| Interest on deposits with financial institutions | | **12,510** | 80,885 |
| Return on reverse repurchase transactions of Government securities | | **270,319** | 227,621 |
| Return on term deposit receipts | | **9,094** | 25,012 |
| | | **3,073,537** | 3,853,036 |

## 33. FEE, COMMISSION AND BROKERAGE

| | | | |
|---|---|---|---|
| Consultancy and advisory fee | | **65,686** | 17,233 |
| Commission income | | **365** | 760,742 |
| Remuneration from funds under management | 33.1 | **222,739** | 306,465 |
| Fee for extinguishment of right to convert loan to ordinary shares | | **-** | 70,000 |
| Brokerage Income | | **239,159** | 217,132 |
| Other services | | **632,749** | 125,028 |
| | | **1,160,698** | 1,496,600 |

| | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|
| | (Rupees in '000) | |
| **33.1 Remuneration from funds under management** | | |
| **Open-end funds** | | |
| JS Value Fund Limited | 48,120 | 45,454 |
| JS Growth Fund | 104,788 | 106,094 |
| Unit Trust of Pakistan | 37,790 | 53,151 |
| JS Income Fund | 17,189 | 20,517 |
| JS Islamic Fund | 9,477 | 9,079 |
| JS Aggressive Asset Allocation Fund | 3,742 | 4,643 |
| JS Fund of Funds | 858 | 5,517 |
| JS KSE - 30 Index Fund (Formerly UTP - A - 30 + Fund ) | 877 | 1,607 |
| JS Pension Savings Fund | 5,804 | 5,192 |
| JS Islamic Pension Savings Fund | 3,299 | 3,334 |
| JS Aggressive Income Fund | 566 | 2,112 |
| JS Principal Secure Fund I | - | 21,767 |
| JS Principal Secure Fund II | - | 1,368 |
| JS Islamic Government Securities Fund | 2,577 | - |
| JS Large Cap Fund | 38,489 | 45,040 |
| JS Cash Fund | 26,141 | 30,624 |
| | 299,717 | 355,499 |
| Less : Sales Tax | 41,340 | 49,034 |
| Federal Excise Duty | 35,638 | - |
| | 222,739 | 306,465 |

## 34. OTHER INCOME

| | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|
| Gain on sale of property and equipment | 47,275 | 60,572 |
| Rental income | 10,779 | 35,778 |
| Return on bank deposit accounts | 7,069 | 50,106 |
| Return on cash margin on future contracts | 3,094 | - |
| Gain on remeasurement of future equity derivatives | 3,704 | - |
| Income under margin financing | 17,246 | - |
| Exchange gain | 437 | 668 |
| Income from dealing in foreign currency | 269,309 | 260,402 |
| Liability written back | - | 50,000 |
| Other income | 49,586 | 82,266 |
| | 408,499 | 539,792 |

| | Note | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 35. ADMINISTRATIVE AND OTHER EXPENSES

| | Note | 2013 | 2012 |
|---|---|---|---|
| Salaries and benefits | 35.1 | 1,643,561 | 2,010,475 |
| Telephone, fax, telegram and postage | | 93,964 | 143,319 |
| Vehicle running | | 13,216 | 10,815 |
| Directors' meeting fee | | 8,166 | 10,931 |
| Utilities | | 13,951 | 23,065 |
| Newspapers and periodicals | | 842 | 709 |
| Conveyance and travelling | | 35,185 | 49,353 |
| Repairs and maintenance | | 320,777 | 432,697 |
| Computer expenses | | 13,533 | 20,614 |
| Auditors' remuneration | 35.2 | 8,878 | 15,799 |
| Royalty fee | 35.3 | 24,900 | 40,119 |
| Consultancy fee | | 57,032 | 51,547 |
| Advisory fee | 35.4 | 13,883 | 445,005 |
| Legal and professional charges | | 57,693 | 63,020 |
| Printing and stationery | | 88,892 | 88,643 |
| Rent, rates and taxes | | 600,187 | 773,431 |
| Insurance | | 14,666 | 18,970 |
| Entertainment | | 2,354 | 1,889 |
| Advertisement | | 103,877 | 77,087 |
| Office supplies | | 2,497 | 2,828 |
| Depreciation | 35.5 | 299,805 | 393,379 |
| Amortisation of intangible assets | 8.1 | 21,475 | 30,087 |
| Provision against non-performing loans, advances and receivables | | 431,231 | 550,302 |
| Fees and subscription | | 43,125 | 57,846 |
| Donations | | 26,163 | 14,000 |
| Brokerage and commission expense | | 6,596 | 36,248 |
| Clearing fees | | 55,290 | 17,445 |
| Office security | | 89,591 | 104,249 |
| Workers' welfare fund | | - | 5,648 |
| Others | | 54,564 | 48,774 |
| | | 4,145,894 | 5,538,294 |

### 35.1 Details of Provident Funds.

| Description | JSCL 2013 | JSCL 2012 | JSBL 2013 | JSBL 2012 | JSIL 2013 | JSIL 2012 | JSGCL 2013 | JSGCL 2012 |
|---|---|---|---|---|---|---|---|---|
| | Rupees in '000 | | | | | | | |
| Number of workers | **21** | 22 | **1,087** | 1,062 | **72** | 78 | **92** | 83 |
| Size of provident fund | **22,598** | 24,622 | **362,681** | 282,512 | **27,771** | 28,672 | **22,827** | 20,501 |
| Cost of investments made | **9,940** | 22,906 | **355,885** | 275,716 | **25,558** | 24,529 | **20,786** | 19,145 |
| Fair value of investments | **10,322** | 24,190 | **360,368** | 280,199 | **26,737** | 28,141 | **22,642** | 20,306 |
| Percentage of investments made | **44%** | 93% | **98%** | 98% | **92%** | 86% | **91%** | 93% |
| **Break-up of investments at cost/ market value:** | | | | | | | | |
| **National Saving Schemes:** | | | | | | | | |
| Amount of investments | **-** | - | **-** | - | **1,300** | 2,600 | **2,018** | 6,137 |
| Percentage of size of investments | **0%** | 0% | **0%** | 0% | **5%** | 9% | **10%** | 32% |
| **Listed securities:** | | | | | | | | |
| Amount of investments | **9,940** | - | **78,226** | 137,237 | **13,739** | 18,474 | **9,020** | 7,952 |
| Percentage of size of investments | **100%** | 0% | **22%** | 50% | **51%** | 66% | **43%** | 42% |
| **Government securities:** | | | | | | | | |
| Amount of investments | **-** | 22,906 | **263,318** | 107,896 | **10,519** | 3,456 | **-** | 2,497 |
| Percentage of size of investments | **0%** | 100% | **74%** | 39% | **39%** | 12% | **0%** | 12% |
| **Balance in scheduled banks:** | | | | | | | | |
| Amount of investments | **-** | - | **14,341** | 30,583 | **1,179** | 3,612 | **9,747** | 2,559 |
| Percentage of size of investments | **0%** | 0% | **4%** | 11% | **4%** | 13% | **47%** | 13% |

### 35.2 Auditors' remuneration

| | M.Yousuf Adil Saleem & Co. Holding company | M.Yousuf Adil Saleem & Co. Subsidiary companies | Other Auditors Subsidiary companies | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|---|---|---|
| | (Rupees in '000) | | | | |
| Annual audit fee | 1,500 | 2,700 | 1,055 | 5,255 | 6,592 |
| Half-yearly review fee | 200 | 1,002 | - | 1,202 | 1,375 |
| Certifications and other services | 250 | 1,477 | - | 1,727 | 7,397 |
| Out of pocket expenses | 50 | 644 | - | 694 | 435 |
| | 2,000 | 5,823 | 1,055 | 8,878 | 15,799 |

**35.3** This represents the royalty payable under agreements approved by the Board of Directors of the respective companies.

**35.4** Represents amount paid / payable to an individual and a director for advisory services rendered in terms of their respective agreements duly approved by the Board of Directors.

| | Note | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **35.5 Depreciation** | | | |
| Operating assets | 7.1 | **299,085** | 392,400 |
| Investment property | 9 | **720** | 979 |
| | | **299,805** | 393,379 |

## 36. FINANCE COST

| | Note | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|---|
| Mark-up on: | | | |
| Short term running finance | | **34,070** | 84,731 |
| Long term financing | | **184,031** | 579,821 |
| Borrowing from banks/ NBFCs | | **207,087** | 59,632 |
| Deposits | | **3,695,530** | 4,487,511 |
| Repurchase transactions of securities | | **444,253** | 483,789 |
| | | **4,564,971** | 5,695,484 |
| Amortisation of transaction costs | | **6,180** | 3,916 |
| Bank charges | | **2,115** | 46,051 |
| | | **4,573,266** | 5,745,451 |

## 37. IMPAIRMENT ON INVESTMENTS

| | Note | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 |
|---|---|---|---|
| Associate & Joint Venture | | **-** | 64,391 |
| Available for sale investments | | **95,171** | 448,663 |
| | | **95,171** | 513,054 |

## 38. SHARE OF PROFIT/ (LOSS) OF ASSOCIATES AND JOINT VENTURE

| | Twelve months ended December 31, 2013 | | Eighteen months ended December 31, 2013 | |
|---|---|---|---|---|
| | Profit / (loss) after tax | Share of Profit / (loss) after tax | Profit /(loss) after tax | Share of Profit / (loss) after tax |
| | (Rupees in '000) | | | |
| **Associates** | | | | |
| JS Global Capital Limited | - | - | - | 36,006 |
| JS Value Fund Limited | **496,640** | 107,771 | 490,795 | 113,602 |
| | **496,640** | 107,771 | 490,795 | 149,608 |
| **Joint Venture** | | | | |
| Gujranwala Energy Limited | **(6,478)** | (2,000) | (14,432) | (3,609) |
| | **490,162** | 105,771 | 476,363 | 145,999 |

## 39. TAXATION

| | | Twelve months ended December 31, 2013 | | | Eighteen months ended December 31, 2013 | | |
|---|---|---|---|---|---|---|---|
| | Note | Current | Prior | Deferred | Current | Prior | Deferred |
| | | ........................ (Rupees in '000) ........................ | | | | | |
| Jahangir Siddiqui & Co. Ltd. | 39.1 | **36,256** | **58** | | - | (2,609) | - |
| JS Investments Limited | 39.2 | **31,659** | | **(1,747)** | 2,045 | (8,971) | (177) |
| JS Bank Limited | 39.3 | **126,317** | | **23,771** | 109,918 | (50,661) | 363,735 |
| JS Infocom Limited | 39.4 | **2,002** | | | 3,326 | 7,240 | - |
| Credit Chex (Private) Limited | 39.5 | | | | - | - | - |
| Energy Infrastructure Holding (Pvt) Ltd | 39.6 | **968** | **-** | **-** | 4,952 | 10 | - |
| JS Global Capital Limited | 39.7 | **64,804** | **1,450** | **(6,174)** | 69,036 | (11,224) | 7,369 |
| | | **262,006** | **1,508** | **15,850** | 189,277 | (66,215) | 370,927 |
| **Total Taxation** | | | | **279,364** | | | 493,989 |

**39.1** The income tax assessments of the Holding Company have been finalized up to assessment year 2002-2003 corresponding to accounting year ended June 30, 2002. Income tax returns for the tax years 2003 to 2013 have been filed on self-assessment basis and are deemed to be assessed under Section 120 of the Income Tax Ordinance, 2001.

**39.2** The income tax assessments of the company has been finalized upto and including the assessment year 2002-2003 (financial year ended June 30, 2002). The income tax assessments for the tax years 2003 to 2005, 2007, 2008 and 2010 have been filed under self- assessment scheme and are deemed to be finalized under section 120 of the Income Tax ordinance, 2001. The details of tax years 2006 and 2009 have been described in note 30.1.

**39.3** Under Section 114 of the Income Tax Ordinance, 2001, JS Bank has filed the tax returns for the tax years 2006 through 2013. The said returns are deemed to be assessed under the provisions of prevailing income tax laws as applicable in Pakistan. However, tax authorities have issued notices for the amendment of assessments for the tax year 2008 to 2012. Since such proceedings have not yet been concluded by the authorities, therefore any estimate of tax exposure cannot be determined at this stage.

JS Bank has revised the income tax returns for the tax years 2010 and 2011 claiming back the minimum tax charged for the said years on account of gross losses in those years.

In view of tax losses of JS Bank tax provision has been made for minimum taxation @ 1% (2012: 0.5%) under section 113 of the Income Tax Ordinance, 2001.

**39.4** The income tax assessments of JS Infocom Limited for the tax years 2004 to 2013 have been filed and are deemed to have been assessed under the Income Tax Ordinance, 2001, unless selected by the taxation authorities for audit purposes.

**39.5** The income tax assessments of Credit Chex (Private) Limited for the tax years 2006 to 2010 have been filed and are deemed to have been assessed under the Income Tax Ordinance, 2001, unless selected by the taxation authorities for audit purposes.

**39.6** The income tax assessments of Energy Infrastructure holding (Pvt) Ltd for the tax year 2009 & 2013 have been filed and is deemed to have been assessed under the Income Tax Ordinance, 2001, unless selected by the taxation authorities for audit purposes.

**39.7** Except for the tax year 2005 and the tax year 2009, income tax assessments have been filed and are deemed to have been assessed under the Income Tax Ordinance, 2001 unless selected by the taxation authorities for audit purposes. The tax year 2005 has been selected for audit and the proceedings are pending in the RTO.

For the tax year 2009, the ITRA No. 07/2013 filed by the Commissioner Inland Revenue against the order passed by the Learned Appellate Tribunal Inland Revenue in ITA No. 923/KB/2011 dated August 28, 2011 relating to apportionment of expenses, allowability of expenses and claiming of tax deducted at source is pending for hearing before the Honorable High Court of Sindh at Karachi. The case was fixed for hearing on May 06, 2013 then on November 20, 2013. On both dates, the case was discharged for want of time. Next hearing date is fixed on January 28, 2014.

## 40. BASIC EARNINGS / (LOSS) PER SHARE

| | Twelve months ended December 31, 2013 | Eighteen months ended December 31, 2012 * (Restated) |
|---|---|---|
| | (Rupees in '000) | |
| **Attributable to equity holders' of the parent:** | | |
| Profit from continuing operations | **266,515** | 2,938,296 |
| Loss after taxation for the period / year from discontinued operations | **(3,220)** | (28,330) |
| Profit after taxation attributable to Ordinary shareholders | **263,295** | 2,909,966 |
| | (Numbers in '000) | |
| Number of Ordinary shares outstanding during the year / period | **763,285** | 763,285 |
| **Earnings / (loss) per share:** | (Rupees) | |
| **Basic** | | |
| Continuing operations | **0.35** | 3.85 |
| Discontinued operations | **(0.01)** | (0.04) |
| | **0.34** | 3.81 |

**40.1** Diluted earnings per share has not been presented as the Group does not have any convertible instruments in issue as at December 31, 2013 and December 31, 2012.

## 41. SHARE OF OTHER COMPREHENSIVE LOSS OF ASSOCIATES

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Available for sale financial assets** | | | |
| Loss arising during the year / period | | - | (3,021) |
| | | - | (3,021) |

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 42. CASH AND CASH EQUIVALENTS

| | | | |
|---|---|---|---|
| Cash and bank balances | | **8,413,827** | 6,934,808 |
| Short-term running finance utilised under mark-up arrangement | | **-** | (158,421) |
| Borrowing from bank / NBFCs | | **(2,970,243)** | (1,172,183) |
| | | **5,443,584** | 5,604,204 |

## 43. DEFERRED LIABILITY - EMPLOYEE BENEFIT

### 43.1 General description

JS Bank (the subsidiary) operates a recognized gratuity fund for all employees who opted for the new staff retirement benefit scheme introduced by the management with effect from January 01, 2007.

The defined benefit is administered by a separate fund that is legally separate from the Bank. The plan is governed by the trust deed dated September 01, 2007. The trustees of the gratuity fund are composed of representatives from employers. The trustees of the gratuity fund are required by the trust deed to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The trustees of the gratuity fund are responsible for the investment policy with regard to the assets of the fund.

**43.2** The plan in Pakistan typically exposes the Bank to actuarial risks such as: salary risk, discount rate risk, mortality risk and investment risk defined as follow:

- **Salary increase risk.**

  This is the risk that the salary at the time of cessation of service is higher than that assumed by us.This is a risk to the Bank because the benefits are based on the final salary; if the final salary is higher than what we've assumed, the benefits will also be higher.

- **Discount rate risk**

  The discount rate is based on the yield on government bonds. If the market yield of bonds varies, the discount rate would vary in the same manner and would affect the present value of obligation and fair value of assets.

- **Mortality / withdrawal risk:**

  This is the risk that the actual mortality/withdrawal experience is different than that assumed by us.

- **Investment risk**

  This is the risk that the assets are underperforming and are not sufficient to meet the liabilities.

- **Maturity profile**

  The weighted average duration of the defined benefit obligation works out to 7.42 years.

### 43.3 Number of employees under the schemes

The number of employees covered under defined benefit scheme is 1,303 (2012:1,062).

### 43.4 Principal actuarial assumptions

Principal actuarial assumptions at the end of the reporting period expressed as weighted averages. The actuarial valuations were carried out on December 31, 2013 based on the Projected Unit Credit Method, using the following significant assumptions:

| | | 2013 | 2012 |
|---|---|---|---|
| Valuation discount rate | per annum | 12.50% | 11.50% |
| Expected return on plan assets | per annum | 12.50% | 11.50% |
| Future salary increase rate | per annum | 12.50% | 11.50% |
| Normal retirement age | years | 60 | 60 |

### 43.5 Movement in defined benefit obligations, fair value of plan assets and their components

| | Defined benefit obligations | | Fair value of plan assets | | Net defined benefit liability (asset) | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 (Restated) | 2013 | 2012 (Restated) | 2013 | 2012 (Restated) |
| | ------------------------ Rupees in (000) ------------------------ | | | | | |
| **Balance as at January 01,** | **91,269** | 75,345 | **79,911** | - | **11,358** | 75,345 |
| Effects of change in accounting policy (note 5.1) | **-** | (13,946) | **-** | - | **-** | (13,946) |
| **Balance as at January 01, as restated** | **91,269** | 61,399 | **79,911** | - | **11,358** | 61,399 |
| **Included in profit or loss** | | | | | | |
| Current service cost | **29,816** | 27,745 | - | - | **29,816** | 27,745 |
| Interest cost | **9,645** | 7,600 | **10,488** | 6,750 | **(843)** | 850 |
| Curtailment gains | **(14,407)** | (4,404) | **-** | - | **(14,407)** | (4,404) |
| Effects of change in accounting policy (note 5.1) | **-** | - | **-** | 2,625 | **-** | (2,625) |
| | **25,054** | 30,941 | **10,488** | 9,375 | **14,566** | 21,566 |
| **Included in other comprehensive income** | | | | | | |
| Acturial gains / (losses) arising from: | | | | | | |
| - demographic assumptions | **(14,141)** | (2,197) | **-** | - | **(14,141)** | (2,197) |
| - financial assumptions | **520** | 407 | **(1,533)** | 2,175 | **2,053** | (1,768) |
| - Experience adjustments | **14,361** | 1,923 | **3,941** | (5,435) | **10,420** | 7,358 |
| | **740** | 133 | **2,408** | (3,260) | **(1,668)** | 3,393 |
| **Others** | | | | | | |
| Contribution made during the year / period | **-** | - | **22,967** | 75,000 | **(22,967)** | (75,000) |
| Benefits paid during the year / period | **(387)** | (1,204) | **(387)** | (1,204) | **-** | - |
| | **(387)** | (1,204) | **22,580** | 73,796 | **(22,967)** | (75,000) |
| **Balance as at December 31, 2013** | **116,676** | 91,269 | **115,387** | 79,911 | **1,289** | 11,358 |

**43.6** The fair value of the plan assets at the end of the reporting period for each category, are as follows:

| | | Fair value of plan assets | | | |
|---|---|---|---|---|---|
| | | **2013** | 2012 | **2013** | 2012 |
| | Note | Rupees in (000) | | Percentage | |
| Cash and cash equivalent | | **41,252** | 9,158 | **35.4%** | 11.5% |
| Government Securities (PIBs) | 43.6.1 | **75,400** | 70,753 | **64.6%** | 88.5% |
| | | **116,652** | 79,911 | **100%** | 100% |

**43.6.1** The fair values of the above securities are determined based on quoted market prices in active markets. The actual return on plan assets was Rs. 10.49 million (2012: Rs.9.38 million).

**43.7 Sensitiviy analysis**

Significant actuarial assumptions for the determination of the defined obligation are discount rate, and expected rate of salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

| | Current results | Sensitivity analysis | | | |
|---|---|---|---|---|---|
| **Discount Rate** | **12.5%** | **13.5%** | **11.5%** | **12.5%** | **12.5%** |
| **Salary Increase Rate** | **12.5%** | **12.5%** | **12.5%** | **13.5%** | **11.5%** |
| | **Rupees in (000)** | | | | |
| Present value of defined benefit obligation | **116,676** | 105,176 | 129,988 | 130,437 | 104,613 |
| Fair value of plan assets | **(115,387)** | (113,909) | (116,920) | (115,387) | (115,387) |
| Net liability / (assets) | **1,289** | (8,733) | 13,068 | 15,050 | (10,774) |

Furthermore in presenting the above sensitivity analysis, the present value of the define benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in this unconsolidated statement of financial position.

**43.8** The average duration of the benefit obligation at December 31, 2013 is with in one year.

**43.9** JS Bank expects to make a contribution of Rs. 1.289 million (2012: Rs. 22.967 million) to the defined benefit plans during the next financial year.

## 44. FINANCIAL INSTRUMENTS BY CATEGORY

| | December 31, 2013 | | | |
|---|---|---|---|---|
| | Loans and receivables | Assets at fair value through profit and loss | Available for sale | Total |
| | ------ Rupees ------ | | | |
| **Assets as per balance sheet** | | | | |
| Long term investments | - | - | 6,540,018 | 6,540,018 |
| Loans, advances and other receivables | 34,028,222 | - | - | 34,028,222 |
| Net Investment in Finance Lease | 582,682 | - | - | 582,682 |
| Short term investments | - | 24,680,680 | 20,569,458 | 45,250,138 |
| Trade debts | 303,760 | - | - | 303,760 |
| Fund placements | 21,585,799 | - | - | 21,585,799 |
| Accrued mark-up | 1,334,807 | - | - | 1,334,807 |
| Cash and bank balances | 8,413,827 | - | - | 8,413,827 |
| Assets classified as held for sale | - | 2,930 | - | 2,930 |
| | 66,249,097 | 24,683,610 | 27,109,476 | 118,042,183 |

| | December 31, 2013 | | |
|---|---|---|---|
| | Fair value through profit or loss | At Amortized Cost | Total |
| | ------ Rupees ------ | | |
| **Liabilities as per balance sheet** | | | |
| Long term borrowings | - | 1,039,586 | 1,039,586 |
| Deposits and other accounts | - | 79,073,349 | 79,073,349 |
| Trade and other payables | - | 2,614,453 | 2,614,453 |
| Short term borrowings | - | 20,150,970 | 20,150,970 |
| Liabilities directly associated with assets classified as held for sale | 80,270 | - | 80,270 |
| | 80,270 | 102,878,358 | 102,958,628 |

| | December 31, 2012 | | | |
|---|---|---|---|---|
| | Loans and receivables | Assets at fair value through profit and loss | Available for sale | Total |
| | ------ Rupees ------ | | | |
| **Assets as per balance sheet** | | | | |
| Long term investments | - | 6,267,619 | - | 6,267,619 |
| Loans, advances and other receivables | 19,963,113 | - | - | 19,963,113 |
| Net Investment in Finance Lease | 388,725 | - | - | 388,725 |
| Short term investments | - | 4,472,908 | 45,645,679 | 50,118,587 |
| Trade debts | 564,756 | - | - | 564,756 |
| Fund placements | 3,940,958 | - | - | 3,940,958 |
| Accrued mark-up | 720,352 | - | - | 720,352 |
| Cash and bank balances | 6,934,808 | - | - | 6,934,808 |
| Assets classified as held for sale | - | 2,832 | - | 2,832 |
| | 32,512,712 | 10,743,359 | 45,645,679 | 88,901,750 |

| | December 31, 2012 | | |
|---|---|---|---|
| | Fair value through profit or loss | At Amortized Cost | Total |
| | ------------------------ Rupees ------------------------ | | |
| **Liabilities** | | | |
| Long term borrowings | - | 2,622,932 | 2,622,932 |
| Deposits and other accounts | - | 60,397,857 | 60,397,857 |
| Trade and other payables | - | 1,871,850 | 1,871,850 |
| Short term borrowings | - | 8,828,247 | 8,828,247 |
| Liabilities directly associated with assets classified as held for sale | 75,179 | - | 75,179 |
| | 75,179 | 73,720,886 | 73,796,065 |

## 45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks: market risk (comprising currency risk, interest rate risk, and other price risk), liquidity risk and credit risk that could result in a reduction in the Group's net assets or a reduction in the profits available for dividends.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Executive Risk Committee, ultimately responsible for the management of risk associated with the Group's activities, have established Statement of Investment and Operating Policy (SIOP), risk management guidelines and other internal guidelines for the management and assessment of the aforesaid financial risks.

### 45.1 Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings, deposits, available for sale investments and derivative financial instruments.

The following discussion includes sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Group's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable. Financial instruments affected by market risk include bank overdrafts, term finance certificates, investments and cash and bank balances.

The sensitivity has been prepared for peirod and year ended December 31, 2013 and December 31, 2012 respectively using the amounts of financial assets and liabilities held as at those balance sheet dates.

#### 45.1.1 Interest rate risk exposure

Interest rate risk is the risk that the fair value or future cashflows of financial instruments will fluctuate because of changes in market interest rates.

The Group has financial instruments with both fixed and floating interest rates as specifically disclosed in the respective notes. The Group while dealing in financial instruments negotiates attractive fixed interest rates, which reduce the interest rate price risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax and equity,

| | Increase / (decrease) in basis points (Rupees) | Effect on profit after tax | Effect on other components of equity |
|---|---|---|---|
| | | (Rupees in '000) | |
| **December 31, 2013** | **100** | **(333,255)** | **(298,499)** |
| | **(100)** | **333,255** | **298,499** |
| December 31, 2012 | 100 | (48,092) | 1,978 |
| | (100) | 48,092 | (1,978 ) |

**45.1.2 Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's net investments in foreign subsidiaries and to foreign exchange bank accounts.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Group's profit after tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of foreign subsidiary).

| | Increase / (decrease) in basis points (Rupees) | Effect on profit after tax | Effect on other components of equity |
|---|---|---|---|
| | | (Rupees in '000) | |
| **December 31, 2013** | **2.50** | **(3,233)** | **1,702** |
| | **(2.50)** | **3,233** | **(1,702)** |
| December 31, 2012 | 2.50 | 1,960 | 31,754 |
| | (2.50) | (1,960) | (31,754) |

**45.1.3 Equity price risk**

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

The Group's quoted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification. Reports on the equity portfolio are submitted to the Group's Board of Directors on a regular basis. The Board of Directors review and approve all equity investment decisions.

The following table summarizes the Group's equity price risk as of December 31, 2013 and December 31, 2012. It shows the effects of an estimated increase of 10% in the equity market prices as on those dates. A decrease of 10% in the fair values of the quoted securities would effect profit and equity of the Group in a similar but opposite manner.

| | Price change | Fair Value | Effect on profit for the year | Effect on shareholders' equity |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| **December 31, 2013** | **10% increase** | **12,022** | **151** | **942** |
| December 31, 2012 | 10% increase | 1,079 | 241 | 856 |

### 45.2 Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due under normal circumstances. To guard against the risk, the Group has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the Group's financial liabilities. The contractual maturities of liabilities at the year-end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. Financial liabilities not having a contractual maturity are assumed to mature on the expected date on which the liabilities will be settled.

| | December 31, 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Six months or less | Six to twelve months | One to two years | Two to five years |
| | ……(Rupees in '000)…… | | | | | |
| **Financial liabilities** | | | | | | |
| Long term financing | **1,021,375** | 1,060,749 | 301,909 | 166,990 | 312,975 | 278,875 |
| Deposits and other accounts | **78,523,374** | 81,871,095 | 78,049,569 | 3,678,858 | 17,848 | 124,820 |
| Trade and other payables | **2,614,453** | 2,614,453 | 2,614,453 | - | - | - |
| Accrued interest / mark-up | **568,310** | 568,310 | 568,310 | - | - | - |
| Short term borrowings | **20,150,846** | 22,568,948 | 22,568,948 | - | - | - |
| | **102,878,358** | **108,683,555** | **104,103,189** | **3,845,848** | **330,823** | **403,695** |

| | December 31, 2012 | | | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | Six months or less | Six to twelve months | One to two years | Two to five years |
| | ……(Rupees in '000)…… | | | | | |
| **Financial liabilities** | | | | | | |
| Long term financing | 2,513,204 | 3,075,928 | 1,040,058 | 975,121 | 468,899 | 591,850 |
| Deposits and other accounts | 59,948,955 | 62,502,680 | 37,478,908 | 8,111,770 | 10,250 | 17,944,964 |
| Trade and other payables | 1,871,850 | 1,871,850 | 1,871,850 | - | - | - |
| Accrued interest / mark-up | 574,995 | 574,995 | 574,995 | - | - | - |
| Short term borrowings | 8,811,882 | 9,869,308 | 9,869,308 | - | - | - |
| | 73,720,886 | 77,894,761 | 50,835,119 | 9,086,891 | 479,149 | 18,536,814 |

### 45.3 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring •credit exposures, limiting transactions with specific counterparties, and continually assessing the credit worthiness of the same.

### 45.3.1 Analysis of credit quality

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk. Government debt securities have been excluded as these carry zero percent credit risk.

| | Neither past due nor impaired | | | | | |
|---|---|---|---|---|---|---|
| | High grade grade | Standard grade | Sub-Standard grade | Past due but not impaired | Individually impaired | Total |
| | ................................ (Rupees in '000) | | | | | ................................ |
| **December 31, 2013** | | | | | | |
| Cash and bank balances | 8,413,650 | - | - | - | - | 8,413,650 |
| Due from banks | - | 5,229,419 | - | - | - | 5,229,419 |
| Cash collateral on securities borrowed and reverse repurchase agreements | 16,356,380 | - | - | - | - | 16,356,380 |
| Derivative financial assets | - | 10,254 | - | - | - | 10,254 |
| Financial assets at fair value through profit or loss | - | 155,062 | - | - | - | 155,062 |
| **Loans and advances:** | | | | | | |
| Corporate lending | 1,272,832 | 7,452,441 | 1,449,530 | - | 1,292,257 | 11,467,060 |
| Small business lending | 6,025,560 | 13,027,556 | 382,630 | 11,304 | 60,867 | 19,507,917 |
| Banks | 1,125,187 | 619,096 | 2,340 | - | - | 1,746,623 |
| Consumer lending | 114,141 | 169,222 | - | 239 | 8,916 | 292,518 |
| Residential mortgages | 748,392 | - | - | - | - | 748,392 |
| Employees and contractors | 877,966 | - | - | - | - | 877,966 |
| Trade debts | - | 136,934 | 85,045 | 11,411 | 70,370 | 303,760 |
| Accrued mark up | 391,654 | 819,535 | 70,689 | 445 | 52,484 | 1,334,807 |
| **Financial investments available for sale:** | | | | | | |
| Quoted - Other debt securities | - | 675,425 | 135,893 | - | - | 811,318 |
| Unquoted - Debt securities | - | 787,566 | 214,882 | - | 305,938 | 1,308,386 |
| | 35,325,762 | 29,082,510 | 2,341,009 | 23,399 | 1,790,832 | 68,563,512 |

| | Neither past due nor impaired | | | | | |
|---|---|---|---|---|---|---|
| | High grade grade | Standard grade | Sub-Standard grade | Past due but not impaired | Individually impaired | Total |
| | ......................Rupees in '000...................... | | | | | |
| **December 31, 2012** | | | | | | |
| Cash and bank balances | 6,934,625 | - | - | - | - | 6,934,625 |
| Due from banks | - | 600,000 | - | - | - | 600,000 |
| Cash collateral on securities borrowed and reverse repurchase agreements | 3,340,958 | - | - | - | - | 3,340,958 |
| Derivative financial assets | - | - | - | - | - | - |
| Financial assets at fair value through profit or loss | 2,871,926 | 72,298 | - | - | - | 2,944,224 |
| **Loans and advances:** | | | | | | |
| Corporate lending | 1,177,278 | 11,094,592 | 924,806 | 62,480 | 2,047,235 | 15,306,391 |
| Small business lending | 906,107 | 1,991,558 | 13,085 | 8,640 | - | 2,919,390 |
| Banks | 482,407 | 393,096 | | | | 875,503 |
| Consumer lending | 115,734 | 78,920 | - | - | - | 194,654 |
| Residential mortgages | 512,489 | - | - | - | - | 512,489 |
| Employees and contractors | 112,495 | - | - | - | - | 112,495 |
| Trade debts | - | 430,592 | 62,065 | 33,851 | 38,248 | 564,756 |
| Accrued mark up | 119,565 | 490,271 | 33,915 | 2,572 | 74,029 | 720,352 |
| **Financial investments available for sale:** | | | | | | |
| Quoted - Other debt securities | - | 1,219,018 | - | 299,760 | - | 1,518,778 |
| Unquoted - Debt securities | - | 1,560,728 | - | - | 309,943 | 1,870,671 |
| | 16,573,584 | 17,931,073 | 1,033,871 | 407,303 | 2,469,455 | 38,415,286 |

### 45.3.2 Concentration of credit risk

The Group monitors concentration of credit risk by sector and geographic locations. An analysis of concentration of credit risk from loans and advances and

investments is given below

| | Loans and advances | | Trade debts | | Investment debt securities | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | ......Rupees in '000...... | | | | | |
| **Segment by class of business** | | | | | | |
| Mining and quarrying | 56,922 | 24,016 | - | - | - | - |
| Textile and Glass | 6,468,785 | 4,692,220 | - | - | 174,397 | 236,897 |
| Chemical and pharmaceuticals | 840,200 | 880,364 | - | - | - | - |
| Fertilizer and pesticides | 1,186,977 | 1,455,725 | - | - | 457,111 | 644,876 |
| Automobile and transportation equipment | 662,634 | 50,836 | - | - | - | - |
| Tyre, Rubber and Plastic | - | 323,704 | - | - | - | - |
| Electronics and electrical appliances | 247,275 | 47,497 | - | - | - | - |
| Construction and real estate | 117,018 | - | - | - | - | - |
| Power and water, Oil and Gas | 200,005 | 93,559 | - | - | 500,000 | - |
| Metal and steel | 681,492 | 17,901 | - | - | - | - |
| Paper / board / furniture | 462,221 | 1,599,971 | - | - | - | - |
| Food / confectionery / beverages | 10,398,382 | 103,964 | 1,210 | 610 | - | - |
| Trust and non-profit organisations | - | 123,891 | - | - | - | - |
| Sole proprietorships | 356,195 | 773,256 | - | - | - | - |
| Transport, storage and communication | 986,718 | 1,357,909 | - | - | 656,210 | 668,827 |
| Financial | 1,066,039 | 50,000 | 16,209 | 48,071 | 1,831,216 | 1,811,075 |
| Insurance and Security | - | 2,027,202 | - | - | - | - |
| Engineering, IT and other services | 2,006,264 | - | - | - | - | - |
| Sugar | 1,421,329 | 1,355,476 | - | - | - | - |
| Individuals | 3,250,525 | 2,653,669 | 271,492 | 242,048 | - | - |
| Others | 4,766,557 | 3,153,107 | 14,849 | 274,027 | - | - |
| | 35,175,538 | 20,784,267 | 303,760 | 564,756 | 3,618,934 | 3,361,675 |
| **Segment by geographic location** | | | | | | |
| In Pakistan | 34,022,907 | 19,718,477 | 303,760 | 564,756 | 1,968,828 | 2,567,034 |
| Outside Pakistan | 1,152,631 | 1,065,790 | - | - | 1,650,106 | 794,641 |
| | 35,175,538 | 20,784,267 | 303,760 | 564,756 | 3,618,934 | 3,361,675 |

### 45.3.3 Trading assets

The table below sets out the credit quality of trading debt securities. The analysis is based on PACRA and JCRVIS ratings where applicable:

| | 2013 | 2012 |
|---|---|---|
| | ---Rupees in '000--- | |
| **Government Securities** | | |
| Government Securities | **22,717,448** | 2,871,926 |
| | **22,717,448** | 2,871,926 |
| **Mutual Funds** | | |
| Rated AA- to AA+ | **296,687** | 560,098 |
| Rated A- to A+ | **304,115** | 380,243 |
| Rated BBB+ and Below | **50,000** | 275 |
| | **650,802** | 940,616 |
| **Debt Securities** | | |
| **Term Finance Certificates-listed** | | |
| Rated AA- to AA+ | **76,644** | 45,572 |
| Rated A- to A+ | **45,082** | 26,726 |
| **Term Finance Certificates-unlisted** | | |
| Rated AA- to AA+ | **33,336** | 20,527 |
| | **155,062** | 92,825 |

**45.3.4 Collaterals held and other credit enhancements, and their financial effect**

The group holds collateral against certain of its exposures. The table below sets out the principal type of collateral held agaist different types of financial assets:

| Type of credit exposure | Percentage of exposure that is subject to collateral requirements | | Principle type of collateral held |
|---|---|---|---|
| | 2013 | 2012 | |
| **Loans and advances to banks** | | | |
| Call Lendings | - | - | None |
| Lending To Financial Institutions | 100% | 100% | Government gaurantee and term deposit reciepts |
| Repurchase agreement Lendings | 100% | 100% | Market treasury bills |
| Local and Foreign Bill Discounting | - | - | None |
| **Loans and advances to retail customers** | | | |
| Credit Cards | - | - | None |
| Staff Loans | - | - | None |
| Auto Loans | 100% | 100% | Mortgage of vehicles |
| Advances to Retail Customers | 100% | 100% | Cash and lien on deposits |
| House Loans to Staff | 100% | 100% | Residential mortgages |
| **Loans and advances to corporate customers** | | | |
| Advances to Corporate Customers | 100% | 100% | Mortgage on fixed assets and lien on liquid assets. |

## 46. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availabilty of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, trade and other payables, less cash and bank balances and fund placements. Capital signifies equity as shown in the balance sheet plus net debt.

During the period ended December 31, 2013, the Group's strategy was to maintain leveraged gearing. The gearing ratios as at December 31, 2013 and December 31, 2012 were as follows:

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Long term financing | | **1,021,374** | 59,948,955 |
| Deposits and other accounts | | **78,523,374** | 2,682,762 |
| Trade and other payables | | **2,730,699** | 1,894,817 |
| Accrued interest / mark-up on borrowings | | **568,310** | 574,995 |
| Short term borrowings | | **20,150,846** | 8,811,882 |
| **Total debt** | | **102,994,603** | 73,913,411 |
| Cash and bank balances | | **8,413,827** | 6,934,808 |
| Fund Placements | | **21,585,799** | 3,940,958 |
| | | **29,999,626** | 10,875,766 |
| **Net debt** | | **72,994,977** | 63,037,645 |
| Share Capital | | **7,632,853** | 7,632,853 |
| Reserves | | **7,190,933** | 7,091,459 |
| **Equity** | | **14,823,786** | 14,724,312 |
| **Capital** | | **87,818,763** | 77,761,957 |
| **Gearing ratio** | | **83%** | 81% |

The Group finances its operations through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk.

## 47. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

For investments in government securities, fair value is determined by reference to quotations obtained from PKRV Reuters page. In respect of investments in quoted equity securities, fair value is determined by reference to stock exchange quoted market price at the close of business day. For term finance certificates, fair value is determined by reference to average broker rates.

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

| | December 31, 2013 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | ---------- (Rupees in '000) ---------- | | | |
| **At fair value through profit or loss** | | | | |
| Open end mutual funds | - | 650,802 | - | 650,802 |
| Term finance certificates | - | 121,726 | 33,336 | 155,062 |
| Listed equity securities | 1,157,368 | - | - | 1,157,368 |
| Government securities | - | 22,717,448 | - | 22,717,448 |
| **Available-for-sale investments** | | | | |
| Open end mutual funds | - | 2,213,771 | - | 2,213,771 |
| Listed equity securities | 7,687,401 | - | - | 7,687,401 |
| Unlisted equity investments | - | - | 65,002 | 65,002 |
| Sukkuk and term finance certificates | - | 2,461,423 | 1,283,392 | 3,744,815 |
| Government securities | - | 13,398,487 | - | 13,398,487 |
| | 8,844,769 | 41,563,657 | 1,381,730 | 51,790,156 |

| | December 31, 2012 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | (Rupees in '000) | | | |
| **At fair value through profit or loss** | | | | |
| Open end mutual funds | - | 940,616 | - | 940,616 |
| Term finance certificates | - | 72,298 | 209,871 | 282,169 |
| Listed equity securities | 378,197 | - | - | 378,197 |
| Government Securities | - | 2,871,926 | - | 2,871,926 |
| **Available-for-sale investments** | | | | |
| Open end mutual funds | - | 872,544 | - | 872,544 |
| Listed equity securities | 7,828,020 | - | - | 7,828,020 |
| Unlisted equity investments | - | - | 140,498 | 140,498 |
| Sukkuk and term finance certificates | - | 2,313,418 | 1,076,030 | 3,389,448 |
| Government securities | - | 39,441,664 | - | 39,441,664 |
| | **8,206,217** | **46,512,466** | **1,426,399** | **56,145,082** |

## 48. RELATED PARTY TRANSACTIONS

Related parties comprise of subsidiaries, companies with common directors, associated companies, directors and key management personnel. The Group in the normal course of business carries out transactions with various related parties. Amount due from and to these related parties are shown under receivables and payables, reverse repos are shown under fund placements and the remuneration of chief executive and executives are disclosed in note 49. The relationship and transactions with the related parties are given below:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | (Rupees in '000) | |
| **Associates** | | |
| Brokerage expense | - | 127 |
| Rent Expense | - | 14,856 |
| Investment in units of mutual funds | **77,896** | 1,618,574 |
| Sale of units | - | 1,241,028 |
| Purchase of Government securities | - | 194,982 |
| Dividend income | **29,221** | 13,487 |
| Reimbursement of expenses by the holding company | - | 113 |
| Reimbursement of expenses to the holding company | - | 3,544 |
| Units received against investments (No. of units) | - | 1,931,061 |
| Units issued on conversion to open end fund (No. of units) | **1,123,881** | - |
| Bonus units received (No. of units)- | - | 51,984 |
| **Common Directorship** | | |
| Sale of Government securities | - | 58,669,388 |
| Purchase of Government securities | - | 9,771,973 |
| Consultancy and advisory fee received | - | 100,997 |
| Investment made | - | 22,560 |
| Dividend income | **56,700** | 21,000 |
| Call borrowing / repurchase transactions / encashment of fund placements | **16,650,000** | - |
| Commission income | **33,467** | 312 |
| Donation payable | **51,361** | 47,251 |
| Brokerage / commission / service income | **176** | - |
| Rent Expense / Ijarah rentals | **2,234** | 3,769 |
| Foreign exchange purchases transaction | **6,442,565** | - |
| Foreign exchange sale transaction | **9,360,124** | - |
| Interest/markup earned | **40,520** | |
| Reimbursement of expenses received | **548** | - |
| Bonus shares received (number) | **2,800,000** | |
| Ineterest / Markup expense | **5,776** | |
| Employee benefi plan | **2,964** | - |

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | (Rupees in '000) | |
| **Key Management Personnel** | | |
| Interest on long term loan to executive | **9,551** | 6,687 |
| Proceeds from sale of vehicles | **176** | 1,643 |
| Brokerage commission earned by the Group | **-** | 222 |
| Interest/ markup expense | **1,346** | - |
| Loan disbursed | **107,070** | - |
| Loan repayed | **31,093** | - |
| **Director / Chief Executive Officer (CEO)** | | |
| Royalty and advisory fee paid | **24,000** | - |
| Commission Income | **15** | - |
| **Subsidiary Investment Advisor / Asset Manager** | | |
| Remuneration income | **222,739** | 306,465 |
| Investment made in the fund/(s) | **70,000** | - |
| Investment in the fund/(s) disposed off or matured | **883,669** | - |
| Dividend Income | **253,921** | 117,450 |
| Commission Income | **365** | 44 |
| Preliminary expenses incurred on behalf of the fund/(s) | **3,985** | - |
| Preliminary expenses incurred on behalf of the fund/(s) -reimbursed | **3,404** | - |
| Other expenses incurred on behalf of the fund/(s) | **10,629** | 897 |
| Other expenses incurred on behalf of the fund - reimbursed/(s) | **10,573** | 470 |
| Bonus units received from the fund | **1,812** | - |
| **Other Related Parties** | | |
| Investment made | **100,000** | - |
| Sale of Government securities | **103,354,439** | 5,753,279 |
| Purchase of Govemment securities | **16,547,636** | 61,281 |
| Call lending / reverse repurchase transactions | **-** | 805,000 |
| Call borrowings / repurchase transactions | **-** | 11,625,000 |
| Commission income | **104,455** | - |
| Purchase of forward foreign exchange contracts | **-** | 10,975,402 |
| Purchase of TFCs | **-** | 16,347 |
| Sale of forward foreign exchange contracts | **-** | 13,979,106 |
| Letter of guarantees | **5,613** | 30,295 |
| Purchase of shares / units | **-** | 1,745,902 |
| Sale of shares / units | **-** | 1,814,042 |
| Investment in TFCs issued by the Holding company | **-** | 75,000 |
| Contribution to staff provident fund trust | **72,517** | 14,044 |
| Dividend income | **226,390** | 197,382 |
| Brokerage / commission / service income | **7,793** | 157,362 |
| Subscription in shares | **-** | 127,374 |
| Royalty paid | **9,900** | 29,850 |
| Advisory fee paid | **6,000** | 9,000 |
| Rental income | **497** | 911 |
| Rent expense paid | **-** | 878 |
| Principal redemption against TFCs | **71,321** | 91,151 |
| Interest / markup earned | **77,290** | - |
| Interest / markup paid | **265,691** | 101,453 |
| Other expenses incurred on behalf of related parties | **973** | 240 |
| Reimbursement of expenses from related parties | **1,335** | 1,176 |
| Insurance premium paid | **60,204** | 51,251 |
| Redemption of units | **309,086** | - |
| Advance against term finance certificates and share subscription | **400,000** | - |
| Proceeds against insurance claim /cancellation | **5,426** | 26,798 |
| Redemption of units (No. of Units) | **3,018,653** | - |
| Bonus Shares Received (No. of Shares) | **3,023,563** | - |
| Units Received (No. of Units) | **975,277** | - |
| Bonus Units Received (No. of Units) | **65,013** | - |

## 49. REMUNERATION OF DIRECTORS, CHIEF EXECUTIVES AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including certain benefits to directors, chief executives and executives of the Group is as follows:

| | Directors | | Chief Executives | | Executives | |
|---|---|---|---|---|---|---|
| | December 31 2013 | December 31 2012 | December 31 2013 | December 31 2012 | December 31 2013 | December 31 2012 |
| | ……………………………… (Rupees in '000) ……………………………… | | | | | |
| Managerial remuneration | **6,800** | 5,723 | **26,762** | 78,674 | **387,581** | 162,173 |
| House rent allowance | **2,720** | 2,182 | **6,968** | 13,354 | **169,771** | 64,627 |
| Utilities allowance | **680** | 573 | **1,248** | 2,678 | **38,598** | 16,063 |
| Car Allowance | **-** | 435 | **570** | 855 | **71,630** | 10,931 |
| Sub-brokerage, commission and performance bonus | **-** | - | **-** | - | **2,495** | 2,500 |
| Advisory and consultancy fee | **9,433** | 439,164 | **-** | - | **-** | - |
| Retirement benefits | **680** | 778 | **2,200** | 4,333 | **59,646** | 18,096 |
| Medical | **83** | 265 | **1,928** | 2,831 | **7,622** | 4,072 |
| Reimbursable expenses | **123** | 1,666 | **354** | 1,345 | **1,519** | 19,504 |
| Fee for attending meetings | **1,263** | 1,800 | **2,830** | | **-** | |
| | **21,782** | 452,586 | **42,860** | 104,070 | **738,862** | 297,966 |
| Number of persons | **15** | 17 | **4** | 7 | **349** | 138 |

**49.1** The Group also provides certain Chief Executives and Executives with Group maintained cars.

**49.2** The Group has also paid Rs. 4.03 million (June 30, 2011: Rs. 4.92 million) to two non-executive directors as fee for directors/committee meetings.

## 50. OPERATING SEGMENT INFORMATION

For management purposes the Group is organised into following major business segments:

**Capital market operations** Principally engaged in trading of equity securities and maintaining strategic and trading portfolios.

**Fixed income operations** Principally engaged in fixed income trading and management of the Group's funding operations by use of government securities and placements.

**Banking** Principally engaged in providing investment, commercial banking and microfinancing services.

**Investment advisor / assets manager** Principally providing investment advisory and asset management services to different mutual funds and unit trusts.

**Others** Other operations of the Group comprise of telecommunication and information technology, underwriting and consultancy services, research and corporate finance services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

| | Continuing operations | | | | Discontinued operations | |
|---|---|---|---|---|---|---|
| | Capital market operations | Banking | Investment advisor/asset manager | Others | CCPL | Total |
| | (Rupees in '000) | | | | | |
| **December 31, 2013** | | | | | | |
| Return on investments | 507,501 | 3,867,931 | 197,828 | 6,253 | - | **4,579,513** |
| Gain on sale of investments - net | 27,223 | 222,374 | 516,694 | 8,394 | - | **774,685** |
| Income from long-term loans and fund placements | 16,367 | 3,051,709 | - | 5,461 | - | **3,073,537** |
| Fee and commission | 248,237 | 651,575 | 224,800 | 36,086 | 45 | **1,160,743** |
| Gain/(loss) on revaluation of investments carried at fair value through profit and loss account - net | 39,563 | 117,079 | 2,495 | 9,913 | - | **169,050** |
| Unallocated revenue | - | - | - | - | 5 | **408,504** |
| | 838,891 | 7,910,668 | 941,817 | 66,107 | 50 | **10,166,032** |
| **Share of profit / (loss) - net :** | | | | | | |
| Associate | 107,771 | - | - | - | - | **107,771** |
| Joint venture | (2,000) | - | - | - | - | **(2,000)** |
| | 944,662 | 7,910,668 | 941,817 | 66,107 | 50 | **10,271,803** |
| **Operating and administrative expenses** | 308,496 | 3,474,746 | 215,680 | 96,429 | 3,927 | **4,099,278** |
| Finance cost | 190,578 | 4,332,831 | 48,024 | 1,833 | 10 | **4,573,276** |
| Worker's welfare fund | 64,482 | 10,027 | 48,045 | 3,717 | - | **126,271** |
| Impairment against investments | 72,015 | 23,156 | - | - | - | **95,171** |
| Impairment of intangibles | - | - | 585,197 | - | - | **585,197** |
| | 635,571 | 7,840,760 | 896,946 | 101,979 | 3,937 | **9,479,193** |
| **Segment results** | 309,091 | 69,908 | 44,871 | (35,872) | (3,887) | **792,610** |
| Unallocated expenditure | - | - | - | - | - | **50,543** |
| **Loss before taxation** | 309,091 | 69,908 | 44,871 | (35,872) | (3,887) | **742,067** |
| Taxation: | | | | | | |
| Current | 101,060 | 126,317 | 31,659 | 2,970 | - | **262,006** |
| Prior period | 1,508 | - | - | - | - | **1,508** |
| Deferred | (6,174) | 23,771 | (1,747) | - | - | **15,850** |
| | 96,394 | 150,088 | 29,912 | 2,970 | - | **279,364** |
| Loss after taxation | 212,697 | (80,180) | 14,958 | (38,842) | (3,887) | **462,703** |
| Non-controlling interest | (96,201) | 23,930 | (79,945) | - | 667 | **(151,549)** |
| **Profit / (Loss) attributable to Holding Company** | 116,497 | (56,250) | (64,987) | (38,842) | (3,220) | **311,154** |
| **Segment assets** | 7,871,844 | 111,820,010 | 2,030,318 | 987,443 | 3,536 | **122,713,151** |
| Unallocated assets | | | | | | **12,639** |
| **Total assets** | | | | | | **122,725,790** |
| **Segment liabilites** | 1,514,969 | 101,348,320 | 120,516 | 10,798 | 80,270 | **103,074,873** |
| Unallocated liabilities | | | | | | **-** |
| **Total laibilities** | | | | | | **103,074,873** |
| **Depreciation** | | | | | | **300,088** |
| **Capital Expenditure** | | | | | | **785,301** |

| | Continuing operations | | | | Discontinued operations | |
|---|---|---|---|---|---|---|
| | Capital market operations | Banking | Investment advisor/asset manager | Others | CCPL and AMBL | Total |
| | (Rupees in '000) | | | | | |
| **December 31, 2012** | | | | | | |
| Return on investments | 978,056 | 4,661,882 | 132,439 | 42,974 | 12,966 | 5,828,317 |
| Gain on sale of investments - net | 2,562,568 | 1,092,662 | 211,124 | 4,401 | - | 3,870,755 |
| Income from long-term loans and fund placements | 87,958 | 3,746,152 | 415 | 18,511 | 1,194 | 3,854,230 |
| Fee and commission | 234,365 | 760,698 | 306,509 | 195,028 | 2,926 | 1,499,526 |
| Gain/(loss) on revaluation of investments carried at fair value through profit and loss account - net | 34,648 | (1,011) | - | 93,780 | - | - 127,417 |
| Unallocated revenue | - | - | - | - | 115 | 539,907 |
| | 3,897,595 | 10,260,383 | 650,487 | 354,694 | 17,201 | 15,720,152 |
| **Share of profit / (loss) - net :** | | | | | | |
| Associate | 149,608 | - | - | - | - | 149,608 |
| Joint venture | (3,609) | - | - | - | - | (3,609) |
| | 4,043,594 | 10,260,383 | 650,487 | 354,694 | 17,201 | 15,866,151 |
| **Operating and administrative expenses** | 755,915 | 4,106,922 | 310,986 | 221,669 | 57,302 | 5,452,794 |
| Finance cost | 375,737 | 5,200,723 | 149,173 | 19,814 | 371 | 5,745,818 |
| Impairment against investments | 331,237 | 54,470 | 8,152 | 119,194 | (4,553) | 508,500 |
| Impairment of intangibles | - | - | 40,215 | - | - | 40,215 |
| | 1,462,889 | 9,362,115 | 508,526 | 360,677 | 53,120 | 11,747,327 |
| **Segment results** | 2,580,705 | 898,268 | 141,961 | (5,983) | (35,919) | 4,118,824 |
| Unallocated expenditure | - | - | - | - | - | 143,857 |
| Profit / (loss) before taxation | 2,580,705 | 898,268 | 141,961 | (5,983) | (35,919) | 3,974,967 |
| Taxation: | | | | | | |
| Segment | 2,609 | 42,051 | 11,526 | 6,820 | 379 | 63,385 |
| Prior period | (3,952) | - | - | (2,588) | - | (6,540) |
| Deferred | - | (124,818) | (8,815) | - | - | (133,633) |
| | (1,343) | (82,767) | 2,711 | 4,232 | 379 | (76,788) |
| **Profit / (loss) after taxation** | 2,582,048 | 981,035 | 139,250 | (10,215) | (36,298) | 4,051,755 |
| Non-controlling interest | (134,877) | (310,828) | (73,100) | 1,996 | 7,745 | (509,064) |
| **Profit / (Loss) attributable to Holding Company** | 2,447,171 | 670,207 | 66,150 | (8,219) | (28,553) | 3,542,691 |
| **Segment assets** | 11,076,089 | 78,612,183 | 2,431,749 | 4,642,527 | - | 96,762,548 |
| Unallocated assets | | | | | | 15,847 |
| **Total assets** | | | | | | 96,778,395 |
| **Segment liabilites** | 2,844,795 | 72,517,053 | 370,457 | 790,462 | - | 76,522,767 |
| Unallocated liabilities | | | | | | - |
| **Total laibilities** | | | | | | 76,522,767 |
| **Depreciation** | | | | | | 394,335 |
| **Capital Expenditure** | | | | | | 474,429 |

| | Note | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 51. GEOGRAPHIC INFORMATION

| | | | |
|---|---|---|---|
| **Revenues from external customers** | | | |
| Pakistan | | **10,231,885** | 15,655,775 |
| Cayman Islands Section B.W.I | | **33,467** | 105,476 |
| United Kingdom | | **6,401** | 87,699 |
| | | **10,271,753** | 15,848,950 |
| **Non-current assets** | | | |
| Pakistan | | **2,392,275** | 3,044,302 |
| United Kingdom | | **1,132** | 13,663 |
| | | **2,393,407** | 3,057,965 |

Non-current assets consist of property and equipment, investment properties, intangible assets and membership cards and rooms.

## 52. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on February 28, 2014 by the Board of Directors of the Holding Company.

## 53. RECLASSIFICATIONS

**53.1** Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison, which as follows:

| Description | (Rupees in '000) | Reclassified From | Reclassified To |
|---|---|---|---|
| i) Intangibles assets | 48,201 | Membership cards and room | Intangible assets |
| ii) Loans and advances | 109,926 | Long term loans, advances and other receivables | Loans and advances |
| iii) Disputed tax liability | 49,293 | Disputed tax liability | Other liabilities |

## 54. GENERAL

**54.1** Figures have been rounded off to nearest thousand rupee.

| | |
|---|---|
| **Chief Justice (R) Mahboob Ahmed** | **Suleman Lalani** |
| Chairman | Chief Executive |

## Annexure "I"

### Details of disposal of fixed assets having written down value exceeding Rs.50,000 each (refer note 7.1.1)

| Particulars | Acquisition cost | Accumulated depreciation | Written down value | Sale proceeds | Profit / (Loss) | Mode of disposal | Buyer's particulars |
|---|---|---|---|---|---|---|---|
| | (Rupees in '000) | | | | | | |
| Motor vehicles: | | | | | | | |
| Honda | 1,764 | 911 | 853 | 1,502 | 649 | Negotiation | Suhaib Sarmad<br>House No. 40, Nazim-Ud-Din road,<br>F-8/4 Islamabad |
| Honda | 1,757 | 908 | 849 | 1,512 | 663 | Negotiation | Faheen Ahmed JS Staff<br>House No. 1, Street No.1,<br>Abdul Sher Ghazi, Deeplapur |
| Honda | 1,825 | 664 | 1,161 | 1,590 | 429 | Negotiation | Noman Mubashir<br>Resident of House no.<br>9 Alam Plaza 1st Floor Unit 6,<br>Latifabad Hyderabad Karachi. |
| Honda | 1,759 | 1,583 | 176 | 1,161 | 985 | Negotiation | Wasim Mirza<br>House No 292, Shahdadpur |
| Honda | 1,820 | 872 | 948 | 1,375 | 427 | Negotiation | Wasim Mirza<br>House No 292, Shahdadpur |
| Toyota Corola | 1,578 | 316 | 1,262 | 1,578 | 316 | Insurance Claim | EFU General Insurance Limite<br>related party,1st Floor Kashif Centre<br>Main Shahra-e-faisal Karachi |
| Toyota Corola | 1,379 | 1,134 | 245 | 1,170 | 925 | Negotiation | Baber Rahim JS Bank Staff |
| Toyota Corola | 1,384 | 969 | 415 | 1,222 | 807 | Negotiation | Huziafa Arif<br>House No. E-11 Block -8<br>Gulshan-e-Iqbal Karachi. |
| Toyota Corola | 1,529 | 612 | 917 | 1,356 | 439 | Negotiation | Iqbal Khilji<br>House # 5C 11/9 Nazimabad Karachi |
| Toyota Corola | 1,384 | 899 | 485 | 1,206 | 721 | Negotiation | Iqbal Khilji<br>House # 5C 11/9 Nazimabad Karachi |
| Toyota Corola | 1,414 | 848 | 566 | 1,151 | 585 | Negotiation | Islam Khan<br>House no. E-92 North Nazimabad<br>Block-R Karachi. |
| Toyota Corola | 1,426 | 784 | 642 | 1,232 | 590 | | |
| Toyota Corola | 1,414 | 871 | 543 | 1,250 | 707 | Insurance Claim | EFU General Insurance Limited -<br>related party. 1st Floor Kashif Centre<br>Main Shahra-e-faisal Karachi |
| Toyota Corola | 1,607 | 429 | 1,178 | 1,450 | 272 | Insurance Claim | "EFU General<br>Insurance Limited - related party<br>1st Floor Kashif Centre<br>Main Shahra-e-faisal Karachi |
| Toyota | 1,005 | 955 | 50 | 1,022 | 972 | | Iqbal Khilji<br>House # 5C 11/9 Nazimabad Karachi |
| Suzuki | 855 | 542 | 313 | 696 | 383 | Negotiation | Fahad Sheikh<br>House No. 122/II Main<br>Khayaban-e- Shahbaz Phase II<br>DHA Karachi. |
| Suzuki | 830 | 581 | 249 | 732 | 483 | Negotiation | Huzaifa Arif<br>House No 11 Gulshan E Iqbal Khi |
| Suzuki | 891 | 399 | 492 | 725 | 233 | Negotiation | Wajahat Ali<br>Abdul Rehman Street House NO<br>50,416 Soilder Bazar |
| Coure | 650 | 217 | 433 | 683 | 249 | On Loan Basis | Kashif Haroon-Employee |
| Suzuki Alto | 500 | 275 | 225 | 217 | (8) | On Loan Basis | Umar Iqbal-Employee |
| Terrece | 415 | 187 | 228 | 461 | 233 | On Loan Basis | Abdul Rauf-Employee |
| Suzuki Cultus | 538 | 295 | 243 | 218 | (24) | On Loan Basis | S.M.Tariq Nabeel Jafri-Employee |
| Suzuki Cultus | 600 | 30 | 570 | 560 | (10) | On Loan Basis | Nomita Farooq-Employee |
| Suzuki Cultus | 839 | 461 | 378 | 378 | - | Negotiations | Mr. Shahbaz |
| Honda 100 CC | 65 | 7 | 59 | 64 | 5 | On Loan Basis | Rehan Baig-Employee |
| Suzuki 150 | 77 | 1 | 76 | 76 | - | On Loan Basis | Samuel Kamran-Employee |
| Suzuki 150 | 77 | 1 | 76 | 76 | - | On Loan Basis | Mohammad Hussian Patni-Employee |
| Electrical, office and computer equipment | | | | | | | |
| Generator | 775 | 428 | 347 | 660 | 313 | Negotiation | "EFU General Insurance Limited -<br>related party 1st Floor Kashif Centre<br>Main Shahra-e-faisal Karachi |
| Others (Note 12.2.3) | 1,020 | 391 | 629 | 715 | 86 | Various | Various |

# Pattern Of Shareholding

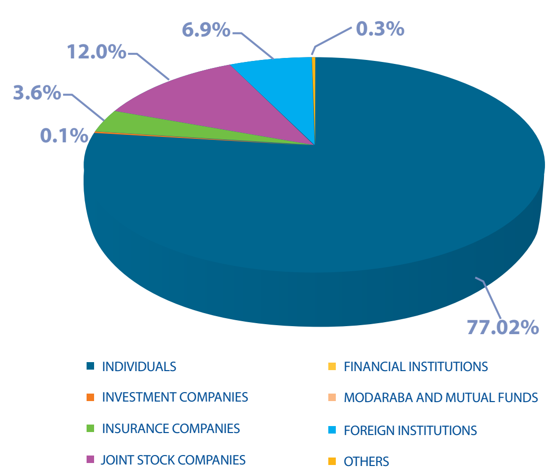
As on December 31, 2013

FORM 34
THE COMPANIES ORDINANCE, 1984 (SECTION 236(1) AND 464)

| No. of Shareholders | Shareholdings | | | | | Total Shares Held |
|---|---|---|---|---|---|---|
| 1280 | Shareholding | From | 1 | To | 100 | 44,715 |
| 2210 | Shareholding | From | 101 | To | 500 | 876,854 |
| 2287 | Shareholding | From | 501 | To | 1000 | 2,114,324 |
| 5074 | Shareholding | From | 1001 | To | 5000 | 14,452,113 |
| 1851 | Shareholding | From | 5001 | To | 10000 | 14,778,077 |
| 2892 | Shareholding | From | 10001 | To | 100000 | 92,999,053 |
| 419 | Shareholding | From | 100001 | To | 1000000 | 111,762,012 |
| 9 | Shareholding | From | 1000001 | To | 1500000 | 10,289,606 |
| 1 | Shareholding | From | 1565001 | To | 1570000 | 1,569,377 |
| 1 | Shareholding | From | 1595001 | To | 1600000 | 1,600,000 |
| 1 | Shareholding | From | 1645001 | To | 1650000 | 1,645,700 |
| 1 | Shareholding | From | 1695001 | To | 1700000 | 1,700,000 |
| 1 | Shareholding | From | 1800001 | To | 1805000 | 1,805,000 |
| 1 | Shareholding | From | 1930001 | To | 1935000 | 1,934,560 |
| 1 | Shareholding | From | 2080001 | To | 2085000 | 2,083,500 |
| 1 | Shareholding | From | 2115001 | To | 2120000 | 2,120,000 |
| 1 | Shareholding | From | 2395001 | To | 2400000 | 2,400,000 |
| 1 | Shareholding | From | 2695001 | To | 2700000 | 2,700,000 |
| 1 | Shareholding | From | 2995001 | To | 3000000 | 3,000,000 |
| 1 | Shareholding | From | 3835001 | To | 3840000 | 3,837,000 |
| 1 | Shareholding | From | 7135001 | To | 7140000 | 7,136,869 |
| 1 | Shareholding | From | 9995001 | To | 10000000 | 10,000,000 |
| 1 | Shareholding | From | 17805001 | To | 17810000 | 17,809,897 |
| 1 | Shareholding | From | 19995001 | To | 20000000 | 20,000,000 |
| 1 | Shareholding | From | 43365001 | To | 43370000 | 43,367,582 |
| 1 | Shareholding | From | 62025001 | To | 62030000 | 62,029,000 |
| 1 | Shareholding | From | 329230001 | To | 329235000 | 329,230,084 |
| **16,041** | | | | | | **763,285,323** |

| S. No. | CATEGORY OF SHAREHOLDERS | NUMBER OF SHARES HELD | TOTAL | PERCENTAGE |
|---|---|---|---|---|
| 1 | INDIVIDUALS | 15,842 | 587,851,444 | 77.02 |
| 2 | INVESTMENT COMPANIES | 2 | 998,025 | 0.13 |
| 3 | INSURANCE COMPANIES | 9 | 27,561,150 | 3.61 |
| 4 | JOINT STOCK COMPANIES | 148 | 91,862,498 | 12.04 |
| 5 | FINANCIAL INSTITUTIONS | 8 | 277,835 | 0.04 |
| 6 | MODARABA AND MUTUAL FUNDS | 5 | 126,916 | 0.02 |
| 7 | FOREIGN INSTITUTIONS | 11 | 52,352,055 | 6.86 |
| 8 | OTHERS | 16 | 2,255,400 | 0.30 |
| | TOTAL | 16,041 | 763,285,323 | 100.00 |

CATEGORY OF SHAREHOLDERS



# Pattern Of Shareholding

As on December 31, 2013

**1. Directors, Chief Executive Officer, their spouse and minor children**

| Name | Total Shares Held | Percentage (%) |
|---|---|---|
| Suleman Lalani | 216,096 | |
| Ali Hussain | 500 | |
| Asif Sana | 500 | |
| Ali Jehangir Siddiqui | 320,122 | |
| Mahboob Ahmed | 732,439 | |
| Asad Ahmed | 1 | |
| Stephen Christopher Smith | 17 | |
| Munawar Alam Siddiqui | 6 | |
| Naseem Mahboob | 235,732 | |
| **Total** | **1,505,413** | **0.20** |

**2. Associated Companies, Undertakings and Related Parties**

| | | |
|---|---|---|
| EFU General Insurance Limited | 17,809,897 | |
| EFU Services (Private) Limited | 94,539 | |
| SAJ Capital Management Limited | 43,367,582 | |
| EFU Life Assurance Limited | 7,136,869 | |
| **Total** | **68,408,887** | **8.96** |

**3. NIT and ICP**

| | | |
|---|---|---|
| IDBL (ICP unit) | 4,324 | |
| National Bank of Pakistan-Trustee Depart | 993,701 | |
| **Total** | **998,025** | **0.13** |

**4. Banks, Development Financial Institutions & Non Banking Finance Companies**

| | | |
|---|---|---|
| Banks | 178,504 | |
| Non Banking Finance Companies | 99,331 | |
| **Total** | **277,835** | **0.04** |

**5. Insurance Companies (other then disclosed in "2" above)**

| | | |
|---|---|---|
| Insurance Companies | **2,614,384** | **0.34** |

**6. Modarabas and Mutual Funds**

| | | |
|---|---|---|
| Modarabas | 8,584 | |
| **Mutual funds** | | |
| CDC - Trustee Pakistan Stock Market Fund | 500 | |
| CDC - Trustee AKD Index Tracker Fund | 99,503 | |
| MC FSL - Trustee JS KSE-30 Index Fund | 18,329 | |
| **Total** | **126,916** | **0.02** |

**7. Shareholders holding shares 5% or more (other then disclosed in "2" above)**

| | | |
|---|---|---|
| Jahangir Siddiqui | 329,230,084 | |
| Jahangir Siddiqui & Sons Limited | 62,029,000 | |
| **Total** | **391,259,084** | **51.26** |

**8. Executives:**

| | | |
|---|---|---|
| Employees of the company other than CEO and Directors | **7,670** | **0.00** |

## FORM OF PROXY

22nd Annual General Meeting

**The Company Secretary**
**Jahangir Siddiqui & Co. Ltd.**
**6th Floor, Faysal House, Shahrah-e-Faisal,**
**Karachi - 75530**

I/We__________________________________________________of___________________________being member(s) of Jahangir Siddiqui & Co. Ltd.

holding ___________________ordinary shares as per Registered Folio. No /CDC A/c. No. (for members who have shares in CDS)____________________

hereby appoint Mr. / Mrs. / Miss ____________________ of ____________________ (Folio. No. CDC A/c No.) ____________________ or failing him/her

Mr. / Mrs. / Miss ____________________ of ____________________ (Folio. No. CDC A/c No.) ____________________ being member of the Company,

as my / our proxy to attend, act and vote for me /us and on my /our behalf at the 22nd Annual General Meeting of the Company to be held on April 09, 2014

and /or any adjournment thereof.

As witness my / our hand / seal this __________________ day of _____________, 2014. Signed by ____________________________________

In the presence of
Witness:

1. Name________________________________________

   Signature______________________________________

   Address_______________________________________

   ______________________________________________

   CNIC or_______________________________________

   Passport No.____________________________________

2. Name________________________________________

   Signature______________________________________

   Address_______________________________________

   ______________________________________________

   CNIC or_______________________________________

   Passport No.____________________________________

Signature on
Rs. 5/-
Revenue Stamp

The Signature should
agree with the specimen
registered with the Company

**Important:**

(i) A member of the Company entitled to attend and vote may appoint another member as his/ her proxy to attend and vote instead of him /her.

(ii) This Proxy form, duly completed and signed, must be received at the Office of the Company situated at 6th floor, Faysal House, Shahra-e-Faisal, Karachi not less than 48 hours before the time of holding the meeting.

(iii) No person shall act as proxy unless he / she himself/herself is a member of the Company, except that a Corporation may appoint a person who is not a member.

(iv) If a member appoints more then one proxy and / or more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

(v) Beneficial owners of the physical shares and the shares registered in the name of Central Depository Company of Pakistan Ltd. (CDC) and /or their proxies are required to produce their original Computerised National Identity Card (CNIC) or Passport for identification purpose at the time of attending the meeting. The form of proxy must be submitted with the Company within the stipulated time, duly witnessed by two persons whose names, addresses and CNIC numbers must be mentioned on the form, along with attested copies of CNIC or the passport of the beneficial owner and the proxy. In case of corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signature shall be submitted along with proxy form.

AFFIX
CORRECT
POSTAGE

The Company Secretary
**Jahangir Siddiqui & Co. Ltd.**
6th Floor, Faysal House,
Shahra-e-Faisal
Karachi- 75530

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6th Floor, Faysal House,
Shahra-e-Faisal,
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