



**Jahangir Siddiqui & Co. Ltd.**

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Annual Report **2014**

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# Vision

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



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# 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.

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## 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 shareholders' 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.



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# 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 Jehangir Siddiqui**  
Director - Non-Executive

**Munawar Alam Siddiqui**  
Director - Non-Executive

**Saud Ahmed Mirza \***  
Director - Independent, Non-Executive

**Stephen Christopher Smith**  
Director - Non-Executive

## Audit Committee

**Saud Ahmed Mirza**  
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

**Munawar Alam Siddiqui**  
Chairman

**Ali Jehangir Siddiqui**  
Member

**Suleman Lalani**  
Member

## Chief Financial officer & Company Secretary

**Hasan Shahid**

## External Auditors

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

## Internal Auditors

**Anjum Asim Shahid Rahman**  
Chartered Accountants

## Legal Advisor

**Bawaney & Partners**

## Share Registrar

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

## Registered Office

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

## Website

[www.js.com](http://www.js.com)

\* Appointed on April 28, 2014 in place of Mr. Asif R. Sana.



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## Board of Directors

### 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 Shariat 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. Ltd.
- East West Life Assurance Co. Ltd.

### 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



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## Asad Ahmed

Director - Independent, Non-Executive

Mr. Asad Ahmed holds B Sc Information Technology – Focusing on Ubiquitous Computing and Human Computer Interaction from Rochester Institute of Technology, Rochester New York. Currently, he is Product Lead, Microsoft Office Division at Microsoft Gulf, Dubai since June 2012. Previously, he has served as Marketing, Operation and Program Director Qatar at Microsoft Gulf, Qatar from June 2009 to June 2012, as Enterprise Marketing Lead at Microsoft Gulf, Dubai from April 2008 to June 2009, as Enterprise Marketing Manager at Symantec Canada, Toronto from January 2006 to March 2008 and as Business Development Manager in CDW Canada, Toronto from April 2004 – December 2005.

He has following awards and accreditations:

1. Microsoft Office Division Award Fy'13
2. Microsoft Gulf Excel Team Fy'12
3. Microsoft Gulf Impact Achievement Award Fy'11
4. Microsoft Circle of Excellence Fy'10 and Fy'11
5. Kellogg School of Management – Marketing Certification 2010
6. Symantec Innovation and Marketing Club 2007
7. CMO Innovation Award – Symantec Canada 2007

## 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

## Ali Jehangir Siddiqui

Director - Non-Executive

Mr. Ali Jehangir 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. private sector mutual fund manager. Prior to 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 investing in Asia-Pacific. Mr. Siddiqui holds a B.A. in Economics from Cornell University.

### Other Directorships:

- Mahvash & Jahangir Siddiqui Foundation
- Agrow Limited
- AirBlue Limited
- Acumen Fund Pakistan
- Al-Abbas Sugar Mills Limited
- AJS Holding (Pvt.) Ltd.

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## Saud Ahmed Mirza

Director - Independent, Non-Executive

Mr. Saud Ahmed Mirza has served as Director General Federal Investigation Agency (FIA), CCPO Karachi, Deputy Inspector-General (DIG) at the CID, DIG Headquarters and DPO for Hyderabad and Sukkur.

Mr. Mirza joined the police on March 23, 1979 and retired on 31st January, 2014. He was appointed DG FIA on April 10th, 2013.

Mr. Mirza completed his intermediate from Government College Peshawar in 1971, and his bachelor's from the same institution in 1975. He did Master's in Public Administration from Punjab University and another in Police Studies from the universities of Exeter, UK.

## 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 aircraft 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. (Honours) in War Studies from Karachi University and B. Sc. Avionics from Peshawar University. He is also an alumni of the National Defence College.

### Other Directorships:

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

## 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



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# Board Committees

## Audit Committee

### Members

Mr. Saud Ahmed Mirza - Chairman  
Mr. Munawar Alam Siddiqui - Member  
Mr. Stephen Christopher Smith - Member

### 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:
  - 1. Major judgmental areas;
  - 2. Significant adjustments resulting from the audit;
  - 3. The going-concern assumption;
  - 4. Any changes in accounting policies and practices;
  - 5. Compliance with applicable accounting standards; and
  - 6. 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;

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- (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.



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## 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.

### Subcommittees

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 - Chairman  
Mr. Ali Jehangir Siddiqui - Member  
Mr. Suleman Lalani - Member

### 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.
- (d) 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.

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# Corporate Social Responsibility

Jahangir Siddiqui & Co. Ltd. is deeply committed to Corporate Social Responsibility and it contributes both financial and human resources towards supporting the Mahvash & Jahangir Siddiqui Foundation (MJSF or Foundation).

Mr. Jahangir Siddiqui and his wife Mrs. Mahvash Siddiqui, a former college professor, established MJSF in 2003. The Foundation is a non-profit, non-partisan charity that focuses on education, healthcare, sustainable development through social enterprise and humanitarian/disaster relief. The Foundation is registered with Pakistan Centre of Philanthropy and Pakistan Red Crescent Society. MJSF is audited annually by KPMG Taseer Hadi & Co., a member firm of KPMG (Worldwide/LLP).

In achieving its mission, the Foundation has also partnered with leading international NGOs including various United Nations agencies including World Food Program, UNOCHA and UN Habitat for Humanity, Oxfam International, Walkabout Foundation, International Organization for Migration and various international and local universities and foundations for education, disability and healthcare.

## Education

### MJSF's educational programs focus on:

- Higher education
- Mainstream education including schools for children with special needs
- Vocational training
- Specialized programs

MJSF has provided grants to leading educational institutions of Pakistan, including Lahore University of Management, Karachi School for Business and Leadership and Institute of Business Administration in Karachi. The Foundation also offers subsidized and full scholarships for children through JS Academy for the Deaf, Fakhre-Imdad Foundation schools and various other schools in both rural and urban areas.

In addition, MJSF provides funding for a broad range of education institutions such as IBA Sukkur and Progressive Education Network in Lahore. Furthermore, MJSF has also established a vocational training center, Karigar Training Institute in Karachi and hopes to replicate the model nationwide.

Many students have also benefitted from the Qarz-e-Hasana scheme of the Foundation to pursue higher education in national and international universities. The Foundation also provides individual support to less privileged individuals for access to a better education.

In 2014, a notable major grant project of PKR 200 Million was completed at the Institute of Business Administration, City Campus Karachi to build a state-of-the-art auditorium.



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## Healthcare

**MJSF has a deep commitment to public health and supports the existing hospitals and medical facilities by:**

- Upgrading and adding specialist wards
- Developing healthcare facilities in rural areas
- Providing mobile health care in difficult to access areas
- Running eye camps in rural areas
- Running medical camps in rural areas
- Distribution of specialized wheelchairs in partnership with Walkabout Foundation

MJSF is linked with numerous projects and organizations in the health care sector including Sindh Institute of Urology and Transplantation, Karachi National Hospital, National Institute of Cardiovascular Diseases, National Institute of Child Health and other notable institutions.

## Social Enterprises and Sustainable Development (SESD)

The SESD program funds projects that are economically productive and sustainable which remove or reduce the need for ongoing grants.

MJSF has a long established partnership with Acumen (formerly known as Acumen Fund). Through this partnership, the Foundation, to date, has contributed the equivalent of US\$ 2,000,000 to Acumen. Since 2001, Acumen has actively invested in Pakistan in building social enterprises. MJSF is also a sponsor of the Acumen Pakistan Fellows Program, a one-year program designed for people leading social change initiatives dedicated to addressing Pakistan's most critical poverty problems.

The Foundation has also ventured into extending micro-finance facilities for farmers in Chitral that produce high quality onion seeds to increase their incomes. Furthermore, a comprehensive annual Ramadan meal campaign is also held across Pakistan every year through JS Bank branches to facilitate the underprivileged with iftar. This initiative acts as a catalyst for JS Bank staff to interact with local communities and also to provide on ground support to MJSF for its projects.



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## Emergency / Disaster Relief

**MJSF has a strong focus on humanitarian relief. Its activities focus on immediate relief in disasters as well as long-term rehabilitation.**

**MJSF has contributed with a large-scale response in the following years:**

- 2005 - Earthquake in Azad Jammu & Kashmir (AJK) and Khyber-Pakhtunkhwa Province
- 2008 - Swat Conflict and related Internally Displaced Persons crisis
- 2010 - Super Flood
- 2014 - Thar Drought crisis

MJSF is committed to providing a rapid response to natural disaster and emergencies by mobilizing its financial resources in coordination with the human resources of various JS Group companies to provide immediate food aid, shelter and healthcare.

In partnership with the International Organization for Migration, the Foundation has also initiated a reconstruction project constructing 250 homes in three flood-affected districts in Sindh province. As part of the first phase, 150 shelters have been constructed in Southern Sindh and remaining 100 shelters are currently under construction in Northern Sindh. Additionally, another project of 15 houses has been completed in Northern Sindh.



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# Corporate Calendar 2014

## Meetings

## Date

Board of Directors Meeting	January 09, 2014
Audit Committee and Board of Directors Meetings to consider annual accounts of the Company for the Year Ended December 31, 2013	February 28, 2014
22 <sup>nd</sup> Annual General Meeting	April 09, 2014
Audit Committee and Board of Directors Meetings to consider accounts of the Company for the Quarter Ended March 31, 2014	April 28, 2014
Audit Committee and Board of Directors Meetings to consider accounts of the Company for the Half Year Ended June 30, 2014	August 20, 2014
Extraordinary General Meeting	September 19, 2014
Audit Committee and Board of Directors Meetings to consider accounts of the Company for the Nine Month Period Ended September 30, 2014	October 27, 2014

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# Notice Of 23<sup>rd</sup> Annual General Meeting

Notice is hereby given that the Twenty Third 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 08, 2015 at 10:00 a.m., to transact the following businesses:

## Ordinary Business

1. To receive, consider and adopt the audited unconsolidated and consolidated financial statements of the Company for the year ended December 31, 2014 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.

By Order of the Board

**Hasan Shahid**  
CFO & Company Secretary

Karachi: March 18, 2015

## Notes

- (i) The Share Transfer Books of the Company shall remain closed from April 01, 2015 to April 08, 2015 (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 March 31, 2015 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.

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## **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.

## **IMPORTANT NOTICES TO SHAREHOLDERS**

### **Computerized National Identity Card (CNIC) of Shareholders (Mandatory)**

Shareholders are requested to provide immediately copy of their valid CNIC to the Company's Independent Share Registrar at the address given herein below. A legible scanned copy of the same can also be forwarded at [cnic@js.com](mailto:cnic@js.com) along with folio number and updated address for correspondence.

### **Mandate for e-Dividend**

In order to make process of payment of cash dividend more efficient, e-dividend mechanism has been envisaged when shareholders can get amount of the dividend credited into their respective bank accounts electronically without any delay. In this way, dividends may be instantly credited to respective bank accounts and there are no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address, etc. The Securities and Exchange Commission of Pakistan (SECP) through Notice No. 8(4) SM/CDC 2008 dated April 05, 2013 has advised all listed Companies to adopt e-dividend mechanism due to the benefits it entails for shareholders. You are encouraged to provide a dividend mandate in favor of e-dividend by providing duly filled in and signed dividend mandate form available at <http://www.js.com/index.php/investors/shareholders-information>.

### **Electronic Transmission of Financial Statements and Notices**

Pursuant to Notification vide SRO 787 (1)/2014 dated September 08, 2014; the Securities and Exchange Commission of Pakistan (SECP) has directed all companies to facilitate their members receiving Annual Financial Statements and Notice of Annual General Meeting (Notice) through electronic mail system (e-mail). Jahangir Siddiqui & Co. Ltd. is pleased to offer this facility to our valued members who desire to receive Annual Financial Statements and Notices through email in future.

In this regard, those members who wish to avail this facility are hereby requested to convey their consent via email on a standard request form which is available at the Company website i.e. at <http://www.js.com/index.php/investors/shareholders-information>.

Please ensure that your email account has sufficient rights and space available to receive such email which may be greater than 1 MB in size. Further, it is the responsibility of the member(s) to timely update the Share Registrar of any change in his (her/its/their) registered email address at the address of Company's Share Registrar mentioned at the end of the notice.

## Deduction of Withholding Tax on the amount of Dividend

Pursuant to Circular No.19/2014 dated October 24, 2014, SECP has directed all companies to inform shareholders about changes made in the section 150 of the Income Tax Ordinance, 2001. JSCL hereby advise to its shareholders, the important amendments, as under;

- (i) The Government of Pakistan through Finance Act, 2014 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:
  - a. For filers of income tax returns 10%
  - b. For non-filers of income tax returns 15%

To enable the Company to make tax deduction on the amount of cash dividend @ 10% instead of 15%, all the shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of Federal Board of Revenue, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date for payment of the cash dividend otherwise tax on their cash dividend will be deducted @ 15% instead @ 10%.

- (ii) For any query/problem/information, the investors may contact the Company Secretary (at the Registered Office address and number) and/or the Share Registrar at the address given at the end of the notice.
- (iii) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or its Share Registrar i.e. M/s. Technology Trade (Private) Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

### Address of Share Registrar of the Company:

The Share Registrar  
Technology Trade (Private) Limited  
Dagia House  
241-C, Block-2, P.E.C.H.S.  
Off Shahrah-e-Quaideen  
Karachi  
E-mail: mail@ttpl.com.pk  
Phone: (+92-21) 34391316-17-19

## 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 February 02, 2015 had approved investment of upto PKR 1,669 million in ordinary shares of par value of PKR 10/- each aggregating to PKR 4,320 million of BankIslami Pakistan Limited (BIPL) to be offered as right shares and otherwise by way of underwriting as may be offered by BIPL under Section 208 of the Companies Ordinance, 1984. Subsequently, the Company has entered into a subscription and underwriting agreement with BIPL for investment of PKR 1,440 million in 144,013,333 ordinary right shares of BIPL of PKR 10/- each.

No investment has been made so far by the Company. BIPL has offered 91,841,563 right shares to the Company for subscription. The last date of payment / subscription is April 24, 2015.

There is no change in the financial position of BankIslami Pakistan Limited except that its earnings per share (EPS) for the year ended December 31, 2013 was PKR 0.3467 (restated) as against EPS of PKR 0.5777 for the year ended December 31, 2014.

# Financial Highlights

(Based on Unconsolidated Financial Statements)

	2014	2013	2012*	2011	2010	2009
<b>Operating Results</b>						
Total revenue	531,083	636,214	3,489,687	985,535	609,076	3,149,203
Operating and administrative expenses	123,551	112,357	623,195	150,485	201,566	228,297
Finance Cost	165,239	183,359	519,427	528,591	846,211	571,954
Provision for Workers' Welfare Fund	4,645	60,191	-	-	-	-
Provision for impairment - net	10,034	63,162	(12,889)	1,584,325	8,537,198	16,761,423
Profit/(loss) before tax and impairment losses	237,648	280,307	2,347,065	306,459	(438,701)	2,348,952
Profit/(loss) before tax	227,614	217,145	2,359,954	(1,277,866)	(8,975,899)	(14,412,471)
Profit/(loss) after tax	188,377	180,831	2,362,563	(1,276,523)	(8,983,826)	(14,413,384)
<b>Financial Position</b>						
Share Capital						
- Ordinary Shares	7,632,853	7,632,853	7,632,853	7,632,853	7,632,853	7,632,853
Reserves	13,831,048	6,136,099	5,989,508	1,508,139	2,494,877	11,646,141
Outstanding Ordinary Shares (in '000')	763,285	763,285	763,285	763,285	763,285	763,285
<b>Liabilities</b>						
Financings	1,215,882	1,029,250	2,607,104	2,841,552	3,214,957	3,524,665
Current liabilities (excluding current portion of financing)	240,786	170,166	189,305	205,300	2,041,006	380,831
<b>Assets</b>						
Property and Equipment	6,656	7,345	8,756	10,407	17,482	28,591
Investments	22,399,936	12,638,960	13,298,260	9,257,029	15,108,421	22,760,883
Other non-current assets	5,447	407,793	18,294	17,064	17,667	18,691
Current assets	587,851	2,783,813	4,939,824	2,903,344	1,833,275	2,524,994
<b>Cash Flows</b>						
Net Cash flows from operating activities	(53,515)	141,634	(391,710)	1,309,955	(1,368,686)	2,873,767
Net Cash flows from investing activities	(1,532,292)	355,161	1,921,884	2,107,644	(24,090)	(5,887,315)
Net Cash flows from financing activities	179,274	(1,584,034)	(238,364)	(375,765)	(313,178)	(309,276)
Changes in cash and cash equivalents	(1,406,533)	(1,087,239)	1,291,810	3,041,834	(1,705,954)	(3,322,824)
Cash and cash equivalents - year end	135,281	1,541,814	2,629,053	1,337,243	(1,704,591)	1,363

\* Eighteen month period ended December 31, 2012

# Financial Performance

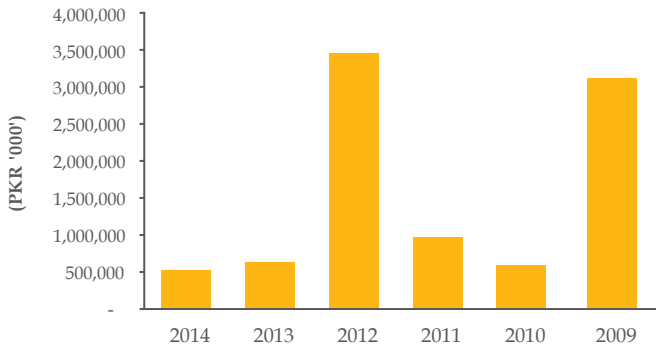
(Based on Unconsolidated Financial Statements)

	2014	2013	2012*	2011	2010	2009
<b>PROFITABILITY</b>						
Gross Yield on Earning Assets	2%	4%	21%	9%	3%	13%
Cost/Income ratio	59%	50%	34%	71%	87%	23%
Return on Capital employed	2%	2%	20%	-6%	-45%	-48%
<b>LIQUIDITY</b>						
Current Ratio	1.04	5.15	2.54	2.23	0.76	3.64
Quick / Acid test ratio	0.39	4.49	2.36	2.00	0.66	3.40
Cash to Current Liabilities	0.24	2.85	1.35	1.03	(0.71)	0.00
<b>INVESTMENT MARKET RATIOS</b>						
Basic and Diluted Earnings per Share	0.25	0.24	3.10	(1.67)	(11.77)	(18.88)
Price to Book ratio	48%	47%	75%	41%	63%	76%
Cash Dividend per share (Rupee)	-	-	0.75	-	1.00	-
Stock Dividend per share	-	-	-	-	-	244%
Market value per share at the end of the year (Rupees)	14.54	9.19	16.14	6.48	12.64	23.19
<b>CAPITAL STRUCTURE</b>						
Earning assets to total assets ratio	98%	97%	98%	87%	98%	99%
Break up Value per Share (Rupees)	28.12	18.04	17.85	11.98	13.27	25.26
Financial Leverage Ratio	7%	9%	21%	33%	52%	20%
Weighted Average cost of Debt	15%	10%	19%	14%	20%	14%
Debt to Equity	6%	7%	19%	31%	32%	18%

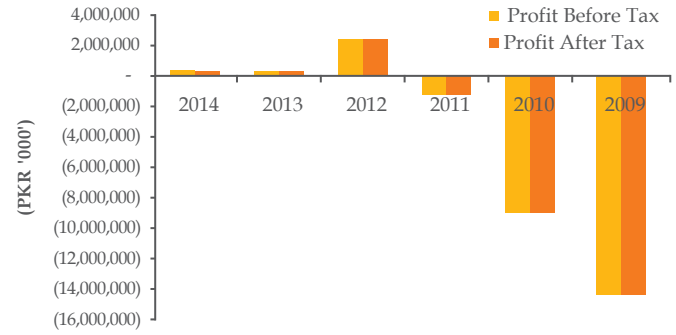
\* Eighteen month period ended December 31, 2012



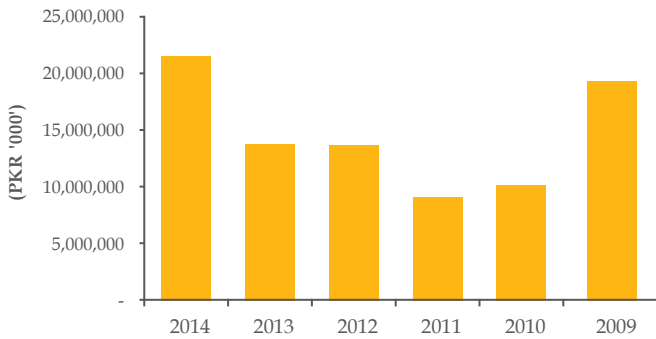
**Total Revenue**



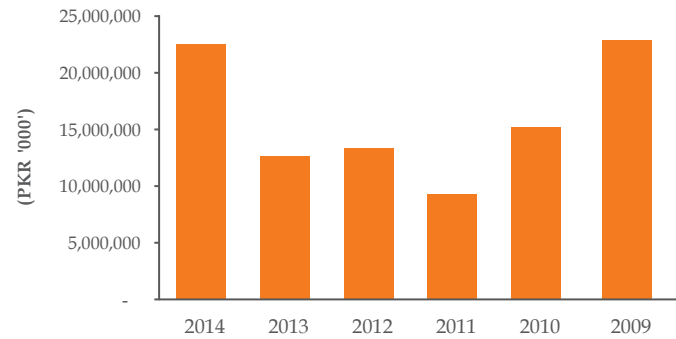
**Profit Before Taxation and Profit After Taxation**



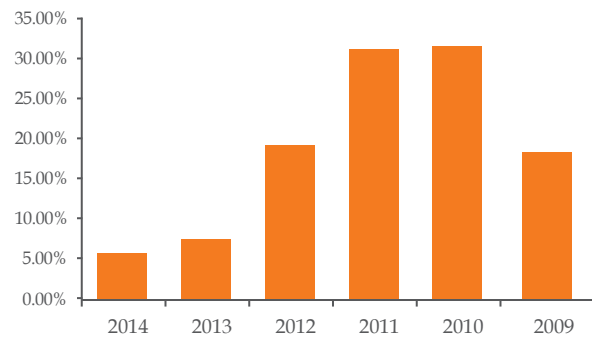
**Shareholders' Equity**



**Investments**



**Debt to Equity Ratio**





## HORIZONTAL ANALYSIS

(Rupees in '000')

BALANCE SHEET	2014 VS 2013		2013 VS 2012*		2012* VS 2011		2011 Vs 2010		2010 Vs 2009		2009 Vs 2008	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>ASSETS</b>												
<i>Non Current Assets</i>												
Property and equipment	6,656	(9)	7,345	(16)	8,756	(16)	10,407	(40)	17,482	(39)	28,591	(39)
Investment properties	2,192	(11)	2,471	(23)	3,191	80	1,770	(27)	2,411	(21)	3,052	(17)
Intangible assets	-	(100)	28	(100)	11,201	(8)	12,201	-	12,201	-	12,201	100
Long term investments	22,320,615	90	11,769,417	3	11,451,896	24	9,257,029	(32)	13,515,269	(34)	20,612,214	(27)
Long term loan and advance	2,476	(99)	404,590	18,059	2,228	40	1,594	2	1,562	(20)	1,945	(56)
Long term security deposits	779	11	704	(58)	1,674	12	1,499	0	1,493	-	1,493	(41)
	22,332,718	83	12,184,555	6	11,478,946	24	9,284,500	(31)	13,550,418	(34)	20,659,496	(27)
<i>Current Assets</i>												
Trade debts	-	-	-	-	-	-	-	-	-	(100)	21,781	100
Loans and advances	1,030	18	876	(99)	100,463	18,608	537	(68)	1,668	(98)	81,593	(47)
Prepayment, accrued mark up and other receivable	15,378	3	14,858	(9)	16,274	(22)	20,817	407	4,108	(75)	16,300	(9)
Short term investments	79,321	(91)	869,543	(53)	1,846,364	-	-	(100)	1,593,152	(26)	2,148,669	(50)
Taxation	356,841	0	356,722	3	347,670	27	274,108	23	222,720	44	154,777	102
Cash and bank balance	135,281	(91)	1,541,814	(41)	2,629,053	97	1,337,243	11,401	11,627	(89)	101,874	(98)
	587,851	(79)	2,783,813	(44)	4,939,824	203	1,632,705	(11)	1,833,275	(27)	2,524,994	(72)
Non current asset held for sale	-	-	-	-	-	(100)	1,270,639	100	-	-	-	-
<b>Total Assets</b>	<b>22,920,569</b>	<b>53</b>	<b>14,968,368</b>	<b>(9)</b>	<b>16,418,770</b>	<b>35</b>	<b>12,187,844</b>	<b>(21)</b>	<b>15,383,693</b>	<b>(34)</b>	<b>23,184,490</b>	<b>(38)</b>
<b>EQUITY AND LIABILITIES</b>												
<i>Share Capital and Reserves</i>												
Share Capital - ordinary Shares	7,632,853	-	7,632,853	-	7,632,853	-	7,632,853	-	7,632,853	-	7,632,853	244
Reserves	13,831,048	125	6,136,099	2	5,989,508	297	1,508,139	(40)	2,494,877	(79)	11,646,141	(60)
	21,463,901	56	13,768,952	1	13,622,361	49	9,140,992	(10)	10,127,730	(47)	19,278,994	(38)
<i>Non Current Liabilities</i>												
Long term financing	893,776	36	658,932	(23)	855,370	(51)	1,743,858	(39)	2,839,287	(12)	3,212,313	(9)
<i>Current Liabilities</i>												
Trade and other payable	209,857	38	151,792	91	79,577	(4)	82,764	(13)	95,328	(25)	127,240	(92)
Accrued interest markup on borrowing	30,929	68	18,374	(83)	109,728	(10)	122,536	(47)	229,460	50	153,080	35
Short term borrowings	-	-	-	-	-	-	-	(100)	1,716,218	1,607	100,511	(89)
Current portion of long term financing	322,106	(13)	370,318	(79)	1,751,734	60	1,097,694	192	375,670	20	312,352	(0)
	562,892	4	540,484	(72)	1,941,039	49	1,302,994	(46)	2,416,676	249	693,183	(76)
<b>Total Equity and Liabilities</b>	<b>22,920,569</b>	<b>53</b>	<b>14,968,368</b>	<b>(9)</b>	<b>16,418,770</b>	<b>35</b>	<b>12,187,844</b>	<b>(21)</b>	<b>15,383,693</b>	<b>(34)</b>	<b>23,184,490</b>	<b>(38)</b>
<b>PROFIT AND LOSS ACCOUNT</b>												
<i>Income</i>												
Return on investments	350,867	(21)	445,325	(48)	850,844	107	410,466	(46)	758,595	37	553,810	(12)
Gain on sale of investments	98,065	963	9,229	(100)	2,453,867	398	493,088	11	444,066	(83)	2,574,898	(87)
Income from long term loans and funds placements	42,316	(70)	142,408	66	85,622	68	51,105	1,820	2,662	(99)	288,628	4,338
Commission & other income	39,944	2	39,252	(60)	99,354	222	30,876	(63)	83,521	(32)	122,911	65
Revaluation of investments at FV through P & L	(109)	100	-	-	-	-	-	(100)	(679,768)	74	(391,044)	(56)
	531,083	(17)	636,214	(82)	3,489,687	254	985,535	62	609,076	(81)	3,149,203	(83)
<i>Expenditures</i>												
Operating and administrative expenses	123,551	10	112,357	(82)	623,195	314	150,485	(25)	201,566	(12)	228,297	(73)
Finance cost	165,239	(10)	183,359	(65)	519,427	(2)	528,591	(38)	846,211	48	571,954	(39)
Provision for workers' welfare fund	4,645	(92)	60,191	-	-	-	-	-	-	-	-	-
Provision for impairment - net	10,034	(84)	63,162	(590)	(12,889)	(101)	1,584,325	(81)	8,537,198	(49)	16,761,423	17,377
	303,469	(28)	419,069	(63)	1,129,733	(50)	2,263,401	(76)	9,584,975	(45)	17,561,674	832
<b>Profit/(loss) before taxation</b>	<b>227,614</b>	<b>5</b>	<b>217,145</b>	<b>(91)</b>	<b>2,359,954</b>	<b>(285)</b>	<b>(1,277,866)</b>	<b>(86)</b>	<b>(8,975,899)</b>	<b>(38)</b>	<b>(14,412,471)</b>	<b>(184)</b>
<i>Taxation</i>												
Current	39,237	8	36,256	100	-	(100)	2,609	(65)	7,393	710	913	(46)
Prior	-	(100)	58	(102)	(2,609)	(34)	(3,952)	(840)	534	100	-	(100)
	39,237	8	36,314	(1,492)	(2,609)	94	(1,343)	(117)	7,927	768	913	(276)
<b>Net Profit/(loss) for the year</b>	<b>188,377</b>	<b>4</b>	<b>180,831</b>	<b>(92)</b>	<b>2,362,563</b>	<b>(285)</b>	<b>(1,276,523)</b>	<b>(86)</b>	<b>(8,983,826)</b>	<b>(38)</b>	<b>(14,413,384)</b>	<b>(184)</b>

\* Eighteen month period ended December 31, 2012

# VERTICAL ANALYSIS

(Rupees in '000')

	2014		2013		2012*		2011		2010		2009	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>BALANCE SHEET</b>												
<b>ASSETS</b>												
<i>Non Current Assets</i>												
Property and Equipment	6,656	0.03	7,345	0.05	8,756	0.05	10,407	0.09	17,482	0.11	28,591	0.12
Investment properties	2,192	0.01	2,471	0.02	3,191	0.02	1,770	0.01	2,411	0.02	3,052	0.01
Intangible assets	-	-	28	0.0002	11,201	0.07	12,201	0.10	12,201	0.08	12,201	0.05
Long term investments	22,320,615	97.38	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
Long term loan and advance	2,476	0.01	404,590	2.70	2,228	0.01	1,594	0.01	1,562	0.01	1,945	0.01
Long term security deposits	779	0.00	704	0.0047	1,674	0.01	1,499	0.01	1,493	0.01	1,493	0.01
	22,332,718	97.44	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
<i>Current Assets</i>												
Trade debts	-	-	-	-	-	-	-	-	-	-	21,781	0.09
Loans and advances	1,030	0.00	876	0.01	100,463	0.61	537	0.00	1,668	0.01	81,593	0.35
Prepayment, accrued mark up and other receivable	15,378	0.07	14,858	0.10	16,274	0.10	20,817	0.17	4,108	0.03	16,300	0.07
Short term investments	79,321	0.35	869,543	5.81	1,846,364	11.25	-	-	1,593,152	10.36	2,148,669	9.27
Taxation - net	356,841	1.56	356,722	2.38	347,670	2.12	274,108	2.25	222,720	1.45	154,777	0.67
Cash and bank balance	135,281	0.59	1,541,814	10.30	2,629,053	16.01	1,337,243	10.97	11,627	0.08	101,874	0.44
	587,851	2.56	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
Non current asset held for sale	-	-	-	-	-	-	1,270,639	10.43	-	-	-	-
<b>Total Assets</b>	<b>22,920,569</b>	<b>100.00</b>	<b>14,968,368</b>	<b>100.00</b>	<b>16,418,770</b>	<b>100.00</b>	<b>12,187,844</b>	<b>100.00</b>	<b>15,383,693</b>	<b>100.00</b>	<b>23,184,490</b>	<b>100.00</b>
<b>EQUITY AND LIABILITIES</b>												
<i>Share Capital and Reserves</i>												
Share Capital - ordinary Shares	7,632,853	33.30	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
Reserves	13,831,048	60.34	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
	21,463,901	93.64	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
<i>Non Current Liabilities</i>												
Long term financing	893,776	3.90	658,932	4.40	855,370	5.21	1,743,858	14.31	2,839,287	18.46	3,212,313	13.86
<i>Current Liabilities</i>												
Trade and Other Payable	209,857	0.92	151,792	1.01	79,577	0.48	82,764	0.68	95,328	0.62	127,240	0.55
Accrued interest/ markup on borrowing	30,929	0.13	18,374	0.12	109,728	0.67	122,536	1.01	229,460	1.49	153,080	0.66
short term borrowings	-	-	-	-	-	-	-	-	1,716,218	11.16	100,511	0.43
Current portion of long term financing	322,106	1.41	370,318	2.47	1,751,734	10.67	1,097,694	9.01	375,670	2.44	312,352	1.35
	562,892	2.46	540,484	3.61	1,941,039	11.82	1,302,994	10.69	2,416,676	15.71	693,183	2.99
<b>Total Equity and Liabilities</b>	<b>22,920,569</b>	<b>100.00</b>	<b>14,968,368</b>	<b>100.00</b>	<b>16,418,770</b>	<b>100.00</b>	<b>12,187,844</b>	<b>100.00</b>	<b>15,383,693</b>	<b>100.00</b>	<b>23,184,490</b>	<b>100.00</b>
<b>PROFIT AND LOSS ACCOUNT</b>												
<i>Income</i>												
Return on investments	350,867	66.07	445,325	70.00	850,844	24.38	410,466	41.65	758,595	124.55	553,810	17.59
Gain on sale of investments - net	98,065	18.47	9,229	1.45	2,453,867	70.32	493,088	50.03	444,066	72.91	2,574,898	81.76
Income from long term loans and funds placements	42,316	7.97	142,408	22.38	85,622	2.45	51,105	5.19	2,662	0.44	288,628	9.17
Commission	3,056	0.58	5,546	0.87	-	-	-	-	-	-	-	-
Other income	36,888	6.95	33,706	5.30	99,354	2.85	30,876	3.13	83,521	13.71	122,911	3.90
Revaluation of investments at FV through P&L	(109)	(0.02)	-	-	-	-	-	-	(679,768)	(111.61)	(391,044)	(12.42)
	531,083	100.00	636,214	100.00	3,489,687	100.00	985,535	100.00	609,076	100.00	3,149,203	100.00
<i>Expenditure</i>												
Operating and administrative expenses	123,551	23.26	112,357	17.66	623,195	17.86	150,485	15.27	201,566	33.09	228,297	7.25
Finance Cost	165,239	31.11	183,359	28.82	519,427	14.88	528,591	53.63	846,211	138.93	571,954	18.16
Provision for workers' welfare fund	4,645	0.87	60,191	9.46	-	-	-	-	-	-	-	-
Provision for impairment - net	10,034	1.89	63,162	9.93	(12,889)	(0.37)	1,584,325	160.76	8,537,198	1401.66	16,761,423	532.24
	303,469	57.14	419,069	65.87	1,129,733	32.37	2,263,401	229.66	9,584,975	1,573.69	17,561,674	557.65
<b>Profit/ (loss) before taxation</b>	<b>227,614</b>	<b>42.86</b>	<b>217,145</b>	<b>34.13</b>	<b>2,359,954</b>	<b>67.63</b>	<b>(1,277,866)</b>	<b>(129.66)</b>	<b>(8,975,899)</b>	<b>(1,473.69)</b>	<b>(14,412,471)</b>	<b>(457.65)</b>
<i>Taxation</i>												
Current	39,237	7.39	36,256	5.70	-	-	2,609	0.26	7,393	1.21	913	0.03
Prior	-	-	58	0.01	(2,609)	(0.07)	(3,952)	(0.40)	534	0.09	-	-
	39,237	7.39	36,314	5.71	(2,609)	(0.07)	(1,343)	(0.14)	7,927	1.30	913	0.03
<b>Net Profit/ (Loss)</b>	<b>188,377</b>	<b>35.47</b>	<b>180,831</b>	<b>28.42</b>	<b>2,362,563</b>	<b>67.70</b>	<b>(1,276,523)</b>	<b>(129.53)</b>	<b>(8,983,826)</b>	<b>(1,474.99)</b>	<b>(14,413,384)</b>	<b>(457.68)</b>

\* Eighteen month period ended December 31, 2012

# Directors' Report to the Shareholders

## Dear Shareholders,

It gives me immense pleasure to present to 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, 2014.

## OVERVIEW OF ECONOMY

Pakistan's economy continued to face challenges in 2014, with limited improvements in the country's energy shortage. As a result, GDP growth for FY14 clocked in at 4.1% below the government's target of 4.4%. However, inflation tapered down to an 11-year low, with December 2014 CPI clocking in at 4.3% YoY and 1HFY15 CPI at 6.1% YoY, while Pak Rupee (PKR) exchange rate also remained stable during the year. This was a result of stable external accounts given (1) successful Eurobond and Sukuk issues; (2) IMF tranches; and (3) declining international oil prices. Moreover, fiscal deficit clocked in at a respectable 5.5% of the GDP in FY14 as well. As a result, the State Bank of Pakistan cut the discount rate in its November 2014 Monetary Policy Review by 50 bps to 9.5%.

## EQUITY CAPITAL MARKET

The Karachi Stock Exchange continued its dream run in 2014 where the benchmark KSE-100 index notched up an impressive 27.2% return for the year (Pak Rupee based), outperforming regional average (home currency based) return of 13%. In addition, Pak Rupee gains added to US\$-based KSE return, which clocked in at 33.3% (vs. 37.8% last year) – the second highest amongst Asian peers and well above the region's 10.2% US\$ market return for the year. The positive market performance came on the back of (1) monetary easing by the Central Bank; (2) improving external account outlook; (3) build-up in foreign exchange reserves to US\$15 billion; (4) start of the privatization program (part of structural reforms agreed with IMF); and (5) strong foreign portfolio investment to the tune of US\$386.2 million (US\$395.3 million in 2013).

## FINANCIAL RESULTS

During the year, the Company has witnessed significant improvement in investment portfolio which resulted in enhancing the shareholders equity of the Company to PKR 21,464 million as on December 31, 2014 from PKR 13,769 million as on December 31, 2013 translating to an increase of shareholders wealth by 55.89%. The breakup value per share as of the year end also grew to PKR 28.12 per share from PKR 18.04 per share as of December 31, 2013.

The Company has reported an after tax profit of PKR 188 million for the year ended December 31, 2014 as against a profit after tax of PKR 181 million for the year ended December 31, 2013. Overall revenues for the year under review amounted to PKR 531 million as compared to PKR 636 million for the year ended December 31, 2013.

	(PKR in '000')
<b>Profit before taxation</b>	<b>227,614</b>
Less: Taxation	39,237
- Current	-
- Prior	39,237
<b>Profit after taxation</b>	<b>188,337</b>

The Earnings Per Share (EPS) of the Company for 2014 is PKR 0.25.

The Board has not considered any distribution to shareholders for the year ended December 31, 2014 on account of long term investments in right shares of BankIslami Pakistan Limited and other strategic investments and committed principal redemptions of outstanding term finance certificates of the Company in 2015.



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The auditors have drawn attention to note 7.1.2 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.

The Company has filed Writ Petition before the Honourable High Court of Sindh against levy of Workers' Welfare Fund and obtained interim relief. The matter is pending adjudication before the Court.

## **LIQUIDITY POSITION**

We are pleased to inform you that your Company has adequate liquidity to meet long term investment requirements and repayment of long term borrowings.

During the year 2014, your Company has redeemed PKR 402.72 million on account of repayments of outstanding term finance certificates.

## **INVESTING ACTIVITIES DURING THE YEAR**

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

Pursuant to the approval of the members of the Company in their extraordinary general meeting held on November 25, 2013 for 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, 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. With the aforesaid right issue, JSBL has fulfilled minimum capital requirement prescribed by the State Bank of Pakistan and will be able to announce any distributions to its shareholders including preference shareholders.

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

On April 11, 2014, Pakistan International Bulk Terminal Limited (PIBT) announced 1290% Right Shares at par value. Being one of the major shareholders, the Company received and subscribed 148,350,000 ordinary shares of PKR 10/- each of PIBT aggregating to PKR 1,483.50 million as per its entitlement. On July 11, 2014, PIBT has issued subscribed right shares to its shareholders.

### **Investment in right shares of BankIslami Pakistan Limited**

During the year, BankIslami Pakistan Limited (BIPL) made a right issue of 9.07% ordinary shares of PKR 10/- each at an offer price of PKR 8.35 each. Pursuant to the approval of members of the Company in their 22nd Annual General Meeting held on April 09, 2014 at Karachi, the Company subscribed 11,160,781 ordinary shares of BIPL including 1,066,169 ordinary shares under underwriting commitment which resulted in increase in holding from 21.07% to 21.26%.

Further, on December 31, 2014 BIPL has also announced another right issue of PKR 4,320.40 million (75.0236% ordinary shares of Rs. 10/- each). The shareholders of the Company in their Extraordinary General Meeting held on February 02, 2015 have approved to invest upto PKR 1,669 million in aforesaid ordinary right shares as per its entitlement and under underwriting commitment. Accordingly, subsequent to the period end, the Company has entered into a subscription and underwriting agreement of PKR 1,440.14 million with BankIslami Pakistan Limited.

## **FINANCING ACTIVITIES DURING THE YEAR**

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

During the year, the Company has successfully redeemed the first-ever 10 year term finance certificates issued in the corporate history of Pakistan amounting to PKR 500 million.

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Further, on April 08, 2014, the Company has issued term finance certificates (8th issue) of PKR 750 million (inclusive of green shoe option of PKR 250 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. The Pakistan Credit Rating Agency has assigned credit rating of AA+ (Double A plus) to the aforesaid TFCs issue which denotes a very low expectation of credit risk, the strong capacity for timely payment of financial commitments and strong risk absorption capacity.

JSCL, to date, has issued eight TFCs out of these six have been fully redeemed in a timely manner.

### **Issuance of Class "A" Preference Shares**

The shareholders of the Company in their extraordinary general meeting held on September 19, 2014 have approved to issue 114,492,798 (15%) right shares as listed, non-voting, non-participatory, cumulative, transferable and redeemable or convertible Class "A" Preference Shares of PKR 10 each to the existing ordinary shareholders of the Company by way of rights subject to the approval the Securities and Exchange Commission of Pakistan (the Commission). These Preference Shares shall carry an entitlement to a fixed cumulative preferential dividend out of the normal profits of the Company at the rate of 12% (Twelve percent) per annum. Accordingly, the Company has filed application with the Commission to seek approval for issuance of aforesaid Class 'A' Preference shares by way of rights. However, the Company has received the order of Honourable High Court of Sindh (the Court) wherein, the Securities and Exchange Commission of Pakistan has been restrained from permitting the Company from approving the issuance of Class "A" Preference Shares. The matter is pending adjudication before the Court.

### **PERFORMANCE OF KEY INVESTMENTS**

The performance of key investments of the Company is given in the Directors' Report to the Shareholders on 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 (Rule Book) 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 except for the amendments in existing International Financial Reporting Standards (IFRSs) that became effective during the year and new IFRSs, if any, adopted locally by the Securities and Exchange Commission of Pakistan during the year. Accounting estimates are based on reasonable and prudent judgment;
- 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 except as disclosed in the financial statements;

- The statement of summarized key operating and financial data of the last six years appears on Page No. 18; 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, 2014 indicate that the value of investments of the fund is PKR 9.60 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 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 terms of reference approved by the Board.

## CORPORATE AFFAIRS

### Casual Vacancy

A casual vacancy occurred on the Board on March 27, 2014 due to resignation of Mr. Asif Reza Sana. In his place, on April 28, 2014 the Board appointed Mr. Saud Ahmed Mirza as director of the Company.

### Board Meetings

Five meetings of the Board of Directors were held during the year. The attendance of Directors at Board meetings were as follows:

Name of Director	Meetings Eligibility	Meetings Attended
Chief Justice (R) Mahboob Ahmed	Five	Five
Mr. Ali Hussain	Five	Five
Mr. Ali Jehangir Siddiqui	Five	Five
Mr. Asad Ahmed	Five	Two
Mr. Munawar Alam Siddiqui	Five	Five
Mr. Stephen Christopher Smith	Five	Four
Mr. Saud Ahmed Mirza*	Three	Three
Mr. Suleman Lalani	Five	Five
Mr. Asif R. Sana**	Two	One

\* Appointed on April 28, 2014 in place of Mr. Asif Reza Sana

\*\* Resigned on March 27, 2014.

The attendance of directors at Board Sub-Committee meetings was as follows:

Name of Director	Audit Committee		HR & Remuneration Committee		Executive Committee	
	Eligibility	Meetings attended	Eligibility	Meetings attended	Eligibility	Meetings attended
Chief Justice (R) Mahboob Ahmed	-	-	One	One	-	-
Mr. Ali Hussain	-	-	-	-	-	-
Mr. Ali Jehangir Siddiqui	-	-	-	-	Two	One
Mr. Asad Ahmed	-	-	-	-	-	-
Mr. Munawar Alam Siddiqui	Four	Four	One	One	Two	Two
Mr. Stephen Christopher Smith	Four	Four	-	-	-	-
Mr. Saud Ahmed Mirza	Two	Two	-	-	-	-
Mr. Suleman Lalani	-	-	One	One	Two	Two
Mr. Asif R. Sana	One	One	-	-	-	-

### Director training program

Mr. Suleman Lalani and Mr. Munawar Alam Siddiqui are certified from Pakistan Institute of Corporate Governance (PICG). During the year, Mr. Saud Ahmed Mirza has obtained certification from the Institute of Chartered Accountants of Pakistan.

### 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, 2014 to December 31, 2014.

### Corporate Social Responsibility

Your Company being a responsible corporate citizen, regularly contributes towards the well-being of the under-privileged. The Company has made a provision of PKR 3.77 million respectively in these financial statements to be donated to Mahvash & Jahangir Siddiqui Foundation (MJSF). Further, during the year, the Company has paid PKR 8 million to 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 ratings of the Company's 7th issue and 8th issue of term finance certificates of PKR 1,000 million and PKR 750 million respectively are also maintained at AA+ (Double A plus). These ratings denote a very low expectation of credit risk, the strong capacity for timely payment of financial commitments and strong risk absorption capacity.



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## 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 appointment of M. Yousuf Adil Saleem & Co Chartered Accountants for the year ending December 31, 2015 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, 2014 is annexed to this report.

## Future Outlook

A considerable size of Company's investment portfolio comprises of investments in banking sector. With the issuance of convertible preference shares of PKR 1,500 million during the year under review, JS Bank Limited has fulfilled minimum capital requirements (MCR) of the State Bank of Pakistan and has also reported substantial growth in its size of balance sheet and in terms of net profitability. Further, the Company also expects that its investment in BankIslami Pakistan Limited (BIPL) will bode well in next year after issuance of ordinary right shares aggregating to PKR 4,320 million announced by BIPL to meet its MCR. The Company believes that the aforesaid investments will contribute positively towards the Company's future profitability in the form of dividend income. Further, with the improvement in financial markets and performance of other investee companies we expect the Company to continue its positive performance in 2015.

## Acknowledgement

Your Directors greatly value the 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: March 05, 2015



# Statement of Compliance with the Code of Corporate Governance

For the year ended December 31, 2014

This statement is being presented to comply with the Code of Corporate Governance (“Code”) contained in respective requirements 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:

Categories	Names
Independent Director	Mr. Saud Ahmed Mirza Mr. Asad Ahmed
Executive Director	Mr. Suleman Lalani, CEO
Non-Executive Directors	Chief Justice (R) Mahboob Ahmed Mr. Ali Jehangir Siddiqui Mr. Munawar Alam Siddiqui Mr. Ali Hussain Mr. Stephen Christopher Smith

The independent directors meet the criteria of independence under 5.19.1(b) of the Code.

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 NBFIs or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the board on March 27, 2014 was filled up by the directors within 32 days.
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.



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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). During the year, Mr. Saud Ahmed Mirza has obtained certification from the Institute of Chartered Accountants of Pakistan. 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.
  10. The Board has approved appointment of Chief Financial Officer and Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
  11. The Directors' Report for this year has been prepared in compliance with the requirements of the 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 and related to evaluation of Board's own performance. As per the Code, a mechanism was required to be put in place for an annual evaluation of the Board within two years of coming into effect of the Code i.e., April 2014. The mechanism is in place and the Company is in the process of completion of annual evaluation of the Board.

For and on behalf of the  
Board of Directors

**Chief Justice (R) Mahboob Ahmed**  
Chairman  
Karachi: March 05, 2015



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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of Jahangir Siddiqui & Co. Ltd. (the Company) for the year ended December 31, 2014 to comply with the respective requirements of the Karachi Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code 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 (the statement) reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken 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, as applicable to the Company for the year ended December 31, 2014.

Further, we highlight below instance of non-compliance with the requirements of the Code as reflected in Paragraph 23 of the Statement of Compliance wherein it is stated that the Company is in a process for the annual evaluation of the Board.

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

**Engagement Partner:**  
Nadeem Yousuf Adil

**Date:** March 05, 2015  
**Place:** Karachi

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## Auditors' Report to the Members

We have audited the annexed unconsolidated balance sheet of **Jahangir Siddiqui & Co. Ltd.** (the Company) as at December 31, 2014, 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 assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) In our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) In our opinion:
  - i. the 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;
  - 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, 2014 and of the profit, comprehensive income, cash flows and changes in equity for the year then ended; and
- (d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to note 7.1.2 to the accompanying financial statements which describe 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.

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

**Engagement Partner:**  
Nadeem Yousuf Adil

**Date:** March 05, 2015  
**Place:** Karachi



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# Unconsolidated Financial Statements

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## UNCONSOLIDATED BALANCE SHEET

As at December 31st, 2014

ASSETS	Note	2014 (Rupees in '000)	2013
<b>Non-Current Assets</b>			
Property and equipment	4	6,656	7,345
Investment property	5	2,192	2,471
Intangible assets	6	-	28
Long term investments	7	22,320,615	11,769,417
Long term loans and advances	8	2,476	404,590
Long term security deposits		779	704
		<b>22,332,718</b>	<b>12,184,555</b>
<b>Current Assets</b>			
Short term loans and advances	9	1,030	876
Short term prepayments and other receivables		13,123	2,476
Interest accrued	10	2,255	12,382
Other financial assets - Short term investments	11	79,321	869,543
Taxation - net		356,841	356,722
Cash and bank balances	12	135,281	1,541,814
		<b>587,851</b>	<b>2,783,813</b>
Non-current assets held for sale	13	-	-
		<b>587,851</b>	<b>2,783,813</b>
		<b>22,920,569</b>	<b>14,968,368</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
<b>Share Capital</b>			
Authorised capital	14	65,000,000	65,000,000
Issued, subscribed and paid-up share capital		7,632,853	7,632,853
Reserves		13,831,048	6,136,099
		<b>21,463,901</b>	<b>13,768,952</b>
<b>Non-Current Liability</b>			
Long term financing	15	893,776	658,932
<b>Current Liabilities</b>			
Trade and other payables	16	209,857	151,792
Accrued interest on borrowings		30,929	18,374
Current portion of long term financing	15	322,106	370,318
		<b>562,892</b>	<b>540,484</b>
<b>Contingencies and commitment</b>	17	<b>22,920,569</b>	<b>14,968,368</b>

The annexed notes 1 to 36 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, 2014

	Note	2014 (Rupees in '000)	2013
<b>INCOME</b>			
Return on investments	18	350,867	445,325
Gain on sale of investments - net	19	98,065	9,229
Income from long term loans and fund placements	20	42,316	142,408
Commission		3,056	5,546
Other income	21	36,888	33,706
Loss on remeasurment of investments through profit or loss - held-for-trading		(109)	-
		<u>531,083</u>	<u>636,214</u>
<b>EXPENDITURE</b>			
Operating and administrative expenses	22	123,551	112,357
Finance cost	23	165,239	183,359
Provision for Workers' Welfare Fund	24	4,645	60,191
Provision for impairment - net	25	10,034	63,162
		<u>303,469</u>	<u>419,069</u>
<b>PROFIT BEFORE TAXATION</b>		<b>227,614</b>	<b>217,145</b>
<b>Taxation</b>	26		
Current		39,237	36,256
Prior		-	58
		<u>39,237</u>	<u>36,314</u>
<b>PROFIT FOR THE YEAR</b>		<b>188,377</b>	<b>180,831</b>
		<u><u>188,377</u></u>	<u><u>180,831</u></u>
		..... (Rupee) .....	
<b>EARNINGS PER SHARE - Basic and diluted</b>	27	<u>0.25</u>	<u>0.24</u>

The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Justice (R) Mahboob Ahmed  
Chairman

Suleman Lalani  
Chief Executive



## UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2014

	2014	2013
	(Rupees in '000)	
PROFIT FOR THE YEAR	188,377	180,831
OTHER COMPREHENSIVE INCOME:		
Items that will not be reclassified to profit and loss	-	-
Items that may be reclassified subsequently to profit and loss		
Fair value gain on available-for-sale investments during the year - net	7,604,617	547,198
Reclassification adjustments relating to available-for-sale investments disposed off in the year - net	(98,045)	(8,974)
Total items that may be reclassified subsequently to profit and loss	7,506,572	538,224
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>7,694,949</b>	<b>719,055</b>

The annexed notes 1 to 36 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, 2014

	Reserves					Total
	Issued, subscribed and paid-up capital	Ordinary share premium	Unrealised gain on revaluation of available for sale investments - net	Revenue reserve Accumulated loss	Sub-total	
..... (Rupees in '000) .....						
<b>Balance as at December 31, 2012</b>	7,632,853	4,497,894	2,980,058	(1,488,444)	5,989,508	13,622,361
Profit for the year	-	-	-	180,831	180,831	180,831
Other comprehensive income	-	-	538,224	-	538,224	538,224
<b>Total comprehensive income</b>	-	-	538,224	180,831	719,055	719,055
<b>Transaction with owners:</b>						
Final dividend for the eighteen months period ended December 31, 2012 @ Re. 0.75 per share	-	-	-	(572,464)	(572,464)	(572,464)
<b>Balance as at December 31, 2013</b>	7,632,853	4,497,894	3,518,282	(1,880,077)	6,136,099	13,768,952
Profit for the year	-	-	-	188,377	188,377	188,377
Other comprehensive income	-	-	7,506,572	-	7,506,572	7,506,572
<b>Total comprehensive income</b>	-	-	7,506,572	188,377	7,694,949	7,694,949
<b>Balance as at December 31, 2014</b>	7,632,853	4,497,894	11,024,854	(1,691,700)	13,831,048	21,463,901

The annexed notes 1 to 36 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, 2014

Note	2014 (Rupees in '000)	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	227,614	217,145
<b>Adjustment for non cash charges and other items:</b>		
Depreciation	3,287	3,285
Gain on sale of property and equipment	(1,206)	(735)
Loss on remeasurment of investments through profit or loss - held-for-trading	109	-
Provision for impairment - net	10,034	63,162
Dividend income	(330,775)	(355,580)
Finance cost	165,239	183,359
	<u>(153,312)</u>	<u>(106,509)</u>
<b>Operating profit before working capital changes</b>	<b>74,302</b>	<b>110,636</b>
<b>Decrease in operating assets:</b>		
Loans and advances	(154)	(413)
Short term prepayments and other receivables	(10,647)	309
Interest accrued	10,127	1,107
Long term loans, advances and security deposits	(526)	(401,392)
	<u>(1,200)</u>	<u>(400,389)</u>
<b>Increase in trade and other payables</b>	<b>58,852</b>	<b>65,124</b>
<b>Movement in working capital</b>	<b>131,954</b>	<b>(224,629)</b>
Mark-up paid	(145,326)	(268,533)
Taxes paid	(39,356)	(45,365)
Dividend paid	(787)	(565,373)
<b>Net cash used in operating activities</b>	<b>(53,515)</b>	<b>(1,103,900)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	(310)	(1,154)
Proceeds from sale of property and equipment	1,762	735
Investments (acquired) / sold - net of sales / (acquisition)	(1,864,519)	1,245,534
Dividend received	330,775	355,580
<b>Net cash (used in) / generated from investing activities</b>	<b>(1,532,292)</b>	<b>1,600,695</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance / (redemption) of term finance certificates - net	179,274	(1,584,034)
<b>Net cash generated from / (used in) financing activities</b>	<b>179,274</b>	<b>(1,584,034)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,406,533)</b>	<b>(1,087,239)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>1,541,814</b>	<b>2,629,053</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>135,281</b>	<b>1,541,814</b>

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The annexed notes 1 to 36 form an integral part of these financial statements.

Chief Justice (R) Mahboob Ahmed  
Chairman

Suleman Lalani  
Chief Executive



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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## 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 the Karachi 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.

## 2. BASIS OF PREPARATION

### 2.1 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 (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

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.

### 2.2 Basis of measurement

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.

### 2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is also the functional and presentation currency of the Company and rounded off to rupees in thousands.

### 2.4 Significant accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgment 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 judgments which are significant to the financial statements:

- (a) determining the residual values and useful lives of property and equipment (Note 3.1 and 4);
- (b) classification of investments (Note 3.4, 7 and 11);
- (c) recognition of taxation and deferred tax (Note 3.8 and 26);
- (d) accounting for post employment benefits (Note 3.14); and
- (e) impairment of financial assets (Note 3.19 and 25);

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

### 2.5 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2014

The following standards, amendments and interpretations are effective for the year ended December 31, 2014. 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 to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. The amendments require retrospective application.

**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 recognized 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.

### 2.6 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.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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**Amendments to IAS 16 and IAS 38  
Clarification of acceptable methods of  
depreciation and amortization**

**Effective from accounting period beginning  
on or after January 01, 2016**

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) When the intangible asset is expressed as a measure of revenue. For example, an entity could acquire a concession to explore and extract gold from a gold mine. The expiry of the contract might be based on a fixed amount of total revenue to be generated from the extraction (for example, a contract may allow the extraction of gold mine until the total cumulative revenue from the sale of goods reaches Currency Unit (CU) 2 billion and not be based on time or on the amount of gold extracted. Provided that the contract specifies a fixed total amount of revenue to be generated on which amortization is to be determined, the revenue that is to be generated might be an appropriate basis for amortizing the intangible asset; or
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible assets are highly correlated.

**Amendments to IAS 19 Employee Benefits  
Employee contributions**

**Effective from accounting period beginning  
on or after July 01, 2014**

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties that are linked to services to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that independent of the number of years of service, the entity may either recognize the contribution as a reduction of the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service either using the plan's contribution formula or on a straight line basis; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service. Retrospective application is required.

**IAS 27 (Revised 2011) - Separate Financial  
Statements**

**Effective from accounting period beginning  
on or after January 01, 2015. IAS 27 (Revised  
2011) will concurrently apply with IFRS 10.**

The revised Standard sets out the requirements regarding separate financial statements only. Most of the requirements in the revised Standard are carried forward unchanged from the previous Standard. The IASB has issued recently the amendment to IAS 27 wherein it has allowed Companies to follow the equity method in the separate financial statements. These amendments will be effective from January 01, 2016 with earlier application allowed.

**IAS 28 (Revised 2011) - Investments in  
Associates and Joint Ventures**

**Effective from accounting period beginning  
on or after January 01, 2015**

Similar to the previous Standard, the new Standard deals with how to apply the equity method of accounting. However, the scope of the revised Standard has been changed so that it covers investments in joint ventures as well because IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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### **IFRS 10 – Consolidated Financial Statements**

**Effective from accounting period beginning on or after January 01, 2015.**

IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC 12 Consolidation - Special Purpose Entities. Under IFRS 10, there is only one basis for consolidation for all entities, and that basis is control. This change is to remove the perceived inconsistency between the previous version of IAS 27 and SIC 12; the former used a control concept while the latter placed greater emphasis on risks and rewards. IFRS 10 includes a more robust definition of control in order to address unintentional weaknesses of the definition of control set out in the previous version of IAS 27. Specific transitional provisions are given for entities that apply IFRS 10 for the first time. Specifically, entities are required to make the 'control' assessment in accordance with IFRS 10 at the date of initial application, which is the beginning of the annual reporting period for which IFRS 10 is applied for the first time. No adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is the same before and after the application of IFRS 10. However, adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is different from that before the application of IFRS 10.

As per the industry practice, the group does not consolidate its investment in mutual funds, whether controlled directly or indirectly. The group is currently in the process of evaluating the impact of IFRS 10 on consolidation of mutual funds.

### **IFRS 11 – Joint Arrangements**

**Effective from accounting period beginning on or after January 01, 2015**

IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non monetary Contributions by Ventures. IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements. Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle was the key factor in determining whether a joint arrangement should be classified as a jointly controlled entity.

### **IFRS 12 – Disclosure of Interests in Other Entities**

**Effective from accounting period beginning on or after January 01, 2015**

IFRS 12 is a new disclosure Standard that sets out what entities need to disclose in their annual consolidated financial statements when they have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities (broadly the same as special purpose entities under SIC 12). IFRS 12 aims to provide users of financial statements with information that helps evaluate the nature of and risks associated with the reporting entity's interest in other entities and the effects of those interests on its financial statements.

### **IFRS 13 – Fair Value Measurement**

**Effective from accounting period beginning on or after January 01, 2015**

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. IFRS 13 gives a new definition of fair value for financial reporting purposes. Fair value under IFRS 13 is defined as the price that



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied.

Certain annual improvements have also been made to a number of IFRSs.

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 14 - Regulatory Deferral Accounts
- IFRS 15 - Revenue from Contracts with Customers

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Property and equipment

These are stated at costs 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 4 to the financial statements. Depreciation is charged on additions from the month in which asset is put to use 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 derecognized 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 derecognized.

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.

### 3.2 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 asset is put to use and on disposals up to the month immediately preceding the disposal.

Investment properties are derecognized 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 recognized 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.



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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### 3.3 Intangible assets and Trading rights entitlement certificates

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Such intangible assets are amortized using the straight-line method taking into account residual value, if any, at the rates specified in note 6 to these financial statements. Amortization is charged from the date the asset is available for use while in the case of assets disposed of, it is charged till the date of disposal. The useful life and amortization method are reviewed and adjusted, if appropriate, at each balance sheet date.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any. An intangible asset is regarded as having an indefinite useful life, when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which asset is expected to generate net cash inflows for the Company. An intangible asset with an indefinite useful life is not amortized. However, the carrying amount is reviewed at each balance sheet date or whenever there is an indication that the asset may be impaired, to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds the estimated recoverable amount, it is written down to its estimated recoverable amount.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss account when the asset is derecognized.

### 3.4 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 recognized at cost, being the fair value of the consideration given including transaction costs associated with the investment except in the case of investments at fair value through profit or loss 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 ventures.

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



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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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 recognized 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 amortized cost. Impairment in value, if any, is taken to profit and loss account.

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

## **Trade date accounting**

All "regular way" purchases and sales of financial assets are recognized 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.

### **3.5 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 unrealized gain or loss from marking to market the derivative using prevailing market rates. Derivatives with positive market values (unrealized gains) are included in other assets and derivatives with negative market values (unrealized losses) are included in other liabilities in the balance sheet. The resultant gains and losses are recognized 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.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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### 3.6 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 recognized in the balance sheet and are measured in accordance with accounting policies for investment securities. Amounts received under these agreements are recorded as liabilities. 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 recognized 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.

### 3.7 Provisions

Provisions are recognized 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.

### 3.8 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 recognized for all taxable temporary differences. Deferred tax assets are recognized 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 and taxable temporary differences will be available against which the deductible temporary differences and unused tax losses can be utilized.

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 utilized.

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.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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## 3.9 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 recognized at rate of return implicit in the instrument / arrangement on a time proportion basis.
- (c) Profit on bank deposits and rental income is recognized at effective yield on time proportionate basis.
- (d) Dividend income on equity investments is recognized when the right to receive the same is established.
- (e) Capital gains or losses on sale of investments are recognized in the period in which they arise.
- (f) Underwriting commission is recognized when the agreement is executed. Take-up commission is recognized at the time the commitment is fulfilled.

## 3.10 Long term finances and loans

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

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

## 3.11 Trade debts and other receivables

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

## 3.12 Trade and other payables

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, except for derivatives which are carried at fair value, whether or not billed to the Company.

## 3.13 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, term deposits, bank balances, net of bank overdrafts repayable on demand, if any.

## 3.14 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.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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## Compensated absences

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

## 3.15 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognized 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 3.4).

## 3.16 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 recognized amount and the Company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also offset accordingly.

## 3.17 Foreign currency translations

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.

## 3.18 Impairment

### Financial assets

The Company 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 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/debt security increases and the increase can be objectively related to an event occurring after the impairment loss recognized in profit and loss, the impairment loss is reversed, with the amount of reversal recognized in profit and loss.

### 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 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.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may not longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized in the profit and loss account.

### 3.19 Borrowing costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized up to the date the respective assets are available for intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

### 3.20 Earnings per share

Earnings per share is calculated by dividing the profit after tax for the year by the weighted average number of shares outstanding during the year.

### 3.21 Dividend and appropriation to reserves

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

## 4. PROPERTY AND EQUIPMENT

	COST			Rate	ACCUMULATED DEPRECIATION			WRITTEN
	As at January 1, 2014	Additions/ (disposals)	As at December 31, 2014		As at January 1, 2014	For the year/ (on disposals)	As at December 31, 2014	DOWN VALUE As at December 31, 2014
	(Rupees in '000)			%	(Rupees in '000)			
Office premises - leasehold	1,041	- (1,041)	-	5	544	33 (577)	-	-
Leasehold improvements	18,372	- -	18,372	33	18,372	-	18,372	-
Office equipment	26,451	171 (3,826)	22,796	25	26,181	120 (3,826)	22,475	321
Office furniture and fixtures	15,743	-	15,743	10	12,273	1,297	13,570	2,173
Motor vehicles	6,092	2,704 (171)	8,625	20	2,984	1,558 (79)	4,463	4,162
	67,699	2,875 (5,038)	65,536		60,354	3,008 (4,482)	58,880	6,656

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

	COST				Rate	ACCUMULATED DEPRECIATION			WRITTEN
	As at	Additions/ (disposals)	As at	Rate		As at	For the	As at	DOWN VALUE
	January 1, 2013		December 31, 2013			January 1, 2013	year/ (on disposals)	December 31, 2013	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	26,451	25	27,343	148	26,181	270	
		(1,310)				(1,310)			
Office furniture and fixtures	15,743	-	15,743	10	10,976	1,297	12,273	3,470	
Motor vehicles	5,981	990	6,092	20	2,822	1,041	2,984	3,108	
		(879)				(879)			
	68,734	1,154	67,699		59,978	2,565	60,354	7,345	
		(2,189)				(2,189)			

4.1 Following is the statement of Property and Equipment disposed off during the year.

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain/(loss) on disposal	Mode of disposal	Particulars of buyers
	(Rupees in '000)						
Items with written down value above Rs. 50,000/-							
Record Room, 3rd Floor, Trade Avenue	1,041	577	464	1,632	1,168	Negotiation	Mian Darwaish
Honda CD 70	70	5	65	70	5	Insurance claim	EFU General Insurance
Items with written down value below Rs. 50,000/-							
Honda CD 70 - Captain	43	16	27	40	13	Negotiation	Muhammad
Honda CD 70	59	58	1	11	10	Negotiation	Nazar Ali
Computer equipments	3,826	3,826	-	10	10	Negotiation	Mansoor Hafeez
	5,039	4,482	557	1,763	1,206		

### 5. INVESTMENT PROPERTY

	COST				Rate	ACCUMULATED DEPRECIATION			WRITTEN
	As at	Additions/ (disposals)	As at	Rate		As at	For the	As at	DOWN VALUE
	January 1, 2014		December 31, 2014			January 1, 2014	year	December 31, 2014	December 31, 2014
	(Rupees in '000)				%	(Rupees in '000)			
Office premises	14,999	-	14,999	5	12,528	279	12,807	2,192	

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



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

5.1 The fair value of the investment property aggregating to Rs. 77.71 million (December 31, 2013: Rs.115.838 million) was arrived at on the basis of the valuation carried out by KG Traders (Pvt.) Limited, an independent valuer on January 19, 2015, 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.

## 6. INTANGIBLE ASSETS

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
<b>Trading rights entitlement certificates:</b>			
-Karachi Stock Exchange Limited (KSE)	6.1	-	27
-Islamabad Stock Exchange Limited (ISE)	6.1	-	1
		-	28

6.1 Trading Right Entitlement Certificates (TREC)s 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) have lapsed on August 26, 2014 and accordingly have been written off.

## 7. LONG TERM INVESTMENTS

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
<b>Investments in related parties:</b>			
Investment in subsidiaries	7.1	6,980,358	5,536,615
Other related parties - Available-for-sale	7.2	15,340,184	6,034,055
		22,320,542	11,570,670
<b>Other investments</b>	7.3	73	198,747
		22,320,615	11,769,417

### 7.1 Investment in subsidiaries - at cost

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

<u>Number of shares</u>			Note	Activity	<u>Holding</u>		2014 (Rupees in '000)	2013 (Rupees in '000)
2014	2013				2014 %	2013 %		
<u>Quoted</u>								
755,245,007 *	755,245,007	JS Bank Limited		Commercial Banking	70.42	70.42	4,673,400	4,673,400
Market value Rs. 5,392.45 (December 31, 2013: Rs. 3,398.60) million								
<u>Un-quoted</u>								
145,374,878 *	-	JS Bank Limited	7.1.1	Commercial Banking	96.92	-	1,453,749	-
Convertible Preference Shares								
<b>Balance carried forward</b>							6,127,149	4,673,400

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



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

Number of shares		Note	Activity	Holding		2014 (Rupees in '000)	2013	
2014	2013			2014 %	2013 %			
						6,127,149	4,673,400	
			<b>Balance brought forward</b>					
73,736,250	73,736,250		<b>JS Infocom Limited</b>	Telecom Media & Technology	100.00	100.00	708,490	708,490
			Net assets value Rs. 246.09 (December 31, 2013: Rs. 372.53) million based on audited financial statements for the year ended December 31, 2014 Less: Impairment					
						(462,472)	(337,673)	
						246,018	370,817	
10,000	10,000		<b>JS International Limited</b>	Investment services	100.00	100.00	294,882	294,882
			Ordinary Shares of US\$ 1/- each having net assets value Rs. 66.58 (September 30, 2013: Rs. 31.74) million based on audited financial statements for the year ended September 30, 2014 Less: Impairment					
						(294,882)	(294,882)	
						-	-	
63,000,000	63,000,000	7.1.2	<b>Energy Infrastructure Holding (Private) Limited</b>	Power Generation & Distribution	100.00	100.00	630,000	630,000
			Net assets value Rs. 629.19 (December 31, 2013: Rs.511.92) million based on audited financial statements for the year ended December 31, 2014 Less: Impairment					
						(22,809)	(137,602)	
						607,191	492,398	
						<b>6,980,358</b>	<b>5,536,615</b>	

**7.1.1** During the year, JS Bank Limited has made a right issue of 150 million preference shares having a face value of Rs. 10 each, amounting to Rs. 1,500 million. The Company subscribed 145.38 million preference shares of the said right issue amounting to Rs.1,453.75 million (out of which 39.74 million shares amounting to Rs. 397.43 million were subscribed as underwriter to the right issue arrangement). The terms and conditions of the right issue are as follows:

Instrument: Un-listed, convertible, irredeemable, perpetual, non-cumulative, non-voting preference shares.

Issue Price: Issued at par value of Rs 10 per share;

Tenure: Four years from the date of issuance of preference shares;

Conversion ratio: For every one preference share, 1.5 ordinary shares will be issued i.e. 1:1.5



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

Dividend: Non-cumulative at the rate of 12% per annum fixed. No compensation would be available to the preference shareholders other than the agreed return i.e. 12% p.a. which will be paid in the form of cash dividend. The distribution of dividend is not obligatory and will be allowed only if the Bank has earned sufficient profit in the current year to pay dividend and is in compliance with all the regulatory capital (MCR and CAR) and provisioning requirements.

7.1.2 Net assets of the subsidiary include, investments in shares of carrying value Rs. 432,027,493 (2013: Rs. 334,976,800) which are pledged with a bank (inclusive of 40% margin) as collateral in respect of 50% of the exposure against guarantees aggregating to Rs. 233,855,000 (2013: Rs. 269,745,000) 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 (PIIB). Accordingly, the operations of GEL were ceased. Further, it was not able to raise the requisite funds and deposit initial mobilization advance with Wartsila Finland. In the meantime, GEL filed petition in the High Court of Sindh to protect the Company from the encashment of performance guarantees. The High Court of Sindh ordered GEL to keep the guarantees alive and restricted PIIB and Wartsila Finland from encashing the same till the adjudication of the above petition. Further, during the year, 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.

## 7.2 Other related parties

### Available-for-sale

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

Number of shares		Note	Activity	Holding		2014	2013	
2014	2013			2014	2013			
				%	%	(Rupees in '000)		
<b>Quoted - at fair value</b>								
132,300,000	9,800,000	Hum Network Limited	7.2.1	Television Network	14.00	14.00	1,943,487	734,902
122,416,897 *	111,256,116	BankIslami Pakistan Limited	7.2.1	Islamic Banking	21.26	21.07	1,200,910	772,117
25,983,302	20,299,455	EFU General Insurance Limited	7.2.1 7.2.2 & 7.2.5	General Insurance	16.24	16.24	3,972,587	1,865,926
20,047,708	20,047,708	EFU Life Assurance Limited	7.2.1 & 7.2.5	Life Assurance	20.05	20.05	3,405,103	1,638,098
112,157,863	112,157,863	Azgard Nine Limited		Textile Composite	24.96	24.96	660,610	800,807
159,850,000	11,500,000	Pakistan International Bulk Terminal Limited	7.2.3	Bulk Terminal	21.07	21.07	3,946,696	214,705
7,897,860	-	Singer Pakistan Ltd	7.2.1, 7.2.4, 7.2.5 & 7.2.6	Household goods	17.39	17.39	203,291	-
<b>Un-quoted - at cost</b>								
750,000	750,000	EFU Services (Private) Limited		Investment company	37.50	37.50	7,500	7,500
						15,340,184	6,034,055	

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

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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7.2.1 Investments in Hum Network Limited, BankIslami Pakistan Limited, EFU General Insurance Limited, EFU Life Assurance Limited and Singer Pakistan Limited represent investment in 'associated companies' 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.

During the year, Hum Network Limited made a issue of 35% bonus shares and later split its face value of share from Rs. 10/- to Re. 1/- by sub-division of its share capital.

During the year, BankIslami Pakistan Limited (BIPL) made a right issue of 9.07% ordinary shares of Rs. 8.35 each. The Company subscribed 11,160,781 ordinary shares of the said right issue as per its proportionate shareholding along with underwriting agreement of unsubscribed shares amounting to Rs. 93.19 million.

On December 31, 2014, BIPL also announced a second right issue of 75.0236% ordinary shares of Rs. 10/- each. The shareholders of the Company in their Extraordinary General Meeting held on February 02, 2015 has approved to invest up to Rs. 1,669 million in this ordinary right issue announced by BIPL as per its entitlement and underwriting commitment or otherwise.

7.2.2 During the year, the Company received 5,683,847 ordinary shares as bonus shares (i.e. 28%) in proportion to its shareholding.

7.2.3 During the year, Pakistan International Bulk Terminal Limited made a right issue of 1290% ordinary shares of Rs. 10/- each. The Company has subscribed 148.35 million ordinary shares of the right issue as per its proportionate shareholding amounting to Rs.1,483.50 million.

7.2.4 Included herein are equity securities having average cost of Rs. 869.42 million (December 31, 2013: Rs. 1,411.93 million) and having market value of Rs. 3,512.31 million (December 31, 2013: Rs. 2,900.04 million) as at December 31, 2014 pledged with various financial institutions against borrowings.

7.2.5 The original cost of investments in related parties amounts to Rs. 22,871.31 million (December 31,2013: Rs. 19,565.42 million).

7.2.6 During the period, a related party relationship was established on account of appointment of major shareholder of the Company as director of Singer Pakistan Limited. Subsequent to the period end, related party relationship has seized on account of resignation of major shareholder of the Company as director of Singer Pakistan Limited.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

## 7.3 Other investments

### Available for sale

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

2014	2013		Note	2014	2013
Number of shares				(Rupees in '000)	
		<b>Quoted - at fair value</b>			
-	7,897,860	Singer Pakistan Limited	7.2.6	-	187,574
		<b>Un-quoted - at cost</b>			
4,007,383	4,007,383	Karachi Stock Exchange Limited	7.3.1	73	73
-	3,034,603	Islamabad Stock Exchange Limited		-	11,100
				73	11,173
				73	198,747

7.3.1 Pursuant to demutualization of the Karachi Stock Exchange Limited (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 Trading Right Entitlement Certificate (TREC) from the KSE against its membership card which was carried at Rs. 100,000 in the books of the Company.

Based on the technical guide dated May 29, 2013 issued by the Institute of Chartered Accountants of Pakistan, the Company had allocated its carrying value of the membership card of Rs. 100,000 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. During the year, TRECs have lapsed and therefore written off by the Company.

## 8. LONG TERM LOANS AND ADVANCES

Loans - secured and considered good	Note	2014	2013
Due from:		(Rupees in '000)	
- Executives	8.1	2,156	2,121
- Other employees		1,111	508
	8.2	3,267	2,629
Current maturity of long term loans		(791)	(604)
<b>Advances - unsecured and considered good</b>			
- against issue of right share		-	400,000
- against capital expenditure		-	2,565
		-	402,565
		2,476	404,590

### 8.1 Reconciliation of the carrying amount of loan to executives

Opening balance	2,121	2,402
Disbursements	470	500
Repayments	(435)	(781)
	2,156	2,121

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

8.2 This represents loans provided to executives and employees of the Company for purchase of property, vehicles and home appliances at mark-up rates ranging between 8.00% to 9.97% (December 31, 2013: 8% to 11.94%) 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 one to eight years. The maximum aggregate amount due from executives at the end of any month during the year was Rs. 2.592 (December 31, 2013: Rs. 2.841) million.

	Note	2014 (Rupees in '000)	2013
<b>9. SHORT TERM LOANS AND ADVANCES</b>			
Current maturity of long term loans	8	791	604
Advances to employees - unsecured		239	272
		<u>1,030</u>	<u>876</u>
<b>10. INTEREST ACCRUED</b>			
Bank deposits		968	12,382
Government Securities - PIBS		1,287	-
		<u>2,255</u>	<u>12,382</u>
<b>11. OTHER FINANCIAL ASSETS - SHORT TERM INVESTMENTS</b>			
<b>Available-for-sale - at fair value</b>			
Government securities		25,617	491,300
Equity securities - quoted		3,794	7,436
Mutual funds - open end			
- Related party	14.1	-	158,978
- Other		-	211,829
		-	370,807
<b>Assets at fair value through profit &amp; loss - held-for-trading</b>			
Listed equity securities		49,910	-
		<u>79,321</u>	<u>869,543</u>
<b>12. CASH AND BANK BALANCES</b>			
<b>Cash in hand</b>		38	38
<b>Balances with banks:</b>			
<b>Current accounts</b>			
- local currency	12.1	379	323
- foreign currency		-	2,452
		379	2,775
<b>Savings accounts</b>			
- local currency	12.2	134,864	1,539,001
		<u>135,281</u>	<u>1,541,814</u>



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

12.1 Included herein is a sum of Rs. 0.02 million (December 31, 2013: Rs. 0.02 million) representing amount placed with JS Bank Limited, a subsidiary company.

12.2 Included herein is a sum of Rs. 134.62 million (December 31, 2013: Rs. 1,538.60 million) representing amount placed with JS Bank Limited, a subsidiary company. These carry mark-up ranging between 9.25% and 9.50% (December 31, 2013: 7.00% and 9.50%) per annum.

## 13. NON-CURRENT ASSETS HELD FOR SALE

In the previous year, the Board of Directors of the Company approved to dispose off entire investment in Credit Chex (Private) Limited - a subsidiary of the Company. Accordingly, the Company entered into a share purchase agreement with Loan Link 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 was obtained and the entire investment was disposed off in the current year for Rs. 10,000.

## 14. SHARE CAPITAL

		2014		2013	
		(Rupees in '000)			
14.1	<b>Authorised capital</b>				
		2014	2013		
		(Number of shares)			
		6,000,000,000	6,000,000,000	Ordinary shares of Rs.10/- each	60,000,000
		500,000,000	500,000,000	Preference shares of Rs. 10/- each	5,000,000
		<u>6,500,000,000</u>	<u>6,500,000,000</u>		<u>65,000,000</u>

## 14.2 Issued, subscribed and paid-up capital

		2014		2013	
		(Number of shares)			
		52,415,925	52,415,925	Ordinary shares of Rs.10/- each:	
		710,869,398	710,869,398	Fully paid in cash	524,159
				Fully paid bonus shares	7,108,694
		<u>763,285,323</u>	<u>763,285,323</u>		<u>7,632,853</u>

## 14.3 Issue of right preference shares

Pursuant to the proposal of the Board of Directors of the Company in their meeting held on August 20, 2014 to issue 114,492,798 (15%) right shares as non-voting, non-participatory, cumulative, transferable and redeemable or convertible Class "A" Preference Shares of PKR 10 each to the existing ordinary shareholders of the Company by way of rights, the shareholders of the Company in their Extraordinary General Meeting held on September 19, 2014 through special resolution have approved the issuance of aforesaid preference shares subject to the approval of the Securities and Exchange Commission of Pakistan (SECP). Accordingly, the Company has applied to SECP for approval of the same. However, some of the shareholders of the Company have filed a suit with the Honourable High Court of Sindh. The court has issued order wherein, the SECP has been restrained from permitting the Company from approving the issuance of Class "A" preference shares. The Company believes that the case is not maintainable and has therefore filed appeal before the Honourable Court. The matter is pending adjudication before the Court.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

The major terms and conditions of the proposed right preference shares are given below:

Instrument:	Listed, convertible or redeemable, cumulative, non-voting, non-participatory Class "A" preference shares.
Issue Price:	To be issued at par value of Rs 10/- per share;
Tenure:	Five years from the date of issuance of preference shares;
Redemption:	Class "A" Preference Shares may be redeemed at the option of the Company on June 30 or December 31 of any calendar year prior to December 31, 2019 at par.
Conversion ratio:	Notwithstanding the Company's right to redeem Class "A" Preference Shares, the Company shall also have a firm option to convert Class "A" Preference Shares into ordinary shares of PKR 10/- each of the Company on June 30 or December 31 of any calendar year prior to December 31, 2019 in the ratio of 1:1 i.e. for every one Class "A" preference share, 1 ordinary share will be issued. All outstanding preference shares not redeemed by December 31, 2019 shall be converted into ordinary shares.
Dividend:	Cumulative at the rate of 12% per annum fixed.

### 15. LONG TERM FINANCING

#### Term Finance Certificates (TFCs)

##### Secured:

	Note	2014 (Rupees in '000)	2013
Second issue		-	124,600
Seventh issue	15.1	498,029	741,885
Eighth issue	15.2	717,853	162,765
		<b>1,215,882</b>	1,029,250
Less: Current portion shown under current liability		<b>322,106</b>	370,318
		<b>893,776</b>	<b>658,932</b>

- 15.1** 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 tenure of four years i.e. 2012-2016 with a call option exercisable by the Company at any time on a coupon date during the tenure 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. 1,066.02 (December 31, 2013: 1,342.18) million to secure the outstanding principal with 35% margin. In the event of any sale and repurchase of the 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.
- 15.2** Included herein is proceeds amounting to Rs. 750 million net of issue cost Rs.5.24 million (inclusive of green shoe option of Rs. 250 million) received against eighth issue of term finance certificate (TFC) which was issued during the period on April 8, 2014. 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 tenure of five years i.e. 2014-2019 with a call option exercisable by the Company at any time on a coupon date during the tenure



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

of the TFCs by giving a 30 days notice at a premium of 0.25% of the outstanding face value. The instrument is structured to redeem the principal in ten (10) stepped up semi-annual instalments starting from the 6th month of the Issue Date (April 8, 2014). 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. 1,478.07 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.

	Note	2014 (Rupees in '000)	2013
<b>16. TRADE AND OTHER PAYABLES</b>			
Creditors for purchase of shares		50,052	-
Accrued liabilities		82,141	78,461
Unclaimed dividend		10,780	11,567
Provision for Worker's Welfare Fund	24	64,838	60,191
Other liabilities		2,046	1,573
	16.1	<u>209,857</u>	<u>151,792</u>

16.1 Includes payable to various related parties amounting to Rs. 96.687 million (December 31, 2013: Rs. 48.24 million).

## 17. CONTINGENCIES AND COMMITMENTS

17.1 Commitments	2014 (Rupees in '000)	2013
Commitment in respect of Future transaction of listed equity securities	<u>50,595</u>	-
Commitment in respect of Term loan from Allied Bank Limited	<u>500,000</u>	-
Underwriting of Preference shares of JS Bank Limited	-	<u>44,367,808</u>

## 17.2 Contingencies

17.2.1 The CIR-Appeals deleted the addition made as per order passed under section 122(5A) eliminating the tax liability restored the return versions for the tax years 2008 and 2009. 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 refund of Rs. 11.02 million for the tax year 2009. Rectification applications for both the years have been filed with ACIR to allow appeal effect in accordance with the order passed by the ATIR. The rectification application for the tax year 2008 was rejected by the ACIR on the contention that another amended order under section 122(5A) as discussed below is in field and previous order is no more in the field. Against the rejection, appeal has been filed with the Commissioner (Appeals). The appeal has been heard; however the order is still awaited.

However, The Additional Commissioner of Inland Revenue - Audit Division (ACIR) on another issue which was not raised in the earlier proceedings, again passed the order under section 122 (5A) of the Income Tax Ordinance, 2001 (the Ordinance) in respect of the tax year 2008. According to the order, the ACIR raised tax liability of Rs. 96.476 million in respect of the above mentioned tax year. Such addition was made



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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because minimum tax under section 113 of the Ordinance was applied to Capital gains on the sale of listed securities which are specifically exempt from such levy according to sub-clause (i) of Clause (11A) of Part IV of the Second Schedule to the Ordinance. The Company filed appeal against the above order before the Commissioner Inland Revenue – Appeals (CIR-Appeals). The appeal has been heard; however the order is awaited.

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

**17.2.2** 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 at 0.5% under section 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. During the year, the Company has filed appeal against the above order before the Commissioner Inland Revenue – Appeals (CIR-Appeals). The final hearing for the aforementioned appeal was held on February 19, 2015, however, order thereof is still awaited.

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.

**17.2.3** 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). Appeal is pending and hearing is awaited.

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.

**17.2.4** Citibank Overseas Investment Corporation (COIC) had on February 01, 1999 entered into an agreement to sell 6 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 million shares at the rate of Rs. 20.65 per share) would be adjusted to the extent of 70% if there is 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 COIC the above amount to the extent of 70% which would be adjusted against the purchase consideration of 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.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

18. RETURN ON INVESTMENTS	Note	2014 (Rupees in '000)	2013
<b>Mark-up / interest income from:</b>			
<b>Available-for-sale</b>			
Government securities		20,092	89,745
<b>Dividend income on:</b>			
Investments in subsidiaries	18.1	-	95,584
Financial assets at fair value through profit or loss account - held-for-trading		2,902	2,518
Available-for-sale investments	18.1	327,873	257,478
		<u>330,775</u>	<u>355,580</u>
		<u>350,867</u>	<u>445,325</u>

18.1 This includes dividend income from various related parties amounting to Rs. 326.28 million (December 31, 2013: Rs. 352.02 million).

19. GAIN ON SALE OF INVESTMENTS - net	Note	2014 (Rupees in '000)	2013
Financial assets at fair value through profit or loss account - held for trading		20	255
Available-for-sale	19.1	98,045	8,974
		<u>98,065</u>	<u>9,229</u>

19.1 This includes net gain on sale of investments in related parties amounting to Rs. 78.37 million (December 31, 2013: Rs. 9.09 million).

20. INCOME FROM LONG TERM LOANS AND FUND PLACEMENTS	Note	2014 (Rupees in '000)	2013
Interest on loan to employees		251	313
Return on term deposit receipts		-	12,421
Return on bank deposits		42,065	129,674
	20.1	<u>42,316</u>	<u>142,408</u>

20.1 This includes transactions with related parties amounting to Rs. 42.04 million (December 31, 2013: Rs.132.77 million).

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

21. OTHER INCOME	Note	2014 (Rupees in '000)	2013
<b>Income from financial assets:</b>			
Exchange gain		-	192
<b>Income from non-financial assets:</b>			
Gain on sale of property and equipment		1,206	735
Gain on remeasurement of derivatives through profit and loss - held-for-trading		107	-
Rental income	21.1	35,575	32,779
		<b>36,888</b>	<b>33,706</b>

21.1 Included herein rent received from related parties in respect of lease and sub lease agreements.

22. OPERATING AND ADMINISTRATIVE EXPENSES	Note	2014 (Rupees in '000)	2013
Salaries and benefits	22.1 - 22.3	27,119	20,602
Telephone, fax, telegram and postage		850	2,022
Vehicle running		1,252	1,648
Fee for directors / committee meetings		2,700	1,263
Utilities		1,154	1,133
Newspapers and periodicals		29	21
Conveyance and travelling		2,832	2,135
Repairs and maintenance		2,896	2,711
Computer expenses		3,405	1,674
Auditors' remuneration	22.4	1,871	2,000
Royalty fee	22.5	9,900	9,900
Consultancy fee		1,800	1,800
Advisory fee	22.6	12,000	12,000
Legal and professional charges		11,774	10,611
Printing and stationery		3,222	3,221
Rent, rates and taxes		20,042	20,327
Insurance		1,398	1,131
Entertainment		137	147
Advertisement		1,228	2,113
Office supplies		71	33
Depreciation	22.7	3,287	3,285
Fees and subscription		9,089	8,111
Donations	22.8	3,767	3,617
Brokerage and commission expense		415	350
Clearing fees		1,151	502
Office security		17	-
Exchange loss		145	-
		<b>123,551</b>	<b>112,357</b>

22.1 Salaries and benefits include Rs. 1.61 million (December 31, 2013: Rs. 1.48 million) in respect of employee retirement benefits.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

	2014	2013
22.2 Number of employees at the end of the year	22	22
Average number of employees during the year	22	22

22.3 The Company's staff retirement benefits includes a provident fund which is a defined contribution plan. The Company has established a separate provident fund. The information related to the provident fund as at June 30, 2014 (which is the accounting year of the fund) based on financial statements audited by another firm of chartered accountants is as follows:

	2014	2013
Number of employees	22	22
Size of provident fund (Rupees in '000) - Total Assets	30,116	22,598
Cost of investment made (Rupees in '000)	8,957	9,940
Percentage of investment made	30%	44%
Fair value of investment (Rupees in '000)	9,596	10,322

**Breakup of investment - at fair value:**

- Term finance certificates		
Amount of investment (Rupees in '000)	5,760	4,375
Percentage of size of investment	19%	19%
- Balance in listed equity securities		
Amount of investment (Rupees in '000)	3,648	448
Percentage of size of investment	12%	2%
- Investment in Mutual Funds		
Amount of investment (Rupees in '000)	188	5,117
Percentage of size of investment	1%	23%
- Balances in scheduled banks		
Amount of investment (Rupees in '000)	20,366	13,476
Percentage of size of investment	68%	45%

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

	2014 (Rupees in '000)	2013
22.4 Auditors' remuneration		
Annual audit fee	1,500	1,500
Half-yearly review fee	200	200
Certifications and other services	150	65
Out of pocket expenses	21	35
Others	-	200
	<u>1,871</u>	<u>2,000</u>

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

- 22.5 This represents royalty on account of use of part of Company's name under an agreement dated April 21, 2004.
- 22.6 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.

22.7 Depreciation	Note	2014 (Rupees in '000)	2013
Operating assets	4	3,008	2,565
Investment property	5	279	720
		<u>3,287</u>	<u>3,285</u>

- 22.8 This represents donation to Mahvash and Jahangir Siddiqui Foundation in which Mr. Munawar Alam Siddiqui, Mr. Ali Jahangir 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.

23. FINANCE COST	2014 (Rupees in '000)	2013
Mark-up on long term financing	165,218	183,305
Bank charges	21	54
	<u>165,239</u>	<u>183,359</u>

### 24. WORKERS' WELFARE FUND

Prior to certain amendments made through the Finance Acts of 2006 & 2008, Workers' 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. On prudent basis, the Company has recognized current year provision of Rs. 4.645 million and aggregate provision amounting to Rs. 64.838 million for the years from January 2012 to December 2014.

Further, during the period, pursuant to the show cause notice dated June 28, 2014 issued by the Deputy Commissioner of Inland Revenue (DCIR) under section 221(3) for rectification under section 221(1) of the Income Tax Ordinance, 2001 in respect of Tax Year 2013 for non-payment of WWF of Rs. 53.06 million under the provisions of section 4 of the Workers Welfare Fund Act, 1971, read with FBR circular # 13 of 2008, the Company has filed the writ petition under Article 199 of the Constitution of Islamic Republic of Pakistan before the High Court of Sindh challenging the levy and demand for payment of WWF and obtained interim relief. The matter is pending adjudication before the Court.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

25. Provision for impairment - net	Note	2014 (Rupees in '000)	2013
Subsidiaries		124,799	97,579
Reversal of impairment - Subsidiary	25.1	(114,793)	-
Associate		-	(34,417)
Other - intangible assets		28	-
		<b>10,034</b>	<b>63,162</b>

25.1 The Company has reversed the impairment recorded on Energy Infrastructure Holdings (Private) Limited, as the fair value of net assets of the subsidiary have increased in value from the carrying value of the investment in the books of the Company.

26. TAXATION	2014	2013
	(Rupees in '000)	
<b>26.1 Reconciliation of tax charge for the year</b>		
Profit before taxation	<b>227,614</b>	<b>217,145</b>
Tax at the applicable tax rate of 33% (December 31, 2013: 34%)	75,113	73,829
Tax effect of income under FTR and differential in tax rates	(108,674)	(46,992)
Tax effect of amount relating to prior year	-	58
Tax charge on permanent differences	77,726	41,940
Tax charge on temporary differences	(192)	
Tax losses utilised	(4,736)	(32,374)
Others	-	(147)
	<b>39,237</b>	<b>36,314</b>

## 26.2 Current status of tax assessments

Income tax returns for the tax years up to 2014 have been filed on self-assessment basis and are deemed to be assessed under section 120 of the Income Tax Ordinance, 2001, except for tax years 2008, 2009 and 2010 which have been disclosed in Note 17, Contingencies and commitments.

## 26.3 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. 58.95 million (December 31, 2013: Rs. 48.78 million). The amount of deferred tax asset not recognized in these financial statements amounts to Rs. 23.29 million (December 31, 2013: Rs. 13.17 million).

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

	2014 (Rupees in '000)	2013 (Rupees in '000)
<b>27. BASIC AND DILUTED EARNINGS PER SHARE</b>		
Profit after taxation attributable to Ordinary shareholders	<u>188,377</u>	<u>180,831</u>
	(Numbers in '000)	
Weighted average number of Ordinary shares outstanding during the year	<u>763,285</u>	<u>763,285</u>
<b>Earnings per share:</b>	(Rupee)	
Basic and diluted	<u>0.25</u>	<u>0.24</u>
<b>28. CASH AND CASH EQUIVALENTS</b>	2014 (Rupees in '000)	2013 (Rupees in '000)
Cash and bank balances	<u>135,281</u>	<u>1,541,814</u>

### 29. 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 30. The names and relationship with subsidiaries, associates, jointly controlled entities and others are given below:

TRANSACTIONS	2014 (Rupees in '000)	2013 (Rupees in '000)
<b>Subsidiary Companies:</b>		
Brokerage expense	420	331
Bank charges paid	5	5
Dividend received	-	66,363
Sale of government securities	223,915	-
Mark-up paid on TFCs issued by the Company	11,576	6,948
Market maker fee paid	522	450
Purchase of government securities	736,641	2,484,725
Rent income	35,225	33,528
Profit received on fund placements and deposit accounts	53,455	126,041
Investment in TFCs issued by the Company	169,000	-
Redemption of TFCs issued by the Company	8,963	14,688
Reimbursement of expenses by the Company	719	293
Reimbursement of expenses to the Company	26,991	22,778
Underwriting commission received	3,056	5,546
Investment in convertible preference right shares	1,453,749	-
Convertible preference shares received (No. of shares)	145,374,878	-
<b>Associate:</b>		
Dividend income	-	29,221
Units issued on conversion to open end fund (No. of units)	-	1,123,881



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

	2014	2013
	(Rupees in '000)	
<b>Common Directorship:</b>		
Dividend income	77,543	56,700
Advance against subscription of right shares	93,193	-
Reimbursement of expenses to the Company	-	548
Donation Payable	46,635	51,361
Bonus shares received during the period (No. of Shares)	3,430,000	2,800,000
Letter of right received (No. of shares)	10,094,612	-
Shares received against right subscription (No. of Shares)	11,160,781	-
Shares received against splitting of share capital (No. of Shares)	119,070,000	-
<b>Other Related Parties:</b>		
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	1	15
Insurance claim received	190	361
Reimbursement of expenses to the Company	3	560
Reimbursement of expenses by the Company	7	-
Dividend income	248,741	199,731
Contributions to Staff Provident Fund	3,263	2,964
Interest / mark-up paid	11,920	15,922
Principal redemptions made against TFCs	27,669	69,164
Investment in TFCs issued by the Company	4,500	-
Insurance premium paid	1,578	1,234
Proceeds against redemption of units	213,940	-
Royalty paid	9,900	9,900
Advisory fee paid	6,000	6,000
Donation paid	8,000	-
Investment in right shares	1,083,500	-
Bonus shares received during the period (No. of Shares)	5,683,847	3,007,156
Bonus units received during the period (No. of Units)	208,694	65,013
Units purchased during the period (No. of Units)	-	975,277
Redemption of units (No. of Units)	1,332,576	3,018,653
Shares received against subscription of right shares (No. of Shares)	148,350,000	-



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For the year ended December 31, 2014

TRANSACTIONS	2014	2013
	(Rupees in '000)	
<b>Key management personnel:</b>		
Interest on long term loans to executives	182	283
Loans and advances disbursed during the year	920	960
Loan and advances repaid from executives	819	844
Proceeds from sale of vehicles	-	176
Fee for services	3,713	-
<b>BALANCES</b>		
<b>Subsidiary Companies</b>		
Receivable against expenses incurred on their behalf	361	782
Cash at bank accounts	134,640	1,538,625
Profit receivable on deposit accounts	967	12,380
Mark-up payable on TFC issued by the Company	3,566	163
Principal outstanding of TFC's issued by the Company	129,413	7,875
Payable against purchase of equity securities - net	50,052	-
<b>Other Related Parties</b>		
Principal outstanding of TFCs issued by the Company	133,738	78,750
Mark-up payable on TFCs issued by the Company	3,414	1,627
<b>Key management personnel</b>		
Loans and advances	2,339	2,328
Payable against fee for services	750	-

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

The aggregate amount charged in the accounts for remuneration, including certain benefits to Director, Chief Executive and Executives of the Company is as follows:

	Chief Executive		Director		Executives	
	2014	2013	2014	2013	2014	2013
	(Rupees in '000)					
Managerial remuneration	8,280	7,278	-	-	5,237	4,807
House rent allowance	-	-	-	-	2,095	1,923
Utilities allowance	-	-	-	-	312	321
Advisory fee	-	-	6,000	6,000	-	-
Contribution to provident fund	828	728	-	-	500	488
Medical	828	728	-	-	212	214
Reimbursable expenses	-	354	-	-	44	947
Bonus	2,070	-	-	-	1,114	-
	12,006	9,088	6,000	6,000	9,514	8,700
Number of persons	1	1	1	1	6	6



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

30.1 The Company also provides certain executives with Company maintained cars.

30.2 The Company has paid Rs. 3.713 million (December 31, 2013: Rs. Nil) to directors as fee for directors meeting.

## 31. FINANCIAL INSTRUMENTS BY CATEGORY

	December 31, 2014			Total
	Loans and receivables	Available for sale	Fair value through profit and loss - Held-for-trading	
(Rupees in '000)				
<b>Assets</b>				
<b>Non-current assets</b>				
Long term investments	-	15,340,257	-	15,340,257
Long-term loans - considered good	2,476	-	-	2,476
Long term security deposits	779	-	-	779
	3,255	15,340,257	-	15,343,512
<b>Current assets</b>				
Short term loans and advances	1,030	-	-	1,030
Other receivables	460	-	-	460
Interest accrued	2,255	-	-	2,255
Other financial assets - Short term Investments	-	29,411	49,910	79,321
Cash and bank balances	135,281	-	-	135,281
	139,026	29,411	49,910	218,347
	142,281	15,369,668	49,910	15,561,859
December 31, 2014				
		At Amortized Cost	Total	
(Rupees in '000)				
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Long term financing		893,776		893,776
		893,776		893,776
<b>Current Liabilities</b>				
Trade and other payables		145,019		145,019
Accrued interest on long term borrowings		30,929		30,929
Current portion of long term financing		322,106		322,106
		498,054		498,054
		1,391,830		1,391,830

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

	December 31, 2013		
	Loans and receivables	Available for sale	Total
	(Rupees in '000)		
<b>Assets</b>			
<b>Non-current assets</b>			
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
<b>Current assets</b>			
Short term loans and advances	876	-	876
Other receivables	1,202	-	1,202
Interest accrued	12,382	-	12,382
Other 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	
	At Amortized Cost	Total
	(Rupees in '000)	
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Long term financing	658,932	658,932
	658,932	658,932
<b>Current Liabilities</b>		
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

### 32. 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.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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.

## 32.1 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, investments, cash and bank balances 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.

The sensitivity has been prepared for the year ended December 31, 2014 and December 31, 2013 using the amounts of financial assets and liabilities held as at those balance sheet dates.

### 32.1.1 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,

#### Sensitivity analysis for variable rate instruments

Presently, the Company holds interest rate bearing bank deposits and term finance certificates that expose the Company to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on 31st December 2014, with all other variables held constant, the net assets and income of the Company for the year would change as follows:

	Carrying Amount	Increase/ (decrease) in basis points	Effect on profit before tax	Effect on other comprehensive income before tax
	2014		----- (Rupees in '000) -----	
Bank Deposits - Asset	<u>134,864</u>	100	1,349	-
		(100)	(1,349)	-
		100	(12,159)	-
Term Finance Certificates - Liability	<u>1,215,882</u>	(100)	12,159	-

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

### Sensitivity analysis for fixed rate instruments

As at December 31, 2014 the Company holds Pakistan Investment Bonds which are classified as available for sale exposing the Company to fair value interest rate risk. In case of 100 basis points increase / decrease in KIBOR on 31st December 2014, with all other variables held constant, the other comprehensive income of the Company for the year would change as follows:

	Carrying Amount	Increase/ (decrease) in basis points	Effect on profit before tax	Effect on other comprehensive income before tax
	2014		----- (Rupees in '000) -----	
Pakistan Investment Bond - Asset	<u>25,617</u>	100	-	256
		(100)	-	(256)

### 32.1.2 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. Nil equivalent to USD Nil (December 31, 2013 : Rs. 2.45 million equivalent to USD 23,302) 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	Effect on profit before tax	Effect on other comprehensive income before tax
	(Rupees)	..... (Rupees in '000) .....	
December 31, 2014	-	-	-
	-	-	-
December 31, 2013	2.50	58	-
	(2.50)	(58)	-



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

## 32.1.3 Equity price risk

Equity price risk is the risk that the fair value of 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 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

The following table summarizes the Company's equity price risk as of December 31, 2014 and December 31, 2013. 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	Price change	Effect on profit before tax	Effect on other comprehensive income before tax
	(Rs. In '000)		.....(Rupees in '000).....	
December 31, 2014	15,386,388	10% increase	4,991	1,533,648
December 31, 2013	6,592,370	10% increase	-	655,610

## 32.2 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.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

	December 31, 2014			
	Carrying amount	Contractual cash flows	Up to one year	Over one year to five years
	.....(Rupees in '000).....			
<b>Financial liabilities</b>				
Long term financing	1,215,882	1,562,562	464,524	1,098,038
Trade and other payables	145,019	145,019	145,019	-
Accrued interest / mark-up on borrowings	30,929	30,929	30,929	-
	1,391,830	1,738,510	640,472	1,098,038
	1,391,830	1,738,510	640,472	1,098,038
	.....(Rupees in '000).....			
	.....(Rupees in '000).....			
<b>Financial liabilities</b>				
Long term financing	1,029,250	1,207,604	466,236	741,368
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	1,317,579	576,211	741,368
	1,139,225	1,317,579	576,211	741,368

### 32.3 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 business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicate 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:

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

	2014	2013
	(Rupees in '000)	
Loans and advances	3,506	405,466
Long term security deposits	779	704
Interest accrued and other receivables	2,715	13,584
Cash and bank balances	135,243	1,541,776

The analysis below summarises the credit quality of the Company's liquid portfolio as on December 31, 2014:

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

	2014	2013
AAA	0.10%	-
AA- to AA+	0.12%	-
A- to A+	0.11%	-
A1 to A+	99.55%	99.80%
A1 to A	0.12%	0.20%
Total	100.00%	100.00%

#### Collaterals held and other credit enhancements, and their financial effect

The Company holds collateral against the loans it gives to the employees. The table below sets out the principal type of collateral held against different types of loans.

Type of credit exposure	Percentage of exposure that is subject to		Principal type of collateral held
	2014	2013	
<b>Loans to employees</b>			
House loans	100%	100%	Mortgage on property purchased
Other loans	100%	100%	Cheque equivalent to the amount of loan disbursed in favour of the Company

### 32.4 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.



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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.

### 33 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.

The gearing ratios as at December 31, 2014 and December 31, 2013 are as follows:

	2014	2013
	(Rupees in '000)	
Long term financing	1,215,882	1,029,250
Trade and other payables	209,857	151,792
Accrued interest / mark-up on borrowings	30,929	18,374
<b>Total debt</b>	<b>1,456,668</b>	<b>1,199,416</b>
Cash and bank balances	135,281	1,541,814
<b>Net debt / (surplus)</b>	<b>1,321,387</b>	<b>(342,398)</b>
Share Capital	7,632,853	7,632,853
Reserves	13,831,048	6,136,099
<b>Equity</b>	<b>21,463,901</b>	<b>13,768,952</b>
<b>Capital</b>	<b>22,785,288</b>	<b>13,426,554</b>
<b>Gearing ratio</b>	<b>5.80%</b>	<b>0%</b>



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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 increase in the gearing ratio during the year ended December 31, 2014 resulted primarily from the fact that the Company has invested in right preference shares of JS Bank Limited, and right shares of Pakistan International Bulk Terminal Limited and BankIslami Pakistan Limited a sum of Rs. 1,453.75 million, Rs. 1,083.50 million and Rs. 93.19 million respectively which has resulted in increase in gearing ratio.

## 34 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:

**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, 2014			Total
	Level 1	Level 2	Level 3	
	..... (Rupees in '000) .....			
<b>Available for sale investments</b>				
Equity Securities	15,336,478	-	-	15,336,478
Government securities	-	25,617	-	25,617
	15,336,478	25,617	-	15,362,095
<b>Fair value through profit and loss - Held-for-trading</b>				
Listed Equity Securities	49,910	-	-	49,910
	<b>15,386,388</b>	<b>25,617</b>	<b>-</b>	<b>15,412,005</b>

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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

### 35 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 05, 2015 by the Board of Directors of the Company.

### 36 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 (together the "Group") and Auditors' report thereon for the year ended December 31, 2014.

## 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 as applicable 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.

## CONSOLIDATED FINANCIAL STATEMENTS

During the year, the Group reported significant growth in profitability and total assets with a net profit of PKR 2,162 million for the year ended December 31, 2014 as compared to a net profit of PKR 463 million for the year ended December 31, 2013. Total assets also enhanced to PKR 194,517 million as of the year end from PKR 122,176 million reported last year.

	(PKR in'000)
<b>Profit before taxation from continuing operations</b>	<b>2,897,345</b>
Less: Taxation	
- Current	289,789
- Prior	(52,320)
- Deferred	490,543
	<u>728,012</u>
<b>Profit after taxation from continuing operations</b>	<b>2,169,333</b>
Loss after taxation from discontinued operations	<u>(7,539)</u>
<b>Net profit for the year</b>	<b>2,161,794</b>
Profit attributable to non-controlling interests	<u>906,454</u>
<b>Profit for the year attributable to ordinary shareholders</b>	<b><u>1,255,340</u></b>

Basic earnings per share from continuing operations is PKR 1.65.

The total income from continuing operations has increased by 57% over the last year mainly on account of increase in return on investments, gain on sale of investments and income on fund placements earned during the year under review.

Impairment expense has reduced to PKR 312 million i.e. a decline of 54%; however, the administrative and other expenses and finance cost have increased to PKR 5,369 million and PKR 7,291 million i.e. enhanced by 29% and 59% respectively over the last year.

The auditors have drawn attention to note 10.1.1 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.

## PERFORMANCE OF KEY INVESTMENTS

### JS Bank Limited

During the year, JS Bank Limited witnessed remarkable performance and continued on growth trajectory.

The increase in profits is mainly due to improvement in deposit mix, increase in loans and advances as well as discount rate cut. Further, the Bank continued to show impressive growth in deposits, assets, alternate delivery channels, bancassurance and remittances business. Moreover, the Bank's branch network expanded to 238 branches across 122 cities.

Key figures are mentioned below:

	PKR in Million		
	2014	2013	Growth
Deposits	108,740	80,916	34.4%
Total Assets	176,717	112,770	56.7%
Investments net	84,258	42,679	97.4%
Advances- net	56,706	33,762	67.9%
Profit before tax	1,608	501	220.9%
Profit after tax	1,060	351	202.0%

With the issuance of PKR 1,500 million unlisted, convertible, irredeemable, perpetual, non-cumulative, non-voting preference shares during the year, the paid up capital (free of losses) of the Bank as at December 31, 2014 stood at PKR 10,119 million. As a result, the Bank has fulfilled State Bank of Pakistan's minimum capital requirements and will be able to announce distributions to its shareholders including preference shareholders in the ensuing years.

On February 24, 2015 the Bank has announced preference dividend at the rate of 12% per annum to the preference shareholders of the Bank for the period from February 19, 2014 to December 31, 2014.

### JS Investments Limited (Sub-Subsidiary)

The Company reported profit after tax of PKR 649 million during the year ended December 31, 2014 as compared to profit after tax of PKR 598 million for the year ended December 31, 2013 which reflected in 8.53% growth in profitability from the comparative period last year.



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This financial performance resulted in enhancing the shareholders equity of the Company to PKR 2,450 million as on December 31, 2014 from PKR 1,798 million as on December 31, 2013, which translated into an increase of shareholders wealth by 36.26%. The breakup value per share as of the year end also increased to PKR 24.50 per share from PKR 17.97 per share over the comparative period last year.

### **JS Global Capital Limited (Sub-Subsidiary)**

With a notable growth in profitability by 88%, the Company posted profit after tax of PKR 283 million for the year ended December 31, 2014 as compared to PKR 150 million during the year ended December 31, 2013. The operating revenue and gain on sale of investments grew to PKR 407 and PKR 127 million translating into growth of 58% and 609% respectively over the last year. Further, JSGCL has reported PKR 368 million for the year under review in respect of administrative and operating expenses. The Company is focused on maintaining its growth momentum in future by optimizing revenue generation from treasury management, core brokerage and fee based operations whilst at the same time rationalizing its cost base.

### **PATTERN OF SHAREHOLDING**

The Statement of Pattern of Shareholding as on December 31st, 2014 is annexed to this report.

For and on behalf of the  
Board of Directors

**Chief Justice (R) Mahboob Ahmed**  
Chairman  
Karachi: March 05, 2015

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# Auditor's Report to the Members on the Consolidated Financial Statements

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of Jahangir Siddiqui & Co. Ltd. (the Holding Company) and its subsidiary companies (together, the Group) as at December 31, 2014 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, Energy Infrastructure Holding (Private) Limited, JS International Limited, and JS International LLP 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.

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, 2014 and the results of their operations for the year then ended.

We draw attention to note 10.1.1 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 Holding (Private) Limited. Our opinion is not qualified in respect of this matter.

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

**Engagement Partner:**  
Nadeem Yousuf Adil

**Date:** March 05, 2015  
**Place:** Karachi



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# Consolidated Financial Statements

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## CONSOLIDATED BALANCE SHEET

As at December 31, 2014

	Note	2014 (Rupees in '000)	2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	7	2,278,807	2,205,868
Intangible assets	8	255,859	185,068
Investment property	9	2,192	2,471
Long term investments	10	72,486,421	19,621,811
Long term loans, advances and other receivables	11	6,498,826	2,987,007
Long term deposits		10,358	9,227
Deferred taxation	12	-	1,052,958
		<u>81,532,463</u>	<u>26,064,410</u>
<b>Current assets</b>			
Short term investments	13	29,350,832	32,168,345
Trade debts	14	595,962	303,760
Loans and advances	15	51,286,718	31,203,878
Accrued mark-up	16	4,849,839	1,334,807
Short-term prepayments, deposits and other receivables	17	938,466	635,482
Other financial assets - fund placements	18	15,755,061	21,585,799
Taxation - net		514,475	440,072
Cash and bank balances	19	9,551,165	8,413,827
		<u>112,842,518</u>	<u>96,085,970</u>
Assets classified as held for sale	20	141,900	25,359
		<u>194,516,881</u>	<u>122,175,739</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Share capital	21	7,632,853	7,632,853
Reserves	22	16,947,084	7,190,933
Equity attributable to equity holders of the parent		<u>24,579,937</u>	<u>14,823,786</u>
Non-controlling interests		<u>5,615,494</u>	<u>4,277,080</u>
<b>Total equity</b>		<u>30,195,431</u>	<u>19,100,866</u>
<b>Non-current liabilities</b>			
Long term financing	23	778,480	651,056
Long-term deposits and other accounts	24	117,164	142,667
Deferred taxation	12	300,375	-
Deferred liability - employee benefit	42	21,349	1,289
		<u>1,217,368</u>	<u>795,012</u>
<b>Current liabilities</b>			
Trade and other payables	25	3,932,662	2,729,410
Accrued interest / mark-up on borrowings	26	1,150,628	568,310
Short term borrowings	27	50,537,973	20,150,846
Current deposits and current portion of long term liabilities	28	107,482,819	78,751,025
		<u>163,104,082</u>	<u>102,199,591</u>
Liabilities directly associated with assets classified as held for sale	20	-	80,270
		<u>194,516,881</u>	<u>122,175,739</u>
<b>Contingencies and commitments</b>			
	29		

The annexed notes from 1 to 53 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, 2014

	Note	2014 (Rupees in '000)	2013
<b>CONTINUING OPERATIONS</b>			
<b>Income</b>			
Return on investments	30	6,035,998	4,579,513
Gain on sale of investments - net	31	2,124,717	774,685
Income from long term loans and fund placements	32	5,646,315	3,073,537
Fee, commission and brokerage	33	1,447,463	1,160,698
Other income	34	206,686	408,499
Gain on remeasurement of investments through profit or loss - held for trading - net		469,095	169,050
		<u>15,930,274</u>	<u>10,165,982</u>
<b>Expenditure</b>			
Administrative and other expenses	35	5,368,592	4,145,894
Finance cost	36	7,291,121	4,573,266
Workers' Welfare Fund		61,254	126,271
Provision for:			
- Impairment on investments - net	37	311,934	95,171
- Impairment of intangibles	8	28	585,197
		<u>13,032,929</u>	<u>9,525,799</u>
		<u>2,897,345</u>	<u>640,183</u>
<b>Share of profit / (loss) from:</b>			
associates	38	-	107,771
joint venture		-	(2,000)
		-	105,771
<b>Profit before tax from continuing operations</b>		<u>2,897,345</u>	<u>745,954</u>
<b>Taxation</b>			
- Current	39	289,789	262,006
- Prior		(52,320)	1,508
- Deferred		490,543	15,850
		<u>728,012</u>	<u>279,364</u>
<b>Profit after tax from continuing operations</b>		<u>2,169,333</u>	<u>466,590</u>
<b>DISCONTINUED OPERATIONS</b>			
Loss after taxation for the year/period from discontinued operations	20	(7,539)	(3,887)
<b>PROFIT FOR THE YEAR / PERIOD</b>		<u>2,161,794</u>	<u>462,703</u>
<b>Attributable to:</b>			
Equity holders of the parent		1,255,340	263,295
Non-controlling interests		906,454	199,408
		<u>2,161,794</u>	<u>462,703</u>
<b>EARNINGS PER SHARE</b>			
	40	..... (Rupees) .....	
<b>Basic and diluted</b>			
Continuing operations		1.65	0.35
Discontinued operations		(0.01)	(0.01)
		<u>1.64</u>	<u>0.34</u>

The annexed notes from 1 to 53 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, 2014

	Note	2014 ..... (Rupees in '000).....	2013
Profit after tax for the year		2,161,794	462,703
<b>Other comprehensive income:</b>			
<b>Items that will not be classified subsequently to profit and loss account</b>			
Actuarial gains on defined benefit plan - net of tax	42.5	4,646	1,668
<b>Total items that will not be classified subsequently to profit and loss account</b>		4,646	1,668
<b>Items that may be classified subsequently to profit and loss account:</b>			
Fair value gain on revaluation of available-for-sale investments during the year - net		11,542,714	1,443,358
Reclassification adjustments relating to available-for-sale investments disposed off in the year - net		(1,434,369)	(669,619)
Impairment on investments - net		(161,144)	-
Related deferred tax		(860,196)	(458,509)
Exchange difference on translation of net assets of foreign subsidiaries		9,087,005	315,230
		(121,214)	72,574
<b>Total items that may be classified subsequently to profit and loss account - net of tax</b>		8,965,791	387,804
		8,970,437	389,472
Total other comprehensive income for the year		11,132,231	852,175
<b>Attributable to:</b>			
Equity holders of the parent		9,756,151	663,766
Non-controlling interests		1,376,080	188,409
		11,132,231	852,175

The annexed notes from 1 to 53 form an integral part of these consolidated financial statements.

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

**Suleman Lalani**  
Chief Executive

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2014

	Attributable to ordinary equity holders of the parent								
	Reserves					Revenue	Sub-total	Non-controlling interests	Total
	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				
(Rupees in '000)									
<b>Balance as at December 31, 2012</b>	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
<b>Total comprehensive income for the year</b>									
Profit for 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)	-	-	-
<b>Transaction with owners recognized directly in equity</b>									
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(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)
<b>Balance as at December 31, 2013</b>	<b>7,632,853</b>	<b>4,497,894</b>	<b>127,591</b>	<b>3,763,732</b>	<b>207,821</b>	<b>(1,406,105)</b>	<b>14,823,786</b>	<b>4,277,080</b>	<b>19,100,866</b>
<b>Total comprehensive income for the year</b>									
Profit for the year ended December 31, 2014	-	-	-	-	-	1,255,340	1,255,340	906,454	2,161,794
Other comprehensive income	-	-	(121,214)	8,617,379	-	4,646	8,500,811	469,626	8,970,437
Total comprehensive income for the year ended December 31, 2014	-	-	(121,214)	8,617,379	-	1,259,986	9,756,151	1,376,080	11,132,231
Transfer to statutory reserve	-	-	-	-	153,931	(153,931)	-	-	-
<b>Transaction with owners recognized directly in equity</b>									
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(97,900)	(97,900)
Convertible preference shares issued to non-controlling interests	-	-	-	-	-	-	-	46,251	46,251
Disposal of investment in subsidiary	-	-	-	-	-	-	-	13,983	13,983
<b>Balance as at December 31, 2014</b>	<b>7,632,853</b>	<b>4,497,894</b>	<b>6,377</b>	<b>12,381,111</b>	<b>361,752</b>	<b>(300,050)</b>	<b>24,579,937</b>	<b>5,615,494</b>	<b>30,195,431</b>

The annexed notes from 1 to 53 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, 2014

	Note	2014 ..... (Rupees in '000).....	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation from continuing operations		2,897,345	745,954
Loss before taxation from discontinued operations	20	(7,538)	(3,888)
		<u>2,889,807</u>	<u>742,066</u>
<b>Non-cash adjustments to reconcile profit before tax to net cash flows:</b>			
Depreciation		375,871	299,805
Amortisation of intangible assets		35,708	21,844
Gain on sale of property and equipment		(26,887)	(47,275)
Charge for defined benefit plan		28,497	14,566
Gain on remeasurement of investments through profit and loss account - net		(469,095)	(169,050)
Profit on sale of subsidiary		(67,747)	-
Exchange gain		(57,651)	-
Provision for doubtful debts		657,634	431,231
Impairment on investments - net		311,934	95,171
Impairment of intangibles		28	585,197
Share of profit in associates and joint ventures		-	(105,771)
Finance cost		7,291,121	4,573,266
		<u>8,079,413</u>	<u>5,698,984</u>
<b>Operating profit before working capital changes</b>		<b>10,969,220</b>	<b>6,441,050</b>
<b>Increase in operating assets:</b>			
Loans and advances		(20,740,474)	(12,442,894)
Short term investments		5,515,500	13,245,211
Trade debts		(292,202)	259,697
Long term loans, advances and other receivables		(3,912,950)	(2,242,353)
Fund placements - net		5,830,738	(17,644,841)
Deposits, prepayments, accrued mark-up and other receivables		(3,938,093)	(667,779)
		<u>(17,537,481)</u>	<u>(19,492,959)</u>
<b>Increase in operating liabilities:</b>			
Trade and other payables		1,208,474	864,878
Deposits and other accounts		28,768,621	18,574,419
<b>Net cash generated from operations</b>		<b>23,408,834</b>	<b>6,387,388</b>
Interest / mark-up paid		(6,701,445)	(4,573,758)
Gratuity paid		(1,289)	-
Taxes paid		(311,872)	(177,907)
Dividend paid (including non-controlling interests)		(98,687)	(828,248)
<b>Net cash generated from operating activities</b>		<b>16,295,541</b>	<b>807,475</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure incurred		(581,426)	(724,949)
Intangible assets acquired		(106,527)	(74,313)
Proceeds from sale of property and equipment		40,415	65,601
Proceeds from disposal of investments in a subsidiary		10	-
Investment acquired - net of sale		(45,001,789)	(8,435,750)
<b>Net cash used in investing activities</b>		<b>(45,649,317)</b>	<b>(9,169,411)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds / (redemption) of Term Finance Certificates - net		57,736	(1,498,009)
Proceeds from issuance of convertible preference shares by subsidiary		46,251	-
Securities sold under repurchase agreements - net		29,696,211	9,699,325
<b>Net cash generated from financing activities</b>		<b>29,800,198</b>	<b>8,201,316</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>446,422</b>	<b>(160,620)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>5,443,584</b>	<b>5,604,204</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	41	<b>5,890,006</b>	<b>5,443,584</b>

The annexed notes from 1 to 53 form an integral part of these consolidated financial statements.

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

**Suleman Lalani**  
Chief Executive



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

## 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 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, 2014 %	December 31, 2013 %
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
JS ABAMCO Commodities Limited (Sub-subsidiary)	1.2.7	36.79	36.79
Energy Infrastructure Holding (Private) Limited	1.2.8	100.00	100.00
Gujranwala Energy Limited	1.2.9	50.00	50.00

### 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. The registered office of JSBL is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi and it operates with 238 (2013: 211) branches in Pakistan.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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### 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 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 JS Value Fund has been converted into an Open end scheme with effect 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 & Notified Entities 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

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 Trading right entitlement certificate 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.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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## 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.

## 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 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.

## 1.2.8 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 the 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.

## 1.2.9 Gujranwala Energy Limited

Gujranwala Energy Limited, a joint venture of Energy Infrastructure Holding (Private) Limited (wholly owned subsidiary of the Holding Company), is a public limited company incorporated on September 14, 2006 under the provision of the Companies Ordinance, 1984. The registered office of the Company is situated in Lahore. Its principal activity would be to generate and supply the electricity to PEPCO. The production facility to would be constructed at Sung-o-Wali, Tehsil Wazirabad, District Gujranwala.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

## 2. BASIS OF PREPARATION

### 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 (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

### 2.2 Basis of measurement

These consolidated financial statements have been prepared under the 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.

### 2.3 Functional and presentation currency

These consolidated financial statements are presented in Pak Rupees, which is the Holding Company's functional and presentation currency. All amounts have been rounded off to rupees in thousands, unless otherwise disclosed.

### 2.4 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2014

The following standards, amendments and interpretations are effective for the year ended December 31, 2014. 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 disclosure.

**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 to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. The amendments require retrospective application.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

**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 recognized 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.

## 2.5 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 Group's operations or are not expected to have significant impact on the Group's financial statements other than certain additional disclosures.

**Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization**

**Effective from accounting period beginning on or after January 01, 2016**

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendment to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) When the intangible asset is expressed as a measure of revenue. For example, an entity could acquire a concession to explore and extract gold from a gold mine. The expiry of the contract might be based on a fixed amount of total revenue to be generated from the extraction (for example, a contract may allow the extraction of gold from the mine until the total cumulative revenue from the sale of goods reaches Currency Unit (CU) 2 billion) and not be based on time or on the amount of gold extracted. Provided that the contract specifies a fixed total amount of revenue to be generated on which amortization is to be determined, the revenue that is to be generated might be an appropriate basis for amortizing the intangible asset; or
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible assets are highly correlated.

**Amendments to IAS 19 Employee Benefits: Employee contributions**

**Effective from accounting period beginning on or after July 01, 2014**

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties that are linked to services to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that independent of the number of years of service, the entity may either recognize the contribution as a reduction of the service cost in the period in which the related service is rendered, or to

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

attribute them to the employees' periods of service either using the plan's contribution formula or on a straight line basis; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service. Retrospective application is required.

### IAS 27 (Revised 2011) - Separate Financial Statements

Effective from accounting period beginning on or after January 01, 2015. IAS 27 (Revised 2011) will concurrently apply with IFRS 10

The revised Standard sets out the requirements regarding separate financial statements only. Most of the requirements in the revised Standard are carried forward unchanged from the previous Standard. The IASB has issued recently the amendment to IAS 27 wherein it has allowed to follow the equity method in the separate financial statements also. These amendments will be effective from January 01, 2016 with earlier application allowed.

### IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures

Effective from accounting period beginning on or after January 01, 2015

Similar to the previous Standard, the new Standard deals with how to apply the equity method of accounting. However, the scope of the revised Standard has been changed so that it covers investments in joint ventures as well because IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting.

### IFRS 10 - Consolidated Financial Statements

Effective from accounting period beginning on or after January 01, 2015

IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC 12 Consolidation - Special Purpose Entities. Under IFRS 10, there is only one basis for consolidation for all entities, and that basis is control. This change is to remove the perceived inconsistency between the previous version of IAS 27 and SIC 12; the former used a control concept while the later placed greater emphasis on risks and rewards. IFRS 10 includes a more robust definition of control in order to address unintentional weaknesses of the definition of control set out in the previous version of IAS 27. Specific transitional provisions are given for entities that apply IFRS 10 for the first time. Specifically, entities are required to make the 'control' assessment in accordance with IFRS 10 at the date of initial application, which is the beginning of the annual reporting period for which IFRS 10 is applied for the first time. No adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is the same before and after the application of IFRS 10. However, adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is different from that before the application of IFRS 10.

As per the industry practice, the group does not consolidate its investment in mutual funds, whether controlled directly or indirectly. The group is currently in the process of evaluating the impact of IFRS 10 on consolidation of mutual funds.

### IFRS 11 - Joint Arrangements

Effective from accounting period beginning on or after January 01, 2015

IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities - Non monetary Contributions by Ventures. IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties' rights and



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

obligations under the arrangements. Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle was the key factor in determining whether a joint arrangement should be classified as a jointly controlled entity.

## **IFRS 12 - Disclosure of Interests in Other Entities**

**Effective from accounting period beginning on or after January 01, 2015**

IFRS 12 is a new disclosure Standard that sets out what entities need to disclose in their annual consolidated financial statements when they have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities (broadly the same as special purpose entities under SIC 12). IFRS 12 aims to provide users of financial statements with information that helps evaluate the nature of and risks associated with the reporting entity's interest in other entities and the effects of those interests on its financial statements.

## **IFRS 13 - Fair Value Measurement**

**Effective from accounting period beginning on or after January 01, 2015**

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. IFRS 13 gives a new definition of fair value for financial reporting purposes. Fair value under IFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied.

Certain annual improvements have also been made to a number of IFRSs.

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 14 - Regulatory Deferral Accounts
- IFRS 15 - Revenue from Contracts with Customers

### **3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of the Group's consolidated financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgment 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 year in which the estimate is revised and in any future years affected.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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

- (a) determining the residual values and useful lives of property and equipment (Note 5.1);
- (b) classification of investments (Note 5.4 and 10);
- (c) recognition of taxation and deferred tax (Note 5.12 and 12);
- (d) accounting for post employment benefits (Note 5.19); and
- (e) impairment of financial assets (Note 5.23 and 37);

#### 4. 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 Interests 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.

#### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 5.1 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 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 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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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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.

## 5.2 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 asset is put to use and on disposals up to the month immediately preceding the disposal.

Investment properties are derecognized 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 recognized 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.

## 5.3 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Such intangible assets are amortized using the straight-line method taking into account residual value, if any, at the rates specified in note 6 to these financial statements. Amortization is charged from the date the asset is available for use while in the case of assets disposed of, it is charged till the date of disposal. The useful life and amortization method are reviewed and adjusted, if appropriate, at each balance sheet date.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any. An intangible asset is regarded as having an indefinite useful life, when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which asset is expected to generate net cash inflows for the Company. An intangible asset with an indefinite useful life is not amortized. However, the carrying amount is reviewed at each balance sheet date or whenever there is an indication that the asset may be impaired, to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds the estimated recoverable amount, it is written down to its estimated recoverable amount.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss account when the asset is derecognized.

## 5.4 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,

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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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 Available 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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## 5.5 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.

## 5.6 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 liabilities. 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.

## 5.7 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 5.4).

## 5.8 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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### 5.9 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.

### 5.10 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.

### 5.11 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.

### 5.12 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 substantively enacted at the balance sheet date.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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## 5.13 Revenue recognition

- (a) Mark-up / return / interest income on loans and advances and investments is recognised on accrual basis using effective interest method. Mark-up / return / interest income on non-performing loans and advances and investments is recognised on receipt basis.
- (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) Commission is recognised as income at the time of affecting the transaction to which it relates. Fees are recognised when earned.
- (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.
- (i) Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease.
- (j) Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognized as income on receipt basis.

## 5.14 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.

## 5.15 Trade debts and other receivables

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

### 5.16 Trade and other payables

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, except for derivatives which are carried at fair value, whether or not billed to the Holding Company.

### 5.17 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.

### 5.18 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.

### 5.19 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 (the subsidiary)	10%
- JS Global Capital Limited (the sub-subsidiary)	10%
- JS Investment Limited (the 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 occurrence of any significant change. The most recent valuation in this regard was carried out as at December 31, 2014, 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.

### 5.20 Compensated absences

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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## 5.21 Non-current assets held for sale

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.

## 5.22 Discontinued operation

A discontinued operation is a component of the Group's business, the operation and cash flows of which can be clearly distinguished from the rest of the Group and which;

- represents a separate major line of business or geographical area of operation;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative consolidated statement of profit and loss account and consolidated other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

## 5.23 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 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 (as 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 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 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.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may not 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 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.

### 5.24 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 at the acquisition date.

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 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.

### 5.25 Fiduciary assets

Assets held in trust or in a fiduciary capacity by the Group are not treated as the assets of the Group and accordingly are not included in these consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

## 5.26 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Holding Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## 5.27 Borrowings / deposits and their cost

Borrowings / deposits are recorded at the proceeds received. Borrowing / deposit costs are recognised as an expense in the period in which these are incurred to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) is capitalised as part of the cost of the asset.

## 5.28 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.

## 6. BUSINESS COMBINATION AND GROUP REORGANIZATION

### 6.1 Disposal of subsidiary

During the year on September 16, 2014 the Group disposed off its entire equity interest in its subsidiary Credit Chex (Private) Limited. The carrying amount of net assets held immediately prior to date of disposal were as follows:

Assets	Rupees in '000
Operating fixed assets	389
Long term deposits	42
Trade debts	752
Advances and other receivables	1,035
Cash and bank balances	1,769
	<u>3,987</u>
<b>Liabilities</b>	
Long term loans	29,003
Accrued markup, trade and other payables	11,430
Deposits and other accounts	45,323
	<u>85,756</u>
<b>Net assets</b>	<u>(81,769)</u>
Share of net assets disposed off	(67,737)
Consideration received	10
<b>Gain on disposal</b>	<u><u>67,747</u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

	Note	2014 ..... (Rupees in '000)	2013 .....
<b>7. PROPERTY AND EQUIPMENT</b>			
Operating fixed assets	7.1	2,196,030	1,927,864
Capital work-in-progress	7.2	82,777	278,004
		<u>2,278,807</u>	<u>2,205,868</u>

### 7.1 Operating fixed assets

	Cost			Depreciation rate per-annum	Accumulated depreciation			Written down value
	As at January 1, 2014	Additions/ (disposals)/ Transfers *	As at December 31, 2014		As at January 1, 2014	For the year/ (On disposal)/ Transfers *	As at December 31, 2014	As at December 31, 2014
	(Rupees in '000)			%	(Rupees in '000)			
Office premises - leasehold	800,176	250,362 (1,041) (119,367) *	930,130	1.0 - 20	150,223	29,682 (557) - *	179,348	750,782
Leasehold Improvements	577,167	90,098 (297) - *	666,968	10 - 33	254,910	60,576 (677) - *	314,809	352,159
Office equipment	1,323,326	242,275 (16,748) - *	1,548,853	12.5 - 33	798,642	156,005 (12,305) - *	942,063	606,511
Office furniture and fixtures	301,907	45,444 (2,120) - *	345,231	10 - 20	147,999	34,397 (1,592) - *	180,804	164,427
Motor vehicles	440,653	148,474 (40,379) - *	548,748	20	163,591	94,932 (31,926) - *	226,597	322,151
	<u>3,443,229</u>	<u>776,653</u> <u>(60,585)</u> <u>(119,367) *</u>	<u>4,039,930</u>		<u>1,515,365</u>	<u>375,592</u> <u>(47,057)</u> <u>- *</u>	<u>1,843,900</u>	<u>2,196,030</u>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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

7.2 Capital work-in-progress	2014	2013
	(Rupees in '000)	
<b>Advances to suppliers against:</b>		
Civil works	23,965	15,913
Purchase of building	-	200,823
Furniture and fixture	2,128	2,402
Acquisition of software and equipment	43,231	51,227
Vehicles	13,453	7,639
	<u>82,777</u>	<u>278,004</u>

## 8. INTANGIBLE ASSETS

Note	Cost			Rate per-annum %	Accumulated amortization / impairment			Written down value
	As at January 1, 2014	Additions/ (Disposals/ adjustments)	As at December 31, 2014		As at January 1, 2014	For the year/ impairment/ (adjustments)	As at December 31, 2014	As at December 31, 2014
	(Rupees in '000) '.....				(Rupees in '000) .....			
Software	316,892	106,527	423,419	20 - 33.33	141,079	35,708	176,787	246,632
Managements rights	3,050,865	-	3,050,865	-	3,050,865	-	3,050,865	-
Goodwill	2,664,147	-	2,664,147	-	2,664,147	-	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)	5,755	-	5,755	-	-	28	28	5,727
Membership card - Pakistan Mercantile Exchange Limited	3,500	-	3,500	-	-	-	-	3,500
	<u>6,317,842</u>	<u>106,527</u>	<u>6,424,369</u>		<u>6,132,774</u>	<u>35,708</u>	<u>6,168,510</u>	<u>255,859</u>
						<u>28</u>		

Note	Cost			Rate per-annum %	Accumulated amortization / impairment			Written down value
	As at January 1, 2013	Additions/ (Disposals/ adjustments)	As at December 31, 2013		As at January 1, 2013	For the period/ impairment/ (adjustments)	As at December 31, 2013	As at December 31, 2013
	(Rupees in '000) '.....				(Rupees in '000) .....			
Software	242,579	74,313	316,892	20 - 33.33	119,604	21,475	141,079	175,813
Managements rights	3,050,865	-	3,050,865	-	2,465,668	585,197	3,050,865	-
Goodwill	2,664,147	-	2,664,147	-	2,114,096	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)	43,201	-	5,755	-	-	-	-	5,755
Membership card - Pakistan Mercantile Exchange Limited	5,000	(1,500)	3,500	-	-	-	-	3,500
	<u>6,282,475</u>	<u>74,313</u>	<u>6,317,842</u>		<u>4,976,051</u>	<u>21,475</u>	<u>6,132,774</u>	<u>185,068</u>
		<u>(38,946)</u>				<u>585,197</u>		
						<u>550,051</u>		



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

8.1 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 Group has also received shares of KSE and ISE after completion of the demutualisation process. The TRECs have been recorded at Rs. 5.75 million. The TRECs of the Holding Company have lapsed on August 26, 2014 and accordingly have been written off.

### 9. INVESTMENT PROPERTY

Note	Cost				Rate	Accumulated depreciation			Written down value
	As at January 1, 2014	Additions/ (Disposals)	As at December 31, 2014			As at January 1, 2014	For the period	As at December 31, 2014	As at December 31, 2014
	(Rupees in '000) '.....				%	(Rupees in '000) .....			
Office premises - leasehold	9.1	14,999	-	14,999	5	12,528	279	12,807	2,192

Note	Cost				Rate	Accumulated depreciation			Written down value
	As at January 1, 2013	Additions/ (Disposals)	As at December 31, 2013			As at January 1, 2013	For the period	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

9.1 The fair value of the investment property aggregating to Rs. 77.71 million (December 31, 2013: Rs.115.838 million) was arrived at on the basis of the valuation carried out by KG Traders (Private) Limited, an independent valuer on January 19, 2015, but was not incorporated in the books of accounts as the Holding Company applies cost model for accounting of investment 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.

### 10. LONG TERM INVESTMENTS

Note	2014	2013
	(Rupees in '000) .....	
<b>Related parties</b>		
Investment in joint venture	-	-
Other related parties - Available for sale	15,340,184	6,034,055
	<u>15,340,184</u>	<u>6,034,055</u>
<b>Other investments</b>		
	57,146,237	13,587,756
	<u>72,486,421</u>	<u>19,621,811</u>

#### 10.1 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 Loss	Total assets	Total liabilities	Net assets	Share of net assets 2014	Share of net assets 2013	Interest held %
----- Rupees in '000 -----								
<b>Un-quoted</b>								
Gujranwala Energy Limited	Pakistan	(257)	116,767	21,051	95,716	-	-	50
		<u>(257)</u>	<u>116,767</u>	<u>21,051</u>	<u>95,716</u>	<u>-</u>	<u>-</u>	



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

**10.1.1** Investments held by Energy Infrastructure Holdings (Private) Limited (the Subsidiary Company) includes, investments in shares of carrying value Rs. 432,027,493 (2013: Rs. 334,976,800) which are pledged with a bank (inclusive of 40% margin) as collateral in respect of 50% of the exposure against guarantees aggregating to Rs. 233,855,000 (2013: Rs. 269,745,000) 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, the operations of GEL were ceased. Further, it was not able to raise the requisite funds and deposit initial mobilization advance with Wartsila Finland. In the meantime, GEL filed petition in the High Court of Sindh to protect the Company from the encashment of performance guarantees. The High Court of Sindh ordered GEL to keep the guarantees alive and restricted PPIB and Wartsila Finland from encashing the same until 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.

## 10.2 Other related parties - Available for sale

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

Number of shares		Note	Business Activity	Holding		Market Value		
December 31, 2014	December 31, 2013			December 31, 2014 %	December 31, 2013 %	December 31, 2014 (Rupees in '000)	December 31, 2013	
<b>Quoted at fair value</b>								
132,300,000	9,800,000	Hum Network Limited	10.2.1	Television Network	14.00	14.00	1,943,487	734,902
122,416,897 *	111,256,116	BankIslami Pakistan Limited	10.2.1	Islamic Banking	21.26	21.07	1,200,910	772,117
25,983,302	20,299,455	EFU General Insurance Limited	10.2.1 10.2.2 & 10.2.5	General Insurance	16.24	16.24	3,972,587	1,865,926
20,047,708	20,047,708	EFU Life Assurance Limited	10.2.1 & 10.2.5	Life Insurance	20.05	20.05	3,405,103	1,638,098
112,157,863	112,157,863	Azgard Nine Limited		Textile Composite	24.96	24.96	660,610	800,807
159,850,000	11,500,000	Pakistan International Bulk Terminal Limited	10.2.3	Bulk Terminal	21.07	21.07	3,946,696	214,705
7,897,860	-	Singer Pakistan Ltd	10.2.1 10.2.4 10.2.5 & 10.2.6	Household goods	17.39	17.39	203,291	-
<b>Un-quoted at cost</b>								
750,000	750,000	EFU Services (Private) Limited		Investment Company	37.5	37.5	7,500	7,500
						15,340,184	6,034,055	

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

**10.2.1** Investments in Hum Network Limited, BankIslami Pakistan Limited, EFU General Insurance Limited, EFU Life Assurance Limited and Singer Pakistan Limited represent investment in 'associated companies' in terms of provisions of Companies Ordinance, 1984. However, the Holding Company has not accounted for them under equity method, as management has concluded that the Company does not have significant influence over these associates.

During the year, Hum Network Limited made a issue of 35% bonus shares and later split its face value of share from Rs. 10/- to Re. 1/- by sub-division of its share capital.

During the year, BankIslami Pakistan Limited (BIPL) made a right issue of 9.07% ordinary shares of Rs. 8.35 each. The Holding Company subscribed 11,160,781 ordinary shares of the said right issue as per its proportionate shareholding along with underwriting agreement of unsubscribed shares amounting to Rs. 93.19 million.

On December 31, 2014, BIPL also announced a second right issue of 75.0236% ordinary shares of Rs. 10/- each. The shareholders of the Holding Company in their Extraordinary General Meeting held on February 02, 2015 has approved to invest up to Rs. 1,669 million in this ordinary right issue announced by BIPL as per its entitlement and underwriting commitment or otherwise.

**10.2.2** During the year, the Holding Company received 5,683,847 ordinary shares as bonus shares (i.e. 28%) in proportion to its shareholding.

**10.2.3** During the year, Pakistan International Bulk Terminal Limited made a right issue of 1290% ordinary shares of Rs. 10/- each. The Holding Company has subscribed 148.35 million ordinary shares of the right issue as per its proportionate shareholding amounting to Rs.1,483.50 million.

**10.2.4** During the year, a related party relationship was established on account of appointment of major shareholder of the Holding Company as director of Singer Pakistan Limited. Subsequent to the period end, related party relationship has seized on account of resignation of major shareholder of the Holding Company as director of Singer Pakistan Limited.

**10.2.5** Included herein are equity securities having average cost of Rs. 869.42 million (December 31, 2013: Rs. 1,411.93 million) and having market value of Rs. 3,512.31 million (December 31, 2013: Rs. 2,900.04 million) as at December 31, 2014 pledged with various financial institutions against borrowings.

**10.2.6** The original cost of investments in related parties amounts to Rs. 22,871.31 million (December 31,2013: Rs. 19,565.42 million).

### 10.3 Other investments

Available for sale

Number of shares			2014	2013
2014	2013	Note	..... (Rupees in '000).....	
<b>Equity securities</b>				
<b>Quoted - at fair value</b>				
-	7,897,860	Singer Pakistan Limited	10.2.4	- 187,574
<b>Un-quoted - at cost</b>				
4,007,383	4,007,383	Karachi Stock Exchange Limited		15,346 15,346
3,034,603	6,069,206	Islamabad Stock Exchange Limited		11,000 22,100
			10.3.1	26,346 37,446
<b>Balance carried forward</b>				<b>26,346 225,020</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

	Note	2014 .... (Rupees in '000).....	2013
Balance brought forward		26,346	225,020
Privately placed term finance certificates (PPTFC) unquoted (at cost)			
Agritech Limited			
PPTFC - 3rd Issue		89,928	89,928
PPTFC - 5th Issue		509,875	509,875
	10.3.2	599,803	599,803
Provision for impairment	10.3.3	(449,860)	(318,860)
Term Finance / Sukuk Certificates		149,943	280,943
- quoted		272,369	651,722
- unquoted - stated at cost		1,619,299	764,662
US Dollar Bonds		1,014,600	1,650,106
Government securities	10.3.4	54,063,680	10,015,303
		56,969,948	13,081,793
		57,146,237	13,587,756

**10.3.1** Pursuant to demutualization of Stock Exchanges, the ownership rights in Stock Exchanges were segregated from the right to trade on an exchange. As a result of such demutualization, the Group received shares and TREC from Karachi Stock Exchange and Islamabad Stock Exchange Limited.

Based on the technical guide dated May 29, 2013 issued by Institute of Chartered Accountants of Pakistan, the Group 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 has been recognized at Rs. 26.346 million and TREC at Rs. 5.73 million.

**10.3.2** This represents investment in various PPTFCs of Agritech Limited having tenures of 3.5 years to 8.5 years carrying markup ranging from 0% to 3 months kibar plus 325 basis points.

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 (SECP), the management of AGL is currently obtaining approvals from its lenders has applied to the SECP seeking approval for conversion of all debts including outstanding markup to implement the aforesaid scheme.

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. Further, in the light of default by AGL and considering its financial position, the subsidiary has recognised provision amounting to Rs. 449.860 million (representing 75% of the gross value of PPTFCs) in the financial statements based on State Bank of Pakistan's letter BPRD/BRD-(Policy)/2014-11546 dated June 27, 2014.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

	2014	2013
	..... (Rupees in '000) .....	
<b>10.3.3 Provision for Impairment</b>		
Opening provision as at January 01,	318,860	289,860
Charge for the year	131,000	29,000
Reversal for the year	-	-
Net charge for the year	131,000	29,000
Closing provision as at December 31	449,860	318,860

**10.3.4** These investments are carried at market value except where mentioned specifically. The cost of these investments amounts to Rs. 57,226 million (December 31, 2013: Rs. 15,637 million).

These also includes investments pledged with various financial institutions having of Rs. 35,365 million (December 31, 2013: Rs. 1,491 million) market value costing Rs. 34,099 million (December 31, 2013: Rs. 1,492 million).

	Note	2014	2013
		..... (Rupees in '000) .....	
<b>11. LONG TERM LOANS, ADVANCES AND OTHER RECEIVABLES</b>			
Long-term loans - considered good			
Secured			
Due from:			
Executives	11.1 & 11.4	1,089,260	874,960
Employees		4,246	3,006
		1,093,506	877,966
Loans advanced by subsidiary bank	11.2	4,285,538	1,318,260
Net investment in finance lease by subsidiary bank	11.3	1,618,581	582,682
Long-term advances - considered good, unsecured			
Advances - unsecured & considered good			
against issue of right share		-	400,000
against capital expenditure		257	2,564
against a room at Pakistan Mercantile Exchange Limited		2,500	2,500
		7,000,382	3,183,972
Current maturity of long term loans and receivables		(501,556)	(196,965)
		6,498,826	2,987,007

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

Balance at the beginning of the year	874,960	95,556
Disbursement	384,730	929,158
Repayments	(170,430)	(149,754)
Balance at the end of the year	1,089,260	874,960

**11.2** These carry markup ranging from 0.03% to 23% (2013: 2.5% to 23%). These also includes secured lendings to various financial institutions having maturity date till June 03, 2018.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

## 11.3 Particulars of net investment in finance lease

	2014		
	Not later than one year	Later than one and less than five years	Total
	----- Rupees in '000 -----		
Lease rentals receivable	610,926	954,622	1,565,548
Guaranteed residual value	21,012	297,724	318,736
Minimum lease payments	631,938	1,252,346	1,884,284
Finance charges for future periods	(133,897)	(131,806)	(265,703)
Present value of minimum lease payments	<u>498,041</u>	<u>1,120,540</u>	<u>1,618,581</u>
	-----		
	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	<u>194,712</u>	<u>387,970</u>	<u>582,682</u>

The terms of the net investment in finance lease are stated below:

- Vehicles and machinery is given under Finance Lease to corporations mainly to private companies.
- Lease period ranges from 3 to 5 years,
- Markup ranging from 10.60 % - 17.50 %, which is different for different parties as per the mutual agreement between party and bank."
- The lease Key money deposit ranges from 10% - 20 % of the amount of asset.
- Total number of leases are 276.

11.4 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 4.79% to 9.97% (December 31, 2013: 5.42% to 11.90%) 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 fifteen years. The maximum aggregate amount due from executives at the end of any month during the year was Rs. 4.28 million (December 31, 2013: Rs. 4.38 million) .

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

12. DEFERRED TAXATION	Note	2014 ..... (Rupees in '000) .....	2013
<b>Taxable temporary difference:</b>			
Property and equipment		(156,264)	(182,950)
Intangible assets		(410,045)	(358,586)
Surplus on revaluation of investments		(866,867)	(44,567)
<b>Deductible temporary differences:</b>			
Unused tax losses		429,288	1,019,506
Provision against investments and loans		396,803	317,368
Unrealized loss on derivative instruments		63,629	-
Deficit on revaluation of investments		-	110,464
Provision for donation		4,639	-
Minimum Tax	12.2	194,148	160,075
Provision for Workers' Welfare Fund		44,294	31,648
		<u>(300,375)</u>	<u>1,052,958</u>

**12.1** The Holding 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 Holding Company has assessed and un-assessed carry forward tax losses amounting to Rs. 58.95 million (December 31, 2013 : Rs. 48.78 million). The amount of deferred tax asset not recognized in these financial statements amounts to Rs. 23.29 million (December 31, 2013 : Rs. 13.17 million).

**12.2** 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, in previous year, the Sindh High Court (SHC) passed an order against the issue which had 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. Aforesaid decision of the SHC has been further appealed, and issue is now subjudiced before the Supreme Court of Pakistan (SCP). Management and its tax advisors are of the opinion that, based on valid legal grounds, favourable outcome is expected. Accordingly, till the finalization of matter at the SCP, the Bank will continue to carry forward the tax paid.

13. SHORT TERM INVESTMENTS	Note	2014 ..... (Rupees in '000) .....	2013
<b>Assets at fair value through profit or loss - held for trading:</b>			
Listed equity securities			
- Related parties	13.2	135,880	65,368
- Others		1,123,930	1,092,000
Government securities		23,647,625	22,717,448
Term Finance Certificates - Quoted		153,934	121,726
Term Finance Certificates - Unlisted / Sukuk		-	33,336
Units of mutual fund		363,454	650,802
<b>Balance carried forward</b>		<u>25,424,823</u>	<u>24,680,680</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

	Note	2014 ..... (Rupees in '000) .....	2013
<b>Balance brought forward</b>		<b>25,424,823</b>	<b>24,680,680</b>
<b>Available for sale:</b>			
Equity securities			
- quoted	13.2	1,084,677	1,473,272
- unquoted - stated at cost		-	20,056
Term Finance / Sukuk Certificates			
- quoted		240,276	159,596
- unquoted - stated at cost		219,316	237,786
Government securities		349,063	3,383,184
Mutual Fund	13.2	2,032,677	2,213,771
		<b>3,926,009</b>	<b>7,487,665</b>
	13.3	<b>29,350,832</b>	<b>32,168,345</b>

13.1 The above investments are carried at market value except where mentioned specifically. The cost of the above investments amounts to Rs. 27,758 million (December 31, 2013: Rs. 31,143 million).

13.2 This includes investments in equity securities of related parties having Rs. 2,933 million (December 31, 2013: Rs. 1,604.43 million) market value.

13.3 This includes investments pledged with various financial institutions having of Rs. 13,487 million (December 31, 2013: Rs. 14,292 million) market value costing Rs. 10,538 million (December 31, 2013: Rs. 12,911 million).

14. TRADE DEBTS	Note	2014 ..... (Rupees in '000) .....	2013
<b>Unsecured considered good</b>			
Receivables against margin finance (purchase of shares)		221,860	162,295
Debtors for purchase of shares on behalf of clients		311,493	87,608
Trade debts for advisory and other services		628	-
Forex and fixed income commission receivable		15,082	16,207
Commodity		46,899	37,650
		<b>595,962</b>	<b>303,760</b>
Considered doubtful		397,674	397,674
		<b>993,636</b>	<b>701,434</b>
Provision for doubtful debts	14.1	(397,674)	(397,674)
		<b>595,962</b>	<b>303,760</b>
<b>14.1 Provision for doubtful debts</b>			
Opening balance as at January 01,		397,674	396,374
Charged during the year		-	1,300
Reversed during the year		-	-
		<b>-</b>	<b>1,300</b>
Closing Balance as at December 31		<b>397,674</b>	<b>397,674</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

	Note	2014 ..... (Rupees in '000) .....	2013
<b>15. LOANS AND ADVANCES</b>			
<b>Current maturity of long term loans</b>	11	501,556	196,965
Term loans advanced by subsidiary bank - considered good	15.1	50,770,001	30,995,445
Term loans advanced by subsidiary bank - considered doubtful	15.2	2,058,819	1,401,185
Provisions against non-performing loans		52,828,820 (2,058,819)	32,396,630 (1,401,185)
<b>Advances - considered good</b>		50,770,001	30,995,445
<b>Unsecured</b>			
Contractor and suppliers		11,167	7,574
Staff	15.3	3,994	3,894
		15,161	11,468
		<b>51,286,718</b>	<b>31,203,878</b>

15.1 These carry mark-up ranging from 2.5% to 23% (December 31, 2013: 2.5% to 23%) per annum and are secured by pledge of shares of listed companies, property of the borrowers and hypothecation of assets.

	2014 ..... (Rupees in '000) .....	2013
<b>15.2 Particulars of provision for non-performing loans</b>		
Opening balance	1,401,185	971,253
Charge for the year - net of reversals	657,634	429,932
Closing balance	<b>2,058,819</b>	<b>1,401,185</b>

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.

	2014 ..... (Rupees in '000) .....	2013
<b>16. ACCRUED MARK-UP</b>		
Loans and advances	4,787,016	1,287,097
Bank deposits	41,515	44,197
Government securities	12,577	1,207
Term Finance Certificates	8,731	2,306
	<b>4,849,839</b>	<b>1,334,807</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

	Note	2014 ..... (Rupees in '000) .....	2013
<b>17. SHORT-TERM PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES</b>			
Deposits		114,715	43,013
Prepayments		301,585	246,513
Other receivables			
- Remuneration from related parties	17.1	84,067	37,008
- Others	17.2	438,099	308,948
		<u>522,166</u>	<u>345,956</u>
		<u>938,466</u>	<u>635,482</u>

17.1 This includes remuneration receivable from various Funds for services rendered as an asset management company. Remuneration for the period ended December 31, 2014 has been calculated from 0.5% to 2.00% (December 31, 2013: 0.75% to 2.00%) of the net asset value of these Funds.

17.2 Included herein is a sum of Rs. 7.097 million (December 31, 2013: Rs. 11.813 million) receivable from related parties.

	Note	2014 ..... (Rupees in '000) .....	2013
<b>18. OTHER FINANCIAL ASSETS - FUND PLACEMENTS</b>			
<b>Securities purchased under resale agreement:</b>			
<b>Secured and considered good</b>			
Government securities	18.1	10,688,358	16,356,380
<b>Lending to Financial Institutions - secured</b>	18.2	4,674,819	3,529,419
<b>Call money lending - unsecured, considered good</b>	18.3	391,884	1,700,000
		<u>15,755,061</u>	<u>21,585,799</u>

18.1 These are secured short-term lendings to various financial institutions, carrying mark-up rates ranging from 9.40% to 9.50% (2013: 9.40% to 9.90%). These are due to mature between January 21, 2015 to February 27, 2015.

18.2 These represent secured lendings to various financial institutions, carrying interest at the rates ranging from 10.88% and 14.68% (2013: 10.44% to 13.56%) per annum. These are due to mature between February 20, 2015 to June 03, 2018. For collateral details refer note 44.3.4.

18.3 These represent unsecured call money lendings to financial institutions carrying interest at the rates 0.03% (2013: 9.65% to 10.50%) per annum. This is due to mature on January 02, 2015.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

	Note	2014 ..... (Rupees in '000) .....	2013
<b>19. CASH AND BANK BALANCES</b>			
Cash in hand		2,364,633	1,897,289
Balances with banks on:			
Current accounts			
local currency		5,840,326	4,748,967
foreign currency		1,213,522	1,619,165
		7,053,848	6,368,132
Deposit accounts			
local currency		32,092	21,262
foreign currency		46,592	73,144
	19.1	78,684	94,406
Term Deposit Receipts	19.2	54,000	54,000
		<u>9,551,165</u>	<u>8,413,827</u>

19.1 These carry mark-up ranging from 5% to 10% (December 31, 2013: 5% to 9.75% ) per annum.

19.2 These carry mark-up at the rate of 9.50% (December 31, 2013: 9.51% ) per annum.

### 20. ASSETS CLASSIFIED AS HELD FOR SALE / DISCONTINUED OPERATION

20.1 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 was obtained and the disposal process was completed on September 16, 2014.

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

	2014 ..... (Rupees in '000) .....	2013
<b>Income</b>		
Fee, commission and brokerage	801	45
Other income	943	5
	<u>1,744</u>	<u>50</u>
<b>Expenditure</b>		
Operating and administrative expenses	9,271	3,928
Financial charges	11	10
	<u>9,282</u>	<u>3,938</u>
Loss before tax from discontinued operation	(7,538)	(3,888)
Taxation-current	(1)	1
Loss for the year from discontinued operation	<u>(7,539)</u>	<u>(3,887)</u>

20.2 Included here a sum of Rs. 141.9 million (2013: Rs. 21.8 million) non-banking asset acquired by subsidiary bank against satisfaction of claims. The market value of these assets is Rs. 200.6 million (2013: Rs. 38.419 million).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

## 21. SHARE CAPITAL

### 21.1 Authorised capital

2014	2013		2014	2013
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
<u>6,500,000,000</u>	<u>6,500,000,000</u>		<u>65,000,000</u>	<u>65,000,000</u>

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

2014	2013		2014	2013
Number of shares		Ordinary shares of Rs. 10/- each	..... (Rupees in '000) .....	
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
<u>763,285,323</u>	<u>763,285,323</u>		<u>7,632,853</u>	<u>7,632,853</u>

### 21.3 Issue of right Preference Shares

Pursuant to the proposal of the Board of Directors of the Holding Company in their meeting held on August 20, 2014 to issue 114,492,798 (15%) right shares as non-voting, non-participatory, cumulative, transferable and redeemable or convertible Class "A" Preference Shares of PKR 10 each to the existing ordinary shareholders of the Holding Company by way of rights, the shareholders of the Holding Company in their Extraordinary General Meeting held on September 19, 2014 through special resolution have approved the issuance of aforesaid preference shares subject to the approval of the Securities and Exchange Commission of Pakistan (SECP). Accordingly, the Company has applied to SECP for approval of the same. However, some of the shareholders of the Holding Company have filed a suit with the Honourable High Court of Sindh. The court has issued order wherein, the SECP has been restrained from permitting the Holding Company from approving the issuance of Class "A" preference shares. The Holding Company believes that the case is not maintainable and has therefore filed appeal before the Honourable Court. The matter is pending before adjudication by the court. The major terms and conditions of the proposed right preference shares are given below:

Instrument:	Listed, convertible or redeemable, cumulative, non-voting, non-participatory Class "A" preference shares.
Issue Price:	To be issued at par value of Rs 10 per share;
Tenure:	Five years from the date of issuance of preference shares;

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

Redemption: Class "A" Preference Shares may be redeemed at the option of the Holding Company on June 30 or December 31 of any calendar year prior to December 31, 2019 at par.

Conversion ratio: Notwithstanding the Holding Company's right to redeem Class "A" Preference Shares, the Holding Company shall also have a firm option to convert Class "A" Preference Shares into ordinary shares of PKR 10/- each of the Holding Company on June 30 or December 31 of any calendar year prior to December 31, 2019 in the ratio of 1:1 i.e. for every one Class "A" preference share, 1 ordinary share will be issued. All outstanding preference shares not redeemed by December 31, 2019 shall be converted into ordinary shares.

Dividend: Cumulative at the rate of 12% per annum fixed.

	2014	2013
	..... (Rupees in '000) .....	
<b>22. RESERVES</b>		
<b>Revenue reserves</b>		
Accumulated loss	(300,050)	(1,406,105)
<b>Other reserves</b>		
Premium on the issue of ordinary shares	4,497,894	4,497,894
Foreign exchange translation reserve	6,377	127,591
Unrealised gain on revaluation of available for sale investments -net	12,381,111	3,763,732
Statutory reserve	361,752	207,821
	<u>17,247,134</u>	<u>8,597,038</u>
	<u>16,947,084</u>	<u>7,190,933</u>

22.1 The amounts above reflect the effect of deferred taxation wherever applicable. Refer note 12.

		2014	2013
	Note	..... (Rupees in '000) .....	
<b>23. LONG TERM FINANCING</b>			
Term Finance Certificates	23.1	778,480	651,056
		<u>778,480</u>	<u>651,056</u>
<b>23.1 Term Finance Certificates (TFCs)</b>			
<b>Secured</b>			
Second issue	23.1.1	-	124,600
Seventh issue	23.1.2	494,090	734,011
Eighth issue	23.1.2	592,378	162,764
		1,086,468	1,021,375
Less: Current portion shown under current liability		<u>307,988</u>	<u>370,318</u>
		<u>778,480</u>	<u>651,057</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

**23.1.1** 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 Holding 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. 1,066.02 million (December 31, 2013: Rs. 1,342.18 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.

**23.1.2** Included herein is proceeds amounting to Rs. 750 million net of issue cost Rs. 5.24 million (inclusive of green shoe option of Rs. 250 million) received against eighth issue of term finance certificate (TFC) which was issued during the period on April 8, 2014. 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 with a call option exercisable by the Holding Company at any time on a coupon date during the tenor of the TFCs by giving a 30 days notice at a premium of 0.25% of the outstanding face value. The instrument is structured to redeem the principal in ten (10) stepped up semi-annual installments starting from the 6th month of the Issue Date (April 8, 2014). 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. 1,478.07 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.

	Note	2014 ..... (Rupees in '000) .....	2013
<b>24. LONG-TERM DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		46,411,555	25,729,940
Savings deposits		25,558,374	21,689,752
Margin accounts		566,583	484,583
	24.1	72,536,512	47,904,275
<b>Financial Institutions</b>			
Remunerative deposits	24.1	7,302,784	8,375,651
Non-Remunerative deposits		81,291	96,465
		7,384,075	8,472,116
		79,920,587	56,376,391
Current maturity	28	(79,803,423)	(56,233,724)
		117,164	142,667

**24.1** These carry mark-up ranging from 0.5% to 11.5% (December 31, 2013: 0.2% to 15%) per annum.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

	2014	2013
Note	..... (Rupees in '000) .....	
<b>25. TRADE AND OTHER PAYABLES</b>		
Creditor for sale of shares on behalf of clients	641,683	250,825
Accrued expenses	588,221	394,967
Bills payable	1,383,094	1,421,657
	<u>2,612,998</u>	<u>2,067,449</u>
<b>Other liabilities</b>		
Security deposits	326,686	116,787
Unclaimed dividend	21,748	26,119
Unrealised loss on forward foreign exchange contracts - net	181,796	-
Provision for Worker's Welfare Fund	220,352	114,958
Others	569,082	404,097
	<u>1,319,664</u>	<u>661,961</u>
	<u>3,932,662</u>	<u>2,729,410</u>

**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 decided to file the petition under the High Court against the changes. On prudent basis, the Group has recognized aggregate provision amounting to Rs. 220.352 million for the years from 2012 to 2014.

Further, during the period, pursuant to the show cause notice dated June 28, 2014 issued by the Deputy Commissioner of Inland Revenue (DCIR) under section 221(3) for rectification under section 221(1) of the Income Tax Ordinance, 2001 in respect of Tax Year 2013 for non-payment of WWF of Rs. 53.06 million under the provisions of section 4 of the Workers Welfare Fund Act, 1971, read with FBR circular # 13 of 2008, the Holding Company has filed the writ petition under Article 199 of the Constitution of Islamic Republic of Pakistan before the High Court of Sindh challenging the levy and demand for payment of WWF and obtained interim relief. The matter is pending adjudication before the Court.

	2014	2013
	..... (Rupees in '000) .....	
<b>26. ACCRUED INTEREST / MARK-UP ON BORROWINGS</b>		
Long term financing	27,013	18,211
Deposits	813,750	502,459
Short term borrowings	309,865	47,640
	<u>1,150,628</u>	<u>568,310</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

	Note	2014 ..... (Rupees in '000) .....	2013
<b>27. SHORT TERM BORROWINGS</b>			
Securities sold under repurchase agreements secured against:			
Government securities	27.1	46,876,814	19,156,703
Borrowing from banks/ NBFCs - unsecured	27.2	3,661,159	2,970,243
		<u>50,537,973</u>	<u>20,150,846</u>

**27.1** This represents collateralised borrowing from SBP and other financial institutions against Market Treasury Bills carrying mark-up at the rate ranging between 9.70% to 10.30% (2013: 10.00% to 10.50%) per annum and would mature between January 02, 2015 to February 27, 2015 (2013: January 03, 2014).

**27.2** Included herein Rs. NIL (2013: Rs. 990 million) representing call money borrowings from financial institutions, carrying interest at the rate of NIL (2013: 9%) per annum. This also includes overdrawn nostro accounts outside Pakistan.

	Note	2014 ..... (Rupees in '000) .....	2013
<b>28. CURRENT DEPOSITS AND CURRENT PORTION OF LONG TERM LIABILITIES</b>			
Long term financing			
Term finance certificates	23.1	307,988	370,318
Deposits and other accounts	24	79,803,423	56,233,724
Current accounts - Non-remunerative		<u>27,371,408</u>	<u>22,146,983</u>
		<u>107,482,819</u>	<u>78,751,025</u>

## 29. CONTINGENCIES AND COMMITMENTS

### 29.1 Contingencies

#### - In respect of Holding Company

- a) The CIR-Appeals deleted the addition made as per order passed under section 122(5A) eliminating the tax liability restored the return versions for the tax years 2008 and 2009. 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 refund of Rs. 11.02 million for the tax year 2009. Rectification applications for both the years have been filed with ACIR to allow appeal effect in accordance with the order passed by the ATIR. The rectification application for the tax year 2008 was rejected by the ACIR on the contention that another amended order under section 122(5A) as discussed below is in field and previous order is no more in the field. Against the rejection, appeal has been filed with the Commissioner \*(Appeals). The appeal has been heard; however the order is still awaited.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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However, The Additional Commissioner of Inland Revenue – Audit Division (ACIR) on another issue which was not raised in the earlier proceedings, again passed the order under section 122 (5A) of the Income Tax Ordinance, 2001 (the Ordinance) in respect of the tax year 2008. According to the order, the ACIR raised tax liability of Rs. 96.476 million in respect of the above mentioned tax year. Such addition was made because minimum tax under section 113 of the Ordinance was applied to Capital gains on the sale of listed securities which are specifically exempt from such levy according to sub-clause (i) of Clause (11A) of Part IV of the Second Schedule to the Ordinance. The Company filed appeal against the above order before the Commissioner Inland Revenue – Appeals (CIR-Appeals). The appeal has been heard; however the order is awaited.

The management, based on its discussions with its tax advisors, is confident that the above matter will eventually be decided 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 at 0.5% under section 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. During the year, the Company has filed appeal against the above order before the Commissioner Inland Revenue – Appeals (CIR-Appeals). The final hearing for the aforementioned appeal was held on February 19, 2015, however, order thereof is still awaited.

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) 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 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 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 JSIBL, the matter is most likely to be referred to a higher forum.
- d) 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). Appeal is pending and hearing is awaited.

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.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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### - 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 Commissioner 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.

JSIL has filed an appeal before Honourable Appellate Tribunal, SRB against the Order of Honourable Commissioner (Appeals), SRB in respect of levy of Sindh Sales tax amounting to Rs. 1.288 million on certain disallowance of input taxes and Rs. 0.054 million on levy of sales tax on certain heads of income, for the tax periods from July, 2011 to December, 2012. However, the appeal is pending as Honourable Tribunal, SRB is not formed.

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

The Bank has filed income tax returns under Section 114 of the Income Tax Ordinance, 2001 for the tax years 2009 through 2014. The said returns so filed were deemed to be assessed in terms of the returns filed under the provisions of prevailing income tax laws as applicable in Pakistan. However, the Officers of Inland Revenue Services (OIR) conducted the proceedings for making certain amendments in the deemed assessments for tax years 2008 to 2013. This was done by taking recourse of conducting tax audit or alternatively a direct amendment in the assessment contending that certain matters in the deemed assessments were not admissible as not conforming to the law and prejudiced the interest of revenue.

Based on the amended assessments, in all the aforementioned years, the department has made certain disallowances of expenses and tax deductible claims besides creating minimum tax and Workers' Welfare Fund liabilities in the tax years 2010 & 2011 and tax years 2009 & 2012 respectively. The Bank has not accepted the amendments and have filed appeals before the Commissioner Inland Revenue-Appeals (the CIRA). With regard to appeals filed for tax year 2011 to 2013, the CIRA has decided the appeals accepting the Bank's contentions in respect of significant issues. Whereas, the contentious matter of levy of Workers' Welfare Fund and disallowance of amortization claim of goodwill have been decided in favor of department. The exposures related to WWF and goodwill have already been taken care of in the books of the Bank. However, the Bank is contesting the matters in further

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

appeals before Appellate Tribunal Inland Revenue (ATIR). The Bank has also filed petitions in the High Court of Sindh and has obtained stay against recovery of the aforementioned liabilities.

Further, the appeals for tax years 2008-2010 are pending for hearing before CIRA. In case of tax year 2008, the Bank's main contention is on time limitation applicable on the amendment of the assessment and cannot be carried out and same has already been decided by Honorable Supreme Court of Pakistan in favor of aggrieved person which is identical to Bank's case, therefore there are strong chances that amendment order for tax year 2008 would be time barred and any addition made in that year would have been annulled.

The management of the Bank is confident that the decision in respect of the above matters will be in the Bank's favour and accordingly no demand for payment would arise.

The Bank has commenced its operations in Azad Jammu & Kashmir from tax year 2009 and it has filed separate returns for the tax years 2009 to 2014 with the tax authorities of such region. The Commissioner has issued notice to select the return filed for the Tax Year 2011 for imitating audit proceeding. Proceedings are under progress and ultimate liability cannot be ascertained reasonably at this point of time.

### - In respect of JSGCL

Last year, the JS Global Capital Limited (JSGCL) received a show cause notice from the Sindh Revenue Board (SRB) demanding payment of sales tax amounting to Rs. 19.65 million for the period from July 2011 to June 2012 under section 47 of the Sindh Sales Tax on Services Act, 2011. Subsequently an order was passed reducing the demand to Rs. 9.86 million along with default surcharge. JSGCL filed an appeal against the said order which was decided against JSGCL. JSGCL has also filed an appeal before the tribunal which is pending adjudication and no order has been passed in this regard. During the year, JSGCL paid an amount of Rs. 7.15 million before June 25, 2014 under the notification SRB 3-4/8/2014 to avail the exemption of the penalty and 75% of default surcharge.

Further, during the year, JSGCL received another show cause notice from SRB demanding payment of sales tax amounting to Rs. 34.69 million for the period from July 2012 to December 2013 under section 47 of Sindh Sales Tax on Services Act, 2011. Subsequently an order was passed reducing the demand to Rs. 10.77 million. JSGCL has filed an appeal against the order with Commissioner Inland Revenue (Appeals) which is pending. However, JSGCL has paid an amount of Rs. 9.24 million before June 25, 2014 under the notification SRB 3-4/8/2014 to avail the exemption of the penalty and 75% of default surcharge.

On prudent basis, JSGCL has made a provision against the amount paid to SRB in their financial statements.

	2014	2013
	..... (Rupees in '000) .....	
<b>29.1.1 Transaction-related contingent liabilities</b>		
Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions.		
i) Government	4,733,516	2,520,803
ii) Banking companies and other financial institutions	362,326	210,521
iii) Others	1,387,650	333,832
	<u>6,483,492</u>	<u>3,065,156</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

	2014	2013
	..... (Rupees in '000) .....	
<b>29.1.2 Other contingencies</b>		
Claims not acknowledged as debts	<u>66,791</u>	<u>66,896</u>
Trade related contingent Liabilities documentary credits	<u>7,828,275</u>	<u>4,882,691</u>
<b>29.2 Commitments</b>		
<b>Commitments in respect of forward exchange contracts:</b>		
Purchase	<u>6,110,485</u>	<u>6,988,325</u>
Sale	<u>7,142,322</u>	<u>6,485,184</u>
Forward commitments to extend credit	<u>2,420,850</u>	<u>675,700</u>
<b>Other commitments:</b>		
Forward commitments in respect of purchase	<u>2,018,228</u>	<u>394,964</u>
Forward commitments in respect of sale	<u>6,644,737</u>	<u>10,000</u>
Commitments in respect of capital expenditure	<u>88,872</u>	<u>75,320</u>
Commitment in respect of Term loan from Allied Bank Limited	<u>500,000</u>	<u>-</u>
Assets acquired under operating lease	<u>-</u>	<u>1,209</u>
Cross currency swaps	<u>1,588,850</u>	<u>1,084,500</u>
<b>30. RETURN ON INVESTMENTS</b>		
<b>Mark-up / interest income from:</b>		
<b>At fair value through profit or loss - held for trading</b>		
Government securities	4,087,770	1,642,202
Term Finance Certificates	<u>51,450</u>	<u>34,834</u>
	4,139,220	1,677,036
<b>Available for sale</b>		
Term Finance / Sukuk Certificates	1,472,409	2,330,509
Government securities	<u>20,940</u>	<u>2,755</u>
	1,493,349	2,333,264
<b>Dividend income on:</b>		
At fair value through profit or loss - held for trading	<u>8,333</u>	<u>35,659</u>
Available for sale investments	<u>395,096</u>	<u>533,554</u>
	403,429	569,213
	<u>6,035,998</u>	<u>4,579,513</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

	Note	2014 ..... (Rupees in '000) .....	2013
<b>31. GAIN ON SALE OF INVESTMENTS - net</b>			
At fair value through profit or loss - held for trading		90,345	18,249
Available for sale			
Listed equity securities		1,987,949	756,436
Government securities		37,592	-
Mutual funds		8,831	-
		<u>2,124,717</u>	<u>774,685</u>
<b>32. INCOME FROM LONG TERM LOANS AND FUND PLACEMENTS</b>			
Interest on loans to staff		347	313
Interest on loans and advances		5,048,298	2,781,301
Interest on deposits with financial institutions		28,485	12,510
Return on reverse repurchase transactions of Government securities		564,207	270,319
Return on term deposit receipts		4,978	9,094
		<u>5,646,315</u>	<u>3,073,537</u>
<b>33. FEE, COMMISSION AND BROKERAGE</b>			
Consultancy and advisory fee		146,555	65,686
Commission income		611	365
Remuneration from funds under management	33.1	201,675	222,739
Brokerage Income		330,972	239,159
Other services		767,650	632,749
		<u>1,447,463</u>	<u>1,160,698</u>
<b>33.1 Remuneration from funds under management</b>			
Open-end funds			
JS Value Fund Limited		47,197	48,120
JS Growth Fund		108,599	104,788
Unit Trust of Pakistan		39,578	37,790
JS Income Fund		9,061	17,189
JS Islamic Fund		10,123	9,477
JS Aggressive Asset Allocation Fund		3,143	3,742
JS Fund of Funds		1,096	858
JS KSE - 30 Index Fund (Formerly UTP - A - 30 + Fund)		942	877
JS Pension Savings Fund		7,448	5,804
JS Islamic Pension Savings Fund		3,909	3,299
JS Aggressive Income Fund		-	566
JS Islamic Government Securities Fund		3,294	2,577
JS Large Cap Fund		21,355	38,489
JS Cash Fund		14,610	26,141
		270,355	299,717
Less : Sales Tax		36,412	41,340
Federal Excise Duty		32,268	35,638
		<u>201,675</u>	<u>222,739</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

**33.1.1** Under the provision of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, JS Investments Limited (JSIL) is entitled to an accrued remuneration during the first five years of the fund, of an amount not exceeding three percent of the average net assets of the Fund that has been verified by the trustee and is paid in arrears on monthly basis and thereafter of an amount equal to two percent of such assets of the Fund. During the year ended December 31, 2014, JSIL has charged management fee at the rate ranging from 0.5% to 2% (2013: 0.75% to 2%).

	Note	2014 ..... (Rupees in '000) .....	2013
<b>34. OTHER INCOME</b>			
Gain on sale of property and equipment		26,887	47,275
Rental income		15,380	10,779
Return on bank deposit accounts		-	7,069
Return on cash margin on future contracts		-	3,094
(Loss) / Gain on remeasurement of future equity derivatives		(167,810)	3,704
Income under margin financing		-	17,246
Exchange gain		57,651	437
Income from dealing in foreign currency		269,567	269,309
Other income		5,011	49,586
		<u>206,686</u>	<u>408,499</u>
<b>35. ADMINISTRATIVE AND OTHER EXPENSES</b>			
Salaries and benefits	35.1	2,054,250	1,643,561
Telephone, fax, telegram and postage		108,145	93,964
Vehicle running		14,542	13,216
Directors' meeting fee		7,311	8,166
Utilities		17,562	13,951
Newspapers and periodicals		426	842
Conveyance and travelling		39,384	35,185
Repairs and maintenance		446,346	320,777
Computer expenses		11,540	13,533
Auditors' remuneration	35.2	10,008	8,878
Royalty fee	35.3	24,900	24,900
Consultancy fee		8,601	57,032
Advisory fee	35.4	14,010	13,883
Legal and professional charges		80,677	57,693
Printing and stationery		9,785	88,892
Rent, rates and taxes		780,738	600,187
Insurance		127,432	14,666
Entertainment		2,424	2,354
Advertisement		124,546	103,877
Office supplies		2,399	2,497
Depreciation	35.5	375,871	299,805
Amortisation of intangible assets	8	35,708	21,475
Provision against non-performing loans, advances and receivables		657,634	431,231
Fees and subscription		57,249	43,125
Donations	35.6	49,022	26,163
Brokerage and commission expense		26,212	6,596
Clearing fees		76,639	55,290
Office security		123,625	89,591
Exchange loss		169	-
Others		81,437	54,564
		<u>5,368,592</u>	<u>4,145,894</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

### 35.1 Details of Provident Funds.

Description	JSCL		JSBL		JSIL		JSGCL	
	2014	2013	2014	2013	2014	2013	2014	2013
(Rupees in '000)								
Number of employees	22	21	1,233	1,087	70	72	105	92
Size of provident fund	30,116	22,598	472,913	362,681	15,545	27,771	28,675	22,827
Cost of investments made	8,957	9,940	570,700	355,885	15,545	25,558	28,282	20,786
Fair value of investments	9,596	10,322	570,700	360,368	14,811	26,737	28,263	22,642
Percentage of investments made	30%	44%	94%	98%	95%	92%	99%	91%
<b>Break-up of investments at cost/ market value:</b>								
<b>National Saving Schemes:</b>								
Amount of investments	-	-	150,000	-	1,300	1,300	4,141	2,018
Percentage of size of investments	-	-	26%	-	8%	5%	15%	10%
<b>Listed securities:</b>								
Amount of investments	8,957	9,940	117,882	78,226	9,931	13,739	6,579	9,020
Percentage of size of investments	30%	44%	25%	22%	64%	49%	23%	40%
<b>Government Securities:</b>								
Amount of investment	-	-	154,849	263,318	-	10,519	-	-
Percentage of size of investments	-	-	33%	73%	-	38%	-	-
<b>Balance in scheduled banks:</b>								
Amount of investment	20,366	-	22,790	14,341	3,580	1,179	17,562	9,747
Percentage of size of investments	68%	0%	5%	4%	23%	4%	61%	43%

Investments out of Provident Fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose except JS Investments Limited.

### 35.2 Auditors' remuneration

	M.Yousuf Adil Saleem & Co.		Other	2014	2013
	Holding Company	Subsidiary Companies	Auditors Subsidiary Companies		
(Rupees in '000)					
Annual audit fee	1,500	2,700	596	4,796	5,255
Half-yearly review fee	200	1,078	-	1,278	1,202
Certifications and other services	150	2,727	-	2,877	1,727
Out of pocket expenses	21	1,036	-	1,057	694
	<b>1,871</b>	<b>7,541</b>	<b>596</b>	<b>10,008</b>	<b>8,878</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

35.3 This represents 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	2014 ..... (Rupees in '000) .....	2013 ..... (Rupees in '000) .....
<b>35.5 Depreciation</b>			
Operating assets	7.1	375,592	299,085
Investment property	9	279	720
		<u>375,871</u>	<u>299,805</u>

35.6 This represents donation to Mahvash and Jahangir Siddiqui Foundation wherein Mrs. Mahvash Jahangir Siddiqui is chairperson who is spouse of major shareholder of the Holding Company and 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.

	2014 ..... (Rupees in '000) .....	2013 ..... (Rupees in '000) .....
<b>36. FINANCE COST</b>		
<b>Mark-up on:</b>		
Short term running finance	301	34,070
Long term financing	158,265	184,031
Borrowing from banks/ NBFCs	220,565	207,087
Deposits	5,445,558	3,695,530
Repurchase transactions of securities	1,458,414	444,253
	<u>7,283,103</u>	<u>4,564,971</u>
Amortisation of transaction costs	7,358	6,180
Bank charges	660	2,115
	<u>7,291,121</u>	<u>4,573,266</u>

## 37. IMPAIRMENT ON INVESTMENTS

Available for sale investments	311,934	95,171
	<u>311,934</u>	<u>95,171</u>

## 38. SHARE OF PROFIT/ (LOSS) OF ASSOCIATES AND JOINT VENTURE

	2014		2013	
	Profit/ (loss) after tax	Share of Profit/ (loss) after tax	Profit/ (loss) after tax	Share of Profit/ (loss) after tax
	..... (Rupees in '000) .....			
<b>Associates</b>				
JS Value Fund Limited	-	-	496,640	107,771
	-	-	496,640	107,771
<b>Joint Venture</b>				
Gujranwala Energy Limited	-	-	(6,478)	(2,000)
	-	-	490,162	105,771
	<u>-</u>	<u>-</u>	<u>490,162</u>	<u>105,771</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

### 39. TAXATION

	Note	2014			2013		
		Current	Prior	Deferred	Current	Prior	Deferred
(Rupees in '000)							
Jahangir Siddiqui & Co. Ltd.	39.1	39,237	-	-	36,256	58	-
JS Investments Limited	39.2	3,422	(2,304)	10,223	31,659	-	(1,747)
JS Infocom Limited	39.3	36	(242)	-	2,002	-	-
Energy Infrastructure Holding (Pvt) Ltd	39.4	2,150	88	-	968	-	-
JS Global Capital Limited	39.5	122,743	(1,253)	5,693	64,804	1,450	(6,174)
JS Abamco Commodities Limited		-	-	33	-	-	-
JS Bank Limited	39.6	122,201	(48,609)	474,594	126,317	-	23,771
		<u>289,789</u>	<u>(52,320)</u>	<u>490,543</u>	<u>262,006</u>	<u>1,508</u>	<u>15,850</u>
<b>Total Taxation</b>				<u><u>728,012</u></u>			<u><u>279,364</u></u>

39.1 Income tax returns for the tax years up to 2014 have been filed on self-assessment basis and are deemed to be assessed under Section 120 of the Income Tax Ordinance, 2001, except for Tax years 2008, 2009 and 2010 which have been disclosed in Note 29 Contingencies and commitments.

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 33.1.1.

39.3 The income tax assessments of JS Infocom Limited for the tax years 2004 to 2014 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.

39.4 The income tax assessments of Energy Infrastructure Holding (Private) Limited for the tax year 2009 & 2014 has been filed and is deemed to have been assessed under the Income Tax Ordinance, 2001, unless selected by the taxation authorities for audit purposes.

39.5 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. Futhermore, monitoring proceedings were initiated for tax years 2013 and 2014 for which no order has been passed, however, all the requested details have been submitted by the Company. 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 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 January 28, 2014 and various other dates during the period but on all date, the case was discharged for want of time.

39.6 The Bank has filed income tax returns under Section 114 of the Income Tax Ordinance, 2001 for the tax years 2009 through 2014. The said returns so filed were deemed to be assessed in terms of the returns filed under the provisions of prevailing income tax laws as applicable in Pakistan. However, the Officers of Inland

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

Revenue Services (OIR) conducted the proceedings for making certain amendments in the deemed assessments for tax years 2008 to 2013. This was done by taking recourse of conducting tax audit or alternatively a direct amendment in the assessment contending that certain matters in the deemed assessments were not admissible as not conforming to the law and prejudiced the interest of revenue.

Based on the amended assessments, in all the aforementioned years, the department has made certain disallowances of expenses and tax deductible claims besides creating minimum tax and Workers' Welfare Fund liabilities in the tax years 2010 & 2011 and tax years 2009 & 2012 respectively. The Bank has not accepted the amendments and have filed appeals before the Commissioner Inland Revenue-Appeals (the CIRA). With regard to appeals filed for tax year 2011 to 2013, the CIRA has decided the appeals accepting the Bank's contentions in respect of significant issues. Whereas, the contentious matter of levy of workers welfare fund and disallowance of amortization claim of goodwill have been decided in favor of department. The exposures related to WWF and goodwill have already been taken care of in the books of the Bank. However, the Bank is contesting the matters in further appeals before Appellate Tribunal Inland Revenue (ATIR). The Bank has also filed petitions in the High Court of Sindh and has obtained stay against recovery of the aforementioned liabilities.

Further, the appeals for tax years 2008-2010 are pending for hearing before CIRA. In case of tax year 2008, the Bank's main contention is on time limitation applicable on the amendment of the assessment and cannot be carried out and same has already been decided by Honorable Supreme Court of Pakistan in favor of aggrieved person which is identical to Bank's case, therefore there are strong chances that amendment order for tax year 2008 would be time barred and any addition made in that year would have been annulled.

The management of the Bank is confident that the decision in respect of the above matters will be in the Bank's favour and accordingly no demand for payment would arise.

The Bank has commenced its operations in Azad Jammu & Kashmir from tax year 2009 and it has filed separate returns for the tax years 2009 to 2014 with the tax authorities of such region. The Commissioner has issued notice to select the return filed for the Tax Year 2011 for imitating audit proceeding. Proceedings are under progress and ultimate liability cannot be ascertained reasonably at this point of time.

	2014	2013
	..... (Rupees in '000) .....	
<b>40. BASIC EARNINGS PER SHARE</b>		
<b>Attributable to equity holders' of the parent:</b>		
Profit from continuing operations	1,261,585	95,582
Loss after taxation for the period / year from discontinued operations	(6,245)	(3,220)
Profit after taxation attributable to Ordinary shareholders	<u>1,255,340</u>	<u>92,362</u>
	(Numbers in '000)	
Number of Ordinary shares outstanding during the year	<u>763,285</u>	<u>763,285</u>
<b>Earnings per share:</b>	----- (Rupees) -----	
<b>Basic</b>		
Continuing operations	1.65	0.35
Discontinued operations	(0.01)	(0.01)
	<u>1.64</u>	<u>0.34</u>

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, 2014 and December 31, 2013.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

	2014 ..... (Rupees in '000) .....	2013
<b>41. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	9,551,165	8,413,827
Borrowing from bank / NBFCs	(3,661,159)	(2,970,243)
	<u>5,890,006</u>	<u>5,443,584</u>

## 42. DEFERRED LIABILITY - EMPLOYEE BENEFIT

### 42.1 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.

**42.2** 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 12.8 years.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

## 42.3 Number of employees under the schemes

The number of employees covered under defined benefit scheme is 1,522 (2013: 1,303).

## 42.4 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, 2014 based on the Projected Unit Credit Method, using the following significant assumptions:

		2014	2013
Valuation discount rate	per annum	11.25%	12.50%
Expected return on plan assets	per annum	11.25%	12.50%
Future salary increase rate			
Short term	per annum	10.00%	12.50%
Long term	per annum	11.25%	12.50%
Normal retirement age	years	60	60

## 42.5 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)	
	2014	2013	2014	2013	2014	2013
	----- Rupees in (000) -----					
Balance as at January 01,	116,676	91,269	115,387	79,911	1,289	11,358
<b>Included in profit or loss</b>						
Current service cost	28,416	29,816	-	-	28,416	29,816
Interest cost	14,478	9,645	14,397	10,488	81	(843)
Curtailment gains	-	(14,407)	-	-	-	(14,407)
	42,894	25,054	14,397	10,488	28,497	14,566
<b>Included in other comprehensive income</b>						
Actuarial gains / losses arising from:						
- demographic assumptions	-	(14,141)	-	-	-	(14,141)
- financial assumptions	(4,734)	520	-	(1,533)	(4,734)	2,053
- Experience adjustments	1,241	14,361	3,655	3,941	(2,414)	10,420
	(3,493)	740	3,655	2,408	(7,148)	(1,668)
<b>Others</b>						
Contribution made during the year	-	-	1,289	22,967	(1,289)	(22,967)
Benefits paid during the year	(1,709)	(387)	(1,709)	(387)	-	-
	(1,709)	(387)	(420)	22,580	(1,289)	(22,967)
<b>Balance as at December 31,</b>	<b>154,368</b>	<b>116,676</b>	<b>133,019</b>	<b>115,387</b>	<b>21,349</b>	<b>1,289</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

42.6 The fair value of the plan assets at the end of the reporting period for each category, are as follows:

	Note	Fair value of plan assets			
		2014 Rupees in (000)	2013	2014 Percentage	2013
Cash and cash equivalent		5,446	41,252	4.1%	35.0%
Government Securities (PIBs)	42.6.1	127,574	75,400	95.9%	65.0%
		<u>133,020</u>	<u>116,652</u>	<u>100%</u>	<u>100%</u>

42.6.1 The fair values of the above securities are determined based on quoted market prices in active markets having a cost of Rs. 122.900 million (2013: 75.400 million). The actual return on plan assets was Rs. 14.397 million (2013: Rs.10.488 million).

### 42.7 Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate, and expected rate of salary increase. The sensitivity analyses 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	11.25%	12.25%	10.25%	11.25%	11.25%
	Salary Increase Rate	11.25%	11.25%	11.25%	12.25%	10.25%
		----- Rupees in (000) -----				
Present value of defined benefit obligation	154,368	133,544	174,729	170,746	138,854	
Fair value of plan assets	(133,019)	(130,243)	(135,893)	(133,019)	(133,019)	
Net liability / (assets)	<u>21,349</u>	<u>3,301</u>	<u>38,836</u>	<u>37,727</u>	<u>5,835</u>	

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.

42.8 The average duration of the benefit obligation at December 31, 2014 is within one year.

42.9 JS Bank expects to make a contribution of Rs. 21.349 million (2013: Rs. 1.289 million) to the defined benefit plan during the next financial year.

42.10 JS Bank contributes to the gratuity fund as per actuarial's expected charge for the next financial year. Based on actuarial advice and management estimates, the charge in respect of defined benefit obligation for the next one year works out to be Rs. 46.647 million. The amount of remeasurements to be recognised in other comprehensive income for year ending December 31, 2015 will be worked out as at the next valuation.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 43. FINANCIAL INSTRUMENTS BY CATEGORY

	2014			Total
	Loans and receivables	Assets at fair value through profit and loss	Available for sale	
----- Rupees in '000 -----				
<b>ASSETS</b>				
Long term investments	-	-	72,486,421	72,486,421
Loans, advances, deposits and other receivables	56,814,202	-	-	56,814,202
Net Investment in Finance Lease	1,618,581	-	-	1,618,581
Short term investments	-	25,424,823	3,926,009	29,350,832
Trade debts	595,962	-	-	595,962
Fund placements	15,755,061	-	-	15,755,061
Accrued mark-up	4,849,839	-	-	4,849,839
Cash and bank balances	9,551,165	-	-	9,551,165
Assets classified as held for sale	-	-	-	-
	<u>89,184,810</u>	<u>25,424,823</u>	<u>76,412,430</u>	<u>191,022,063</u>

	Fair value through profit or loss	At Amortized Cost	Total
	----- Rupees in '000 -----		
<b>LIABILITIES</b>			
Long term financing	-	1,113,481	1,113,481
Deposits and other accounts	-	108,240,385	108,240,385
Trade and other payables	-	3,588,412	3,588,412
Short term borrowings	-	50,847,838	50,847,838
Liabilities directly associated with assets classified as held for sale	-	-	-
	<u>-</u>	<u>163,790,116</u>	<u>163,790,116</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

### 43. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	2013			Total
	Loans and receivables	Assets at fair value through profit and loss	Available for sale	
----- Rupees in '000 -----				
<b>ASSETS</b>				
Long term investments	-	-	19,621,811	19,621,811
Loans, advances, deposits and other receivables	34,028,222	-	-	34,028,222
Net Investment in Finance Lease	582,682	-	-	582,682
Short term investments	-	24,680,680	7,487,665	32,168,345
Trade debts	303,760	-	-	303,760
Fund placements	21,585,799	-	-	21,585,791
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

	Fair value through profit or loss	At Amortized Cost	Total
	----- Rupees in '000 -----		
<b>LIABILITIES</b>			
Long term financing	-	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



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## 44. 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 minimise 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.

### 44.1 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, investments at fair value through profit and loss, available for sale investments, fund placements 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.

The sensitivity has been prepared for the year ended December 31, 2014 and December 31, 2013 respectively using the amounts of financial assets and liabilities held as at those balance sheet dates.

#### 44.1.1 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 Group's interest rate exposure on financial instruments is disclosed as follows:

#### Sensitivity analysis for variable rate instruments

Presently, the Group holds interest rate bearing bank deposits, term finance certificates, loans and advances to customers and financial institutions and sukuks that expose the Group to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on 31st December 2014, with all other variables held constant, the net assets and income of the Group for the year would change as follows:

	Increase / (decrease) in basis points	Effect on profit before tax	Effect on other comprehensive income
December 31, 2014		(Rupees in '000)	
<b>Assets</b>	100	683,358	-
	(100)	(683,358)	-
<b>Liabilities</b>	100	(517,539)	-
	(100)	517,539	-



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	Increase / (decrease) in basis points	Effect on profit before tax	Effect on other comprehensive income
December 31, 2013		(Rupees in '000)	
Assets	100	531,748	-
	(100)	(531,748)	-
Liabilites	100	(211,801)	-
	(100)	211,801	-

### Sensitivity analysis for fixed rate instruments

As at December 31, 2014 the Group holds Pakistan Investment Bonds and Market Treasury Bills which are classified in both categories, i.e. held for trading and available for sale exposing the Group to fair value interest rate risks, respectively. In case of 100 basis points increase / decrease in KIBOR on 31st December 2014, with all other variables held constant, the comprehensive income of the Group for the year would change as follows:

	Increase / (decrease) in basis points	Effect on profit before tax	Effect on other comprehensive income
December 31, 2014		(Rupees in '000)	
Assets	100	344,728	(534,782)
	(100)	(344,728)	534,782
Liabilites	100	(807,207)	-
	(100)	807,207	-

	Increase / (decrease) in basis points	Effect on profit before tax	Effect on other comprehensive income
December 31, 2013		(Rupees in '000)	
Assets	100	309,584	(146,418)
	(100)	(309,584)	146,418
Liabilites	100	(581,881)	-
	(100)	581,881	-

### 44.1.2 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).



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	Change in foreign currency rate (Percentage)	Effect on profit before tax	Effect on other comprehensive income
----- (Rupees in '000) -----			
December 31, 2014	2.50%	(2,724)	(11,861)
	(2.50%)	2,724	11,861
December 31, 2013	2.50%	(3,233)	(14,171)
	(2.50%)	3,233	14,171

## 44.1.3 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, 2014 and December 31, 2013. 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.

	Fair Value Rs. in million	Price change	Effect on profit before tax	Effect on other comprehensive income
..... (Rs. in million) .....				
December 31, 2014	17,677	10% increase	126	1,642
December 31, 2013	12,022	10% increase	151	942

## 44.2 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.

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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, 2014					
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
----- (Rupees in '000) -----						
<b>Financial liabilities</b>						
Long term financing	1,086,468	1,562,562	227,466	237,057	697,050	400,988
Deposits and other accounts	107,426,635	107,426,635	100,112,114	7,197,358	78,919	38,245
Trade and other payables	3,588,412	3,588,412	3,588,412	-	-	-
Accrued interest / mark-up	1,150,628	1,150,628	1,150,628	-	-	-
Short term borrowings	50,537,973	55,591,770	55,591,770	-	-	-
	<b>163,790,116</b>	<b>169,320,008</b>	<b>160,670,390</b>	<b>7,434,415</b>	<b>775,969</b>	<b>439,233</b>

	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) -----						
<b>Financial liabilities</b>						
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	-	-	-
	<b>102,878,358</b>	<b>108,683,555</b>	<b>104,103,189</b>	<b>3,845,848</b>	<b>330,823</b>	<b>403,695</b>

### 44.3 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.

#### 44.3.1 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.

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December 31, 2014	Neither past due nor impaired					Total
	High grade	Standard grade	Sub-Standard grade	Past due but not impaired	Individually impaired	
	(Rupees in '000)					
Cash and bank balances	7,186,532	-	-	-	-	7,186,532
Due from banks	1,005,215	5,525,962	-	-	-	6,531,177
Cash collateral on securities borrowed and reverse repurchase agreements	10,688,358	-	-	-	-	10,688,358
Derivative financial assets	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	517,388	-	-	-	517,388
<b>Loans and advances:</b>						
Corporate lending	18,921,517	31,713,753	2,323,228	6,193	2,751,132	55,715,823
Small business lending	-	-	-	-	51,430	51,430
Banks	1,178,302	334,707	-	554	-	1,513,563
Consumer lending	183,659	348,243	-	-	4,753	536,655
Residential mortgages	934,324	-	-	-	5,303	939,627
Employees and contractors	1,093,505	-	-	-	-	1,093,505
Trade debts	-	539,465	40,379	16,118	-	595,962
Accrued mark up	3,528,900	20,248	58,441	1,218,961	23,325	4,849,875
<b>Financial investments available for sale:</b>						
Quoted - Other debt securities	-	3,709,862	-	-	-	3,709,862
Unquoted - Debt securities	-	1,838,615	-	-	-	1,838,615
	<b>44,720,312</b>	<b>44,548,243</b>	<b>2,422,048</b>	<b>1,241,826</b>	<b>2,835,942</b>	<b>95,768,372</b>

December 31, 2013	Neither past due nor impaired					Total
	High grade	Standard grade	Sub-Standard grade	Past due but not impaired	Individually impaired	
	(Rupees in '000)					
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
<b>Loans and advances:</b>						
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
<b>Financial investments available for sale:</b>						
Quoted - Other debt securities	-	159,596	135,893	-	-	295,489
Unquoted - Debt securities	-	237,786	214,882	-	305,938	758,606
	<b>35,325,762</b>	<b>28,016,901</b>	<b>2,341,009</b>	<b>23,399</b>	<b>1,790,832</b>	<b>67,497,903</b>

## 44.3.2 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

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	Loans and advances		Trade debts		Investment debt securities	
	2014	2013	2014	2013	2014	2013
.....Rs. In '000.....						
<b>Segment by class of business</b>						
Mining and quarrying	56,354	56,922	-	-	-	-
Textile and Glass	7,805,922	6,468,785	-	-	84,340	174,397
Chemical and pharmaceuticals	3,501,811	840,200	-	-	-	-
Fertilizer and pesticides	678,837	1,198,477	-	-	169,942	457,111
Automobile and transportation equipment	1,081,611	662,634	-	-	-	-
Tyre, Rubber and Plastic	-	-	-	-	-	-
Electronics and electrical appliances	356,357	247,275	-	-	-	-
Construction and real estate	930,940	117,018	-	-	-	-
Power and water, Oil and Gas	948,085	200,005	-	-	500,000	500,000
Metal and steel	1,242,633	681,492	-	-	-	-
Paper / board / furniture	223,279	462,221	-	-	-	-
Food / confectionery / beverages	19,286,410	10,398,382	-	-	-	-
Trust and non-profit organisations	98,207	-	-	-	-	-
Sole proprietorships	1,615,832	356,195	-	-	-	-
Transport, storage and communication	1,353,475	986,718	-	-	427,029	656,210
Financial	6,531,177	6,128,797	17,890,600	24,786,237	1,073,424	1,831,216
Insurance and Security	11,427	-	-	-	-	-
Engineering, IT and other services	5,542,113	2,006,264	-	-	-	-
Sugar	2,933,129	1,421,329	-	-	-	-
Individuals	5,168,540	4,128,491	533,353	249,903	-	-
Government	-	-	-	-	-	-
Others	4,964,640	3,508,688	4,896,738	1,372,457	3,811,133	-
	<b>64,330,778</b>	<b>39,869,892</b>	<b>23,320,691</b>	<b>26,408,597</b>	<b>6,065,868</b>	<b>3,618,934</b>
<b>Segment by geographic location</b>						
In Pakistan	64,330,778	39,869,892	23,320,691	26,408,597	6,065,868	3,618,934
Outside Pakistan	-	-	-	-	-	-
	<b>64,330,778</b>	<b>39,869,892</b>	<b>23,320,691</b>	<b>26,408,597</b>	<b>6,065,868</b>	<b>3,618,934</b>

### 44.3.3 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:

	2014	2013
	-----Rupees in '000-----	
<b>Government Securities</b>		
Government Securities	<b>23,647,625</b>	22,717,448
	<b>23,647,625</b>	22,717,448
<b>Mutual Funds</b>		
Rated AA- to AA+	363,454	296,687
Rated A- to A+	-	304,115
Rated BBB+ and Below	-	50,000
	<b>363,454</b>	650,802
<b>Debt Securities</b>		
Term Finance Certificates-listed		
Rated AA- to AA+	13,013	76,644
Rated A- to A+	52,753	45,082
Rated BBB+ and Below	-	-
Non-performing	-	-
Term Finance Certificates-unlisted		
Rated AA- to AA+	85,078	33,336
Rated A- to A+	3,000	-
Rated BBB+ and Below	-	-
	<b>153,934</b>	155,062



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## 44.3.4 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 against different types of financial assets:

Type of credit exposure	Percentage of exposure that is subject to collateral requirements		Principle type of collateral held
	2014	2013	
<b>Loans and advances to banks</b>			
Call Lendings	-	-	None
Lending To Financial Institutions	100%	100%	Property / Stock
Repurchase agreement Lendings	100%	100%	Government Securities
<b>Loans and advances to retail customers</b>			
Running, cash, etc. finances	100%	100%	Cash / Property / Stock
Term loan	100%	100%	Property / Stock
Trade loans	100%	100%	Cash / Stock
House and personal loans	100%	100%	Property
Auto Loans	100%	100%	Mortgage of vehicles
<b>Loans and advances to corporate customers</b>			
Advances to Corporate Customers	100%	100%	Mortgage on fixed assets and lien on liquid assets.

## 45. 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 availability 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 year ended December 31, 2014, the Group's strategy was to maintain leveraged gearing. The gearing ratios as at December 31, 2014 was as follows:

	2014	2013
	..... (Rupees in '000) .....	
Long term financing	1,086,468	1,021,374
Deposits and other accounts	107,291,995	78,523,374
Trade and other payables	3,954,011	2,730,699
Accrued interest / mark-up on borrowings	1,150,628	568,310
Short term borrowings	50,537,973	20,150,846
<b>Total debt carried forward</b>	<b>164,021,075</b>	<b>102,994,603</b>

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	2014	2013
	(Rupees in '000)	
<b>Total debt brought forward</b>	164,021,075	102,994,603
Cash and bank balances	9,551,165	8,413,827
Fund Placements	15,755,061	21,585,799
	25,306,226	29,999,626
<b>Net debt</b>	138,714,849	72,994,977
Share Capital	7,632,853	7,632,853
Reserves	16,947,084	7,190,933
<b>Equity</b>	24,579,937	14,823,786
<b>Capital</b>	163,294,786	87,818,763
<b>Gearing ratio</b>	85%	83%

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.

#### 46. 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:

	2014			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>At fair value through profit or loss</b>				
Open end Mutual funds	363,454	-	-	363,454
Term finance certificates	153,934	-	-	153,934
Listed equity securities	1,259,810	-	-	1,259,810
Government Securities	23,647,625	-	-	23,647,625
<b>Available-for-sale investments</b>				
Open end mutual funds	2,032,676	-	-	2,032,676
Listed equity securities	16,417,361	-	-	16,417,361
Unlisted equity investments	-	33,846	-	33,846
Sukuk and term finance certificates	441,824	1,906,421	152,960	2,501,205
Government securities	55,427,344	-	-	55,427,344
	99,744,028	1,940,267	152,960	101,837,255



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	2013			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
<b>At fair value through profit or loss</b>				
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
<b>Available-for-sale investments</b>				
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
Sukuk and term finance certificates	-	2,461,423	1,283,392	3,744,815
Government securities	13,398,487	-	-	13,398,487
	<b>47,947,003</b>	<b>2,494,759</b>	<b>1,348,394</b>	<b>51,790,156</b>

## 47. 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:

	2014	2013
	..... (Rupees in '000) .....	
<b>Associates</b>		
Investment in units of mutual funds	-	77,896
Dividend income	-	29,221
Units issued on conversion to open end fund	-	1,123,881
<b>Common Directorship</b>		
Subscription against right shares	93,193	-
Sale of Government securities	3,081,561	-
Purchase of Government securities	287,325	-
Dividend income	77,543	56,700
Rent Income	1,044	-
Call borrowing / repurchase transactions / encashment of fund placements	-	16,650,000
Commission income	9	33,467
Donation payable	-	51,361
Brokerage / commission / service income	13,864	176
Rent Expense / Ijarah rentals	-	2,234
Foreign exchange purchases transaction	-	6,442,565
Foreign exchange sale transaction	-	9,360,124
Interest/markup earned	-	40,520



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	2014	2013
	..... (Rupees in '000) .....	
Insurance claim received	14,271	-
Payment of insurance premium	44,333	-
Expenses incurred on behalf of the Company	622	548
Reimbursement of expenses by the Company	726	408
Right shares received during the year (No. of shares)	11,160,781	-
Letter of right received (No. of shares)	10,094,612	-
Shares received against splitting of share capital (No. of Shares)	119,070,000	-
Bonus shares received during the year (No. of shares)	3,430,000	2,800,000
Interest / Markup expense	-	5,776
Letter of gurantees	584	516
Sale of units of JS Cash Fund	997,724,991	50,000,000
Purchase of units of JS Cash Fund	700,000,000	-
Purchase of units of JS Income Fund	1,255,000,000	-
Sale of units of JS Income Fund	1,576,875,347	-
Bonus units received from JS Income Fund (No. of units)	124,562	-
Bonus units received from JS Cash Fund (No. of units)	422,231	-
Donation paid during the year	12,546	-
Employee benefit plan	-	2,964
<b>Key Management Personnel</b>		
Interest on long term loan to executive	13,350	9,551
Proceeds from sale of vehicles	7,000	176
Interest/ markup expense	1,336	1,346
Loan disbursed	195,865	107,070
Loan repaid	112,536	31,093
Deposits in banks accounts	1,027,652	492,958
Withdrawals from bank accounts	1,007,603	486,677
<b>Director / Chief Executive Officer (CEO)</b>		
Royalty and advisory fee paid	24,602	24,000
Commission Income	-	15
<b>Subsidiary Investment Advisor / Asset Manager</b>		
Remuneration income	201,675	222,739
Investment made in the fund/(s)	1,538,716	70,000
Investment in the fund/(s) disposed off or matured	1,370,603	883,669
Dividend Income	-	253,921
Commission Income	611	365
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)	7,045	10,629
Other expenses incurred on behalf of the fund - reimbursed	7,580	10,573
Bonus units received from the fund (in numbers)	2,237,357	1,812



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	2014	2013
	..... (Rupees in '000) .....	
<b>Other Related Parties</b>		
Investment made	-	100,000
Sale of Government securities	81,065,553	103,354,439
Purchase of Government securities	37,081,269	16,547,636
Commission income	67,657	104,455
Purchase of vehicles	1,900	-
Acquisition of Ijara lease vehicle	1,438	-
Investment in right shares	1,083,500	-
Issuance of preference shares	12,243	-
Letter of guarantees	19,200	5,613
Sale of shares / units	179,244	-
Investment in TFCs issued by the Holding company	4,500	-
Contribution to staff provident fund trust	72,383	72,517
Contribution to staff benefit plan gratuity	1,289	-
Dividend income	253,941	226,390
Brokerage / commission / service income	1,614	7,793
Dividend paid	86,939	76,072
Royalty paid	29,900	9,900
Advisory fee paid	6,000	6,000
Rental income	13,908	497
Rent expense	399	-
Donation paid	8,000	-
Management fee sharing on distribution of mutual funds	10	10
Principal redemption against TFCs	27,669	71,321
Interest / markup earned	123,384	77,290
Interest / markup paid	291,197	265,691
Ijara rental expense	304	-
Other expenses incurred on behalf of related parties	6,041	973
Reimbursement of expenses from related parties	4,910	1,335
Advances disbursed	3,502,467	3,388,554
Advances repaid	3,234,705	3,233,372
Insurance premium paid	22,883	60,204
Insurance refund cancellation	1	15
Redemption of units	213,940	309,086
Redemption of investment	3,578	-
Advance against term finance certificates and share subscription	-	400,000
Proceeds against insurance claim / cancellation	190	5,426
Deposits in banks accounts	69,970,700	59,790,860
Withdrawals from bank accounts	70,667,935	58,222,580
Redemption of units (No. of Units)	1,332,576	3,018,653
Bonus Shares Received (No. of Shares)	5,683,847	3,023,563
Shares received against subscription of right shares (No. of shares)	148,350,000	-
Units Received (No. of Units)	-	975,277
Bonus Units Received (No. of Units)	209,763	65,013

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

### 48. 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	
	2014	2013	2014	2013	2014	2013
	(Rupees in '000)					
Managerial remuneration	5,615	6,800	31,295	26,762	482,189	387,581
House rent allowance	-	2,720	9,094	6,968	211,887	169,771
Utilities allowance	-	680	2,126	1,248	48,007	38,598
Car Allowance	-	-	929	570	17,780	71,630
Sub-brokerage, commission and performance bonus	-	-	2,070	-	2,615	2,495
Advisory and consultancy fee	6,000	9,433	-	-	-	-
Retirement benefits	-	680	2,060	2,200	84,180	59,646
Medical	-	83	1,686	1,928	9,081	7,622
Reimbursable expenses	-	123	15	354	1,121	1,519
Fee for attending meetings	3,736	4,093	-	-	-	-
	<u>15,351</u>	<u>24,612</u>	<u>49,275</u>	<u>40,030</u>	<u>856,860</u>	<u>738,862</u>
Number of persons	<u>14</u>	<u>15</u>	<u>4</u>	<u>4</u>	<u>432</u>	<u>349</u>

48.1 The Group also provides certain Chief Executives and Executives with Group maintained cars.

48.2 The Group has also paid Rs. 3.736 million (December 31, 2013: Rs. 4.03 million) to two non-executive directors as fee for directors/committee meetings.

### 49. OPERATING SEGMENT INFORMATION

For management purposes the Group is organised into following major business segments:

**Capital market & brokerage** Principally engaged in trading of equity securities, maintaining strategic and trading portfolios and earning share brokerage and money market, forex and commodity brokerage.

**Banking** Principally engaged in providing investment and commercial banking.

**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 and power generation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## For the year ended December 31, 2014

The following tables present revenue and profit information for the Group's operating segments for the year ended December 31, 2014 and 2013 respectively.

	CONTINUING OPERATIONS			DISCONTINUED OPERATIONS	TOTAL SEGMENTS	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED
	Capital Market & Brokerage	Banking	Investment Advisor/ Assets Manager Others				
<b>Year ended December 31, 2014</b>							
<b>Revenue</b>							
Segment revenues	1,333,995	13,703,541	902,515	1,744	16,093,126	(161,108)	15,932,018
Inter-segment revenues	(32,018)	(107,150)	(10,656)	-	(161,108)	161,108	-
<b>Total revenue</b>	<b>1,301,977</b>	<b>13,596,391</b>	<b>891,859</b>	<b>1,744</b>	<b>15,932,018</b>	<b>-</b>	<b>15,932,018</b>
<b>Results</b>							
Profit for the year	438,926	952,889	638,819	(7,539)	1,963,263	198,531	2,161,794

(Rupees in '000)

	CONTINUING OPERATIONS			DISCONTINUED OPERATIONS	TOTAL SEGMENTS	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED
	Capital Market & Brokerage	Banking	Investment Advisor/ Assets Manager Others				
<b>Year ended December 31, 2013</b>							
<b>Revenue</b>							
Segment revenues	1,311,749	8,257,392	1,050,675	50	10,699,108	(427,308)	10,271,800
Inter-segment revenues	(409,266)	(15,946)	(2,096)	-	(427,308)	427,308	-
<b>Total revenue</b>	<b>902,483</b>	<b>8,241,446</b>	<b>1,048,579</b>	<b>50</b>	<b>10,271,800</b>	<b>-</b>	<b>10,271,800</b>
<b>Results</b>							
Profit for the year	27,532	64,949	122,485	(3,887)	155,610	307,093	462,703

(Rupees in '000)

The following tables present assets and liabilities information for the Group's operating segments for the year ended December 31, 2014 and year ended December 31, 2013 respectively.

	CONTINUING OPERATIONS			DISCONTINUED OPERATIONS	TOTAL SEGMENTS	ADJUSTMENTS AND ELIMINATIONS	CONSOLIDATED
	Capital Market & Brokerage	Banking	Investment Advisor/ Assets Manager Others				
<b>Assets</b>							
December 31, 2014	26,217,461	176,716,817	2,617,244	-	207,017,850	(12,500,969)	194,516,881
December 31, 2013	17,827,650	112,733,583	1,917,843	3,536	133,521,166	(11,345,427)	122,175,739
<b>Liabilities</b>							
December 31, 2014	2,127,298	163,637,271	163,885	-	165,938,251	(1,616,801)	164,321,450
December 31, 2013	1,522,844	103,799,690	120,180	80,270	105,534,114	(2,459,241)	103,074,873

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

	2014	2013
	..... (Rupees in '000) .....	
<b>50. GEOGRAPHIC INFORMATION</b>		
<b>Revenues from external customers</b>		
Pakistan	15,930,274	10,231,885
Cayman Islands Section B.W.I	-	33,467
United Kingdom	-	6,401
	<u>15,930,274</u>	<u>10,271,753</u>
<b>Non-current assets</b>		
Pakistan	2,536,745	2,392,275
United Kingdom	392	1,132
	<u>2,537,137</u>	<u>2,393,407</u>

Non-current assets consist of property and equipment, investment properties, intangible assets and membership cards and rooms.

### 51. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on March 05, 2015 by the Board of Directors of the Holding Company.

### 52. RECLASSIFICATIONS

52.1 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	To
i) Provision for Workers' Welfare Fund	10,027	Other provisions / write offs	Other charges
ii) Provision for taxation	64,804	Provision for taxation	Advance tax
iii) Derivative financial assets	3,704	Trade debts	Other receivables
iv) Long term investments	13,081,793	Short term investment	Long term investments
v) Current accounts - Non-remunerative	22,146,983	Long-term deposits and other accounts	Current accounts and current portion of
vi) Assets classified as held for sale	21,823	Short term prepayments, deposits and other receivables	Assets classified as held for sale

### 53. GENERAL

53.1 Figures have been rounded off to nearest thousand rupee.

Chief Justice (R) Mahboob Ahmed  
Chairman

Suleman Lalani  
Chief Executive



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

## 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	Buyers' particulars
	----- Rupees in '000 -----						
Office premises	1,041	577	464	1,632	1,168	Negotiation	Mian Darwaish
<u>Vehicles</u>							
Honda Civic	1,893	1,010	883	1,350	467	Negotiation	Wasim Mirza 44204-4438942-7 House No 292 Shahdadpur
Toyota Corolla	1,414	1,273	141	1,046	905	Negotiation	Saqib Arooj Hasmi 35202-5444033-9 House No.4 Zam Zama street Choubregy Lahore
Toyota Corolla	1,529	790	739	1,529	790	Negotiation	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Honda Civic	2,326	426	1,900	2,000	100	Negotiation	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Suzuki Cultus	856	499	357	761	404	Negotiation	Asim Mumtaz 35202-6560898-7 House No 393 Block B II Johar Town Lahore
Toyota Corolla	1,384	1,292	92	942	850	Negotiation	Sultan Hassan 42101-1926350-5 House No 908/12 F B Area Karachi
Toyota Corolla	1,529	968	561	1,152	591	Negotiation	Khurram Mehmood 422017-920676-1 House No B-125 Zainab Arcade Khalid Bin Waleed Road Karachi
Toyota Corolla	1,529	968	561	1,242	681	Negotiation	Zahid Qadri 42101-1674749-5 House No 15-A-4 R-536 Buffer Zone Karachi
Toyota Corolla	1,529	968	561	1,450	889	Negotiation	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Toyota Corolla	1,608	697	911	1,525	614	Insurance Claim	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Honda CD 70	70	50	65	70	5	Negotiation	Mr. Rashid Mansur 35201-5893032-9 100-K, Phase I, Defence Housing Authority Lahore - Pakistan.
Mercedes Benz	1,438	-	1,438	7,000	5,562	Negotiation	Mr. Rashid Mansur 35201-5893032-9 100-K, Phase I, Defence Housing Authority Lahore - Pakistan.
<u>Electrical, office and computer equipment</u>							
Generator	1,175	747	428	200	(228)	Insurance Claim	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Generator	735	482	253	95	(158)	Insurance Claim	EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
UPS	592	278	314	325	11		Farrukh Engineering 1st Floor Plot no.12 Block 16 Gulshan-e-Iqbal Main University Road
Others	18,520	15,324	3,197	7,391	4,194		

# Pattern of Shareholding

As of December 31, 2014

**FORM 34**  
**THE COMPANIES ORDINANCE, 1984 [SECTION 236(1) AND 464]**

No. of Shareholders	Shareholding				Total Shares Held	
1247	Shareholding	From	1	To	100	40,693
1960	Shareholding	From	101	To	500	777,430
1853	Shareholding	From	501	To	1000	1,708,753
3809	Shareholding	From	1001	To	5000	10,685,780
1254	Shareholding	From	5001	To	10000	9,983,534
1520	Shareholding	From	10001	To	50000	36,439,316
290	Shareholding	From	50001	To	100000	21,899,061
199	Shareholding	From	100001	To	250000	32,460,059
67	Shareholding	From	250001	To	500000	23,491,276
37	Shareholding	From	500001	To	1000000	26,337,544
1	Shareholding	From	1000001	To	1005000	1,002,500
1	Shareholding	From	1095001	To	1100000	1,100,000
1	Shareholding	From	1105001	To	1110000	1,107,997
1	Shareholding	From	1125001	To	1130000	1,125,004
1	Shareholding	From	1170001	To	1175000	1,171,519
1	Shareholding	From	1200001	To	1205000	1,203,000
1	Shareholding	From	1220001	To	1225000	1,225,000
1	Shareholding	From	1230001	To	1235000	1,230,500
1	Shareholding	From	1325001	To	1330000	1,325,100
1	Shareholding	From	1495001	To	1500000	1,500,000
1	Shareholding	From	1625001	To	1630000	1,629,000
1	Shareholding	From	1795001	To	1800000	1,800,000
1	Shareholding	From	1930001	To	1935000	1,934,560
1	Shareholding	From	1995001	To	2000000	2,000,000
1	Shareholding	From	2155001	To	2160000	2,159,500
1	Shareholding	From	2695001	To	2700000	2,700,000
1	Shareholding	From	2910001	To	2915000	2,913,500
1	Shareholding	From	2995001	To	3000000	3,000,000
1	Shareholding	From	3075001	To	3080000	3,075,500
1	Shareholding	From	3640001	To	3645000	3,643,500
1	Shareholding	From	3745001	To	3750000	3,748,765
1	Shareholding	From	3835001	To	3840000	3,837,000
1	Shareholding	From	3995001	To	4000000	4,000,000
1	Shareholding	From	4595001	To	4600000	4,600,000
1	Shareholding	From	4650001	To	4655000	4,652,000
1	Shareholding	From	7135001	To	7140000	7,136,869
1	Shareholding	From	17805001	To	17810000	17,809,897
1	Shareholding	From	19995001	To	20000000	20,000,000
1	Shareholding	From	22850001	To	22855000	22,855,000
1	Shareholding	From	26345001	To	26350000	26,347,000
1	Shareholding	From	43365001	To	43370000	43,367,582
1	Shareholding	From	75030001	To	75035000	75,031,500
1	Shareholding	From	329230001	To	329235000	329,230,084
<u>12269</u>						<u>763,285,323</u>

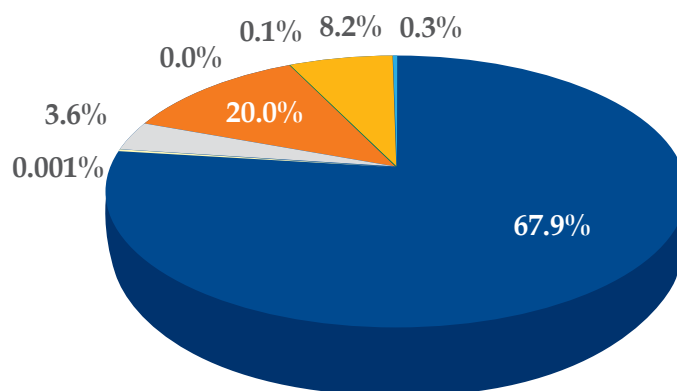


# Pattern of Shareholding

As of December 31, 2014

## FORM 34 THE COMPANIES ORDINANCE, 1984 [SECTION 236(1) AND 464]

S NO.	CATEGORY OF SHAREHOLDER	NUMBER OF SHAREHOLDER	TOTAL	PERCENTAGE
1	INDIVIDIAULS	12,094	518,408,970	67.9%
2	INVESTMENT COMPANES	1	4,324	0.001%
3	ISURANCE COMPANIES	6	27,386,150	3.6%
4	JOINT STOCK COMPANIES	131	152,427,002	20.0%
5	FINANCIAL INSTITUTIONS	6	99,366	0.01%
6	MODARABA AND MUTUAL FUNDS	4	446,087	0.1%
7	FOREIGN INSTITUTIONS	13	62,428,555	8.2%
8	OTHERS	14	2,084,869	0.3%
<b>TOTAL</b>		<b>12,269</b>	<b>763,285,323</b>	<b>100.0%</b>



- Individuals
- Investment Companies
- Insurance Companies
- Joint Stock Companies
- Financial Institutions
- Modaraba and Mutual Funds
- Foreign Institutions
- Others



# Pattern of Shareholding

As of December 31, 2014

## 1. DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN

### NAME

SULEMAN LALANI

MR. SAUD AHMED

ALI HUSSAIN

MR. STEPHEN CHRISTOPHER SMITH

MR. ASAD AHMED

ALI JEHANGIR SIDDIQUI

MAHBOOB AHMED

NASEEM MAHBOOB

MR. MUNAWAR ALAM SIDDIQUI

TOTAL

## NO. OF SHARES HELD      Percentage%

216,096

100

500

17

1

320,122

732,439

235,732

6

1,505,013

0.20

## 2. ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES.

EFU SERVICES (PRIVATE) LTD.

SAJ CAPITAL MANAGEMENT LTD

EFU LIFE ASSURANCE LTD

EFU GENERAL INSURANCE LIMITED

JS GLOBAL CAPITAL LIMITED - MF

JAHANGIR SIDDIQUI & SONS LIMITED

JAHANGIR SIDDIQUI SECURITIES SERVICES LIMITED

TOTAL

94,539

43,367,582

7,136,869

17,809,897

2,159,500

75,031,500

26,347,000

171,946,887

22.53

## 3. NIT AND ICP

IDBL (ICP UNIT)

4,324

0.00

## 4. BANKS, DEVELOPMENT FINANCIAL INSTITUTIONS & NON BANKING FINANCE COMPANIES

BANKS

NON-BANKING FINANCE COMPANIES

TOTAL

92,634

6,732

99,366

0.00

## 5. INSURANCE COMPANIES (OTHER THEN DISCLOSED IN "2" ABOVE)

INSURANCE COMPANIES

2,439,384

0.32

## 6. MODARABAS AND MUTUAL FUNDS

MODARABAS

MUTUAL FUNDS

CDC - TRUSTEE ASKARI EQUITY FUND

CDC - TRUSTEE AKD INDEX TRACKER FUND

TOTAL

8,584

350,000

87,503

446,087

0.06

## 7. SHAREHOLDERS HOLDING SHARES 5% OR MORE (OTHER THEN DISCLOSED IN "2" ABOVE)

JAHANGIR SIDDIQUI

JAHANGIR SIDDIQUI & SONS LIMITED

TOTAL

329,230,084

75,031,500

404,261,584

52.96

## 8. EXECUTIVES

EMPLOYEES OF THE COMPANY OTHER THAN CEO AND DIRECTORS

7,720

0.00

# Form of Proxy

## 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./ Ms. \_\_\_\_\_ of \_\_\_\_\_ (Folio No./CDC A/c No.) \_\_\_\_\_ or failing him/her Mr./ Mrs./ Ms. \_\_\_\_\_ 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 23rd Annual General Meeting of the Company to be held on April 08, 2015 and / or any adjournment thereof.

As witness my / our hand / seal this \_\_\_\_ day of \_\_\_\_\_ 2015.

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:

1. 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.
2. This proxy form, duly completed and signed, must be received at the Office of the Company situated at 6th Floor, Faysal House, Shahrah-e-Faisal, Karachi, not less than 48 hours before the time of holding meeting.
3. 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.
4. If member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
5. Beneficial Owner of physical shares and the shares registered in the name of Central Depository Company of Pakistan Limited (CDC) and/or their proxy are required to produce their original Computerized National Identity Card 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.

The Company Secretary  
**Jahangir Siddiqui & Co. Ltd.**  
6<sup>th</sup> Floor, Faysal House,  
Shahra-e-Faisal  
Karachi- 75530

AFFIX  
CORRECT  
POSTAGE



**Jahangir Siddiqui & Co. Ltd.**

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Shahra-e-Faisal,  
Karachi-75530, Pakistan  
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